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

Consolidated Financial Statements for the year ended 31 December 2023, prepared in accordance with International Financial Reportings 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 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 España Real Estate SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in 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 2023, 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 2023, the portfolio of property assets was valued at EUR 1,313 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 property 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, obtaining the appraisal reports of the experts engaged by the Group to value the property portfolio in its entirety, and evaluating the competence, capability and objectivity of the experts and the adequacy of their work for use as audit evidence. In this connection, with the assistance of our internal valuation experts, we:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged by Group management;
- reviewed all of the valuations, evaluating, in conjunction with our internal experts, the most significant assessed risks, including the occupancy rates and expected returns on the property assets. On conducting that review, we took into account the information available on the industry and transactions with property assets similar to the property asset portfolio owned by the Group; and
- held meetings with the experts engaged by the Group in order to check the findings of our work and obtain the necessary explanations.

We also analysed and concluded on the appropriateness 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 2023.

Compliance with the REIT tax regime

Description	Procedures applied in the audit
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 applicability of the REIT tax regime is conditional upon compliance with certain requirements in relation, inter alia, to company name and object, minimum share capital, the obligation to distribute the profit of each year in the form of dividends and the trading of the entity's shares on a regulated market, as well as other requirements such as the investments made and the nature of the income earned each year, predominantly, which requires significant judgements and estimates to be made by management, since failure to comply with any of these requirements will lead to the loss of entitlement to the special tax regime unless the cause of the non-compliance is rectified the following year. Therefore, compliance with the REIT 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 regime.	Our audit procedures included, among others, obtaining and reviewing the documentation prepared by Group management, with the support of its tax advisers, relating to compliance with the obligations associated with this special tax regime, including the documentation relating to the estimate made by the Directors in relation to compliance with the income test in 2024 (see Note 21a.v) to the consolidated financial statements), and we involved our internal experts from the tax area, who assisted us in analysing 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 for 2023 contained 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 its subsidiaries.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated Directors' report for 2023, 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, in accordance with the audit regulations in force, consists of:

a) Solely checking that certain information included in the Annual Corporate Governance Report and the Annual Directors' Remuneration Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated Directors' report is consistent 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 section 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 above, we observed that the information described in section a) above had been furnished as provided for in the applicable legislation and that the other information in the consolidated Directors' report was consistent with that contained in the consolidated financial statements for 2023 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and 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 the 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 files in European Single Electronic Format (ESEF) of Lar España Real Estate SOCIMI, S.A. and subsidiaries for 2023, which comprise the XHTML file including the consolidated financial statements for 2023 and the XBRL files with the tagging performed by the entity, 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 2023 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). In this regard, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the consolidated Directors' report.

Our responsibility is to examine the digital files prepared by the Parent'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 consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, 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 28 February 2024.

Engagement Period

The Annual General Meeting held on 31 March 2023 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2022.

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 ROAC under no. S0692

Carmen Barrasa Ruiz
Registered in ROAC under no. 17962

28 February 2024

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 2023 period

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

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

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(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	31.12.2023	31.12.2022
Intangible fixed assets		1	1
Investment property	7	1,312,956	1,199,898
Equity-accounted investees		1,458	1,450
Non-current financial assets	10	13,949	11,868
Trade and other long-term receivables	10.11	3,541	5,615
Total non-current assets		**1,331,905**	**1,218,832**
Non-current assets held for sale	9	—	287,964
Trade and other receivables	10.11	9,931	11,744
Other current financial assets	10	3	3
Other current assets		2,080	2,594
Cash and cash equivalents	12	244,218	197,141
Total current assets		**256,232**	**499,446**
Total assets		**1,588,137**	**1,718,278**

The accompanying Notes 1 to 31 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2023.

(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	31.12.2023	31.12.2022
Capital	13	167,386	167,386
Issue premium	13	415,303	452,924
Other reserves and other contributions	13	266,441	205,773
Retained earnings	13.14	36,789	72,921
Treasury shares	13	(371)	(250)
Total net equity		**885,548**	**898,754**
Financial liabilities from issue of bonds and other marketable securities	15.16a	577,542	694,434
Bank borrowings	15, 16b	69,950	69,936
Deferred tax liabilities	20	12,990	15,578
Other non-current liabilities	15.17	19,784	17,480
Total non-current liabilities		**680,266**	**797,428**
Liabilities connected to non-current assets held for sale	9	—	5,738
Financial liabilities from issue of bonds and other marketable securities	15.16a	3,113	3,985
Bank borrowings	15, 16b	185	185
Other financial liabilities	15	107	12
Trade and other payables	15,18,20	18,918	12,176
Total current liabilities		**22,323**	**22,096**
Total net equity and liabilities		**1,588,137**	**1,718,278**

The accompanying Notes 1 to 31 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2023.

(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	2023	2022
Revenue	6.22	91,355	80,228
Other income		3,556	3,363
Employee benefits expense	25	(802)	(928)
Other operating expenses	23	(28,320)	(22,639)
Changes in the fair value of investment property	7.9	(40,350)	32,575
Profit and loss from the disposal of investment property	9	(405)	—
Operating profit/(loss)		**25,034**	**92,599**
Financial income	24	4,562	886
Financial expenses	24	(14,394)	(16,201)
Impairment and gains/(losses) due to disposal of financial instruments	16a, 24	20,458	—
Changes in the fair value of financial instruments	12.24	—	(4,336)
Share in profit (loss) for the period of equity-accounted investees		8	(27)
Profit for the period from continuing operations		**35,668**	**72,921**
Tax on profits	20	1,121	—
Profit for the period		**36,789**	**72,921**
Basic earnings per share (in Euros)	14	0.44	0.87
Diluted earnings per share (in Euros)	14	0.44	0.87

Consolidated Statement of Comprehensive Income		2023	2022
Profit for the period (I)	26	36,789	72,921
Other Comprehensive Income Directly Recognised in Net Equity (II)		—	—
Other Amounts Transferred to the Income Statement (III)		—	—
Total Comprehensive Income (I+II+III)		**36,789**	**72,921**

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 2023.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Changes in Net Equity for the period ended
31 December 2023

(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	Total net equity
Balance at 31 December 2021	167,386	466,176	196,663	240	25,782	(860)	855,387
Total income and expenses recognised in the period	—	—	—	—	72,921	—	72,921
Transactions with shareholders or owners:							
Capital decreases	—	—	—	—	—	—	—
Distribution of profit:							
To reserves	—	—	9,069	—	(9,069)	—	—
To dividends (Note 13e)	—	—	—	—	(16,713)	—	(16,713)
Return of the issue premium (Notes 13b and e)	—	(13,252)	—	—	—	—	(13,252)
Treasury shares (Note 13d)	—	—	(199)	—	—	610	411
Other operations	—	—	—	—	—	—	—
Balance at 31 December 2022	167,386	452,924	205,533	240	72,921	(250)	898,754
Total income and expenses recognised in the period	—	—	—	—	36,789	—	36,789
Transactions with shareholders or owners:							
Distribution of profit:							
To reserves	—	—	60,587	—	(60,587)	—	—
To dividends (Note 13e)	—	—	—	—	(12,334)	—	(12,334)
Return of the issue premium (Notes 13b and e)	—	(37,621)	—	—	—	—	(37,621)
Treasury shares (Note 13d)	—	—	81	—	—	(121)	(40)
Balance at 31 December 2023	167,386	415,303	266,201	240	36,789	(371)	885,548

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 2023.

(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	2023	2022
A) Cash flows from/(used in) operating activities		**68,809**	**59,292**
Profit/(loss) for the period before tax		*35,668*	*72,921*
Adjustments to the profit/(loss)		*29,603*	*(12,255)*
Profits/(Losses) from adjustments to the fair value of investment property	7	40,350	(32,575)
Impairment adjustments to commercial transactions	11a	292	642
Impairment adjustments to financial instruments	24	—	—
Financial income	24	(4,562)	(886)
Financial expenses	24	14,394	16,201
Impairment and gains/(losses) due to disposal of financial instruments	16a, 24	(20,458)	—
Changes in the fair value of financial instruments		—	4,336
Share in profits/(losses) in associates' periods		(8)	27
Profit/(loss) from the disposal of investment property	9	(405)	—
Changes in working capital		*12,689*	*15,366*
Trade and other receivables		4,858	17,775
Other current assets		4,961	(3,106)
Other current and non-current assets and liabilities		161	(134)
Trade and other payables		2,618	815
Other current liabilities		91	16
Other cash flows from operating activities		*(9,151)*	*(16,740)*
Interest paid	16	(12,691)	(17,399)
Interest collections		3,540	659
B) Cash flows from/(used in) investing activities		**120,484**	**(16,775)**
Investment payments		*(7,854)*	*(16,775)*
Investment property	7	(7,854)	(16,775)
Proceeds from sales on investments and dividends		*128,338*	—
Disposal of investment property	9	128,338	—
C) Cash flows from/(used in) financing activities		**(148,537)**	**(152,254)**
Amounts receivable and payable for equity instruments		*(40)*	*411*
Acquisition/disposal of equity instruments	13d	(40)	411
Payments made and received for financial liability instruments		*(98,542)*	*(122,700)*
Return and amortization of Debentures and other marketable debt securities	16	(98,542)	(122,700)
Payments relating to dividends and remuneration from other equity			
Dividend payments	13e	(49,955)	(29,965)
D) Transfer of cash and cash equivalents in non-current assets held for sale	9	6,321	(6,321)
E) Net increase/decrease in cash and cash equivalents		**47,077**	**(116,058)**
F) Cash and cash equivalents at the beginning of the period		197,141	313,199
G) Cash and cash equivalents at the end of the period		244,218	197,141

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 2023.

(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, as well as that of all Group companies, is located at calle María de Molina 39, 28006 Madrid (Spain).

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 Law 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., the latter two having been wound up in 2023) are regulated by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December and Law 11/2021 of 9 July, 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 the profits from dividends or shares in profits distributed by the entities referred to in article 2.1 of Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December and Law 11/2021, of 9 July.

   b) At least 50% of the profits derived from the transfer of the properties and shares or investments referred to in Article 2.1 of Law 11/2009, made after the periods referred to in Article 3.2 of Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December and Law 11/2021, of 9 July, assigned to the fulfilment of its main statutory activity, 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 Law 11/2009, of 26 October, as amended by Law 16/2012 of 27 December and Law 11/2021 of 9 July, 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 (Note 21a.v).

(2) BASIS OF PRESENTATION

(a) Regulatory framework for financial reporting

The accompanying consolidated financial statements for the period ended 31 December 2023 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 and Law 11/2021, of 9 July, 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 2023 and the consolidated financial performance, changes in consolidated cash flows and changes in consolidated net equity for the 2023 period, these consolidated financial statements have been prepared applying the regulations in force at 31 December 2023.

(b) Functional and presentation currency

The figures disclosed in the consolidated financial statements for the period ended 31 December 2023 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 2023 is presented for comparative purposes together with the information related to the 2022 period.

The same main accounting criteria were applied in the 2023 and 2022 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, except as described in Note 2e.

(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 and non-current assets held for sale by applying valuation models (Note 5a, 7 and 9).
- The evaluation of compliance with the requirements that regulate SOCIMIs (Notes 1, 20 and 21a.v).
- Valuation adjustment for customer insolvencies (Notes 5c and 21).
- Assessment of provisions and contingencies (Note 5j and 20d).
- Financial risk management (Note 21).

(ii) *Changes in accounting estimates*

Although estimates are calculated by the Parent Company's Directors based on the best information available at 31 December 2023, 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 2023

The following mandatory standards and interpretations already adopted by the European Union entered into force in 2023 and, where applicable, have been used by the Group to prepare the accompanying consolidated financial statements for the 2023 period:

Mandatory application in annual periods beginning on or after 1 January 2023

– IFRS 17 "Insurance Contracts and the amendments thereto"·: This replaces IFRS 4, which covers the principles for the recognition, valuation, 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 statements.

– 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: Amendment to the transition requirements of IFRS 17 for insurance companies applying IFRS 17 and IFRS 9 simultaneously for the first time.

– Amendment to IFRS 12 Tax reform: Modification of the mandatory temporary relief from the recognition of deferred taxes in IAS 12 related to the entry into force of the international tax Pillar 2 model.

  This amendment has not had any impact on these annual accounts as the Group carries out 100% of its operations in Spain.

There is no accounting policy or valuation criterion that, having a significant effect on the consolidated financial statements, has not been applied.

(f) Standards and interpretations but not effective at 1 January 2023

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.

Mandatory application in annual periods beginning on or after 1 January 2024

– Amendment to IFRS 16 "Liability for Lease in a sale with leaseback": This amendment clarifies the subsequent accounting for lease liabilities arising on sale and leaseback transactions.

Similarly, the following published standards, amendments and interpretations were not in force in 2023 and were yet to be approved for use in the EU:

- Amendment to IAS 1 "Classification of Liabilities as Current or Non-current and those subject to covenants": Clarifications regarding the presentation of liabilities as current or non-current, and in particular those with maturities conditional on compliance with covenants.

- Amendment to IAS 7 and IFRS 7 "Supplier Finance Arrangements": This amendment includes disclosure requirements specific to supplier finance arrangements and their effects on the company's liabilities and cash flows including liquidity risk and associated risk management.

- Amendment to IAS 21 "Lack of Exchangeability": This amendment establishes an approach that specifies when one currency can be exchanged for another, and if not, determining the exchange rate to be used.

The Group is currently assessing the impacts that the future application of the standards with a mandatory application date from 1 January 2024 may have on the consolidated financial statements once they come into force, although these impacts are not expected to be significant.

(g) Impact of geopolitical instability on the financial statements

The COVID-19 health crisis, the main effects of which unfolded in 2020 and 2021, had a very limited impact on the Group's operations in 2022 and 2023.

In this regard, the recognition of rent on a straight-line basis derived from the rent concession negotiations as a result of the pandemic, and the volume of receivables generated, decreased significantly in 2022 and 2023, with the overall impact and the average collection period returning to normal levels (Note 11).

(h) Impact on the consolidated financial statements of current military conflicts

In recent years, various armed conflicts have erupted in different parts of the world increasing global geopolitical pressure. In February 2022, Russia's invasion of Ukraine began, leading to a war between the two countries, and in October 2023, the Israeli-Palestinian conflict in the Gaza Strip began. The consequences of both conflicts are still uncertain.

The Company's directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have a direct impact on its financial statements, since all its operations are domestic, and it does not depend on any raw materials that could be affected by cuts in supplies.

However, this situation has generated an increase in uncertainty in global markets and a sharp rise in the cost of energy and other natural resources, particularly in Europe, which, in conjunction with other factors, has translated into an increase in inflation and the cost of living in the Spanish macroeconomic environment, leading to a rise in interest rates by the European Central Bank in response to this context.

This situation and its potential indirect impact on the Group is being monitored by the Management and the Directors. Lease rents are indexed to the CPI and were revised in 2023. On the other hand, the activity of shopping centres and retail parks is monitored in order to identify possible decreases in footfall and/or consumption levels that could affect tenant effort rates.

Similarly, the independent third party experts engaged by the Group have taken into consideration the economic situation at period close in determining the fair value of the Group's investment property, although this may be affected by rapid changes in market circumstances caused by global geopolitical and economic impacts. The details of the main assumptions used in the valuations in December 2023 and December 2022, 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.

Given the existing geopolitical uncertainty and volatility, the Directors and the Company's Management continue to constantly monitor the evolution of the conflict and its consequences, in order to successfully deal with possible future impacts that may occur.

(3) DISTRIBUTION OF PROFITS

The proposal for distributing the Parent Company's profits for the 2023 period and issue premium to be presented to the General Shareholders' Meeting is the following:

	Euros
Basis of allocation	
Profit for the period	68,634,491.61
Issue premium	4,395,957.55
Distribution of profit	
Legal reserve	6,863,449.16
Dividends	66,167,000.00

The proposed distribution of profit and issue premium is €0.7906 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 2023.

(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 when it has substantive rights in force that give it the ability to control 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) Homogenisation of 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 2023, 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

On Appendix I of these consolidated financial statements, provides relevant information regarding the Group companies that were consolidated as of that date and those that were consolidated using the equity method on 31 December 2023 and 2022.

In this sense, during the period ended 31 December 2023 and 31 December 2022 the composition of the scope of consolidation was as follows:

2023 Period

Name	Incorporation	Activity	% Stake	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. *(i)*	On acquisition	Property development	50%	Stake
LE Logistic Alovera I y II, S.A.U. (*)	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. (*)	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U. (*)	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.	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.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Sagunto II, S.L.U.	Incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U. (*)	Incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Txingudi, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation

LE Offices Marcelo Spínola 42, S.L.U. (*)	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 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 for lease	100%	Full consolidation

(*) On 21 December 2023 the companies LE Logistic Alovera I y II, S.A.U., LE Logistic Alovera III y IV, S.A.U., LE Logistic Almussafes, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Galaria, S.L.U., LE Retail Villaverde, S.L.U., LE Retail Alisal, S.L.U., LE Offices Eloy Gonzalo 27, S.A.U., Lar España Inversión Logística IV, S.L.U., LE Offices Marcelo Spinola 42, S.L.U., and LE Retail Córdoba Sur, S.L.U. were dissolved and wound up, having been idle since the real estate assets they owned had been disposed of in prior years.

2022 Period

Name	Incorporation	Activity	% Stake	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. *(i)*	On acquisition	Property development	50%	Stake
LE Logistic Alovera I y II, S.A.U.	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.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U.	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.	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.	Incorporation	Leasing of property	100%	Full consolidation

Name	Incorporation	Activity	% Stake	Consolidation method
LE Retail Sagunto II, S.L.U.	Incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U.	Incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Txingudi, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	Incorporation	Leasing of property	100%	Full consolidation
LE Offices Marcelo Spínola 42, S.L.U.	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 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 for lease	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.

New exclusions from the scope of consolidation in 2023

On 21 December 2023 the companies LE Logistic Alovera I y II, S.A.U., LE Logistic Alovera III y IV, S.A.U., LE Logistic Almussafes, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Galaria, S.L.U., LE Retail Villaverde, S.L.U., LE Retail Alisal, S.L.U., LE Offices Eloy Gonzalo 27, S.A.U., Lar España Inversión Logística IV, S.L.U., LE Offices Marcelo Spinola 42, S.L.U., and LE Retail Córdoba Sur, S.L.U, were dissolved and wound up, having been idle since the real estate assets they owned had been disposed of in prior years.

This dissolution had no impact on the Consolidated Statement of Comprehensive Income at 31 December 2023.

There were no changes to the composition of the Group in the 2022 period.

(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 depreciation and, where appropriate, impairment losses. These assets are depreciated over 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 tenant 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, as indicated in Note 5k.

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 2023, 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 tenants 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.

For trade receivables, the Group determines the expected credit losses over the entire life of the financial assets taking into account collective information, as all financial assets consist of lease receivables, and on an individualised basis. 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) 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 financial instruments and other assets and liabilities 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).

At 31 December 2023 the Group has no financial assets and liabilities measured at fair value.

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

(e) 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.

(f) 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 and Law 11/2021, of 9 July, 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 distribution agreement.

(g) 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.

(h) Employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, for which the Group recognises the expected cost of profit-sharing or employee incentive plans when there is a present legal or constructive obligation as a result of past events and a reliable estimate can be made of the value of the obligation.

(i) 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.

(j) 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.

(k) Recognition of revenue

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

Operating lease income is recognised as income on a straight-line basis over the lease term.

For rent concessions agreed with lessees that include other amendments to the lease (such as extending the term of the lease), the contract modification requirements of IFRS 16 are considered to apply. Therefore, these rent concessions are recognised on a straight-line basis over the remaining term of the leases, reducing the gross income recorded under “Revenue” in the accompanying consolidated statement of comprehensive income.

In relation to modifications to lease contracts in which the lessor forgives rent of the lessee, this comprising the only change to the lease agreement and there being no further negotiation between lessor and lessee, in accordance with the IFRIC Interpretation, at the date of forgiveness the derecognition requirements of IFRS 9 apply to the forgiven lease payments recognised as a receivable and the modification requirements of IFRS 16 apply to the forgiven lease payments not recognised as a receivable.

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

(l) 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 revenue originate from the lease of these investment properties to third parties.

Revenue 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 tenants. 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.

Invoicing to tenants includes re-invoicing for common expenses (community, services related to property management, 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 attached Consolidated Statement of Comprehensive Income, given that the Company is acting as an agent on behalf of its tenants, as it does not control the services supplied to the tenants.

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

(m) 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 revenue 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.

(n) Tax on profits

(i) *General regime*

The income tax expense or income includes the part related to the current income tax expense or tax income and the portion 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 corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as those amounts that are expected to be payable or recoverable, arising from differences between the carrying amounts of assets and liabilities and their tax bases, and the tax loss carryforwards of compensation and credits for tax relief not fiscally applied. 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., which on 21 December 2023, the latter two having been dissolved and wound up as they had been idle since the real estate assets they owned had been disposed of in prior years (Note 4f).

(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. and LAR España Inversión Logística IV, S.L., the latter two having been wound up in 2023) (Note 4f), file tax returns under the special regime for SOCIMIs. This tax regime, following the amendment introduced by Law

16/2012, of 27 December and Law 11/2021 of 9 July, is based on paying a corporate income tax rate of 0%, provided certain requirements are met (Note 1).

Pursuant to Article 9 of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December and Law 11/2021 of 9 July, 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, amended 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

Revenue 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

The Group's investment policy and its operations are focused on shopping centres and retail parks, and therefore at 31 December 2023 and 2022 it will have a single operating segment, as this classification is used as a measure of performance and is considered more relevant in the assessment of segment results in relation to other groups operating in the same business.

(b) Geographical segments

Revenue per geographical segment is presented on the basis of the geographic location of the assets.

The table below summarises revenues for each of the assets owned by the Group in each geographical region:

	Thousands of Euros			
	31 December 2023		31 December 2022	
	Revenue	%	Revenue	%
Andalusia	17,521	19.18	14,760	18.40
Basque Country	17,010	18.62	14,508	18.08
Community of Valencia	14,993	16.41	13,051	16.28
Galicia	14,375	15.73	12,808	15.96
Castile-La Mancha	10,326	11.30	8,610	10.73
Castile and León	8,005	8.76	7,269	9.06
Catalonia	6,615	7.24	5,826	7.26
Community of Madrid	2,510	2.76	3,396	4.23
	91,355	100.00	80,228	100.00

The Group carries out its activity entirely in Spain, with all its assets located in Spain.

(7) INVESTMENT PROPERTY

At 31 December 2023, investment property owned by the Group mainly comprises 9 shopping centres and 3 business parks, 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 2023 and 31 December 2022:

	Thousands of Euros	
	Investment property	
	31.12.2023	31.12.2022
Shopping centres and business parks	1,312,956	1,199,898
	1,312,956	1,199,898

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 2023 and 2022 were as follows:

	Thousands of Euros		
	31.12.2023	31.12.2022	
Balance at the beginning of the period	1,199,898	1,423,848	
Additions for the period	7,854	16,775	
Transfers of non-current assets held for sale (Note 5s and 9)	145,350	(273,300)	-
Changes in fair value	(40,146)	32,575	
Balance at the end of the period	1,312,956	1,199,898	
Fair value	1,312,956	1,199,898	

Additions and changes to the scope

2023 Period

Type of asset	Name	Thousands of Euros Additions
Shopping Centre	As Termas (a)	1,948
Shopping Centre	Gran Vía de Vigo (a)	1,607
Business Park	El Rosal (a)	880
-	Improvements to other assets and fit-outs	3,419
		7,854

(a) Amounts corresponding mainly to the refurbishment of the real estate assets of As Termas, Gran Vía de Vigo and El Rosal.
(b) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

2022 Period

Type of asset	Name	Thousands of Euros Additions
Shopping Centre	Gran Vía de Vigo (a)	5,463
Shopping Centre	Megapark (a)	3,957
Business Park	Rivas (a)	1,633
Shopping Centre	Lagoh (a)	1,433
-	Improvements to other assets and fit-outs	4,289
		16,775

(a) The amounts mainly correspond to renovations performed on the Gran Vía de Vigo, Megapark, Rivas and Lagoh 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.

The investment commitments associated with investment property amount to EUR 1,377 thousand as at 31 December 2023 (EUR 1,880 thousand as at 31 December 2022).

At 31 December 2022, the retail parks and shopping centres owned by the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Vistahermosa, S.L.U., LE Retail Rivas, S.L.U., LE Retail Abadía, S.L.U and LE Retail Sagunto II, S.L.U were classified as "Non-current assets held for sale". Of these assets, during the last quarter of 2023, the assets of the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Abadía, S.L.U., and LE Retail Sagunto II, S.L.U. were reclassified once more as the Group's Board of Directors approved the interruption of their sale process, which is not expected to take place in the short term (Note 9).

Disclosures on the fair value of investment property

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

	Thousands of Euros			
	2023			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres and single-tenant commercial				
– Land	312,157	—	—	312,157
– Buildings	1,000,799	—	—	1,000,799
Total assets measured recurrently at fair value	1,312,956	—	—	1,312,956

	Thousands of Euros			
	2022 (*)			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres and single-tenant commercial				
– Land	275,052	—	—	275,052
– Buildings	924,846	—	—	924,846
Total assets measured recurrently at fair value	1,199,898	—	—	1,199,898

(*) Excluding the land and buildings of the Vidanova Parc, Vistahermosa, Rivas, Abadía shopping centres and business parks and the Vidanova petrol station and plot, which were classified as held for sale at 31 December 2022, amounting to EUR 50,525 thousand and EUR 222,777 thousand, respectively, and which were also classified as Level 3.

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

At 31 December 2023 and 2022, details of the gross leasable area and occupancy rate by line of business are as follows:

	Square metres			
	2023		2022 (*)	
	Gross leasable area	Occupancy rate	Gross leasable area	Occupancy rate
Shopping centres and single-tenant commercial properties	480,226	97.09%	391,504	95.66%

(*) Excluding the square metres of the Vidanova Parc, Vistahermosa, Rivas and Abadía shopping centres and business parks, which were classified as held for sale at 31 December 2022, with a total of 158,887 square metres and an occupancy rate of 99%.

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, taking into account, among others, the updates of the CPI and the schedule of rent updates and expiries of contracts, and expenses of the real estate assets.

The key significant variables in this method are the determination of the projected rents, the rate of return ("exit yield") used for the residual value and the discount rate determined to discount the cash flows obtained.

In relation to projected rents, each of the lease contracts in force at the end of the period is taken into consideration, which generally include annual increases based on the CPI. The CPI percentages used in the valuations are estimated by the valuers on the basis of generally accepted forecasts. Also, since valuers do not know with certainty whether periods of vacancy will occur in the future, nor how long they might last, they perform their structural forecast for each asset based on the quality and location of the property.

The exit yield and discount rate are determined on the basis of the valuers' knowledge of market conditions, the specific conditions of each asset and, where appropriate, the comparable transactions carried out.

The appraisal companies that have carried out the valuations of the Group's investment property at 31 December 2023 and 2022 are Cushman & Wakefield and Jones Lang Lasalle Spain.

Fees paid by the Group to the appraisal companies for valuations in the 2023 and 2022 periods are as follows:

	Thousands of Euros	
	2023	2022
Appraisal services	63	67
	63	67

Assumptions used in the valuations

In terms of calculating the fair value of investment property, including those classified as non-current assets held for sale (Note 9), the material unobservable input data used to measure the fair value correspond to rental revenue, 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:

	2023		2022	
	Exit yield	Discount rate	Exit yield	Discount rate
Shopping centres and single-tenant	6.00 – 8.50	8.59–14.32	5.65 – 8.00	7.65–12.86

In terms of rental income, the amounts per square metre used in the measurement for 2023 ranged from EUR 8.20 and EUR 22.8 per month (EUR 8.5 and 19.8 per month in 2022), 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 Yield 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					
	31.12.2023					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(19,377)	(40,677)	(80,248)	(19,377)	(40,677)	(80,248)
Discount rate decrease	21,580	43,670	89,113	21,580	43,670	89,113

	Thousands of Euros					
	31.12.2022					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(21,556)	(46,764)	(92,476)	(21,556)	(46,764)	(92,476)
Discount rate decrease	24,976	49,889	101,683	24,976	49,889	101,683

<u>Change in revenue</u>

	Thousands of Euros					
	31.12.2023					
	Assets			Consolidated comprehensive income		
	2.5%	5%	10%	2.5%	5%	10%
Revenue increase	19,521	38,854	77,242	19,521	38,854	77,242
Revenue decrease	(26,957)	(47,676)	(92,029)	(26,957)	(47,676)	(92,029)

	Thousands of Euros					
	31.12.2022					
	Assets			Consolidated comprehensive income		
	2.5%	5%	10%	2.5%	5%	10%
Revenue increase	21,279	41,713	83,279	21,279	41,713	83,279
Revenue decrease	(24,744)	(46,845)	(91,232)	(24,744)	(46,845)	(91,232)

<u>Change in exit yield</u>

	Thousands of Euros					
	31.12.2023					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit yield increase	(24,190)	(47,403)	(88,926)	(24,190)	(47,403)	(88,926)
Exit yield decrease	27,363	56,859	123,545	27,363	56,859	123,545

	Thousands of Euros					
	31.12.2022					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit yield increase	(29,915)	(57,917)	(108,489)	(29,915)	(57,917)	(108,489)
Exit yield decrease	32,151	69,218	151,198	32,151	69,218	151,198

The details of “Changes in fair value of investment property” in the Consolidated Statement of Comprehensive Income at 31 December 2023 and 31 December 2022 are as follows:

	2023		2022	
	Thousands of Euros		Thousands of Euros	
	Investment property	Non-current assets held for sale (Note 9)	Investment property	Non-current assets held for sale
Shopping centres and single-tenant commercial properties	(40,146)	(204)	32,575	—
	(40,146)	(204)	32,575	—

(8) OPERATING LEASES - LESSOR

At 31 December 2023 and 2022, the Group has the shopping centres and single-tenant commercial properties leased to third parties under operating leases.

The future minimum lease payments under non-cancellable operating leases, without taking into account possible discounts that may be granted, taking into account those assets classified as Non-current assets held for sale (Note 9), are as follows:

	Thousands of Euros	
	31.12.2023	31.12.2022
	Minimum rent collections	Minimum rent collections
Year 1	87,376	84,046
Year 2	62,817	63,522
Year 3	46,398	42,466
Year 4	33,573	29,665
Year 5	25,335	20,944
Over five years	109,367	113,499
	364,866	354,142

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

– Contracts 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 tenants 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 tenant’s total annual sales (or monthly in certain cases) is greater than the minimum guaranteed rent, the difference is invoiced to the tenant.

– Contracts 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 tenant's sales at the relevant commercial premise.

Below are the details of the Group's revenue from leases in 2023 and 2022, differentiating between the fixed rent proceeds and the floating rent proceeds:

	Thousands of Euros	
	31.12.2023	31.12.2022
Revenue from floating rent	7,868	7,407
Revenue from fixed rent	83,487	72,821
Total revenue	91,355	80,228

The ten tenants that contributed the most rental revenue in 2023 and 2022, as well as the main characteristics of each, are as follows:

<u>2023 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	9.83 %	9.83%	2025-2038	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	4.17 %	14.00%	2042-2060	Distribution/Hypermarket
3	Mediamarkt	Megapark/Parque Abadía/As Termas/Lagoh/Vistahermosa	3.43 %	17.43%	2029-2044	Technology
4	Leroy Merlin	VidnNova Parc/As Termas/Vistahermosa	2.83 %	20.26%	2041-2058	DIY
5	Decathlon	Megapark/Abbey Park/Vidanova Parc	2.53 %	22.79%	2036-2043	Distribution
6	Cortefiel/Tendam Group	Albacenter/Anec Blau/ As Termas/ Abadía / Rosal /Txingudi / Megapark / Vidanova Parc / Portal de la Marina/ Lagoh	2.36 %	25.15%	2025-2033	Textile/Fashion
7	Mercadona	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.16 %	27.31%	2040-2049	Distribution/Hypermarket
8	Yelmo	Anec Blau/As Termas/Megapark/Lagoh/Vidanova Parc	2.14 %	29.45%	2031-2045	Leisure
9	C&A	Parque Abadía/ As Termas/Gran Vía de Vigo/ Megapark/Vidanova Parc	1.90 %	31.35%	2026-2038	Textile/Fashion
10	El Corte Inglés	Lagoh/Parque Abadía/Gran Vía de Vigo/Megapark/As Termas /Rivas	1.87 %	33.22%	2025-2039	Textile/Fashion

** The information above references the contracts that were in force during the 2023 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.*

2022 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	9.08 %	9.08%	2025-2035	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	4.17 %	13.25%	2042-2060	Distribution/Hypermarket
3	Mediamarkt	Megapark/Parque Abadía/Vistahermosa/As Termas/Rivas/ Lagoh	4.07 %	17.32%	2029-2044	Technology
4	Leroy Merlin	Vidanova Parc/Vistahermosa/As Termas	3.21 %	20.53%	2041-2058	DIY
5	Decathlon	Megapark/Abadía/Vidanova Parc	2.48 %	23.01%	2036-2043	Distribution
6	Cortefiel/Tendam Group	Abacenter/Anec Blau/ As Termas/ Abadía / Rosal /Txingudi / Megapark / Vidanova Parc / Portal de la Marina/ Lagoh	2.24 %	25.25%	2022-2032	Textile/Fashion
7	Conforama	Megapark/Rivas/Vidanova Parc	2.23 %	27.48%	2035-2038	Textile/Fashion
8	Mercadona	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.09 %	29.57%	2040-2049	Distribution/Hypermarket
9	El Corte Inglés	Lagoh/Parque Abadía/ Gran Via de Vigo/ Megapark/ As Termas/ Rivas	2.03 %	31.60%	2025-2039	Textile/Fashion
10	Alcampo	Abadía/Vistahermosa	1.80 %	33.40%	2055-2061	Distribution/Hypermarket

** The information above references the contracts that were in force during the 2022 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

As established in International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", at 31 December 2022, the retail parks and shopping centres of the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Vistahermosa, S.L.U., LE Retail Rivas, S.L.U., LE Retail Abadía, S.L.U. and LE Retail Sagunto II, S.L.U., which were subject to divestment processes (share deal), were classified under this heading.

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 assumptions used in the valuation are broken down, along with the other investment property, in Note 7 above. The change in the fair value of these assets, from their recognition as "Non-current assets held for sale" to their sale, has resulted in the recognition of a loss according to the appraisals at 30 June 2023, which were the most recent available before the sale, of EUR 204 thousand, which is recognised under "Change in fair value of investment property" in the accompanying Consolidated Statement of Comprehensive Income.

During the last quarter of 2023, the respective assets and liabilities of the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Abadía, S.L.U., and LE Retail Sagunto II, S.L.U.

were reclassified as the Group's Board of Directors approved the interruption of their sale process, which is not expected to take place in the short term (Note 7).

On 28 July 2023, the real estate assets owned by the Group companies LE Retail Vistahermosa, S.L.U. and LE Retail Rivas, S.L.U., which were classified as "Non-current assets held for sale" at end of the 2022 period, were sold to companies belonging to the AEW real estate platform for a combined amount of EUR 129,093 thousand, which were classified as "Non-current assets held for sale" at end of the 2022 period, to companies belonging to the AEW real estate platform for a combined amount of EUR 129,093 thousand, with an amount of EUR 348 thousand retained in the case of LE Retail Rivas, S.L.U. as a guarantee of rents on a certain tenant of the retail park, and assuming transaction-related costs of EUR 407 thousand.

This sale gave rise to the recognition of a loss of EUR 405 thousand under "Profit/(loss) on disposal of investment property" in the Consolidated Comprehensive Income.

Given that it was ultimately an asset deal and not a share deal, the remaining assets and liabilities of the Group companies LE Retail Vistahermosa, S.L.U. and LE Retail Rivas, S.L.U. that were not directly linked to the properties sold have been reclassified under their corresponding headings in the Statement of Financial Position at 31 December 2023.

Breakdown of non-current assets held for sale and related liabilities at 31 December 2022 were as follows:

	Total
Non-current assets held for sale	**287,964**
Intangible fixed assets	1
Investment property	273,300
Non-current financial assets	2,982
Trade and other receivables	1,263
Other current assets (Note 10a)	4,097
Cash and cash equivalents	6,321
Liabilities connected to non-current assets held for sale	**(5,738)**
Other financial liabilities	(3,531)
Trade payables	(2,207)
Non-current assets held for sale	**282,226**

Within this amount, the Group recognised a financial deposit pledged under the tax procedure of the Group company LE Retail Vistahermosa, S.L.U. for an amount of EUR 3,957 thousand, which is described in Note 20d, under "Other current assets".

(10) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

	Thousands of Euros			
	2023		2022	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Non-current financial assets	13,949	—	11,868	—
Other financial assets	—	3	—	3
Operating lease receivables - invoices pending formalisation (Note 11)	—	2,775	—	2,132
Operating lease receivables - invoices issued (Note 11)	—	631	—	2,112
Operating lease receivables - revenue linearisation	3,541	1,863	5,615	2,110
Other receivables from public authorities (note 20)	—	4,662	—	5,390
Total	17,490	9,934	17,483	11,747

"Non-current financial assets" mainly comprises the security deposits and guarantees received from the tenants of the investment property mentioned in Note 7, which the Group has deposited with the corresponding public bodies. The increase in this heading is mainly due to the transfer from "Non-current assets held for sale" of security deposits linked to companies whose assets will not ultimately be sold (Note 9).

At 31 December 2023 the line item "Operating lease receivables - invoices pending formalisation" in the table above mainly includes income from floating rent yet to be invoiced to tenants.

The item "Operating lease receivables - invoices issued" mainly includes rents accrued and invoiced during the year to tenants, most of which are still pending collection, net of impairment adjustments (Note 11a).

In addition, at 31 December 2023 the line item "Operating lease receivables - revenue linearisation" includes the amount pending allocation to profits and losses for waivers or discounts 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 minimum remaining contractual duration of each lease agreement. Of this amount, EUR 2,667 thousand, current and non-current, correspond to discounts granted due to the COVID-19 pandemic (EUR 3,877 thousand at 31 December 2022), with the remaining balance corresponding mainly to waivers, step rents and fit-outs (contributions to tenants) granted on the signing of new lease contracts.

At 31 December 2023 and 2022, "Other receivables from public authorities" mainly includes value added tax receivable related to investments in the Group's real estate assets.

For financial assets recorded at cost or amortised cost under the above line items or under Non-current assets held for sale, other than those arising from the linearisation of income which due to their nature have a fair value of zero, the carrying amount does not differ significantly from their fair value.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity is as follows:

	Thousands of Euros			
	2023			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current financial assets	—	—	13,949	13,949
Other financial assets	3	—	—	3
Operating lease receivables - invoices awaiting formalisation	2,775	—	—	2,775
Operating lease receivables - invoices issued	631	—	—	631
Operating lease receivables - revenue linearisation	1,863	2,395	1,146	5,404
Other receivables from public authorities (note 20)	4,662	—	—	4,662
	9,934	2,395	15,095	27,424

	Thousands of Euros			
	2022			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current financial assets	—	—	11,868	11,868
Other financial assets	3	—	—	3
Operating lease receivables - invoices awaiting formalisation	2,132	—	—	2,132
Operating lease receivables - invoices issued	2,112	—	—	2,112
Operating lease receivables - revenue linearisation	2,110	3,877	1,738	7,725
Other receivables from public authorities (note 20)	5,390	—	—	5,390
	11,747	3,877	13,606	29,230

(11) TRADE AND OTHER RECEIVABLES

Breakdown of "trade and other receivables" at 31 December 2023 and 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Current	Non-current	Current	Non-current
Operating lease receivables - invoices issued	4,329	—	6,847	—
Operating lease receivables - invoices awaiting formalisation	2,775	—	2,132	—
Operating lease receivables - revenue linearisation	1,863	3,541	2,110	5,615
Advances to suppliers	—	—	—	—
Other receivables from public authorities (Notes 10 and 20)	4,662	—	5,390	—
Less impairment allowances	(3,698)	—	(4,735)	—
Total	9,931	3,541	11,744	5,615

At 31 December 2023, the Group carried out an individual study of each debtor, analysing their situation, and the provision for impairment amounted to EUR 3,698 thousand (EUR 4,735 thousand at 31 December 2022), corresponding to accounts receivable from tenants whose debt is considered by Group management to be difficult to recover, after deducting the amount of guarantees, deposits and sureties.

(a) Impairment

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

	Thousands of Euros	Thousands of Euros
	2023	2022
Balance at 31 December 2022	4,734	4,820
Impairment provisions (Note 23)	1,041	3,488
Reversals of impairment loss (Note 23)	(2,804)	(2,846)
Transfers from non-current assets held for sale (Note 9)	727	(728)
Balance at 31 December 2023	3,698	4,734

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

In addition, EUR 2,055 thousand were written off as bad debts in 2023 (EUR 1,249 thousand in 2022), also recognised under "Other operating expenses" in the accompanying consolidated statement of comprehensive income (Note 23).

(12) CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
Banks	244,218	197,141
Total	244,218	197,141

At 31 December 2023, this balance includes EUR 115,000 thousand corresponding to deposits with immediate availability and maturity of less than 3 months, contracted and managed by BNP and Credite Agricole (EUR 170,165 thousand as at 31 December 2022) and EUR 115,000 thousand corresponding to an interest-baring bank account contracted and managed by Barclays. In the 2023 period financial income EUR 4,559 thousand (EUR 575 thousand as at 31 December 2022) was recognised in respect of interest accrued on deposits and the interest-bearing bank account, which generates interest at an average rate of 4.15% (Note 24).

In the 2022 period, the Company recognised an amount of EUR 4,336 thousand under "Change in fair value of financial instruments" in the Consolidated Statement of Comprehensive Income as a result of the change in value of the immediately available investment funds contracted and managed by Banco Santander and BBVA in which the Parent Company invested the Group's cash surplus to cover its short-term payment commitments, all of which was drawn down during the 2022 period.

In addition, at 31 December 2023 and 31 December 2022 the amount of cash and cash equivalents held by the Group is unrestricted.

(13) NET EQUITY

(a) Capital

At 31 December 2023 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 167,386 thousand (EUR 167,386 thousand at 31 December 2022) represented by 83,692,969 registered shares (83,692,969 registered shares at 31 December 2022), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

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 2023 was EUR 6.15 per share, and the average price per share in the 2023 period was EUR 5.39 (in the 2022 period, the average price per share was EUR 4.23 and the listed price was EUR 4.74 per share).

The breakdown of the Parent Company's main shareholders at 31 December 2023 and 31 December 2022 is as follows:

	%	
	2023	2022
Castellana Properties SOCIMI, S.A.	25.5%	25.5%
Grupo Lar Inversiones Inmobiliarias, S.A.	10.0%	10.0%
Adamsville, S.L.	5.2%	5.2%
Brandes Investment Partners, L.P.	5.0%	5.0%
Santa Lucía S.A. Cía de Seguros	—	5.0%
Blackrock Inc.	3.7%	3.7%
Utah State Retirement Systems	3.1%	3.1%
Other shareholders with an interest of less than 3%	47.5%	42.5%
Total	100.0%	100.0%

(b) Issue premium

The Revised Spanish Companies Law 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 31 March 2023, the distribution of dividends from the 2022 period against the issue premium was approved for the amount of EUR 37,654 thousand, taking into account the shares issued (Note 13e).

On 27 April 2022, the distribution of dividends from the 2021 period against the issue premium was approved for the amount of EUR 13,266 thousand, taking into account the shares issued (Note 13e).

At 31 December 2023, the Group's share premium amounted to EUR 415,303 miles thousand (EUR 452,924 thousand at 31 December 2022).

(c) Other reserves

The breakdown of this line item as at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	31.12.2023	31.12.2022
Legal reserve	22,242	20,871
Capital redemption reserve	23,384	23,384
Other Parent Company reserves	(63,819)	(63,913)
Reserves in consolidated companies	284,394	225,191
Other shareholder contributions	240	240
Total	266,441	205,773

Reserve movements that took place during the 2023 and 2022 periods were as follows:

	Thousands of Euros		
	2023		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	(19,418)	225,191	205,773
Profit for 2022	13,718	59,203	72,921
Distribution of Dividends for the period	(12,334)	—	(12,334)
Transfers	2,436	(2,436)	—
Result from treasury shares	81	—	81
Closing balance	(15,517)	281,958	266,441

	Thousands of Euros		
	2022		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	(21,100)	218,003	196,903
Profit for 2021	18,594	7,188	25,782
Distribution of Dividends for the period	(16,713)	—	(16,713)
Result from treasury shares	(199)	—	(199)
Closing balance	(19,418)	225,191	205,773

On 21 December 2023 LE Logistic Alovera I y II, S.A.U., LE Logistic Alovera III y IV, S.A.U., LE Logistic Almussafes, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Galaria, S.L.U., LE Retail Villaverde, S.L.U., LE Retail Alisal, S.L.U., LE Offices Eloy Gonzalo 27, S.A.U., Lar España Inversión Logística IV, S.L.U., LE Offices Marcelo Spinola 42, S.L.U., and LE Retail Córdoba Sur, S.L.U. were dissolved and wound up, having been idle since the real estate assets they owned had been disposed of in prior years, which is when they stopped forming part of the Group.

These winding-ups had no impact on the consolidated statement of comprehensive income at 31 December 2023, although reserves in consolidated companies were transferred to Parent Company reserves in the amount of EUR 2,436 thousand.

(i) <u>*Legal reserve*</u>

The legal reserve is to be provided for in compliance with Article 274 of the Spanish Capital Companies Law, 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 2023 the Parent Company's legal reserve amounted to EUR 22,242 thousand (EUR 20,871 thousand as at 31 December 2022). Therefore, the legal reserve at 31 December 2023 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 Capital Companies Law, the revised text of which was approved by Royal Legislative Decree 1/2010 of 2 July (the "Spanish Capital Companies Law").

(d) Treasury shares

At 31 December 2023, the Company has treasury shares with an acquisition cost of EUR 371 (EUR 250 thousand at 31 December 2022).

The movement during the periods 2023 and 2022 has been as follows:

2023 Period

	Number of shares	Thousands of Euros
31 December 2022	56,714	250
Additions	596,124	3,225
Derecognitions	(590,293)	(3,104)
31 December 2023	62,545	371

2022 Period

	Number of shares	Thousands of Euros
31 December 2021	130,970	860
Additions	464,516	2,219
Derecognitions	(538,772)	(2,829)
31 December 2022	56,714	250

The average selling price of treasury shares in 2023 was 5.07 euros per share (4.80 euros in 2022). Furthermore, the profit for the year ended 31 December 2023 amounted to EUR 81 thousand (EUR 199 thousand loss as at 31 December 2022) which has been recorded under "Other reserves" in the Consolidated Statement of Financial Position.

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. In this regard, the Parent company has a 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. During the 2023 period, the Parent Company terminated its liquidity contract with JB Capital Markets and arranged one with GVC Gaesco Valores.

(e) Dividends paid and issue premiums returned

On 31 March 2023, the General Shareholders’ Meeting of the Company approved the distribution of a dividend of EUR 50,000 thousand, at EUR 0.60 per share (taking into account all the shares issued), with EUR 12,346 thousand being charged against profit and loss for the 2022 period and EUR 37,654 thousand against the share premium (Note 13b). The aforementioned dividend was paid on 28 April 2023. The amount distributed amounted to EUR 49,955 thousand (EUR 12,334 thousand charged to profit for the 2022 period and EUR 37,621 thousand charged to share premium), after deducting the amount corresponding to treasury shares, which does not leave the equity of the Parent Company, taking into account the amount per share approved and the shares in circulation at the time of approval by the General Shareholders' Meeting.

On 27 April 2022, the Company's General Shareholders’ Meeting approved the distribution of a dividend of EUR 30,000 thousand at a rate of EUR 0.36 per share (considering all issued shares) charged to profit for 2021 amounting to EUR 16,734 thousand and charged to the share premium amounting to EUR 13,266 thousand (Note 13b). Said dividend was paid on 27 May 2022. The amount distributed was EUR 29,965 thousand (EUR 16,713 thousand charged to profit for 2021 and EUR 13,252 thousand charged to share premium), after deducting the amount corresponding to treasury shares, which does not come out of the Company's equity, considering the amount per share approved and the shares in circulation at the time of 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:

	31.12.2023	31.12.2022
Profit/(loss) for the period attributable to net equity instrument holders of the Parent Company (in thousands of Euros)	36,789	72,921
Weighted average number of ordinary shares in circulation (number of shares)	83,626,677	83,588,177
Basic earnings per share (in Euros)	0.44	0.87

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

	31.12.2023	31.12.2022
Ordinary shares at the beginning of the year	83,692,969	83,692,969
Share capital increase (weighted effect)	—	—
Share capital decrease (weighted effect)	—	—
Average effect of treasury shares	(66,292)	(104,792)
Weighted average number of ordinary shares in circulation at 31 December (in securities)	83,626,677	83,588,177

(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.

The Parent Company does not have different classes of ordinary shares or other potentially dilutive instruments, which is why diluted earnings per share are the same as basic earnings per share.

(15) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by categories

The classification of financial liabilities by category at 31 December 2023 and at 31 December 2022 is as follows:

	Thousands of Euros	
	2023	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	577,542	3,113
Bank borrowings	69,950	185
Other financial liabilities (Note 17)	19,784	107
Trade and other payables:		
Trade payables and remuneration payable (Note 18)	—	12,871
Public Authorities, other payables (Note 20a)	—	4,580
Current tax liabilities (Note 20)	—	1,467
Total financial liabilities	667,276	22,323

	Thousands of Euros	
	2022	
	Non-current	Current
	Carrying amount (*)	Carrying amount (*)
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	694,434	3,985
Bank borrowings	69,936	185
Other financial liabilities (Note 17)	17,480	12
Trade and other payables:		
Trade payables and remuneration payable (Note 18)	—	9,152
Public Authorities, other payables (Note 20a)	—	3,024
Total financial liabilities	781,850	16,358

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

As at 31 December 2023 the fair value of the bonds is equal to their listed price. The bonds issued in July 2021, with a nominal amount of EUR 293 million, are trading at 90.11% above the nominal value (with a nominal amount of EUR 400 million were trading at 80.48% at 31 December 2022), and the bonds issued in November 2021, with a nominal amount of EUR 288 million, are trading at 81.63% above the nominal value (with a nominal amount of EUR 300 million were trading at 70.33% at 31 December 2022). The fair value of the remaining financial liabilities does not differ significantly from the fair value.

At 31 December 2022 the carrying amount of the remaining financial liabilities carried at amortised cost did not differ significantly from fair value.

(b) Classification of financial liabilities by maturity

Breakdown by maturity of financial liabilities at 31 December 2023 and 31 December 2021 are as follows:

	Thousands of Euros						
	2023						
	2024	2025	2026	2027	2028 and remaining	Undetermined	Total
Financial liabilities from issue of bonds *(a)*	3,113	—	293,000	—	288,000	—	584,113
Bank borrowings *(a)*	185	—	24,500	45,500	—	—	70,185
Other financial liabilities	107	—	—	—	—	19,784	19,891
Trade and other payables	18,918	—	—	—	—	—	18,918
Total	22,323	—	317,500	45,500	288,000	19,784	693,107

	Thousands of Euros						
	2022						
	2023	2024	2025	2026	2027 and remaining	Undetermined	Total
Financial liabilities from issue of bonds *(a)*	3,985	—	—	400,000	300,000	—	703,985
Bank borrowings *(a)*	185	—	—	24,500	45,500	—	70,185
Other financial liabilities	12	—	—	—	—	17,480	17,492
Trade and other payables	12,176	—	—	—	—	—	12,176
Total	16,358	—	—	424,500	345,500	17,480	803,838

(a) Measuring financial liabilities from bonds and bank borrowings at amortised cost decreases the nominal value of the liabilities reflected above by EUR 3,458 thousand and EUR 50 thousand, respectively in the 2023 period (EUR 5,566 thousand and EUR 64 thousand in the 2022 period).

(16) FINANCIAL LIABILITIES FROM BORROWINGS

The Group's debts comprise corporate bonds and loans with credit institutions. The breakdown of these and their movement in 2023 and 2022 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.

In relation to the issue of simple guaranteed bonds it should be mentioned that, on 12 July 2021, the Company offered its bondholders the possibility of early repurchase of the bonds for a purchase price equivalent to the principal plus 1%. This offer was accepted and paid on 23 July 2021 by bondholders amounting to EUR 17.3 million.

On 17 February 2022, the Company redeemed these bonds in full for the remaining amount of EUR 122.7 million. In this way, all guarantees granted in the framework of this issue have been lifted and cancelled, including several mortgages, in addition to various pledges on the corresponding stocks and shares.

The issue costs associated with this issue, which were recorded as a reduction of the debt to which they were associated, initially amounted to EUR 1,995 thousand, of which EUR 34 thousand were allocated to income in the 2022 period. The interest accrued during 2022 on this debt amounted to EUR 507 thousand.

Issue in the 2021 period for EUR 400 million

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. In particular, bondholders would have the option to request early redemption of their respective bonds provided that certain requirements are met: (i) if there is a change of control and there is either a downgrade of the rating below "Investment Grade" or a failure to rate the Company; or (ii) if a takeover bid is made that could result in a change of control of the Company and is approved by the Spanish Securities Market Commission (CNMV).
– Interest rate: 1.75%
– Nature of the issue: Simple green bonds.

– Guarantees: not guaranteed.

The issue costs associated with this issue amounted to EUR 5,244 thousand which were recorded as a reduction of debt, of which EUR 1,757 thousand (taking into account the proportional part of the amortised cost corresponding to the repurchases made during 2023) (EUR 1,044 thousand in the 2022 period) have been charged to the heading "Financial expenses" in the Consolidated Statement of Comprehensive Income for the period. The interest accrued during 2023 on the coupon amounted to EUR 5,279 thousand (EUR 7,000 thousand in 2022), with EUR 2,270 thousand (EUR 3,106 thousand at 31 December 2023) outstanding at 31 December 2023 (EUR 3,106 thousand at 31 December 2022).

<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 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: 03/11/2028. In certain circumstances the early amortisation of this instrument is possible. In particular, bondholders would have the option to request early redemption of their respective bonds provided that certain requirements are met: (i) if there is a change of control and there is either a downgrade of the rating below "Investment Grade" or a failure to rate the Company; or (ii) if a takeover bid is made that could result in a change of control of the Company and is approved by the Spanish Securities Market Commission (CNMV).
– Interest rate: 1.84%
– Nature of the issue: Simple green bonds.
– Guarantees: not guaranteed.

The issue costs associated with this issue amounted to EUR 2,133 thousand which were recorded as a reduction of debt, of which EUR 351 thousand (taking into account the proportional part of the amortised cost corresponding to the repurchases made during 2023 and which have been recorded against the Consolidated Statement of Comprehensive Income) (EUR 309 thousand in 2022) have been charged to the heading "Financial expenses" in the Consolidated Statement of Comprehensive Income for the period. Meanwhile, the interest accrued during the 2023 financial year for the associated coupon amounted to EUR 5,319 thousand (EUR 5,529 thousand in 2022), with EUR 843 thousand outstanding at 31 December 2023 (EUR 879 thousand at 31 December 2022).

Repurchase of corporate bonds

On 19 January 2023, the Parent Company completed the Bonds repurchase process of the two issues made in the 2021 period, for a total nominal amount of EUR 98 million for the bonds issued on 22 July 2021 and EUR 12 million for the bonds issued on 3 November 2021, with a discount of 18% equivalent to a total final price of EUR 90.5 million.

In addition, during the 2023 period, the Parent Company carried out repurchases on the open market of bonds corresponding to the issue made on 22 July 2021, for a total nominal amount of EUR 9 million, with an average discount of 16%, equivalent to a final price of EUR 7.5 million.

The Parent Company has recognised a profit of EUR 20.5 million (net of transaction costs), as a result of said repurchases, under "Impairment and gains or losses on disposal of financial instruments" in the Consolidated Statement of Comprehensive Income at 31 December 2023 (Note 24).

In this regard, the bonds acquired in January 2023 have been redeemed once their repurchase has been settled, with the bonds acquired in May, June and July 2023 still to be redeemed. Thus, after the aforementioned repurchases, at 31 December 2023 the nominal amount of the bonds issued on 22 July 2021 was EUR 293 million and that of the bonds issued on 3 November 2021 was EUR 288 million.

Covenants associated with corporate bonds

The two bond issues, with outstanding balances at 31 December 2023 and 2022, have clauses requiring compliance with certain financial ratios, calculated on the basis of the Group's consolidated financial statements each period.

- 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 higher 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. They also 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:

2023 Period

			Thousands of Euros			
Company	Effective rate (%)	Maturity	Limit 31.12.2023	Limit 31.12.2022	Fair value at 31/12/2023 *	Fair value at 31/12/2022 *
The European Investment Bank	1.67	04 May 2027	70,000	70,000	70,135	70,121
Bankinter	EURIBOR 3M + 1.60% spread	20 Jun 2024	30,000	30,000	—	—
			100,000	100,000	70,135	70,121

Amount includes outstanding accrued interest.

In June 2023, the Parent Company's credit line with Bankinter was renewed for a period of one year, with no changes to the amount or other conditions.

The financial expenses accrued for these loans in the 2023 period amounted to EUR 1,234 thousand (EUR 1,327 thousand in the 2022 period), the effect of the amortised cost of these loans being EUR 14 thousand (EUR 14 thousand in the 2022 period). Meanwhile, accrued and unpaid interest at 31 December 2023 and 2022 amounts to EUR 185 thousand.

Covenants associated with the loans 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 of less than 50% (taking into account the net financial debt), a debt service coverage ratio greater than or equal to 2.5x and a net financial debt/net equity ratio of 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 drawing up these consolidated financial statements. They also estimate that they will be met within the next twelve months.

(c) Movements of cash under financial liabilities from borrowings

The movement of cash in the 2023 and 2022 period of the Group's financial debts is as follows:

2023 Period

	Opening balance	New debt	Principal paid	Interest paid	Interest accrued (Note 24)	Gains/losses on disposals (Note 24)	Changes in fair value	Closing balance
		Cash flow	Cash flow	Cash flow				
Financial liabilities from issue of bonds	698,419	—	(98,542)	(11,470)	12,706	(20,458)	—	580,655
Bank borrowings	70,121	—	—	(1,220)	1,234	—	—	70,135
	768,540	—	(98,542)	(12,690)	13,940	(20,458)	—	650,790

2022 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	823,349	—	(564)	(122,700)	(16,087)	14,421	—	698,419
Bank borrowings	70,106	—	—	—	(1,312)	1,327	—	70,121
	893,455	—	(564)	(122,700)	(17,399)	15,748	—	768,540

(17) OTHER NON-CURRENT FINANCIAL LIABILITIES

Under other non-current financial liabilities, the Group includes EUR 19,784 thousand at 31 December 2023, corresponding to the guarantees given to the Group by the various lessees of the premises of the real estate assets (EUR 17,480 thousand at 31 December 2022), without taking into account the guarantees given by those companies that had been classified as held for sale (Note 9) in the 2022 period. This amount generally represents two months' rent and will be reimbursed at the end of the contract term.

(18) TRADE AND OTHER PAYABLES

The breakdown of "Trade and other payables" at 31 December 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	2022
Trade payables (a)	8,269	8,065
Trade payables, related companies (b)	4,311	882
Outstanding remuneration (Note 27b)	291	205
Public entities, other payables (Note 20)	4,580	3,024
Current tax liabilities (Note 20)	1,467	—
	18,918	12,176

(a) The line item "Trade payables" at 31 December 2023 includes an amount of EUR 2,323 thousand relating to amounts payable for the development and refurbishment of investment property owned by the Group (Note 7) (EUR 5,215 thousand as at 31 December 2022).

(b) The line item "Trade payables, related companies" includes EUR 3,741 thousand related to the fixed remuneration and the floating remuneration to be paid to the manager and accrued in the period (Note 27) (EUR 624 thousand as at 31 December 2022).

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

The information required by the third additional provision of Law 18/2022, of 28 September, on the creation and growth of companies and Law 15/2010, of 5 July (amended by the second final provision of Law 31/2014, of 3 December) prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016, on the information to be included in the notes to the consolidated annual accounts in relation to the average period for payment to suppliers in commercial transactions, is detailed below.

	2023	2022
	Days	Days
Average number of days payable outstanding to	35	28
Ratio of paid operations	51	30
Ratio of outstanding operations	8	24
	Thousands of Euros	Thousands of Euros
Total effected payments	59,116	78,222
Total outstanding payments	36,966	32,001

In accordance with the ICAC Resolution, in order to calculate the average supplier payment period in these consolidated financial statements, the commercial transactions corresponding to the delivery of goods or services accrued in each year have been taken into account.

For the sole purpose of providing the information foreseen in this Resolution, suppliers are considered to be trade creditors for debts with suppliers of goods or services, included under the headings "Short-term suppliers, related companies", "Suppliers, group and associated companies" and "Sundry creditors" on the current liabilities side of the balance sheet, referring solely to the Spanish entities included in the consolidable group, and regardless of any financing for early collection from the supplier company. The calculation does not take into account certain old balances whose enforceability is under analysis by the 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 monetary volume and number of invoices paid within the legal deadline are detailed below:

	2023	2022
Monetary volume (thousands of Euros)	48,657	118,590
Percentage over total payments made	82.31%	65.96%
Number of invoices	2,423	5,713
Percentage on the total of invoices	62.90%	39.24%

The maximum legal payment period applicable to the companies in the consolidable group in the 2022 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

	Thousands of Euros	
Receivables	31.12.2023	31.12.2022
Taxation authorities, VAT recoverable	3,927	5,105
Taxation authorities, other withholdings	735	285
	4,662	5,390

	Thousands of Euros	
Payables	31.12.2023	31.12.2022
Taxation authorities, VAT payable	4,493	2,940
Taxation authorities, personal income tax	80	77
Taxation authorities, Corporate Income Tax payable (Note 20d)	—	1
Social Security payable	7	6
Current tax liabilities (Notes 20b and 20c)	1,467	—
Deferred tax liabilities (Notes 20b and 20c)	12,990	15,578
	19,037	18,602

(b) Reconciliation of accounting profit and taxable income

As described in Note 1, at 31 December 2023 the Parent Company and its subsidiaries were taxed under the SOCIMI tax regime and, therefore, as a general rule, the tax rate applicable to the tax base is 0% for distributed profits and 15% for undistributed profits.

At 31 December 2022, the Group companies LE Offices Marcelo Spínola, S.L.U. and Lar España Inversión Logística IV, S.L.U. were not taxed under the regime as they requested not to apply the SOCIMI tax regime in 2018, which is why they were taxed under the general regime. These companies were wound up in 2023.

At 31 December 2023 and 31 December 2022, 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
	31.12.2023	31.12.2023	31.12.2022	31.12.2022
Profit/(loss) before tax from continuing operations	35,668		72,921	
Consolidation adjustments:	95,857		(38,032)	
Aggregate profit before tax from continuing operations	125,641	5,884	34,887	2
Permanent differences	(397)	2	346	—
Temporary differences	(3,199)	(6)	(142)	(3)
Generation/(Offset) of negative tax bases	—	(8)	—	—
Tax base	122,045	5,872	35,091	(1)
Tax payable (0%/25%)	—	1,467	—	
Withholdings/Deductions	(563)	—	(150)	—
Payment instalments	—	—	—	—
Corporate Income Tax	(563)	1,467	(150)	—

Deferred tax assets and liabilities

At 31 December 2023, the Parent Company’s Directors did 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 at 31 December 2022 is the result of the purchase of the companies LE Retail Gran Vía de Vigo, S.A.U., LE Retail Rivas, S.L.U. and LE Retail Abadía, 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 real estate assets of the company LE Retail Rivas, S.L.U. in the 2023 period (Note 9), this amount became “current”, the corresponding deferred tax liability of EUR 2,588 thousand recorded at the time of the business combination having been derecognised. In this respect, the Group's Directors, with the support of its tax advisors, considering the final revaluation of the asset, have recorded the estimated tax payable on the sale of the aforementioned transaction under "Current tax liabilities" in the Consolidated Statement of Comprehensive Income for the amount of EUR 1,467 thousand (Note 20c).

The breakdown 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	—	—
2021	—	2
2022	—	—
Total	—	36

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 2023 and 31 December 2022 is as follows:

	Thousands of Euros		Thousands of Euros	
	Tax regime for SOCIMIs	General regime	Tax regime for SOCIMIs	General regime
	31.12.2023	31.12.2023	31.12.2022	31.12.2022
Profit/(loss) before tax from continuing operations	35,668		72,921	
Consolidation adjustments	95,857		(38,032)	
Aggregate profit before tax from continuing operations	125,641	5,884	34,887	2
Permanent differences	(397)	2	346	—
Temporary differences	(3,199)	(6)	(142)	(3)
Generation/(Offset) of unrecorded negative tax bases	—	—	—	—
Theoretical tax payable (0%–25%)	—	1,467	—	—
Previous years' corporate income tax	—	—	—	—
Movement in Consolidated deferred tax	—	(2,588)	—	—
Corporate income tax expense/income	—	(1,121)	—	—

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

	Thousands of Euros	
	2023	2022
Current tax expenses	(1,467)	—
Deferred tax expenses	2,588	—
	1,121	—

(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 2023 reporting date, the last four fiscal years of the Group were open to inspection.

The Parent Company's Directors consider that they these taxes have been properly settled, so that even in case of discrepancies in interpreting the current regulations for the tax treatment afforded to certain transactions, the eventual resulting liabilities, if they materialised, would not significantly affect the attached financial statements.

VAT inspection

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 Results Work	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 was 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 comprised a total of EUR 41,683 thousand, EUR 34,313 thousand for the tax and EUR 7,370 thousand in interest on arrears.

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 the Parent company 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 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 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 advisers, believe that said regularisation proposal is not lawful. For this reason, allegations were made in due time and form to the report signed in disagreement.

The position of the assessment was confirmed in its conclusions by means of a provisional assessment issued by the Management. In this regard, if the provisional assessment was finally confirmed by the tax authorities and the courts, both the VAT and the late payment interest payable would not be recoverable.

The aforementioned assessment was challenged in due time and form before the Central Economic-Administrative Court, and the aforementioned challenge is currently pending resolution. The execution of the settlement issued by the Management was suspended in due time and form by means of the provision of the relevant guarantee (Note 21.a.iii).

On the other hand, in the non-conformity report, the tax authorities considered that there was no evidence of a tax infringement. However, the provisional tax assessment that was finally issued, departing from the criteria of the tax assessment, considered that there were indications of a tax infringement.

As a result of the foregoing, disciplinary proceedings were initiated, which were resolved by means of a resolution imposing two penalties for an aggregate amount of EUR 17,156 thousand. The aforementioned resolution was challenged in due time and form through the filing of an economic-administrative claim before the Central Economic-Administrative Court.

At the present date, the challenge to the sanctioning resolution is pending resolution, and the enforcement of the sanctions issued is automatically suspended.

The Parent Company's Directors consider, based on the opinion of its tax advisers, that it is likely that its claims will be favourably upheld, either in economic-administrative or judicial proceedings, with no final amount to be regularised, which is why no provision has been recorded in these Consolidated Financial Statements.

In addition, on 13 June 2023, the Group company LE Retail Hiper Ondara, S.L.U. received a resolution issued by the Treasury and Finance Department of the Vizcaya Provincial Council, by virtue of which the limited verification procedure limited to the comparison of Value Added Tax for the 2019 period has been completed. The aforementioned agreement refers to an instalment for income amounting to EUR 351 thousand, of which EUR 313 thousand correspond to the tax instalment and EUR 38 thousand to late payment interest. On 18 December 2023, the Group company filed an economic-administrative claim before the Vizcaya Regional Economic-Administrative Court against the aforementioned settlement agreement, and a guarantee deposit of EUR 351 thousand was deposited with the Vizcaya Provincial Council.

On 20 November 2023, this Group company received a resolution issued by the Department of Taxation and Finance of the Vizcaya Provincial Council, by virtue of which the limited verification procedure limited to the comparison of Value Added Tax for the 2020 period was completed. The aforementioned agreement refers to an instalment for income amounting to EUR 341 thousand, of which EUR 310 thousand correspond to the tax instalment and EUR 31 thousand to late payment interest.

Lastly, on 12 February 2024, this Group company received a notification from the General Estate Administration of the extension of the Value Added Tax inspection to the periods between January 2020 and December 2023. In this respect, the Group's directors, based on the opinion of their tax advisers, consider that it is likely that their claims will be favourably upheld and that no provision has therefore been recorded in these consolidated financial statements.

Transfer tax and Stamp duty inspection

Inspections were started at the Group company LE Retail Gran Vía de Vigo, S.A.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. In this regard, an economic-administrative claim was filed alleging the inappropriateness of said settlement, which was fully upheld on 25 October 2022 according to the decision of the Central Economic-Administrative Court, and therefore proceeding to annul the settlement issued.

On 16 March 2022, the Regional Economic-Administrative Court of Castile la Mancha ruled in favour of the company LE Logistic Alovera I y II, S.A.U., in relation to the economic-administrative claim that was lodged against the settlement agreement, issued by the Regional Government of Castilla la Mancha, by virtue of which the TPO modality of the Transfer Tax and Stamp Duty on the acquisition of two properties located in the municipality of Alovera (Guadalajara) was settled. The tax debt settled, amounting EUR 2,317 thousand, which had been paid in due time and form by the taxpayer, was repaid in full by the Regional Government of Castile la Mancha, together with the relevant interest for late payment.

Likewise, on 20 May 2020, the LE Retail Vistahermosa, S.L.U. Group company was inspected, and proceedings were initiated with regard to the 2016 Transfer Tax and Stamp Duty in relation to the property owned by this company. On 28 January 2021, the company filed an economic-administrative claim against the aforementioned settlement agreement, and in February 2021, the company made a guarantee deposit of EUR 3,957 thousand, which was provided to the Valencian Tax Agency. In this regard, on 19 June 2023, the Central Economic-Administrative Court fully upheld the economic-administrative claim filed by the company, annulling the settlement, which is why the Group company has recovered the guarantee deposited with Banco Sabadell.

Inspection of tax on buildings, installations and construction work

On 30 January 2023, at the Group company LE Retail Lagoh, S.L.U., following the completion of the verification and inspection proceedings in relation to the tax on Installations, Construction and Works for the construction of the Lagoh shopping centre, located in the municipality of Seville, initiated on 8 June 2022, signed four tax assessments, resulting in an amount payable of EUR 486 thousand, which was paid on 20 April 2023.

(e) Information requirements deriving from the status of SOCIMI, Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December and Law 11/2021, of 9 July.

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, cash flow interest rate risk, tax risk, capital management and environmental risk. 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 risk*

As discussed in Note 2h, we are currently facing a macroeconomic environment with a high level of uncertainty, mainly due to the geopolitical situation.

In view of this circumstance and the current situation of the real estate sector, and in order to minimise the impact that this may have, the Group has established specific measures that it plans to adopt to minimise the impact on its financial situation.

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:

- Economic environment in which it carries out its activity: design of different economic scenarios modifying the key variables that may affect the Group (interest rates, share prices, occupancy of real estate investments, increase in non-performing loans, increase in discounts granted, contraction of the credit market, inflation, 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 does not normally have significant concentrations or levels of credit risk and has policies in place to limit the amount of risk with customers and exposure to credit recovery risk is managed as part of normal activities, with collateral and guarantees customary in leasing contracts. Moreover, the Group has formal procedures in place to detect impairment of trade receivables and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

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	2023	2022
Non-current financial assets	10	13,949	11,868
Other current financial assets	10	3	3
Trade and other receivables	11	13,472	17,359
Cash and cash equivalents	12	244,218	197,141
		271,642	226,371

Cash and cash equivalents

At 31 December 2023 the Group holds cash of EUR 244,218 thousand (EUR 197,141 thousand at 31 December 2022, excluding cash classified as non-current assets held for sale,), which represents its maximum risk exposure for these assets.

At 31 December 2023, this balance includes EUR 115,000 thousand (EUR 170,165 thousand at 31 December 2022) corresponding to deposits with immediate availability and maturity of less than 3 months, contracted and managed by BNP and Credite Agricole, and EUR 115,000 thousand corresponding to an interest-baring bank account, contracted and managed by Barclays (Note 12).

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

Invoiced lease receivables

The ageing of the issued lease receivables outstanding at close of the 2023 and 2022 periods is shown below:

	Thousands of Euros				
	2023				
	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) (*)	29	17	33	4,250	4,329
Total assets	720	387	314	5,426	6,847

**Amount without taking into account balances with the Taxation Authorities and other items*

	Thousands of Euros				
	2022				
	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) (*)	720	387	314	5,426	6,847
Operating lease receivables - ANCMV (Note 9)(*)	171	32	95	666	964
Total assets	891	419	409	6,092	7,811

**Amount without taking into account balances with the Taxation Authorities and other items*

In addition, the breakdown by geography of the provision for impairment of receivables recognised at 31 December 2023 and 2022 is shown below:

	Thousands of Euros	
	2023	2022 (*)
Community of Valencia	573	431
Basque Country	309	252
Galicia	333	1,021
Castile – La Mancha	69	1
Catalonia	305	320
Castile and León	160	43
Andalusia	1,918	2,667
Madrid	31	—
	3,698	4,735

(*) Excluding the impairment provision of those companies classified as non-current assets held for sale amounting to EUR 535 thousand.

(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.

In this way the Company's Directors and Management made the decision to carry out two unsecured green bond issues for 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. These green bond issues were successfully completed in July 2021 and November 2021, respectively, and enabled the Group to pay off most of its financial debt, with almost all of it being repaid in 2022 with the repayment of the senior secured notes issued in 2015, which amounted to EUR 122.7 million.

Furthermore, on 19 January 2023, the Parent Company completed a repurchase process of the bonds issued in 2021, for a total nominal amount of EUR 110 million, with an average discount of 18%, equivalent to a total final price of EUR 90.5 million. In addition, during the period, these bonds were repurchased on the open market for a nominal total of EUR 9 million, at an average discount of 16%, equivalent to a total final price of EUR 7.5 million. These operations resulted in a profit of EUR 20.5 million (Notes 16a and 24).

The Group's exposure to liquidity risk at 31 December 2023 and 31 December 2022 is set forth below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

	Thousands of Euros					
	2023					
	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	—	—	—	—	—	—
Financial liabilities from issue of bonds	—	—	3,113	577,542	—	580,655
Bank borrowings	—	—	185	69,950	—	70,135
Other non-current liabilities	—	—	—	—	19,784	19,784
Deferred tax liabilities	—	—	—	—	12,990	12,990
Trade and other payables	6,620	9,710	2,588	—	—	18,918
Total	6,620	9,710	5,886	647,492	32,774	702,482

	Thousands of Euros					
	2022					
	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	—	—	5,738	—	—	5,738
Financial liabilities from issue of bonds	—	—	3,985	694,434	—	698,419
Bank borrowings	—	—	185	69,936	—	70,121
Other non-current liabilities	12	—	—	—	17,480	17,492
Deferred tax liabilities	—	—	—	—	15,578	15,578
Trade and other payables	5,769	4,810	1,597	—	—	12,176
Total	5,781	4,810	11,505	764,370	33,058	819,524

In addition, the Group has provided additional guarantees amounting to EUR 4,481 thousand (EUR 4,830 thousand at 31 December 2022), the largest amount corresponding to a guarantee deposited in February 2021 by the company LE Retail Vistahermosa, S. L.U. for an amount of EUR 3,957 thousand, provided to the Valencian Tax Agency for tax proceedings that have ended, the economic-administrative claim filed by the company on 19 June 2023 having been fully upheld.

Finally, the Group's Parent, Lar España Real Estate SOCIMI, S.A., signed a guarantee facility for EUR 50 million with Credit Agricole to cover the amount of the provisional settlement, as well as late-payment interest, issued by the Technical Office of the Madrid Regional Inspection Unit in relation to the VAT audit for the periods covered in 2015 and 2016 (Note 20d).

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

The Group manages interest rate risk by obtaining finance at fixed and variable rates. The Group's policy is to maintain non-current financing received from third parties at a fixed rate.

Additionally, at 31 December 2023, 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.

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 regard, the Group's management, with the support of its tax advisers, has carried out an assessment of compliance with the requirements of the regime, concluding that as at 31 December 2023 all requirements are met, except for the income test. This non-compliance is, in the Directors' opinion, an extraordinary situation caused by the positive result obtained after the Parent Company's repurchase in 2023 of the bonds issued in 2021 that were listed at a discount (Notes 16a and 24).

In this regard, as established in article 13 of the SOCIMI Law, which allows this non-compliance to be remedied in the following period, the directors consider, in accordance with the company's business plan for 2024, which the Group will comply with the level required by law in relation to the income test in 2024, and therefore the Group will continue to apply the SOCIMI regime, a situation that has been considered in the preparation of these consolidated financial statements.

On the other hand, and in order to also consider the financial effect of the regime, it should be noted that according to the provisions of Article 6 of the SOCIMI Law, companies that have opted for this regime are obliged to distribute the profit obtained during the period to their shareholders in the form of dividends, once the corresponding commercial obligations have been fulfilled, and the distribution must be agreed within six months following the end of each financial year and paid within the month following the date of the distribution agreement (Notes 1 and 5f).

Should the Group not meet 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).

The Group's Directors monitor compliance with the requirements of the SOCIMI regime on an ongoing basis and believe that there is currently no tax risk associated with non-compliance with the SOCIMI regime.

(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.

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 net equity. Net debt is the sum of financial debt (bonds, mortgages and derivatives) less cash and cash equivalents.

	Thousands of Euros	
	31.12.2023	31.12.2022
Total financial debt (Notes 15 and 16)	650,790	768,540
Less, Cash and cash equivalents (Note 12)	(244,218)	(197,141)
Net debt	406,572	571,399
Total net equity	885,548	898,754
Total	1,292,120	1,470,153
Leverage ratio	31.47%	38.87%

(vii) *Environmental and social issues*

For Lar España, corporate sustainability within its business model is a differentiating element in the context of its value creation, integrating all its stakeholders: from shareholders, regulators, tenants or customers, among others.

In January 2016, the Company approved its Sustainability Policy, which reflects Lar España's commitment to the sustainable development of the business and the creation of shared value in the long term. It also establishes that Lar España will carry out its activities in accordance with the principles of the OECD and the issues set out in the United Nations Universal Declaration of Human Rights, as well as in the Declaration of the International Labour Organisation (ILO).

Subsequently, in 2017 Lar España drafted its ESG Master Plan, with the aim of having a clear and defined roadmap at company level. This Plan is aligned with the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) of the United Nations, with the Paris Agreement (COP21). Following the drafting of this Plan, the company proceeded to work on more specific issues and focused on more concrete aspects, incorporating quantified measures and goals in accordance with different international standards at both corporate and sectoral level.

As evidence of the progress made in the different aspects of sustainability, Lar España has continued to improve the ratings obtained in independent assessment schemes such as GRESB, in which it has participated for the sixth consecutive year, as well as in the international MSCI index, in which it has increased the BBB rating to A rating in 2023.

In terms of equality issues, it continues to form part of the IBEX Gender Equality Index as Spain's leading gender equality index.

Thus, in 2023 Lar España worked on the following projects, among others:

Certifications

The Company has continued its commitment to participate in assessment and certification schemes to ensure that all properties operate as sustainably as possible, having achieved that 100% of the assets in the portfolio are certified to the BREEAM standard, of which 98% (in terms of asset value) are rated as "Excellent" and "Very Good".

In addition, from 2023, 100% of the assets under operational control comply with the standards of the Environmental Management System and the Health and Safety Management System determined respectively by the ISO 14001 and 45001 standards, with the relevant certifications accrediting this.

Commitment to contribute to the fight against climate change

- In 2023, the company updated its Carbon Footprint Reduction Plan in order to establish a roadmap that integrates the latest progress made in the assets, as well as the data recorded since the completion of the Company's first Decarbonisation Plan in 2021. In this way, Lar España has established a clear emissions neutrality goal and a decarbonisation pathway in line with the international *Science Based Targers Initiative* (SBTi). Within this plan, measures adapted to each of the assets have been designed and will be implemented over the next few years in accordance with the investment plans proposed and the progress of the different technologies in this field.

- Following the registration of the Company's Carbon Footprint for 2018, 2019, 2020 and 2021 with the Ministry for Ecological Transition and the Demographic Challenge (MITERD) as part of the national strategy framed within that of the European Union, Lar España has completed the process of registering its Carbon Footprint for the 2022 period. Thanks to the decrease in asset emissions in this period, it has revalidated the "Calculo y Reduzco" seal, which demonstrates the various efforts made in recent years to implement improvements that allow for more sustainable operations. It has thus become the first listed company in the real estate sector to obtain this recognition for the second consecutive year. In addition, since the first year of registration of the Carbon Footprint, the company has carried out the verification by an independent external party, in accordance with the "Carbon Footprint Declaration of Conformity", of the information submitted to the Ministry relating to the emissions data for each of the periods and the required Reduction Plan.

Waste management

- In terms of contributing to the principles of the Circular Economy, as a further step in the fight against climate change, in 2019 Lar España developed its Waste Management Plan with the aim of obtaining greater traceability of the waste generated in the assets. In the last two years, the company has made progress in identifying and collecting such data in order to establish improvement measures. The next step will be to achieve greater traceability of transport and processing data in line with the new Law 7/2022 of 8 April on waste and contaminated soils for a circular economy.

- The company's aim is to continue working on this issue with the intention of having greater control over the waste generated by its activity. This will provide more detail on the

Company's indirect emissions (Scope 3) which will complete its Carbon Footprint calculation.

Responsible water consumption

Lar España has carried out an analysis of its water consumption and management in its operational phase, in accordance with the ISO 14046 standard. For this, the number of visitors to each asset, the annual consumption broken down according to the different uses of water, as well as the main environmental impacts derived, have been taken into account, identifying the risks and opportunities in the related activities and processes.

Sustainable Mobility

Sustainable mobility is a concept created to counteract the environmental and social problems associated with the urban mobility of citizens, something on which Lar España is focusing its efforts as it is considered an added value factor for the portfolio's assets. Thus, the options offered by the company include solutions such as vehicle charging points, parking for motorbikes, bicycles and *scooters,* development of new pedestrian access and public transport campaigns.

It should be noted that Lar España's twelve assets can be accessed by the main transport lines of the municipalities in which they are located.

Air quality

Lar España's spaces have once again been an example of health and well-being thanks to the control, monitoring and innovation due to specialised monitoring software. Through the information collected monthly in specific reports, Lar España is aware of the optimum air quality in its main indicators of: thermal comfort, CO_2, suspended particles and organic compounds from decoration materials, renovations, cleaning and maintenance, among others.

Accessibility

Lar España has continued with its goal of guaranteeing an inclusive shopping and leisure experience that complies with Universal Accessibility criteria, in line with the requirements of the UNE 17001 standard as a guarantee of access and enjoyment. Thus, the company already has eight assets certified according to this standard: Abadía Park, El Rosal, Vidanova, Lagoh, Megapark, Albacenter, As Termas and Portal de La Marina. Work is currently underway to extend it to the Gran Vía de Vigo and Ànec Blau assets.

Social impact

Other new developments include the creation of the Social Impact Committee to achieve greater synergies between teams responsible for this area, as well as the corresponding Impact Report which is expected to be launched in 2024 to strengthen the role of Lar España within the socio-economic context of its communities.

Tenants and users

In terms of the day-to-day running of its centres and parks, Lar España has continued to develop *engagement* initiatives through specific marketing actions such as satisfaction and accessibility campaigns and surveys, among others, as well as social action in conjunction with various NGOs, foundations and entities.

In addition, coinciding with the publication of the consolidated financial statements, Lar España publishes a half-yearly report, available on its corporate website, in which it sets out the progress made in 2023 in the different areas within the context of the development of its activity. The report contains more extensive information on environmental, social and governance issues than is contained in this document.

(22) REVENUE

The breakdown of revenue is presented in Note 6, in conjunction with segment reporting. Note 8 also includes a breakdown of rental income, differentiating between fixed rental income (minimum guaranteed rent) and floating rental income (based on the sales made by the lessee).

(23) OTHER OPERATING EXPENSES

The breakdown of other expenses are as follows:

	Thousands of Euros	
	2023	2022
Services by independent professionals	18,896	12,398
Insurance premiums	404	386
Bank fees and commissions	28	122
Advertising and publicity	1,255	1,095
Common expenses	3,686	2,874
Taxes	2,725	2,655
Impairment losses and uncollectibility of trade and other receivables (Note 11a)	292	1,891
Remuneration of the Board of Directors (Note 27b) (*)	622	615
Other expenses	412	603
	28,320	22,639

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

The heading "Independent professional services" relates mainly to the expense corresponding to the accrual of the base fee linked to the contract with the manager, Grupo Lar, amounting to EUR 5,669 thousand (EUR 5,391 thousand in the 2022 period), and the variable fee of EUR 3,268 thousand in 2023 for the performance fee (EUR 80 thousand in the 2022 period) (Note 27a).

Invoicing to tenants includes re-invoicing for common expenses (community, services related to property management, taxes, etc.), amounting to EUR 27,650 thousand (UR 27,009 thousand as at 31 December 2022), which are being deducted from the amount recorded under "Community expenses".

In addition, the item "Impairment and uncollectibility losses on trade and other receivables" includes the movement in the provision for impairment and impairment of trade and other receivables for the period.

(24) FINANCIAL PROFIT/(LOSS)

The breakdown of financial profit/(loss) at 31 December 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	2023	2022
Financial income		
Financial income on deposits (Notes 12 and 21.a.ii)	4,559	575
Other financial income	3	311
Financial expenses		
Financial expenses due to bank borrowings (Note 16b)	(1,234)	(1,327)
Financial expenses due to bonds (Note 16a)	(12,705)	(14,421)
Other financial expenses	(455)	(453)
Impairment and profit/(loss) in disposals of financial instruments (Note 16)	20,458	—
Changes in the fair value of financial instruments (Notes 12 and 16b)	—	(4,336)
	10,626	(19,651)

(25) EMPLOYEE BENEFITS EXPENSE

The breakdown of employee benefits expense at 31 December 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Salaries and wages	735	865
Other benefits and taxes	67	63
	802	928

(26) PROFIT/(LOSS) FOR THE PERIOD

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

	Thousands of Euros	
	2023	2022
Lar España Real Estate SOCIMI, S.A.	(5,597)	(30,062)
LE Logistic Alovera I y II, S.A.U. (*)	47	288
LE Retail Hiper Albacenter, S.A.U.	175	(385)
LE Retail Alisal, S.A.U. (*)	(3)	(4)
LE Offices Eloy Gonzalo 27, S.A.U. (*)	(1)	(4)
LE Retail As Termas, S.L.U.	2,791	7,299
LE Retail Hiper Ondara, S.L.U.	22,217	32,749
LE Offices Joan Miró 21, S.L.U. (*)	(10)	(8)
LE Logistic Alovera III y IV, S.L.U. (*)	(1)	(4)
LE Logistic Almussafes, S.L.U. (*)	(1)	(12)
LE Retail Vidanova Parc, S.L.U.	1,809	4,537
LE Retail El Rosal, S.L.U.	(6,308)	2,835
LE Retail Galaria, S.L.U. (*)	(1)	(4)
LE Retail Lagoh, S.L.U.	10,600	24,304
LE Retail Vistahermosa, S.L.U.	(720)	9,612
LE Retail Sagunto II, S.L.U.	133	404
Lar España Inversión Logística IV, S.L.U. (*)	(3)	(3)
LE Retail Villaverde, S.L.U.	—	(4)
LE Retail Anec Blau, S.L.U.	1,147	8,410
LE Retail Albacenter, S.L.U.	703	519
LE Retail Txingudi, S.L.U.	666	(1,821)
LE Retail Las Huertas, S.L.U.	227	277
LE Offices Marcelo Spínola 42, S.L.U. (*)	—	(12)
LE Retail Gran Vía de Vigo, S.A.U.	(4,386)	1,440
LE Retail Abadía, S.L.U.	7,487	8,055
Inmobiliaria Juan Bravo 3, S.L.	8	27
LE Retail Rivas, S.L.U.	4,690	4,494
LE Retail Córdoba Sur, S.L.U. (*)	(1)	(6)
Profit/(loss) before tax	35,668	72,921
Income tax	1,121	—
Profit after tax	36,789	72,921

(*) On 21 December 2023 the companies LE Logistic Alovera I y II, S.A.U., LE Logistic Alovera III y IV, S.A.U., LE Logistic Almussafes, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Galaria, S.L.U., LE Retail Villaverde, S.L.U., LE Retail Alisal, S.L.U., LE Offices Eloy Gonzalo 27, S.A.U., Lar España Inversión Logística IV, S.L.U., LE Offices Marcelo Spinola 42, S.L.U., and LE Retail Córdoba Sur, S.L.U. were dissolved and wound up.

(27) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related party transactions and balances

Management agreement with Grupo Lar

On 29 December 2021, the Parent Company approved a new 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 (IMA). 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) has been modified.

The base fee or fixed amount payable to the Management Company will be calculated as 0.62% of the value of EPRA net tangible assets (excluding net cash) at 31 December the previous year.

The base fee accrued by the manager totalled EUR 5,669 thousand in 2023 (EUR 5,391 thousand in 2022) is recorded under "Other operating expenses" on the Consolidated Statement of Comprehensive Income. At 31 December 2023, EUR 472 thousand is provided for and outstanding (at 31 December 2022 EUR 544 thousand was provided for and outstanding).

Similarly, the performance fee payable to the Management Company will be the minimum amount of: (i) the sum of applying 8% to anything in excess of the 8.5% increase in the Group's EPRA NTA (net of capital increases and reductions and dividend distributions) plus 2% of anything in excess of the 8.5% annual increase in market capitalisation (net of capital increases and reductions and dividend distributions); (ii) 10% of the *high water mark outperformance*, and will be subject to a total limit equal to 1.5 times the amount of the annual fixed amount. Pursuant to Clause 7.2.2 of the management agreement, the Parent Company can choose whether to pay the performance fee in cash or in the form of treasury shares.

In relation to this variable amount, at 31 December 2023, an amount of EUR 3,268 thousand has been recorded and is pending payment (EUR 80 thousand at 31 December 2022).

Other contracts with related parties

The Group has also signed a contract with a related company, Gentalia 2006, S.L., (an investee in which Grupo Lar Inversiones Inmobiliarias, S.A. has a majority shareholding) for the provision of services related to the administration of property assets. On 1 July 2022, the contract was renewed for a period of 3 years, i.e. until 30 June 2025.

At 31 December 2023 the expense incurred in this item amounted to EUR 3,196 thousand (EUR 2,367 thousand at 31 December 2022), of which EUR 570 thousand was pending payment as at 31 December 2023 (EUR 342 thousand at 31 December 2022).

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

The remuneration of the members of the Group's Board of Directors and Senior Management for the periods 2023 and 2022, classified by item, is as follows:

	Thousands of Euros					
	2023			2022		
	Salaries	Allowances	Insurance premiums	Salaries	Allowances	Insurance premiums
Board of Directors	-	622	183*	-	615	180*
Senior Management	735	-	-	865	-	-

* 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 77 thousand for the non-executive Secretary of the Board of Directors (EUR 85 thousand at 31 December 2022).

As at 31 December 2023 the Company has six Directors, four of whom are men and two of whom are women (as at 31 December 2022 the Company had six Directors, four of whom were men and two of whom were women).

Senior management salaries include both fixed and variable remuneration. The latter is accrued annually based on the degree of compliance with the specific goals established for each year and is settled entirely in cash, although it is in turn composed of the bonus, which is settled in the first months of the year following its accrual, and the long-term variable remuneration (LTI), which is settled at the end of the corresponding programme and is subject to the employee's permanence in the Company and to the absence of events that would result in the modification of the data on which the estimate of the annual amount to be received by LTI was based.

The LTI approved by the Board of Directors for the 2022 covers the 2022-2024 period, whereby the long-term variable remuneration for these financial years will be paid, if the conditions are met, in the first four months of 2025. The Salaries amount in the above table includes EUR 80 thousand corresponding to the accrued amount of the 2023 LTI (EUR 69 thousand in 2022) to be paid, if applicable, in 2025. In addition, during the 2022 period, Senior Management received EUR 164 thousand from the settlement of the previous LTI that matured in this year.

At close of the 2023 and 2022 periods, there are certain indemnity commitments and agreements in place for members of Senior Management in certain cases of termination of their employment relationship following a change of control in the Parent Company. In no case, at close of the 2023 period, does this contingent commitment exceed two year's remuneration.

At 31 December 2023 and 2022 the Group has no pension, life insurance, stock options or compensation obligations, different than those mentioned above, with former or current members of the Board of Directors or Senior Management personnel of the Parent Company.

At 31 December 2023 and 2022 no advances or loans have been extended to members of the Board of Directors 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 2023 and 2022 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 Capital Companies Law.

Without prejudice to the foregoing, it is reported that the director Mr. Miguel Pereda Espeso holds certain positions in companies whose corporate purpose is similar or complementary to that of the Group, and these are detailed in the individual financial statements of the Parent Company.

(28) EMPLOYEE INFORMATION

The average headcount of the Group at 31 December 2023 and 2022, distributed by category, is as follows:

	2023	2022
Professional category		
Senior Management	4	4
Total	4	4

The distribution of Group personnel by gender at 31 December 2023 and 2022 is as follows:

	Number			
	2023		2022	
	Women	Men	Women	Men
Senior Management	1	3	1	3
Total	1	3	1	3

In the 2023 and 2022 periods, the Group had no employees with a 33% or greater disability.

(29) AUDIT FEES

During 2023 and 2022, 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	
	31.12.2023	31.12.2022
Audit and related services		
Audit services	375	358
Other verification services	27	26
Professional Services		
Other services	—	—
Total	402	384

(30) EVENTS AFTER THE REPORTING PERIOD

There have been no additional subsequent events up to the date these financial statements were drawn up that materially affect these consolidated financial statements.

(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.

Appendix I

a) Subsidiaries

Name	Activity	Type	% of stake		Thousands of Euros					
			Direct	Total	Share capital	Operating profit/(loss)	Profit/(loss)	Interim dividends	Other equity	Total net equity
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	158	159	(139)	15,582	15,662
LE Retail As Termas, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,987	1,931	(1,913)	38,613	38,635
LE Retail Hiper Ondara, S.L.U. (*)	Leasing of property	Subsidiary	100	100	4	7,423	7,207	(6,921)	152,655	152,945
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,984	1,957	(1,829)	31,172	31,304
LE Retail El Rosal, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	1,850	1,776	(1,756)	28,407	28,430
LE Retail Lagoh, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	6,555	6,395	(6,011)	127,828	128,215
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	19	(124)	—	1,099	978
LE Retail Vistahermosa, S.L.U.	Leasing of property	Subsidiary	100	100	3	15,788	15,767	(7,799)	24,437	32,408
LE Retail Anec Blau, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	1,222	1,232	(1,034)	94,644	94,845
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,318	1,335	(1,319)	38,543	38,562
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	561	578	(242)	35,872	36,211
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	236	50	—	13,221	13,274
LE Retail Gran Vía de Vigo, S.A.U. (*)	Leasing of property	Subsidiary	100	100	502	2,179	2,041	(1,831)	35,604	36,316
LE Retail Abadía, S.L.U.	Leasing of property	Subsidiary	100	100	7,204	3,162	3,096	(2,859)	22,089	29,530
LE Retail Rivas, S.L.U.	Leasing of property	Subsidiary	100	100	3	19,412	17,962	(8,983)	30,752	39,734
					7,805	63,854	61,362	(42,636)	690,518	717,049

(*) Company audited by Deloitte, S.L.

All the companies have their registered office at Calle María de Molina 39, Madrid.

b) Joint venture

					% of stake		Thousands of Euros					
Name	**Registered office**	**Activity**	**Auditor**	**Type**	**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	(30)	(28)	—	1,461	2,916

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2022

a) Subsidiaries

			% of stake		Thousands of Euros					
Name	Activity	Type	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	(4)	293	(227)	3,527	3,653
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	(109)	(109)	—	15,323	15,274
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(4)	1	—	2,278	2,339
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(4)	(3)	—	341	398
LE Retail As Termas, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,595	1,532	(1,438)	36,823	36,921
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Subsidiary	100	100	4	(4)	(3)	—	632	633
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(12)	(6)	—	2,808	2,806
LE Retail Hiper Ondara, S.L.U. (*)	Leasing of property	Subsidiary	100	100	4	5,361	5,109	(4,346)	146,146	146,913
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	(8)	(7)	—	765	762
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	26	(8)	—	30,259	30,255
LE Retail El Rosal, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	2,772	2,689	(2,389)	26,494	26,797
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(4)	(4)	—	407	407
LE Retail Lagoh, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	3,576	3,387	(2,781)	122,152	122,761
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	17	348	(327)	1,091	1,115
LE Retail Vistahermosa, S.L.U.	Leasing of property	Subsidiary	100	100	3	217	170	(74)	23,400	23,499
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(4)	—	—	1,945	1,948
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(4)	—	—	1,745	1,748
LE Retail Anec Blau, S.L.U. (*)	Leasing of property	Subsidiary	100	100	3	943	937	(812)	92,494	92,622
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,247	1,262	(1,093)	37,645	37,817
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	709	722	(417)	35,267	35,575
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	175	138	(108)	13,030	13,063
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(12)	1	—	6,505	6,509

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2022

LE Retail Gran Vía de Vigo, S.A.U. (*)	Leasing of property	Subsidiary	100	100	502	1,577	1,430	(1,089)	32,851	33,694
LE Retail Abadía, S.L.U.	Leasing of property	Subsidiary	100	100	7,204	2,614	2,541	(2,267)	20,127	27,605
LE Retail Rivas, S.L.U.	Leasing of property	Subsidiary	100	100	3	798	757	(663)	29,486	29,583
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(8)	—	(665)	(669)
					8,014	21,452	21,169	(18,031)	682,876	694,028

(*) Company audited by Deloitte, S.L.

All the companies have their registered office at Calle María de Molina 39, Madrid.

b) Joint venture

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					% of stake		Thousands of Euros					
Name	**Registered office**	**Activity**	**Auditor**	**Type**	**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	(248)	(248)	—	1,665	2,900

1 Situation of the Group

1.1 Organisational structure and operations

The Group, created in 2014, is comprised of a group of companies mostly under the tax regime governing Listed Real Estate Investment Companies ("SOCIMI"). It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has more than 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.

At Lar España, the highest governance body is the Board of Directors. The Board oversees the management of the Company with a view to promoting and protecting shareholders' interests. Strategic management, allocation of resources, risk management and corporate control, as well as accounting, financial and non-financial reports are among the main responsibilities of the Group's Board of Directors. The Board is the Company's chief management body, except as regards decisions that are reserved to the shareholders when constituted as a General Meeting.

During 2023 and 2022 the Group has carried out its activity with the rental of shopping centre and single-tenant commercial premises.

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

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 2023 reporting date, the Group's ordinary revenue amounted to EUR 91,355 thousand, corresponding to the business in which the Group is engaged, the rental business.

During 2023 the Group incurred "Other operating expenses" amounting to EUR 28,320 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (EUR 8,937 thousand), recurrent services that are directly linked to the everyday management of the assets by the amount of EUR 12,404 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 amortization expenses, stood at EUR 65,384 thousand.

The valuation during 2023 of the assets held by the Group at 31 December 2023, 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 40,350 thousand.

In 2023, the Group transferred the Rivas Futura and Vistahermosa retail parks. The transaction was formally completed for a total of EUR 129.1 million, representing a 24% increase on the purchase price. This generated a loss of EUR 405 thousand recognised in “Gains/(losses) on disposals of investment property” in the consolidated statement of comprehensive income.

The financial result was positive amount of EUR 10,626 thousand, including impairment and result from the disposals of financial instruments and changes in the fair value of financial instruments and without considering the share of profit (loss) for the year of investments accounted for using equity method.

The Group's gain for the period was EUR 36,789 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 67% of total revenue, as opposed to 33% from parks.

- Around 45% of rental revenue is generated by the Lagoh, Gran Vía de Vigo and Megapark retail centres.

As at 31 December of 2023, the Group occupied across its whole business 97.1% the gross leasable area (GLA), the occupancy rate at retail centres being 96.5%. Retail parks occupancy stands at 98.2%.

As at 31 December of 2023, the Group has a portfolio of real estate rental projects covering shopping centres (310,752 sqm) and retail parks (169,474 sqm). The overall total gross leasable area of 480,226 sqm.

2.2 Other financial indicators

As at 31 December of 2023, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 233.909 thousand (EUR 477,350thousand as at 31 December 2022).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →11.5 (22.6 as of 31 December 2022).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.2 (1.4 as of 31 December 2022).

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 4,09% (8.25% as of 31 December 2022). 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 2,29% (4.26% as of 31 December 2022); 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 7 of the "Full yearly report 2023", 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 Staff issues

Personnel

As at 31 December of 2023 the Group has 4 employees (3 men and 1 woman). Said employees are classified as Senior Management. In the 2023 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 2023, the Group's financial debt amounted to EUR 650,790 thousand. The level of debt is related basically to the two green bonds issuances, launched in July and November 2021. This also includes a credit line arranged by the Parent Company with European Investment Bank.

On 19 January 2023, the Group completed the Bonds repurchase process of the two issues made in the 2021 period, for a total nominal amount of EUR 98 million for the bonds issued on 22 July 2021 and EUR 12 million for the bonds issued on 3 November 2021, with a discount of 18% equivalent to a total final price of EUR 90.5 million which were paid in full out of the Parent Company's cash. This transaction had a positive impact on the Consolidated Statement of Comprehensive Income for 2023 of approximately EUR 20 million. The Parent Company of the Group appointed J.P. Morgan as the sole dealer manager for the transaction, which was targeted exclusively at certain eligible holders and settled on 19 January 2023.

In addition, during the 2023 period, the Parent Company carried out repurchases on the open market of bonds corresponding to the issue made on 22 July 2021, for a total nominal amount of EUR 9.0 million, with an average discount of 16%, with a positive impact on the Consolidated Statement of Comprehensive Income for 2023 of EUR 0.5 million.

In this respect, from the average discount associated with these bonds repurchases, the Parent Company has recognised a profit of EUR 20.5 million (net of transaction costs) under "Impairment and gains or losses on disposal of financial instruments" in the Consolidated Statement of Comprehensive Income at 31 December 2023 (Note 24).

In this regard, the bonds acquired in January 2023 have been redeemed once their repurchase has been settled, with the bonds acquired in May, June and July 2023 still to be redeemed.

As at 31 December of 2023, the Group's short-term financial debt stands at EUR 3,298 thousand.

The Group intends its debt's maturity profile to be in line with its ability to generate cash flow to cover the debt.

In June 2023 the credit facility the Parent Company is held with Bankinter was renewed for one year without any changes to the amount or the conditions.

The financial expenses accrued on loans during the twelve months ended 31 December 2023 amounted to EUR 1,234 thousand, and the effect of the amortised cost of these was EUR 14 thousand. The accrued, unpaid interest at 31 December 2023 amounts to EUR 185 thousand.

The financial expenses accrued on the bonds during the twelve months ended 31 December 2023 amounted to EUR 12.705 thousand, and the effect of the amortised cost thereof was EUR 3.458 thousand (taking into account the financial expenses for the amortised cost effect corresponding to the proportional part of the repurchases made during the first half of 2023). The accrued, unpaid interest at 31 December 2023 amounts to EUR 3,113 thousand.

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

As of 31 December of 2023, the Group presents Investment commitments pertaining to investment property totalled EUR 1,377 thousand, in addition to the indications in section 3.1.
As at 31 December of 2023, 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 business. 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 oversight systems; it is informed by the Audit and Oversight Committee. The Group’s Risk Management and Control System identifies, groups, manages and control risks that could potentially affects said Group in the areas that make up the Group's corporate risk map, which is adequately reported in the Annual Corporate Governance Report.

In addition to these risks and impacts, refer to section 7 of this management report in order to see the most important ones.

5 Environmental information

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.

For Lar España, corporate sustainability within its business model is a differentiating element in the context of its value creation, integrating all its stakeholders: from shareholders, regulators, tenants or customers, among others.

In January 2016, the Company approved its Sustainability Policy, which reflects Lar España's commitment to the sustainable development of the business and the creation of shared value in the long term. It also establishes that Lar España will carry out its activities in accordance with the principles of the OECD and the issues set out in the United Nations Universal Declaration of Human Rights, as well as in the Declaration of the International Labour Organisation (ILO).

Subsequently, in 2017 Lar España drafted its ESG Master Plan, with the aim of having a clear and defined roadmap at company level. This Plan is aligned with the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) of the United Nations, with the Paris Agreement (COP21). Following the drafting of this Plan, the company proceeded to work on more specific issues and focused on more concrete aspects, incorporating quantified measures and goals in accordance with different international standards at both corporate and sectoral level.

As evidence of the progress made in the different aspects of sustainability, Lar España has continued to improve the ratings obtained in independent assessment schemes such as GRESB, in which it has participated for the sixth consecutive year, as well as in the international MSCI index, in which it has upgraded its score from 'BBB' to 'A' in 2023.

In terms of equality issues, it continues to form part of the IBEX Gender Equality Index as Spain's leading gender equality index.

Thus, in 2023 Lar España worked on the following projects, among others:

Certifications

The Company has continued its commitment to participate in assessment and certification schemes to ensure that all properties operate as sustainably as possible, having achieved that 100% of the assets in the portfolio are certified to the BREEAM standard, of which 98% (in terms of asset value) are rated as "Excellent" and "Very Good".

In addition, from 2023, 100% of the assets under operational control comply with the standards of the Environmental Management System and the Health and Safety Management System determined respectively by the ISO 14001 and 45001 standards, with the relevant certifications accrediting this.

Commitment to contribute to the fight against climate change

- In 2023, the company updated its Carbon Footprint Reduction Plan in order to establish a roadmap that integrates the latest progress made in the assets, as well as the data recorded since the completion of the Company's first Decarbonisation Plan in 2021. In this way, Lar España has established a clear emissions neutrality goal and a decarbonisation pathway in line with the international Science Based Targers Initiative (SBTi). Within this plan, measures adapted to each of the assets have been designed and will be implemented over the next few years in accordance with the investment plans proposed and the progress of the different technologies in this field.

- Following the registration of the Company's Carbon Footprint for 2018, 2019, 2020 and 2021 with the Ministry for Ecological Transition and the Demographic Challenge (MITERD) as part of the national strategy framed within that of the European Union, Lar España has completed the process of registering its Carbon Footprint for the 2022 period. Thanks to the decrease in asset emissions in this period, it has revalidated the "Reduzco (I Reduce)" seal, which demonstrates the various efforts made in recent years to implement improvements that allow for more sustainable operations. It has thus become the first listed company in the real estate sector to obtain this recognition for the second consecutive year. In addition, since the first year of registration of the Carbon Footprint, the company has carried out the verification by an independent external party, in accordance with the "Carbon Footprint Declaration of Conformity", of the information submitted to the Ministry relating to the emissions data for each of the periods and the required Reduction Plan.

Waste management

- In terms of contributing to the principles of the Circular Economy, as a further step in the fight against climate change, in 2019 Lar España developed its Waste Management Plan with the aim of obtaining greater traceability of the waste generated in the assets. In the last two years, the company has made progress in identifying and collecting such data in order to establish improvement measures.

- The next step will be to achieve greater traceability of transport and processing data in line with the new Law 7/2022 of 8 April on waste and contaminated soils for a circular economy.

- The company's aim is to continue working on this issue with the intention of having greater control over the waste generated by its activity. This will provide more detail on the Company's indirect emissions (Scope 3) which will complete its Carbon Footprint calculation.

Responsible water consumption

Lar España has carried out an analysis of its water consumption and management in its operational phase, in accordance with the ISO 14064 standard. For this, the number of visitors to each asset, the annual consumption broken down according to the different uses of water, as well as the main environmental impacts derived, have been taken into account, identifying the risks and opportunities in the related activities and processes.

Sustainable Mobility

Sustainable mobility is a concept created to counteract the environmental and social problems associated with the urban mobility of citizens, something on which Lar España is focusing its efforts as it is considered an added value factor for the portfolio's assets. Thus, the options offered by the company include solutions such as vehicle charging points, parking for motorbikes, bicycles and scooters, development of new pedestrian access and public transport campaigns.
It should be noted that Lar España's twelve assets can be accessed by the main transport lines of the municipalities in which they are located.

Air quality

Lar España's spaces have once again been an example of health and well-being thanks to the control, monitoring and innovation due to specialised monitoring software. Through the information collected monthly in specific reports, Lar España is aware of the optimum air quality in its main indicators of: thermal comfort, CO_2, suspended particles and organic compounds from decoration materials, renovations, cleaning and maintenance, among others.

Accessibility

Lar España has continued with its goal of guaranteeing an inclusive shopping and leisure experience that complies with Universal Accessibility criteria, in line with the requirements of the UNE 17001 standard as a guarantee of access and enjoyment. Thus, the company already has eight assets certified according to this standard: Parque Abadía, El Rosal, Vidanova, Lagoh, Megapark, Albacenter, As Termas and Portal de La Marina. Work is currently underway to extend it to the Gran Vía de Vigo and Ànec Blau assets.

Social impact

Other new developments include the creation of the Social Impact Committee to achieve greater synergies between teams responsible for this area, as well as the corresponding Impact Report which is expected to be launched in 2024 to strengthen the role of Lar España within the socio-economic context of its communities.

Tenants and users

In terms of the day-to-day running of its centres and parks, Lar España has continued to develop engagement initiatives through specific marketing actions such as satisfaction and accessibility campaigns and surveys, among others, as well as social action in conjunction with various NGOs, foundations and entities.

In addition, coinciding with the publication of the consolidated financial statements, Lar España publishes a half-yearly report, available on its corporate website, in which it sets out the progress made in 2023 in the different areas within the context of the development of its activity. The report contains more extensive information on environmental, social and governance issues than is contained in this document.

6 Information on the foreseeable evolution of the Group

In line with the company's business, the acquisition, operation and repositioning of assets, mainly focused on the retail sector (shopping centres and retail parks), active management capacity is key to ensure the creation of value for its shareholders.

At Lar España, we aware of the role we play with our activity, committing ourselves to contribute in an ethical, responsible and sustainable way with our operations and decision-making, generating positive impact for both society and the environment and obtaining, in turn, a profitable financial return for our investors.

We have set ourselves the goal of leading the retail property industry in terms of portfolio size, asset quality and management effectiveness. To achieve this, we work on our ongoing commitment to deliver maximum value to shareholders, tenants and end customers.

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2024 and in subsequent years.

7 Market context

7.1 Current military conflicts

In recent years, various armed conflicts have erupted in different parts of the world increasing the global geopolitical tensions. In February 2022, Russia's invasion of Ukraine began, leading to a war between the two countries, and in October 2023, the Israeli-Palestinian conflict in the Gaza Strip began. The consequences of both conflicts are still uncertain.

The Company's directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have a direct impact on its financial statements, since all its operations are domestic, and it does not depend on any raw materials that could be affected by cuts in supplies.

However, the situation has generated an increased in uncertainty in global markets and a sharp rise in the cost of energy and other natural resource costs, particularly in Europe, which in conjunction with other factors, has translated into an increase in inflation and the cost of living in the Spanish macroeconomic environment, leading to a rise in interest rates by the European Central Bank in response.

The situation and its potential indirect impacts on the Group is being monitored by the Management and the Directors. Lease rents are indexed to the CPI and have been revised in 2023. On the other hand, the activity of shopping centres and retail parks is monitored to identify possible decreases in footfall and/or consumption levels that could affect tenant effort rates.

Similarly, the independent third-party experts engaged by the Group have taken into consideration the economic situation at period close in determining the fair value of the Group’s investment property, although this may be affected by rapid changes in market circumstances caused by global geopolitical and economic impacts.

Given the existing geopolitical uncertainty and volatility, the Directors and the Company's Management continue to constantly monitor the evolution of the conflict and its consequences, to successfully deal with possible future impacts that may occur.

7.2 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.

An example of the excellent management by the teams in charge was the negotiation with the tenants of the assets during the duration of the COVID-19 pandemic, reaching individualised agreements on practically all the gross leasable area of their assets. The Group managed each situation directly and without intermediaries, enabling it to reach agreements tailored to the specific needs of each tenant and activity. This demonstrates the company's agility in managing and dealing with crisis situations, which is possible because it has 100% control of the assets in most of the portfolio.

The agreements were mostly reached under conditions that represent a great commitment on both sides, strengthening relations with retailers and reinforcing the duration and stability of the contracts, as well as that of all the shopping centres and retail parks. As a result, at the end of 2023 the Group continues to have a solid, well-established tenant base of proven quality, which has driven the growth in sales and visits recorded, for yet another year, in its assets.

7.3 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.

At 2023 year-end, the assets of Lar España occupancy rate of 97.1%, operating at close to full capacity.

During the year the Company has continued to position itself at the forefront of the retail sector, through the development of innovation projects that guarantee a differential and sustainable experience at our assets. Lar España has a high added value portfolio, which is demonstrated by the recurring profitability for its shareholders, something that has been particularly relevant this year thanks to the spectacular increase in the listed share price.

Ongoing dialogue with stakeholders continues to be one of the Company's priorities, with the aim of anticipating and adapting to the preferences and needs of each customer. Shopping centres have become spaces that offer much more than just shopping; they are spaces where leisure, culture, gastronomy and entertainment come together.

Once again, performance of the activity has been aligned with sustainability at all levels, having complied with the corporate agenda set at the beginning of the year by the Company. Thus, new environmental, social and good governance factors have been integrated throughout the year, enabling us to meet the objectives set and become a benchmark in the various aspects of sustainability.

The Company continues to have a solid and very consolidated tenant base that has proven quality, which, once again this year, has driven the growth in sales and footfall at our assets. Commercial relationships with tenants have been strengthened thanks to the contact maintained therewith, reinforcing the duration and stability of contracts in all shopping centres and retail parks.

The top ten tenants account for 33.2 % of its rental income, and more than 60% of all the leases signed with retailers have a remaining term beyond 2027.

The company's properties have a clear competitive edge in their catchment areas, generally offering more than 480,226 sqm of retail space and located in regions with an above average per capita income for Spain.

7.4 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, for example through the project to monitor the air quality of the assets to guarantee optimum indoor air quality in the shopping centres. In addition, over the last few months the company has been analysing different ways to establish channels of dialogue with its tenants, responding to any possible needs that may arise.

7.5 Consolidated financial position

The company's strong liquidity levels and financial autonomy afford it considerable economic resilience. This stands it in excellent stead to face scenarios having carried out stress tests that have produced satisfactory results on its annual business model.

An example of this is the average cost of the company's financial debt, which stands at 1,8%, 100% at a fixed rate, and with no relevant maturities until 2026.

7.6 Financial and investment caution

The company has reactivated its CAPEX plan and all decisions will be made on the premise of achieving solid returns via effective management and value uplift across all of its assets and taking into account the exposure to inflationary risk.

8 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)*.

For more information on this point, please refer to point 1.1 of the "FY 2023 Report" as it included information on the innovation projects that are carried out on the assets and the impact they have on management.

9 Acquisition and disposal of treasury stock

Pursuant to section 2.c) of Rule Four of CNMV Circular 1/2017 of 26 April 2017 on liquidity contracts ("Circular 1/2017"), Lar España announced in February that the liquidity contract entered into with JB Capital Markets, Sociedad de Valores, S.A.U., which had been in effect since 11 July 2017 and the execution of which was announced to the market by means of the relevant event published on 10 July 2017 (under registration number 254,421), had been terminated with effect from 23 February 2023.

Subsequently, on 13 March 2023 and in accordance with the provisions of section 2 of Rule Four of CNMV Circular 1/2017 of 26 April 2017 on liquidity contracts ("Circular 1/2017"), Lar España announced the execution of a liquidity contract (the "Liquidity Contract") with GVC Gaesco Valores, Sociedad de Valores, S.A. (the "Financial Intermediary"), effective as of that day.

Such Liquidity Contract is consistent with the contract template included in Circular 1/2017 and a copy thereof was sent to the CNMV for the purposes envisaged in section 3 of Rule Four of Circular 1/2017.

As of 31 December 2023, the share price was EUR 6.15.

As of 31 December 2023, the Company holds a total of 62,545 shares, representing 0.07% of total issued shares.

10 Other relevant information

10.1 Stock exchange information

The initial share price at the start of the year was EUR 4.30 and the nominal value at the reporting date was EUR 6.15. During 2023, the average price per share was EUR 5.39.

In the context of the green bonds issuances made by the company in 2021, the rating agency Fitch assigned an investment grade rating or BBB rating to both Lar España and its green bond issuance, which has been ratified in 2023.

10.2 Dividend policy

On 31 March 2023, the Shareholders' General Meeting approved the distribution of a dividend of 12,346 thousand Euros, at EUR 0.1475 per share (taking into account all the shares issued) and recognised in profit and loss for the 2022 period, and of 37,654 thousand Euros, at EUR 0.4499 per share (taking into account all the shares issued), charged to the share premium.

The total pay-out was 12,334 thousand Euros charged to the Profit for the period 2022 (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity and totals 12 thousand Euros), and 37,621 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 31 March 2023. The dividend pay-out was settled in full on 28 April 2023.

10.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 35, complying with the maximum legal payment period applicable to the Company in the year 2023 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.

11 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 2023 all form part of the Management Report. Both Reports are available on the website of the National Securities Market Commission (CNMV).

- Annual Corporate Governance Report:
  https://www.cnmv.es/portal/consultas/ee/informaciongobcorp.aspx?TipoInforme=1&nif=A86918307

- Annual Report on Directors' Remuneration:
  https://www.cnmv.es/portal/consultas/ee/informaciongobcorp.aspx?TipoInforme=6&nif=A86918307

12 Events after the reporting period

There have been no additional subsequent events up to the date these financial statements were drawn up that materially affect these consolidated financial statements.

LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. STATEMENT OF RESPONSIBILITY FOR THE 2023 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., as well as those consolidated with its subsidiaries, for the year ended 31 December 2023, drawn up by the Board of Directors at its meeting of 27 February 2024 and prepared in accordance with the applicable accounting principles and in a single electronic format, give a true and fair view of the net worth, financial position and results of LAR ESPAÑA REAL ESTATE SOCIMI, S.A., and of the subsidiaries included in the consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated financial statements (together with the documentation attached and/or supplementary thereto) include a true and fair view of the business performance and results and of the position of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and of the subsidiaries included in the consolidation, taken as a whole, as well as a description of the main risks and uncertainties they face.

Signatories:

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

Madrid, 27 February 2024