Lar España Real Estate SOCIMI, S.A.

Financial Statements for the year then ended on 31 December 2022 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2.a and 20). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

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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 FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Lar España Real Estate SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2022, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.a to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Valuation of the non-current investments in Group companies

Description

The Company has ownership interests in the share capital of Group companies, which engage in the ownership and lease of their investment property, as detailed in Note 5 and in the Appendix I to the accompanying financial statements. Those ownership interests are the main items in the Company's financial statements as at 31 December 2022.

As indicated in Notes 5 and 8 of the financial statements, management determines the recoverable amount of these ownership interests as the net equity of each investee plus amount of the unrealised gains existing at each measurement date. In addition, the unrealised gains are determined based on the valuation of the investment property entrust to experts, who use methodologies and standards widely used in the industry.

The valuation of those ownership interests was identified as a key matter in our audit due to the significant amount that those ownership interests represent in the context of the financial statements taken as a whole and the requirement to use of significant judgements and estimates by management in order to determine the recoverable amount of those ownership interests, which has been increased in the current economic environment caused by the pandemic, as indicated in Note 5 to the financial statements. Specifically, the valuation method generally used for determining the unrealised gains associated with the rental property assets is the discounted cash flow method, 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.

Small percentage changes in the measurements of those property assets can give rise to significant changes in the recoverable amount of the related ownership interests held by the Company.

Procedures applied in the audit

Our audit procedures included, among others, the assessment of the conclusion reached by Company management regarding the recoverability of the investments in the Group companies.

In this connection, in view of the real estate nature of the investees, which means that their recoverable amount is closely linked to the valuation of the property assets owned by them, in addition to the financial statements of Group companies, we obtained the valuation reports of the experts hired by the Company to value the entire real estate portfolio of the investees and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we have:

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

In addition, we have evaluated whether the disclosures provided in Notes 4.b.iv), 5, 8 and in the Appendix I to the accompanying financial statements, in connection with this matter, are in conformity with those required by the applicable accounting regulations.

Compliance with the special REIT tax regime

Description	Procedures applied in the audit
The Company has availed itself of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%. The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the Income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirement will result in the loss of entitlement to the special tax regimen unless the cause of non-compliance is rectified within the immediately following year. Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT tax regime.	Our audit procedures included, among other, obtaining and reviewing the documentation prepared by Group management relating to compliance with the obligations associated with this special tax regime and we involved our internal experts from the tax area, who assisted us in analyzing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date. Lastly, we verified that Notes 1, 13 and 14 to the financial statements contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the Company's taxation.

Other Information: Directors' Report

The other information comprises only the directors' report for 2022, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

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

b) Evaluating and reporting on the consistency of the remaining information included in the director's report with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this part of the 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 have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2022 and its content and presentation are in conformity with the applicable regulations.

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

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Lar España Real Estate SOCIMI, S.A. for 2022, which comprise the XHTML file including the financial statements for 2022, 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 2022 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

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

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

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 24 February 2023.

Engagement Period

The Annual General Meeting held on 27 April 2022 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2021.

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

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

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

24 February 2023

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 financial statements.

Auditor's Responsibilities for the Audit of the 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 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity'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 entity'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 entity's audit committee, we determine those matters that were of most significance in the audit of the 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.

Financial Statements and Management Report
31 December 2022

Prepared in compliance with Royal Decree 1514/2007, of 16 November, which approved the Spanish General Chart of Accounts, taking into consideration the industry adaptations and amendments approved subsequently thereto.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

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LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Balance sheet at 31 December 2022

(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	31.12.2022	31.12.2021
Investment property		—	95
Land	4a, 8	—	40
Buildings	4a, 8	—	55
Long-term investments in Group companies and associates		623,596	732,407
Equity instruments	5a, 8	623,596	732,407
Total non-current assets		**623,596**	**732,502**
Non-current assets held for sale	8	133,452	—
Trade and other receivables		27,886	24,994
Client receivables for sales and rendering of services		8	307
Clients, Group companies and associates	16	27,793	24,687
Current tax assets	13a	85	—
Investments in Group companies and associates	16	438,018	519,742
Loans to companies		419,987	515,550
Other financial assets		18,031	4,192
Short-term financial investments	6a	8	—
Other financial assets		8	—
Short-term accruals		90	164
Cash and cash equivalents		173,095	249,538
Cash	7.14	173,095	249,538
Total current assets		**772,549**	**794,438**
Total assets		**1,396,145**	**1,526,940**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the balance sheet at 31 December 2022.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Balance sheet at 31 December 2022

(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	31.12.2022	31.12.2021
Treasury funds			
Capital		167,386	167,386
Issued capital	9a	167,386	167,386
Issue premium	9b	452,924	466,176
Reserves	9c	(50,454)	(52,136)
Legal and statutory		20,871	19,011
Other reserves		(71,325)	(71,147)
(Treasury shares and equity holdings)	9d	(250)	(860)
Other shareholder contributions		240	240
Profit for the period	3	13,718	18,594
Total net equity		**583,564**	**599,400**
Long-term borrowings		764,370	763,569
Debentures and other marketable debt securities	10	694.434	693.647
Debts with credit institutions	10	69.936	69.922
Total non-current liabilities		**764,370**	**763,569**
Short-term borrowings		4,170	129,887
Debentures and other marketable debt securities	10	3,985	129,702
Debts with credit institutions	10	185	185
Short-term borrowings from Group companies and associates	10.16	39,590	30,232
Trade and other payables		4,451	3,852
Short-term suppliers, related companies	16	637	862
Sundry creditors	11	559	741
Personnel	11	205	147
Other public entity payables	11.13	3.050	2.102
Total current liabilities		**48,211**	**163,971**
Total net equity and liabilities		**1,396,145**	**1,526,940**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the balance sheet at 31 December 2022.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Income Statement for 2022

(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)

	Note	2022	2021
Continuing operations			
Net turnover		35,556	20,096
Revenue from stakes in equity instruments	4i, 15a, 16	19,947	10,166
Revenue from rebilling financial expenses within the Group	15a, 16	15,609	9,930
Other operating revenue		3	—
Non-core and other current operating revenue		3	—
Staff costs		(928)	(592)
Salaries and wages	15b	(865)	(541)
Benefits	15b	(63)	(51)
Other operating expenses		(2,022)	(2,148)
External services	15c	(2,022)	(2,143)
Taxes	15c	—	(5)
Depreciation of fixed assets		(1)	(1)
Impairment and gains/(losses) due to disposal of financial		(62)	11,224
Impairment and losses	5a	(62)	(2,130)
Gains/(losses) from disposals, etc.	8	—	13,354
Operating profit/(loss)		**32,546**	**28,579**
Financial income		1,535	374
From negotiable securities and other financial instruments		1,535	374
From Group companies	16b	944	374
From third parties	7	591	—
Financial expenses	10c	(16,026)	(10,359)
Borrowings from Group companies and associates	16b	(73)	(105)
Borrowings from third parties	10c	(15,953)	(10,254)
Changes in the fair value of financial instruments	7	(4,336)	—
Exchange-rate Differences		(1)	—
Financial profit/(loss)		**(18,828)**	**(9,985)**
Profit/(loss) before tax		**13,718**	**18,594**
Tax on profits	13b	—	—
Profit/(loss) for the period from on-going transactions		13,718	18,594
Profit for the period		**13,718**	**18,594**

The accompanying Notes 1 to 20 and Appendix I form an integral part of the income statement for 2022.

A) Statement of recognised income and expenses for 2022

(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)

	2022	2021
Income statement result	13,718	18,594
Total revenue and expenses recognised directly in net equity	—	—
Total transfers to the income statement	—	—
Total recognised revenues and expenses	13,718	18,594

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of changes in net equity for 2022.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Statement of Changes in Net Equity for 2022

B) Statement of Total Changes in Net Equity at
31 December 2022

(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)

	Issued Capital	Issue premium	Reserves	Treasury shares and equity holdings	Other shareholder contributions	Profit for the period	Total
Balance at 31 December 2020	175,267	475,130	(41,912)	(16,474)	240	20,211	612,462
Recognised revenue and expenses	—	—	—	—	—	18,594	18,594
Transactions with shareholders or owners							
Capital increases							—
Capital decreases (Note 9a)	(7,881)	—	(12,882)	20,763	—	—	—
Distribution of profit							
To reserves	—	—	2,707	—	—	(2,707)	—
To dividends	—	—	—	—	—	(17,504)	(17,504)
Return of the issue premium	—	(8,954)	—	—	—	—	(8,954)
Treasury shares	—	—	(46)	(5,149)	—	—	(5,195)
Other operations	—	—	(3)	—	—	—	(3)
Balance at 31 December 2021	167,386	466,176	(52,136)	(860)	240	18,594	599,400
Recognised revenue and expenses	—	—	—	—	—	13,718	13,718
Transactions with shareholders or							
Distribution of profit							
To reserves	—	—	1,880	—	—	(1,880)	—
To dividends (Note 9e)	—	—	—	—	—	(16,714)	(16,714)
Return of the issue premium	—	(13,252)	—	—	—	—	—
Treasury shares (Note 9d)	—	—	(199)	610	—	—	411
Other changes	—	—	1	—	—	—	1
Balance at 31 December 2022	167,386	452,924	(50,454)	(250)	240	13,718	583,564

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of total changes in net equity for 2022.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Statement of Cash Flows for 2022
(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)

	Note	2022	2021
Cash flows from operating activities			
Profit/(loss) for the financial year before tax		13,718	18,594
Adjustments of the profit/(loss)		(1,057)	(11,404)
Depreciation of fixed assets (+)	5	1	1
Valuation adjustments due to impairment (+/-)	6a	62	2,130
Revenue from stakes in equity instruments (-)	16	(19,947)	(10,166)
Financial revenue (-)		(1,535)	(374)
Financial expenses (+)	10	16,026	10,359
Profit/(loss) from disposing of equity instruments (-)	6	—	(13,354)
Changes in the fair value of the financial instruments		4,336	—
Changes in working capital		(7,324)	(5,674)
Debtors and other receivables (+/-)		(2,891)	(6,235)
Creditors and other payables (+/-)		(171)	508
Other current assets (+/-)		(4,262)	92
Other current and non-current liabilities (+/-)		—	(39)
Other cash flows from operating activities		(9,756)	19,529
Interest payments (-)		(17,399)	(6,063)
Receipt of interest (+)		1,535	—
Proceeds from dividends (+)	16	6,108	25,592
Cash flows from operating activities		**(4,419)**	**21,045**
Cash flows from investing activities			
Payments for investments (-)		—	(533,067)
Group companies and associates	6a	—	(517,333)
Loans to Group companies and associates		—	(15,734)
Proceeds from sales on investments (+)		70,945	62,877
Group companies and associates	6a	70,945	3,300
Disposal of equity instruments	6a	—	59,577
Cash flows from investing activities		**70,945**	**(470,190)**
Cash flows from financing activities			
Proceeds and payments from equity instruments		411	(5,149)
Issue of equity instruments (+)	9	—	—
Disposal of equity instruments (+/-)	9	411	(5,149)
Proceeds and payments from financial liability instruments		(113.415)	696,730
a) Issue of:			
Debentures and other marketable debt securities (+)	10	—	693,186
Bank borrowings (+)	10	—	57,090
Borrowings with Group companies and associates (+)	16	9,285	—
b) Returns of:			
Bonds and other marketable securities (-)	10	(122,700)	(17,300)
Bank borrowings (-)	10	—	—
Borrowings with Group companies and associates (-)	16	—	(36,246)
Dividend payments and remunerations on other equity instruments		(29,965)	(26,457)
Dividends (-)	9	(29,965)	(26,457)
Cash flows from financing activities		**(142,969)**	**665,124**
Net increase / decrease in cash or cash equivalents		**(76,443)**	**215,979**
Cash or cash equivalents at the beginning of the period		249,538	33,559
Cash or cash equivalents at the end of the period		173,095	249,538

The accompanying Notes 1 to 20 and Appendix I form an integral part of the statement of cash flows for 2022.

(1) NATURE AND ACTIVITIES OF THE COMPANY

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

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

According to its articles of association, the Company's statutory activity comprises the following:

1. The acquisition and development of urban properties for lease.

2. 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.

3. The holding of investments in the capital of other entities, be they residents in Spain or abroad, whose main activity is the acquisition of urban properties for lease. These entities must be subject to the same regime established for SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and must also comply with the investment requirements stipulated in Article 3 of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December and Law 11/2021 of 9 July, which governs SOCIMIs.

4. The holding of shares or investments in property collective investment undertakings governed by Law 35/2003 of 4 November on collective investment undertakings, amended by Royal Decree 83/2015 of 13 February on property collective investment undertakings.

5. 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 Company in each tax period or those which can be considered complementary pursuant to current prevailing legislation.

The principal activity of Lar España Real Estate SOCIMI, S.A. comprises the holding of investments in the capital of other resident or non-resident entities in Spain whose main activity is the acquisition of urban properties for lease. The functional currency of the Company is the Euro.

Lar España Real Estate SOCIMI, S.A. has been listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and the Spanish automated quotation system since 05 March 2014.

Lar España Real Estate SOCIMI, S.A., as a company included under the SOCIMI tax regime, is 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, namely:

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 shall be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the period. To calculate this value, the Company chose to replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to the four 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, in the latter case, that 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. Otherwise, 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.

Shares or investments in the entities referenced in Article 2.1 of the aforementioned Law 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 2009 as amended by Law 16/2012, of 27 December 2012 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 2009 as amended by Law 16/2012, of 27 December 2012 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 distribution agreement.

Likewise, as detailed in Article 3 of Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December 2012 and Law 11/2021, of 9 July, which regulates Listed Real Estate Investment Companies, the entity will lose the special tax regime established in this Law and will be taxed 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 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 of this law on the 3-year leasing period for assets 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.

As mentioned in Note 5, the Company owns shares in subsidies and associates. Consequently, under current legislation the Company is the parent of a Group of companies. Presenting the consolidated financial statements is necessary, in accordance with generally accepted accounting principles and regulations, to fairly present the Group's financial condition, results from operating activities, changes in net equity and cash flows. The information on stakes in Group companies and associates is provided in Appendix I.

On 24 February 2023 the Directors of the Company drew up the 2022 consolidated financial statements for Lar España Real Estate SOCIMI, S.A. and the subsidiaries thereof, which reflect EUR 72,921thousand in consolidated profits, EUR 898,754 thousand in consolidated net equity and EUR 1,718,278 thousand in consolidated total assets. The consolidated figures were obtained from the consolidated financial statements prepared by the Company based on International Financial Reporting Standards, adopted by the European Union, and other provisions of the framework regulations on financial information to which the Group is subject in Spain.

(2) BASIS OF PRESENTATION

(a) Regulatory Framework for financial reporting

These financial statements were prepared by the Directors in accordance with the framework regulations on financial information to which the Company is subject, which is that established in:

1. The Spanish Code of Commerce and related mercantile legislation
2. The Spanish General Chart of Accounts approved by Royal Decree 1514/2007, the subsequent amendments thereto and sector adaptations
3. Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and the supplementary standards thereof.
4. 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.
5. All other applicable Spanish accounting principles.

(b) True and fair view

The attached financial statements were obtained from the Company's accounting records and are presented in accordance with the applicable regulatory framework for financial information in such a way that they give a true and fair view of the equity, the financial position and the results of the Company, and cash flows during the financial year under review. These financial statements, which were prepared by the Directors on 24 February 2023, shall be submitted for approval at the General Shareholders' Meeting and they are expected to be approved without any changes. The 2021 financial statements were approved by the General Shareholders' Meeting held on 27 April 2022.

These financial statements do not include any information or itemisations that do not need further details given their qualitative unimportance and were not considered material or to have relative importance according to the concept of materiality or relative importance as defined in the conceptual framework of the Spanish General Chart of Accounts (PGC 2007).

(c) Non-mandatory account principles applied

No non-mandatory accounting principles have been applied. Furthermore, the Directors have prepared these financial statements taking into account all the compulsory accounting principles and standards with a significant effect thereon. All mandatory accounting principles have been applied.

(d) Critical issues regarding the measurement and estimation of uncertainties

In preparing the adjoined financial statements, estimates have been made that are based on historical data and on other factors which are considered reasonable in accordance with current circumstances, and that constitute the basis for establishing the carrying amount of those assets, liabilities, revenues, expenses and commitments whose values are not easily determined using other sources. The Company reviews these estimates on an on-going basis.

These estimates were made on the basis of the best available information at the end of the 2022 period; nevertheless, it is possible that future events may make it necessary to modify them (either up or down) in coming years. If necessary, any changes would be made prospectively.

The following are the main assumptions made regarding the future and other sources regarding the uncertainty of the year-end estimates that could significantly affect the financial statements in the upcoming year:

1. The recoverable value of certain financial instruments and non-current assets held for sale (Notes 4b, 5 and 8).
2. The valuation of non-current assets held for sale (Note 8). Assessment of provisions and contingencies (Note 4h).
3. Financial risk management (Note 14).
4. Evaluation of compliance with the requirements that regulate SOCIMIs (Notes 1 and 13).

(e) Comparison of information

The application of accounting policies in 2022 and 2021 was uniform and, therefore, there were no operations or transactions recorded under different accounting principles that could give rise to discrepancies in the interpretation of the comparative figures for the two periods.

(f) Grouping of items

In order to facilitate the comprehension of the balance sheet, certain items of the balance sheet, the income statement, the statement of changes in net equity and the statement of cash flows are presented as a group, though the disaggregated information is included in the corresponding Notes of the report, insofar as it is significant.

(g) Changes in accounting criteria

After the publication and entry into force of Royal Decree 2/2021, of 12 January, which amended the Spanish General Chart of Accounts (PGC) and the Standards for Preparing Consolidated Financial Statements (NOFCAC) in order to adapt same to IFRS 9 and 15, accounting changes made that did not affect the Company.
During the annual period ended on 31 December 2022 there were no changes in accounting criteria with respect to those applied when preparing the financial statements of 2021.

(h) Correction of errors

In preparing the adjoined financial statements, no significant errors have been detected that require that the amounts included in the financial statements for 2021 be re-stated.

(i) Functional and presentation currency

The figures disclosed in the financial statements are expressed in thousands of Euros rounded to the nearest thousand. The Euro is the Company's functional and presentation currency.

(j) Impact of COVID 19 on the financial statements

The health crisis triggered by COVID-19 has had a very limited impact on the Company´s operations during 2022. Since the lifting, on 9 May 2021, of the last state of emergency, during which regional restrictions had been imposed on certain trading activities, no further activities have been curtailed by the government. Furthermore, high vaccination uptake has enabled a return to normality in all activities in the various sectors.

Operational risk and credit risk

During 2022, the Group of which the Company is the parent discontinued the commercial policies implemented in 2020 and 2021 in response to the pandemic triggered by COVID-19, to support the tenants of the shopping centres owned by the subsidiaries by negotiating lease payment discounts and/or deferrals to help them reopen their businesses and resume trading in exchange for other modifications to the contract such as term extensions, or the elimination or deferral of early cancellation options.

Similarly, in 2022 there was a significant drop in accounts receivable for invoices issued as deferral payments held by the Group.s Company, these invoices were collected, and the average collection period returned to normal.

Liquidity risk

During 2021 Senior Management undertook restructuring of the Group's debt, on which the Company is the Parent Company, by carrying out two issues of unsecured green bonds for an amount of EUR 400 million in July 2021 and EUR 300 million in November 2021, thereby reducing the liquidity risk and lowering the financial cost of debt and establishing debt maturities of five years and seven years, respectively (see Note 10). Consequently, these circumstances are not considered to give rise to any liquidity risk in the short term.

Asset and liability valuation risk

In accordance with IAS 40, the Group periodically determines the fair value of investment property, that are the main assets of the investee companies, on the basis of valuations carried out by independent experts. Therefore, at year end, the fair value reflects the conditions of the investment property market at that date. At 31 December 2022 and 2021 these independent experts consider that the uncertainty surrounding valuations in 2020 due to the effects of COVID-19 has dissipated.

(k) Impact of the invasion of Ukraine on the financial statements

On 24 February 2022, Russia launched an invasion of Ukraine, leading to a war between these countries, the consequences of which remain uncertain at present. The Company's directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have an 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 supply cuts.

Nevertheless, the above situation has increased uncertainty in global markets and led to a substantial rise in energy and other natural resource costs, particularly in Europe. This, in conjunction with other factors, was reflected in Spain's macroeconomic scenario in the form of higher inflation and an increase in living costs, triggering interest rate hikes by the European Central Bank in response.

The aforementioned situation and its potential indirect impacts on the Group are being monitored by Senior Management and the Directors. Lease payments are pegged to the CPI and have been revised in 2022. Activity levels at the shopping centres and business parks are tracked to identify possible downturns in footfall and/or consumer demand that might affect the tenants' affordability rates.

The independent experts engaged by Group have considered the economic situation at year end when determining the fair value of the Group's investment property. Nevertheless, the situation could be affected by rapid changes in market conditions brought about by global geopolitical and economic factors.

Given the reigning geopolitical uncertainty and volatility, the Directors and Senior Management of the Company continue to monitor the conflict and its consequences in order to successfully deal with any possible future impacts.

(3) DISTRIBUTION OF PROFITS

The proposed distribution of profit and issue premium for the period 2022, which was prepared by the Company's Directors and will be submitted for approval at the General Shareholders' Meeting, is as follows:

	Euros
Basis of allocation	
Profit for the period	13,717,673.54
Issue premium	37,654,093.81
Distribution of profit	
Legal reserve	1,371,767.35
Dividends	50,000,000.00

The proposed profit and issue premium distribution is €0.5974 per share.

(4) RECORD AND VALUATION STANDARDS

Pursuant to Note 2, the Company has applied the accounting policies in accordance with the accounting principles and standards stipulated in the Commercial Code, which are implemented in the current Spanish General Chart of Accounts (PGC 2007), industry adaptations and subsequent amendments thereto, as well as in other mercantile legislation in force at the year-end of these financial statements. In this regard, only those policies that are specific to the Company's activity and those considered significant in view of the nature of its activities are detailed below.

(a) Investment property

"Investment property" on the adjoined balance sheet includes the values of the lands and buildings and other constructions that are maintained either to lease or to earn capital gains through the sale thereof as a result of any increases produced in the future in the respective market prices.

These assets are initially valued at their purchase price or cost of production. Said figure is subsequently reduced by the corresponding accumulated depreciation and impairment losses, where applicable.

The investment properties owned by the Company comprise an office building and a permanent security post, which provides management services to the entire Abadía business park located in Toledo. Said business park is owned by LE Retail Abadía, S.L.U., which is in turn completely owned by Lar España Real Estate SOCIMI, S.A.

(b) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on 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.

The Company classifies financial instruments into the categories above according to the characteristics of the instrument and the Company's intentions when they were initially recognised.

(ii) *Offsetting principles*

A financial asset and a financial liability are offset only when the Company currently has the 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.

(iii) *Loans and receivables*

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They basically comprise receivables from Group companies. These assets are classified as current unless they mature more than 12 months after the date of the balance sheet, in which case they are classified as non-current. Loans and receivables generated in exchange for cash deliveries or commercial transactions are included under "Trade and other receivables" on the accompanying balance sheet.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently carried at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument's carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one period are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

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

(iv) *Equity instruments in Group and multi-group companies and associates*

Those companies related to the Company through a relationship of control are considered to be Group companies, and companies over which the Company holds significant influence are considered to be associates. Furthermore, the jointly-controlled category includes those companies over which control is held, by virtue of an agreement, together with one or more partners.

Investments in Group companies are generally recorded initially at the fair value of the consideration plus directly attributable transaction costs.

Any fees paid to legal advisers or other related professionals who may be involved in the acquisition of investments in equity in Group companies granting control over a subsidiary are recorded directly in the income statement for the period in which they are incurred.

After initial measurement, investments in Group and multi-group companies and associates are measured at cost, unless their recoverable value is less than their carrying amount, in which case they are measured at cost less any accumulated impairment. Said adjustments are equal to the difference between the recoverable value and the carrying amount of the shareholdings at the date of measurement. Give that the Company is a holding company, it presents value adjustments made to investments in Group companies under "Operating profit/(loss)".

In this sense, given the real estate nature of the investees, their recoverable value is closely tied to the measurement of their property assets. In order to calculate the recoverable amount of such investments the Company calculates their fair value, the best estimate of which is the net equity of the investee adjusted for any unrealised gains present at the measurement date, as they are supported by independent expert appraisals.

Accordingly, in order to calculate the fair value of the property investment owned by Group companies and associates, the Company's Management entrusts independent appraisers that have no relation to the Group at year-end with the appraisal of all their property assets on 31 December. The measurement of this investment is conducted in accordance with the statements of the RICS Valuation – Professional Standards published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom.

Specifically, buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. The methodology used to calculate the market value of properties being rented consists of preparing 10 years' worth of revenue and expense projections for each type of asset, which will subsequently be updated on the date of the statement of financial condition for each review period using a market discount rate. The residual amount at the end of year 11 is calculated applying a rate of return ("exit yield") to the net revenue projections for year 11.

The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained, which is tested in terms of initial gain.

Buildings with areas that have not been rented out are appraised on the basis of estimated future rents, minus a marketing period.

(v) *Impairment of financial assets*

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

– Impairment of financial assets carried at amortised cost

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For floating-rate financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. When calculating assets under guarantee, any sales costs pertaining to the allocation thereof shall be discounted at the effective interest rate.

The Company recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets, which is charged against profit and loss and is reversible in subsequent periods up to the amortised cost the assets would have had if the impairment loss had not been recognised.

(vi) *Financial liabilities*

Financial liabilities, including trade and other payables, are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. Said effective interest rate is the discount rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year that have no contractual interest rate are carried at their nominal amount on both initial recognition and subsequent measurement, since the effect of discounting the cash flows is immaterial.

(vii) *Derecognition 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 Company has substantially transferred all the risks and rewards of ownership.

The derecognition of a financial asset in its entirety implies the recognition of results as the difference between the carrying amount and the total consideration received, less transaction expenses, including assets obtained or liabilities assumed and any deferred profit or loss in revenues and expenses recognised in net equity.

(viii) *Derecognitions of financial liabilities*

The Company 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 Company 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, providing the instruments have substantially different terms.

The Company considers the terms to be 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 in the income statement as part of the result of 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. In the latter case, a new effective interest rate is determined on the modification date, calculated as the rate that equates the present value of the flows payable under the new terms to the carrying amount of the financial liability at that date.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to a third party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised by the Company in the income statement.

If the Company delivers non-monetary assets as payment of debt, it recognises the difference between the fair value thereof and their carrying amount as operating profit and the difference between the value of the debt that is extinguished and the fair value of the assets as a financial result. If the company delivers inventories, the relevant sales transaction for same is recognised at the fair value and the change in inventories at the carrying amount.

(c) Own equity instruments held by the Company

The Company’s acquisition of equity instruments is presented separately at the cost of acquisition in the balance sheet as a reduction in its own capital. For transactions carried out with own equity instruments no result is recognised in the income statement, rather it is directly recorded as reserve.

The subsequent redemption of the equity instruments 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 reserves.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

Dividends relating to equity instruments are recognised as a reduction in net equity when approved by the shareholders.

(d) Distributions to shareholders

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

The Company is subject to the special tax 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).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include 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.

(f) Short-term employee benefits

Short-term employee benefits are employee benefits, other than termination benefits, for which the Company 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.

(g) Payments based on shares

The Company 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.

(h) Provisions and contingencies

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

a. Provisions: balances payable covering present obligations arising from past events that will likely give rise to an outflow of resources for the Company, where the amount and/or timing thereof are uncertain.

b. Contingent liabilities: possible obligations that arise as a result of past events and the future occurrence of which is conditional upon the occurrence or non-occurrence of one or more future events that are beyond the Company's control.

The financial statements include all the relevant provisions that more likely than not shall entail an obligation. Unless they are considered remote, contingent liabilities are not recognised in the financial statements, but 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 on settlement of the obligation, provided there is no doubt that said reimbursement will be received, is recognised as an asset, except when there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the compensation will be taken into account for the purpose of estimating the amount in which the corresponding provision, where appropriate, will be stated.

(i) Recognition of income

Pursuant to the publication in September 2009 on the consultation included in Gazette No. 79 of the Institute of Accounting and Account Auditing (ICAC), due to the Company's being a holding company, it presents revenue from dividends received from subsidiaries, financial revenue from financing granted thereto and revenue from disposing of equity instruments as net turnover.

Revenue from stakes in equity instruments

Discretionary dividends accrued after the acquisition of the shares or stakes shall be recognised as revenue on the income statement when the shareholder's right to receive same is declared by virtue of the approval by the subsidiary's shareholders.

Accordingly, when the distributed dividends unequivocally originate from profit generated prior to the date of acquisition because the distributed amounts are greater than the profits generated by the investee company since acquisition, they shall not be recognised as revenue and shall decrease the carrying amount of the investment until the distribution thereof is approved.

In turn, any distribution of available reserves, which includes issue premiums and other shareholder contributions, shall be classified as a "profit distribution" transaction. Consequently, same will be reflected as revenue upon approval, provided that since its acquisition the investee has generated profits greater than the treasury funds being distributed.

Revenue from investments in Group companies and associates

Revenue from receivables with Group companies and associates is recognised using the effective interest method and dividends are recognised when the shareholder's right to receive them has been declared, as explained in the previous section. In any case, interest and dividends from financial assets accrued after the acquisition are recognised as revenue in the income statement.

Revenue from the sale of shareholdings

Revenue from the sale of equity instruments is recognised when the risks and benefits inherent to the ownership of the sold asset are transferred to the purchaser and the day-to-day management and effective control over said asset are not retained.

Rebilling of costs to Group companies

(i) *Interests related to liabilities*

The Company classifies financial costs rebilled to Group companies as revenue when their shareholdings. The Company's distribution approach is based on the relative weight of the underlying market value of each pledged property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

(ii) *Rebilling of costs from service organisations and independent professionals*

The Company does not classify costs passed on to its subsidiaries for services received from external service organisations and independent professionals as revenue from the provision of services. The invoicing for these items is included under "External services" on the accompanying income statement, net of expenses paid by the Company for said items. Said rebilled costs total EUR 7,359 thousand in 2022 (EUR 10,409 thousand in 2021).

(j) Income tax

(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.

Current tax is the amount the Company pays as a result of tax settlements on profits for a given year. 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 carry forwards 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.

(ii) *Tax regime for SOCIMIs*

This special SOCIMI 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.

Pursuant to the 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. The Company has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders that do not meet the tax requirements mentioned in Note 1 is withheld.

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

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

"Current" assets are defined as those assets related to the normal operating cycle generally expected in a year, and also those assets expected to mature or to be disposed or to be settled in the short term at year-end, financial assets held for trading, with the exception of financial derivatives with a settlement period greater than one year, and cash and cash equivalents. Assets not meeting these requirements are classified as non-current.

Similarly, "current" liabilities are defined as liabilities related to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives with a settlement period greater than one year, and in general all obligations that will mature or terminate in the short term. Otherwise, they are classified as non-current.

(l) Environmental assets and liabilities

Environmental assets are defined as those used on a lasting basis in the Company's operations, the main purpose of which is to minimise the environmental impact and protect and improve the environment, including reducing or eliminating future pollution.

The Company's activity does not have a significant environmental impact due to the nature thereof.

(m) Transactions between Group companies

Transactions between Group companies are carried out at market value and are recognised at the fair value of the consideration paid or collected, except those transactions pertaining to mergers, divisions and non-monetary contributions of business. The difference between said value and the agreed amount is recorded according to the underlying economic substance.

(n) 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 usual activity of the Company 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 assets and liabilities that are not part of operating activities.

(o) Non-current assets held for sale

The Company classifies a non-current asset or a disposal group 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.

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 income statement under the line item that corresponds to the nature of said asset or disposal group.

(Expressed in thousands of Euros)

(5) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

(a) Investments in equity instruments

The breakdown of investments in Group company and associate equity instruments at 31 December 2022 and 2021 is as follows (see additional information in Appendix I):

Stocks in Group Companies (all at 100%)

	Thousands of Euros				
	2022				
Company	Opening balance	Transfers (Note 8)	Voluntary contributions	Impairment	Closing balance
LE Logistic Alovera I y II, S.A.U.	3,469	—	—	—	3,469
LE Retail Hiper Albacenter, S.L.U.	15,048	—	573	—	15,621
LE Retail Alisal, S.A.U.	2,327	—	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	401	—		(3)	398
LE Retail As Termas, S.L.U.	34,134	—	2,692	—	36,826
LE Offices Joan Miró, S.L.U.	769	—	—	(7)	762
LE Logistic Alovera III y IV, S.L.U.	635	—	—	(3)	632
LE Logistic Almussafes, S.L.U.	2,812	—	—	(6)	2,806
LE Retail Hiper Ondara, S.L.U.	135,205	—	4,596	—	139,801
LE Retail Vidanova Parc, S.L.U.	31,112	(31,767)	655	—	—
LE Retail Galaria, S.L.U.	410	—		(4)	406
LE Retail El Rosal, S.L.U.	35,388	—	1,448	—	36,836
LE Retail Lagoh, S.L.U.	126,518	—	3,998	—	130,516
LE Retail Vistahermosa, S.L.U.	22,739	(23,402)	663	—	—
LE Retail Sagunto II, S.L.U.	1,311	(1,369)	6	52	—
Lar España Inversión Logística IV, S.L.U.	701	—	—	—	701
LE Retail Villaverde, S.L.U.	1,748	—	—	—	1,748
LE Offices Marcelo Spínola, S.L.U.	5,516	—	—	—	5,516
LE Retail Albacenter, S.L.U.	36,231	—	1,417	—	37,648
LE Retail Anec Blau, S.L.U.	91,142	—	3,177	—	94,319
LE Retail Gran Vía de Vigo, S.L.U.	61,971	—	2,071	—	64,042
LE Retail Las Huertas, S.L.U.	12,629	—	143	17	12,789
LE Retail Txingudi, S.L.U.	34,660	—	1,065	(73)	35,652
LE Retail Abadía, S.L.U.	38,284	(39,475)	1,191	—	—
LE Retail Rivas, S.L.U.	36,431	(37,346)	915	—	—
LE Retail Córdoba Sur, S.L.U.	(661)	—	—	(8)	(669)
	730,930	(133,359)	24,610	(35)	622,146

(Expressed in thousands of Euros)

Holdings in Associated companies

Company	Thousands of Euros 2022 Opening balance	Impairment	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	1,477	(27)	1,450
	1,477	(27)	1,450

Stocks in Group Companies (all at 100%)

Company	Thousands of Euros 2021 Opening balance	Voluntary contributions	Impairment	Closing balance
LE Logistic Alovera I y II, S.A.U.	3,469	—	—	3,469
LE Retail Hiper Albacenter, S.L.U.	14,551	497	—	15,048
LE Retail Alisal, S.A.U.	2,327	—	—	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	425		(24)	401
LE Retail As Termas, S.L.U.	33,326	808	—	34,134
LE Offices Joan Miró, S.L.U.	803	—	(34)	769
LE Logistic Alovera III y IV, S.L.U.	651	—	(16)	635
LE Logistic Almussafes, S.L.U.	2,974	—	(162)	2,812
LE Retail Hiper Ondara, S.L.U.	132,546	2,659	—	135,205
LE Retail Vidanova Parc, S.L.U.	30,545	399	168	31,112
LE Retail Galaria, S.L.U.	414		(4)	410
LE Retail El Rosal, S.L.U.	34,530	858	—	35,388
LE Retail Lagoh, S.L.U.	124,095	2,423	—	126,518
LE Retail Vistahermosa, S.L.U.	22,354	385	—	22,739
LE Retail Sagunto II, S.L.U.	1,264	3	44	1,311
Lar España Inversión Logística IV, S.L.U.	701	—	—	701
LE Retail Villaverde, S.L.U.	1,760	—	(12)	1,748
LE Offices Marcelo Spínola, S.L.U.	5,516	—	—	5,516
LE Retail Albacenter, S.L.U.	35,036	1,195	—	36,231
LE Retail Anec Blau, S.L.U.	88,308	2,834	—	91,142
LE Retail Gran Vía de Vigo, S.L.U.	60,714	1,257	—	61,971
LE Retail Las Huertas, S.L.U.	12,787	280	(438)	12,629
LE Retail Txingudi, S.L.U.	33,721	939	—	34,660
LE Retail Abadía, S.L.U.	37,602	682	—	38,284
LE Retail Rivas, S.L.U.	35,916	515	—	36,431
LE Retail Córdoba Sur, S.L.U.	984	—	(1,645)	(661)
	717,319	15,734	(2,123)	730,930

(Expressed in thousands of Euros)

Holdings in Associated companies

	Thousands of Euros		
	2021		
Company	Opening balance	Impairment reversal	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	1,082	395	1,477
	1,082	395	1,477

Equity instrument investment movements in 2022

- On 31 December 2022, the Company partially impaired its shareholdings in the Group companies LE Offices Eloy Gonzalo 27, S.A.U., LE Offices Joan Miró 21, S.L.U., LE Logistic Alovera III y IV, S.L.U., LE Logistic Almussafes, S.L.U., LE Retail Galaria, S.L.U., LE Retail Txingudi, S.L.U. and LE Retail Córdoba Sur, S.L.U. For the amount of EUR 3 thousand, EUR 7 thousand, EUR 3 thousand, EUR 6 thousand, EUR 4 thousand, EUR 73 thousand and EUR 8 thousand, respectively.

- On 31 December 2022, the Company reversed the impairment of its shareholdings in the group companies LE Retail Sagunto II, S.L.U. and LE Retail Las Huertas, S.L.U., for the amount of EUR 52 thousand and EUR 17 thousand, respectively.

- On 31 December 2022, the Company partially impaired the shareholding it held in the associate Inmobiliaria Juan Bravo 3, S.L. For the amount of EUR 27 thousand based on the Directors' best estimate of the recoverable value thereof.

- On 31 December 2022, the Company classified as non-current assets held for sale 100% of the shares held in 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., for the amount of EUR 31,767 thousand, EUR 23,402 thousand, EUR 37,346 thousand, EUR 39,475 thousand and EUR1,369 thousand, respectively, based on the possible decision to sell them and their realisation in the short term (Note 8).

Equity instrument investment movements in 2021

- On 31 December 2021, the Company partially impaired its shareholding in the Group companies LE Offices Eloy Gonzalo 27, S.A.U., LE Retail Galaria, S.L.U., LE Retail Las Huertas, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Logistic Alovera III y IV, S.L.U., LE Logistic Almussafes, S.L.U., LE Retail Villaverde, S.L.U. and LE Retail Córdoba Sur, S.L.U. for the amount of EUR 24 thousand, EUR 4 thousand, EUR 438 thousand, EUR 34 thousand, EUR 16 thousand, EUR 162 thousand, EUR 12 thousand, and EUR 1,645 thousand, respectively.

(Expressed in thousands of Euros)

- On 31 December 2021, the Company reversed the impairment to the shareholdings in Group companies LE Retail Sagunto II, S.L.U. and LE Retail VidaNova Parc, S.L.U. for the amount of EUR 44 thousand and EUR 168 thousand, respectively.

- On 31 December 2021, the Company reversed the impairment to shareholding it held in the associate Inmobiliaria Juan Bravo 3, S.L. For the amount of EUR 395 thousand based on the Directors' best estimate of the recoverable value thereof.

(6) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The classification of financial liabilities held by the Company at 31 December 2022 and 2021 by category is as follows:

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Long-term financial investments in Group companies (Note 5)	623,596	—	732,407	—
Non-current assets held for sale (Note 8)	—	133,452	—	—
Other financial assets	—	8	—	—
Investments in Group companies and associates (Note 16b)	—	438,018	—	519,742
Trade and other receivables				
Client receivables for sales and rendering of services	—	8	—	307
Clients, Group companies and associates (Note 16b)	—	27,793	—	24,687
Current tax assets (Note 13)	—	85	—	—
Total financial assets	623,596	599,364	732,407	544,736

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

The line item "Investments in Group companies and associates" includes the interim dividend of Group companies distributed using the result of the profit for 2022, collected in January 2023, (Note 16b) and the current accounts with shareholders (Note 16).

(Expressed in thousands of Euros)

(7) CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021
Banks	173,095	249,538
Total	173,095	249,538

At 31 December 2022, this balance includes EUR 170,165 thousand relating to deposits with immediate availability and maturity of less than 3 months, arranged and managed by Credit Suisse and Credite Agricole. During the year 2022, income of EUR 575 thousand was recognised in respect of interest accrued on the deposits.

At 31 December 2021, this balance included EUR 209,598 thousand corresponding to amounts invested in immediately available investment funds contracted and managed by Banco Santander and BBVA, in which the Company invested the Group's cash surplus to cover its short-term payment commitments. In this regard, during the 2022 period, all of the aforementioned funds have been used to cover short-term payment commitments, having been drawn down in full during the 2022 period. It should be noted that these amounts were recorded at fair value through profit or loss, belonging to hierarchy level I, with the Company having recorded a change in value amounting to EUR 4,336 thousand, recorded under the heading "Change in fair value of financial instruments" in the Income Statement, as a result of the instability caused by the war in Ukraine described in Note 2k.

In addition, at 31 December 2022 and 31 December 2021 the amount of cash and cash equivalents held by the Company is unrestricted.

(Expressed in thousands of Euros)

(8) NON-CURRENT ASSETS HELD FOR SALE

As established in valuation standard 7 of the General Accounting Plan "Non-current assets and disposable groups of assets held for sale", those assets in the process of being divested with committed sale plans were reclassified. The assets 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. are specifically in this situation.

The breakdown of the shareholdings classified under this category as at 31 December 2022 and 31 December 2021 is the following:

	Thousands of Euros	
	2022	2021
LE Retail Vidanova Parc, S.L.U.	31,767	—
LE Retail Vistahermosa, S.L.U.	23,402	—
LE Retail Rivas, S.L.U.	37,346	—
LE Retail Abadía, S.L.U.	39,475	—
LE Retail Sagunto II, S.L.U.	1,369	—
	133,359	—

The management office of the Abadía Retail Park and Shopping Centre, owned by the Parent Company, has also been classified as Non-Current Assets Held for Sale, for an amount of EUR 93 thousand.

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

The impact on the Company's financial statements after the sale of said shareholdings was a decrease in net assets in the amount of EUR 46,223 thousand which resulted in a profit from the disposal of investments in equity instruments of EUR 13,354 thousand.

(9) NET EQUITY

The composition and movements in net equity are presented in the statement of changes in net equity.

(a) Capital

At 31 December 2022 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 167,386 thousand (EUR 167,386 thousand at 31 December 2021) represented by 83,692,969 registered shares (83,692,969 registered shares at 31 December 2021), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

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

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

The quoted price at 31 December 2022 was EUR 4.23 per share, and the average price per share in the 2022 period was EUR 4.74 (in the 2021 period, the average price per share was EUR 5.12 and the quoted price was EUR 5.17 per share).

The breakdown of the Company's main shareholders at 31 December 2022 and 31 December 2021 is as follows:

(Expressed in thousands of Euros)

	%	
	2022	2021
Castellana Properties SOCIMI, S.A.	25.5%	—
LVS II Lux XII S.a.r.l.	—	21.7%
Grupo Lar Inversiones Inmobiliarias, S.A.	10.0%	11.4%
Santa Lucía S.A. Cía de Seguros	5.0%	5.2%
Adamsville, S.L.	5.2%	5.2%
Brandes Investment Partners, L.P.	5.0%	5.0%
Blackrock Inc.	3.7%	3.7%
Utah State Retirement Systems	3.1%	—
Other shareholders with an interest of less than 3%	42.5%	47.8%
Total	100.0%	100.0%

On 28 January 2022, Castellana Properties SOCIMI, S.A. purchased 15,157,459 shares in LVS II Lux XII S.a.r.l. (21.7% of the share capital). In addition, in September 2022 Castellana Properties SOCIMI, S.A. increased its stake to 25.5%.

(b) Issue premium

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

On 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 9e).

At 31 December 2022, the Company’s share premium amounted to EUR 452,924 thousand (EUR 466,176 thousand at 31 December 2021.

(Expressed in thousands of Euros)

(c) Reserves

The breakdown of this line item as at 31 December 2022 and 2021 is as follows:

	Thousands of Euros	
	31.12.2022	31.12.2021
Legal reserve	20,871	19,011
Capital redemption reserve	23,384	23,384
Other reserves	(94,709)	(94,531)
Total	(50,454)	(52,136)

Reserve movements that took place during the 2022 and 2021 periods were as follows:

	Thousands of	Thousands of
	2022	2021
Opening balance	(52,136)	(41,912)
Profit for the period	1,880	2,707
Capital decreases	—	(12,882)
Result from treasury shares	(199)	(46)
Other changes	1	(3)
Closing balance	(50,454)	(52,136)

(i) *Legal reserve*

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

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

At 31 December 2022 the Company's legal reserve amounted to EUR 20,871 thousand (31 December 2018: EUR 19,011 thousand). Therefore, the legal reserve at 31 December 2022 is not fully provided for.

(Expressed in thousands of Euros)

In accordance with Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December and Law 11/2021 of 9 July, which regulates listed real estate investment companies (SOCIMI), the legal reserve of companies that have opted to apply the special tax regime established in this law may not exceed 20% of the share capital. The articles of association of these companies may not stipulate any restricted reserve other than the legal reserve.

(ii) *Capital redemption reserve*

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

(d) Treasury shares

At 31 December 2022, the Company has treasury shares with an acquisition cost of EUR 250 thousand (EUR 860 thousand at 31 December 2021).

Movement during the 2022 and 2021 periods was as follows:

2022

	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

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

The average selling price of treasury shares in 2022 was EUR 4.80 per share (EUR 5.13 in 2021). Furthermore, losses for the period ended 31 December 2022 amounted to EUR 199 thousand (EUR 46 thousand in losses at 31 December 2021) and were recognised under "Other Reserves" on the balance sheet.

On 14 January 2020 Lar España and its liquidity provider signed a new share buyback programme for up to 4,500,000 shares representing 5% of its share capital, which could be acquired at a price not exceeding (a) the latest independent trading price, or (b) the highest independent bid price at that moment on the trading venue where the purchase was made. The deadline for this programme was initially set at 14 October 2020, which was subsequently extended until 14 October 2021.

On 5 February 2014, the Sole Shareholder of the Company authorised the Board of Directors to purchase shares of the 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.

(e) Dividends paid and issue premium returned

On 27 April 2022, the General Shareholders' Meeting of the Company approved the distribution of a dividend of EUR 30,000 thousand, at EUR 0.36 per share (taking into account all the shares issued), with EUR 16,734 thousand being charged against profit and loss for the 2021 period and EUR 13,266 thousand against the share premium (Note 9a). Said dividend was paid on 27 May 2022. The amount distributed totalled EUR 29,965 thousand (EUR 16,713 thousand with a charge to profit or loss in 2021 and EUR 13,252 thousand with a charge to the share premium), once the amount corresponding to treasury shares had been deducted, as this is not taken from the Company's net equity, taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the General Shareholders' Meeting.

(Expressed in thousands of Euros)

(10) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 31 December 2022 and 2021 is as follows:

	Thousands of Euros			
	2022		2021	
	Non-current	Current	Non-current	Current
Debt and payables				
Financial liabilities from issue of bonds	694,434	3,985	693,647	129,702
Debts with credit institutions	69,936	185	69,922	185
Short-term borrowings from Group companies and associates (Note 16)	—	39,590	—	30,232
Trade and other payables (Note 11)	—	4,451	—	3,852
Total financial liabilities	764,370	48,211	763,569	163,971

At 31 December 2022 the fair value of the bonds is equal to their quoted price. The bonds issued in July 2021, which have a face value of EUR 400 million, are trading at 80.48% of their face value (101.89% at 31 December 2021) and the bonds issued in November 2021, which have a face value of EUR 300 million, are trading at 70.33% of their face value (100.60% at 31 December 2021). The fair value of the remaining financial liabilities does not differ significantly from their fair value.

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

(Expressed in thousands of Euros)

(b) <u>Classification of financial liabilities by maturity</u>

The details by maturity of the Company's financial liabilities at 31 December 2022 and 2021 are as follows:

	Thousands of Euros					
	2022					
	2023	2024	2025	2026	2027 and remaining	Total
Debt from issue of bonds (a)	3,985	—	—	400,000	300,000	703,985
Bank borrowings (a)	185	—	—	24,500	45,500	70,185
Short-term borrowings from Group companies and associates	39,590	—	—	—	—	39,590
Trade and other payables	4,451	—	—	—	—	4,451
Total	48,211	—	—	424,500	345,500	818,211

	Thousands of Euros					
	2021					
	2022	2023	2024	2025	2026 and remaining	Total
Debt from issue of bonds (a)	129,738	—	—	—	700,000	829,738
Bank borrowings (a)	185	—	—	—	70,000	70,185
Short-term borrowings from Group companies and associates	30,232	—	—	—	—	30,232
Trade and other payables	3,852	—	—	—	—	3,852
Total	164,007	—	—	—	770,000	934,007

(a) Measuring financial liabilities from bonds and bank borrowings at amortised cost decreases the nominal value of the liabilities reflected above by EUR 5,566 thousand and EUR 64 thousand, respectively in the 2022 period (EUR 6,389 thousand and EUR 78 thousand in the 2021 period).

(b) This amount corresponds to the current accounts pledged with subsidiaries. Although these accounts mature on 31 December 2022, they are tacitly extended on an annual basis.

(c) Financial liabilities from borrowings

The debts held by the Company relate to corporate bonds and loans with credit institutions. The details thereof and its movements during 2022 and 2021 are as follows:

i) Main characteristics of debt from bonds

Issue in the 2015 period for EUR 140 million

On 21 January 2015 the 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 Company on 5 February 2014. Lastly, on 19 February 2015 the Parent Company carried out an issue in the amount of EUR 140 million, each bond with a nominal value of EUR 100 thousand.

The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 140,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 21/02/2022. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.
- Guarantees: Guarantees were established up to a maximum amount of 20% of the placement. Mortgaged assets at 31 December 2021 were as follows: the Txingudi, Albacenter, Albacenter Hypermarket, Anec Blau and As Termas shopping centres. An ordinary pledge was established on the shares in LE Retail Txingudi, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Hiper Albacenter, S.L.U., LE Retail Anec Blau, S.L.U., and LE Retail As Termas, S.L.U.

The issuance expenses associated with this issue are recorded after deducting the debt to which they are associated, initially totalling EUR 1,995 thousand, EUR 34 thousand of which was allocated in 2022 (EUR 281 thousand in 2021). In turn, the interest accrued on this debt in 2022 amounts to EUR 507 thousand (EUR 3,828 thousand at 31 December 2021).

On 12 July 2021, the Company offered holders of secured straight bonds the option of early buyback at a price equivalent to the bond's face value plus 1%. The offer was accepted and the bond holders were paid an amount of EUR 17.3 million on 23 July 2021.

On 17 February 2022, the Company redeemed the remaining outstanding portion of the bonds amounting to EUR 122.7 million. All collateral pledged as part of the bond issue, including several mortgage loans and pledged shares, have been cancelled.

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

On 22 July 2021, the Company carried out a placement of green bonds with no established guarantees, 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 the early amortisation of their respective bonds provided that certain requirements are met: (i) if a change of control occurs and there is either a rating downgrade below the "Investment Grade" category or a lack of rating on the Company; or (ii) if a tender offer that could lead to a change of control of the Company has been launched and it is approved by the Spanish Securities Market Commission.
– Interest rate: 1.75%.
– Nature of the issue: Simple bonds.
– Guarantees: not guaranteed.

The issuance expenses associated with this issue amounted to EUR 5,244 thousand, which were recorded as a reduction of the debt, of which EUR 1,043 thousand (EUR 417 thousand in 2021) were recognised in 2022 under "Finance costs" in the income statement for the period. The interest accrued during the 2022 financial year on the coupon amounted to EUR 7,000 thousand (EUR 3,106 thousand in 2021), with EUR 3,106 thousand outstanding at 31 December 2022 (EUR 3,106 thousand at 31 December 2021).

Issue in the 2021 period for EUR 300 million

On 3 November 2021, the Company carried out a placement of green bonds with no established guarantees, amounting to a total of EUR 300 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 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 the early amortisation of their respective bonds provided that certain requirements are met: (i) if a change of control occurs and there is either a rating downgrade below the “Investment Grade” category or a lack of rating on the Company; or (ii) if a tender offer that could lead to a change of control of the Company has been launched and it is approved by the Spanish Securities Market Commission.
- Interest rate: 1.84%.
- Nature of the issue: Simple bonds.
- Guarantees: not guaranteed.

The issue expenses associated with this issue amounted to EUR 2,133 thousand, which are recognised as a reduction of debt, of which EUR 308 thousand (EUR 43 thousand in 2021) of such expenses were recognised under "Finance costs" in the income statement for the period. Meanwhile, the interest accrued during the 2022 financial year for the associated coupon amounted to EUR 5,529 thousand (EUR 879 thousand in the 2021 financial year), with EUR 879 thousand outstanding at 31 December 2022 (EUR 879 thousand at 31 December 2021).

Repurchase of corporate bonds

On 19 January 2023, the Company completed a bonds repurchase process of the two issues previously carried out in 2021, 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 at an average discount of 18%, equivalent to a final price of EUR 90.5 million. The purchased bonds have been fully cancelled upon settlement of their repurchase (Note 19).

Covenants associated with corporate bonds

As in the bond issuance cancelled in February 2022, the two bond issuances issued by the Group have clauses on the fulfilment of certain financial ratios, calculated using the consolidated financial statements each year of the Group in which the Company is the Parent Company.

With respect to the bonds, the issue entails the Group's obligation to fulfil certain ratios calculated using the consolidated financial statements:

- 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 equal to or less than 40%, calculated as guaranteed consolidated financial debt divided by the consolidated value of the asset.

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

- A total untaxed ratio asset 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.

ii) Short-term borrowings from Group companies and associates

At 31 December 2022 current accounts were formalised with subsidiaries by the Company. The amounts of these accounts totalled EUR 39,590 thousand (EUR 30,232 thousand at 31 December 2021). These current accounts bear interest at a fixed rate of 0.21%, which is compounded annually. The formalised contracts are tacitly renewed for one-year periods, unless express notification to the contrary is received (Note 16).

Financial interest accrued in 2022 amounted to EUR 73 thousand (EUR 105 thousand in 2021), such interest being recorded under “Financial expenses - Borrowings with Group companies and associates” (Note 16).

iii) Debts with credit institutions

At 31 December 2022, the Company has a credit line of EUR 30,000 thousand available (EUR 30,000 thousand at 31 December 2021), with no amount drawn down at year-end 2022. Interest accrued in the 2022 period totalled EUR 142 thousand (EUR 216 thousand in 2021).

In addition, on 26 October 2018 the Company formalised a funding line for the amount of EUR 70,000 thousand with the European Investment Bank (“EIB”). Said loan matures 7 years from the first withdrawal. On 4 May 2020 the entire amount of the loan was drawn down. Interest accrues biannually and the interest rate is 1.67%. Accrued interest in 2022 totalled EUR 1,172 thousand (EUR 1,193 thousand in 2021), where EUR 185 thousand was outstanding as at 31 December 2022.

In terms of the funding from the EIB, the Company undertakes to maintain, at all time, on the basis of the consolidated financial statements of the Group of the which it is the Parent Company, 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. Failure to comply with this ratios is cause for early maturity.

In this sense, the Directors believe the aforesaid ratios are met as at the date of these financial statements and believe they will be met throughout the contract.

(Expressed in thousands of Euros)

(11) TRADE AND OTHER PAYABLES

Details of trade and other payables at 31 December 2022 and 2021 are as follows:

	Thousands of Euros	
	31.12.2022	31.12.2021
Suppliers, related companies (Note 16)	637	862
Sundry creditors	559	741
Personnel	205	147
Public entities, other payables (Note 13)	3,050	2,102
Total	4,451	3,852

The maximum legal payment period applicable to the Company 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).

(12) 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.

	2022	2021
	Days	Days
Average number of days payable outstanding to suppliers	40	28
Ratio of paid operations	42	28
Ratio of transactions pending payment	19	30
	Thousands of	Thousands of
Total effected payments	10,458	22,571
Total payments pending	701	215

(Expressed in thousands of Euros)

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

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.

“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:

	2022	2021
Monetary volume (thousands of Euros)	10,144	18,079
Percentage over total payments made	69,55%	53,95%
Number of invoices	597	574
Percentage on the total of invoices	14,74%	26,83%

(13) PUBLIC ENTITIES AND TAXATION

(a) Balances with Public Entities

Details on balances with Public Entities at 31 December 2022 and 2021 are as follows:

Receivables

	Thousands of Euros	
	2022	2021
Current tax assets	85	—
	85	—

(Expressed in thousands of Euros)

Payables

	Thousands of Euros	
	2022	2021
Taxation authorities, VAT payable	2,967	2,026
Taxation authorities, personal income tax	77	70
Social Security bodies, credit	6	6
	3,050	2,102

(b) Reconciliation of accounting profit and income

At 31 December 2022 and 2021, the taxable fiscal base comprises the following items:

	Thousands of Euros	
	31.12.2022	31.12.2021
Profit before taxes	13,718	18,594
Permanent differences	302	(7)
Temporary differences	62	1,728
Taxable base (Losses)	14,082	20,315
Tax payable (0%)	—	—
Corporation tax expense/income	—	—

As of the 2014 period the Company is included under the SOCIMI tax regime. Pursuant to what is established therein, the tax rate applicable to the tax base is 0% for distributed profits and 15% for retained earnings, such that no expense has been recorded for Corporate Income Tax.

Deferred tax assets and liabilities

The Company has not recorded deferred tax assets for the temporary differences because the applicable rate is calculated at 0%.

(c) 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 2022 year-end, the Company has the last four financial years open for inspection.

(Expressed in thousands of Euros)

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
Company tax	2015 to 2018
Value Added Tax	2015 to 2018
Withholdings/Direct deposit Rtos. 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 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 Company, with the support of the Group's tax advisers, believe that said regularisation proposal was not lawful. To this end, submissions in respect of the contested tax assessment were drafted and filed in due time and form.

The position taken in the tax assessment was confirmed in its conclusions, by means of the provisional tax settlement issued by the taxation authorities. Should the provisional settlement be confirmed by the taxation authorities and by the courts, neither the VAT charge nor the late-payment interest thereon would be recoverable.

The aforementioned settlement was contested in due time and form before the Central Economic-Administrative Tribunal, and a ruling is currently pending. Execution of the settlement issued by the taxation authorities was suspended in due time and form by providing the pertinent guarantees.

In the contested assessment, the taxation authorities held that there was no indication of a tax infringement. Nevertheless, contrary to the criterion expressed in the assessment, in the provisional settlement ultimately issued, they found that there were indeed signs of a tax infringement.

As a result of the foregoing, disciplinary proceedings were instituted, which concluded with a decision to levy two penalties for an aggregate amount of EUR 17,156 thousand. The aforementioned decision was contested in due time and form by filing an economic-administrative appeal before the Central Economic-Administrative Tribunal.

At the present date, a ruling is pending on the appeal against the penalty decision, and enforcement of the penalties imposed has been automatically suspended.

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

(Expressed in thousands of Euros)

(d) Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012 and Law 11/2021

2022 Period

a) Reserves from periods prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December and Law 11/2021 of 9 July.	-
b) Reserves for each period in which the special tax regime provided by that Law is applicable	2022 profits proposed to be distributed to reserves: EUR 1,372 thousand to the legal reserve. 2021profits to be distributed to reserves: EUR 1,859 thousand to the legal reserve. 2020 profits to be distributed to reserves: EUR 2,021 thousand to the legal reserve. 2019 profits to be distributed to reserves: EUR 6,111 thousand to the legal reserve. 2018 profits to be distributed to reserves: EUR 7,608 thousand to the legal reserve and EUR 121 thousand to the voluntary reserve. 2017 profits to be distributed to reserves: EUR 1,921 thousand to the legal reserve and EUR 4 thousand to the voluntary reserve. 2016 profits to be distributed to reserves: EUR 380 thousand to the legal reserve and EUR 4 thousand to the voluntary reserve. 2015 profits to be distributed to reserves: EUR 501 thousand to the legal reserve and EUR 6 thousand to voluntary reserves. 2014 profits to be distributed to reserves: EUR 166 thousand to the legal reserve and EUR 167 thousand to voluntary reserves.
a. Profits from income subject to the general income tax rate	2019 profits: EUR 2,176 thousand. 2018 profits: EUR 5,165 thousand.
b. Profits from income subject to a tax rate of 15%	-
c. Profits from income subject to a tax rate of 19%	-
d. Profits from income subject to a tax rate of 0%	2022 profits: EUR 13,718 thousand. 2021 profits: EUR 18,594 thousand. 2020 profits: EUR 20,211 thousand. 2019 profits: EUR 58,935 thousand. 2018 profits: EUR 70,917 thousand. 2017 profits: EUR 19,211 thousand. 2016 profits: EUR 3,800 thousand. 2015 profits: EUR 5,006 thousand. 2014 profits: EUR 1,664 thousand.

(Expressed in thousands of Euros)

c) Dividends distributed against profits for each period in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2022: EUR 50,000 thousand. Dividend distribution for 2021: EUR 30,000 thousand. Dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
a. Dividends from income subject to the general income tax rate	Proposed dividend distribution for 2018: EUR 5,165 thousand.
b. Dividends from income subject to a tax rate of 15%	-
c. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
d. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2022: EUR 50,000 thousand. Dividend distribution for 2021: EUR 30,000 thousand. Dividend distribution for 2020: EUR 18,190 thousand. Dividend distribution for 2019: EUR 55,000 thousand. Dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
d) Distributed dividends charged against reserves	-
a. Distribution charged against reserves subject to the general income tax rate	-
b. Distribution charged against reserves subject to a tax rate of 15%	-
c. Distribution charged against reserves subject to a tax rate of 19%	-

(Expressed in thousands of Euros)

d. Distribution charged against reserves subject to a tax rate of 0%	Proposed dividend distribution for 2022 against the issue premium: EUR 37,654 thousand. Distribution of dividends for 2021 against the issue premium: EUR 13,266 thousand. Distribution of dividends for 2020 against the 2020 issue premium: EUR 9,310 thousand. Distribution of dividends for 2018 against the issue premium: EUR 6,647 thousand. Distribution of dividends for 2017 against the issue premium: EUR 27,714 thousand. Distribution of dividends for 2016 against the issue premium: EUR 26,565 thousand. Distribution of dividends for 2015 against the issue premium: EUR 7,521 thousand.
e) Date of the agreement of the distribution of the dividends referenced in c) and d) above	2022 dividends: Pending approval. 2021 dividends: 27 April 2022 2020 dividends: 22 April 2021 2019 dividends: 17 March 2020 2018 dividends: 25 April 2019 2017 dividends: 19 April 2018 2016 dividends: 29 May 2017 2015 dividends: 21 April 2016 2014 dividends: 27 April 2015
f) Date of acquisition of properties for lease that generate income subject to this special regime	2016: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014 2015: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014 2014: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014

(Expressed in thousands of Euros)

g) Date of acquisition of shares in the capital of the entities referenced in Article 2.1 of this Law.	LE Logistic Alovera I y II, S.A.U.: 23 July 2014 LE Retail Hiper Albacenter, S.A.U.: 4 November 2014 LE Retail Alisal, S.A.U.: 4 November 2014 LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 4 March 2015 LE Logistic Alovera III y IV, S.L.U.: 4 March 2015 LE Retail Hiper Ondara, S.L.U.: 9 June 2015 LE Offices Joan Miró 21, S.L.U.: 4 March 2015 LE Retail El Rosal, S.L.U.: 7 July 2015 LE Retail VidaNova Parc, S.L.U.: 26 March 2015 LE Retail Megapark, S.L.U.: 29 May 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 4 August 2015 LE Retail Vistahermosa, S.L.U.: 4 August 2015 LE Retail Sagunto II, S.L.U.: 4 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Portal de la Marina, S.L.U.: 41.22% on 30 March 2016 and 58.78% on 10 October 2014. LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U.: 6 February 2018 LE Retail Córdoba Sur, S.L.U.: 15 January 2019

(Expressed in thousands of Euros)

h) Identification of the asset included in the 80% mentioned in Article 3.1 of this Law	- Investment property: Txingudi Shopping Centre Las Huertas Shopping Centre Albacenter Shopping Centre Anec Blau Shopping Centre Albacenter Hypermarket As Termas Shopping Centre Portal de la Marina Hypermarket El Rosal Shopping Centre Portal de la Marina Shopping Centre As Termas petrol station VidaNova Parc Business Park Megapark Shopping Centre Vistahermosa Business Park Gran Vía de Vigo Shopping Centre Abadía Business Park and Shopping Centre Megapark leisure area Rivas Business Park Lagoh Shopping Centre - Capital investments: LE Logistic Alovera I y II, S.A.U.: 23 July 2014 LE Retail Hiper Albacenter, S.A.U.: 4 November 2014 LE Retail Alisal, S.A.U.: 4 November 2014 LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 LE Retail As Termas, S.L.U.: 18 December 2014 LE Logistic Almussafes, S.L.U.: 4 March 2015 LE Logistic Alovera III y IV, S.L.U.: 4 March 2015 LE Retail Hiper Ondara, S.L.U.: 9 June 2015 LE Offices Joan Miró 21, S.L.U.: 4 March 2015 LE Retail El Rosal, S.L.U.: 7 July 2015 LE Retail VidaNova Parc, S.L.U.: 26 March 2015 LE Retail Galaria, S.L.U.: 20 July 2015 LE Retail Lagoh, S.L.U.: 4 August 2015 LE Retail Vistahermosa, S.L.U.: 4 August 2015 LE Retail Sagunto II, S.L.: 4 August 2015 LE Retail Villaverde, S.L.U.: 21 September 2015 LE Retail Anec Blau, S.L.U.: 29 April 2016 LE Retail Albacenter, S.L.U.: 29 April 2016 LE Retail Txingudi, S.L.U.: 29 April 2016 LE Retail Las Huertas, S.L.U.: 29 April 2016 LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 LE Retail Abadía, S.L.U.: 27 March 2017 LE Retail Rivas, S.L.U: 6 February 2018 LE Retail Cordoba Sur, S.L.U.: 15 January 2019

i) Reserves from periods in which the special tax regime provided in this Law was applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The period from which these reserves have been taken must be specified.	-

(14) RISK MANAGEMENT POLICY

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows and the risk associated with the special SOCIMI tax regime. The Company's global risk management plan focuses on the uncertainty of the financial markets and tries to minimise the possible adverse effects on the Company's financial profitability.

The Senior Management of the Company manages risks in accordance with policies approved by the board of directors. The Senior Management identifies, evaluates and mitigates financial risks in close collaboration with the Company'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 2k, we are currently in a macroeconomic environment with a high level of uncertainty caused mainly by the conflict in Ukraine.

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

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

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

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

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

<u>*Cash and cash equivalents*</u>

At 31 December 2022 the Company holds cash of EUR 173,095 thousand representing its maximum risk exposure for these assets (31 December 2021: EUR 249,538 thousand). At 31 December 2022, this balance includes EUR 170,165 thousand relating to deposits with immediate availability and maturity of less than 3 months, arranged and managed by Credit Suisse and Credite Agricole. During the year 2022, income of EUR 575 thousand was recognised in respect of interest accrued on the deposits.

Cash and cash equivalents are held at banks and financial institutions with a high credit rating. The entire balance is unrestricted.

(ii) <u>*Liquidity risk*</u>

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

The Company 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 losses or placing the Company's reputation at risk.

In this sense, the Company's Directors and Management made the decision to carry out two unsecured green bond issues in 2021, for the amount of EUR 400 million and EUR 300 million to strengthen the liquidity position of the Group companies and adjust the maturities of its debt to the cash flows envisaged in the Group's business plan.

These green bond issues were successfully completed in July 2021 and November 2021, respectively, and have enabled the Group to meet its financial debt maturities, with almost all of its financial debt being repaid in 2022 with the repayment of the simple guaranteed bonds issued in 2015, which amounted to EUR 122.7 million at 31 December 2021.

The Company's exposure to liquidity risk at 31 December 2022 and 2021 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

(Expressed in thousands of Euros)

	Thousands of Euros				
	2022				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities from issue of bonds (Note 10)	—	—	3,985	694,434	698,419
Bank borrowings (Note 10)	—	—	185	69,936	70,121
Debts with Group companies and associates (a) (Note 16)	—	—	39,590	—	39,590
Trade and other payables	4,451	—	—	—	4,451
Total	4,451	—	43,760	764,370	812,581

	Thousands of Euros				
	2021				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Financial liabilities from issue of bonds (Note 10)	—	129,702	—	693,647	823,349
Bank borrowings (Note 10)	—	—	185	69,922	70,107
Debts with Group companies and associates (a)(Note 16)	—	—	30,232	—	30,232
Trade and other payables	3,141	711	—	—	3,852
Total	3,141	130,413	30,417	763,569	927,540

(a) This amount corresponds to the current accounts pledged with subsidiaries. Although these accounts mature on 31 December 2022, they are tacitly extended on an annual basis.

In addition, the Company has signed a EUR 50 million guarantee facility with Credite Agricole to cover the amount of the settlement, as well as late payment interest, issued by the Technical Office of the Regional Inspection Unit of Madrid in relation to the VAT audit for the periods covered in 2015 and 2016 (Note 13c).

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

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

Additionally, at 31 December 2022, the Company 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, revenue and cash flows from the Company's operating activities are not significantly affected by fluctuations in market interest rates.

(iv) *Tax risk*

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

Among the obligations that the 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, considering that the SOCIMI Regime is relatively recent and is being implemented, fundamentally, through responses of the General Directorate of Taxation to queries raised by different companies. In this sense, Company's Management, with the support of its tax advisers, evaluated its completion of the requirements of the SOCIMI regime, concluding that at 31 December 2022 all requirements were met. Therefore, the Company shall continue to avail itself of the SOCIMI tax regime, and this has been taken into account when drawing up these financial statements.

Should the Company meet the requirement established in the Regime or the Company's Shareholders' Meeting 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).

(Expressed in thousands of Euros)

The Company's Directors constantly monitor compliance with the requirements of the SOCIMI regime. They consider that there is currently no tax risk associated with non-compliance with the SOCIMI regime.

(v) Capital management

The Company is essentially financed with its own capital and financial debt. In 2021 the Group issued unsecured green bonds for the amount of EUR 400 million and EUR 300 million (Note 10).

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

	Thousands of Euros	
	31.12.2022	31.12.2021
Total financial debt (Notes 10)	768,540	893,456
Less, Cash and cash equivalents (Note 17)	(173,095)	(249,538)
Net debt	595,445	643,918
Treasury funds	583,364	599,400
Total	1,179,009	1,243,318
Leverage ratio	50.50%	51.79%

(vii) Environment

LAR España is aware that the integration of sustainability in its business model is essential to creating value for stakeholders, which is why in recent years, it has taken appropriate measures supported by the different internationally recognised standards.

Since January 2016, following the approval of its Sustainability Policy, Lar España has been drafting an ESG Action Plan, aligned with the United Nations SDG and the Paris Agreement (COP21) with the main objective of having a clear and defined roadmap at company level. Following the drafting of this Plan at a general level, the company proceeded to work on more specific issues and focused on more concrete aspects, among others:

- In terms of climate change, it has drawn up a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emissions neutrality target. 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 and 2020 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 2021. In this way, the Company has completed 4 consecutive years of Carbon Footprint registration with the Ministry of Ecological Transition and Demographic Challenge (MITERD) and is eligible to obtain the "Reduzco" seal, which has been achieved thanks to the decrease in emissions recorded after the various efforts made in recent years. Lar España's Carbon Footprint register is also independently verified by AENOR in accordance with the "Carbon Footprint Compliance Statement".

- From the perspective of property efficiency, Lar España has worked together with KPMG in the development of an Energy Efficiency Plan that will be implemented asset by asset after the completion of Energy Audits and supported by an automated data platform to obtain data on consumption and emissions of the assets, which allows real-time monitoring and was designed and implemented specifically for Lar España. In addition, the company is studying the implementation of photovoltaic panels on most of the assets in the portfolio, after having energy contracts with a guarantee of origin on all of them.

  The next steps for the continuation of the emission reduction strategy are:

  1. Continuation of the policy of obtaining electricity with a guarantee of renewable energy in all its strategic assets.
  2. Progress in the implementation of renewable energy systems.
  3. Application of technical-economic studies for the implementation of photovoltaic solar energy in strategic assets, promoting renewable energy generation facilities for self-consumption.
  4. Completion and implementation of a proprietary system for the automation of energy consumption control by means of telematic measurement.
  5. Implementation of predictive maintenance programmes and proactivity in air conditioning equipment inspection protocols to prevent refrigerant leaks.
  6. Programme for the progressive renewal of equipment with more efficient machines that have a lower impact on GHG emissions.

- As a contribution to the principles of Circular Economy, as a further step in the fight against climate change, Lar España proceeded to develop a Waste Management Plan in order to have a better knowledge of the type of waste generated in the assets, as well as to centralise waste management at company level. During 2022, numerous actions have been carried out in the centres such as the installation of specific recycling points, the identification and categorisation of a greater proportion of the waste generated and the study of different treatment alternatives. The company's aim is to continue working on this aspect with the intention of having greater control of the waste generated by its activity and the disposal routes, something that will have a positive impact on the organisation's Carbon Footprint. In addition, during the year, points have been installed that allow users of the assets to recycle waste thanks to collaboration with companies such as Ecoembes, implementing Return and Reward Systems through the RECICLOS system.

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. In this way, different alternatives are being studied in each of the assets with the aim of implementing different sustainable mobility solutions.

The main projects being undertaken are:

• Electric car charging points.
• Shared transport.
• Walkways, improved pedestrian access to Shopping Centres and in the vicinity.
• Campaign to promote the use of public transport, bus stops and taxis.
• Parking and access routes for bicycles, scooters and motorbikes, as well as designated parking for families and emergency vehicles near the main entrances and guided parking devices.

Currently, the 14 assets in Lar España's portfolio have electric vehicle charging points.

Thus, the mobility study in the Megapark business park has been completed with a local specialist provider, after which the results will be analysed for the implementation of specific measures.

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 the following progress during 2022:

- Completion of the Certification Renewal Plan, improving on previous ratings in almost all cases.

- Obtained two new certifications for Rivas Futura and VidaNova Parc, both with a "Very Good" rating for building design and "Excellent" for asset management.
- 100% of the assets are BREEAM certified.
- 98% of the assets in terms of GAV are rated "Excellent" or "Very Good".

During 2022, the Company obtained ISO 14001 and 45001 certifications for all assets in which it has operational control, enabling it to standardise procedures and homogenise environmental management and occupational health and safety standards.

The ISO 14001 certification confirms the implementation of an effective environmental management system (EMS), the establishment of goals and objectives reviewed and approved by the management, that the assets have environmental procedures and protocols in accordance with the activity, and that the management of incidents and conformities is carried out. All of this facilitates the achievement of the strategic goals set by the Company. On the other hand, ISO 45001 is the international standard for occupational health and safety management systems, aimed at protecting workers and visitors from occupational accidents and illnesses. With this certification, Lar España shows its commitment to employee health and safety.

For the fifth consecutive year, Lar España has participated in the GRESB (Global Sustainability Real Estate Benchmark) assessment, which has become the standard for assessing environmental, social and governance (ESG) commitment in the real estate sector.

The Company has achieved a score of 85 points, which is 8% higher than the average of its competitors. The steady improvement in the overall score over the last few years with an increase of 55% since 2019 reflects the Company's commitment and the constant improvement made in sustainability issues.

(Expressed in thousands of Euros)

(15) REVENUE AND EXPENSES

(a) Net turnover

Distribution of the net turnover for the 2022 and 2021 financial years, by business category and by geographical market is as follows:

	Thousands of Euros	
	2022	2021
Revenue from stakes in equity instruments:		
Revenue from dividends (Note 16a)	19,947	10,166
Revenue from invoicing financial expenses within the Group (Note 16a)	15,609	9,930
	35,556	20,096

	Thousands of Euros	
	2022	2021
Spain	35,556	20,096
	35,556	20,096

(b) Personal expenses

Details of employee benefits expense for 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021
Salaries and wages	865	541
Other benefits and taxes	63	51
	928	592

(Expressed in thousands of Euros)

(c) Other operating expenses

The details of "Other operating expenses" in years 2022 and 2021 are as follows:

	Thousands of Euros	
	2022	2021
Services by independent professionals	1,272	1,272
Insurance premiums	209	191
Bank fees and commissions	86	7
Advertising and publicity	146	56
Utilities	2	2
Other expenses	307	615
Taxes	—	5
	2,022	2,148

On 31 December 2022 Lar España Real Estate SOCIMI, S.A. invoiced the subsidiaries it completely controls a total of EUR 7,359 thousand for management support services provided to these companies during the year (EUR 10,409 thousand at 31 December 2021). This amount appears net of the expenses included under "Independent professional services" (Note 16a).

(16) RELATED PARTY BALANCES AND TRANSACTIONS

(a) The Company's balances and transactions with related parties

Management agreement with Grupo Lar

On 29 December 2021, the Company approved a new agreement with its management 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 5,391 thousand in 2022 (EUR 8,609 thousand in 2021) is recorded under “Other operating expenses” of the Profit and Loss Account. At 31 December 2022 an amount of EUR 544 thousand is outstanding (at 31 December 2021 an amount of EUR 715 thousand was provisioned and outstanding).

In relation to the previous contract in force as of 31 December 2021, this was effective for 4 years from 1 January 2018. In addition, the fee structure for the Management Company, the "base fee" payable to the Management Company was calculated on the basis of an annual amount equal to the higher of (i) EUR 2 million, or (ii) the sum of (a) 1. 00% of the EPRA net asset value (excluding net cash) as at 31 December of the previous financial year up to an amount less than or equal to EUR 1 billion, and (b) 0.75% of the EPRA NAV (excluding net cash) as at 31 December of the previous financial year in respect of the amount exceeding EUR 1 billion.

Similary, the performance fee payable to the Management Company as of 31 December 2022 will be the lesser of: (i) the sum of 8% of the amount exceeding 8.5% of the increase in EPRA NAV of the Group (net of capital increases and reductions and dividend pay-outs) plus 2% of the amount exceeding 8.5% of the annual increase in market capitalisation (net of capital increases and reductions and dividend pay-outs); (ii) 10% of the high-water mark outperformance, and will be subject to an aggregate limit equal to 1.5 times the amount of the annual fixed amount. Pursuant to Clause 7.2.2 of the management agreement, the 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 2022, an amount of EUR 80 thousand has been recorded and is pending payment (EUR 134 thousand at 31 December 2021).

In relation to the management contract in force as at 31 December 2021, the performance fee payable to the Management Company was calculated by applying 16% to the increase in the Group's EPRA NAV above 10% and 4% to the increase in the Company's market capitalisation above 10%, adjusted in both cases for certain circumstances under the IMA, and was subject to an aggregate limit equal to 3% of the Group's EPRA NAV as at 31 December of the preceding financial year. Pursuant to Clause 7.2.2 of the management contract, Grupo Lar Inversiones Inmobiliarias, S.A. should use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Company may issue, or at the Company election, to acquire their treasury shares.

Rebilling between Group companies

In 2022, as in previous years, the Company has formalized service provision and management agreements with companies in its group for the period ended 31 December 2022, where the expenses of this nature incurred by the Company on the behalf of the Group companies are passed on.

In this sense, in 2022, the Company has invoiced EUR 7,359 thousand, net of VAT, for management support services (EUR 10,409 thousand in 2021). The Company's distribution approach is based on the relative weight of the underlying market value of each property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

Similarly, the Company entered into agreements with the group companies that own the shopping centres (Note 10) to pass on the financial cost of the bonds issued in 2015, redeemed in February 2022 (Note 10). The amount charged at 31 December 2022 for this item amounts to EUR 545 thousand (31 December 2021: EUR 4,293 thousand), recorded under " Net turnover".

The Company's distribution approach is based on the relative weight of the underlying market value of each pledged property asset of the investees over the total market value (calculated based on the latest available appraisal from the period immediately prior to 31 December of each period) of such property assets at the beginning of the relevant period.

In addition, the financial cost corresponding to the green bonds issued in 2021 (Note 10) has been rebilled for the amount of EUR 13,880 thousand (EUR 4,445 thousand in 2021).

Revenue from receivables and shareholdings in Group and multi-group companies and associates

The amount of revenue the Company collects in terms of the dividends received from subsidiaries totalled EUR 19,947 thousand in 2022 (EUR 10,166 thousand in 2021). Of this amount, EUR 18,031 thousand corresponds to interim dividends distributed against the profit for the 2022 period from investees, where the remainder corresponds to the final dividends distributed against the profit for the 2021 period after the distribution of the profit from investees was approved.

Short-term borrowings from Group companies and associates

The Company has current accounts formalised with some subsidiaries. The sums of these accounts at 31 December 2022 totalled EUR 39,590 thousand (EUR 30,232 thousand at 31 December 2021). Said current accounts accrue fixed interest at a rate of 0.21% and any interest is payable yearly. The accounts mature yearly and are tacitly renewed for one-year periods, unless express notification to the contrary is received.

Financial interest accrued in 2022 amounted to an expense of EUR 73 thousand (EUR 105 thousand in 2021), such interest being recorded under "Financial expenses - Borrowings with Group companies and associates".

(Expressed in thousands of Euros)

Short-term credits with Group companies and associates

In 2022 and 2021, the Company formalised current accounts with certain subsidiaries completely owned by it, some of which have a debtor balance at 31 December 2022 of EUR 419,987 thousand (EUR 515,550 at 31 December 2021), due to the early payment of the mortgage loans associated with the shopping centres that the Company's investees held with financial institutions.

Financial interest accrued in 2022 comprised a revenue of EUR 944 thousand (EUR 374 thousand in 2021).

(b) Details of related party balances and transactions

Transactions and balances with related parties in the 2022 and 2021 periods are as follows:

	2022						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Txingudi, S.L.U.	—	604	—	—	6,620	354	12
LE Retail Las Huertas, S.L.U.	—	191	—	—	2,507	106	5
LE Retail Anec Blau, S.L.U.	—	2,151	—	—	1,830	1,266	—
LE Retail Albacenter, S.L.U.	—	898	13	—	7,300	526	14
LE Offices Marcelo Spínola, S.L.U.	—	—	—	—	6,512	—	14
LE Logistic Alovera I y II, S.A.U.	—	—	—	—	3,686	—	4
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	399	—	1
LE Retail As Termas, S.L.U.	—	1,790	—	27,846	—	1,112	—
LE Logistic Alovera III y IV, S.L.U.	—	—	—	—	635	—	1
LE Logistic Almussafes, S.L.U.	—	—	—	—	2,779	—	6
LE Retail Hiper Ondara, S.L.U.	—	6,509	—	111,460	—	3,866	—
LE Offices Joan Miró 21, S.L.U.	—	—	—	—	745	—	2
LE Retail Vidanova Parc, S.L.U.	—	921	—	14,341	—	545	—
LE Retail Galaria, S.L.U.	—	—	—	—	250	—	1
LE Retail Lagoh, S.L.U.	—	5,676	—	82,167	—	3,340	—

(Expressed in thousands of Euros)

	2022						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Vistahermosa, S.L.U.	—	1,037	—	20,640	—	623	—
LE Retail Gran Vía de Vigo, S.A.U.	—	2,753	—	68,898	—	1,675	—
LE Retail Hiper Albacenter, S.A.U.	—	369	—	—	286	216	—
LE Retail Alisal, S.A.U.	—	—	—	—	2,341	—	5
LE Retail El Rosal, S.L.U.	—	1,913	—	37,283	—	1,145	—
LE Retail Villaverde, S.L.U.	—	—	—	—	1,750	—	4
LE Retail Abadía, S.L.U.	—	1,708	—	33,722	—	1,022	—
Lar España Inversión Logística IV, S.L.U.	—	—	—	—	1,950	—	4
LE Retail Rivas, S.L.U.	—	1,266	—	22,643	—	753	—
LE Retail Sagunto II, S.L.U.	—	7	—	97	—	4	—
LE Retail Córdoba Sur, S.L.U.	—	—	—	890	—	—	—
Inmobiliaria Juan Bravo 3, S.L.	—	—	—	—	—	—	—
Revenue from dividends (i)	—	18,031	—	—	—	19,947	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	624	—	—	—	—
	—	45,824	637	419,987	39,590	36,500	73

(*) Revenue from rebilling that is presented net of any external service expense, in accordance with Note 4i, totalled EUR 7,359 thousand at 31 December 2022.

(Expressed in thousands of Euros)

(i) The details of the dividends recorded in 2022 are as follows (thousands of Euros):

Company	**Interim dividends over profit and loss at 31/12/2022**	**Complementary dividends over profit and loss at 31/12/2021**	**Total**
LE Logistic Alovera I y II, S.A.U.	227	—	227
LE Retail As Termas, S.L.U.	1,438	117	1,555
LE Retail Hiper Ondara, S.L.U.	4,346	283	4,629
LE Retail Vistahermosa, S.L.U.	74	126	200
LE Retail Gran Vía de Vigo, S.A.U.	1,089	—	1,089
LE Retail Abadía, S.L.U..	2,267	33	2,300
LE Retail Anec Blau, S.L.U.	812	—	812
LE Retail Txingudi, S.L.U.	417	—	417
LE Retail Albacenter, S.L.U.	1,093	100	1,193
LE Retail Las Huertas, S.L.U.	108	—	108
LE Retail Rivas, S.L.U.	663	238	901
Le Retail Sagunto II, S.L.U.	327	7	334
LE Retail El Rosal, S.L.U.	2,389	215	2,604
LE Retail Lagoh, S.L.U.	2,781	797	3,578
Total	**18,031**	**1,916**	**19,947**

The interim dividends over profit and loss at 31 December 2022 were approved on 30 December 2022 and were paid on 25 January 2023. Likewise, complementary dividends from the 2021 profit were liquidated in less than a month from the approval thereof.

	2021						
	Thousands of Euros						
	Balances					Transactions	
	Loans and receivables		Payables	Current account		Revenue (*)	Expense
Balances with Group and related companies	Long-term	Short-term	Short-term	Receivable	Payable		
LE Retail Txingudi, S.L.U.	—	1,067	—	—	4,710	642	8
LE Retail Las Huertas, S.L.U.	—	144	—	—	1,802	42	2
LE Retail Anec Blau, S.L.U.	—	3,199	—	6,175	—	1,929	—
LE Retail Albacenter, S.L.U.	—	1,443	(6)	—	5,408	853	8
LE Offices Marcelo Spínola,	—	—	—	—	6,452	—	14
LE Logistic Alovera I y II, S.A.U.	—	—	—	—	1,320	—	3
LE Offices Eloy Gonzalo 27, S.A.U.	—	—	—	—	399	—	1

(Expressed in thousands of Euros)

LE Retail As Termas, S.L.U.	—	2,715	—	32,888	—	1,694	—
LE Logistic Alovera III y IV,	—	—	—	—	623	—	1
LE Logistic Almussafes, S.L.U.	—	—	—	—	2,781	—	6
LE Retail Hiper Ondara, S.L.U.	—	4,620	—	147,342	—	1,460	16
LE Offices Joan Miró 21, S.L.U.	—	—	—	—	643	—	1
LE Retail Vidanova Parc, S.L.U.	—	656	—	18,746	—	192	15
LE Retail Galaria, S.L.U.	—	—	—	—	—	—	—
LE Retail Lagoh, S.L.U.	—	3,999	—	100,228	—	1,197	—
LE Retail Vistahermosa, S.L.U.	—	667	—	25,026	—	219	—
LE Retail Gran Vía de Vigo,	—	2,016	—	73,969	—	671	—
LE Retail Hiper Albacenter, S.A.U.	—	574	—	815	—	346	—
LE Retail Alisal, S.A.U.	—	—	—	—	2,322	—	5
LE Retail El Rosal, S.L.U.	—	1,473	—	41,950	—	430	4
LE Retail Villaverde, S.L.U.	—	—	—	—	1,750	—	4
LE Retail Abadía, S.L.U.	—	1,191	—	41,399	—	357	—
Lar España Inversión Logística IV,	—	—	—	—	1,945	—	3
LE Retail Rivas, S.L.U.	—	917	—	26,173	—	270	14
LE Retail Sagunto II, S.L.U.	—	6	—	—	77	2	—
LE Retail Córdoba Sur, S.L.U.	—	840	—	—	—	—	—
Inmobiliaria Juan Bravo 3, S.L.	—	—	—	—	—	—	—
Revenue from dividends (i)	—	4,192	—	—	—	10,166	—
Grupo Lar Inversiones Inmobiliarias, S.A.	—	—	(856)	—	—	—	—
	—	29,719	(862)	514,711	30,232	20,470	105

(*) Revenue from rebilling that is presented net of any external service expense, in accordance with Note 4i, totalled EUR 10,409 thousand at 31 December 2021.

(Expressed in thousands of Euros)

(i) The details of the dividends recorded in 2021 are as follows (thousands of Euros):

Company	Interim dividends over profit and loss at 31/12/2021	Complementary dividends over profit and loss at 31/12/2020	Total
LE Retail Alisal, S.A.U.	—	1	1
LE Retail As Termas, S.L.U.	383	64	447
LE Retail Hiper Albacenter, S.A.U.	—	5	5
LE Retail Hiper Ondara, S.L.U.	934	200	1,134
LE Offices Eloy Gonzalo 27, S.A.U.	—	22	22
LE Offices Joan Miró 21, S.L.U.	—	1	1
LE Retail Vistahermosa, S.L.U.	657	275	932
LE Retail Gran Vía de Vigo, S.A.U.	—	373	373
LE Retail Abadía, S.L.U..	905	(117)	788
LE Retail Anec Blau, S.L.U.	—	180	180
LE Retail Txingudi, S.L.U.	—	227	227
LE Retail Albacenter, S.L.U.	536	13	549
LE Retail Las Huertas, S.L.U.	—	51	51
Lar España Inversión Logística IV, S.L.U.	—	5	5
LE Retail Rivas, S.L.U.	—	140	140
LE Retail Vidanova Parc,S.L.U.	—	758	758
LE Retail El Rosal, S.L.U.	330	582	912
LE Retail Lagoh, S.L.U.	447	3,194	3,641
Total	**4,192**	**5,974**	**10,166**

The interim dividends over profit and loss at 31 December 2021 were approved on 31 December 2021 and were paid on 27 January 2022. Likewise, complementary dividends from the 2020 profit were liquidated in less than a month from the approval thereof.

(Expressed in thousands of Euros)

(c) Information relating to Directors and Senior Management of the Company

The remuneration received by the members of the Board of Directors and Senior Management personnel of the Company during 2022 and 2021, classified by item, is as follows:

	Thousands of Euros					
	2022			2021		
	Salaries	Allowances	Insurance premiums	Salaries	Allowances	Insurance premiums
Board of Directors	-	615	180*	-	590	148*
Senior Management	865	-	-	541	-	-

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

Allowances for the Board of Directors include EUR 85 thousand for the non-executive Secretary of the Board of Directors (EUR 81 thousand at 31 December 2021).

At 31 December 2022, the Company has 6 Board members, 4 of whom were men and 2 are woman (at 31 December 2021 the company had 7 Board members, 5 of whom were men and 2 were woman).

The salaries of Senior Management include both fixed and variable remuneration. The latter accrues annually based on the extent to which the specific targets established for each year have been met and it is paid entirely in cash, comprising a bonus, which is paid in the early months of the year following the year of accrual, and long-term variable remuneration (ILP), which will be settled at the end of the respective programme, subject to the employee remaining with the Company and provided no events occur that resulted in changes in the data on which the annual amount payable for the ILP was estimated.

The ILP approved by the Board of Directors in 2022 comprises the 2022-2024 period, so the long-term variable remuneration for those years will be paid, if the conditions are met, in the first four months of 2025. The amount shown for Salaries in the above table includes EUR 69 thousand for the amount of the ILP accrued in 2022, which will be paid, if due, in 2025. In 2022 Senior Management received EUR 164 thousand in settlement of the previous ILP, which fell due this year.

At the 2022 year end there are certain agreements in place with members of Senior Management which stipulate the payment of termination benefits in the event of termination of employment under certain circumstances, following a change of control of the Company. The contingent liability does not in any case exceed one year's remuneration.

At 31 December 2022 and 2021, the Company has no pension, life insurance, stock options or compensation obligations, other than those described above, with former or current members of the Board of Directors or Senior Management personnel of the Company.

At 31 December 2022 and 2021 no advances or loans have been extended to members of the Board or Senior Management.

(d) 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 2022 and 2021, the Directors of the Company and members of its Board of Directors have not carried out any transactions other than ordinary business or under terms that differ from market conditions with said Company or any other Group company.

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

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

Notwithstanding the above, it is hereby stated that the board member Mr Miguel Pereda Espeso holds the following positions in other companies:

i. Board Member of Grupo Lar Inversiones Inmobiliarias S.A. (managing company of the Company). Grupo Lar Inversiones Inmobiliarias, S.A. (the then sole shareholder of the Company) and the General Shareholders' Meeting saved this situation of potential conflict of interest by appointing Miguel Pereda as board member of Lar España Real Estate SOCIMI, S.A. on 5 February 2014 and 29 May 2017, respectively.

ii. Chairperson of the Board of Villamagna, S.A.

iii. In addition, Miguel Pereda Espeso holds positions in subsidiaries of Grupo Lar Inversiones Inmobiliarias S.A. as indicated below:

Company	Position/Role	Number of Shares	Shareholding %
Grupo Lar Europa del Este, S.L.U.	Chairperson of the Board of Directors	N/A	N/A
Grupo Lar Holding Iberia, S.A.U.	Individual representing the Sole Administrator (GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.)	N/A	N/A
Grupo Lar Management Services Iberia, S.L.U. (formerly Inmobérica de Gestión, S.L.U.)	Sole Administrator	N/A	N/A
Global Caronte, S.L.U.	Joint and Several Administrator	N/A	N/A
Global Byzas, S.L.U.	Sole Administrator	N/A	N/A
Oficinas Calle Albarracín, S.L.U.	Sole Administrator	N/A	N/A
HRE Inversiones II, S.L.U.	Sole Administrator	N/A	N/A
Desarrollos Ibéricos Lar, S.L.U.	Joint and Several Administrator	N/A	N/A
Grupo Lar Desarrollo Suelo, S.L.U.	Joint and Several Administrator	N/A	N/A
Parque Castilleja, S.L.	Member of the Board of Directors	N/A	N/A
Grupo Lar Oficinas Europeas, S.A.U.	Sole Administrator	N/A	N/A
Acacia Inmuebles, S.L.	Chairperson of the Board of Directors	N/A	N/A
Grupo Lar Tech, S.L.U.	Sole Administrator	N/A	N/A

Notwithstanding the above, the director Mr Miguel Pereda abstained from participating in those decisions that might have created a conflict of interest.

(Expressed in thousands of Euros)

(17) INFORMATION ABOUT THE EMPLOYEES

The average headcount of the Company at 31 December 2022 and 2021, distributed by category, is as follows:

	2022	2021
Professional category		
Senior Management	4	3
Total	4	3

The gender distribution in the Company at 2022 and 2021 year ends is as follows:

	2022		2021	
	Women	Men	Women	Men
Professional category				
Senior Management	1	3	1	3
Total	1	3	1	3

Salaries, wages and similar expenses corresponding to these employees at 31 December 2022 totalled EUR 865 thousand (EUR 541 thousand at 31 December 2021).

In 2022 and 2021 the Company did not employ anyone with a disability greater than or equal to 33%.

(18) AUDIT FEES

During 2022 and 2021, fees for audit and other related services charged to the Group by the auditor of the company Deloitte, S.L. and by a company related to the auditor through control, shared property or management were as follows (in thousands of Euros):

	Thousands of Euros	
	2022	2021
Audit and related services		
Audit services	244	190
Other verification services	26	101
Professional services		
Other services	—	—
Total	270	291

(19) EVENTS AFTER THE REPORTING PERIOD

On 16 January 2023, the Parent Company completed a partial debt repurchase process of the two green bond issues (Note 10), for a total nominal amount of EUR 110 million at a discount of 18%, equivalent to a final price of EUR 90.5 million. The purchased bonds have been fully cancelled upon settlement of their repurchase.

(20) 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.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2022

a) Subsidiaries

Company	Activity	Type	Shareholding %		Thousands of Euros						
			Direct	Total	Share capital	Operating profit/(loss)	Profit	Dividends	Other equity	Total net equity	Carrying amount of investment
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(4)	293	(227)	3,527	3,653	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	(109)	(109)	—	15,323	15,274	15,621
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(4)	1	—	2,278	2,339	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(4)	(3)	—	341	398	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	36,826
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	(4)	(3)	—	632	633	633
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(12)	(6)	—	2,808	2,806	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	139,801
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	(8)	(7)	—	765	762	762

Information on Group Companies
31 December 2022

LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	26	(8)	—	30,259	30,255	31,767
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,772	2,689	(2,389)	26,494	26,797	36,836
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(4)	(4)	—	407	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	130,516
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	17	348	(327)	1,091	1,115	1,369
LE Retail Vistahermosa, S.L.U.	Leasing of property	Subsidiary	100	100	3	217	170	(74)	23,400	23,499	23,403
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	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(4)	—	—	1,745	1,748	1,748
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	943	937	(812)	92,494	92,622	94,317
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,247	1,262	(1,093)	37,645	37,817	37,648
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	709	722	(417)	35,267	35,575	35,653
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	175	138	(108)	13,030	13,063	12,789

Information on Group Companies
31 December 2022

LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(12)	1	—	6,505	6,509	5,516
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	64,041
LE Retail Abadía, S.L.U.	Leasing of property	Subsidiary	100	100	7,204	2,614	2,541	(2,267)	20,127	27,605	39,474
LE Retail Rivas, S.L.U.	Leasing of property	Subsidiary	100	100	3	798	757	(663)	29,486	29,583	37,347
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(8)	—	(665)	(669)	(670)
					8,014	21,452	21,169	(18,031)	682,876	694,028	755,505

* Company audited by Deloitte, S.L.

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

b) Joint venture

					Shareholding %		Thousands of Euros							
Company	**Registered office**	**Activity**	**Auditor**	**Type**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit**	**Dividends**	**Other equity**	**Total net equity**	**Net book value of investment**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina, 39, Madrid	Property development	Deloitte	Associated	50	50	1,483	(248)	(248)	—	1,665	2,900	1,450

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2021

a) Subsidiaries

			Shareholding %		Thousands of Euros						
Company	**Activity**	**Type**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit**	**Dividends**	**Other equity**	**Total net equity**	**Carrying amount of investment**
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(20)	(18)	—	3,545	3,587	3,469
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	(248)	(250)	—	15,000	14,810	15,048
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	(5)	(1)	—	2,279	2,338	2,327
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(3)	(3)	—	343	400	401
LE Retail As Termas, S.L.U.	Leasing of property	Subsidiary	100	100	4	571	499	(383)	34,131	34,251	34,134
LE Logistic Alovera III y IV, S.L.U.	Acquisition and leasing of property	Subsidiary	100	100	4	(3)	(2)	—	634	636	635
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(160)	(154)	—	2,962	2,812	2,812
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	4,630	1,217	(934)	141,550	141,837	135,205
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	(34)	(33)	—	798	769	769

LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,184	(1)	—	29,605	29,608	31,112
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,044	544	(330)	25,046	25,263	35,388
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(3)	(3)	—	410	411	410
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	5,127	1,244	(448)	118,153	118,952	126,518
LE Retail Sagunto II, S.L.U.	Leasing of property	Subsidiary	100	100	3	7	7	—	1,085	1,095	1,311
LE Retail Vistahermosa, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,274	783	(657)	22,734	22,863	22,739
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(2)	2	—	1,943	1,948	701
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(6)	(3)	—	1,748	1,748	1,748
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	(1,217)	(1,233)	—	90,551	89,321	91,142
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	628	636	(536)	36,229	36,332	36,231
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	(465)	(456)	—	34,658	34,205	34,660
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	(308)	(331)	—	13,217	12,889	12,629

Information on Group Companies
31 December 2021

LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(49)	(36)	—	6,541	6,508	5,516
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	2,012	(222)	—	31,003	31,283	61,971
LE Retail Abadía, S.L.U.	Leasing of property	Subsidiary	100	100	7,204	2,102	1,042	(905)	18,832	26,173	38,284
LE Retail Rivas, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,673	238	—	28,571	28,812	36,431
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(1,623)	(1,623)	—	958	(661)	(661)
					8,014	17,106	1,843	(4,193)	662,526	668,190	730,930

* Company audited by Deloitte, S.L.
All the companies are domiciled at Calle María de Molina 39, Madrid.

Information on Group Companies
31 December 2021

b) Joint venture

					Shareholding %		Thousands of Euros							
Company	**Registered office**	**Activity**	**Auditor**	**Type**	**Direct**	**Total**	**Share capital**	**Operating profit/(loss)**	**Profit**	**Dividends**	**Other equity**	**Total net equity**	**Net book value of investment**
Inmobiliaria Juan Bravo 3, S.L.	María de Molina, 39, Madrid	Property development	Deloitte	Associated	50	50	1,483	232	230	—	1,241	2,954	1,477

1 Position of the Company

1.1 Organisational structure and functional operation

The company is a recent establishment with an externalised management structure. It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has more than forty years of experience in the property market and a long history of generating value through various property cycles in the last decades, and that has alliances with some of the most internationally renowned investors.

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

During 2022 and 2021 the Group has carried out its activity with the following types of assets:

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

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

Additionally, the Group made an exception investment in the luxury residential market in Madrid, through the joint development (50%) of the Lagasca99 project with PIMCO. The development, which has been delivered on 2019, is not in response to a strategic line in envisaged in the future business plans.

The Company'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 mid-sized assets that offer great management possibilities, avoiding those segments where competition may be greater.

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

2 Development and business results

2.1 Introduction

At the 2022 reporting date, the Company's revenue amounted to EUR 35,556 thousand, which corresponded to returns from dividends received from investee companies, financial income from financing granted to same and returns from the disposal of equity instruments in accordance with their standing as holding companies.

The operating result before amortisations, provisions and interest (EBITDA), that is calculated as the result of the operations, net of amortisation expenses presents a positive result of EUR 32,609 thousand.

The negative financial result was EUR 14,492 thousand.

The Company's profit for the period amounts to EUR 13,718 thousand.

2.2 Other financial indicators

At 31 December 202, the Company presents the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 724,338 thousand (EUR 630,467 thousand at 31 December 2021).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) → 16.02 (4.84 at 31 December 2021).
- Solvency ratio (calculated as non-current liabilities and equity divided by non-current assets →2.16 (1.86 at 31 December 2021).

These ratios represent particularly high values, indicating that the Company 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 Company's rate of return divided by its equity, is 2.35% (it was 3.10% as of 31 December 2021). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity at 31 December 2022.

The ROA ("Return on Assets"), which measures the efficiency of the Company's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 0.98% (1.22% as of 31 December 2021). This is calculated as the quotient of the profit for the last 12 months and the Company's total assets at 31 December 2022.

2.3 Matters regarding the environment and personnel

Environment

The Company takes measures to prevent, reduce and repair the damage caused to the environment by its activities. However, due to its nature, the Company's activity does not have a significant impact on the environment.

Personnel

At 31 December 2022 the Company has 4 employees (3 men and 1 woman). Said employees are classified as Senior Management. In the 2022 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 2022, the company financial debt amounted to EUR 768,540 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.

As at 31 December of 2022, the Company's short-term financial debt stands at EUR 4,170 thousand.

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

In June 2022 the credit facility the Parent Company held with Bankinter was renewed for one year without any changes to the amount thereof, although it is now pegged to the EURIBOR 3M rather than the EURIBOR 12M.

The financial expenses accrued on loans during the twelve months ended 31 December 2022 amounted to EUR 1,327 thousand, and the effect of the amortised cost of these was EUR 64 thousand. The accrued, unpaid interest at 31 December 2022 amounts to EUR 185 thousand.

During 2021, the Group restructured its debt in the form of two unsecured green bond issuances in the amount of EUR 400 million in June 2021 and EUR 300 million in November 2021. The conditions of these issuances are broken down in the consolidated financial statements of the Group for the year ending 31 December 2021.

In this regard, the Group had an outstanding amount at 31 December 2021 corresponding to the issuance of bonds in 2021 which, on 17 February 2022, was repaid in total, repaying EUR 122.7 million. Furthermore, all guarantees granted in the framework of the issuance have been lifted and cancelled, including several mortgages, in addition to various pledges on the corresponding stocks and shares.

The financial expenses accrued on the bonds during the twelve months ended 31 December 2022 amounted to EUR 14,421 thousand, and the effect of the amortised cost thereof was EUR 5,566 thousand. The accrued, unpaid interest at 31 December 2022 amounts to EUR 3,985 thousand.

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

The Company does not have any contractual obligations that imply an outflow of liquid resources at 31 December 2022 beyond those mentioned in point 3.1.

At 31 December 2022, the Company does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Company, the expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Company is exposed to a variety of risk factors arising from the nature of its business. The Company's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Company'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 produced, those detailed in section 8 of this management report are of great importance.

5 Environment

LAR España is aware that the integration of sustainability in its business model is essential to creating value for stakeholders, which is why in recent years, it has taken appropriate measures supported by the different internationally recognised standards.

Since January 2016, following the approval of its Sustainability Policy, Lar España has been drafting an ESG Action Plan, aligned with the United Nations SDG and the Paris Agreement (COP21) with the main objective of having a clear and defined roadmap at company level. Following the drafting of this Plan at a general level, the company proceeded to work on more specific issues and focused on more concrete aspects, among others:

- In terms of climate change, it has drawn up a comprehensive Carbon Footprint Reduction Plan with the aim of establishing a clear emissions neutrality target. 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 and 2020 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 2021. In this way, the Company has completed 4 consecutive years of Carbon Footprint registration with the Ministry of Ecological Transition and Demographic Challenge (MITERD) and is eligible to obtain the "Reduzco" seal, which has been achieved thanks to the decrease in emissions recorded after the various efforts made in recent years. Lar España's Carbon Footprint register is also independently verified by AENOR in accordance with the "Carbon Footprint Compliance Statement".

- From the perspective of property efficiency, Lar España has worked together with KPMG in the development of an Energy Efficiency Plan that will be implemented asset by asset after the completion of Energy Audits and supported by an automated data platform to obtain data on consumption and emissions of the assets, which allows real-time monitoring and was designed and implemented specifically for Lar España. In addition, the company is studying the implementation of photovoltaic panels on most of the assets in the portfolio, after having energy contracts with a guarantee of origin on all of them.

The next steps for the continuation of the emission reduction strategy are:

1. Continuation of the policy of obtaining electricity with a guarantee of renewable energy in all its strategic assets.
2. Progress in the implementation of renewable energy systems.
3. Application of technical-economic studies for the implementation of photovoltaic solar energy in strategic assets, promoting renewable energy generation facilities for self-consumption.
4. Completion and implementation of a proprietary system for the automation of energy consumption control by means of telematic measurement.
5. Implementation of predictive maintenance programmes and proactivity in air conditioning equipment inspection protocols to prevent refrigerant leaks.
6. Programme for the progressive renewal of equipment with more efficient machines that have a lower impact on GHG emissions.

- As a contribution to the principles of Circular Economy, as a further step in the fight against climate change, Lar España proceeded to develop a Waste Management Plan in order to have a better knowledge of the type of waste generated in the assets, as well as to centralise waste management at company level. During 2022, numerous actions have been carried out in the centres such as the installation of specific recycling points, the identification and categorisation of a greater proportion of the waste generated and the study of different treatment alternatives. The company's aim is to continue working on this aspect with the intention of having greater control of the waste generated by its activity and the disposal routes, something that will have a positive impact on the organisation's Carbon Footprint. In addition, during the year, points have been installed that allow users of the assets to recycle waste thanks to collaboration with companies such as Ecoembes, implementing Return and Reward Systems through the RECICLOS system.

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. In this way, different alternatives are being studied in each of the assets with the aim of implementing different sustainable mobility solutions.

The main projects being undertaken are:

- Electric car charging points.
- Shared transport.
- Walkways, improved pedestrian access to Shopping Centres and in the vicinity.
- Campaign to promote the use of public transport, bus stops and taxis.
- Parking and access routes for bicycles, scooters and motorbikes, as well as designated parking for families and emergency vehicles near the main entrances and guided parking devices.

Currently, the 14 assets in Lar España's portfolio have electric vehicle charging points installed.

Thus, the mobility study in the Megapark business park has been completed with a local specialist provider, after which the results will be analysed for the implementation of specific measures.

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 the following progress during 2022:

• Completion of the Certification Renewal Plan, improving on previous ratings in almost all cases.
• Obtained two new certifications for Rivas Futura and VidaNova Parc, both with a "Very
• Good" rating for building design and "Excellent" for asset management.
• 100% of the assets are BREEAM certified.
• 98% of the assets in terms of GAV are rated "Excellent" or "Very Good".

During 2022, the Company obtained ISO 14001 and 45001 certifications for all assets in which it has operational control, enabling it to standardise procedures and homogenise environmental management and occupational health and safety standards.

The ISO 14001 certification confirms the implementation of an effective environmental management system (EMS), the establishment of goals and objectives reviewed and approved by the management, that the assets have environmental procedures and protocols in accordance with the activity, and that the management of incidents and conformities is carried out. All of this facilitates the achievement of the strategic goals set by the Company. On the other hand, ISO 45001 is the international standard for occupational health and safety management systems, aimed at protecting workers and visitors from occupational accidents and illnesses. With this certification, Lar España shows its commitment to employee health and safety.

For the fifth consecutive year, Lar España has participated in the GRESB (Global Sustainability Real Estate Benchmark) assessment, which has become the standard for assessing environmental, social and governance (ESG) commitment in the real estate sector.

The Company has achieved a score of 85 points, which is 8% higher than the average of its competitors. The steady improvement in the overall score over the last few years with an increase of 55% since 2019 reflects the Company's commitment and the constant improvement made in sustainability issues.

6 Significant circumstances occurring after the close

No important circumstances arose after the reporting period other than those mentioned under post-closing events.

7 Information on the foreseeable evolution of the Company

After the investment volume carried out since March 2014, active property management capacity will be key in upcoming years.

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

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

Based on available information and the current business plans, we believe that the Company will be in a position to continue making progress in 2023 and in subsequent years.

8 Market context

8.1 Impact of COVID 19

The health crisis triggered by COVID-19 described in the consolidated financial statements for the year ended 31 December 2021 has had a very limited impact on the Company's operations during 2022, as there were no further shutdowns imposed by the government. However, the economic impact of the crisis continues to have an impact on the Company's activity and the tenants of its shopping centres, with the directors of the Parent Company continuously assessing them.

In this connection, during 2022, the Company continued with the commercial policies implemented in 2020 and 2021 to support the tenants of its shopping centres by granting discounts and extensions on the payment of rent, although during 2022 these policies have been very limited.

8.2 Ukraine War

On 24 February 2022, Russia launched an invasion of Ukraine, leading to a war between these countries, the consequences of which remain uncertain at present. The Company's directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have an 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 supply cuts.

Nevertheless, the above situation has increased uncertainty in global markets and led to a substantial rise in energy and other natural resource costs, particularly in Europe. This, in conjunction with other factors, was reflected in Spain's macroeconomic scenario in the form of higher inflation and an increase in living costs, triggering interest rate hikes by the European Central Bank in response.

The aforementioned situation and its potential indirect impacts on the Group are being monitored by Senior Management and the Directors. Lease payments are pegged to the CPI and have been revised in 2022. Activity levels at the shopping centres and business parks are tracked to identify possible downturns in footfall and/or consumer demand that might affect the tenants' affordability rates.

The independent experts engaged by Group have considered the economic situation at year end when determining the fair value of the Group's investment property. Nevertheless, the situation could be affected by rapid changes in market conditions brought about by global geopolitical and economic factors.

Given the reigning geopolitical uncertainty and volatility, the Directors and Senior Management of the Company continue to monitor the conflict and its consequences in order to successfully deal with any possible future impacts.

8.3 Management experience

The Company's subsidiaries' 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's subsidiaries have 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.

8.4 Business model and operational structure

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

The Company's subsidiaries' shopping centres boast an occupancy rate of 96.6%, operating at close to full capacity.

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

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

The top ten tenants account for 35.37% of its rental income, and more than 65% of all the leases signed with retailers have a remaining term beyond 2025.

The Company's subsidiaries' properties have a clear competitive edge in their catchment areas, generally offering more than 550,391 sqm of retail space and located in regions with an above average per capita income for Spain.

8.5 Commitment to retailers

The Company communicate 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 subsidiaries' portfolio can carry on their activity within the 'new normal'.

8.6 Consolidated financial position

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

With an average cost of 1.8%, 100% at fixed rate, and as well as no major lease expires in the next 3 years.

8.7 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.

9 R&D+i activities

Due to the inherent characteristics of the companies that make up the Company, and their activities and structure, the Company does not usually conduct any research, development and innovation initiatives.

10 Acquisition and disposal of treasury stock

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

Under the buyback programme, the Company acquired a total of 3,940,761 treasury shares representing 4.50% of Lar España's current share capital. Subsequently, on December 15, 2021, the Company registered with the Madrid Mercantile Registry the public deed relating to the capital reduction of the Company for a nominal amount of 7,881,522 euros, through the redemption of these shares. 167,385,938, represented by 83,692,969 registered shares with a par value of two euros each, thereby modifying article 5 of the Company's bylaws relating to the capital and shares of Lar España.

Following the completion of the aforementioned share buyback program, the company reported the reactivation of the liquidity contract for the management of treasury stock, signed on July 5, 2017, and communicated to the market on July 10, 2017.

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

At of 31 December 2022 the share price was EUR 4.23.

As of 31 December 2022, the Parent Company holds a total of 56,714 shares, representing 0.07% of total issued shares.

11 Other relevant information

11.1 Stock exchange information

The initial share price at the start of the year was EUR 5.12 and the nominal value at year end was EUR 4.23. During 2022, the average price per share was EUR 4.74.

The rating agency Fitch also assigned an investment grade or BBB rating to both Lar España and its green bond issuances.

11.2 Dividend policy

On 27 April 2022, the Shareholders' General Meeting approved the distribution of a dividend of 16,734 thousand Euros, at EUR 0.199 per share (taking into account all the shares issued) and recognised in profit and loss for the 2021 period, and of 13,266 thousand Euros, at EUR 0.158 per share (taking into account all the shares issued), charged to the share premium.

The total pay-out was 16,713 thousand Euros charged to the Profit for the period 2021 (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity and totals 21 thousand Euros in dividends charged to profit), and 13,252 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 27 April 2022. The dividend pay-out was settled in full on 27 May 2022.

11.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 40, complying with the maximum legal payment period applicable to the Company in the year 2021 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

12 Annual Corporate Governance Report

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

- Annual Corporate Governance Report: https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A86918307&lang=en

- Annual Report on Directors' Remuneration: https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A86918307

13 Events after the reporting period

On 16 January 2023, the Company completed a partial debt repurchase process of the two green bond issues, for a total nominal amount of EUR 110 million at a discount of 18%, equivalent to a final price of EUR 90.5 million. The purchased bonds have been fully cancelled upon settlement of their repurchase.

LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. STATEMENT OF RESPONSIBILITY FOR THE 2022 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 2022, drawn up by the Board of Directors at its meeting of 24 February 2023 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, 24 February 2023