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

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2020, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Lar España Real Estate SOCIMI, S.A., at the request of Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Lar España Real Estate SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2020, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2020 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matters

We draw attention to Note 2a to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Likewise, we draw attention to the contents of Notes 2.i, 5 and 15 to the accompanying interim financial statements, which describe the effects, currently known, that the COVID-19 crisis situation has had on the Group's operations, as well as the difficulty of reliably assessing all the potential effects that the pandemic could have in the coming months due to the short time that has elapsed and the numerous uncertainties arising from this extraordinary situation. This highly uncertain scenario, in which the valuations of the Group's assets at 30 June 2020 have been carried out, has meant that, according to external valuers, they are exposed to a lower degree of certainty than would be the case in an environment not affected by COVID-19. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2020 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2020. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Lar España Real Estate SOCIMI, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Lar España Real Estate SOCIMI, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Carmen Barrasa Ruiz

28 July 2020

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

Abridged Consolidated Interim Financial Statements for the six-month period ended 30 June 2020

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

CONTENTS

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Abridged Consolidated Statement of the Financial Position for the six-month period ended 30 June 2020
(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	30 June 2020 (*)	31 December 2019
Intangible assets		2	2
Investment property	5	1,403,975	1,449,344
Equity-accounted investees	7	650	5,100
Non-current financial assets	8	14,281	13,149
Trade and long-term other receivables	8	4,949	3,857
Total non-current assets		**1,423,857**	**1,471,452**
Non-current assets held for sale	6	103,754	103,790
Trade and other short-term receivables	8	38,542	14,644
Other current financial assets	8	240	189
Other current assets	12	2,739	2,650
Cash and cash equivalents	9	130,889	160,527
Total current assets		**276,164**	**281,800**
Total assets		**1,700,021**	**1,753,252**

(*) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Interim Statement of Financial Position for the six-month period ended 30 June 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Abridged Consolidated Statement of the Financial Position for the six-month period ended 30 June 2020
(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)

Equity and Liabilities	Note	30 June 2020 (*)	31 December 2019
Capital	10a	175,267	175,267
Issue premium	10b	475,130	475,130
Other reserves and other contributions	10c	281,005	254,358
Profit/(loss) for the period		(28,710)	80,730
Treasury shares	10e	(14,238)	(762)
Valuation adjustments	10d and 12	(1,798)	(1,943)
Total equity		**886,656**	**982,780**
Financial liabilities from issue of bonds and other marketable securities	12	139,528	139,376
Bank borrowings	12	573,260	506,641
Deferred tax liabilities	17	17,201	17,201
Derivatives	12	2,852	2,846
Other non-current liabilities	12 and 13	20,054	19,593
Total non-current liabilities		**752,895**	**685,657**
Liabilities connected to non-current assets held for sale	6	1,534	1,570
Financial liabilities from issue of bonds and other marketable securities	12	1,435	3,482
Bank borrowings	12	33,870	41,127
Derivatives	12	1,934	2,393
Borrowings from Group and associated companies	12 and 21a	-	3,199
Trade and other payables	12 and 14	21,697	33,044
Total current liabilities		**60,470**	**84,815**
Total equity and liabilities		**1,700,021**	**1,753,252**

(*) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Interim Statement of Financial Position at the end of the six-month period ended 30 June 2020.

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

Abridged Consolidated Interim Statement of the Comprehensive Income for the six-month period ended 30 June 2020

(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)

Abridged Consolidated Income Statement	Note	30 June 2020 (*)	30 June 2019 (*)
Revenue	4 and 18	47,943	38,540
Other income	19	1,107	1,154
Employee benefits expense	4	(223)	(194)
Amortisation and depreciation charges	5	-	-
Other expenses	20	(11,669)	(16,375)
Changes in the fair value of investment property	5 and 6	(55,877)	14,038
Profit and loss from the disposal of investment property	3, 5 and 6	-	31
Operating profit/(loss)		**(18,719)**	**37,194**
Financial revenue		39	1
Financial expenses	12	(10,164)	(8,637)
Changes in the fair value of financial instruments	12	309	(1,108)
Share in result for the period of equity-accounted companies	7	(175)	1,170
Profit/(loss) before tax from continuing operations		**(28,710)**	**28,620**
Income tax		-	-
Profit/(loss) for the period		**(28,710)**	**28,620**
Basic earnings per share (in Euros)	11	(0.33)	0.31
Diluted earnings per share (in Euros)	11	(0.33)	0.31

Abridged Consolidated Statement of Comprehensive Income		30 June 2020 (1)	30 June 2019 (1)
Profit/(loss) as per the income statement (I)		(28,710)	28,620
Other comprehensive income recognised directly in equity (II)	10d	(398)	(1,687)
Other amounts transferred to the income statement (III)	10d	543	660
Total comprehensive income (I+II+III)		(28,565)	27,593

(*) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Interim Statement of Comprehensive Income for the six-month period ended 30 June 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Abridged Consolidated Statement of Changes in Equity at 30 June 2020
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Profit/(loss) for the period	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2019	175,267	475,130	254,118	240	80,730	(762)	(1,943)	982,780
Total revenue and expenses recognised in the period	-	-	-	-	(28,710)	-	145	(28,565)
Transactions with equity holders and owners								
Distribution of result								
To reserves	-	-	26,636	-	(26,636)	-	-	-
To Dividends (Note 10f)	-	-	-	-	(54,094)	-	-	(54,094)
Treasury shares (Note 10e)	-	-	(6)	-	-	(13,476)	-	(13,482)
Other changes	-	-	17	-	-	-	-	17
Balance at 30 June 2020 (*)	175,267	475,130	280,765	240	(28,710)	(14,238)	(1,798)	886,656

(*) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Statement of Changes in Equity at 30 June 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Abridged Consolidated Statement of Changes in Equity at 30 June 2020
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Profit for the period	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2018	186,438	476,301	220,049	240	129,308	(1,228)	(2,610)	1,008,498
First application of IFRS 16 (Notes 2a and 5)	-	-	5,146	-	-	-	-	5,146
Balance at 01 January 2019	186,438	476,301	225,195	240	129,308	(1,228)	(2,610)	1,013,644
Total revenue and expenses recognised in the period	-	-	-	-	28,620	-	(1,027)	27,593
Distribution of result	-	-	63,061	-	(63,061)	-	-	-
Transactions with equity holders and owners								
- Capital increase (Note 11)	1,243	5,182	-	-	-	-	-	6,425
- Capital decrease (Note 11)	(6,506)		(18,237)	-	-	24,743	-	-
- (-) Dividend distribution	-	(6,353)	-	-	(66,247)	-	-	(72,600)
Treasury shares	-	-	(17)	-	-	(28,404)	-	(28,421)
Other changes	-	-	(40)	-	-	-	-	(40)
Balance at 30 June 2019 (1)	181,175	475,130	269,962	240	28,620	(4,889)	(3,637)	946,601

(1) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Statement of Changes in Equity at 30 June 2020.

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

Abridged Consolidated Statement of Cash Flows for the six-month period ended 30 June 2020

(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)

	30 June 2020 (1)	30 June 2019 (1)
A) Cash flows from/(used in) operating activities	**(12,206)**	**(11,086)**
Profit/(loss) for the period before tax	*(28,710)*	*28,620*
Adjustments to profit/(loss)	65,868	(5,421)
Amortisation and depreciation of fixed assets	-	-
Changes in the fair value of investment property (Note 5)	55,877	(14,038)
Valuation adjustments due to impairment (Note 20)	-	74
Financial revenue	(39)	(1)
Financial expenses	10,164	8,637
Changes in the fair value of financial instruments (Note 12d)	(309)	1,108
Share in result for the period of equity-accounted investees (Note 7)	175	(1,170)
Profit/(loss) from the disposal of investment property (Note 6)	-	(31)
Changes in working capital	*(39,023)*	*(24,763)*
Trade and other receivables	(24,991)	186
Other current assets	(101)	(1,068)
Creditors and other accounts payable	(13,215)	(23,644)
Other current liabilities	-	72
Other non-current assets and liabilities	(716)	(310)
Other cash flows from/(used in) operating activities	*(10,341)*	*(9,522)*
Interest payments	(10,341)	(9,523)
Interest collections	-	1
B) Cash flows from/(used in) investing activities	**(8,651)**	**11,419**
Investment payments	*(8,651)*	*(61,581)*
Cash outlays in business acquisitions	-	-
Investment property (Notes 5 and 6)	(8,651)	(61,581)
Proceeds from divestitures	-	*73,000*
Associated companies	-	-
Disposal of non-current assets held for sale (Notes 6 and 8)	-	73,000
C) Cash flows from/(used in) financing activities	**(8,828)**	**(35,073)**
Payments made and received for equity instruments	*(13,482)*	*(21,996)*
Issuing of equity instruments (Note 10a)	-	6,425
Acquisition/disposal of equity instruments	(13,482)	(28,421)
Payments made and received for financial liability instruments	*58,655*	*59,523*
Issue of:		
Bank borrowings (Note 12)	95,000	56,423
Debt with Group companies and associated companies (Note 12e)	1,000	3,100
Repayment and redemption of:		
Bank borrowings	(37,345)	-
Payments for dividends and remuneration from other equity instruments	*(54,001)*	*(72,600)*
Dividend payments (Note 10f)	(54,001)	(72,600)
E) Net increase/decrease in cash and cash equivalents	**(29,638)**	**(34,357)**
F) Changes in cash and cash equivalents of non-current assets held for sale (Note 6)	**47**	**383**
G) Cash and cash equivalents at beginning of period	160,527	191,328
H) Cash and cash equivalents at end of period	130,889	156,971

(1) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Interim Statement of Cash Flows for the six-month period ended 30 June 2020.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

Its registered office is located at Calle Rosario Pino 14-16, 28020, Madrid.

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

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

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

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

The Parent Company is regulated by Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December, which governs SOCIMIs. Note 1 on the consolidated financial statements for the 2019 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2020 and the method of consolidation of subsidiaries in the abridged consolidated interim financial statements are as follows:

Corporate name	Activity	Company holding the stake	% ownership	Method of consolidation
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Alisal, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail As Termas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
Inmobiliaria Juan Bravo 3, S.L.	Property development	Lar España Real Estate SOCIMI, S.A.	50	Equity accounting
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Hiper Ondara, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Logistic Almussafes, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail El Rosal, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Galaria, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Lagoh, S.L.U.	Acquisition and development of properties for lease	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Vistahermosa, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Sagunto II, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
Lar España Inversión Logística IV, S.L.U.	Acquisition and development of	Lar España Real Estate SOCIMI,	100	Full consolidati

Corporate name	Activity	Company holding the stake	% ownership	Method of consolidation
	properties for lease	S.A.		on
LE Retail Villaverde, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Anec Blau, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Albacenter, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Txingudi, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Las Huertas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Offices Marcelo Spínola 42, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Gran Vía de Vigo, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Abadía, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Hipermercados I, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Hipermercados II, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Hipermercados III, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Rivas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation
LE Retail Cordoba Sur, S.L.U.:	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Full consolidation

All the companies are domiciled at Calle Rosario Pino 14-16, 28020, Madrid.

(2) BASIS OF PRESENTATION OF THE ABRIDGED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PREPARED UNDER IFRS AS ADOPTED BY THE EUROPEAN UNION

(a) Regulatory framework

The regulatory financial reporting framework to which the Company is subject is that established in:

- The Spanish Code of Commerce and related mercantile legislation;
- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003 of 31 December, on tax, administrative and social measures;
- Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December, which governs SOCIMIs,
- All other applicable Spanish accounting principles.

The consolidated financial statements for 2019 were drawn up in accordance with the regulatory financial reporting framework listed in the previous paragraph, and thus present a true and fair view of the Group's consolidated equity and consolidated financial position at 31 December 2019 and of the consolidated statements of income from its operating activities, of the changes in consolidated equity and consolidated cash flows for the Group during the financial year that ended on said date.

The Group's consolidated financial statements for the 2019 financial year were approved by the General Shareholders' Meeting of Lar España Real Estate SOCIMI, S.A., which was held on 17 March 2020.

These abridged consolidated interim financial statements are presented in accordance with International Accounting Standard (IAS) 34 on Interim Financial Reporting, and were authorised for issue by the Parent Company's Directors, on 28 July 2020, fully in accordance with that provided in article 12 of Royal Decree 1362/2007 of 19 October, implementing Law 24/1988 of 18 July, on the Spanish Securities Market regarding the transparency requirements for the information on companies whose securities are listed on the official secondary market or another regulated market in the European Union.

In accordance with IAS 34, the interim financial reporting is prepared with the sole intention of updating the content of the most recent consolidated financial statements issued by the Group, emphasising the new activities, events and circumstances that took place during the period and not duplicating the information already published in the consolidated financial statements for 2019. The abridged consolidated interim financial statements and and for the six-month period ended 30 June 2020 do not, therefore, include all the information that would be required in complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. They must therefore be read in conjunction with the Group's consolidated financial statements for the financial year that ended on 31 December 2019.

Consolidated profit or loss and the calculation of consolidated equity are subject to the accounting policies and principles, valuation criteria and estimates used by the Parent Company's Directors in preparing the abridged consolidated interim financial statements. In this respect, the main accounting policies and principles and valuation criteria used are those applied in the 2019 consolidated financial statements, except for any standards or interpretations that came into force during the first six months of 2020.

During the first six months of 2020, the following standards, amendments to standards and interpretations came into force, and where applicable, have been used by the Group in drawing up the abridged consolidated interim financial statements:

- Amendments to IAS 1 and IAS 8 to align the definition of "material" (published in October 2018) with that used in the Conceptual Framework. The definition of "material" of IAS 1 was substituted, with the new definition stating that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of financial information will make on the basis of the financial statements. The most significant change between the two definitions is the expression "could reasonably be expected to influence" rather than the previous "could influence", as well as the addition of the concept of "obscuring".

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (published in September 2019). The IASB amended certain hedging relationship requirements for entities to continue to post hedges where the benchmark interest rate on which cash flows of hedging instruments and hedged items are based is not affected by the uncertainty resulting from the Interest Rate Benchmark Reform.

- Amendment to IFRS 3 – Definition of a Business (published in October 2018). This IASB amendment clarifies the definition of a business in IFRS 3 in order to facilitate its identification in the framework of a business combination, or on the contrary, an acquisition of a group of assets.

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

Similarly, the following published standards, amendments and interpretations were not in force during the first six months of 2020 and were yet to be approved for use in the EU:

- IFRS 17 – Insurance Contracts: This replaces IFRS 4 and includes the principles for the recognition, measurement, presentation and disclosure of insurance contracts with the objective of ensuring that the entity provides relevant and accurate information that allows information users to determine the effect the contracts have on the financial statements.
- Amendment to IAS 1 - Classification of Liabilities as Current or Non-current Classifications in terms of posting liabilities as current or non-current.

(b) <u>Comparison of information</u>

As required by the International Financial Reporting Standards as adopted by the European Union, the information contained in these abridged consolidated interim financial statements for the six-month period ended 30 June 2020 (for the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, all of which are abridged and consolidated), together with the information at 30 June 2020 (for the abridged consolidated statement of financial position and the statement of changes in equity) are presented for comparison with the information for the six-month period ended 30 June 2019 (for the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, all of which are abridged and consolidated) and information at 31 December 2019 (for the abridged consolidated statement of financial position and statement of changes in equity).

The application of the main accounting policies in 2020 and 2019 was uniform and, therefore, there were no transactions or operations that were recognised under different accounting policies that could give rise to discrepancies in the interpretation of the comparative figures for the two periods.

(c) Estimates made

Estimates made by the Parent Company's Directors have occasionally been used in the abridged consolidated interim financial statements to quantify some of the assets, liabilities, revenue, expenses and commitments reflected therein. Basically, these refer to the following:

- Calculations of fair value of investment property by applying valuation models (see Note 5).
- The measurement of assets and liabilities held for sale (see Note 6).
- Measurement adjustment for customer insolvencies. (Note 8)
- Calculations of the fair value of certain derivative financial instruments (Note 12).
- Evaluations of provisions and contingencies.
- Financial risk management (see Note 15).
- Compliance with the requirements that regulate SOCIMIs (Notes 1 and 15).
- Estimating the effects of the COVID-19 crisis on the financial statements (Note 2i)

These estimates have been calculated by the Parent Company's directors based on the best information about the events analysed that was available at the time. In any case, future events may require changes to these estimates in subsequent years, which would be made, if applicable, in accordance with the provisions of IAS 8.

(d) Contingent assets and liabilities

During the first six months of 2020 there were no significant changes in the Group's contingent assets and liabilities.

(e) Correction of errors

During the first six months of 2020 no errors have been brought to light with respect to the close of the previous financial year that would require correction.

(f) <u>Seasonality of the Group's transactions</u>

Given the activities in which the companies in the Group are involved, their transactions are not markedly cyclical or seasonal in nature. Specific breakdowns in this respect have therefore not been included in these explanatory notes to the abridged consolidated interim financial statements for the six-month period ended 30 June 2020.

(g) <u>Relative importance</u>

In determining the information to be broken down in the explanatory notes on the different items in the financial statements and other matters, the Group, in accordance with IAS 34, has taken into account the relative importance in relation to the abridged consolidated financial statements for the six-month period ended 30 June 2020.

(h) <u>Abridged consolidated statement of cash flows</u>

The abridged consolidated statement of cash flows uses the following expressions and definitions:

– Cash flows are the inflows and outflows of cash and cash equivalents.

– Operating activities are the activities that constitute the main source of the Group's ordinary revenue, and any other activities that cannot be classified as investment or financing activities.

– Investing activities are the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.

– Financing activities are the activities that result in changes in the size and composition of equity capital and of the loans taken out by the company.

For the purposes of preparing the abridged consolidated statement of cash flows, the following have been considered to be "cash and cash equivalents": cash on hand and demand bank deposits, and those 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.

(i) <u>Impact of COVID 19 on the financial statements</u>

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

Taking into consideration the complexity of markets because of the globalisation thereof and the absence, thus far, of an effective treatment for the virus, the consequences for the Company's operations are uncertain and will depend largely on the evolution and expansion of the pandemic in the coming months, as well as on all the affected economic agents' ability to react and adapt.

Under these circumstances, despite not being able to reliably evaluate all the pandemic's potential effects in the coming months on account of the limited amount of time that has transpired and the numerous uncertainties resulting from this extraordinary situation, the Company's Directors have performed a preliminary evaluation of the effects of the COVID-19 crisis on the Group's operations and liquidity at present, as well as on the value of the assets and liabilities on the balance sheet and on certain key figures of its financial statements. The results of said evaluation include the following noteworthy aspects:

- Operating risk: On account of the pandemic and the Spanish Government's decision to declare a State of Alert, all the Group's business parks and shopping centres were closed from 14 March 2020 until 25 May 2020, with the reopening date depending on the Autonomous Community in which each establishment is located.

  In this context, Lar España took the proactive decision to quickly implement a series of commercial policies aimed at relieving pressure on liquidity that tenants affected by the forced closure of their businesses were going to experience. Initially aware of the delay in the collection of rents and charges for the period during the shopping centers and business parks have been closed, as of July and August when tenants may already be operating again. Also, once the business parks and shopping centers have been reopened, The Group has started negotiations with tenants on discounts adapted to the specific needs of each tenant and activity, although the number of agreements signed at 30 June 2020 was reduced.

  The changes to the agreements being negotiated with tenants, entailing waivers and allowances for rent in various terms, were posted on a straight-line basis throughout the term of the contracts with various tenants from the date on which the agreement was formalised (IFRS 16). The aforementioned agreements include rent allowances and waivers for a total amount of between EUR 15,000 thousand and EUR 17,000 thousand, which shall be posted to the Group's results over an average between 7 and 8 years.

  In conclusion, and given that the majority of the agreements made with tenants took place after 30 June 2020 (see Note 23), the main impact of the COVID-19 crisis on the Group's operations is an increase in receivables recognised in the first six-months of the year, which mainly correspond to the duration of the State of Alert and to June 2020, virtually all of which, as stated in the previous paragraph, are being renegotiated (Notes 8 and 23).

- Liquidity risk: the overall market situation is expected to generally increase liquidity stress in the economy and squeeze the credit market. In this sense, the Parent Company obtained a loan of 70 million Euros and a credit facility of 25 million Euros that, together with the implementation of specific plans to effectively improve and manage liquidity, will allow the Company to face this potential stress as well as honour short-term payment obligations. Consequently, the Group does not believe these circumstances will generate liquidity risk in the short-term.

- Balance sheet asset and liability valuation risk: in the first six months of 2020, because of the effects of the COVID-19 crisis on the economy, as stated in the previous section, the retail sector was extremely affected. Its activity ceased almost completely, which affected cash flows and therefore also affected the value of the Group's leased assets, which were measured applying the "Discount Cash Flow".

In this sense, the valuations performed by the external experts hired by the Group at 30 June 2020 show a decrease in value, likewise taking into account the high level of uncertainty concerning the situation in which the Group's assets were measured at 30 June 2020 and that the assumptions made are exposed to extensive uncertainty until an effective treatment is found, the appraisers included "material valuation uncertainty" in their reports, stating that such reports therefore entailed a lesser degree of certainty than they would in a situation without any effects of COVID-19, therefore valuations should be used with greater caution.

- Risk of change in certain financial figures: the aforesaid factors are expected to decrease the upcoming financial statements in terms of the amounts reported in relevant line items for the Group, such as "Net turnover", "Operating profit/(loss)" or "Profit/(loss)", or key indicators pertaining thereto (leverage ratio (LTV), EBITDA/financial expense ratio, etc.) on which the mandatory financial ratios (covenants) that are associated with the Group's financing agreements are calculated.

  In this respect, the Group has drawn up a comparison of the effect that the lockdown and the changes to agreements with tenants will have on its key financials throughout 2020 and has concluded that the post-COVID situation will not affect its compliance with any of the financial ratios over the next financial year.

  Due to the changing environment and numerous uncertainties, the Management and the Administrators carry out continuous monitoring of the evolution of all these aspects.

(3) CHANGES TO THE COMPOSITION OF THE GROUP

In Note 4.e. and Appendix I of the consolidated financial statements for the period ended 31 December 2019, relevant information is provided regarding the Group companies that were consolidated as of that date and those that were consolidated using the equity method.

During the first six months of the 2020 financial year there have been no changes to the scope of consolidation.

(4) SEGMENT REPORTING

At 30 June 2020, the Group is organised internally into operating segments, with four distinct lines of business: shopping centres (which comprises the rental of shopping centres and single-tenant commercial premises), offices (constituting the office rental business), logistics (the logistics unit rental business), and residential properties. These are the strategic business units. The breakdown into operating segments is as follows:

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

– Office buildings and logistics units: In 2019 and 2018 all the Group's offices were sold as they were not core assets in accordance with the latest approved business plan.

– Residential: Stake in the company Inmobiliaria Juan Bravo 3, S.L., the developer of a block of flats on Calle Juan Bravo in Madrid. All of the flats were delivered, with only garage parking spaces pending delivery.

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

The details of these activities by segment at 30 June 2020, and their comparison with the previous period (30 June 2019 for revenue and expenses, and 31 December 2019 for assets and liabilities), are shown below:

	Thousands of Euros				
	30 June 2020				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates) (Note 7)	Head Office and other (*)	Total
Revenue from leases	47,943	-	-	-	47,943
Total revenue	47,943	-	-	-	47,943
Other income	1,095	-	-	12	1,107
Employee benefits expense	-	-	-	(223)	(223)
Operating expenses (**)	(10,886)	-	-	(783)	(11,669)
Changes in the fair value of investment property	(55,877)	-	-	-	(55,877)
Profit/(loss) from the disposal of investment property	-	-	-	-	-
Operating profit	(17,725)	-	-	(994)	(18,719)
Net finance cost (**)	(9,639)	-	-	(177)	(9,816)
Equity-accounted investees' share in the profit for the period	-	-	(175)	-	(175)
Profit/(loss) before tax from continuing operations	(27,364)	-	(175)	(1,171)	(28,710)
Income tax	-	-	-	-	-
	(27,364)	-	(175)	(1,171)	(28,710)

(*) The line item "Head Office and other" comprises the corporate revenue and expense that cannot be attributed to any segment.

(**) The fact has been taken into consideration that in the first half of 2020, the Parent Company reinvoiced the subsidiaries the amount corresponding to "Operating Expenses". The amount attributable to shopping centres at 30 June 2020 totalled EUR 5,011 thousand. In addition, the Parent Company re-invoiced to subsidiaries the amount corresponding to financial expenses accrued through the Bonds. The amount attributable to shopping centres amounted to EUR 2,165 thousand.

	Thousands of Euros				
	30 June 2019				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates) (Note 7)	Head Office and other (*)	Total
Revenue from leases	38,312	228	-	-	38,540
Total revenue	38,312	228	-	-	38,540
Other income	1,106	48	-	-	1,154
Employee benefits expense	-	-	-	(194)	(194)
Operating expenses (**)	(12,178)	(584)	-	(3,613)	(16,375)
Changes in the fair value of investment property	14,038	-	-	-	14,038
Profit/(loss) from the disposal of investment property	-	31	-	-	31
Operating profit	41,278	(277)	-	(3,807)	37,194
Net finance cost (**)	(9,607)	-	-	(137)	(9,744)
Equity-accounted investees' share in the profit for the period	-	-	1,170	-	1,170
Profit/(loss) before tax from continuing operations	31,671	(277)	1,170	(3,944)	28,620
Income tax	-	-	-	-	-
	31,671	(277)	1,170	(3,944)	28,620

(*) The line item "Head Office and other" comprises the corporate revenue and expense that cannot be attributed to any segment.

(**) The fact has been taken into consideration that in the first half of 2019, the Parent Company reinvoiced the subsidiaries the amount corresponding to "Operating expenses". The amount attributable to shopping centres at 30 June 2019 amounted to EUR 5,549 thousand, EUR 72 thousand to office buildings and the remainder to corporate units. In addition, the Parent Company re-invoiced to subsidiaries the amount corresponding to financial expenses accrued through the Bonds. The amount attributable to shopping centres amounted to EUR 2,161 thousand.

	Thousands of Euros				
	30 June 2020				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	2	-	-	-	2
Investment property	1,403,975	-	-	-	1,403,975
Equity-accounted investees	-	-	650	-	650
Non-current financial assets	14,281	-	-	-	14,281
Trade and other long-term receivables	4,949	-	-	-	4,949
Total non-current assets	1,423,207	-	650	-	1,423,857
Non-current assets held for sale (Note 6)	103,754	-	-	-	103,754
Trade and other short-term receivables	38,542	-	-	-	38,542
Other current financial assets	139	-	-	101	240
Other current assets	2,387	-	-	352	2,739
Cash and cash equivalents	44,149	-	-	86,740	130,889
Total current assets	188,971	-	-	87,913	276,164
Total assets	1,612,178	-	650	87,913	1,700,021

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Explanatory Notes to the Abridged Consolidated Interim Financial Statements
for the six-month period
ended 30 June 2020

	Thousands of Euros				
	31 December 2019				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates) (Note 7)	Head Office and other Central Services	Total
Intangible assets	2	-	-	-	2
Investment property	1,449,344	-	-	-	1,449,344
Equity-accounted investees	-	-	5,100	-	5,100
Non-current financial assets	13,149	-	-	-	13,149
Trade and other long-term other receivables	3,857	-	-	-	3,857
Total non-current assets	1,466,352	-	5,100	-	1,471,452
Non-current assets held for sale (Note 6)	103,790	-	-	-	103,790
Trade and other receivables	12,321	256	-	2,067	14,644
Other current financial assets	85	-	-	104	189
Other current assets	2,265	40	-	345	2,650
Cash and cash equivalents	93,633	29,191	-	37,703	160,527
Total current assets	212,094	29,487	-	40,219	281,800
Total assets	1,678,446	29,487	5,100	40,219	1,753,252

	Thousands of Euros				
	30 June 2020				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates)	Head Office and other	Total
Liabilities connected to non-current assets held for sale (see Note 6)	1,534	-		-	1,534
Financial liabilities from issue of bonds and other current and non-current marketable securities	140,963	-	-	-	140,963
Current and non-current bank borrowings	607,130	-	-	-	607,130
Deferred tax liabilities	17,201	-	-	-	17,201
Current and non-current derivatives	4,786	-	-	-	4,786
Other non-current liabilities	20,015	-	-	39	20,054
Trade and other payables	21,376	-	-	321	21,697
Total liabilities	813,005	-	-	360	813,365

	Thousands of Euros				
	31 December 2019				
	Shopping centres	Offices and logistic units	Residential (Stakes in associates) (Note 7)	Head Office and other Central Services	Total
Liabilities connected to non-current assets held for sale (see Note 6)	1,570	-	-	-	1,570
Financial liabilities from issue of bonds and other current and non-current marketable securities	142,858	-	-	-	142,858
Current and non-current bank borrowings	547,768	-	-	-	547,768
Deferred tax liabilities	17,201	-	-	-	17,201
Current and non-current derivatives	5,239	-	-	-	5,239
Other non-current liabilities	19,548	6	-	39	19,593
Borrowings from Group and associated companies	-	-	3,199	-	3,199
Trade and other payables	29,465	1,422	-	2,157	33,044
Total current and non-current liabilities	763,649	1,428	3,199	2,196	770,472

(a) Geographical segments

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

(b) Geographical information

The table below summarises revenue and investment property for each of the assets owned by the Group in each geographical region at 30 June 2020, 30 June 2019 and at 31 December 2019, respectively:

	Thousands of Euros				
	30 June 2020				
	Revenue	%	Investment property	Non-current assets held for sale (Inv. prop. Note 6)	%
Andalusia	8,633	18.15	305,000		20.25
Basque Country	8,538	17.72	211,550	63,350	18.25
Galicia	7,829	16.25	244,290	-	16.22
Community of Valencia	7,706	16.11	221,615	-	14.72
Castile La Mancha	4,770	9.95	146,720	-	9.75
Castile and León	4,073	8.44	108,000	10,710	7.88
Catalonia	3,305	6.90	102,000	-	6.77
Community of Madrid	2,125	4.43	64,800	-	4.30
Balearic Islands	431	0.91	-	12,560	0.83
Cantabria	244	0.52	-	7,100	0.47
Navarre	189	0.40	-	5,570	0.37
La Rioja	100	0.21	-	2,930	0.19
	47,943	100.00	1,403,975	102,220	100.00

	Thousands of Euros					
	30 June 2019		30 December 2019			
	Revenue	%	Investment property	Non-current assets held for sale (Inv. prop. Note 6)	Intangible assets.	%
Basque Country	8,627	22.38	217,336	64,040	-	18.13%
Galicia	7,831	20.32	254,980	-	-	16.43%
Community of Valencia	7,412	19.23	233,345	-	-	15.04%
Castile La Mancha	4,387	11.38	151,220	-	-	9.75%
Castile and León	4,092	10.62	110,900	11,580	-	7.89%
Catalonia	2,784	7.22	102,063	-	-	6.58%
Community of Madrid	2,459	6.38	67,500	-	-	4.35%
Andalusia	-	-	312,000			20.11%
Balearic Islands	424	1.10	-	11,870	-	0.77%
Navarre	240	0.62	-	6,710	-	0.43%
Cantabria	185	0.48	-	5,260	-	0.34%
La Rioja	99	0.27	-	2,760	-	0.18%
	38,540	100.00	1,449,344	102,220	-	100%

The Group carries out its activity entirely in Spain.

(c) Main customers

This line item presents details of the tenants that contributed the most rental revenue during the period ended 30 June 2020, as well as their main characteristics:

Position	Trade name	Project	% of total revenue	% accumulated	Maturity *	Sector
1	Inditex	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina/Gran Vía de Vigo	8.22%	8.22%	2025-2034	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Ondara	6.33%	14.55%	2042-2060	Distribution/Hypermarket
3	Eroski	Hiper Albacenter/ As Termas/Portfolio Supermarkets	5.87%	20.42%	2051	Hypermarket
4	MediaMarkt	Megapark/Vistahermosa/As Termas/Parque Abadía/Rivas/Lagoh	3.30%	23.72%	2023-2044	Technology
5	Leroy Merlin	Vidanova/Vistahermosa/As Termas/Portal de la Marina	2.50%	26.22%	2020-2058	DIY
6	Tendam Retail	Albacenter/AnecBlau/As Termas/Megapark/Abadía/El Rosal/Gran Vía de Vigo/Huertas/Portal de la Marina/Txingudi/VidaNova/Vistahermosa/Lagoh	2.34%	28.56%	2021-2036	Textile/Fashion
7	Alcampo	Abadía/Vistahermosa	2.23%	30.79%	2055-2061	Hypermarket

8	Mercadona	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.13%	32.92%	2040-2049	Supermarket Distribution
9	Decathlon	Megapark/Abadía/Vidanova	2.09 %	35.01%	2036-2043	
10	Hennes & Mauritz	Anec Blau/Albacenter/As Termas/El Rosal/Gran Vía de Vigo/Portal de la Marina/Lagoh/Txingudi	1.78%	36.79%	2022-2049	Textile/Fashion

* The information on contractual maturities refers to the end date of the contract, although there are cases in which there are termination options with an earlier date.

(5) INVESTMENT PROPERTY

At 30 June 2020 the investment property owned by the Group comprises 10 shopping centres, 5 business parks, 2 hypermarkets (Ondara and Albacenter), 2 petrol stations (As Termas and Vidanova) and 22 commercial premises, and the land on which these are located, which are held to obtain rental revenue and are therefore not occupied by the Group.

The composition and movements that had occurred in the accounts included under the line item "Investment property" in the abridged consolidated financial statements at 30 June 2020 were as follows:

	Thousands of Euros
	Completed investment property
Fair value at 31 December 2019	1,449,344
Additions for the period	10,508
Changes in the fair value of investment property	(55,877)
Balance at 30 June 2020	1,403,975
Fair value at 30 June 2020	1,403,975

Additions and changes to the scope

The additions for the six-month period ended 30 June 2020 correspond to the following items:

		Thousands of Euros	
Type of asset	Company	Additions	Changes to the scope
Shopping centre	Anec Blau (a)	4,506	-
Shopping centre	Lagoh (b)	1,922	
Shopping centre	Megapark Ocio (a)	1,851	
-	Improvements to other assets and fit-outs	2,229	-
		10,508	-

(a) Amounts corresponding mainly to the refurbishments carried out on the real estate assets of Anec Blau and Megapark Ocio.
(b) Amounts corresponding to the construction carried out on the real estate assets of Lagoh.

On 30 June 2020, the additions of investment property pending payment amounted to EUR 1,857 thousand and were recognised under "Trade and other payables" in the abridged consolidated financial statements at 30 June 2020.

Fair value of investment property

At 30 June 2020, the fair value of investment property amounted to EUR 1,403,975 thousand (31 December 2019: EUR 1,449,344 thousand) and is considered to be a level 3 valuation, since there were no transfers between levels in the first half of 2020. All of said property comprises shopping centres, single-tenant commercial promises and supermarkets.

At 30 June 2020 the details of the gross leasable area and occupancy rate by business line are as follows:

	Square metres	
	Gross leasable area	Occupancy rate (%)
Centres, single-tenant commercial properties and supermarkets	578,460	94.70%

The appraisal is conducted in accordance with the notes of the appraisal and valuation manual published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom, and the international valuations standards (IVS), whose method is described in Notes 5a and 7 of the Group's 2019 consolidated financial statements.

The fair value of investment property has been determined by professionally accredited external independent appraisal companies with recent and recognised experience in the locations and categories of the properties being appraised. Independent appraisal companies determine the fair value of the Group's investment property portfolio every six months while taking into account specific factors, such as signed lease agreements. Likewise, they make certain assumptions regarding variables, such as discount rates, estimated market rent and comparable transactions, where appropriate, to make a final appraisal. In this regard, the appraisers included "material valuation uncertainty" in their valuation sheets at 30 June 2020 as a result of the COVID-19 crisis. Because they did not believe it was possible to reliably evaluate all the potential effects the pandemic could have in the coming months, on account of the limited time that had transpired and the numerous uncertainties resulting from this extraordinary situation, they therefore indicated that these valuations must be taken with a lesser degree of certainty and greater precaution than normal.

The appraisal companies that performed the valuations of the Group's investment property at 30 June 2020 and 31 December 2019 are Jones Lang Lasalle España and Cushman & Wakefield.

Fees paid by the Group to the appraisal companies for valuations in the first half of 2020 and 2019 are as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Appraisal services	21	31
	21	31

In turn, the assumptions used to calculate the fair value of the real estate assets at 30 June 2020 are broken down in Note 16.

Other information

At 30 June 2020, the assets securing the bonds and various loans have a fair value of EUR 1,496,465 thousand, including the Huertas and Txingudi shopping centres and the 22 commercial premises classified as non-current assets held for sale (Note 6). The amount outstanding for these debts at amortised cost at 30 June 2020 totalled EUR 748,093 thousand. The Group has no agreements for the use of investment property, attachment orders thereon or analogous situations (see Note 12).

At 30 June 2020 all buildings comprising "Investment property" are insured. These policies are considered to provide sufficient cover.

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

As established in International Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations, those assets in the process of being divested with committed sale plans were reclassified. Specifically, at 30 June 2020 this is the situation of the two shopping centres owned by the Group companies LE Retail Las Huertas, S.L.U. and LE Retail Txingudi, S.L.U. and of the commercial premises owned by the Group companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U.

In accordance with IAS 40 and the exception applicable under IFRS 5, investment property classified as non-current assets held for sale was carried at fair value less directly associated sales costs. The amount of the assets at 30 June 2020 classified under this heading is EUR 102,220 thousand (EUR 11,920 thousand at 30 June 2019). The assumptions used in the valuation are broken down, along with the other investment property, in Note 16.

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

	Thousands of Euros			
	Assets		Liabilities	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
LE Retail Las Huertas, S.L.U. (a)	10,960	11,832	250	252
LE Retail Txingudi, S.L.U. (a)	34,481	37,246	691	726
LE Retail Hipermercados I, S.L.U. (a)	19,864	18,784	204	204
LE Retail Hipermercados II, S.L.U. (a)	20,164	18,643	204	203
LE Retail Hipermercados III, S.L.U. (a)	18,285	17,285	185	185
	103,754	103,790	1,534	1,570

(a) The Group presents the directly related assets and liabilities of LE Retail Las Huertas, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. as "Non-current assets held for sale", since it expects to sell the shopping centres and premises owned by these companies in the short term.

(7) EQUITY-ACCOUNTED INVESTEES

The details by company at 30 June 2020 and 31 December 2019 of equity-accounted investees as well as the result attributable to the Group are as follows:

	Thousands of Euros			
	30/06/2020		31/12/2019	
	Investments	Result attributable to the Group	Investments	Result attributable to the Group
Inmobiliaria Juan Bravo 3, S.L.	650	(175)	5,100	(473)
Total	650	(175)	5,100	(473)

(8) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The Group's financial assets at 30 June 2020 are security deposits placed with public bodies, trade receivables, receivables from public entities, fixed-term cash deposits and credits to associated companies. The following table shows a breakdown of these assets at 30 June 2020 and 31 December 2019:

	Thousands of Euros			
	30 June 2020		31 December 2019	
	Non-current	Current	Non-current	Current
Non-current financial assets	14,281	-	13,149	-
Other financial assets	-	240		189
Trade and other receivables				
Operating lease receivables	-	14,876	-	1,678
Impairment on lease receivables	-	(1,236)	-	(865)
Operating lease receivables - pending invoices	-	15,843	-	1,273
Operating lease receivables - sales linearisation	4,949	599	3,857	445
Advances to suppliers	-	1,494	-	1,474
Public entities, other (Note 17)	-	6,966	-	10,639
Total	19,230	38,782	17,006	14,833

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

At 30 June 2020, and 31 December 2019, "Non-current financial assets" mainly comprise the security deposits and guarantees received from the tenants of the property assets mentioned in Note 5, which the Group has deposited with the corresponding public bodies.

At 30 June 2020, "Public administrations, other" mainly includes Value Added Tax pending return to Group companies, namely EUR 2,191 thousand, pending repayment in connection with the renovation works carried out at the Anec Blau shopping centre In addition, this line item includes EUR 2,317 thousand corresponding to the amount paid by the company LE Logistic Alovera I y II, S.A.U. in regard to a disputed tax assessment regarding Capital Transfer Tax and Stamp Duty for the 2014 purchase of logistics units that were owned by said company. On 17 April 2019 an economic administrative claim was filed on behalf of the Company against said settlement agreement, where no administrative ruling has been received as of the date of these interim financial statements. However in the meantime the Directors, with the support of the Group's tax advisors, consulted the criteria of the General Directorate of Taxation and received a favourable non-binding response on 25 September 2019. Therefore, based on the best estimate thereof, said amount is considered recoverable.

The line item "Operating lease receivables" mainly includes rent accrued and invoiced in June to tenants, most of which is outstanding due to the exceptional circumstances described in Note 2.i above.

At 30 June 2020 the line item "Operating lease receivables - pending invoices" in the table above mainly includes the rent accrued during the State of Alert, i.e., those invoices corresponding to April and May, which total EUR 13,833 thousand. Additionally, this line item includes Property Tax (IBI) expense pending reinvoicing to tenants in the amount of EUR 1,433 thousand.

Lastly, the line item "Operating lease receivables - sales linearisation" relates to the impact of posting allowances granted to tenants before the emergence of COVID-19 in the amount of EUR 5,548 thousand.

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

The classification of financial assets by maturity at 30 June 2020 and 31 December 2019 is as follows:

	2020			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	-	12	14,269	14,281
Other financial assets	240	-	-	240
Trade and other receivables				
Operating lease receivables	13,640	-	-	13,640
Operating lease receivables - pending invoices	15,843	-	-	15,843
Operating lease receivables - sales linearisation	599	4,949	-	5,548
Advances to suppliers	1,494	-	-	1,494
Public entities, other (Note 7)	6,966	-	-	6,966
	38,782	4,961	14,269	58,012

	2019			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	-	17	13,132	13,149
Other financial assets	189	-	-	189
Trade and other receivables				
Operating lease receivables	813	-	-	813
Operating lease receivables - pending invoices	1,273	-	-	1,273
Operating lease receivables - sales linearisation	445	3,857	-	4,302
Advances to suppliers	1,474	-	-	1,474
Public entities, other (Note 17)	10,639	-	-	10,639
	14,833	3,874	13,132	31,839

(c) Impairment

Movement in impairment and uncollectibility valuation allowances for amounts payable to the Group by tenants at 30 June 2020 is as follows:

	Thousands of Euros
	2020
Balance at 31 December 2019	865
Impairment provisions (Note 20)	443
Reversals of impairment loss (Note 20)	(72)
Balance at 30 June 2020	1,236

The Company's accounting policy for recording impairment of trade receivables stipulates that a provision must be made for debts past due by more than 90 days for the full amount outstanding, net of any security deposits and guarantees pledged to the Company by the debtor. At 30 June 2020 trade receivables were impaired by EUR 1,236 thousand (EUR 897 thousand at 30 June 2019).

(9) CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Banks	130,889	160,527
Total	130,889	160,527

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. The aforesaid programme temporarily suspends the liquidity agreement with a financial intermediary pursuant to the terms of Spanish National Securities Market Commission Circular 3/2007 of 19 December, on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations, such that a restricted amount of EUR 500 thousand is held in cash and cash equivalents and a maximum of 63,000 shares is kept available for purchase/sale of treasury shares.

(10) EQUITY

(a) Capital

At 30 June 2020 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 175,267 thousand (EUR 175,267 thousand at 31 December 2019) represented by 87,633,730 registered shares (87,633,730 registered shares at 31 December 2019), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

The quoted price at 30 June 2020 is EUR 4.65 per share and the average price of the first six months of 2020 is EUR 5.25 per share.

At 30 June 2020 the Parent Company's main shareholders were as follows:

	30/06/2020
LVS II Lux XII S.a.r.l	20.7%
Grupo Lar Inversiones Inmobiliarias, S.A.	11.5%
Santa Lucia S.A. Cía. de Seguros	5.2%
Brandes Investment Partners, L.P.	5.0%
Blackrock INC.	3.7%
Other shareholders with an interest of less than 3%	53.9%
	100.0%

(b) Issue premium

The Revised Spanish Companies Act expressly provides for the use of 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.

At 30 June 2020, the Group's share premium amounted to EUR 475,130 thousand (EUR 475,130 thousand at 31 December 2019).

(c) Other reserves

The breakdown of this line item as at 30 June 2020 and 31 December 2019 is as follows:

	Thousands of Euros	
	30 June 2020	31 December 2019
Legal reserve	16,990	10,879
Capital redemption reserve	15,503	15,503
Parent Company reserves	(43,610)	(42,726)
Consolidated reserves	291,882	270,462
Other equity holder contributions	240	240
	281,005	254,358

(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 30 June 2020 the Company's legal reserve totals EUR 16,990 thousand (EUR 10,879 at 31 December 2019). Therefore, the legal reserve at 30 June 2020 is not fully provided for.

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

(ii) *Capital redemption reserve*

This reserve includes the nominal value of the treasury shares redeemed in the capital decreases carried out on 20 December 2019, 10 June 2019 and 28 December 2018, totalling EUR 15,503 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the revised text of which was approved by Royal Legislative Decree 1/2010 of 2 July (Spanish Companies Act).

(d) Valuation adjustments

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

	Thousands of Euros
31 December 2019	(1,943)
Changes in fair value of hedges in the period recognised directly in equity	(398)
Other amounts transferred to the income statement	543
30 June 2020	(1,798)

(e) Treasury shares

At 30 June 2020 the Parent Company holds treasury shares amounting to EUR 14,238 thousand. Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2019	103,820	762
Additions	2,453,699	13,648
Disposals	(23,668)	(172)
30 June 2020	2,533,851	14,238

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital.

The average selling price of treasury stock in the first half of 2020 was EUR 7.02 per share. Losses from the sale of treasury shares for the six-month period ended 30 June 2020 amounted to EUR (6) thousand and are recognised under “Other reserves” in the abridged consolidated statement of financial position.

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. The aforesaid programme temporarily suspends the liquidity agreement with a financial intermediary pursuant to the terms of Spanish National Securities Market Commission Circular 3/2007 of 19 December, on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations, such that a restricted amount of EUR 500 thousand is held in cash and cash equivalents and a maximum of 63,000 shares is kept available for purchase/sale as treasury shares (Note 9).

(f) Dividends paid

On 17 March 2020, the General Shareholders' Meeting of the Parent Company approved the distribution of a dividend of EUR 55,000 thousand, at EUR 0.63 per share (taking into account all the shares issued) recognised in profit and loss in the 2019 financial year. Said dividend was paid on 16 April 2020. The amount distributed totalled EUR 54,094 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's 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.

(11) EARNINGS PER SHARE

(a) Basic

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

The details of the calculation of earnings per share are as follows:

	Thousands of Euros	
	30 June 2020	30 June 2019
Profit/(loss) for the period attributable to equity holders of the Parent Company	(28,710)	28,620
Weighted average number of ordinary shares in circulation (number of shares)	86,272,687	91,248,755
Basic earnings per share (Euros)	(0.33)	0.31

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

	30 June 2020	30 June 2019
Ordinary shares	87,633,730	90,587,561
Average effect of treasury shares, capital increases and reductions	(1,361,043)	661,194
Weighted average number of ordinary shares in circulation at 30 June (shares)	86,272,687	91,248,755

(b) Diluted

Diluted earnings per share are calculated by adjusting profit for the period attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted. The Parent Company does not have different classes of ordinary shares that are potentially dilutive.

In addition, as indicated in Note 21, the Parent Company has entered into an Investment Management Agreement with the manager, for which a performance fee is payable. The amount of this variable remuneration will be settled, as so decided by the Parent Company, in cash (which will subsequently be used by the manager to subscribe for the shares issued) or in treasury shares. In accordance with paragraphs 46 and 47A of IAS 33 and taking into account that at 30 June 2020 it has been estimated that the minimum thresholds for the accrual of that amount will not be met, potential ordinary shares of a dilutive nature are not considered to exist at that date.

(12) FINANCIAL LIABILITIES BY CATEGORY

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at fair value:		
Derivatives	2,852	1,934
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,528	1,435
Bank borrowings	573,260	33,870
Other financial liabilities	20,054	-
Trade and other payables		
Trade payables	-	18,673
Other Public Entity borrowings (Note 17)	-	3,007
Customer advances	-	17
Total financial liabilities	736,694	58,936

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

	31 December 2019	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at fair value:		
Derivatives	2,846	2,393
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,376	3,482
Bank borrowings	506,641	41,127
Other financial liabilities	19,593	-
Short-term borrowings from Group companies and associated companies	-	3,199
Trade and other payables		
Trade payables	-	30,656
Other Public Entity borrowings (Note 17)	-	2,368
Customer advances	-	20
Total financial liabilities	668,456	83,245

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

(b) Classification of financial liabilities by maturity

The details by maturity of financial liabilities at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020						
	Thousands of Euros						
	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025 and subsequent	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	1,435	140,000	-	-	-	-	141,435
Bank borrowings *(a)*	33,870	112,189	171,066	11,608	277,767	-	607,130
Derivatives	1,934	641	1,879	332	-	-	4,786
Other financial liabilities	-	-	-	-	-	20,054	20,054
Trade and other payables	21,697	-	-	-	-	-	21,697
Total	58,936	253,460	172,945	11,940	277,767	20,054	795,102

(a) The effect of measuring the financial liabilities for bonds and bank borrowings at amortised cost is to reduce the nominal value of these previously represented liabilities by EUR 472 thousand and EUR 10,030 thousand, respectively, at 30 June 2020.

	31 December 2019						
	Thousands of Euros						
	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024 and subsequent	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	3,482	-	140,000	-	-	-	143,482
Bank borrowings *(a)*	41,227	9,722	114,509	173,018	218,697	-	557,173
Derivatives	2,538	-	817	1,884	-	-	5,239
Other financial liabilities	-	-	-	-	-	19,593	19,593
Trade and other payables	33,044	-	-	-	-	-	33,044
Borrowings from Group and associated companies	3,199	-	-	-	-	-	3,199
Total	83,490	9,722	255,326	174,902	218,697	19,593	761,730

(a) The effect of measuring the financial liabilities for bonds and bank borrowings at amortised cost is to reduce the nominal value of these previously represented liabilities by EUR 624 thousand and EUR 8,262 thousand, respectively, at 31 December 2019.

a. Main characteristics of loans and payables

The terms and conditions of loans and payables are as follows:

				Thousands of Euros			
Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2020	Liabilities connected to non-current assets held for sale at 30 June 2020	Guarantee
LE Retail El Rosal, S.L.U.	Euro	EURIBOR 3M + 1.75%	07 July 2030	50,000	49,489	-	El Rosal shopping centre (ii)
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 Feb 2023	97,000	96,440	-	Megapark shopping centre (i)(ii)(iii)
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 Feb 2023	8,250	5,080	-	Megapark Ocio (i)(ii)(iii)
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 Feb 2023	60,000	58,830	-	Portal de la Marina shopping centre (i)(ii)(iii)
LE Retail Gran Vía de Vigo, S.A.U.	Euro	EURIBOR 3M + 1.75%	14 March 2022	82,400	81,425	-	Gran Vía de Vigo shopping centre (i)(ii)(iii)
LE Retail Vistahermosa, S.L.U.	Euro	EURIBOR 3M + 1.85%	2 March 2022	21,550	21,391	-	Vistahermosa business park (i)(ii)
LE Retail Abadía, S.L.U.	Euro	1.80% (until 23 November 2020) Subsequently EURIBOR 3M + 1.75%	23 May 2024	34,750	34,245	-	Abadía business park (i)(ii)
LE Retail Abadía, S.L.U.	Euro	1.93% (until 23 November 2020) Subsequently EURIBOR 3M + 1.75%	23 May 2024	7,310	7,204	-	Abadía shopping Centre (i)(ii)
LE Retail Vidanova Parc, S.LU.	Euro	EURIBOR 3M + 1.85%	31 Dec 2024	28,000	27,336	-	Vidanova Parc Business Park
LE Retail Rivas, S.L.U.	Euro	Fixed Rate 1.90%	20 Dec 2024	34,500	34,307	-	Rivas business park (i)(ii)

Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2020	Thousands of Euros Liabilities connected to non-current assets held for sale at 30 June 2020	Guarantee
LE Retail Lagoh, S.L.U.	Euro	EURIBOR 3M + 2.25% (under construction), then EURIBOR 3M + 2.0%	29 June 2025	98,500	96,148	-	Lagoh shopping centre (ii)
Lar España Real Estate SOCIMI, S.A.	Euro	EURIBOR 12M + 1.60%	16 May 2021	30,000	25,150	-	-
Lar España Real Estate SOCIMI, S.A.	Euro	1.67%	25 Oct 2025	70,000	70,085	-	(ii)
					607,130	-	

(i) In addition to the mortgage security on the loan, the Parent Company has pledged shares, current accounts and credit accounts derived from the lease contract of the property on shares.

(ii) With respect to said mortgage loans, there are certain clauses linked to maintaining the LTV ratio at 50% -70%. If the LTV ratio is not kept at 50%-70%, all or part of the debt will be called in early. Additionally, the loans corresponding to the companies LE Retail As Termas, S.L.U., LE Retail El Rosal, S.L.U., LE Retail Hiper Ondara, S.L.U., LE Retail Gran Vía de Vigo, S.A.U., LE Retail Vistahermosa, S.L.U., LE Retail Abadía, S.L.U., LAR España Shopping Centres VIII, S.L.U. and LE Retail Rivas, S.L.U. have clauses for maintaining a minimum Debt Coverage Ratio of between 1.1% and 3.00%; otherwise all or part of the debt will be called in early.

(iii) In addition to the previously mentioned ratios, there are clauses linked to keeping the shopping centre's occupancy rate above 85%. If the occupancy rate does not meet this minimum, all or part of the debt will be called in early.

The financial expenses accrued on the bonds during the six months ended 30 June 2020 amounted to EUR 2,165 thousand. The effect of the amortised cost of these assets is EUR 152 thousand. The accrued, unpaid interest at 30 June 2020 amounts to EUR 1,435 thousand.

The financial expenses accrued on loans during the six months ended 30 June 2020 amounted to EUR 5,217 thousand, and the effect of the amortised cost of these was EUR 1,481 thousand. The accrued, unpaid interest at 30 June 2020 amounts to EUR 1,073 thousand.

The main changes in the six-month period ended 30 June 2020 are as follows:

- On 26 March 2020, the Parent Company drew down EUR 25,000 thousand relating to the total of the credit facility that it formalised with Bankinter in 2019. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. On 14 May 2020, the Parent Company renewed this credit facility, extending the maturity thereof to 16 May 2021 and the maximum amount to EUR 30,000 thousand. The financial expenses accrued at 30 June 2020 in relation to said credit facility totalled EUR 259 thousand.

- On 4 May 2020, the Parent Company drew down EUR 70,000 thousand from the line of financing subscribed on 26 October 2018 with the European Investment Bank ("EIB"). Interest accrues biannually and the interest rate is 12-month EURIBOR plus a 1.67% spread. Said loan matures in 2027.

- On 25 June 2020, the EUR 37,345 thousand loan the Group company LE Retail As Termas, S.L.U. formalised with the ING Bank N.V. (Branch in Spain) was fully repaid.

The financing agreements entered into and the corporate bonds issued by the Group require compliance with certain financial ratios. At 30 June 2020 compliance with the covenants was calculated, as well as a projection of the calculation at 31 December 2020, with the conclusion being that compliance will be satisfactory (Note 2i).

(c) <u>Derivative financial instruments</u>

Derivatives contracted by the Group at 30 June 2020 and 31 December 2019 and their fair values at said dates are as follows (in thousands of Euros):

	Thousands of Euros				
	Contracted interest rate	Fair value at 30/06/2020	Fair value at 31/12/2019	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	93	325	50,000	2030
LE Retail As Termas, S.L.U.	0.53%	-	177	37,345	2020
LE Retail Hiper Ondara, S.L.U.(Megapark)	0.22%	1,628	1,642	97,000	2023
LE Retail Hiper Ondara, S.L.U. (Portal de la Marina)	0.31% / 0.39%	1,211	1,250	60,000	2023
LE Retail Hiper Ondara, S.L.U. (Megapark Ocio)	0.35%	96	100	4,675	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	1,120	1,244	82,400	2022
LE Retail Vistahermosa, S.L.U.	0.12%	196	247	21,550	2022
LE Retail Vidanova Parc, S.L.U.	0.00%	442	254	28,000	2024
		4,786	5,239		

On 25 June 2020, the derivative associated with the loan the Group company LE Retail As Termas, S.L.U. formalised with the ING Bank N.V. (Branch in Spain) was cancelled, as per the terms of this Note, the mortgage debt with which said loan was associated was cancelled.

The hedging relationships relating to the interest rate hedging financial instruments arranged by the Group companies LE Retail El Rosal, S.L.U., LE Retail As Termas, S.L.U. and LE Retail Hiper Ondara, S.L.U. were classified as ineffective. In this respect, the Group recognised the change in the fair value of these instruments in the abridged consolidated income statement for an amount of EUR 309 thousand (EUR 1,108 thousand at 30 June 2019). In addition, at 30 June 2020 the impact on the income statement of the recycling of the amount in equity of the financial instruments of LE Retail El Rosal, S.L.U. and LE Retail As Termas, S.L.U. amounted to a loss of EUR 157 thousand (EUR 157 thousand at 30 June 2019).

The quarterly settlements of the aforementioned ineffective hedging instruments amounted to EUR 935 thousand in the first half of 2020.

Similarly, the quarterly settlements of the effective hedging financial instruments totalled EUR 386 thousand in the first half of 2020.

The effect of a 50-basis-point change in the estimated interest rate on liabilities and on the income statement before taxes would be as follows:

	Thousands of Euros		
Scenario	Liabilities	Equity	Consolidated profit before tax
0.5% interest rate increase	1,375	695	(2,070)
0.5% interest rate decrease	(4,881)	3,463	1,418

(d) <u>Short-term borrowings from Group companies and associated companies</u>

On 1 April 2019, a liquidity facility was arranged between Lar España Real Estate SOCIMI, S.A., the Parent of the Group, and Inmobiliaria Juan Bravo 3, S.L., whereby Lar España Real Estate SOCIMI, S.A. may dispose of a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020.

On 13 January 2020 and 20 March 2020, the Parent Company received EUR 800 thousand and EUR 200 thousand, respectively, as a credit from Inmobiliaria Juan Bravo 3, S.L.

On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. distributed the shareholder contributions by offsetting the total amount of the liquidity facility, which was EUR 4,243 thousand. This offset was recorded as decrease in the amount posted in “Equity-accounted investees”.

On 25 April 2019 and 30 May 2019, the Parent Company received EUR 2,000 thousand and EUR 1,100 thousand, respectively, as a credit from Inmobiliaria Juan Bravo 3, S.L.

Interest totalling EUR 44 thousand was accrued in the first six-month period of 2020 (EUR 98 thousand in 2019).

(e) **Movements of cash under financial liabilities from borrowings**

The movement of cash in the first six months of the 2020 period of the Group's financial debts is as follows:

	Opening balance	New debt	Offset (Note 12)	Principal paid	Interest paid	Interest accrued (Note 25)(*)	Changes in fair value	Closing balance
		Cash flow		Cash flow	Cash flow			
Financial liabilities from issue of bonds	142,858	-	-	-	(4,060)	2,165	-	140,963
Bank borrowings	547,768	95,000	-	(37,345)	(4,960)	6,667	-	607,130
Debts with Group companies	3,199	1,000	(4,243)	-	-	44	-	-
Derivatives	5,239	-	-	-	(1,321)	1,321	(453)	4,786
	699,063	96,000	(4,243)	(37,345)	(10,341)	10,197	(453)	752,879

(13) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities include EUR 20,054 thousand at 30 June 2020 (EUR 19,593 thousand at 31 December 2019) that comprise the security deposits and guarantees delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent and will be reimbursed at the end of the contract term.

(14) TRADE AND OTHER PAYABLES

The details of "Trade and other payables" at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros	
	30/06/2020	31/12/2019
Trade payables (a)	18,366	29,364
Trade payables, related companies	230	1,173
Customer advances	17	20
Salaries payable	77	119
Other Public Entity borrowings (Note 17)	3,007	2,368
	21,697	33,044

(a) At 30 June 2020, "Trade payables" includes EUR 6,799 thousand (EUR 17,792 thousand at 31 December 2019) corresponding to outstanding amounts from property investments (Note 5).

(15) RISK MANAGEMENT POLICY

(a) Financial risk factors

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

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

(i) *Market risks*

In light of current conditions in the property sector, the Group has established specific measures for minimising their impact on its financial position.

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

- The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, etc.);
- The identification of variables that are interconnected and their degree of connection;
- The time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) *Credit risk*

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

Usually, the Group is not significantly exposed to credit risk and has policies in place to limit customer credit risk and it manages its exposure to credit recovery risk as part of its normal activities.

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

(iii) *Liquidity risk*

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

The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable loss or placing the Group's reputation at risk.

In this sense, the Parent Company obtained a loan of 70 million Euros and a credit facility of 25 million Euros that, together with the implementation of specific plans to effectively improve and manage liquidity, are expected to ensure the Group has sufficient solvency to honour its short-term payment obligations (Note 2i).

In this regard, the Group has carried out an exercise to contrast the effect that the stoppage of the activity and the modifications of the contracts with the tenants will have on its main financial magnitudes throughout the 2020 financial year and therefore on compliance with the financial ratios contemplated in financing contracts. As a result of this exercise, it is estimated that there will be no breach of any of the financial ratios related to the financing contracts in the year, additionally counting on the possibility of articulating measures to rectify or obtain waivers, if necessary.

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

The Group manages interest rate risk by obtaining finance at fixed and variable rates. The Group policy is to maintain the non-current net financing from third parties at fixed rate. To achieve this objective, the Group performs interest rate swaps transactions that are designated as hedging transactions for the corresponding loans.

(v) *Tax risk*

As mentioned in Note 1 to the consolidated financial statements for 2019, the Parent Company and some of its subsidiaries are subject to the special tax regime for listed real estate investment companies (SOCIMI).

Among the obligations that the Parent Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, listing on a stock exchange, etc., and others that additionally require the preparation of estimates and the use of judgements by Management (determination of taxable income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and is being implemented, fundamentally, through responses of the General Directorate of Taxation to queries raised by different companies. In this sense, Group Management, with the support of its tax advisers, evaluated its completion of the requirements of the SOCIMI regime, concluding that at 30 June 2020 and 31 December de 2019 all requirements were satisfied. Therefore, the Group shall continue to avail itself of the SOCIMI tax regime, and this has been taken into account when drawing up these abridged consolidated interim financial statements.

(16) BREAKDOWNS OF THE FAIR VALUE OF FINANCIAL AND NON-FINANCIAL ASSETS AND LIABILITIES

(a) Assets and liabilities carried at fair value

The details of the assets and liabilities measured at fair value and the hierarchy in which they are classified at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros		
	30/06/2020		
	Investment property	Non-current assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	312,607	32,352	344,959
- Buildings	1,091,368	69,868	1,161,236
Total assets measured recurrently at fair value	1,403,975	102,220	1,506,195

	Thousands of Euros		
	31/12/2019		
	Investment property	Non-current assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	312,607	32,352	312,607
- Buildings	1,136,737	69,868	1,136,737
Total assets measured recurrently at fair value	1,449,344	102,220	1,551,564

The only liabilities measured at fair value are the derivative instruments described in Note 12, which are classified as Level 2 in the hierarchy.

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

The main assumptions used to calculate the fair value of the real estate assets at 30 June 2020 were as follows:

	Net Exit Yield	Discount rate
Shopping centres and single-tenant commercial properties	5.25% - 6.27%	6.96% - 9.90%

The effect on consolidated assets and the consolidated statement of comprehensive income of a one-quarter percentage point, one-half percentage point and one percentage point variation in the discount rate and the exit yield; and the effect of two and one-half percentage point, five percentage point and ten percentage point variation in the consolidated assets and consolidated statement of comprehensive income, with respect to investment property, including those classified as non-current assets held for sale, would be as follows:

Change in discount rate

	Thousands of Euros					
	30/06/2020					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(27,037)	(52,469)	(101,278)	(27,037)	(52,469)	(101,278)
Discount rate decrease	25,457	53,125	110,431	25,457	53,125	110,431

Change in revenue

	Thousands of Euros					
	30/06/2020					
	Assets			Consolidated comprehensive income		
	2.50%	5%	10%	2.50%	5%	10%
Revenue increase	16,741	34,442	70,274	16,741	34,442	70,274
Revenue decrease	(19,921)	(38,592)	(74,754)	(19,921)	(38,592)	(74,754)

Change in Exit Yield

	Thousands of Euros					
	30/06/2020					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(35,559)	(67,287)	(123,582)	(35,559)	(67,287)	(123,582)
Exit Yield decrease	36,485	77,360	172,089	36,485	77,360	172,089

(17) BALANCES WITH PUBLIC ADMINISTRATIONS

Details on balances with public entities at 30 June 2020 and 30 June 2019 are as follows:

	Thousands of Euros	
Receivables	30/06/2020	31/12/2019
Taxation authorities, VAT recoverable	4,422	7,137
Taxation authorities, other withholdings	227	1,186
Other receivables from taxation authorities	2,317	2,316
	6,966	10,639

	Thousands of Euros	
Payables	30/06/2020	31/12/2019
Taxation authorities, VAT payable	1,879	1,194
Taxation authorities, personal income tax withholdings payable	41	87
Taxation authorities, current corporate income tax payable	1,082	1,082
Social Security contributions payable	5	5
Deferred tax liabilities	17,201	17,201
	20,208	19,569

At 30 June 2020, the line item “Other receivables from taxation authorities” mainly includes the amount paid by the company LE Logistic Alovera I y II, S.A.U. in regard to a disputed tax assessment regarding Capital Transfer Tax and Stamp Duty for the 2014 purchase of logistics units that were owned by said company. On 17 April 2019 an economic administrative claim was filed on behalf of the Company against said settlement agreement, where no administrative ruling has been received as of the date of these interim financial statements. However in the meantime the Directors, with the support of the Group’s tax advisors, consulted the criteria of the General Directorate of Taxation and received a favourable non-binding response on 25 September 2019. Therefore, based on the best estimate thereof, said amount is considered recoverable.

(18) ORDINARY REVENUE

The details of revenue are presented in Note 4, in conjunction with segment reporting.

(19) OTHER INCOME

In 2020, the Group recognised other income of EUR 1,107 thousand (EUR 1,154 thousand at 30 June 2019), of which EUR 957 thousand correspond to temporary rentals of common areas in the shopping centres and EUR 150 thousand to other items.

Invoices issued to tenants include EUR 16,184 thousand for communal fees (service charges, utility bills, etc.) that are passed on to said tenants. This amount is presented, according to its nature, net of the corresponding expenses under “Other expenses” in the abridged consolidated statement of comprehensive income for the six-month period ended 30 June 2020.

(20) OTHER EXPENSES

The breakdown of "other expenses" at 30 June 2020 and 30 June 2019 is as follows:

	Thousands of Euros	
	30/06/2020	30/06/2019
Independent professional services	6,658	8,833
Insurance premiums	149	349
Bank fees and commissions	6	17
Advertising and publicity	699	643
Utilities	386	163
Taxes other than corporate income tax	1,846	4,223
Change in allowances due to loss and uncollectibility of trade and other receivables (see Note 8)	371	74
Remuneration of the Board of Directors (*)	265	295
Other profit/(loss)	1,289	1,778
	11,669	16,375

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

The "Independent professional services" caption includes mainly the amount relating to the remuneration of Grupo Lar Inversiones Inmobiliarias, S.L., the Group's asset manager (see Note 21a).

The decreased amount under "Taxes other than corporate income tax" comprises the expense recorded in the amount of EUR 2,317 thousand corresponding to the amount paid by the company LE Logistic Alovera I y II, S.A.U. in regard to a disputed tax assessment, as described in Note 17. However, after the company obtained a binding consultation with the DGT said amount was recorded as an asset under "Other receivables from taxation authorities".

(21) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Balances with associated companies and related parties

The details of the balances held with associates and related parties as at 30 June 2020 and 31 December 2019 are as follows:

	Thousands of Euros			
	30 June 2020			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Borrowings from Group companies and associated companies (Note 12e)	-	-	-	-
Trade and other payables (Note 14)	-	24	285	309

	Thousands of Euros			
	31 December 2019			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Borrowings from Group companies and associated companies (Note 12e)	3,199	-	-	3,199
Trade and other payables (Note 12)	-	646	527	1,173

(b) Transactions with associates and related parties

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

The fixed amount accrued by the manager amounted to EUR 3,604 thousand (net of expenses discounted on the basis of the management contract entered into by the parties amounting to EUR 1,076 thousand) (EUR 4,928 thousand at 30 June 2019), of which EUR 24 thousand had not yet been paid at 30 June 2020 (EUR 646 thousand at 31 December 2019)(see Note 14). In addition, and as an exceptional measure, there was a EUR 334 thousand decrease in the fees charged by the manager, the Lar Group, in the first six months of 2020 because of the COVID-19 pandemic crisis.

Likewise, the performance fee payable to the Management Company will be calculated on the basis of the EPRA NAV and the Company's market capitalisation, and will be subject to a total limit equivalent to 3% of the Company's EPRA NAV at 31 December of the preceding year. Pursuant to Clause 7.2.2 of the Management Agreement, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Parent Company may issue, or as so decided by the Parent Company, to acquire same's treasury shares.

In relation to this variable amount, at 30 June 2020, no provision has been made for any amount since the Parent's directors consider that the EPRA NAV and market capitalisation at year-end will in neither case reach the minimum thresholds for its accrual.

The Group has also signed a contract with a related company, Gentalia 2006, S.L., (an investee in which Grupo Lar Inversiones Inmobiliarias, S.A. has a majority shareholding) for the provision of services related to the administration of property assets. At 30 June 2020 the expense incurred in this connection amounted to EUR 1,294 thousand (EUR 1,912 thousand at 30 June 2019), of which EUR 285 thousand had not yet been paid at 30 June 2020 (EUR 527 thousand at 31 December 2019).

As mentioned in Note 12, in the first six months of 2020 a finance charge corresponding to the liquidity facility subscribed between the Parent and Inmobiliaria Juan Bravo 3, S.L., amounting to EUR 44 thousand, accrued.

(c) Information on the Parent Company's Directors and Senior Management of the Group

The remuneration received at 30 June 2020 and 30 June 2019 by the members of the Board of Directors and Senior Management of the Parent Company, classified by item, is as follows:

	Thousands of Euros		
	30/06/2020		
	Salaries	Allowances	Insurance premiums
Board of Directors	-	265	43*
Senior Management	199	-	-

	Thousands of Euros		
	30/06/2019		
	Salaries	Allowances	Insurance premiums
Board of Directors	-	295	71*
Senior Management	165	-	-

* The amount of insurance premiums corresponds to the Company's Board of Directors and Senior Management.

Allowances for the Board of Directors include EUR 34 thousand for the non-executive Secretary of the Board of Directors (EUR 42 thousand at 30 June 2019). As an exceptional measure, the allowances paid to the Board of Directors were reduced by EUR 29 thousand as at 30 June 2020 because of the COVID-19 crisis.

At 30 June 2020 the Parent Company had seven Directors, five men and two women (at 31 December 2019 the Parent had seven Directors, five men and two women).

(22) EMPLOYEE INFORMATION

The average headcount of the Group at 30 June 2020 and 31 December 2019, distributed by category, is as follows:

	30/06/2020	31/12/2019
Professional category		
Senior Management	3	3
Total	3	3

Of these, two are male and one is female (as of 31 December 2019, two men and one woman).

At 30 June 2020 and 31 December 2019 the Company does not have any employees with a disability greater than 33%.

(23) EVENTS AFTER THE REPORTING PERIOD

On 28 July 2020 the Group has reached or is about to close formalised addenda to the agreements with most of its tenants, which represent between 85% and 90% of the gross leasable area of the Group's shopping centres. The aforementioned agreements include rent allowances and waivers for a total amount of between EUR 15,000 thousand and EUR 17,000 thousand, which shall be posted to the Group's results over an average between 7 and 8 years. In this respect, on the current date, the Group is in the midst of negotiations with the rest of its tenants, with whom it expects to reach similar agreements in the short term.

(24) 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. and Subsidiaries

1 Situation of the Group

1.1 Organisational structure and operations

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

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

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

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

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

- Residential.

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

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

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

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

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

2 Evolution and result of the businesses

2.1 Introduction

As of 30 June 2020, the Group's ordinary revenue amounted to EUR 47,943 thousand, corresponding to the business in which the Group is engaged, the rental business.

During first half 2020, the Group incurred "Other expenses" amounting to EUR 11,669 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (EUR 3,604 thousand), and recurrent services that are directly linked to the everyday management of the assets (supplies, IBI -propertytax-, etc.) by the amount of EUR 5,873 thousand.

Earnings before interest, taxes, depreciation and amortisation (EBITDA is calculated as the result of the operations, net of the change in fair value of investment property, net of amortisation expenses) stood at EUR 37,158 thousand.

The valuation in value during 2020 of the assets held by the Group at 30 June 2020, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year supposed a negative effect in the consolidated profit and loss of EUR 55,877 thousand.

The financial result was negative amount of EUR 9,991 thousand.

The Group's loss for the period was EUR 28,710 thousand.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail centres, representing a 78% of total revenue, as opposed to 18% from commercial parks, and from 4% from other retail.

- Around 41.5% of rental revenue is generated by the Lagoh, Megapark and Gran Vía de Vigo.

As of 30 June of 2020, the Group occupied across its whole business 94.7% the gross leasable area (GLA), the occupancy rate at retail centres being 93.6%. Retail parks occupancy stands at 96.5% and 100% at the retail units.

As of 30 June of 2020, the Group has a portfolio of real estate rental projects covering shopping centres (391,663 sqm), retail parks (158,887 sqm) and retail units (27,909 sqm). The overall total gross leasable area of 578,460 sqm.

2.2 Other financial indicators

As of 30 June of 2020, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 215,694 thousand (EUR 196,985 thousand as at 31 December 2019).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →4.6 (3.3 as of 31 December 2019).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.2 (1.1 as of 31 December 2019).

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

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 2.44% (8.21% as of 31 December 2019). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 1.34% (4.70% as of 31 December 2019); This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 5 and 7 of the "Half yearly report 2019", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Environment and staff issues

Environment

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

Personnel

As of 30 June of 2020 the Group has 3 employees (2 men and 1 woman). Said employees are classified as Senior Management. In the 2020 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 30 June 2020, the Group's financial debt amounted to EUR 752,879 thousand, taking into account the debt classified as non-current assets held for sale. The level of debt is related to the purchases of the el Rosal, Megapark, Portal de la Marina, Vistahermosa, Gran Vía de Vigo, Lagoh, Parque Abadía, Rivas Futura and VidaNova Parc shopping center, This also includes the bonds issued by the Parent Company in 2015 and a credit line arranged by the Parent Company.

As of 30 June of 2020, the Group's short-term financial debt stands at EUR 37,239 thousand.

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

On 26 March 2020, the Parent Company drew down EUR 25,000 thousand relating to the total of the credit facility that it formalised with Bankinter in 2019. On 14 May 2020, the Parent Company renewed this credit facility, extending the maturity thereof to 16 May 2021 and the maximum amount to EUR 30,000 thousand. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a 1.60% spread. The financial expenses accrued at 30 June 2020 in relation to said credit facility totalled EUR 259 thousand.

On 4 May 2020, the Parent Company drew down EUR 70,000 thousand from the line of financing subscribed on 26 October 2018 with the European Investment Bank (“EIB”). Interest accrues biannually and the interest rate is 12-month EURIBOR plus a 1.67% spread. Said loan matures in 2027.

On 25 June 2020, the EUR 37,345 thousand loan the Group company LE Retail As Termas, S.L.U. formalised with the ING Bank N.V. (Branch in Spain) was fully repaid.

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

As of 30 June of 2020, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Group is exposed to a variety of risk factors arising from the nature of its business. The Group's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Group's main risks and supervising the internal oversight systems; it is informed by the Audit and Oversight Committee. The Group's Risk Management and Control System identifies, groups, manages and control risks that could potentially affects said Group in the areas that make up the Group's corporate risk map, which is adequately reported in the Annual Corporate Governance Report.

5 Information on the foreseeable evolution of the Group

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

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

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

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2020 and in subsequent years.

6 COVID-19

6.1 Current situation

On Saturday 14 March, when the state of alarm was first declared, the company activated its own temporary shutdown plan. Specific access routes to the stores that remained open were marked out to ensure the smoothest service possible for our customers and to make it quick, safe and convenient for them to shop for essentials. Close to a quarter of the commercial space in Lar España's shopping centres and retail parks remained open carrying out normal business activity.

Consequently, from 16 March Lar España's assets started to implement measures to prevent the spread of the virus, such as continuous disinfection and cleaning work, as well as controlling the number of people accessing the facilities and the entrances thereto.

The shopping centres and retail parks in the portfolio have been opened in line with the advance of the phases stipulated by the different autonomous regions, as decreed by the Spanish government.

In addition, Lar España's and the Lar Group's professionals have organised their teams to minimise the possibility of infection as far as possible, working from home. The teams involved have the tools, equipment and technology to fully carry out all day-to-day tasks and procedures.

The physical presence of employees in the different work centres (central offices and shopping centres) has been reduced to the absolute minimum, taking additional safety measures in these cases.

6.2 Management experience

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

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

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

From the declaration of the state of emergency until 30 June 2020, the SOCIMI (REIT) Lar España Real Estate reached case-by-case rental agreements in respect of 80% of the gross lettable area in its centres. The Company has managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. The agreements have largely been reached in conditions that represent a major compromise by both parties, strengthening relations with retailers and consolidating the term and stability of the agreements, as well as that of all the shopping centres and retail parks.

6.3 Business model and operational structure

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

The company’s shopping centres boast an occupancy rate of 95%, 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 very solid, recurring operating profits, having obtained a recurring profit for the period of Euros 28.123 thousand during the first six months of 2020, which is up 65% compared to the same period of the previous year.

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 36.8% of its rental income, and more than 60% of all the leases signed with retailers have a remaining term of over five years.

The company’s properties, along with a further 22 retail units operating as supermarkets, have a clear competitive edge in their catchment areas, generally offering more than 578,460 sqm of retail space and located in regions with an above average per capita income for Spain.

6.4 Commitment to retailers

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

As part of this commitment, Lar España has conducted an in-depth analysis to assess the situation of each and every tenant across its shopping centres and retail parks. As a result, in recent weeks the company issued a proposal to postpone due dates and rent payments.

In addition, Royal Legislative Decree 15 published on 21 April 2020, also outlines specific conditions under which certain businesses may be granted rent deferrals during the state of emergency and the subsequent months following their reopening. This subsequent period shall not under any circumstances exceed four months, unless a prior agreement to the contrary is reached between both parties.

Meanwhile, service charges have been revised and adjusted as much as possible due to the current situation, in many cases achieving considerable reductions and providing up to 35% in savings.

With these measures, Lar España has aims to ease the difficulties facing some of its tenants and allow them to reopen as soon as the restrictions on retail activity are lifted.

6.5 Consolidated financial position

The company's strong liquidity levels and financial autonomy afford it considerable economic resilience. This stands it in excellent stead to face scenarios such as this current one, having carried out stress tests that have produced satisfactory results on its annual business model. In overall LfL terms, given the percentage share that our Lagoh property in Seville and several other properties that were refurbished in 2019 hold in our portfolio, we would be able to considerably offset drops in rental income, since these properties are only operational for a couple of months or were partially closed during 2019.

With an average cost of 2.1%, 84% at fixed rate, and as well as no major lease expiries in the next two years.

Lar España's robust cash position will enable it to meet all the Company's expenses, including finance costs, without problems during the next four periods.

6.6 Financial and investment caution

The company has applied austerity measures to all of its ongoing activities, adapting its expenses to the new situation. The company has also reduced its CAPEX to a minimum and any decisions regarding existing projects will be taken once business starts to resume and will depend on the climate at that time. Nonetheless, all decisions will be made on the premise of achieving solid returns via effective management and value uplift across all of its assets.

6.7 Post COVID-19

The assets in Lar España's portfolio have been opened gradually since Monday 25 May, being in conditions to ensure all the measures of health and hygiene, social distancing and communication that are required in this situation and the protocols established by the authorities.

In fact, the large-scale refurbishments and improvements carried out at our properties in recent years means they are now far better-equipped to meet these new requirements. The fact that all the shopping centres and retail parks in our portfolios are safe spaces also offers the additional Benefit of having large spaces that help avoid unnecessary crowding, retail units with sprawling shop floors, the best environmental and accessibility practices, cutting-edge technology and expert technical and private security personnel.

The company has also drawn up an action plan to ensure an optimal reopening of its centres. The plan is broken down into two parts, the first part details general operational criteria and the second focuses on how the general criteria will be specifically applied in the centres. The aim is to define procedures which can be rolled out across all of its centres and that set out the main protocols for cleaning, security and maintenance in order to minimise the risks of infection and the spreading of COVID-19.

The points to be covered in the action plan that has already been implemented in the assets cover cleaning, security and maintenance, the distribution of car parks, the control of pedestrian entrances, opening times, transport, the concessions of space and the management of communal areas and the food courts, among others.

The main cleaning measures taken are:

Thorough cleaning of all areas of the centres

- Programme of disinfection using nebulisation for the entire shopping centre.
- Review of cleaning protocols of critical areas.
- Application of new techniques, machinery and cleaning products.
- Installation of different points with gel dispensers and sanitising modules.

More security

- Control of capacities in malls and stores.
- Communication with the main operators to coordinate opening and functioning protocols.
- Automatic control system of footfall (Shoppertrack) with an Alerting system.
- Queue management in stores.
- Management of panic situations.
- Marking of transit lanes to maintain safety distance.

Maintenance of facilities and protocols

- Review of maintenance and facility protocols.
- Management of works.
- Verification of safety and health studies and projects.

Car parks and pedestrian entrances

- Recommendation to use other places.

- Indication of number of open/closed entrances.
- Management of possible queues with horizontal vinyl screens placed on the floor at two metres to maintain social distance.

Control of visitor capacities

- Priority access for people with reduced mobility, the over-65s and families with children under 14 years of age.
- Presence of security at each entrance to control numbers.
- Gel dispensers and gloves at each entrance opened.

Ongoing communication with users

- QR code: It will be a component of the welcome and the basic source of information for consumers.
- Real-time communication of the capacity at each of our shopping centres.
- Vinyl screens at entrances.
- Digital screens and directories.
- Service personnel.
- Rules of use and safety.

Food court

In order to guarantee the use of food court areas, the terrace area that each operator may use has been defined, ensuring that the limitations on capacity are upheld at all times.

These actions have enabled the Company to comply with prevailing legislation and at all times with the hygiene and social distancing measures.

7 R&D&I activities

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

8 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. The aforesaid programme temporarily suspends the liquidity agreement with a financial intermediary pursuant to the terms of Spanish National Securities Market Commission Circular 3/2007 of 19 December, on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations, such that a restricted amount of EUR 500 thousand is held in cash and cash equivalents and a maximum of 63,000 shares is kept available for purchase/sale as treasury shares.

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

As of 30 June 2020, the share price was EUR 4.65.

As of 30 June 2020, the Company holds a total of 2,533,851 shares, representing 2.8% of total issued shares.

9 Other relevant information

9.1 Stock exchange information

The initial share price at the start of the year was EUR 7.10 and the nominal value at the reporting date was EUR 4.65. During the period, the average price per share was EUR 5.25.

The Group does not currently have a credit rating from the principal international rating agencies.

9.2 Dividend policy

On 17 March 2020, the General Shareholders' Meeting of the Parent Company approved the distribution of a dividend of EUR 55,000 thousand, at EUR 0.63 per share (taking into account all the shares issued) recognised in profit and loss in the 2019 financial year. Said dividend was paid on 16 April 2020. The amount distributed totalled EUR 54,094 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's 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.

10 Events after the reporting period

On 28 July 2020 the Group has reached or is about to close formalised addenda to the agreements with most of its tenants, which represent between 85% and 90% of the gross leasable area of the Group's shopping centres. The aforementioned agreements include rent allowances and waivers for a total amount of between EUR 15,000 thousand and EUR 17,000 thousand, which shall be posted to the Group's results over an average between 7 and 8 years. In this respect, on the current date, the Group is in the midst of negotiations with the rest of its tenants, with whom it expects to reach similar agreements in the short term.

Authorisation for issue of the Abridged Consolidated Interim Financial Statements and Consolidated Interim Management Report for the six-month period ended 30 June 2020.

At their meeting held on 28 July 2020, pursuant to the requirements of Article 253 of the Revised Spanish Companies Act and Article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. authorised for issue the Abridged Consolidated Interim Financial Statements along with the Consolidated Interim Management Report for the six-month period ended 30 June 2020. The Abridged Consolidated Interim Financial Statements and the Consolidated Interim Management Report comprise the documents that precede this certification.

Signatories:

Mr. José Luis del Valle Doblado (Chairperson)	Mr. José Luis del Valle Doblado (on behalf of Mr. Alec Emmott)
Mr. José Luis del Valle Doblado (on behalf of Ms. Isabel Aguilera Navarro)	Mr. José Luis del Valle Doblado (on behalf of Mr. Laurent Luccioni)
Mr. Roger Maxwell Cooke	Ms. Leticia Iglesias Herraiz
Mr Miguel Pereda Espeso	

Madrid, 28 July 2020

*The Director Mr. Laurent Luccioni, the Director Mr.Alec Emmott and the director Ms. Isabel Aguilera attended the meeting via telephone and approved the financial statements. As such, the financial statements were drawn up and Mr José Luis del Valle Doblado was expressly authorised to sign the statements on behalf of Mr. Luccioni, Mr. Alec Emmott and Ms. Isabel Aguilera.

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

Mr José Luis del Valle and Mr Juan Gómez-Acebo, as Chairperson and Secretary of the Parent Company's Board of Directors, respectively, certify:

(i) That the Abridged Consolidated Interim Financial Statements along with the Consolidated Interim Management Report for the six-month period ended 30 June 2020 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 28 July 2020.

(ii) That the attached copy of the Financial Statements and the Consolidated Interim Management Report is identical to that signed and authorised for issue by the Board of Directors.

Mr José Luis del Valle Doblado (Chairperson)	Mr Juan Gómez-Acebo (Non-executive Secretary of the Board)