

# **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  
2023, 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 21). In the event of a discrepancy, the Spanish-language version prevails.*

*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 21). 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 2023, 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 2023 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 Matter*

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 2022. 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 2023 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 2023. 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 100 of Consolidated Spanish Securities Market and Investment Services Law approved by Law 6/2023, of 17 March.

DELOITTE, S.L.



Carmen Barrasa Ruiz

28 July 2023



*Real Estate*

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

**Abridged Consolidated Interim Financial Statements for the six-month period ended 30  
June 2023**

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

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

Abridged Statement of Financial Position at 30 June 2023

(Expressed in thousands of Euros)

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

<u>Assets</u>	<u>Note</u>	<u>30 June 2023 (*)</u>	<u>31 December 2022</u>
Intangible assets		1	1
Investment property	5	1,191,378	1,199,898
Equity-accounted investees		1,450	1,450
Non-current financial assets	7	12,117	11,868
Trade and other long-term receivables	7	4,210	5,615
<b>Total non-current assets</b>		<b>1,209,156</b>	<b>1,218,832</b>
Non-current assets held for sale	6	279,073	287,964
Trade and other short-term receivables	7,15	10,155	11,744
Other current financial assets	7	3	3
Other current assets		2,495	2,594
Cash and cash equivalents	8	91,209	197,141
<b>Total current assets</b>		<b>382,935</b>	<b>499,446</b>
<b>Total assets</b>		<b>1,592,091</b>	<b>1,718,278</b>
<i>(*) Unaudited data</i>			

Notes 1 to 21, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Statement of Financial Position at 30 June 2023.

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

Abridged Statement of Financial Position at 30 June 2023

(Expressed in thousands of Euros)

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

<u>Net Equity and Liabilities</u>	Note	30 June 2023 (*)	31 December 2022
Capital	9a	167,386	167,386
Issue premium	9b	415,303	452,924
Other reserves and other contributions	9c	266,381	205,773
Profit/(loss) for the period		35,138	72,921
Treasury shares	9d	(351)	(250)
<b>Total net equity</b>		<b>883,857</b>	<b>898,754</b>
Financial liabilities from issue of bonds and other marketable securities	11	577,408	694,434
Bank borrowings	11	69,943	69,936
Deferred tax liabilities	15	15,578	15,578
Other non-current liabilities	11,12	17,830	17,480
<b>Total non-current liabilities</b>		<b>680,759</b>	<b>797,428</b>
Liabilities connected to non-current assets held for sale	6	4,750	5,738
Financial liabilities from issue of bonds and other marketable securities	11	8,301	3,985
Bank borrowings	11	185	185
Other financial liabilities		11	12
Trade and other payables	11, 13, 15	14,228	12,176
<b>Total current liabilities</b>		<b>27,475</b>	<b>22,096</b>
<b>Total net equity and liabilities</b>		<b>1,592,091</b>	<b>1,718,278</b>

(\*) Unaudited data

Notes 1 to 21, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Statement of Financial Position at 30 June 2023.



**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 2023  
(Expressed in thousands of Euros)

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

<u>Abridged Consolidated Income Statement</u>	Note	30 June 2023 (*)	30 June 2022 (*)
Revenue	4,16	47,229	40,493
Other income		1,717	1,558
Employee benefits expense	18c	(405)	(519)
Other expenses	17	(15,079)	(14,891)
Changes in the fair value of investment property	5	(12,078)	41,055
<b>Operating profit/(loss)</b>		<b><u>21,384</u></b>	<b><u>67,696</u></b>
Financial income	8	1,131	-
Financial expenses	11	(7,779)	(8,298)
Impairment and gains/(losses) on disposals of financial instruments	11	20,402	-
Changes in the fair value of financial instruments	8	-	(4,533)
<b>Profit/(loss) before tax from continuing operations</b>		<b><u>35,138</u></b>	<b><u>54,865</u></b>
Income tax		-	-
<b>Profit/(loss) for the period</b>		<b><u>35,138</u></b>	<b><u>54,865</u></b>
Basic earnings per share (in Euros)	10	0.42	0.66
Diluted earnings per share (in Euros)	10	0.42	0.66

<u>Abridged Consolidated Statement of Comprehensive Income</u>	30 June 2023 (*)	30 June 2022 (*)
Profit/(loss) as per the income statement (I)	35,138	54,865
Other comprehensive income recognised directly in Equity (II)	-	-
Other Amounts Transferred to the Income Statement (III)	-	-
<b>Total Comprehensive Income (I+II+III)</b>	<b><u>35,138</u></b>	<b><u>54,865</u></b>

(\*) Unaudited data

Notes 1 to 21, 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 2023.

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES**  
Abridged Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2023  
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Profit/(loss) for the period	Treasury shares	Total net equity
Balance at 31 December 2022	167,386	452,924	205,533	240	72,921	(250)	898,754
Total income and expenses recognised in the period	-	-	-	-	35,138	-	35,138
Transactions with equity holders and owners							
Distribution of profit							
To reserves	-	-	60,587	-	(60,587)	-	-
To Dividends (Note 9b and e)	-	(37,621)	-	-	(12,334)	-	(49,955)
Treasury shares (Note 9d)	-	-	21	-	-	(101)	(80)
Other changes	-	-	-	-	-	-	-
Balance at 30 June 2023 (*)	167,386	415,303	266,141	240	35,138	(351)	883,857

(\*) Unaudited data

Notes 1 to 21, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2023.

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES**  
Abridged Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2023  
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Profit/(loss) for the period	Treasury shares	Total net equity
Balance at 31 December 2021	167,386	466,176	196,663	240	25,782	(860)	855,387
Total income and expenses recognised in the period	-	-	-	-	54,865	-	54,865
Transactions with equity holders and owners							
Distribution of profit							
To reserves	-	-	9,069	-	(9,069)	-	-
To Dividends (Note 9b and e)	-	(13,252)	-	-	(16,713)	-	(29,965)
Treasury shares (Note 9d)	-	-	(149)	-	-	314	165
Other changes	-	-	-	-	-	-	-
Balance at 30 June 2022 (*)	167,386	452,924	205,583	240	54,865	(546)	880,452

(\*) Unaudited data

Notes 1 to 21, described in the explanatory notes attached, form an integral part of the Abridged Consolidated Summary Statement of Changes in Equity for the six-month period ended 30 June 2023.

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES**  
Abridged Consolidated Statement of Cash Flows for the six-month period  
ended 30 June 2023  
(Expressed in thousands of Euros)

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

	30 June 2023 (*)	30 June 2022 (*)
<b>A) Cash flows from/(used in) operating activities</b>	<b>42,293</b>	<b>28,827</b>
<i>Profit/(loss) for the period before tax</i>	35,138	54,865
<i>Adjustments to profit/(loss)</i>	(1,578)	(26,357)
Changes in the fair value of investment property (Note 5)	12,078	(41,055)
Valuation adjustments due to impairment (Note 17)	98	1,867
Financial income	(1,131)	-
Financial expenses	7,779	8,298
Impairment and gains/(losses) on disposals of financial instruments (Note 11)	(20,402)	-
Changes in the fair value of financial instruments	-	4,533
<i>Changes in working capital</i>	9,252	4,573
Trade and other receivables	4,033	9,093
Other current assets	4,039	(4,425)
Creditors and other accounts payable	424	(4)
Other non-current assets and liabilities	756	(91)
<i>Other cash flows from operating activities</i>	(519)	(4,256)
Interest proceeds (Note 8)	1,131	-
Interest payments (Note 10d)	(1,650)	(4,256)
<b>B) Cash flows from/(used in) investment activities</b>	<b>(4,208)</b>	<b>(4,747)</b>
<i>Investment payments</i>	(4,208)	(4,747)
Property investment (Note 5)	(4,208)	(4,747)
<i>Proceeds from divestitures</i>	-	-
Disposal of non-current assets held for sale	-	-
<b>C) Cash flows from/(used in) financing activities</b>	<b>(148,233)</b>	<b>(152,500)</b>
<i>Proceeds and payments relating to equity instruments</i>	(68)	165
Acquisition/disposal of equity instruments	(68)	165
<i>Payments made and received for financial liability instruments</i>	(98,198)	(122,700)
Issue of:		
Bank borrowings (Note 10)	-	15,000
Repayment and redemption of:		
Debentures and other marketable debt securities	(98,198)	(122,700)
Borrowings with credit institutions	-	(15,000)
<i>Payments relating to dividends and remuneration from other equity instruments</i>	(49,967)	(29,965)
Dividend payments (Note 8e)	(49,967)	(29,965)
<b>E) Changes in cash and cash equivalents of non-current assets held for sale</b>	<b>4,216</b>	<b>-</b>
<b>F) Net increase/decrease in cash and cash equivalents</b>	<b>(105,932)</b>	<b>(128,420)</b>
G) Cash and cash equivalents at beginning of period	197,141	313,199
H) Cash and cash equivalents at end of period	91,209	184,779

(\*) Unaudited data

Notes 1 to 21, 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 2023.

**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 2023

**(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP**

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

Its registered office is located at Calle María de Molina 39, 28006, 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 entities, Spanish or foreign residents, whose main corporate purpose is the acquisition of urban property for the lease thereof that are subject to the same regime applicable to SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and satisfy the investment requirements referenced in Article 3 of the SOCIMIs Law.
- The holding of shares or investments in property collective investment 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 (Note 9).

The Parent Company and the subsidiaries thereof (except Inmobiliaria Juan Bravo 3, S.L., LE Offices Marcelo Spínola 42, S.L.U. and Lar España Inversión Logística IV, S.L.U.) are regulated by Law 11/2009, of 26 October, as amended by Law 16/2012, of 27 December, and Law 11/2021, of 9 July, which governs SOCIMIs. Note 1 on the consolidated financial statements for the 2022 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2023 (with all owned directly by the Parent Company of the Group, Lar España Real Estate SOCIMI, S.A.) and their method of consolidation in the abridged interim financial statements is as follows:

Corporate name	Activity	% ownership	Method of consolidation
LE Logistic Alovera I y II, S.A.U.	Leasing of property	100	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	100	Full consolidation

**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 2023

Corporate name	Activity	% ownership	Method of consolidation
LE Retail Alisal, S.A.U.	Leasing of property	100	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	100	Full consolidation
LE Retail As Termas, S.L.U.	Leasing of property	100	Full consolidation
Inmobiliaria Juan Bravo 3, S.L.	Property development	50	Equity accounting
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	100	Full consolidation
LE Offices Joan Miró 21, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Hiper Ondara, S.L.U.	Leasing of property	100	Full consolidation
LE Logistic Almussafes, S.L.U.	Leasing of property	100	Full consolidation
LE Retail VidaNova Parc, S.L.U.	Leasing of property	100	Full consolidation
LE Retail El Rosal, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Galaria, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Lagoh, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Vistahermosa, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Sagunto II, S.L.U.	Leasing of property	100	Full consolidation
Lar España Inversión Logística IV, S.L.U.	Acquisition and development of properties for lease	100	Full consolidation
LE Retail Villaverde, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Anec Blau, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Albacenter, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Txingudi, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Las Huertas, S.L.U.	Leasing of property	100	Full consolidation
LE Offices Marcelo Spínola 42, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Gran Vía de Vigo, S.A.U.	Leasing of property	100	Full consolidation
LE Retail Abadía, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Rivas, S.L.U.	Leasing of property	100	Full consolidation
LE Retail Córdoba Sur, S.L.U.	Leasing of property	100	Full consolidation

All the companies are domiciled at Calle María de Molina 39, 28006, Madrid.

**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 2023

**(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;
- Mandatory standards approved by the Spanish Accounting and Auditing Institute (ICAC) in drafting the Spanish General Chart of Accounts and the supplementary standards thereof;
- All other applicable Spanish accounting principles;
- Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December and Law 11/2021, of 9 July, which governs SOCIMIs.

The consolidated financial statements for 2022 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 2022 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 2022 financial year were approved by the General Shareholders' Meeting of Lar España Real Estate SOCIMI, S.A., which was held on 31 March 2023.

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 27 July 2023, 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 2022. The abridged consolidated interim financial statements and for the six-month period ended 30 June 2023 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 2022.

**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 2023

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 2022 consolidated financial statements, except for any standards or interpretations that came into force during the first six months of 2023.

During the first six months of 2023, 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:

*Mandatory application in annual periods beginning on or after 01 January 2023*

- IFRS 17 “Insurance Contracts and the amendments thereto”: This replaces IFRS 4 and lays down the principles for the recognition, measurement, presentation and disclosure of insurance contracts so that an entity may provide relevant and reliable financial information that enables the users thereof to determine the effect that the insurance contracts have on the financial statements.
- Amendment to IAS 1 - “Disclosure of accounting policies”: Amendments allowing entities to appropriately identify information on material accounting policies that must be disclosed in financial statements.
- Amendment to IAS 8 - “Definition of accounting estimate”: Amendment and clarifications regarding the definition of a change in accounting estimate.
- Amendment to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction: Clarification on how companies must account for deferred tax on transactions such as leases and decommissioning obligations.
- Amendment to IFRS 17 Insurance contracts: Amendment to the transition requirements of IFRS 17 for insurance companies applying IFRS 17 and IFRS 9 simultaneously for the first time.

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

In addition, at the date of approval of these Abridged Consolidated Interim Financial Statements the following standards and interpretations had been issued by the IASB, but had not yet become effective either because their lack of effectiveness is subsequent to the date of the Abridged Consolidated Interim Financial Statements or because they have not yet been adopted by the European Union.

*Mandatory application in annual periods beginning on or after 01 January 2024*

- Amendment to IAS 1 Classification of Liabilities as Current or Non-current: Classifications in terms of posting liabilities as current and non-current, particularly those with settlement subject to compliance with covenants.
- Amendment to IFRS 16 Liability for Lease in a sale with leaseback: The amendment clarifies the subsequent accounting for lease liabilities arising after sale and leaseback.



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- Amendment to IAS 7 and IFRS 7 Supplier financing arrangements: It introduces disclosure requirements on financing arrangements with suppliers and their effects on liabilities and cash flows.

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

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

- Amendment to IAS 12 Tax Reform - Pillar 2 Model Rules: It introduces a mandatory temporary exemption to the recognition of deferred taxes of IAS 12.

**(b) Functional and presentation currency**

The abridged interim consolidated financial statements as at 30 June 2023 are presented in thousands of Euros, which is the Parent Company's functional and presentation currency.

**(c) Comparison of information**

As required by International Financial Reporting Standards as adopted by the European Union, the information in these abridged interim consolidated financial statements for the six-month period ended 30 June 2023 is presented for comparative purposes for the six month-period ended 30 June 2022 (for the abridged consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows) and 31 December 2022 (for the abridged consolidated statement of financial position).

The same main accounting criteria were applied in the 2023 and 2022 periods, such that there were no operations or transactions that were recorded using different accounting principles that could lead to discrepancies in the interpretation of the comparative figures for the two periods.

**(d) 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, income, expenses and commitments reflected therein. Basically, these refer to the following:

- Calculation of fair value of investment property and non-current assets held for sale by applying valuation models (Note 5).
- The assessment of compliance with the requirements that regulate SOCIMIs (Notes 1 and 15).
- Valuation adjustment for customer insolvencies (Note 7).
- Assessment of provisions and contingencies (Note 6, 14 and 15).
- Financial risk management (Note 14).

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,

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in accordance with the provisions of IAS 8.

**(e) Correction of errors**

During the first six months of 2023 no errors have been brought to light with respect to the close of the previous financial year that would require correction.

**(f) Seasonality of the Group's transactions**

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 2023 and 2022.

**(g) Relative importance**

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 2023.

**(h) Abridged consolidated statement of cash flows**

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.

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**(i) Impact of the invasion of Ukraine on the financial statements**

On 24 February 2022, Russia launched an invasion of Ukraine, leading to a war between these countries, the consequences of which remain uncertain at present. The Company's Directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have an impact on its financial statements, since all its operations are domestic and it does not depend on any raw materials that could be affected by supply cuts.

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

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

Similarly, the independent third-party experts engaged by the Group have taken into consideration the economic situation as at 30 June 2023 in determining the fair value of the investment property, although this may be affected by rapid changes in market circumstances caused by global geopolitical and economic impacts. Details of the main assumptions used in the valuations at 30 June 2023, and their sensitivity to increases or decreases in the aforementioned variables, are set out in Note 5.

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

**(3) CHANGES TO THE COMPOSITION OF THE GROUP**

In Note 4e. and Appendix I of the consolidated financial statements for the period ended 31 December 2022, 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 six-month period ended on 30 June 2023, there was no significant change in the Group's composition.

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**(4) SEGMENT REPORTING**

**(a) Operating segments**

The Group's investment policy and its operations are focused on shopping centres and retail parks, and therefore at 30 June 2023 and 2022 it will have a single operating segment, as this classification is used as a measure of performance and is considered more relevant in the assessment of segment results in relation to other groups operating in the same business.

**(b) Geographical segments**

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

The following table details the summary of revenue by geographic area as at 30 June 2023 and 30 June 2022:

	Thousands of Euros 30/06/2023		Thousands of Euros 30/06/2022	
	Revenue	%	Revenue	%
Andalucía	8,770	18.57	7,526	18.58
País Vasco	8,482	17.96	7,005	17.30
Comunidad Valenciana	8,239	17.44	6,817	16.83
Galicia	7,223	15.29	6,263	15.47
Castilla La Mancha	5,138	10.88	4,467	11.03
Castilla y León	3,998	8.47	3,649	9.01
Cataluña	3,190	6.75	2,820	6.97
Comunidad de Madrid	2,189	4.64	1,946	4.81
	<u>47,229</u>	<u>100.00</u>	<u>40,493</u>	<u>100.00</u>

All the activity is carried out in Spain, and all the assets are located in Spanish territory.

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**(c) Main customers**

This line item presents details of the tenants that contributed the most rental revenue during the period ended 30 June 2023, 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/Lagoh	10.43%	10.43%	2025-2038	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	3.93%	14.36%	2042-2060	Distribution/Hypermarket
3	MediaMarkt	Megapark/Vistahermosa/As Termas/Parque Abadía/Rivas/Lagoh	3.82%	18.18%	2029-2044	Technology
4	Leroy Merlin	VidaNova Parc/Vistahermosa/As Termas	3.38%	21.56%	2041-2058	DIY
5	Decathlon	Megapark/Parque Abadía/Vidanova Parc	2.41%	23.97%	2036-2043	Distribution
6	Yelmo	Lagoh/Anec Blau/Vidanova Parc/As Termas/Megapark	2.08%	26.05%	2031-2045	Cinemas
7	Cortefiel/Tendam	Albacenter/AnecBlau/As Termas/Megapark/Galería Abadía/El Rosal/Portal de la Marina/Txingudi/Vidanova Parc/Lagoh	2.08%	28.13%	2023-2033	Textile/Fashion
8	El Corte Inglés	Lagoh/Parque Abadía/ Gran Vía de Vigo/ Megapark/ As Termas/ Rivas	2.04%	30.17%	2025-2039	Textile/Fashion
9	Mercadona	Lagoh/ Megapark/Hipermercado Albacenter/Anec Blau	2.03%	32.20%	2040-2049	Distribution/Supermarket
10	Conforama	Megapark/ Vidanova Parc/ Rivas	1.96%	34.16%	2028-2038	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.

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**(5) INVESTMENT PROPERTY**

At 30 June 2023 and 31 December 2022 investment property mainly comprises, taking into account those classified as Non-Current Assets Held for Sale, 10 shopping centres, 5 retail parks, 2 hypermarkets (Portal de la Marina and Albacenter) and 2 petrol stations (As Termas and Vidanova), as well as the corresponding land on which they are located, owned by the Group, and which is held for rental income and therefore not occupied by the Group.

Investment property is presented at fair value.

In this connection, the composition and movements that had occurred in the first six months of 2023 in the financial statements included under the line item "Investment property" in the abridged consolidated financial statements at 30 June 2023 were as follows:

	<u>Thousands of Euros</u>
	<u>Completed investment property</u>
Fair value at 31 December 2022	1,199,898
Additions for the period	3,724
Changes in the fair value of investment property	<u>(12,244)</u>
Balance at 30 June 2023	<u>1,191,378</u>
Fair value at 30 June 2023	<u>1,191,378</u>

Additions and changes to the scope

The additions for the six-month period ended 30 June 2022 correspond to the following items:

<u>Type of asset</u>	<u>Company</u>	<u>Thousands of Euros</u>
		<u>Additions</u>
Shopping centre	As Termas (a)	1,875
Shopping centre	El Rosal (a)	534
-	Improvements to other assets and fit-outs	1,315
		<u>3,724</u>

- (a) Amounts corresponding mainly to the improvement works and fit outs granted in the As Termas and El Rosal shopping centres.

On 30 June 2023, the additions of investment property pending payment amounted to EUR 1,183 thousand and were recognised under "Trade and other payables" in the Abridged Consolidated Financial Statements at 30 June 2023 (EUR 1,880 thousand at 31 December 2022).

Investment commitments pertaining to investment property totalled EUR 3,194 thousand at 30 June 2023 (EUR 1,880 thousand at 31 December 2022).

At 31 December 2022, the retail parks and shopping centres owned by the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Vistahermosa, S.L.U., LE Retail Rivas, S.L.U., LE Retail Abadía, S.L.U. and LE Retail Sagunto II, S.L.U. were classified as "non-current assets held for sale" (Note 6).

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*Fair value of investment property*

The fair value of investment property at 30 June 2023 amounts to EUR 1,191,378 thousand (EUR 1,199,898 thousand at 31 December) and is considered to be a level 3 valuation, with no transfers between levels during the first half of 2023. All of said property comprises business parks and shopping centres.

At 30 June 2023 the breakdown of the gross leasable area and occupancy rate by business line are as follows:

	Square metres			
	30th June 2023 (*)		31 December 2022 (*)	
	Gross leasable area	Occupancy rate (%)	Gross leasable area	Occupancy rate (%)
Shopping centres and business parks	391,507	95.31%	391,504	95.66%

(\*) *Excluding the square metres of the Vidanova Parc, Vistahermosa, Rivas and Abadía shopping centres and retail parks, which are classified for sale and whose square metres amount to 158,887 (158,887 as at 31 December 2022) and whose occupancy rate is 97% (99% as at 31 December 2022).*

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

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

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

The appraisal companies that performed the valuations of the Group's investment property at 31 June 2022 and 31 December 2022 were Jones Lang Lasalle España and Cushman & Wakefield.

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

	Thousands of Euros	
	30/06/2023	30/06/2022
Appraisal services	30	33
	30	33

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*Sensitivity analysis of the assumptions used*

In terms of calculating the fair value of investment property, including those classified as Non-Current Assets Held For Sale (Note 6), the material unobservable input data used to measure the fair value correspond to rental income, the Exit Yield and the discount cash flow used in projections. Quantitative information on the material unobservable input data used to measure the fair value is shown below:

	30/06/2023		31/12/2022	
	Exit Yield	Discount rate	Exit Yield	Discount rate
Shopping centres and business parks	5.75 – 8.25	7.75–13.90	5.65 – 8.00	7.65–12.86

In terms of rental income, the amounts per square metre used in the measurement for the first half of 2023 ranged from EUR 7.69 and EUR 22.20 per month (EUR 8.5 and 19.8 per month in 2022), depending on the type of asset and the location. The income growth rates used in the projections are mainly based on the CPI.

*Sensitivity analysis of the assumptions used*

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

*Change in discount rate*

	Thousands of Euros					
	30/06/2023					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(23,605)	(48,205)	(94,495)	(23,605)	(48,205)	(94,495)
Discount rate decrease	22,985	49,016	100,955	22,985	49,016	100,955

	Thousands of Euros					
	31/12/2022					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(21,556)	(46,764)	(92,476)	(21,556)	(46,764)	(92,476)
Discount rate decrease	24,976	49,889	101,683	24,976	49,889	101,683



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Change in revenue

Thousands of Euros						
30/06/2023						
	Assets			Consolidated comprehensive income		
	2.50%	5%	10%	2.50%	5%	10%
Revenue increase	15,372	32,491	65,829	15,372	32,491	65,829
Revenue decrease	(20,427)	(39,187)	(77,060)	(20,427)	(39,187)	(77,060)

Thousands of Euros						
31/12/2022						
	Assets			Consolidated comprehensive income		
	2.50%	5%	10%	2.50%	5%	10%
Revenue increase	21,279	41,713	83,279	21,279	41,713	83,279
Revenue decrease	(24,744)	(46,845)	(91,232)	(24,744)	(46,845)	(91,232)

Change in exit yield

Thousands of Euros						
30/06/2023						
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(30,394)	(57,551)	(106,631)	(30,394)	(57,551)	(106,631)
Exit Yield decrease	30,565	65,526	144,428	30,565	65,526	144,428

Thousands of Euros						
31/12/2022						
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(29,915)	(57,917)	(108,489)	(29,915)	(57,917)	(108,489)
Exit Yield decrease	32,151	69,218	151,198	32,151	69,218	151,198

Details of “Changes in the fair value of investment property” in the Consolidated Statement of Comprehensive Income at 30 June 2023 and 31 December 2022 are as follows:

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	Thousands of euros		Thousands of euros	
	30/06/2023		31/12/2022	
	Investment properties	Non-current assets held	Investment properties	Non-current assets held
Shopping centres and single-tenant commercial properties	(12,244)	166	32,575	-
	(12,244)	166	32,575	-

Other information

At 30 June 2023 and 31 December 2022 all buildings comprising investment property and those classified as “Non-current assets held for sale” 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**

In accordance with International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", those assets that are involved in divestment processes with possible sale plans have been reclassified. The assets and liabilities of the Group companies LE Retail Vidanova Parc, S.L.U., LE Retail Vistahermosa, S.L.U., LE Retail Rivas, S.L.U., LE Retail Abadía, S.L.U. and LE Retail Sagunto II, S.L.U. are specifically in this situation.

In accordance with IAS 40 and the exception applicable under IFRS 5, investment property classified as non-current assets held for sale was carried at fair value. The assumptions used in the measurement are broken down, along with the other investment property, in Note 5 above. As from their recognition as non-current assets held for sale, the change in the fair value of these assets has entailed the recognition of a gain according to the latest appraisals amounting to EUR 166 thousand, which is recorded under “Change in fair value of investment property” in the accompanying Consolidated Statement of Comprehensive Income. Also, improvements have been made and fit-outs granted in 2023 amounting to EUR 484 thousand.

At 30 June 2023 and 31 December 2022 the Group presents as non-current assets held for sale the assets and liabilities of the companies LE Retail Vidanova Parc, S.L.U., LE Retail Abadía, S.L.U. and LE Retail Sagunto II, S.L.U., owners of two retail parks, a shopping mall, a plot of land and a petrol station, as these companies are expected to be sold in the short term.

Also, at 30 June 2023, the properties and directly related non-current assets and (security deposits) of the companies LE Retail Vistahermosa, S.L.U. and LE Retail Rivas, S.L.U., owners of two retail parks, are presented as non-current assets held for sale. In this regard, the Group's Directors, although they expected to sell the holdings of these Group companies at 31 December 2022, expect to sell only the real estate assets at 30 June 2023, and have therefore reclassified the remaining assets and liabilities of these companies to their corresponding headings in the Abridged Statement Of Financial Position at 30 June 2023.

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Breakdown of non-current assets held for sale and related liabilities at 30 June 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	30/06/2023	31/12/2022
<b>Non-current assets held for sale</b>	<b>279,073</b>	<b>287,964</b>
Intangible assets	1	1
Investment property	273,950	273,300
Non-current financial assets	2,991	2,982
Trade and other receivables	125	1,263
Other current assets	157	4,097
Cash and cash equivalents	1,849	6,321
<b>Liabilities connected to non-current assets held for sale</b>	<b>(4,750)</b>	<b>(5,738)</b>
Other financial liabilities	(3,788)	(3,531)
Trade payables	(962)	(2,207)
<b>Non-current assets held for sale</b>	<b>274,323</b>	<b>282,226</b>

At 31 December 2022 the Company has recognised a financial deposit pledged under the tax procedure of the Group company LE Retail Vistahermosa, S.L.U. under “Other current assets”, which is described in Note 15b. In March this year this deposit was recovered and replaced by a non-financial guarantee, which is pending recovery (Notes 14a.iii and 15b).

**(7) FINANCIAL ASSETS BY CATEGORY**

**(a) Classification of financial assets by category**

Financial assets held by the Group are shown separately at 30 June 2023 and 31 December 2022:

	Thousands of Euros			
	30 June 2023		31 December 2022	
	Non-current	Current	Non-current	Current
Non-current financial assets	12,117	-	11,868	-
Other financial assets	-	3	-	3
Trade and other receivables				
Operating lease receivables - invoices awaiting formalisation	-	2,482	-	2,132
Operating lease receivables - invoices issued	-	714	-	2,112
Operating lease receivables - income linearisation	4,210	2,316	5,615	2,110
Other receivables from Public Administrations	-	4,643	-	5,390
<b>Total</b>	<b>16,327</b>	<b>10,158</b>	<b>17,483</b>	<b>11,747</b>

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At 30 June 2023 and 31 December 2022, "non-current financial assets" mainly includes guarantees and deposits received from the lessees of the investment property described in Note 5 as security, which the Group has deposited with the relevant public bodies.

At 30 June 2023 and 31 December 2022, "Other receivables from public authorities" mainly includes value added tax receivable related to investments in the Group's real estate assets.

The item "Operating lease receivables - invoices issued" mainly includes rentals accrued and invoiced during the year to lessees, which are pending collection, net of impairment adjustments (Note 7c).

As at 30 June 2023 and 31 December 2022, the item "Operating lease receivables - invoices pending formalisation" in the above table mainly includes expenses for "Property tax (IBI)" that are pending re-invoicing to tenants, as well as variable rent income that is pending invoicing to tenants.

In addition, at 30 June 2023 and 31 December 2022 the line item "Operating lease receivables - revenue linearisation" includes the amount pending allocation to profits and losses for waivers or discounts granted to certain tenants and that pursuant to the financial information framework applicable to the Group are allocated on a straight-line basis to the Consolidated Statement of Comprehensive Income between the date of the agreement and the minimum remaining contractual duration of each lease agreement. In this regard, at 30 June 2023, of this amount, EUR 3,235 thousand corresponds to discounts granted due to the pandemic (EUR 3,877 thousand at 31 December 2022), with the remaining balance corresponding mainly to relief, step rents and fit-outs granted on the signing of new leases.

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

**(b) Classification of financial assets by maturity**

The classification of financial assets by maturity at 30 June 2023 and 31 December 2022 is as follows:

	Thousands of Euros			
	30/06/2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Non-current financial assets	-	-	12,117	12,117
Other financial assets	3	-	-	3
Operating lease receivables - pending invoices	2,482	-	-	2,482
Operating lease receivables - invoices issued	714	-	-	714
Operating lease receivables - income linearisation	2,316	3,555	655	6,526
Public entities, other (Note 15)	4,643	-	-	4,643
	<u>10,158</u>	<u>3,555</u>	<u>12,772</u>	<u>26,485</u>

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	Thousands of Euros			
	31/12/2022			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-current financial assets	-	-	11,868	11,868
Other financial assets	3	-	-	3
Operating lease receivables - pending invoices	2,132	-	-	2,132
Operating lease receivables - invoices issued	2,112	-	-	2,112
Operating lease receivables - income linearisation	2,110	3,877	1,738	7,725
Public entities, other (Note 15)	5,390	-	-	5,390
	<u>11,747</u>	<u>3,877</u>	<u>13,606</u>	<u>29,230</u>

**(c) Impairment of accounts receivable**

Movement in impairment and uncollectibility valuation allowances for amounts payable to the Group by tenants at 30 June 2023 is as follows:

	Thousands of
Balance at 31 December 2022	4,734
Impairment provisions (Note 17)	1,051
Impairment reversals (Note 17)	(1,551)
Transfers from non-current assets held for sale	19
Balance at 30 June 2023	<u>4,253</u>

Impairment charges and reversals of impairment losses on trading operations are recognised under "Other expenses" in the accompanying Abridged Interim Consolidated Statement of Comprehensive Income (Note 17). In addition, at 30 June 2023, write-offs for bad debts amounting to EUR 981 thousand (EUR 921 thousand at 30 June 2022) have been recognised.

In addition, during the first half of 2023, an amount of EUR 19 thousand has been reclassified from "Non-current assets held for sale" in the Abridged statement of financial position in respect of the provision for bad debts of the tenants of the shopping centres of the Group companies LE Retail Vistahermosa, S.L.U. and LE Retail Rivas, S.L.U., which have been in an active process of sale since 31 December 2022 (Note 6). Although these Group companies are still in the process of being sold at 30 June 2023, the Group's directors and management consider that the transaction will be formalised by disposing of the real estate assets alone and not the shares, as expected at 31 December 2022.

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**(8) CASH AND CASH EQUIVALENTS**

Breakdown of cash and cash equivalents at 30 June 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	30/06/2023	31/12/2022
Banks	91,209	197,141
Total	91,209	197,141

At 30 June 2023, this balance includes EUR 70,000 thousand corresponding to deposits with immediate availability and maturity of less than 3 months, contracted and managed by Credit Suisse, Credite Agricole, Deutsche Bank and BNP (EUR 170,165 thousand at 31 December 2022). During the first half of the 2023 period, financial income of EUR 1,131 thousand has been recorded, corresponding to the interest accrued for the contracting of the deposits (EUR 0 thousand at 30 June 2022).

Also, at 30 June 2022, the Company recognised an amount of EUR 4,533 thousand under "Change in fair value of financial instruments" in the Abridged Consolidated Interim Statement of Comprehensive Income as a result of the change in value of the immediately available investment funds contracted and managed by Banco Santander and BBVA in which the Parent Company had invested the Group's cash surplus to cover its short-term payment commitments, all of which was drawn down during 2022.

In addition, at 30 June 2023 and 31 December 2022 the amount of cash and cash equivalents held by the Group is unrestricted.

**(9) NET EQUITY**

**(a) Capital**

At 30 June 2023 and 31 December 2022, the share capital of Lar España Real Estate SOCIMI, S.A. amounted to EUR 167,386 thousand and is represented by 83,692,969 registered shares, represented by book entries, with a par value of EUR 2 each, fully subscribed and paid up, giving their holders the same rights.

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

The share price at 30 June 2023 is EUR 5.46 per share (EUR 4.23 per share at 31 December 2022) and the average share price for the first half of 2023 was EUR 4.98 per share (EUR 4.74 per share at 31 December 2022).

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At 30 June 2023 and 31 December 2022, the Parent Company's main shareholders were as follows:

	%	
	30/06/2023	31/12/2022
Castellana Properties SOCIMI, S.A.	25.5%	25.5%
Grupo Lar Inversiones Inmobiliarias, S.A.	10.0%	10.0%
Adamsville, S.L.	5.2%	5.2%
Santa Lucia S.A. Cía. de Seguros	5.0%	5.0%
Brandes Investment Partners, L.P.	5.0%	5.0%
Blackrock INC.	3.7%	3.7%
Utah State Retirement System	3.1%	3.1%
Other shareholders with an interest of less than 3%	42.5%	42.5%
	100.0%	100.0%

**(b) Issue premium**

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

On 31 March 2023, the distribution of dividends from the 2022 period against the issue premium was approved for the amount of EUR 13,266 thousand, taking into account the shares issued (Note 9e).

At 30 June 2023, the Group's share premium amounted to EUR 415,503 thousand (EUR 452,924 thousand at 31 December 2022).

**(c) Other reserves**

The breakdown of this line item as at 30 June 2023 and 31 December 2022 is as follows:

	Thousands of Euros	
	30/06/2023	31/12/2022
Legal reserve	22,242	20,871
Capital redemption reserve	23,384	23,384
Parent Company reserves	(63,880)	(63,913)
Consolidated reserves	284,395	225,191
Other shareholder contributions	240	240
	266,381	205,773

**(i) Legal reserve**

The legal reserve is to be provided for in compliance with Article 274 of the Spanish Capital 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.

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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 2023 the Company's legal reserve totals EUR 22,242 thousand (EUR 20,871 at 31 December 2022). Therefore, the legal reserve at 30 June 2023 is not fully provided for.

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

(ii) Capital redemption reserve

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

(d) Treasury shares

At 30 June 2023 the Parent Company holds treasury shares amounting to EUR 351 thousand. Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2022	56,714	250
Additions	307,947	1,552
Derecognitions	(296,910)	(1,451)
30 June 2023	67,751	351

The average selling price of treasury shares sold during the first half of 2023 was EUR 4.88 per share. In addition, the profit from these sales amounted to EUR 21 thousand, which has been recognised under "Other reserves" in the abridged consolidated statement of financial position.

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. In this regard, the Parent company has a liquidity agreement formalised with a financial intermediary pursuant to the terms of Circular 3/2007, of 19 December by the Spanish Securities Market Commission on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations.



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**(e) Dividends paid and issue premiums returned**

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

**(10) 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 breakdown of the calculation of earnings per share are as follows:

	Thousands of Euros	
	30/06/2023	30/06/2022
Profit/(loss) for the period attributable to equity holders of the parent Company	35,138	54,865
Weighted average number of ordinary shares in circulation (number of shares)	83,633,750	83,578,821
Basic earnings per share (Euros)	0.42	0.66

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

	30/06/2023	30/06/2022
Ordinary shares	83,692,969	83,692,969
Average effect of treasury shares, capital increases and reductions	(59,219)	(114,148)
Weighted average number of ordinary shares in circulation at 30 June (shares)	83,633,750	83,578,821

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**(11) FINANCIAL LIABILITIES BY CATEGORY**

**(a) Classification of financial liabilities by category**

The classification of financial liabilities by category and class at 30 June 2023 and 31 December 2022 is as follows:

		Thousands of Euros	
		30/06/2023	
		Non-current	Current
		Carrying amount (*)	Carrying amount (*)
Carried at amortised cost:			
Financial liabilities from issue of bonds and other marketable securities		577,408	8,301
Bank borrowings		69,943	185
Other financial liabilities		17,830	11
Trade and other payables:			
Trade payables		-	11,927
Salaries payable		-	214
Public entities, other payables		-	2,087
Total financial liabilities		665,181	22,725

  

		Thousands of Euros	
		31/12/2022	
		Non-current	Current
		Carrying amount (*)	Carrying amount (*)
Carried at amortised cost:			
Financial liabilities from issue of bonds and other marketable securities		694,434	3,985
Bank borrowings		69,936	185
Other financial liabilities		17,480	12
Trade and other payables:			
Trade payables		-	9,152
Salaries payable		-	-
Public entities, other payables		-	3,024
Total financial liabilities		781,850	16,358

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

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At 30 June 2023 and 31 December 2022 the fair value of the bonds is equal to their market price. The bonds issued in July 2021, with a nominal value of EUR 294 million at 30 June 2023 (EUR 400 million at 31 December 2022), are trading at 84.50% of the nominal value (80.48% at 31 December 2022), and the bonds issued in November 2021 with a nominal value of EUR 287.4 million at 30 June 2023 (EUR 300 million at 31 December 2023) are trading at 72.52% above nominal value (70.33% at 31 December 2022).

Furthermore, the fair value of the remaining financial liabilities does not differ significantly at 30 June 2023 and 31 December 2022.

**(b) Classification of financial liabilities by maturity**

The breakdown by maturity of financial liabilities at 30 June 2023 and 31 December 2022 are as follows:

	30/06/2023			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities from issue of bonds (a)	8,301	581,400	-	589,701
Bank borrowings (a)	185	70,000	-	70,185
Other financial liabilities	11	-	17,830	17,841
Trade and other payables	14,228	-	-	14,228
	22,725	651,400	17,830	691,955

(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 3,992 thousand and EUR 57 thousand, respectively, at 30 June 2023.

	31/12/2022			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities from issue of bonds (a)	3,985	700,000	-	703,985
Bank borrowings (a)	185	70,000	-	70,185
Other financial liabilities	12	-	17,480	17,492
Trade and other payables	12,176	-	-	12,176
	16,358	770,000	17,480	803,838

(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 5,566 thousand and EUR 64 thousand, respectively, at 31 December 2022.

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(c) **Main features of the financial liabilities from issue of bonds and with credit institutions**

*Bank borrowings*

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

<u>Institution</u>	<u>Currency</u>	<u>Effective rate</u>	<u>Maturity</u>	<u>Thousands of Euros</u>	
				<u>Amount granted</u>	<u>Amortised cost and interest pending payment at 30 June 2023</u>
Bankinter	Euro	EURIBOR 3M + 1.60%	20-Jun-2024	30,000	-
The European Investment Bank	Euro	1.67%	4-May-2027	70,000	70,128
					<u>70,128</u>

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

The financial expenses accrued for the loans in the six months ended 30 June 2023 amounted to EUR 622 thousand (EUR 706 thousand at 30 June 2022), the effect of the amortised cost of the loans being EUR 7 thousand (EUR 7 thousand at 30 June 2022). The accrued, unpaid interest at 30 June 2023 amounts to EUR 185 thousand (EUR 185 thousand at 31 December 2022).

*Covenants associated with the loans subscribed with the EIB*

The Parent Company of the Group undertakes to maintain, at all times, on the basis of the consolidated financial statements, a Loan to Value Ratio of less than 50% (taking into account the net financial debt), a debt service coverage ratio greater than or equal to 2.5x and a net financial debt/net equity ratio of less than 1.0x. The result of failing to meet said ratios is early maturity. In the opinion of the Directors, these ratios were met at the date of preparation of these abridged interim consolidated financial statements and are expected to be met over the next twelve months.

*Financial liabilities from issue of bonds*

During the 2021 period the Group restructured the Group's debt by issuing two unsecured green bonds for the amount of EUR 400 million in July 2021 and EUR 300 million in November 2021, maturing on 22 July 2026 and 3 November 2028, respectively. The interest rate applicable to these issues is 1.75% and 1.84% respectively.

*Repurchase of corporate bonds*

On 19 January 2023, the Parent Company completed the Bonds repurchase process of the two issues made in the 2021 period, for a total nominal amount of EUR 98 million for the bonds

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issued on 22 July 2021 and EUR 12 million for the bonds issued on 3 November 2021, with a discount of 18% equivalent to a total final price of EUR 90.5 million.

In addition, during the first semester of 2023, the Parent Company partially repurchased on the open market the bonds issued on 22 July 2021 for a total nominal amount of EUR 8.6 million, with an average discount of 16%, equivalent to a final price of EUR 7.2 million.

In addition, from the average discount associated with these bonds repurchases, the Parent Company has recorded a gain of EUR 20.4 million (net of transaction costs) under "Impairment and gains or losses on disposal of financial instruments" in the Abridged Consolidated Interim Statement of Comprehensive Income at 30 June 2023.

In this respect, the bonds acquired during January 2023 period have been redeemed once their repurchase has been settled, with redemption of the bonds acquired in May and June 2023 still pending. Therefore, after the aforementioned repurchases, at 30 June 2023 the nominal value of the bonds issued on 22 July 2021 amounts to EUR 293.4 million and that of the bonds issued on 3 November 2021 amounts to EUR 288 million.

*Financial performance associated with corporate bonds*

The financial expenses accrued for the bonds in the six months ended 30 June 2023 amounted to EUR 5,344 thousand, being the amortised cost effect thereof EUR 1,574 thousand (taking into account the financial expenses for the amortised cost effect corresponding to the proportional part of the repurchases made during the first half of 2023 and which have been recorded against the Abridged Consolidated Interim Statement of Comprehensive Income) (EUR 7,427 thousand at 30 June 2023, taking into account the financial expenses for the amortised cost effect of EUR 707 thousand). The accrued, unpaid interest at 30 June 2023 amounts to EUR 8,301 thousand (EUR 3,985 thousand at 31 December 2022).

*Covenants associated with corporate bonds and early maturity events*

The two bond issues issued by the Group during the 2021 period and outstanding at 30 June 2023 have covenants for compliance with certain financial ratios, calculated on the Group's consolidated financial statements at each relevant date (half-yearly).

- A financial debt ratio equal to or lesser than 60%, calculated as consolidated financial debt divided by the total consolidated value of the asset.
- A guaranteed financial debt ratio is not greater than 40%, calculated as guaranteed financial debt divided by the consolidated asset value.
- An interest coverage ratio equal to or less than 2.1, calculated as EBITDA divided by the financial expenses for the period.
- The Total Untaxed Asset Ratio is less than 1.25.

The result of failing to meet said ratios is early maturity, where such failure can be corrected within 30 days after notice thereof is given by the fiscal agent or by any of the bondholders. In this respect, in the opinion of the Directors, these ratios were met at the date of preparation of these abridged interim consolidated financial statements. They also expect them to be met in the next twelve months.

Early redemption of these financial instruments is also possible in certain circumstances. In particular, bondholders would have the option to request early redemption of their respective bonds provided that certain requirements are met: (i) if there is a change of control and there is

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either a downgrade of the rating below "Investment Grade" or a failure to rate the Company; or  
(ii) if a takeover bid is made that could result in a change of control of the Company and is approved by the Spanish Securities Market Commission (CNMV).

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

The movement of cash in the first six months of the 2023 period of the Group's financial debts is as follows:

	Opening balance	New debt	Thousands of Euros		Interest paid	Accrued interest	Closing balance
			Effect of amortised cost	Principal amortisation			
		Cash flow		Cash flow	Cash flow		
Financial liabilities from issue of bonds	698,419	-	1,574	(118,600)	(1,028)	5,344	585,709
Financial liabilities with credit entities	70,121	-	7	-	(622)	622	70,128
	768,540	-	1,581	(118,600)	(1,650)	5,966	655,837

**(12) OTHER NON-CURRENT FINANCIAL LIABILITIES**

Under "Other non-current financial liabilities" the Group includes EUR 17,830 thousand at 30 June 2023 (EUR 17,480 thousand at 31 December 2022), corresponding to the guarantees given to the Group by the various lessees of the premises of the real estate assets, without taking into account the guarantees given by those companies that have been classified as held for sale (Note 6). This amount generally represents two months' rent and will be reimbursed at the end of the contract term.

**(13) TRADE AND OTHER PAYABLES**

The breakdown of "Trade and other payables" at 30 June 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	30/06/2023	31/12/2022
Trade payables (a)	9,997	8,065
Trade creditors, related companies (Note 18a)	1,930	882
Salaries payable (Note 18c)	214	205
Public entities, other payables (Note 15)	2,087	3,024
	14,228	12,176

- (a) At 30 June 2023, "Trade payables" includes EUR 2,055 thousand (EUR 5,215 thousand at 31 December 2022) corresponding to outstanding amounts from property investments (Note 5).

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**(14) RISK MANAGEMENT POLICY**

**(a) Financial risk factors**

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

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

**(i) Market risk**

As discussed in Note 2i, we are currently facing a macroeconomic environment with a high level of uncertainty mainly due to the conflict in Ukraine.

In view of this circumstance and the current situation of the real estate sector, and in order to minimise the impact this may have, the Group has established specific measures to minimise the 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.

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.

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In this context the Parent Company's Directors and Management made the decision in 2021 to carry out two unsecured green bond issues for the amount of EUR 400 million and EUR 300 million to strengthen the liquidity position and cancel a large portion of the Group's financial debt in advance. These green bond issues were satisfactorily completed in July and October 2021 and enabled the Group to pay off most of its financial debt, which was almost fully repaid in 2022 with the repayment of the simple secured bonds issued in 2015 amounting to EUR 122.7 million as at 31 December 2021. In addition, these unsecured green bond issues reduced the liquidity risk and the financial cost of the debt, and the maturity of both issues was 5 and 7 years respectively (2026 and 2028).

In addition, Group subsidiaries have provided guarantees amounting to EUR 4,593 thousand (EUR 5,083 thousand at 31 December 2022), with the largest amount corresponding to a guarantee deposited in February 2021 by the Group company LE Retail Vistahermosa, S.L.U. amounting to EUR 3,957 thousand, provided to the Valencian Tax Agency for tax proceedings that have been completed. The economic-administrative claim filed by the company on 19 June 2023 was admitted in full.

Finally, the Group's Parent, Lar España Real Estate SOCIMI, S.A., signed a guarantee facility for EUR 50 million with Credit Agricole to cover the amount of the provisional settlement, as well as late-payment interest, issued by the Technical Office of the Madrid Regional Inspection Unit in relation to the VAT audit for the periods covered in 2015 and 2016 (Note 15b).

(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.

In addition, at 30 June 2023 and 31 December 2022, the Group holds short-term fixed-interest financial assets (deposits) in order to realise surplus cash not invested in investment property. Fixed-rate financial assets are for the most part independent of market interest rate fluctuations.

At 30 June 2023 and 31 December 2022, the Group's income and cash flows from operating activities are largely independent of changes in market interest rates.

(v) Tax risk

As mentioned in Note 1 to the consolidated financial statements for 2022, 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.



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Accordingly, the Group's Management, with the support of its tax advisers, has carried out an assessment of compliance with the requirements of the system, concluding that although at 31 December 2022 all the requirements of the special SOCIMI regime were met, at 30 June 2023, the Group is in breach of one of the requirements of the special SOCIMI regime given that 80% of the income obtained during the first half of the 2023 period does not derive from the lease of the properties owned by the Group's companies.

In this regard, the Company's Directors and Management consider that this non-compliance will persist at the 2023 reporting date, but that it is a one-off, isolated event resulting from the bond repurchase transactions carried out during the first half of the 2023 period (Note 11), which is expected to be remedied within the period established by Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, and Law 11/2021, of 9 July, which regulates Listed Real Estate Investment Companies, i.e. during the 2024 period.

Therefore, the Directors consider that the Group will continue to be covered by the SOCIMI regime, a situation that has been taken into account in the preparation of these abridged consolidated interim financial statements.

(vi) Environmental information

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

As part of the risk analysis performed each year, a study of the main climate risks that may affect the continuity of the company's business is performed, in addition to the main controls implemented to mitigate them. This analysis is detailed in the Group's consolidated financial statements for the year ended 31 December 2022 and has not significantly changed during the first half of 2023.

**(15) PUBLIC ENTITIES AND TAXATION**

**(a) Balances with public entities**

Breakdowns on balances with public entities at 30 June 2023 and 31 December 2022 are as follows:

	Thousands of Euros	
	30/06/2023	31/12/2022
<u>Receivables</u>		
Taxation authorities, VAT recoverable	4,054	5,105
Taxation authorities, other withholdings	589	285
	<u>4,643</u>	<u>5,390</u>
	Thousands of Euros	
	30/06/2023	31/12/2022
<u>Payables</u>		
Taxation authorities, VAT payable	2,014	2,940
Taxation authorities, personal income tax withholdings payable	65	77
Taxation authorities, corporation income tax payable	1	1
Social Security contributions payable	7	6
Deferred tax liabilities	15,578	15,578
	<u>17,665</u>	<u>18,602</u>

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**(b) Periods pending verification and inspections**

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 30 June 2023, the Group has the last four tax years open for inspection.

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

On 11 December 2019, inspections were started regarding the company Lar España Real Estate SOCIMI, S.A. to partially verify and inspect the following items and periods:

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

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

On 7 February 2022, after the verification and inspection concluded, five certificates were signed in witness whereof, the result of which was a payment of zero Euros for all taxes and periods. Nevertheless, a sixth certificate was signed but contested, regarding the verification of VAT for the 2015 and 2016 periods. According to the contents of this last certificate, the proposed settlement comprised a total of EUR 41,683 thousand, EUR 34,313 thousand for the tax and EUR 7,370 thousand in interest on arrears.

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

- Office building located at C/ Arturo Soria No. 366, Madrid, contributed to the company LE Offices Arturo Soria S.L.U., due to the incorporation thereof on 21 September 2015.
- Commercial building Parque de Medianas de Villaverde, contributed to the company, LE Retail Villaverde, S.L.U., due to the incorporation thereof on 21 September 2015.
- Undivided interest and estate located in the Albacenter shopping centre, located in Albacete, contributed to the company, LE Retail Albacenter S.L.U., due to the incorporation thereof on 29 April 2016.
- Office building and parking located at Calle Cardenal Marcelo Spínola 42, Madrid,

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contributed to the company, LE Offices Marcelo Spínola 42, S.L.U., due to the incorporation thereof on 29 April 2016.

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

The directors of the Parent Company, with the support of the Group's tax advisers, believe that said regularisation proposal is not lawful. For this reason, allegations were made in due time and form to the report signed in disagreement.

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

The aforementioned assessment was challenged in due time and form before the Central Economic-Administrative Court, and the aforementioned challenge is currently pending resolution. The execution of the settlement issued by the Management was suspended in due time and form by means of the provision of the relevant guarantee (Note 14.a.iii).

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

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

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

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

On the other hand, in the Group company LE Retail Gran Vía de Vigo, S.A.U., on 6 September 2018, inspection and verification proceedings were initiated with respect to the 2014 Transfer Tax and Stamp Duty in relation to the purchase of the property owned by the company located in Vigo, and an additional amount of EUR 824 thousand was claimed. An economic-administrative claim was filed arguing that such payment is inadmissible, which was fully admitted on 25 October 2022 in a resolution of the Central Economic-Administrative Court. The assessment issued was therefore held

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to be null and void.

On 30 January 2023, at the Group company LE Retail Lagoh, S.L.U., following the completion of the verification and inspection proceedings in relation to the tax on Installations, Construction and Works for the construction of the Lagoh shopping centre, located in the municipality of Seville, initiated on 8 June 2022, signed four tax assessments, resulting in an amount payable of EUR 487 thousand, which was paid on 20 April 2023.

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

In addition, on 13 June 2023, the Group company LE Retail Hiper Ondara, S.L.U. received a resolution issued by the Treasury and Finance Department of the Provincial Council of Bizkaia, by virtue of which the limited verification procedure limited to the comparison of Value Added Tax for the 2019 period has been completed. The aforementioned agreement refers to an instalment for income amounting to EUR 351 thousand, of which EUR 313 thousand correspond to the tax instalment and EUR 38 thousand to late payment interest. In this regard, the Company's tax advisers, as a result of the preliminary stage of the proceedings, are considering filing either an appeal for reconsideration with the Vizcaya Provincial Council or an economic-administrative claim with the Vizcaya Regional Economic-Administrative Court against the provisional assessment made by the Administration. Therefore, the company's directors consider, based on the opinion of their tax advisers, that it is likely that their claims will be upheld and that no amount will ultimately have to be adjusted, which is why they have not recorded any provision in these Abridged Consolidated Interim Financial Statements.

**(16) REVENUE**

The breakdown of revenue is presented in Note 4, in conjunction with segment reporting.

**(17) OTHER EXPENSES**

The breakdown of "Other expenses" as at 30 June 2023 and 30 June 2022 is as follows:

	Thousands of Euros	
	30/06/2023	30/06/2022
Independent professional services	10,162	7,513
Insurance premiums	202	195
Bank fees and commissions	19	110
Advertising and publicity	435	531
Utilities	8	33
Taxes	2,056	2,152
Losses allowances due to loss and uncollectibility of trade and other receivables (see Note 7c)	98	1,867
Remuneration of the Board of Directors (*)	315	296
Other expenses	1,784	2,194
	<u>15,079</u>	<u>14,891</u>

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

The "Independent professional services" line item mainly includes the amount relating to the remuneration of Grupo Lar Inversiones Inmobiliarias, S.A., the Group's asset manager (see Note 18b).

Invoices issued to tenants include EUR 15,661 thousand for communal charges (shared utility costs, services, etc.) passed on to them (EUR 14,998 thousand at 30 June 2022). This amount is presented on an accruals basis, with the expense for these items being offset in "Other expenses" in the Abridged Consolidated Interim Statement of Comprehensive Income for the six months ended 30 June 2023.

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

**(18) RELATED PARTY BALANCES AND TRANSACTIONS**

**(a) Balances with associated companies and related parties**

The breakdown of the balances held with associates and related parties as at 30 June 2023 and 31 December 2022 are as follows:

Thousands of Euros			
30/06/2023			
Other related parties			
	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia 2006, S.L.	Total
Trade and other payables (Notes 12 and 18a)	1,478	452	1,930

Thousands of Euros			
31/12/2022			
Other related parties			
	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia 2006, S.L.	Total
Trade and other payables (Notes 12 and 18a)	624	258	882

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**(b) Transactions with associates and related parties**

*Management agreement with Grupo Lar*

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

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

In relation to the "base fee" accrued by the manager, this amounted to EUR 2,834 thousand in the first half of 2023 (EUR 2,695 thousand at 30 June 2022), recognised under "Other expenses" in the Abridged Consolidated Interim Statement of Comprehensive Income (Note 17). At 30 June 2023, an amount of EUR 472 thousand (EUR 544 thousand at 31 December 2022) is outstanding (Note 18a).

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

In relation to this variable amount and based on the evolution of the first half of the year, at 30 June 2023, a provision of EUR 1,006 thousand has been made (EUR 1,702 thousand at 30 June 2022), which is pending payment (Note 18a).

*Other contracts with related parties*

The Group has also signed a contract with a related company, Gentalia 2006, S.L., (an investee in which Grupo Lar Inversiones Inmobiliarias, S.A. has a majority shareholding) for the provision of services related to the administration of property assets.

At 30 June 2023 the expense incurred in this connection amounts to EUR 1,619 thousand (EUR 1,235 thousand at 30 June 2022), of which EUR 452 thousand were outstanding at 30 June 2022 (EUR 318 thousand at 31 December 2022).

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

The remuneration received at 30 June 2023 and 30 June 2022 by the members of the Board of Directors and senior management of the Group, classified by item, was as follows:

Thousands of Euros				
30/06/2023				
	Salaries	Other company expenses	Allowances	Insurance premiums
Board of Directors	-	-	315	92*
Senior Management	405	-	-	-

  

Thousands of Euros				
30/06/2022				
	Salaries	Other company expenses	Allowances	Insurance premiums
Board of Directors	-	-	296	81*
Senior Management	519	-	-	-

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

The allowances to the Board of Directors include EUR 43 thousand at 30 June 2023 of allowances to the non-director Secretary of the Board of Directors (EUR 43 thousand at 30 June 2022).

At 30 June 2023 and 31 December 2022 the Parent Company has six Directors, four of them men and two women (at 31 December 2022 the Parent Company had six Directors, four men and two women).

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

The ILP approved by the Board of Directors for the 2022 financial year covers the 2022-2024 period, whereby the long-term variable remuneration for these financial years will be paid, if the conditions are met, in the first four months of 2025. In addition, during 2023 the Group's Board of Directors has included all members of the Group's senior management in this variable remuneration system. In this regard, the amount of the salaries in the above table includes EUR 40 thousand corresponding to the accrued amount of the ILP for the first half of the 2023 period, which will be paid, if applicable, in 2025. In addition, EUR 69 thousand corresponding to the ILP accrual was accrued during the 2022 period.

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At 30 June 2023 and 31 December 2022 there are certain indemnity agreements in place for members of Senior Management in certain cases of termination of their employment relationship, following a change of control in the Parent Company, as well as in other circumstances. In no case does this contingent commitment exceed one year's remuneration.

At 30 June 2023 and 31 December 2022, the Group has no pension, life insurance, stock options or termination benefit obligations to former or current members of the Board of Directors and Senior Management of the Parent Company.

At 30 June 2023 and 31 December 2022, there are no advances or loans granted to members of the Board of Directors and Senior Management.

**(19) EMPLOYEE INFORMATION**

The average headcount of the Group at 30 June 2023 and 31 December 2022, distributed by category, is as follows:

	<u>30/06/2023</u>	<u>31/12/2022</u>
Professional category		
Senior Management	<u>4</u>	<u>4</u>
Total	<u><u>4</u></u>	<u><u>4</u></u>

In addition, the gender distribution of the Group as at 30 June 2023 and 31 December 2022 is as follows:

	Number			
	<u>30/06/2023</u>		<u>31/12/2022</u>	
	Women	Men	Women	Men
Senior Management	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>
Total	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>

Additionally, At 30 June 2023 and 31 December 2022 the Group does not have any employees with a disability equal or greater than 33%.

**(20) EVENTS AFTER THE REPORTING PERIOD**

At 7 July 2023, the BBB rating awarded by Fitch was renewed for both the consolidated Lar España Group and the issuance of green bonds (Note 10c).

**(21) 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.



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## **1 Situation of the Group**

### **1.1 Organisational structure and operations**

The Group, created in 2014, is comprised of a group of companies mostly under the tax regime governing Listed Real Estate Investment Companies ("SOCIMI"). It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has more than fifty years of experience in the property market and a long history of generating value through various property cycles in the last decades, and that has alliances with some of the most internationally renowned investors.

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

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

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

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

- On assets the company considers to be strategic assets, mainly retail 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 2023, the Group's ordinary revenue amounted to EUR 47,229 thousand, corresponding to the business in which the Group is engaged, the rental business.

During first half 2023, the Group incurred "Other expenses" amounting to EUR 15,079 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group amounting EUR 3,840 thousand, recurrent services that are directly linked to the everyday management of the assets by the amount of EUR 7,016 thousand.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as the result of the operations, net of the change in fair value of investment property, net of amortization expenses, stood at EUR 33,462 thousand.

The valuation in value during 2023 of the assets held by the Group at 30 June 2023, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year supposed a negative effect in the Abridged Consolidated Interim Statement of Comprehensive Income

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of EUR 12,078 thousand.

The financial result was positive amount of EUR 13,754 thousand, including impairment and result from the disposals of financial instruments and changes in the fair value of financial instruments and without considering the share of profit (loss) for the year of investments accounted for using equity method.

The Group's profit for the period (after taxes) was EUR 35,138 thousand.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from shopping centres, representing a 64.5% of total revenue, as opposed to 35.5% from commercial parks.
- Around 36.6% of rental revenue is generated by the Lagoh, Puerta Marítima Ondara and Gran Vía de Vigo.

As of 30 June of 2023, the Group occupied across its whole business 95.9% the gross leasable area (GLA), the occupancy rate at shopping centres being 95.4% and retail parks occupancy stands at 96.5%.

As of 30 June of 2023, the Group has a portfolio of real estate rental projects covering shopping centres (310,710 sqm) and retail parks (239,684 sqm). The overall total gross leasable area of 550,394 sqm.

## **2.2 Other financial indicators**

As of 30 June of 2023, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 355,460 thousand (EUR 477,350 thousand as of 31 December 2022).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) → 13.9 (22.6 as of 31 December 2022).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.3 (1.4 as of 31 December 2022).

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

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 5.90% (positive amount of 8.25% as of 31 December 2022). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 3.19% (positive amount of 4.26% as of 31 December 2022); This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 5 and 7 of the "Half yearly report 2023", which was published on the same date as the Financial Statements and

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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.

For more information about this kind of operations, see "Half yearly report 2023".

#### **Personnel**

As of 30 June 2023, the Group has 4 employees (3 men and 1 woman). Said employees are classified as Senior Management. In the 2023 period the Company has had no employees with a 33% or greater disability.

### **3 Liquidity and capital resources**

#### **3.1 Liquidity and capital resources**

On 30 June 2023, the Group's financial debt amounted to EUR 655,837 thousand. The level of debt is related basically to the two unsecured green bonds issuances, launched in July and November 2021. This also includes a credit line arranged by the Parent Company with European Investment Bank.

As of 30 June 2023, the Group's short-term financial debt stands at EUR 8,486 thousand.

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

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

The financial expenses accrued on loans during the six months ended 30 June 2023 amounted to EUR 622 thousand, and the effect of the amortised cost of these was EUR 7 thousand. The accrued, unpaid interest at 30 June 2023 amounts to EUR 185 thousand.

During 2021, the Group restructured its debt in the form of two unsecured green bond issuances in the amount of EUR 400 million in June 2021 and EUR 300 million in November of the same year. The conditions of these issuances are broken down in the consolidated financial statements of the Group for the year ended 31 December 2022.

In relation to these issues in the first half of 2023, the Group carried out partial repurchases in order to reduce its leverage, that have a positive impact on the Abridged Consolidated Interim Statement of Comprehensive Income for the period and also make the cash available at that time profitable. In January, the first repurchase process was carried out for an amount of 98 million euro for the bonds issued on 22 July 2021 and 12 million euro for those issued on 3 November 2021, with an average discount of 18%, equivalent to a total final price of 90.5 million euro, which was paid in full with the Parent Company's cash. The reduction of the debt resulted in a positive impact on the Abridged Consolidated Interim Statement of Comprehensive Income for the first half of the financial year 2023

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of around EUR 20 million. The company appointed J.P. Morgan as the dealer manager for the transaction, which was targeted exclusively at certain eligible holders and settled on 19 January 2023.

Subsequently, partial repurchases of the first bond issued maturing in 2026 continued throughout the first half of 2023 for a total amount of EUR 8.6 million. The average discount rate recorded in these transactions was approximately 16%, with a positive impact of EUR 0.4 million on the Abridged Consolidated Interim Statement of Comprehensive Income for the first half of 2023.

The amounts corresponding to the repurchases made in January 2023 have already been redeemed, while the bonds acquired in May and June 2023 remain to be redeemed.

The financial expenses accrued on the bonds during the six months ended 30 June 2023 amounted to EUR 5,344 thousand, and the effect of the amortised cost thereof was EUR 1,574 thousand (taking into account the financial expenses for the amortised cost effect corresponding to the proportional part of the repurchases made during the first half of 2023). The accrued, unpaid interest at 30 June 2023 amounts to EUR 8,301 thousand.

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

As of 30 June 2023, the Group presents investment commitments pertaining to investment property totalled EUR 3,194 thousand, in addition to the indications in section 3.1.

As of 30 June 2023, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

## **4 Main risks and uncertainties**

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

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

## **5 Environmental information**

The corporate sustainability component of Lar España's business model is a differentiating feature within its value creation for all its stakeholders, including shareholders, regulators, lessees and customers, among others.

Following the approval of its Sustainability Policy in January 2016, Lar España drafted an ESG Master Plan, which is aligned with the SDGs of the United Nations and the Paris Agreement (COP21), for the main purpose of obtaining a clear and defined road map at Company level. After drafting the general ESG Master Plan, the Company began to focus on more specific topics that revolve around more concrete aspects, incorporating measures and quantified objectives that are in line with various international standards at both a corporate and industry level. In this respect, Lar España has been working on the following projects:

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As regards its commitment to contributing to the fight against climate change:

- The Company has prepared a Carbon Footprint Reduction Plan with the aim of establishing a clear emission neutrality goal. As part of this plan, measures have been designed that are adapted to each of the assets and will be implemented in forthcoming years in line with the investment plans and the progress of the different technologies in this field.
- After registering the Company's Carbon Footprint for 2018, 2019 and 2020 with Spain's Ministry for the Ecological Transition and the Demographic Challenge (MITERD), as part of the national strategy within the broader European Union strategy, Lar España completed the process to register its Carbon Footprint for 2021. Consequently, the Company has now registered its Carbon Footprint with the Ministry for the Ecological Transition and the Demographic Challenge (MITERD) for four consecutive years, obtaining the "Reduzco" (reduction) seal for its reduction in emissions. This was achieved thanks to various initiatives carried out in recent years, which have made Lar España the first listed real estate company to receive this accolade. Ever since it first registered its Carbon Footprint, the Company has obtained independent verification of the information submitted to the Ministry via the "Carbon Footprint Declaration of Conformity". This verification covers the emissions data for each year and the plan that has to be in place to scale back emissions even further. The Company is currently in the process of securing verification of its Carbon Footprint for 2022.

The upcoming steps to forge ahead with the emissions reduction strategy are as follows:

1. Continuation of the policy of obtaining electricity from renewable sources with guarantees of origin across all its strategic assets.
  2. Application of technical and economic studies for the implementation of solar photovoltaic energy at strategic assets and preparing these assets for installation, promoting renewable energy generation facilities for self-consumption.
  3. Maintenance of the proprietary system for automating the control of energy consumption by means of telematic measurement.
  4. Implementation of predictive maintenance programmes and proactive inspection protocols for air conditioning equipment to avoid coolant leaks.
  5. Programme for the progressive renewal of equipment with more efficient machines that have a lower impact on GHG emissions.
- From a building efficiency standpoint, Lar España has teamed up with KPMG to draw up an Energy Efficiency Plan which will be implemented at asset level following Energy Audits. The Plan is supported by an automated data platform to obtain data on asset consumption and emissions, enabling live monitoring. This platform has been designed and implemented specifically for Lar España.
  - Now that the supply of electricity with guarantees of origin has been arranged for all portfolio assets, one of the next steps being studied by the Company is the installation of photovoltaic panels.
  - Regarding contribution to the Circular Economy principles, and as a step forward in the fight against climate change, Lar España developed a Waste Management Plan to obtain better knowledge of the type and traceability of waste generated by the assets. The next step will be the centralisation of waste management.

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- During the first half of the year, work on various measures was ongoing, such as installing specific recycling points, identifying and cataloguing a higher proportion of waste and studying different waste treatment alternatives. The Company's aim is to continue working on this matter to obtain a higher level of control over the waste generated by its activity and over the routes used for disposing of this waste. This will enable the Company to obtain greater details regarding its indirect emissions (Scope 3), which will complete its Carbon Footprint calculation.
- Additionally, since last year facilities have been installed where customers can recycle waste thanks to cooperation with companies such as Ecoembes, which saw the implementation of Return & Reward Systems through its RECICLOS app.

### **Sustainable mobility**

Sustainable mobility is a concept devised to curb the environmental and social problems associated with urban mobility for the general public. Lar España is focusing its efforts in this area because it is considered an added-value factor for the portfolio assets. On this front, the different alternatives in each of the assets are being studied in order to implement a range of sustainable mobility solutions.

The main projects being carried out are as follows:

- Electric vehicle charging stations.
- Shared mobility.
- Walkways, enhanced pedestrian access to the shopping centres and the surrounding areas.
- Campaigns encouraging the use of public transport, bus stops and taxi ranks.
- Bicycle, scooter and motorbike access and parking, designated parking spaces for families and emergency vehicles located close to the main entrances, and parking guidance systems.

Lar España's 14 portfolio assets all now have electric vehicle charging stations and can be accessed using local public transport.

The mobility study conducted at the Megapark shopping centre by a local specialist has also been completed. The results will now be analysed with a view to implementing specific measures.

### **Certification**

The Company has made progress on its commitment to participating in assessment and certification schemes to ensure that all properties are operating as sustainably as possible. Testament to this is the fact that all portfolio assets have been certified under the BREEAM standards. In addition to the Lar España assets achieving this goal, the actual rating awarded goes to show the quality of the assets themselves, with 98% of them obtaining an "Excellent" or "Very Good" rating (in terms of GAV).

Furthermore, 100% of the portfolio under its operational control has held ISO 14001 and 45001 certifications since 2022, which demonstrates the implementation of uniform procedures and standards in terms of environmental management and occupational health and safety.

In 2023 the Company has continued to participate in independent assessment schemes, such as GRESB for the sixth year running and the MSCI world index, in which it has retained its BBB rating for Lar España in 2023.

As regards equality-related topics, the Company continues to form part of the IBEX Gender Equality Index, Spain's first gender equality rating.

## **6 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 2023 and in subsequent years.

## **7 Market context**

### **7.1 Ukraine War**

On 24 February 2022, Russia launched an invasion of Ukraine, leading to a war between these countries, the consequences of which remain uncertain at present. The Company's directors, after assessing the possible repercussions of this situation, have considered that it would not, a priori, have a direct impact on its financial statements, since all its operations are domestic, and it does not depend on any raw materials that could be affected by supply cuts.

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

The aforementioned situation and its potential indirect impacts on the Group are being monitored by the Directors. Lease payments for commercial assets owned by the Group are pegged to the CPI and have been revised in the first semester of 2023. Activity levels at the shopping centres and single-tenant commercial premises are tracked to identify possible downturns in footfall and/or consumer demand that might affect the tenants' affordability rates.

The independent experts engaged by Group have considered the economic situation as at 30 June 2023 when determining the fair value of the Group's investment property. Nevertheless, the situation could be affected by rapid changes in market conditions brought about by global geopolitical and economic factors.

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

### **7.2 Management experience**

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

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

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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.

### **7.3 Business model and operational structure**

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

The company's shopping centres boast an occupancy rate of 95.9%, operating at close to full capacity.

In most 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 always meet the requirements of the market and its customers.

Lar España has a solid, diversified and high-quality tenant base, enjoying a healthy and collaborative relationship with them all.

The top ten tenants account for 34.16% of its rental income, and more than 64% of all the leases signed with retailers have a remaining term over 2026.

The company's properties have a clear competitive edge in their catchment areas, generally offering more than 550,394 sqm of retail space and located in regions with an above average per capita income for Spain.

### **7.4 Commitment to retailers**

The company communicates openly and regularly with all of its tenants, across all its properties. All of its strategies share the clear objective of guaranteeing the safety of its customers and employees, to ensure that all the stores in the company's portfolio can carry on their activity, for example through the project to monitor the air quality of the assets to guarantee optimum indoor air quality in the shopping centres. In addition, over the last few months the company has been analysing different ways to establish channels of dialogue with its tenants, responding to any possible needs that may arise.

### **7.5 Consolidated financial position**

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

An example of this is the average cost of the company's financial debt, which stands at 1.8%, 100% at a fixed rate, and with no relevant maturities until 2026.

### **7.6 Financial and investment caution**

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



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## **8 R&D&I activities**

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

## **9 Acquisition and disposal of treasury stock**

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

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

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

As of 30 June 2023, the share price was EUR 5.46.

As of 30 June 2023, the Company holds a total of 67,751 shares, representing 0.08% of total issued shares.

## **10 Other relevant information**

### **10.1 Stock exchange information**

The initial share price at the start of the year was EUR 4.30 and the nominal value at the reporting date was EUR 5.46. During the period, the average price per share was EUR 4.98.

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

### **10.2 Dividend policy**

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

The total pay-out was 12,334 thousand Euros charged to the Profit for the period 2022 (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity and totals 12 thousand Euros in dividends charged to profit), and 37,621 thousand Euros charged to share premium given the amount per share approved and shares outstanding at the time of approval by the General Shareholders' Meeting on 31 March 2023. The dividend pay-out was settled in full on 28 April 2023.

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**11 Events after the reporting period**

At 7 July 2023, the BBB rating awarded by Fitch was renewed for both the consolidated Lar España Group and the issuance of green bonds.

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**Authorisation for issue of the Abridged Consolidated Interim Financial Statements and Consolidated Interim Management Report for the six-month period ended 30 June 2023.**

The members of the Board of Directors of Lar España Real Estate SOCIMI, S.A., meeting on 27 July 2023 and in compliance with the requirements established in articles 253 of the Consolidated Text of the Spanish Capital Companies Act and article 37 of the Spanish Commercial Code, proceed to prepare the Abridged Consolidated Interim Financial Statements together with the Consolidated Interim Management Report for the six months ended 30 June 2023. The Abridged Consolidated Interim Financial Statements and the Consolidated Interim Management Report comprise the documents that precede this certification.

Signatories:

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Mr José Luis del Valle Doblado (Chairman)

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Mr José Luis del Valle Doblado (representing Alec Emmott)

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Ms Isabel Aguilera Navarro

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Mr Miguel Pereda Espeso

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Mr Roger Maxwell Cooke

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Ms Leticia Iglesias Herraiz

Madrid, 27 July 2023

\*The Director Mr Alec Emmott attended the Board meeting by video conference and having expressed his agreement with the financial statements, has proceeded with their formulation, expressly authorising Mr. José Luis del Valle Doblado to sign him on his behalf.

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

Mr José Luis del Valle and Ms Susana Guerrero, as Chairman and Deputy Secretary of the Board of Directors of the Parent Company, respectively, hereby certify:

- (i) That the Abridged Consolidated Interim Financial Statements along with the Consolidated Interim Management Report for the six-month period ended 30 June 2023 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 27 July 2023.
- (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.

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Mr José Luis del Valle Doblado  
(Chairperson)

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Ms Susana Guerrero Trevijano  
(Deputy Secretary to the Board)