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## **REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. IN CONNECTION WITH THE PROPOSED AUTHORISED CAPITAL RESOLUTION SET OUT IN ITEM EIGHT ON THE AGENDA FOR THE ORDINARY GENERAL SHAREHOLDERS' MEETING CALLED TO BE HELD ON APRIL 26 AND 27, 2022, ON FIRST AND SECOND CALL, RESPECTIVELY**

### **1. INTRODUCTION**

This report has been prepared by the Board of Directors of Lar España Real Estate SOCIMI, S.A. (the “**Company**”) pursuant to articles 286, 297.1.b) and 506 of the consolidated text of the Spanish Companies Law (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Spanish Companies Law**”), to explain the proposal submitted for approval by the General Shareholders’ Meeting of the Company called for April 26 and 27, 2022, on first and second call, respectively, under item eight on the agenda, in connection with the authorisation to the Board of Directors of the Company to increase the share capital, within five years, by up to one-half of the share capital existing at the time of the authorisation, on one or more occasions and at the time and in the amount it deems appropriate, with the power to exclude pre-emptive rights as established in article 506 of the Spanish Companies Law.

### **2. GENERAL REASONS FOR THE PROPOSAL**

According to article 297.1.b) of the Spanish Companies Law, the shareholders at the General Shareholders’ Meeting may, by complying with the requirements established for the amendment of the By-Laws, delegate to the Board of Directors the power to resolve, on one or more occasions, to increase the share capital up to a given amount, at the time and in the amount the Board decides, without first consulting with the shareholders at the General Shareholders’ Meeting. This provision establishes that the amount of such share capital increases may under no circumstances exceed one-half of the share capital of the Company at the time of the authorisation and that they must be made by cash contributions within a maximum period of five years following the date on which the resolution is adopted at the General Shareholders’ Meeting.

The Board of Directors understands that the proposed resolution submitted for approval by the shareholders at the General Shareholders’ Meeting is justified by the advisability of making use of the mechanism contemplated by current corporate laws and regulations whereby one or more increases in share capital may be approved without calling or holding a new General Shareholders’ Meeting, though subject to the limits, terms and conditions that it decides. Therefore, the aim is to give the Board of Directors the responsiveness required to operate in an environment in which the success of a strategic initiative often depends on the ability to undertake it rapidly, without sustaining the delays and costs associated with holding General Shareholders’ Meetings.

In addition, article 506 of the Spanish Companies Law states that, in listed companies, when the shareholders at the General Shareholders’ Meeting delegate the power to increase the share capital, the Board of Directors may also be given the power to exclude pre-emptive rights when the circumstances set out in this provision are present, provided that the par value of the shares to be issued plus the issue premium, if any, is equal to the fair value of the shares of the Company. This possibility of excluding pre-emptive rights is also expressly provided for in article 13 of the Company’s current By-Laws.

The Board of Directors understands that the power to exclude pre-emptive rights, as a supplement to the power to increase share capital, is justified for several reasons. First, the exclusion of pre-emptive



rights often makes it possible to relatively reduce the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issuance) as compared to an issuance made with pre-emptive rights. Second, the power to exclude pre-emptive rights enables the directors to significantly increase speed and responsiveness occasionally required in today's financial markets, such that the Company may take advantage of the moments when market conditions are more favourable. In addition, the exclusion of pre-emptive rights may allow the Company to optimize the financial conditions of the transaction and, in particular, the issue price of the new shares, as it may align it to the expectations of the qualified investors to whom such share capital increases are customarily addressed, while reducing execution risks through a lower exposure of the transaction to changes in market conditions. Finally, the exclusion of pre-emptive rights mitigates the effect of distortion in the trading of the Company's shares during the issuance period, which is normally shorter than in the case of an issuance with pre-emptive rights.

In any event, the ability to exclude pre-emptive rights is a power that the shareholders acting at the General Shareholders' Meeting delegate to the Board of Directors, and it is within the purview of the Board to decide in each case, in view of the specific circumstances and in compliance with legal requirements, whether or not such rights should effectively be excluded. If the Board of Directors decides to make use of the power to exclude pre-emptive rights in connection with a specific share capital increase that it may ultimately approve exercising the authorisation granted by the shareholders at the General Shareholders' Meeting, a directors' report shall be prepared at the time of adopting the share capital increase resolution, specifying the specific reasons justifying the implementation of such measure in terms of the corporate interest. In addition, the Company shall request the Commercial Registry to appoint an independent expert who shall prepare a report in compliance with articles 308, 504 and 506 of the Spanish Companies Law, in the event that the share capital increase were approved for an amount greater than 20% of the share capital at the time of granting the authorisation. The report, or the reports, as applicable, must be made available to the shareholders and disclosed at the first General Shareholders' Meeting held after the share capital increase resolution is adopted, as provided for by article 506 of the Spanish Companies Law.

Pursuant to article 506 of the Spanish Companies Law, the power of the General Shareholders' Meeting to grant the Board of Directors the power to exclude pre-emptive rights is limited to a maximum of 20% of the share capital at the time of granting such power. However, the Board of Directors has deemed appropriate, in line with international recommendations of good market practices, to limit this power to a maximum of 10% of the share capital at the time of the authorisation (*i.e.*, €16,738,593.80).

In accordance with the applicable law, if the Board of Directors decides to exclude pre-emptive rights in a share capital increase, the par value of the shares and the share premium, if any, must correspond to the fair value of the Company's shares, established by reference to the Company's securities exchange listing, provided that this is not more than 10% lower than the listed price of the Company's shares.

In addition, shares may be issued at a price lower than the fair value. In this case, the report of the Board of Directors prepared for this purpose must justify that the corporate interest requires not only the exclusion of the pre-emptive rights, but also the proposed type of issue. A report, prepared at the request of the Board of Directors by an auditor other than the Company's auditor and appointed for this purpose by the Commercial Registry, shall also be required and shall specifically decide on the amount of the expected economic dilution and the reasonableness of the data and considerations included in the Board of Directors' supporting report.

Likewise, the proposal also contemplates applying, where appropriate, for the listing of the shares to be issued by the Company pursuant to delegation of powers on the Spanish or foreign, official or



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unofficial, organized or other secondary markets, authorising the Board of Directors to carry out all acts and formalities necessary with the appropriate authorities of the various Spanish or foreign securities markets for the shares to be admitted to listing.

Finally, it is proposed to expressly authorise the Board of Directors to delegate the powers contemplated in the proposed resolution to which this report refers.

The delegation of powers to which this report refers substitutes that granted by the Ordinary General Shareholders' Meeting on May 29, 2017, which, consequently, is deprived of effect.

In particular, the proposed resolution submitted for approval by the shareholders at the General Shareholders' Meeting reads as follows:

### **ITEM EIGHT ON THE AGENDA**

**Delegation to the Board of Directors, with the express power of substitution, for a term of five years, of the power to increase the share capital pursuant to the provisions of article 297.1.b) of the Spanish Companies Law, by up to one-half of the share capital on the date of the delegation. Delegation of the power to exclude the pre-emptive rights in connection with the capital increases that the Board may approve under this authorisation, provided, however, that this power shall be limited to an aggregate maximum nominal amount equal to 10% of the share capital on the date of this authorisation. Revocation of former authorisations**

### **RESOLUTION**

*To authorise the Board of Directors, as broadly as may be required by Law, so that, as permitted by article 297.1.b) of the Spanish Companies Law (Ley de Sociedades de Capital), it may increase the share capital on one or more occasions and at any time within a term of five years from the date of approval of this resolution, by up to one-half of the current share capital.*

*Said share capital increase or increases may be carried out with or without a premium, either by increasing the par value of the outstanding shares with the requirements set forth in the Law, or by issuing new ordinary or privileged shares (with or without voting rights), or redeemable shares, or any other type of shares valid under the applicable Laws, or different types of shares at one time, the consideration for which shall be cash contributions.*

*The Board of Directors shall decide, in connection with each increase, whether the new shares to be issued are common, preferred, redeemable, non-voting or any other kinds of shares among those permitted by Law. In addition, the Board of Directors may establish, as to all matters not otherwise contemplated, the terms and conditions of the share capital increase and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made and amend the article of the By-Laws relating to share capital and number of shares.*

*Furthermore, in connection with the share capital increases that may be carried out under this authorisation, the Board of Directors is authorised to totally or partially exclude pre-emptive rights as permitted by article 506 of the Spanish Companies Law (Ley de Sociedades de Capital), provided, however,*



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*that such power shall be limited to share capital increases carried out pursuant to this authorisation up to an aggregate maximum amount equal to 10% of the current share capital of the Company. This power shall be limited to capital increases carried out under this delegation.*

*By virtue of this authorisation, the Board of Directors is also empowered to make application for listing of the shares issued under this authorisation on Spanish or foreign, official or unofficial, organized or other secondary markets, and to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the securities markets.*

*The Board of Directors is also authorised to delegate in favour of any director or directors it deems appropriate the powers delegated thereto under this resolution.*

*Likewise, the Board of Directors is authorised, as broadly as may be required by Law, with substitution powers in any of Lar España Real Estate SOCIMI, S.A.'s directors, such that any of them, may indistinctly carry out such acts as may be necessary and execute such public or private documents or agreements as may be necessary or convenient for the full effectiveness of the above resolutions in any aspect and contents and, in particular, to elaborate on, clarify, make more specific, interpret, complete, and correct it; also, to correct the defects, errors or omissions which may be observed in the oral or written assessment of the Commercial Registrar, as broadly as possible.*

*The present delegation of powers to the Board of Directors replaces the one granted by the Ordinary General Shareholders' Meeting on May 29, 2017, which will therefore be rendered void.*