

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

Consolidated Financial Statements for year then ended on 31 December 2020, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2.a and 32). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lar España Real Estate SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Property

Description

The Group manages a portfolio of urban property assets earmarked for lease (mainly shopping centres) located in Spain. Investment property is stated at its fair value at the reporting date and is not depreciated. At 31 December 2020, the portfolio of investment property was valued at EUR 1,476 million.

The Group periodically uses third parties independent of the Group as experts to determine the fair value of its property assets. The aforementioned experts have substantial experience in the markets in which the Group operates and employ valuation methodologies and standards widely used in the market.

The valuation of the real estate portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty, increased in the current economic environment. Specifically, the discounted cash flow method is generally applied to the valuation of the rental property assets, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the internal rate of return or opportunity cost used when discounting;
- the residual value of the assets at the end of the projection period; and
- the exit yield.

In addition, small percentage changes in the key assumptions used for the valuation of the property assets could give rise to significant changes in the consolidated financial statements.

Procedures applied in the audit

Our audit procedures included, among others, the obtaining the valuation reports of the experts hired by the Group to value the entire real estate portfolio and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we:

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

We also analysed and concluded on the suitability of the disclosures made by the Group in relation to these matters, which are included in Notes 5-a, 7 and 10 to the accompanying consolidated financial statements for 2020.

Compliance with the special REIT tax regime

Description

The Parent and most of its subsidiaries have availed themselves of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements, such as, basically, investment requirements and those relating to the nature of the Income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirement will result in the loss of entitlement to the special tax regimen unless the cause of non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT tax regime.

Procedures applied in the audit

Our audit procedures included, among other, obtaining and reviewing the documentation prepared by Group management relating to compliance with the obligations associated with this special tax regime and we involved our internal experts from the tax area, who assisted us in analyzing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 21 and 22 to the consolidated financial statements contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Parent and of its subsidiaries.

Emphasis of matter

We draw attention to the contents of Note 2.g of the accompanying consolidated financial statements, which describes the effects, that COVID-19 crisis has had during the 2020 financial year, as well as the potential future effects that the aforementioned crisis could have, if any on the Group's operations, due to the uncertainties arising from this extraordinary situation. This highly uncertain scenario, in which the valuations of the Group's assets at December 31, 2020 have been carried out, has meant that, according to external valuers, they are exposed to a lower degree of certainty than would be the case in an environment not affected by COVID-19. Our opinion is not modified in relation to this matter.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

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

- a) Checking only certain information included in the Annual Corporate Governance Report, to which the Audit Law refers, has been provided as stipulated by applicable regulations and, if not, reporting this fact.
- b) Evaluating and reporting on the consistency of the remaining information included in the consolidated director's report with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2020 and its content and presentation are in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 24 February 2021.

Engagement Period

The Annual General Meeting held on 17 March 2020 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2019.

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

DELOITTE, S.L.

Registered in R.O.A.C. under no. S0692



Carmen Barrasa Ruiz

Registered in R.O.A.C. under no. 17962

24 February 2021

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



Real Estate

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

Consolidated financial statements for the 2020 period

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

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

CONTENTS

(1)	NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP	10
(2)	BASIS OF PRESENTATION	14
(a)	Regulatory framework on financial information	14
(b)	Functional and presentation currency	14
(c)	Comparison of information.....	14
(d)	Relevant accounting estimates, assumptions and judgements used when applying accounting principles	15
(e)	Standards and interpretations adopted since 01 January 2020.....	16
(f)	Standards and interpretations issued but not effective at 1 January 2020	17
(g)	Impact of COVID-19 on the financial statements	18
(3)	ALLOCATION OF PROFIT	20
(4)	CONSOLIDATION PRINCIPLES	25
(a)	Subsidiaries	25
(b)	Joint Ventures	26
(c)	Business combinations.....	26
(d)	Standardisation of account items	27
(e)	Scope of consolidation.....	27
(f)	Changes to the composition of the Group.....	32
(5)	ACCOUNTING PRINCIPLES.....	32
(a)	Investment property and intangible assets	32
(b)	Leases.....	33
(c)	Financial instruments	34
(d)	Derivative financial instruments and accounting of hedging transactions	36
(e)	Valuation techniques and assumptions applicable to fair value measurement....	37
(f)	Treasury shares of the Parent Company.....	39
(g)	Distributions to shareholders	39
(h)	Cash and cash equivalents.....	40
(i)	Employee benefits.....	40
(j)	Payments based on shares	40
(k)	Provisions.....	40
(l)	Recognition of income	41
(m)	Lease of investment property to third parties.....	41
(n)	Profit and loss from the disposal of investment property	42
(o)	Income tax.....	42
(p)	Segment reporting	43
(q)	Classification of assets and liabilities as current and non-current	43
(r)	Environmental information	44
(s)	Statement of cash flows	44

(t)	Non-current assets held for sale and liabilities connected to non-current assets held for sale.....	44
(6)	SEGMENT REPORTING.....	45
(a)	Operating segments.....	45
(b)	Geographical segments.....	52
(7)	INVESTMENT PROPERTY.....	53
(8)	OPERATING LEASES – LESSOR.....	60
(9)	EQUITY-ACCOUNTED INVESTEEES.....	62
(10)	NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES CONNECTED TO ASSETS HELD FOR SALE.....	63
(11)	FINANCIAL ASSETS BY CATEGORY.....	66
(a)	Classification of financial assets by category.....	66
(b)	Classification of financial assets by maturity.....	66
(12)	TRADE AND OTHER RECEIVABLES.....	68
(a)	Impairment.....	68
(13)	CASH AND CASH EQUIVALENTS.....	69
(14)	NET EQUITY.....	70
(a)	Capital.....	70
(b)	Issue premium.....	71
(c)	Other reserves.....	71
(d)	Valuation adjustments.....	73
(e)	Treasury shares.....	73
(f)	Dividends paid.....	75
(15)	EARNINGS PER SHARE.....	76
(a)	Basic.....	76
(b)	Diluted.....	76
(16)	FINANCIAL LIABILITIES BY CATEGORY.....	78
(a)	Classification of financial liabilities by category.....	78
(b)	Classification of financial liabilities by maturity.....	79
(17)	FINANCIAL LIABILITIES FROM BORROWINGS.....	80
(a)	Main characteristics of debt from bonds.....	80
(b)	Main characteristics of bank borrowings.....	81
(c)	Derivatives.....	84
(d)	Movements of cash under financial liabilities from borrowings.....	86
(18)	OTHER NON-CURRENT FINANCIAL LIABILITIES.....	87
(19)	TRADE AND OTHER PAYABLES.....	87
(20)	INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE OUTSTANDING TO SUPPLIERS.....	88
(21)	PUBLIC ENTITIES AND TAXATION.....	89
(a)	Balances with public entities.....	89
(b)	Reconciliation of accounting profit and taxable income.....	89
(c)	Reconciliation of accounting profit and Corporate Income Tax expense.....	91

(d)	Periods pending verification and inspections.....	92
(e)	Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012	92
(22)	RISK MANAGEMENT POLICY	93
(a)	Financial risk factors.....	93
(23)	REVENUE.....	101
(24)	OTHER OPERATING EXPENSES	101
(25)	FINANCIAL PROFIT/(LOSS).....	102
(26)	EMPLOYEE BENEFITS EXPENSE	102
(27)	PROFIT/(LOSS) FOR THE PERIOD	103
(28)	RELATED PARTY BALANCES AND TRANSACTIONS.....	104
(a)	Related party transactions and balances.....	104
(b)	Information on the Parent Company’s Board of Directors and senior management personnel of the Group	105
(c)	Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors.....	106
(d)	Investments and positions held by the Directors and their related parties in other companies	106
(29)	EMPLOYEE INFORMATION.....	106
(30)	AUDIT FEES	107
(31)	EVENTS AFTER THE REPORTING PERIOD	107
(32)	EXPLANATION ADDED FOR TRANSLATION TO ENGLISH	108

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

Consolidated Statement of Financial Position

31 December 2020

(Expressed in thousands of euros)

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

<u>Assets</u>	<u>Note</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
Intangible assets		2	2
Investment property	7	1,373,480	1,449,344
Equity-accounted investees	9, 28a	1,082	5,100
Non-current financial assets	11	13,618	13,149
Trade and other long-term receivables	11, 12	17,996	3,857
Total non-current assets		1,406,178	1,471,452
Non-current assets held for sale	10	106,755	103,790
Trade and other receivables	11, 12	28,463	14,644
Other current financial assets	11	369	189
Other current assets		3,038	2,650
Cash and cash equivalents	13	134,028	160,527
Total current assets		272,653	281,800
Total assets		1,678,831	1,753,252

The accompanying Notes 1 to 32 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2020.

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

Consolidated Statement of Financial Position

31 December 2020

(Expressed in thousands of euros)

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

<u>Net Equity and Liabilities</u>	<u>Note</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
Capital	14	175,267	175,267
Issue premium	14	475,130	475,130
Other reserves and other contributions	14	281,005	254,358
Retained earnings	14, 15	(53,668)	80,730
Treasury shares	14	(16,474)	(762)
Valuation adjustments	14	(1,610)	(1,943)
Total net equity		859,650	982,780
Financial liabilities from issue of bonds and other marketable securities	16, 17a	139,685	139,376
Bank borrowings	16, 17b	570,608	506,641
Deferred tax liabilities	16, 21	17,201	17,201
Derivatives	16, 17c	4,685	2,846
Other non-current liabilities	16, 18	19,993	19,593
Total non-current liabilities		752,172	685,657
Liabilities connected to non-current assets held for sale	10	1,576	1,570
Financial liabilities from issue of bonds and other marketable securities	16, 17a	3,482	3,482
Bank borrowings	16, 17b	40,593	41,127
Derivatives	16, 17c	3,137	2,393
Short-term borrowings from Group companies and associates	28a	—	3,199
Trade and other payables	19	18,221	33,044
Total current liabilities		67,009	84,815
Total net equity and liabilities		1,678,831	1,753,252

The accompanying Notes 1 to 32 and Appendix I form an integral part of the consolidated statement of financial position at 31 December 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income for the period ended
31 December 2020

(Expressed in thousands of euros)

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

<u>Consolidated Statement of Comprehensive Income</u>	Note	2020	2019
Revenue	6	93,324	81,128
Other income		3,566	3,274
Employee benefits expense	26	(474)	(424)
Amortisation and depreciation charges		—	—
Other operating expenses	24	(26,715)	(25,726)
Changes in the fair value of investment property	7, 10	(100,656)	40,037
Profit and loss from the disposal of investment property	7, 10	—	1,008
Operating profit/(loss)		(30,955)	99,297
Financial revenue	25	40	12
Financial expenses	25	(20,096)	(18,977)
Inclusion of financial expenses under assets	7, 25	—	659
Changes in the fair value of financial instruments	17e, 25	(2,914)	(1,836)
Share in profit (loss) for the period of equity-accounted investees	9	257	473
Profit for the period from continuing operations		(53,668)	79,628
Corporate income tax	21	—	1,102
Profit for the period		(53,668)	80,730
Basic earnings per share (in euros)	15	(0.63)	0.90
Diluted earnings per share (in euros)	15	(0.63)	0.90
<u>Consolidated Statement of Comprehensive Income</u>		2020	2019
Profit for the period (I)	27	(53,668)	80,730
Other Comprehensive Income Directly Recognised in Net Equity (II)	14d	(653)	(821)
Other amounts transferred to the income statement (III)	14d	986	1,488
Total Comprehensive Income (I+II+III)		(53,335)	81,397

The accompanying Notes 1 to 32 and Appendix I form an integral part of the Consolidated Statement of Comprehensive Income for the period ended 31 December 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Changes in Net Equity for the period ended
31 December 2020

(Expressed in thousands of euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments (Note 14d)	Total net equity
Balance at 31 December 2018	186,438	476,301	220,049	240	129,308	(1,228)	(2,610)	1,008,498
First application of IFRS 16	—	—	5,146	—	—	—	—	5,146
Balance at 01 January 2019	186,438	476,301	225,195	240	129,308	(1,228)	(2,610)	1,013,644
Total income and expenses recognised in the period	—	—	—	—	80,730	—	667	81,397
Transactions with shareholders or owners:								
Capital increases	1,243	5,182	—	—	—	—	—	6,425
Capital decreases	(12,414)	—	(34,011)	—	—	46,425	—	—
Distribution of profit:								
To reserves	—	—	63,061	—	(63,061)	—	—	—
To dividends	—	—	—	—	(66,247)	—	—	(66,247)
Return of the issue premium	—	(6,353)	—	—	—	—	—	(6,353)
Treasury shares	—	—	(16)	—	—	(45,959)	—	(45,975)
Balance at 31 December 2019	175,267	475,130	254,118	240	80,730	(762)	(1,943)	982,780
Total income and expenses recognised in the period	—	—	—	—	(53,668)	—	333	(53,335)
Transactions with shareholders or owners:								
Distribution of profit:								
To reserves	—	—	26,636	—	(26,636)	—	—	—
To dividends (Note 14f)	—	—	—	—	(54,094)	—	—	(54,094)
Treasury shares (Note 14e)	—	—	(6)	—	—	(15,712)	—	(15,718)
Other operations	—	—	17	—	—	—	—	17
Balance at 31 December 2020	175,267	475,130	280,765	240	(53,668)	(16,474)	(1,610)	859,650

The accompanying Notes 1 to 32 and Appendix I form an integral part of the consolidated statement of changes in net equity for the period ended 31 December 2020.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Cash Flows for the period ended
31 December 2020

(Expressed in thousands of euros)

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

	Notes	2020	2019
A) Cash flows from/(used in) operating activities		8,538	16,797
<i>Profit/(loss) for the period before tax</i>		(53,668)	79,628
<i>Adjustments to profit/(loss)</i>		123,369	(21,150)
Profits/(losses) from adjustments to the fair value of investment property	7.10	100,656	(40,037)
Amortisation and depreciation of fixed assets		—	—
Impairment adjustments	24	—	226
Financial revenue	25	(40)	(12)
Financial expenses	25	20,096	18,977
Inclusion of financial expenses under assets	7.25	—	(659)
Changes in the fair value of financial instruments	25	2,914	1,836
Share in profits/(losses) in associates' periods	9	(257)	(473)
Profit/(loss) from the disposal of investment property	7	—	(1,008)
<i>Changes in working capital</i>		(44,387)	(26,247)
Trade and other receivables		(28,211)	(1,061)
Other current and non-current assets and liabilities		(662)	(981)
Trade and other payables		(15,514)	(24,205)
<i>Other cash flows from operating activities</i>		(16,776)	(15,434)
Interest payments	17	(16,776)	(15,446)
Interest collections		—	12
B) Cash flows from/(used in) investing activities		(24,582)	(53,114)
<i>Investment payments</i>		(24,582)	(134,373)
Net outflow of cash in business acquisitions		—	—
Investment property	7.10	(24,582)	(134,373)
<i>Proceeds from sales on investments and dividends</i>		—	81,259
Other financial assets		—	—
Associated companies		—	—
Net inflow of cash in business sales	2g	—	3,000
Disposal of investment property	7	—	78,259
C) Cash flows from/(used in) financing activities		(7,570)	5,613
<i>Payments made and received for equity instruments</i>		(15,719)	(39,551)
Cash proceeds from issuing capital	16	—	6,425
Acquisition/disposal of equity instruments	16	(15,719)	(45,976)
<i>Payments made and received for financial liability instruments</i>		62,243	117,764
Issue of:			
Bank borrowings	17	101,327	156,955
Borrowings with Group companies and associates	28	1,000	3,100
Return and amortization of:			
Bank borrowings	17	(40,084)	(42,291)
<i>Payments for dividends and remuneration from other equity instruments</i>			
Dividend payments	14f	(54,094)	(72,600)
D) Cash and cash equivalents in non-current assets held for sale	13	(2,885)	(97)
E) Net increase/decrease in cash and cash equivalents		(26,449)	(30,801)
F) Cash and cash equivalents at the beginning of the period		160,527	191,328
G) Cash and cash equivalents at the end of the period		134,028	160,527

Notes 1 to 32 and Appendix I form an integral part of the consolidated statement of cash flows for the period ended 31 December 2020.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

- The acquisition and development of urban properties for lease.
- The holding of investments in the capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish “REITs”) or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.
- The holding of investments in the capital of other entities, Spanish or foreign residents, whose main corporate purpose is the acquisition of urban property for the lease thereof that are subject to the same regime applicable to SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and satisfy the investment requirements referenced in Article 3 of the SOCIMIs Law.
- The holding of shares or investments in Property Collective Investment Institutions regulated by Act 35/2003, of 4 November, on Collective Investment Institutions or any standard that might replace said Act in the future.
- In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Group in each tax period or those which can be considered complementary pursuant to prevailing legislation.

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and associates (hereinafter the “Group”), whose details are reflected in Note 4e, and whose main activity is the acquisition and management of shopping centres, may invest to a lesser extent in other assets for rent or for direct sale (commercial premises, industrial premises, logistics centres, offices and residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and Continuous Market since 5 March 2014 (Note 14).

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, which governs SOCIMIS. Said law stipulates the requirements for applying the special tax system, some of which are listed below:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the capital or equity of other entities referenced in Article 2.1 of aforementioned Law.

Asset value will be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the period. To calculate this value, the Parent Company chose to replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to all the balance sheets for the period. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current period or previous periods shall not be included, provided that, in the latter case, the period for reinvestment stipulated in Article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of revenue for the tax period corresponding to each year, excluding that derived from the transfer of those investments and properties held for the purpose of carrying out the principal statutory activity, once the holding period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from said investments.

This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in Article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated financial statements. This Group shall comprise solely the SOCIMIs and other entities to which Article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:
 - a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. If not, the provisions of the following point shall apply.
 - b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

For shares or investments in the entities referenced in Article 2.1 of the aforementioned Law, they should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

4. SOCIMIs and Spanish resident investees that have chosen to avail themselves of the special SOCIMI tax regime, after having satisfied any relevant trade obligations, shall be obligated to distribute the profit received in the period as dividends to their shareholders, where the distribution must be adopted within six months after each year-end, as follows:
 - a) 100% of profits deriving from dividends or shares of profits distributed by the entities referred to in Article 2.1 of Law 11/2009.
 - b) At least 50% of the profits derived from the transfer of the properties and shares or investments referred to in Article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in Article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or stakes to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the reinvestment is made are transferred in the period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Company will not be taxed under the special regime provided for by that law.
 - c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month following the date of the agreement to distribute.

As set forth in Article 3 of the Law 11/2009, the entity/entities of the Group shall no longer be included in the special tax regime established in said Law, and shall begin paying taxes under the general corporate income tax regime, in the same tax period in which any of the following circumstances arise:

- The exclusion from trading on regulated markets or in a multi-lateral trading system.
- The substantial breach of the information obligations referenced in Article 11 of said Law, unless the following year's report corrects such breach.

- The failure to agree to the total or partial distribution or payment of the dividends under the terms and within the periods referenced in Article 6 of said Law. In this case, taxation under the general regime shall take place in the tax period referencing the reporting period in which the profits giving rise to said dividends were made.
- The renouncement of the application of this special tax regime.
- The failure to fulfil any other requirements stipulated in said Law in order for the entity/entities to apply the special tax regime, except where the failure to fulfil said requirement is corrected within the following period. Nevertheless, the breach of the period referenced in Article 3.3 on the maximum period for holding leased assets of said Law shall not lead to exclusion from the special tax regime.

The exclusion from the special tax regime will prevent the entity from choosing to apply the special tax regime established in said Law again, until at least three years since the end of the last tax period in which the entity was included under the special tax regime.

(2) BASIS OF PRESENTATION

(a) Regulatory framework on financial information

The accompanying consolidated financial statements for the period ended 31 December 2020 have been prepared on the basis of the accounting records of Lar España Real Estate SOCIMI, S.A. and subsidiaries in accordance with:

- The Spanish Code of Commerce and related mercantile legislation
- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003, of 31 December, on fiscal, 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, which governs SOCIMIs

To present fairly the consolidated equity and consolidated financial position of Lar España Real Estate SOCIMI, S.A. and subsidiaries at 31 December 2020 and the consolidated financial performance, changes in consolidated cash flows and changes in consolidated net equity for the 2020 period, these consolidated financial statements have been prepared applying the regulations in force at 31 December 2020.

(b) Functional and presentation currency

The figures disclosed in the consolidated financial statements for the period ended 31 December 2020 are expressed in thousands of euros, which is the functional and presentation currency of the Parent Company.

(c) Comparison of information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these consolidated financial statements corresponding to the annual period ended 31 December 2019 is presented for comparative purposes together with the information related to the 2020 period.

The same main accounting criteria were applied in the 2019 and 2020 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) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The information included in these consolidated financial statements is the responsibility of the Parent Company's Directors.

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group's accounting policies to prepare its consolidated financial statements in accordance with IFRS-EU.

The following is a summary of the items requiring a greater degree of judgement or which are more complex or where the assumptions and estimates made are significant to the preparation of the consolidated financial statements.

(i) Relevant accounting estimates and assumptions

- Calculation of fair value of investment property by applying valuation models (Note 7).
- The valuation of assets and liabilities held for sale (see Note 10).
- The evaluation of compliance with the requirements that regulate SOCIMIs (Notes 1 and 22).
- Valuation adjustment for customer insolvencies (Note 22).
- Assessment of provisions and contingencies (Note 5k).
- Financial risk management (see Note 22).
- Determination of the fair value and nature of derivative financial instruments. (Note 17).
- Estimate of the effects of the COVID-19 crisis on the financial statements (Note 2g).

(ii) Changes in accounting estimates

Although estimates are calculated by the Parent Company's Directors based on the best information available at 31 December 2020, future events may require changes to these estimates in subsequent years. The effect on the consolidated financial statements of any changes arising from the adjustments to be made in subsequent periods would be recognised prospectively, in accordance with the provisions of IAS 8.

(e) Standards and interpretations adopted since 01 January 2020

The following mandatory standards and interpretations already adopted by the European Union entered into force in 2020 and, where applicable, have been used by the Group to prepare the accompanying consolidated financial statements for the 2020 period:

- Amendments to IAS 1 and IAS 8 – Definition of "material" (published in October 2018) to align the definition of “material” with that used in the Conceptual Framework. The definition of “material” of IAS 1 was substituted; the new definition states that information is material if omitting, misstating or obscuring such information could reasonably be expected to influence the decisions that the primary users of financial information will make on the basis of the financial statements. The most significant change between the two definitions is the expression “could reasonably be expected to influence” rather than the previous “could influence”, as well as the addition of the concept of “obscuring”.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (published in September 2019). The IASB amended certain hedging relationship requirements for entities to continue to post hedges where the benchmark interest rate on which cash flows of hedging instruments and hedged items are based is not affected by the uncertainty resulting from the Interest Rate Benchmark Reform.
- Amendment to IFRS 3 – Definition of a Business (published in October 2018). This IASB amendment clarifies the definition of a business in IFRS 3 in order to facilitate its identification in the framework of a business combination, or on the contrary, an acquisition of a group of assets.
- Amendment to IFRS 16 – Leases: Rent Concessions. The COVID-19 pandemic and the consequential isolation and other measures taken by governments have led to a significant drop in customer traffic at stores and shopping centres and to the indefinite closures thereof. In this situation, lessees are renegotiating rental payments with lessors to obtain reductions, rent forgiveness and other economic concessions. The treatment of these concessions, according to the principles generated by IFRS 16, would depend on whether they are considered a lease modification. The amendment relieves tenants of having to analyse agreements individually to determine whether the rent concessions are lease modifications, where the lessor has not changed the accounting thereof.
- Amendment to IFRS 4 – Deferral when applying IFRS 9 until 2023.

According to the Directors’ best estimate, the foregoing standards and interpretations have not had a significant impact on these consolidated financial statements.

(f) Standards and interpretations issued but not effective at 1 January 2020

At the date of approval of these consolidated financial statements, the following standards and interpretations had been issued by the IASB but had not yet entered into force, either because the date on which they become effective is subsequent to the date of the consolidated financial statements or because they have not yet been adopted by the European Union:

(i) New regulations not yet approved for use in the European Union

- IFRS 17 – Insurance Contracts (published in May 2017). This replaces IFRS 4, which covers the principles for the recognition, valuation, presentation and disclosure of insurance contracts with the objective of ensuring that the entity provides relevant and accurate financial information that allows information users to determine the effect the insurance contracts have on the financial statements.

(ii) Amendments and/or interpretations not yet adopted for use in the European Union

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (published in September 2019). The IASB amended certain hedging relationship requirements for entities to continue to post hedges where the benchmark interest rate on which cash flows of hedging instruments and hedged items are based is not affected by the uncertainty resulting from the Interest Rate Benchmark Reform.
- Amendments to IFRS 4 – Exemption from applying IFRS 9 until 2023.
- Amendment to IFRS 3 – Reference to the conception framework (published in May 2020). The conceptual framework is updated to align the definition of “asset” and “liability” in a business combination with those in the conceptual framework.
- Amendment to IAS 16 – Proceeds before intended use (published in May 2020).
- Amendments to IAS 37 – Onerous Contracts. The Amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling said contract and the allocation of other costs that are directly related to the compliance with the contract.
- Improvements to IFRS 2018-2020 Cycle (published in May 2020) Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IFRS 41.
- Amendments to IAS 1 – Classifications of liabilities as current or non-current.

The foregoing standards and interpretations, based on the Directors’ best estimate, shall not have a significant impact on the Group’s consolidated financial statements.

(iii) Impact assessment of IFRS 16 during 2019

IFRS 16 establishes principles for recognising, measuring and presenting and the information to be disclosed regarding leases. This standard substitutes IAS 17 and has been applied to yearly periods starting on or after 01 January 2019.

IFRS 16 introduces a single lessee accounting model for lessees and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, with a registry similar to those of financial leases in the past. IFRS 16 substantially carries forward the lessor accounting requirements previously in force by virtue of IAS 17. Accordingly, the Directors believed that there was no material impact on the consolidated financial statements. Therefore, no first-application impact was recorded for this concept. The other main change was the amendment to IAS 40 as a result of the entry into force of IFRS 16, which entailed that the rights of use that the Group operates as a lease were then classified, and therefore measured, like the rest of investment property: at fair value pursuant to the criterion established in IAS 40. This change led the Group to classify the right to use the area on which the Megapark Barakaldo recreation area is located under “investment property”. This element had been classified as an intangible asset until 31 December 2018 at a carrying amount of EUR 8,454 thousand. The effect of this regulatory change increased the amount for which said asset was recorded, as it was valued at fair value, at 01 January 2019 of EUR 5,146 thousand. This amount was recorded as an adjustment to the opening balance of “Other reserves” on the Consolidated Statement of Net Equity.

(g) Impact of COVID-19 on the financial statements

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

Despite not being able to reliably evaluate all the pandemic’s potential effects on account of the numerous uncertainties resulting from this extraordinary situation, the Company’s Directors have performed a preliminary evaluation of the effects of the COVID-19 crisis on the Group’s operations and liquidity at present, as well as on the value of the assets and liabilities on the balance sheet and on certain key figures of its financial statements. The results of said evaluation include the following noteworthy aspects:

- **Operation risk and credit risk:** on account of the pandemic and the Spanish Government’s decision to declare a State of Alert, all the business parks and shopping centres of the Company’s investee subsidiaries were closed from 14 March 2020 until 25 May 2020, with the exception of certain retail businesses whose activities were considered essential, such as supermarkets, which remained open and saw normal activity.

Starting 25 May 2020, the business parks and shopping centres progressively reopened according to the dates established by Government, which in turn depended on the Autonomous Community in which such establishments were located.

Furthermore, in the second six months of 2020, the activity at business parks and shopping centres was affected by restrictive measures established by each Autonomous Community depending on the evolution of the pandemic. These measures varied from limited capacities to specific activities, such as restaurant activities, to complete closures of business parks and shopping centres, with the exception of essential activities.

Below, the closure periods for each Group asset, as well as the percentage, by Autonomous Community, of the gross leasable area that was affected by the closure of premises during 2020 and up to the date on which these consolidated financial statements were drawn up:

Closure periods by asset

INVESTMENT PROPERTY	STATE OF OPENING
- Abadía business park	- Closed during the first state of alert until 01 June 2020. (*)
- Abadía shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
- Albacenter Hypermarket	- Closed during the first state of alert until 01 June 2020. (*)
- Albacenter shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
- Anec Blau shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Closed from 30 October 2020 until 10 December 2020. (*)
- Portolio supermarkets	- Unaffected by closures
- Gran Vía de Vigo shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Closed from 6 November 2020 until 3 December 2020. (*)
- Lagoh shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
- Megapark shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Bars and restaurants closed from 7 November 2020 until 11 December 2020. (*)
- Portal de la Marina Hypermarket	- Unaffected by closures
- Portal de la Marina shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
- Rivas business park	- Closed during the first state of alert until 01 June 2020. (*)
- El Rosal shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Closed from 6 November 2020 until 3 December 2020. (*)
- As Termas petrol station	- Unaffected by closures
- As Termas shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Bars and restaurants closed from 7 November 2020 until 3 December 2020. (*)
- Txingudi shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Bars and restaurants closed from 7 November 2020 until 11 December 2020. (*)
- Vidanova petrol station	- Unaffected by closures
- Vidanova shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
- Vistahermosa business park	- Closed during the first state of alert until 01 June 2020. (*)
- Las Huertas shopping centre	- Closed during the first state of alert until 01 June 2020. (*)
	- Closed from 6 November 2020 until 3 December 2020. (*)

* Barring those premises considered basic necessities.

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

Notes to the consolidated financial statements

Annual period ended 31 December 2020

Percentage of gross leasable area affected

	2020										2021	
	March (*)	April	May	June	July	August	September	October	November	December	January	February
Castilla la Mancha	54.28%	88.61%	83.03%	9.14%	0.21%	0.49%	0.42%	0.19%	0.57%	0.49%	31.25%	39.46%
Cataluña	53.07%	85.45%	85.45%	33.78%	2.63%	0.31%	-	7.77%	79.45%	35.11%	59.16%	80.24%
Galicia	32.58%	56.26%	46.26%	6.06%	0.92%	0.89%	0.94%	0.95%	5.55%	1.63%	5.65%	18.67%
Castilla y Leon	44.04%	82.94%	81.69%	19.60%	4.28%	3.65%	3.08%	2.81%	63.29%	17.33%	50.52%	76.08%
Andalucía	54.53%	95.45%	81.05%	14.63%	5.58%	5.16%	4.14%	0.36%	11.28%	6.27%	5.49%	13.36%
País Vaco	52.84%	94.10%	73.82%	5.23%	2.00%	1.71%	1.62%	1.59%	9.72%	3.63%	1.86%	9.20%
Comunidad Valenciana	31.16%	55.17%	45.80%	8.47%	4.53%	4.63%	3.61%	3.61%	4.34%	2.60%	5.01%	12.22%
Islas Baleares	-	-	-	-	-	-	-	-	-	-	-	-
Cantabria	-	-	-	-	-	-	-	-	-	-	-	-
La Rioja	-	-	-	-	-	-	-	-	-	-	-	-
Navarra	-	-	-	-	-	-	-	-	-	-	-	-

* Prior to 14 March 2020, when the Spanish Government declared the aforesaid State of Alert, none of the Group's real estate assets were closed.

In this context, Group management took the proactive decision to implement a series of commercial policies aimed at relieving pressure on liquidity that tenants affected by the forced closure of their businesses were going to experience. Initially these policies comprised delaying the collection of rent and charges for the period in which the business parks and shopping centres were closed during the State of Alert to July and August when tenants could begin operating again. The Group has managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. Said agreements were mostly reached under conditions that entailed major commitments for both parties, in terms of rent discounts in exchange for extensions to contract durations.

At 31 December 2020, the Group reached individual rent discount agreements with its lessees in relation to the restrictions imposed due to the COVID-19 health crisis. Thus, the total impact for 2020 is estimated at around EUR 22 million, of which EUR 15.3 million have been agreed with tenants at 31 December 2020. Said agreements have generally included other changes to the terms of the contracts, such as extensions to the duration thereof or the elimination or delay of early termination options. In accordance to IFRS 16, the Directors understand these changes to comprise a change to the corresponding lease agreements, such that the impact of the discounts shall be posted on a straight-line basis in the Consolidated Statement of Comprehensive Income between the date of formalisation and the maturity date of each agreement. The negative impact that said discounts have had on income in 2020 was EUR 1,271 thousand. The remaining amount, which is presented under “Trade and other receivables, Operating lease receivables - revenue linearisation” (Note 12), shall therefore reduce income over the remaining years.

Although the Group made a major effort to reach agreements with the lessees at its shopping centres and business parks, the impact the pandemic on general economic activity and on each of the lessees working in those premises, some were pending formalisation at 31 December 2020, which caused an important increase in outstanding balances receivable at year-end. At 31 December 2020, there were outstanding balances invoiced to customers in the amount of EUR 17,741 thousand (EUR 1,678 thousand at 31 December 2019). Accordingly, at 31 December 2020 the Group performed an individual study on each debtor, analysing their situation and recording a total impairment in the amount of EUR 4,133 thousand, of which EUR 3,126 thousand are due to the COVID-19 health crisis. This impairment corresponds to the receivables from lessees whose debt is considered unlikely to be recovered by Group management, after subtracting the amount of any security deposits, additional guarantees and sureties.

In this sense, in 2021 partial and total closures continued for certain Group assets, according to the breakdowns above, such that based on the Directors’ best estimate, this situation is expected to continue through the first half of 2021. Based on this, the Group, continuing their firm stance to relieve the lessees most affected by the pandemic, expects total rent allowance in 2021 to fall within an estimated range that will vary depending on future premises closures.

- **Liquidity risk:** given the initial uncertainty caused by the pandemic and the risk of a general increase in pressure on liquidity in the economy, as well as the contraction of a credit market, the Company decided to draw down on a loan granted by the IEB in the amount of EUR 70 million and a credit line of EUR 30 million (Note 17). This withdrawal, along with the implementation of specific plans for the improvement and efficient management of liquidity, has allowed the Company to address these potential tensions and face payment obligations while maintaining a solid financial position throughout the year.
- **Balance sheet asset and liability valuation risk:** in 2020, because of the effects of the COVID-19 crisis on the economy, as stated in the previous section, the retail sector was extremely affected. Its activity ceased temporarily and the lessees in this sector were affected, which influenced the cash flows for the year and increased uncertainty regarding future flows. Consequently, the value of investment property owned by the investees of Lar España Real Estate SOCIMI, S.A. was impacted, being reduced by approximately EUR 76 million from the previous year (Note 7).

In this sense, the measurements made at 31 December 2020 by the external experts contracted by the Group were made in an unprecedented situation with great uncertainty and the absence of sufficient relevant market evidence on which to support the measurement judgements. Therefore, the appraisers have issued their assessment reports on a basis of “material valuation uncertainty” (pursuant to VPS 3 and VPGA 10 of the Valuation Standards published by The Royal Institution of Chartered Surveyors), indicating that consequently said reports are exposed to a lesser degree of certainty than they would in a situation unaffected by COVID-19 and must be used with greater precaution (Note 7).

- **Risk of change in certain financial figures:** the aforesaid factors changed key indicators pertaining to the consolidated financial statements (leverage ratio (LTV), EBITDA/financial expense ratio, etc.) on which the mandatory financial ratios (covenants) that are associated with the Company’s financing agreements are calculated, given it is the Parent.

In this respect, the Group has drawn up a comparison of the effect that the lockdown and the changes to agreements with tenants have and will have on its key financials, concluding that at 31 December 2020 same had been met and are not expected to be breached in the upcoming year. The Group also has the ability to articulate measures to correct or obtain exemptions if necessary.

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

At 31 December, all the Group's business parks and shopping centres were open and operating, all in compliance with any possible restrictions stipulated by their respective Autonomous Communities. However, after the spread of the pandemic across Spain, at the date of these consolidated financial statements, the Group's business parks and shopping centres are being affected again by various restrictions imposed by the Regional Governments in their respective Autonomous Communities. We expect this situation to continue, with varying degrees of intensity, during at least part of 2021. These new restrictions are expected to require the Group's articulation of new lessee support measures and can therefore affect the income for 2021. Furthermore, defaults could increase, depending on the evolution of the economic activity of the lessee at of our business parks and shopping centres.

In terms of the liquidity situation, the Group has the following payment obligations within 12 months of the date these statements were drawn up:

- Interest payment for financial obligations from the issue of bonds in the amount of EUR 3,482.
- Interest payment for financial liabilities held with credit institutions in the amount of EUR 10,329 thousand.
- Estimated interest settlement payment for hedging derivatives contracted to cover the interest rate risk of bank borrowings in the amount of EUR 3,137 thousand.
- Repayment of financial liabilities held with banks in the amount of EUR 10,477 thousand.
- Repayment of the credit facility held with Bankinter at 31 December 2020 in the amount of EUR 30 million, which was effectively repaid on 07 January 2021. Said credit facility matures in May 2021, however it is renewed annually through an agreement between the parties. The Directors believe that this renewal will take place in 2021 as it has in previous years.
- Dividend payment to shareholders in the amount of EUR 27.5 million.
- In addition, on 21 February 2022, the bonds for EUR 140 million will mature.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

In this sense, Management and Directors prepared cash projections, in an uncertain environment, estimating that the Group shall have sufficient liquidity to face said payments and continue operating as usual. In addition, although bonds maturity date will take place in one year, Management has started a process to work in the refinancing of said bonds. The Directors estimate that this issue will be completed successfully in 2021, preventing potential liquidity pressures in the future.

Given the changing environment and numerous uncertainties, the Directors and Management have continuously monitored the evolution of all these aspects.

(3) ALLOCATION OF PROFIT

The proposal for allocating the Parent Company’s profits for the 2020 period to be presented to the General Shareholders’ Meeting is the following:

	Euros
<u>Basis of allocation</u>	
Profit for the period	20,211,139.96
Issue premium	9,309,974.04
<hr/>	
<u>Distribution of profit</u>	
Legal reserve	2,021,114.00
Dividends	27,500,000.00
<hr/>	

The proposed profit distribution is €0.3138 per share.

(4) CONSOLIDATION PRINCIPLES

Companies in which the Group holds a majority of voting rights in the representative or decision-making bodies, or which are effectively managed by the Group, are fully consolidated; entities that are managed through joint control with third parties are accounted for using the equity method.

The financial statements of the Group companies have been consolidated using the financial statements for the period ended 31 December 2020.

(a) Subsidiaries

Subsidiaries are entities, including structured entities, over which the Parent Company, either directly or indirectly through subsidiaries, exercises control.

The Parent Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent Company has power over a subsidiary when it has current substantive rights that give it the ability to direct the relevant activities. The Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when the returns from its involvement have the potential to vary as a result of the subsidiary’s economic performance.

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from their acquisition date, which is the date on which the Group obtained effective control of the aforementioned subsidiaries. Subsidiaries are excluded from the scope of consolidation as of the date on which control is yielded.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated upon consolidation.

The subsidiaries' accounting policies have been adapted to Group accounting policies for like transactions and other events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process reference the same presentation date and the same period as those of the Parent Company.

Details of the subsidiaries and relevant information thereon are presented in Appendix I to the Notes on the consolidated financial statements.

(b) Joint Ventures

Joint ventures are understood as contractual agreements whereby two or more entities ("venturers") take part in entities (jointly controlled) or carry out operations or hold assets such that any strategic decision of a financial or operational nature that affects them requires the unanimous consent of all venturers.

In the consolidated financial statements, joint ventures are measured using the equity method, which consists of incorporating the net asset value and goodwill, if any, of the investment held in the associate into the consolidated statement of financial position item, "Equity-accounted investees". The net profit or loss for each period corresponding to the percentage of the investment in these companies is reflected in the Consolidated Statement of Comprehensive Income as Share in profit (loss) for the period of "equity-accounted investees".

Details of the joint ventures and relevant information thereon are presented in Appendix I to the Notes on the consolidated financial statements.

(c) Business combinations

The Group applies the acquisition method for business combinations. The acquisition date is the date on which the Group obtains control of the acquiree. The consideration transferred is calculated as the sum of the acquisition-date fair values of the transferred assets, the liabilities incurred or assumed, and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs such as professional fees are not included in the cost of the business combination and are recognised in the Consolidated Statement of Comprehensive Income.

The contingent consideration, where applicable, is measured at the acquisition-date fair value. Any subsequent change to the fair value of the contingent consideration is recognised in the consolidated income statement, unless the change occurs within the one-year period established as the provisional accounting period, in which case it is reflected as a change in goodwill.

Goodwill is calculated as the difference between the sum of the consideration transferred, plus non-controlling interests, plus the fair value of any previously held investment in the acquiree, less the acquiree's identifiable net assets.

Should the acquisition cost of identifiable net assets be below their fair value, the lesser amount shall be recognised in the Consolidated Statement of Comprehensive Income for the period.

(d) Standardisation of account items

The Parent Company's valuation principles and standards have been applied to all companies of the consolidated Group, in order to present the different items in the consolidated financial statements in a standardised format. Therefore, in general, uniform valuation standards have been applied.

In 2020, the same date has been used for the closing date of the financial statements of all the companies included in the scope of consolidation to match that of the Parent Company.

(e) Scope of consolidation

The companies included in the consolidated Group and the consolidation method used at 31 December 2020 and 31 December 2019 are as follows:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

2020 Period

Company	Inclusion	Activity	% stakes	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. (i)	On acquisition	Property development	50%	Equity accounting
LE Logistic Alovera I y II, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Logistic Alovera III y IV, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Logistic Almussafes, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Ondara, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Joan Miró 21, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail VidaNova Parc, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Galaria, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Villaverde, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail As Termas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail El Rosal, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Lagoh, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Sagunto II, S.L.U.	On incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U.	On incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Txingudi, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Offices Marcelo Spinola 42, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Company	Inclusion	Activity	% stakes	Consolidation method
LE Retail Gran Vía de Vigo, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Abadía, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados I, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados II, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados III, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Rivas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Córdoba Sur, S.L.U.	On acquisition	The acquisition and development of properties for lease	100%	Full consolidation

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

2019 Period

Company	Inclusion	Activity	% stakes	Consolidation method
Inmobiliaria Juan Bravo 3, S.L. (i)	On acquisition	Property development	50%	Equity accounting
LE Logistic Alovera I y II, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Logistic Alovera III y IV, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Logistic Almussafes, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Ondara, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Joan Miró 21, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail VidaNova Parc, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Galaria, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Villaverde, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Alisal, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail As Termas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Offices Eloy Gonzalo 27, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hiper Albacenter, S.A.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail El Rosal, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Lagoh, S.L.U. (formerly Lar España Shopping Centres VIII, S.L.U.)	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Sagunto II, S.L.U.	On incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Vistahermosa, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
Lar España Inversión Logística IV, S.L.U.	On incorporation	The acquisition and development of properties for lease	100%	Full consolidation
LE Retail Anec Blau, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Albacenter, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Txingudi, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Retail Las Huertas, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation
LE Offices Marcelo Spinola 42, S.L.U.	On incorporation	Leasing of property	100%	Full consolidation

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Company	Inclusion	Activity	% stakes	Consolidation method
LE Retail Gran Vía de Vigo, S.A.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Abadía, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados I, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados II, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Hipermercados III, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Rivas, S.L.U.	On acquisition	Leasing of property	100%	Full consolidation
LE Retail Córdoba Sur, S.L.U. (formerly Global Pérغامo, S.L.U.).	On acquisition	The acquisition and development of properties for lease	100%	Full consolidation

(i) Inmobiliaria Juan Bravo 3, S.L. is included in the consolidated financial statements using the equity method, in accordance with IFRS 11, because, as stipulated in the articles of association and shareholder agreements, it is jointly controlled by Lar España Real Estate SOCIMI, S.A. and LVS II LUX XIII, S.a.r.l.

(f) Changes to the composition of the Group

In Note 4e and Appendix I of these consolidated financial statements, relevant information is provided regarding the Group companies that were fully consolidated and those that were included using the equity method.

There were no changes in Group's composition in 2020. The following movements took place in 2019:

New additions to the scope of consolidation in 2019

- On 15 January 2019, the Parent Company acquired 100% of the shares of the company LE Retail Córdoba Sur, S.L.U. (formerly Global Pérgamo, S.L.U.), a newly-constituted company that had only the amount paid as share capital in the amount of EUR 4 thousand, from Latorre & Asociados consultoría, S.L. for a total amount of EUR 4 thousand.

(5) ACCOUNTING PRINCIPLES

(a) Investment property and intangible assets

Investment property is property, including that which is under construction or being developed for future use as investment property, which is earmarked totally or partially to earn income or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes within the Group or for sale in the ordinary course of business.

Assets classified as investment property are in operation and occupied by various tenants. These properties are intended for lease to third parties. The Directors of the Parent Company, at the date these financial statements were prepared, do not consider the disposal of these assets in the upcoming year to be very likely and have therefore decided to maintain these assets in the consolidated statement of financial position as investment property, except those indicated in Note 10 of this report.

Investment property is presented at fair value at the reporting date and is not depreciated. Profits or losses derived from changes in the fair value of the investment property are recognised when they arise.

Execution and finance costs are capitalised during the period in which the works are carried out. When the asset enters into service it is recognised at fair value.

When determining the fair value of its investment property, the Group commissions independent appraisers to appraise all of its assets at least on 30 June and 31 December of each period. Buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. Buildings with areas that have not been rented out are appraised on the basis of estimated future rent, minus a marketing period.

As a general rule, intangible assets are initially valued at their purchase price or cost of production. The value of these assets is subsequently reduced by the corresponding accumulated amortisation and, where appropriate, impairment losses. Said assets are amortised based on their useful lives.

(b) Leases

(i) Classification of leases

The Group classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease, otherwise they are classified as operating leases. The Group has not engaged in any finance lease transactions.

(ii) Operating leases

Lessor accounting records

Assets leased to third parties under operating lease contracts are presented according to their nature.

Operating lease income, net of incentives granted, is recognised as income on a straight-line basis over the lease term.

In relation to the rent allowance granted in the context of the COVID-19 pandemic, in the event such waivers comprise a change to the contract (as an extension of the duration thereof) IFRS 16 has been considered applicable. Therefore, these waivers are recognised on a straight-line basis throughout the lease agreements, adjusting gross income recorded under “Revenues” on the adjoined Consolidated Statement of Comprehensive Income.

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

(c) Financial instruments

(i) Classification of financial instruments

Financial instruments are recognised when the Group becomes an obligated party to the agreement or legal business pursuant to the provisions of said contract. These financial instruments are classified at initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 “Financial Instruments: Presentation”. The Group reclassifies financial assets when its business model for managing said assets changes. The Group does not reclassify financial liabilities.

On 31 December 2020, the Group mainly has the following financial assets and liabilities: security deposits, receivables, cash, financial debt, hedging derivatives and payables. Barring the derivatives, which are disclosed in Note 5d, all financial assets and liabilities are measured at amortised cost.

Financial assets and liabilities measured at amortised cost.

The Group classifies loans and receivables, as well as financial liabilities (including trade and other payables) as financial assets and liabilities at amortised cost.

This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly comprise security deposits received from lessees and placed with public bodies, or bank deposits and accrued interest receivable on the deposits. These assets are classified as current unless they mature more than twelve months after the reporting date, in which case they are classified as non-current. Loans and receivables generated in exchange for cash deliveries or current transactions are included under “financial assets with associates” and “trade and other receivables” in the consolidated statement of financial position, and the security deposits and guarantees are shown under “non-current financial assets” or “other current financial assets”, according to when they mature.

These financial assets and liabilities at amortised cost are initially recognised by their fair value, with the addition or subtraction of any directly attributable transaction costs incurred, and they are subsequently measured at amortised cost, using the effective interest rate method.

(ii) Impairment and uncollectibility of financial assets

The Group recognises a value adjustment for expected credit losses for financial assets measured at amortised cost under profit and loss.

To assess the value adjustment for receivables from leases, the Group uses the simplified approach covered in IFRS 9, pursuant to the terms specified at the end of this section. For the rest of financial assets, on each closing date the Group measures the value adjustment as equal to the credit losses expected to arise in the following twelve months, even when the non-payment risk thereof has not significantly increased.

Expected credit losses are the difference between contracted cash flows and expected cash flows, in terms of both amount and time.

If the financial asset is secured by collateral, impairment is determined based on the present value of the cash flows that could be generated from the foreclosure of the asset, less foreclosing and sale costs, discounted at the original effective interest rate. If the financial asset is not secured by collateral, the Group applies the same criteria when the foreclosure is considered probable.

The Group considers cash and cash equivalents to have low credit risk given the credit ratings of the credit institutions in which cash and security deposits are placed.

The Group calculates expected credit losses for trade debt over the lives of the financial assets collectively, as these assets exclusively comprise receivables from leases. Expected credit losses are estimated based on all receivables that remain outstanding after 90 days, based on historical and projected information that is reasonably available.

After balances mature and are outstanding for more than 90 days, the non-payment risk of trade receivables is considered to have increased significantly, such that the balances held are impaired, less any security deposits, deposits or sureties received by virtue of the lease agreement.

(iii) *Derecognitions, modifications and cancellations of financial assets*

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has substantially transferred all the risks and benefits of ownership thereof.

(iv) *Derecognitions and modifications of financial liabilities*

The Group derecognises all or part of a financial liability when it either discharges the liability by paying the creditor or is legally released from primary responsibility for the liability, either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided the instruments have substantially different terms.

The Group considers the terms substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the profits/(losses) on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(v) Offsetting principles

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) Derivative financial instruments and accounting of hedging transactions

Derivative financial instruments are initially recognised as per the criteria discussed above for financial assets and liabilities. Derivative financial instruments that do not fulfil the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair values with changes recognised in profit or loss. Derivative financial instruments that do fulfil the hedge accounting criteria below are initially recorded at fair value with changes recognised in net equity. In both cases, the specific component of the gain or loss or cash flows from the hedging instrument, not included in the hedge efficiency measurement, are recognised as a charge or a credit under financial revenues or expenses.

The Group uses derivative financial instruments to cover the risks to which its activities, operations and future cash flows are susceptible. These risks are mainly changes in interest rates.

At the inception of the hedge, the Group designates and formally documents the hedging relationships, as well as the target and strategy it assumes regarding these relationships. The documentation includes the identification of the hedging instrument, the hedged item, the nature of the hedged risk and the manner in which the Group measures the hedging efficiency.

The accounting for hedging transaction is only applied when there is an economic link between the hedged item and the hedging instrument, the credit risk does not have a dominant effect on the changes in value resulting from such economic link and the coverage ratio of the hedging relationship equals the amount of the hedged item that the Group actually uses to hedge said amount of the hedged item. Nevertheless, such designation must not reflect an imbalance between the weightings of the hedged item and the hedging instrument leading to a hedging imbalance, regardless of whether same is recognised, that might result in an accounting profit or loss that contradicts the purpose of the hedge accounting.

At the inception of the hedging relationship and on an on-going basis, the Group assesses whether the relationship fulfils the efficiency requirements prospectively. The Group assesses the efficiency at each closing date or when there are significant changes that affect the efficiency requirements.

The Group performs a qualitative assessment, provided the main conditions of the instrument and the hedged item coincide. When the main conditions do not fully coincide, the Group uses a hypothetical derivative with main conditions that match those of the hedged item to evaluate and measure efficiency.

In order to measure inefficiency, the Group uses the time value of money, such that the hedged item is calculated in terms of present value. Therefore, the change in the value of the hedged item includes the effect of the time value of money.

(i) Discontinued hedge accounting

If the hedging relationship ceases to fulfil the effectiveness requirements in terms of the coverage ratio, but the risk management target continues to be the same for said relationship, the Group adjusts the coverage ratio so the coverage ratio criteria are still fulfilled (rebalancing). Rebalancing refers to adjustments made to certain amounts of the hedged item or the hedging instrument in an existing relationship in order to maintain a coverage ratio that fulfils the hedging effectiveness requirements. The Group accounts for rebalancing as a continuation of the hedging relationship. At the rebalancing date, the Group calculates the ineffectiveness of the relationship and recognises any ineffectiveness in profit or loss.

The Group stops the accounting for the hedge prospectively only when all or part of the hedging relationship ceases to fulfil the classification requirements. This includes situations in which the hedging instrument expires or is sold, terminated or exercised. For these purposes, the substitution or renovation of a hedging instrument is not an expiration or termination, provided that the operation is consistent with the Group's documented risk management target. At that time, any accumulated profit or loss corresponding to the hedging instrument that may have been recorded in net equity remains in net equity until the intended transaction occurs. When the hedged transaction is not expected to take place, the net accumulated profits or losses recognised in net equity are transferred to the Consolidated Statement of Comprehensive Income, to the extent that the interest settlements envisaged in the agreements take place or are cancelled.

The fair value of the various derivative financial instruments is calculated using the valuation techniques described in the following note.

(e) Valuation techniques and assumptions applicable to fair value measurement

Fair values of financial assets and liabilities are determined as follows:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

- The fair values of financial assets and liabilities with standard terms and conditions that are traded on active markets and cash are determined by referencing the prices listed on the market.
- The fair value of other financial assets and liabilities (excluding derivative instruments) are determined according to the valuation models generally accepted on the cash flow discount basis using prices of observable market transactions and contributor quotes for similar instruments.
- The fair value of interest rate derivatives is calculated by updating future settlements between the fixed and variable rate, according to implicit market interest rates, which are obtained from long-term swap rate curves. Implicit volatility is used for the calculation through formulas for option pricing and for valuation of cap and floor fair values.

Furthermore, in the valuation of the derivative financial instruments, the risk incidental to the hedged element or position must be effectively eliminated throughout the expected term of the hedge, and the fact that the financial derivative was contracted specifically to hedge certain balances or transactions and the manner in which that effective hedge was expected to be achieved and measured must be documented. In addition, with the adoption of IFRS 13, the incidental risk requires that the credit risk of the parties involved in the contract, both one's own risk and that of the counterparty, be included in the valuation of derivatives. The Group applied the discounted cash flow methodology, using a discount rate affected by the Group's own risk.

The financial instruments measured subsequent to their initial recognition at fair value are classified under levels 1-3, based on the degree to which the fair value is observable.

- Level 1: listed price (unadjusted) on active markets for identical assets or liabilities.
- Level 2: observable inputs other than the listed prices used in Level 1 for assets or liabilities, directly (i.e., prices) or indirectly (i.e., derived from prices).
- Level 3: assets referencing measurement techniques, including inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The Group's financial assets and liabilities measured at fair value at 31 December 2020 are as follows:

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Liability derivative financial (Note 17c)	-	7,822	-	7,822
	-	7,822	-	7,822

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The Group's financial assets and liabilities measured at fair value at 31 December 2019 were as follows:

	Thousands of euros			Total
	Level 1	Level 2	Level 3	
Liability derivative financial (Note 17c)	-	5,239	-	5,239
	-	5,239	-	5,239

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

(f) Treasury shares of the Parent Company

The Group's acquisition of equity instruments of the Parent Company is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in net equity, irrespective of the reason for the purchase. Any gains or losses in transactions with own equity instruments are not recognised.

The subsequent depreciation of the equity instruments of the Parent Company entails a capital decrease equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserve accounts.

Transaction costs related to own equity instruments are accounted for as a reduction in net equity.

(g) Distributions to shareholders

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

The Parent Company files taxes under the special regime for SOCIMIs. Pursuant to Article 6 of Law 11/2009, of 26 October 2009, amended by Law 16/2012, of 27 December, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders after settling all corresponding trading obligations, as per the terms in Note 1. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

(h) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand bank deposits in financial institutions. This category also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

(i) Employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services.

The Group recognises the expected cost of profit-sharing and bonus plans for workers when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(j) Payments based on shares

The Group recognises, on one hand, goods and services received as an asset or an expense, according to the nature thereof, when same is received, and on the other, the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

(k) Provisions

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

(i) Provisions: balances payable covering present obligations arising from past events, the cancellation of which is likely to cause an outflow of resources but are uncertain as to amount and/or time of cancellation.

(ii) Contingent liabilities: possible obligations that arise from past events and whose future existence depends on the occurrence or non-occurrence of one or more future events not under the control of the Company.

The consolidated financial statements include all the relevant provisions that are more likely than not to entail an obligation. Unless they are considered remote, contingent liabilities are not recognised in the consolidated financial statements, rather information on same is provided in the notes to the report.

Provisions are measured at the present value of the best possible estimate of the amount that will be required to settle or transfer the liability, taking into account the information available on the event and the consequences thereof; the adjustments that arise due to updating said provisions are recognised as financial expenses as they accrue.

The compensation to be received from a third party when an obligation is settled is recognised as an asset, provided it is certain that reimbursement will be received, unless part of the risk has been contractually externalised so that the Group is not liable. In this case, the compensation will be taken into consideration when estimating the amount of any relevant provisions.

(l) Recognition of income

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

Discounted and waived rent is recognised by allocating the total amount of rent waived during the rent-free period or of the allowance on a straight-line basis over all the periods in which the lessee's contract is in force. Specifically, the rent allowances granted in the context of the COVID-19 pandemic, in the event such allowances comprise a change to the contract (as an extension of the duration thereof) have likewise been recognised on a straight-line basis. Should the lease agreement end sooner than expected or the real estate asset be sold, the unrecognised portion of the rent allowance or waiver will be recorded in the last period prior to contract termination.

(m) Lease of investment property to third parties

The principal activity of the companies that form the Group mainly comprise the acquisition and lease of shopping centres and business parks. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, office buildings, logistics bays, logistics centres and/or residential products). Group revenues originate from the lease of these investment properties to third parties.

Revenues derived from the lease of investment properties are recognised by taking into account the degree to which the provision has been completed at the reporting date when the outcome of the transaction can be reliably estimated. The Group companies recognise revenue from leases on a monthly basis in accordance with the terms and amounts agreed in the different agreements with their lessees. This revenue is recognised only when it can be measured reliably, and it is probable that the economic benefits derived from the lease will be received.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent that the recognised expenses are recoverable.

Invoices issued to lessees include EUR 28,562 thousand (EUR 24,533 thousand at 31 December 2019) for rebilled communal charges (shared utility costs, services related to the management of the property, taxes, etc.). Said amount is reflected in accordance with the nature thereof and pursuant to the terms of paragraph B36 of IFRS 15, offsetting the expense for said items under “Other operating expenses” on the adjoined Consolidated Statement of Comprehensive Income at 31 December 2020, given that the Company is acting as an agent on behalf of its lessees, as it does not control the services supplied to the lessees.

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

(n) Profit and loss from the disposal of investment property

Profits and losses resulting from the disposal of investment property are recognised based on the accrual criterion, i.e. when the actual flow of goods covered in the transaction occurs, regardless of when the financial or cash flow arising therefrom occurs. Said profits and losses are measured at the fair value of the consideration received, less any sales costs, as compared to the carrying amount of the delivered asset.

The recognition of revenues from sales takes place when the material risks and benefits inherent to owning said sold property asset have substantially been transferred to the buyer, where the daily management and effective control over said asset are not retained.

(o) Income tax

(i) General regime

The income tax expense or tax income includes the part related to the current tax expense or income and the part corresponding to the deferred tax expense or income.

The current tax is the amount that the Group pays as a consequence of the fiscal settlements of the income tax corresponding to a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carry-forwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses derived from the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts which are expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carry-forwards and tax deductions pending fiscal application. These amounts are recognised by applying the temporary difference or deduction corresponding to the tax rate at which they are expected to be recovered or settled.

The Group companies subject to the general corporate income tax regime are Inmobiliaria Juan Bravo 3, S.L. (included using the equity method), LE Offices Marcelo Spínola 42, S.L.U. and Lar España Inversión Logística IV, S.L.U.

(ii) Tax regime for SOCIMIs

The Parent Company and the subsidiaries (with the exception of Inmobiliaria Juan Bravo 3, S.L., LE Offices Marcelo Spínola 42, S.L. and Lar España Inversión Logística IV, S.L.U.) file tax returns under the special regime for SOCIMIs. This tax regime, following the amendment introduced by Law 16/2012, of 27 December, is based on paying a corporate income tax rate of 0%, provided certain requirements are met (Note 1).

Pursuant to the Article 9 of Law 11/2009, of 26 October, amended by Law 16/2012 of 27 December, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5%, when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. Where applicable, this special tax must be paid by the SOCIMI within two months of the dividend distribution date. The Group has established a procedure ensuring that shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed to the shareholders that do not meet the aforementioned tax requirements is withheld.

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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

The Group classifies assets and liabilities in the consolidated statement of financial position as current and non-current. To this end, assets and liabilities are classified as current if they meet the following criteria:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Group does not have an

unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(r) Environmental information

The Group takes measures to prevent, reduce and repair any damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as operating expenses in the period in which they are incurred. However, due to its nature, the Group's activity does not have a significant impact on the environment.

(s) Statement of cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.
- Operating activities: the Group's usual activities and other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of net equity and of liabilities that do not form part of operating activities.

(t) Non-current assets held for sale and liabilities connected to non-current assets held for sale

The Group classifies a non-current asset or a disposal group, as well as directly connected liabilities, as being held for sale when a decision has been made to sell the same and such sale is expected to happen within the next twelve months.

These assets or disposal groups are measured at their carrying amount or fair value after deducting the necessary sales costs, with the exception of the investment property that is accounted for in accordance with the fair value model of IAS 40.

Assets classified as non-current and held for sale are not amortised, but at the date of each balance sheet the appropriate valuation adjustments are made so the carrying amount does not exceed the fair value minus sales costs.

Revenues and expenses generated by non-current assets and disposal groups comprising elements held for sale that do not meet the requirements to be classified as discontinued operations are recognised in the Consolidated Statement of Comprehensive Income under the item that corresponds to the nature of said asset, disposal group or liability.

(6) SEGMENT REPORTING

(a) Operating segments

At 31 December 2020, the Group comprises the operating segments listed below, with the following income and principal services:

- Shopping centres: Txingudi, Las Huertas, Hipermercado Albacenter, Anec Blau, Portal de la Marina, Albacenter, As Termas, Hipermercado Portal de la Marina, El Rosal, VidaNova Parc, Lagoh, Gasolinera As Termas, Parque Comercial Megapark Barakaldo, Parque Comercial Vistahermosa, Gran Vía de Vigo, Parque Comercial y Galería Abadía, Portfolio Supermercados, Parque Comercial Rivas.
- Office buildings and logistics units: In 2019, the Group's last office and logistic bay assets were sold, as they were not core assets in accordance with the Group's business plan.
- Residential: Stake in the company Inmobiliaria Juan Bravo 3, S.L., the developer of a block of flats on Calle Juan Bravo in Madrid. All of the flats were delivered as of the date of these consolidated financial statements.

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

The details of these activities by segment for the 2020 and 2019 periods are as follows:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Consolidated Statement of Comprehensive Income

	Thousands of euros			
	2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and Central Services *	Total
Revenue from external customers:				
Revenue from leases	93,324	—	—	93,324
Total revenue	93,324	—	—	93,324
Other income	3,566	—	—	3,566
Changes in the fair value of investment property	(100,656)	—	—	(100,656)
Employee benefits expense	—	—	(474)	(474)
Amortisation and depreciation charges				
Other operating expenses **/**	(22,641)	—	(4,074)	(26,715)
Profit/(loss) from the disposal of investment property	—	—	—	—
Operating profit/(loss)	(26,407)	—	(4,548)	(30,955)
Net finance cost **	(21,920)	—	(1,050)	(22,970)
Profit / (loss) for the period of joint ventures accounted for using the equity method	—	257	—	257
Loss for the period from continuing operations	(48,327)	257	(5,598)	(53,668)
Income tax expense/income	—	—	—	—
	(48,327)	257	(5,598)	(53,668)

* The line item "Head Office and Central Services" essentially comprises the corporate revenue and expense assumed by the Parent of the Group.

** In the 2020 period, the Parent Company rebilled the amount corresponding to "Operating expenses" to the subsidiaries. The amount attributable to shopping centres at 31 December 2020 totalled EUR 9,881 thousand.

In addition, the Parent Company rebilled the amount corresponding to financial expenses accrued through the Bonds to the subsidiaries. The amount attributable to shopping centres amounts to EUR 4,364 thousand.

*** In 2020, expenses pertaining to investments that did not generate revenue during the period amount to EUR 439 thousand and are from plot M4-2 in Sagunto.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Consolidated Statement of Comprehensive Income

	Thousands of euros				
	2019				
	Shopping centres	Office buildings and logistics bays	Residential (Stakes in associates)	Head Office and Central Services *	Total
Revenue from external customers:					
Revenue from leases	80,900	228	-	-	81,128
Total revenue	80,900	228	-	-	81,128
Other income	2,469	77	-	728	3,274
Changes in the fair value of investment property	40,037	-	-	-	40,037
Employee benefits expense	-	-	-	(424)	(424)
Amortisation and depreciation charges					
Other operating expenses **/**	(21,230)	(510)	-	(3,986)	(25,726)
Profit/(loss) from the disposal of investment property	-	1,008	-	-	1,008
Operating profit/(loss)	102,176	803	-	(3,682)	99,297
Net finance cost **	(19,860)	10	-	(292)	(20,142)
Profit / (loss) for the period of joint ventures accounted for using the equity method	-	-	473	-	473
Profit for the period from continuing operations	82,316	813	473	(3,974)	79,628
Income tax expense/income	-	1,102	-	-	1,102
	82,316	1,915	473	(3,974)	80,730

* The line item "Head Office and Central Services" essentially comprises the corporate revenue and expense assumed by the Parent of the Group.

** In the 2019 period, the Parent Company rebilled the amount corresponding to "Operating expenses" to the subsidiaries. The amount attributable to shopping centres at 31 December 2019 amounts to EUR 11,425 thousand, EUR 72 thousand is attributable to office buildings and the remainder is attributable to corporate units. In addition, the Parent Company rebilled the amount corresponding to financial expenses accrued through the Bonds to the subsidiaries. The amount attributable to shopping centres amounts to EUR 4,364 thousand.

*** In 2019, expenses pertaining to investments that did not generate revenue during the period amount to EUR 490 thousand and are from the office buildings and logistics bays sold during that period.

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

Notes to the consolidated financial statements

Annual period ended 31 December 2020

Consolidated Statement of Financial Position

	Thousands of euros			
	31 December 2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Intangible assets	2	—	—	2
Investment property	1,373,480	—	—	1,373,480
Equity-accounted investees	—	1,082	—	1,082
Non-current financial assets	13,618	—	—	13,618
Trade and other long-term other receivables	17,996	—	—	17,996
Total non-current assets	1,405,096	1,082	—	1,406,178
Non-current assets held for sale	106,755	—	—	106,755
Trade and other receivables	28,263	—	200	28,463
Other current financial assets	21	—	348	369
Other current assets	2,750	—	288	3,038
Cash and cash equivalents	100,469	—	33,559	134,028
Total current assets	238,258	—	34,395	272,653
Total assets	1,643,354	1,082	34,395	1,678,831

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Consolidated Statement of Financial Position

	Thousands of euros			
	31 December 2020			
	Shopping centres	Residential (Stakes in associates)	Head Office and other Central Services	Total
Liabilities connected to non-current assets held for sale	1,576	—	—	1,576
Financial liabilities from issue of bonds and other marketable securities	143,167	—	—	143,167
Bank borrowings	611,201	—	—	611,201
Deferred tax liabilities	17,201	—	—	17,201
Derivatives	7,822	—	—	7,822
Other non-current liabilities	19,954	—	39	19,993
Borrowings from Group and associated companies	—	—	—	—
Trade and other payables	16,735	—	1,486	18,221
Total current and non-current liabilities	817,656	—	1,525	819,181

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

Notes to the consolidated financial statements

Annual period ended 31 December 2020

Consolidated Statement of Financial Position

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Consolidated Statement of Financial Position

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

(b) Geographical segments

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

The table below summarises, by geographical area, the revenue, investment property (including those classified as non-current assets held for sale) and intangible assets (solely those that generate revenue) of each of the Group's assets:

Thousands of euros						
31 December 2020						
	Revenue	%	Investment property	Non-current assets held for sale (Note 10)	Intangible assets	%
Basque Country	17,574	18.83	215,430	62,760	—	18.85
Andalusia	15,760	16.89	292,400	—	—	19.82
Galicia	15,526	16.64	235,800	—	—	15.98
Community of Valencia	14,959	16.03	214,590	—	—	14.54
Castile La Mancha	9,504	10.18	146,460	—	—	9.93
Castile and León	7,977	8.55	106,400	10,530	—	7.92
Catalonia	5,836	6.25	96,400	—	—	6.53
Community of Madrid	4,247	4.55	66,000	—	—	4.47
Balearic Islands	885	0.95	—	12,810	—	0.87
Cantabria	471	0.51	—	7,240	—	0.49
Navarre	380	0.41	—	5,690	—	0.39
La Rioja	205	0.21	—	2,980	—	0.20
	<u>93,324</u>	<u>100.00</u>	<u>1,373,480</u>	<u>102,010</u>	<u>—</u>	<u>100.00</u>
Thousands of euros						
31 December 2019						
	Revenue	%	Investment property	Non-current assets held for sale (Note 10)	Intangible assets	%
Basque Country	17,307	21.34	217,336	64,040	—	18.13
Galicia	15,666	19.31	254,980	—	—	16.43
Community of Valencia	14,939	18.41	233,345	—	—	15.04
Castile La Mancha	9,064	11.17	151,220	—	—	9.75
Castile and León	8,134	10.03	110,900	11,580	—	7.89
Catalonia	5,245	6.47	102,063	—	—	6.58
Community of Madrid	4,463	5.50	67,500	—	—	4.35
Andalusia	4,408	5.43	312,000	—	—	20.11
Balearic Islands	851	1.05	—	11,870	—	0.77
Cantabria	481	0.59	—	6,710	—	0.43
Navarre	372	0.46	—	5,260	—	0.34
La Rioja	198	0.24	—	2,760	—	0.18
	<u>81,128</u>	<u>100.00</u>	<u>1,449,344</u>	<u>102,220</u>	<u>—</u>	<u>100.00</u>

The Group carries out its activity entirely in Spain.

(7) INVESTMENT PROPERTY

At 31 December 2020, the investment property owned by the Group, including those classified as non-current assets held for sale, mainly comprises 15 shopping centres and business parks, 2 hypermarkets (Ondara and Albacenter), 2 petrol stations and 22 commercial premises, as well as the land on which these are located, which are held to obtain rental revenue and are therefore not occupied by the Group.

Investment property is presented at fair value.

The Group has recognised the following investment property at fair value at 31 December 2020 and 31 December 2019:

	Thousands of euros	
	Investment property	
	31/12/2020	31/12/2019
Shopping centres and single-tenant commercial properties	1,373,480	1,449,344
	<u>1,373,480</u>	<u>1,449,344</u>

The composition and movements that had occurred in the accounts included under the heading “Investment property” in the Group’s Consolidated Statement of Financial Position at 31 December 2020 and 2019 were as follows:

	Thousands of euros	
	31/12/2020	31/12/2019
Balance at the beginning of the period	1,449,344	1,363,646
Additions for the period	24,792	133,669
Inclusion of financial expenses under assets	—	659
Transfers under first application of IFRS 16 (Note 2f iii)	—	13,700
Transfers of non-current assets held for sale (Note 5t)	—	(102,550) -
Sale of property	—	(307)
Changes in fair value	<u>(100,656)</u>	<u>40,527</u>
Balance at the end of the period	<u>1,373,480</u>	<u>1,449,344</u>
Fair value	<u>1,373,480</u>	<u>1,449,344</u>

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Additions and changes to the scope

2020 Period

Type of asset	Company	Thousands of euros
		Additions
Shopping centre	Anec Blau (a)	7,693
Shopping centre	Lagoh (b)	4,102
Business Park	Megapark Ocio (a)	5,127
Shopping centre	Rivas (a)	2,055
Shopping centre	Portal de la Marina (c)	1,226
-	Improvements to other assets and fit-outs	4,589
		24,792

- (a) Amounts corresponding mainly to the refurbishments carried out on the property assets of Anec Blau, Rivas and Megapark Ocio.
- (b) Amounts corresponding mainly to the construction finishings at the Lagoh shopping centre in the amount of EUR 4,102 thousand.
- (c) Amounts corresponding to the fit-out granted to Zara for improvements to the premises and other improvements at the shopping centre.
- (d) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

2019 Period

Type of asset	Company	Thousands of euros
		Additions
Shopping centre	Lagoh (a)	109,718
Shopping centre	Anec Blau (b)	9,648
Business Park	Megapark Barakaldo (b)	1,866
Shopping centre	Portal de la Marina (b)	2,103
Shopping centre	El Rosal (b)	2,451
Shopping centre	Parque Abadía (b)	1,422
Shopping centre	Hiper Albacenter (b)	1,470
Business Park	Megapark Ocio (b)	1,123
-	Improvements to other assets and fit-outs	3,868
		133,669

- (a) This amount corresponds to the construction of the Lagoh shopping centre in Seville by the company LE Retail Lagoh, S.L.U. (formerly Lar España Shopping Centres VIII, S.L.U.) In 2019, EUR 111,718 thousand in construction costs was incurred, and the shopping centre was put in operation on 27 September 2019. In addition, the initial

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

purchase price of the land was decreased by EUR 2,000 thousand, according to an agreement reached by the parties.

- (b) The amounts mainly correspond to renovations performed on the Anec Blau, Megapark Ocio, Megapark, Portal de la Marina, El Rosal, Parque Abadía and Hiper Albacenter property assets.
- (c) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

Investment commitments pertaining to property investments total EUR 1,763 thousand at 31 December 2020 (EUR 3,444 thousand at 31 December 2019).

Sale of property

In 2020 the Group did not sell any properties.

On 01 October 2019, the sale of four plots located in Cheste, Valencia to the company E-Cross Circuito Cheste, S.L.U. was signed for EUR 1,284 thousand net of VAT, giving rise to a net gain of EUR 977 thousand on the expenses associated with the disposal, which was recognised under "Profit and loss from the disposal of investment property" in the Consolidated Statement of Comprehensive Income. At 31 December 2019, the full amount of the sale had been collected. The sale was carried out by the Group company Lar España Inversión Logística IV, S.L.U., which requested the removal from the SOCIMI regime in 2018 and, therefore, will be taxed under the general corporate income tax regime.

Disclosures on the fair value of investment property

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

	Thousands of euros			
	2020			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
<i>Investment property</i>				
Shopping centres and single-tenant commercial				
– Land	312,122	—	—	312,122
– Buildings	1,061,358	—	—	1,061,358
Total assets measured recurrently at fair value	1,373,480	—	—	1,373,480

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	Thousands of euros			
	2019			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
<i>Investment property</i>				
Shopping centres and single-tenant commercial				
– Land	312,607	—	—	312,607
– Buildings	1,136,737	—	—	1,136,737
Total assets measured recurrently at fair value	1,449,344	—	—	1,449,344

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

At 31 December 2020 and 2019, details of the gross leasable area and occupancy rate by line of business are as follows:

	Square metres			
	2020 (*)		2019 (*)	
	Gross leasable area	Occupancy rate	Gross leasable area	Occupancy rate
Shopping centres and single-tenant commercial properties	533,482	95.17%	534,398	94.64%

(*) The Huertas and Txingudi shopping centres and supermarket portfolios, which are classified as held for sale, have occupancy rates of 89.4%, 96.4% and 100%, respectively, and measure 6,267, 10,712 and 27,909 square meters, respectively, have not included said square meters (92.4%, 98.9% and 100% in 2019, respectively).

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.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

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

In this regard, the appraisers included "material valuation uncertainty" in their valuation reports at 31 December 2020 as a result of the COVID-19 crisis. Because they did not believe there is not sufficient and valid market evidence and because of the numerous uncertainties resulting from this extraordinary situation, they therefore indicated that these valuations must be taken with a lesser degree of certainty and greater precaution than normal.

Specifically, measurements made on 31 December 2020 have taken into account potential impacts of allowances granted due to COVID-19 in the amount of EUR 5,788 thousand on the cash flows, taking into account at all times the type of lessee of each asset, until the end of the first six months of 2021. In addition, in comparison to the valuations of previous periods, the financial variables, exit yield and discount rate, have been stressed within a range of 0 to 40 basis points as a reflection of the increased uncertainty in these circumstances of future cash flows (Note 2g).

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

Fees paid by the Group to the appraisal companies for measurements in the 2020 and 2019 periods are as follows:

	Thousands of euros	
	2020	2019
Appraisal services	71	121
	71	121

Assumptions used in valuations

In terms of calculating the fair value of investment property, including those classified as non-current assets held for sale (Note 10), the material unobservable input data used to measure the fair value correspond to rental revenue, the Exit Yield and the discount cash flow used in projections. Quantitative information on the material unobservable input data used to measure the fair value is shown below:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	2020		2019	
	Exit Yield	Discount rate	Exit Yield	Discount rate
Shopping centres and single-tenant commercial properties	5.25 – 8.40	6.98 – 10.30	5.25 – 7.80	7.15 – 10.75

In terms of rental revenue, the amounts per square meter used in the measurement for 2020 ranged from EUR 4.5 and EUR 21.6 per month (EUR 7.7 and 21.7 per month in 2019), depending on the type of asset and the location. The revenue growth rates used in the projections are mainly based on the CPI.

Sensitivity analysis of the assumptions used

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

Change in discount rate

	Thousands of euros					
	31/12/2020					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(25,546)	(49,968)	(96,815)	(25,546)	(49,968)	(96,815)
Discount rate decrease	24,907	50,974	101,759	24,907	50,974	101,759

	Thousands of euros					
	31/12/2019					
	Assets			Consolidated comprehensive income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(25,474)	(52,654)	(102,447)	(25,474)	(52,654)	(102,477)
Discount rate decrease	27,862	56,944	113,679	27,862	56,944	113,679

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Change in revenue

		Thousands of euros					
		31/12/2020					
		Assets			Consolidated comprehensive income		
		2.5%	5%	10%	2.5%	5%	10%
Revenue increase		16,590	33,850	68,210	16,590	33,850	68,210
Revenue decrease		(19,370)	(38,010)	(75,009)	(19,370)	(38,010)	(75,009)

		Thousands of euros					
		31/12/2019					
		Assets			Consolidated comprehensive income		
		0.25%	0.50%	1%	0.25%	0.50%	1%
Revenue increase		1,762	3,368	6,651	1,762	3,368	6,651
Revenue decrease		(1,558)	(3,373)	(6,561)	(1,558)	(3,373)	(6,561)

Change in Exit Yield

		Thousands of euros					
		31/12/2020					
		Assets			Consolidated comprehensive income		
		0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase		(32,577)	(62,164)	(115,176)	(32,577)	(62,164)	(115,176)
Exit Yield decrease		34,323	72,386	159,745	34,323	72,386	159,745

		Thousands of euros					
		31/12/2019					
		Assets			Consolidated comprehensive income		
		0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase		(35,975)	(69,149)	(128,029)	(35,975)	(69,149)	(128,029)
Exit Yield decrease		39,360	82,580	182,506	39,360	82,580	182,506

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The details of “Changes in fair value of investment property” in the Consolidated Statement of Comprehensive Income at 31 December 2020 and 31 December 2019 are as follows:

	2020		2019	
	Thousands of euros		Thousands of euros	
	Investment property	Non-current assets held for sale	Investment property	Non-current assets held for sale
Shopping centres and single-tenant commercial properties	(100,452)	(204)	40,527	(490)
	(100,452)	(204)	40,527	(490)

(8) OPERATING LEASES – LESSOR

At 31 December 2020, the Group has the shopping centres and single-tenant commercial properties leased to third parties under operating leases.

Future minimum payments for non-cancellable operative leases and expected allowances, taking into account those assets classified as Non-current assets held for sale (Note 10) are as follows:

	Thousands of euros			
	31/12/2020		31/12/2019	
	Minimum rent collections	Allowances	Minimum rent collections	Allowances
Year 1	91,724	(2,466)	88,970	(2,549)
Year 2	72,588	(758)	71,437	(1,084)
Year 3	52,566	(507)	54,266	(104)
Year 4	38,990	(390)	39,567	(64)
Year 5	25,752	(390)	30,478	(4)
Over five years	114,895	(4,070)	131,077	—
	396,515	(8,581)	415,795	(3,805)

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

- Agreements with a fixed rate per m² (minimum guaranteed rent) and a floating rate (floating rent) calculated as a percentage of the sales made by the lessees in the relevant commercial premise or of the receipts from various premises (in the case of cinemas, for example). In these contracts, if the result of applying the percentage arranged in the contract to the lessee's total annual sales (or monthly in certain cases) is greater than the minimum guaranteed rent, the difference is invoiced to the lessee.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

- Agreements that exclusively establish a floating amount as the rental payment, where this floating amount is determined by applying the percentage stipulated in the agreement to the lessee's sales at the relevant commercial premise.

Below are the details of the Group's revenue from leases in 2020 and 2019, differentiating between the fixed rent proceeds and the floating rent proceeds:

	Thousands of euros	
	31/12/2020	31/12/2019
Revenue from floating rent	4,759	3,938
Revenue from fixed rent	88,565	77,190
Total revenue	93,324	81,128

The ten lessees that contributed the most rental revenues in 2020 and 2019, as well as the main characteristics of each, are as follows:

2020 Period

Position	Trade name	Project	% of total rental revenues	% of total accumulated rental revenues	Maturity *	Sector
1	Inditex Group	Anec Blau/Albacenter/El Rosal/As Termas/Lagoh /Gran Vía de Vigo/Portal de la Marina	6.83	6.83	2025-2034	Textile/Fashion
2	Eroski Sociedad Cooperativa Centros	Portfolio supermarkets/As Termas petrol station	5.40	12.23	2051	Distribution/Hypermarket
3	Comerciales Carrefour, S.A.	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	5.07	17.30	2042-2060	Distribution/Hypermarket
4	Mediamark, S.A.	Megapark/Parque Abadía/Vistahermosa/As Termas/Rivas/ Lagoh	3.77	21.07	2023-2044	Technology
5	Leroy Merlin España, S.L.U.	VidaNova Parc/Vistahermosa/As Termas	2.61	23.68	2041-2058	DIY
6	Tendam Retail, S.A.	Albacenter/Anec Blau/ As Termas/ Abadía /Huertas / Rosal / Gran Vía de Vigo / Vistahermosa /Txingudi / Megapark / VidaNova Parc / Portal de la Marina/ Lagoh	2.33	26.01	2021-2036	Textile/Fashion
7	Decathlon España, S.A.	Megapark/Abadía/VidaNova Parc	2.15	28.16	2036-2043	Distribution
8	Mercadona, S.A.	Anec Blau/Hiper Albacenter/Megapark/Lagoh	2.03	30.19	2040-2049	Distribution/Hypermarket
9	Alcampo, S.A.	Vistahermosa/ Parque Abadía	1.88	32.07	2055-2061	Distribution/Hypermarket
10	Conforama España, S.A.	Megapark/Rivas/Vidanova Parc	1.87	33.94	2023-2038	Textile/Fashion

* The information above references the contracts that were in force during the 2020 period, where the effect of revenue linearisation was not taken into account. Furthermore, the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

2019 Period

Position	Trade name	Project	% of total rental revenues	% of total accumulated rental revenues	Maturity *	Sector
1	Inditex Group	Anec Blau/Albacenter/El Rosal/As Termas/Lagoh /Gran Vía de Vigo/Portal de la Marina	7.64	7.64	2025-2034	Textile/Fashion
2	Centros Comerciales Carrefour, S.A.	El Rosal/Gran Vía de Vigo/Hiper Portal de la Marina	5.29	12.93	2028-2060	Distribution/Hypermarket
3	Eroski Sociedad Cooperativa	Hiper Albacenter/Portfolio Supermarkets/As Termas petrol station	5.10	18.03	2051	Distribution
4	Mediamark, S.A.	Megapark/Parque Abadía/Vistahermosa/As Termas/Rivas/ Lagoh	3.92	21.95	2021-2044	Technology
5	Decathlon España, S.A.	Megapark/Abadía/VidaNova Parc	3.07	25.02	2036-2043	Distribution
6	Leroy Merlin España, S.L.U.	VidaNova Parc/Vistahermosa	2.62	27.64	2041-2058	DIY
7	Tendam Retail, S.A.	Albacenter/Anec Blau/ As Termas/ Abadía /Huertas / Rosal / Gran Vía de Vigo / Vistahermosa /Txingudi / Megapark / VidaNova Parc / Portal de la Marina/ Lagoh	2.63	30.27	2020-2030	Textile/Fashion
8	Conforama España, S.A.	Parque Abadía/VidaNova Parc/Rivas/Megapark	2.47	32.74	2028-2038	Home goods
9	Alcampo, S.A.	Vistahermosa/ Parque Abadía	1.99	34.73	2055-2061	Distribution/Hypermarket
10	C&A Modas, S.L.U.	Anec Blau/As Termas/Portal de la Marina/Gran Vía de Vigo/Abadía/VidaNova Parc	1.98	36.71	2023-2038	Textile/Fashion

* The information above references the contracts that were in force during the 2019 period, where the effect of revenue linearisation was not taken into account. Furthermore, the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.

(9) EQUITY-ACCOUNTED INVESTEEES

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

	Thousands of euros			
	31 December 2020		31 December 2019	
	Investments	Result attributable to the Group	Investments	Result attributable to the Group
Inmobiliaria Juan Bravo 3, S.L.	1,082	257	5,100	473
Total	1,082	257	5,100	473

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The reconciliation between the abridged financial information on the associate and the carrying amount of said shareholding is as follows (in thousands of euros):

	Thousands of euros	
	31/12/2020	31/12/2019
Current assets	5,080	23,604
Non-current assets	25	198
Total assets (A)	5,105	23,802
Current liabilities	2,941	13,602
Non-current liabilities	—	—
Total liabilities (B)	2,941	13,602
Total net equity (A-B)	2,164	10,200
% attributable to Lar España	1,082	5,100
Carrying amount	1,082	5,100
Difference	—	—

Net assets provided by this company are broken down in Appendix I.

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

As established in International Financial Reporting Standard 5 – Non-current Assets Held for Sale and Discontinued Operations, those assets in the process of being divested with committed sale plans were reclassified. Specifically, this is the situation of the two shopping centres owned by the Group companies LE Retail Las Huertas, S.L.U. and LE Retail Txingudi, S.L.U. and the stakes in the Group companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U., which own a portfolio of 22 supermarkets.

In accordance with IAS 40 and the exception applicable under IFRS 5, investment property classified as non-current assets held for sale are posted at fair value. The change in fair value thereof since their posting as non-current assets held for sale entailed the recognition of a loss pursuant to the latest appraisals in the amount of EUR 204 thousand, which is recognised under “Changes to the fair value of investment property” in the adjoined Consolidated Statement of Comprehensive Income. The assumptions used in the measurement are broken down, along with the other investment property, in Note 7 above. Similarly, no improvements or fit-outs were made in 2020 on non-current assets held for sale (EUR 704 thousand in 2019).

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

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

	Thousands of euros			
	Assets		Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
LE Retail Las Huertas, S.L.U. (a)	10,797	11,832	267	252
LE Retail Txingudi, S.L.U. (a)	33,268	37,246	658	726
LE Retail Hipermercados I, S.L.U. (b)	21,463	18,784	242	204
LE Retail Hipermercados II, S.L.U. (b)	21,585	18,643	217	203
LE Retail Hipermercados III, S.L.U. (b)	19,642	17,285	192	185
	<u>106,755</u>	<u>103,790</u>	<u>1,576</u>	<u>1,570</u>

- (a) The Group presents the directly related assets and liabilities of LE Retail Las Huertas, S.L.U. and LE Retail Txingudi, S.L.U. as “Non-current assets held for sale”, since it expects to sell the shopping centres and commercial premises owned by these companies in the short term.
- (b) At 31 December 2020, the Group presents non-current assets and liabilities held for sale of the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. These companies own a group of commercial premises, and at 2020 year-end the shareholdings in said companies are expected to be sold in the short term. At 31 December 2019, the non-current assets held for sale solely included assets and liabilities directly related to the commercial premises, as they were the only assets expected to be sold.

In this sense, on 23 February 2021, the shareholdings in said companies were sold for a total of EUR 59,522, having fulfilled on that date the 3-year holding period required by the SOCIMI regime.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The details of the assets and liabilities classified as held for sale at 31 December 2020 are as follows:

	LE Retail Las Huertas, S.L.U.	LE Retail Txingudi, S.L.U.	LE Retail Hipermercados I, S.L.U.	LE Retail Hipermercados II, S.L.U.	LE Retail Hipermercados III, S.L.U.	Total
Non-current assets held for sale	10,797	33,268	21,463	21,585	19,642	106,755
Investment property	10,530	32,610	20,050	20,360	18,460	102,010
Non-current financial assets	180	417	204	134	167	1,102
Trade and other receivables	—	—	166	64	48	278
Cash and cash equivalents	87	241	1,043	1,027	967	3,365
Liabilities connected to non-current assets held for sale	(267)	(658)	(242)	(217)	(192)	(1,576)
Trade payables	—	—	(39)	(13)	(7)	(59)
Other current liabilities	(267)	(658)	(203)	(204)	(185)	(1,517)
Non-current assets held for sale	10,530	32,610	21,221	21,368	19,450	105,179

The details of the assets and liabilities classified as held for sale at 31 December 2019 are as follows:

	LE Retail Las Huertas, S.L.U.	LE Retail Txingudi, S.L.U.	LE Retail Hipermercados I, S.L.U.	LE Retail Hipermercados II, S.L.U.	LE Retail Hipermercados III, S.L.U.	Total
Non-current assets held for sale	11,832	37,246	18,784	18,643	17,285	103,790
Investment property	11,580	36,520	18,580	18,440	17,100	102,220
Non-current financial assets	180	405	204	134	166	1,089
Cash and cash equivalents	72	321	-	69	19	481
Liabilities connected to non-current assets held for sale	(252)	(726)	(203)	(204)	(185)	(1,570)
Other current liabilities	(252)	(726)	(203)	(204)	(185)	(1,570)
Non-current assets held for sale	11,580	36,520	18,581	18,439	17,100	102,220

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(11) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

	Thousands of euros			
	2020		2019	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Non-current financial assets	13,618	—	13,149	—
Other financial assets	—	369	—	189
Operating lease receivables - invoices awaiting formalisation (Note 12)	—	1,471	—	1,273
Operating lease receivables - invoices issued (Note 12)	—	17,741	—	1,678
Advances to suppliers	—	1,746	—	1,474
Public entities, other (Note 21)	—	8,101	—	10,639
Total	13,618	29,428	13,149	15,253

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

“Non-current financial assets” mainly comprise the security deposits and guarantees received from the lessees of the investment property mentioned in Note 7, which the Group has deposited with the corresponding public bodies.

At 31 December 2020, “Public entities, other” mainly comprises the Value Added Tax pending return related to the investments made in the Group’s property assets.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity is as follows:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	2020			
	Thousands of euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	—	—	13,618	13,618
Other financial assets	369	—	—	369
Operating lease receivables - invoices awaiting formalisation	1,471	—	—	1,471
Operating lease receivables - invoices issued	17,741	—	—	17,741
Advances to suppliers	1,746	—	—	1,746
Public entities, other (Note 21)	8,101	—	—	8,101
	29,428	—	13,618	43,046

	2019			
	Thousands of euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	—	17	13,132	13,149
Other financial assets	189	—	—	189
Operating lease receivables - invoices awaiting formalisation	1,273	—	—	1,273
Operating lease receivables - invoices issued	1,678	—	—	1,678
Advances to suppliers	1,474	—	—	1,474
Public entities, other (Note 21)	10,639	—	—	10,639
	15,253	17	13,132	28,402

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(12) TRADE AND OTHER RECEIVABLES

Details of trade and other receivables at 31 December 2020 and 2019 are as follows:

	2020		2019	
	Thousands of euros		Thousands of euros	
	Current	Non-current	Current	Non-current
Operating lease receivables - invoices issued	17,741	—	1,678	—
Operating lease receivables - invoices awaiting formalisation	1,472	—	1,273	—
Operating lease receivables - revenue linearisation	4,401	17,997	445	3,857
Advances to suppliers	1,746	—	1,474	—
Public entities, other (Notes 11 and 21)	8,101	—	10,639	—
Less impairment allowances	(4,998)	—	(865)	—
Total	28,463	17,997	14,644	3,857

In accordance with the terms in Note 2g of this consolidated report, after the shopping centres opened, the Group began negotiations with practically all lessees, reaching agreements regarding rent allowances accrued during closure in exchange for increased break option time frames and lease contract maturities. Although the Group made a major effort to reach agreements with the lessees at its shopping centres and business parks, the impact the pandemic on general economic activity and on each of the lessees working in those premises, some were pending formalisation at 31 December 2020, which caused an important increase in outstanding balances receivable at year-end. At 31 December 2020, there were outstanding balances invoiced to customers in the amount of EUR 17,741 thousand (EUR 1,678 thousand at 31 December 2019). Accordingly, at 31 December 2020 the Group performed an individual study on each debtor, analysing their situation and recording a total impairment in the amount of EUR 4,998 thousand. This impairment corresponds to the receivables from lessees whose debt is considered unlikely to be recovered by Group management, after subtracting the amount of any security deposits, additional guarantees and sureties.

(a) Impairment

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

	Thousands of euros	
	2020	2019
Balance at 31 December 2019	865	822
Impairment provisions (Note 24)	4,267	688
Reversals of impairment losses (Note 24)	(134)	(645)
Balance at 31 December 2020	4,998	865

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The provisions and impairment reversals regarding trade operations are recorded under “Other operating expenses” on the adjoined Consolidated Statement of Comprehensive Income (Note 24).

In the 2020 period irrecoverable credits were recognised in the amount of EUR 109 thousand (EUR 182 thousand in 2019).

(13) CASH AND CASH EQUIVALENTS

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

	Thousands of euros	
	2020	2019
Banks	134,028	160,527
Total	134,028	160,527

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

The aforesaid programme temporarily suspends the liquidity agreement with a financial intermediary pursuant to the terms of Spanish National Securities Market Commission Circular 3/2007 of 19 December, on liquidity agreements for the purposes of accepting the same as a market practice and other applicable regulations, such that a restricted amount of EUR 500 thousand was held in cash and cash equivalents and a maximum of 63,000 shares is kept available for purchase/sale of treasury shares at 31 December 2019.

In addition, on 31 December 2020, LE Retail Lagoh, S.L.U. has EUR 1,108 thousand in a restricted account for handling the maturities in 6 months of a loan it holds (Note 17b). The rest of the balances are unrestricted for the Group.

(14) NET EQUITY

(a) Capital

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

On 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 07 June 2019, the Parent increased share capital by a nominal amount of EUR 1,243 thousand through the issue of shares (621,337 ordinary shares with a par value of EUR 2 par value) with a share premium of EUR 5,182 thousand. This capital increase has been subscribed by Grupo Lar Inversiones Inmobiliarias, S.A. in compliance with the provisions of the Investment Management Agreement, which establishes that the manager must invest the post-tax performance fee in the subscription of the capital increase carried out by the Parent in accordance with the terms of the aforementioned agreement. This capital increase was carried out with the exclusion of pre-emptive subscription rights and delegation to the Board of Directors for the execution of the resolution. The new shares issued within the framework of said increase shall be subject to a three-year lock-up period imposed by the Lar Group, pursuant to the terms of the Investment Management Agreement subscribed with Lar España.

Similarly, on 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 07 June 2019, the Parent reduced capital by EUR 6,506 thousand, corresponding to 3,252,820 shares of EUR 2 par value each, representing 3.5% of share capital. The capital reduction was carried out against free reserves, and an amortised capital reserve was also recorded for an amount of EUR 6,506 thousand, equal to the par value of the redeemed shares, which will be unavailable. The shares were amortised through the use of own shares, the value of which at the time of the capital decrease totalled EUR 24,743 thousand.

On 20 December 2019, pursuant to the Board of Directors' resolution on 19 December 2019, the Parent Company reduced capital by EUR 5,908 thousand, corresponding to 2,953,831 shares of EUR 2 par value each and representing 3.2% of share capital. The capital decrease was charged against free reserves, and an amortised capital reserve was also recorded for an amount of EUR 5,908 thousand, an amount equal to the par value of the redeemed shares. The shares were redeemed through the use of treasury shares, the value of which at the time of the capital decrease totalled EUR 21,682 thousand. On 30 December, the deed reflecting the capital decrease was entered in the Companies Registry.

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The quoted price at 31 December 2020 was EUR 4.67 per share, and the average price per share in the 2020 period was EUR 4.76 (in the 2019 period, the average price per share was EUR 7.10 and the quoted price was EUR 7.46 per share).

The breakdown of the Parent Company's main shareholders at 31 December 2020 is as follows:

	%
LVS II Lux XII S.a.r.l.	20.7%
Grupo Lar Inversiones Inmobiliarias, S.A.	11.5%
Santa Lucía S.A. Cía. de Seguros	5.2%
Brandes Investment Partners, L.P.	5.0%
Blackrock Inc.	3.7%
Adamsville, S.L.	3.0%
Other shareholders with an interest of less than 3%	50.9%
Total	100.00%

(b) Issue premium

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

On 25 April 2019, the distribution of dividends from the 2018 financial year against the share premium was approved for the amount of EUR 6,647 thousand, taking into account the shares issued.

At 31 December 2020, the Group's issue premium amounts to EUR 475,130 thousand (EUR 475,130 thousand at 31 December 2019).

(c) Other reserves

The breakdown of this category as at 31 December 2020 and 2019 is the following:

	Thousands of euros	
	31/12/2020	31/12/2019
Legal reserve	16,990	10,879
Capital redemption reserve	15,502	15,502
Other Parent Company reserves	(43,610)	(42,725)
Reserves in consolidated companies	291,883	270,462
Other shareholder contributions	240	240
Total	281,005	254,358

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Reserve movements that took place during the 2020 and 2019 periods were as follows:

	Thousands of euros		
	2020		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	(16,104)	270,462	254,358
Profit for 2019	60,000	20,730	80,730
Distribution of Dividends for the period	(54,094)	—	(54,094)
Result from treasury shares	(6)	—	(6)
Other operations	17	—	17
Closing balance	(10,187)	291,192	281,005

	Thousands of euros		
	2019		
	Parent Company reserves	Reserves in consolidated companies	Total Reserves
Opening balance	8,690	211,599	220,289
First application of IFRS 16	-	5,146	5,146
Balance at 01 January 2019	8,690	216,745	225,435
Profit for 2018	75,591	53,717	129,308
Distribution of Dividends for the period	(66,247)	-	(66,247)
Capital decrease	(34,011)	-	(34,011)
Result from treasury shares	(16)	-	(16)
Other operations	(111)	-	(111)
Closing balance	(16,104)	270,462	254,358

(i) Legal reserve

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

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

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

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

(ii) Capital redemption reserve

This reserve includes the nominal value of the treasury shares redeemed in the capital decreases carried out on 20 December 2019, 10 June 2019 and 28 December 2018, totalling EUR 15,502 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the revised text of which was approved by Royal Legislative Decree 1/2010, of 2 July (Spanish Companies Act).

(d) Valuation adjustments

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

	Thousands of euros	
	2020	2019
Opening balance	(1,943)	(2,610)
Changes in fair value of hedges in the period recognised directly in net equity	(653)	(821)
Other amounts transferred to the Income Statement	986	1,488
Closing balance	(1,610)	(1,943)

(e) Treasury shares

At 31 December 2020, the Company has treasury shares with an acquisition cost of EUR 16,474 (EUR 762 thousand at 31 December 2019).

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Movement during the 2020 and 2019 periods was as follows:

2020 Period

	Number of shares	Thousands of euros
31 December 2019	103,820	762
Additions	2,994,520	15,885
Derecognitions	(23,668)	(173)
31 December 2020	3,074,672	16,474

2019 Period

	Number of shares	Thousands of euros
31 December 2018	164,925	1,228
Additions	6,240,541	46,715
Derecognitions	(94,995)	(756)
Capital decreases (Note 8a)	(6,206,651)	(46,425)
31 December 2019	103,820	762

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The average selling price of treasury shares in 2020 was EUR 7.02 per share (EUR 7.77 in 2019). Furthermore, losses for the period ended 31 December 2020 amounted to euros 6 thousand (EUR 16 thousand in losses at 31 December 2019) and were recognised under “Other Reserves” on the Consolidated Statement of Financial Position.

The dates 28 February 2019 and 18 December 2019 marked the end of the share repurchase programs formalised between the Company and its liquidity supplier, whereby said programs had a target of a maximum of 3,160,000 and 4,660,000 shares, respectively.

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

Said programme temporarily suspends the 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 the same as a market practice and other applicable regulations.

(f) Dividends paid

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(15) RESULT PER SHARE

(a) Basic

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

Details of the calculation of basic result per share are as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>
Result for the period attributable to net equity instrument holders of the Parent Company (in thousands of euros)	(53,668)	80,730
Weighted average number of ordinary shares in circulation (number of shares)	<u>85,605,283</u>	<u>89,879,866</u>
Basic earnings per share (in euros)	<u>(0.63)</u>	<u>0.90</u>

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

	<u>31/12/2020</u>	<u>31/12/2019</u>
Ordinary shares at the beginning of the year	87,633,730	93,219,044
Share capital increase (weighted effect)	—	347,268
Average effect of treasury shares	<u>(2,028,447)</u>	<u>(3,686,446)</u>
Weighted average number of ordinary shares in circulation at 31 December (in securities)	<u>85,605,283</u>	<u>89,879,866</u>

(b) Diluted

Diluted result per share are calculated by adjusting result for the period attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

In addition, as indicated in Note 28, the Parent Company has entered into an Investment Management Agreement with the manager, for which a performance fee is payable. The amount of this floating remuneration will be settled, as so decided by the Parent Company, in cash (which will subsequently be used by the manager to subscribe for the shares issued) or in treasury shares. Every year in which the fee has been accrued the Parent has chosen a cash payment. In accordance with paragraphs 46 and 47A of IAS 33 and taking into account that, at 31 December 2020, the manager has provided its complete service, all the potential ordinary shares that the Parent Company would deliver to the manager must be considered diluted. However, given that at 31 December 2020 and 2019, based on the Directors' best estimate, no performance fee had accrued (Note 28a), the Parent Company does not have potentially diluted shares at year-end.

Details of the calculation of diluted earnings share are as follows (in euros):

	31/12/2020	31/12/2019
Profit after tax	(53,667,977)	80,729,544
Weighted shares in circulation	85,605,283	89,879,866
Potential ordinary shares	—	—
Diluted earnings per share	<u>(0.63)</u>	<u>0.90</u>

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(16) FINANCIAL LIABILITIES BY CATEGORY

(a) Classification of financial liabilities by category

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

	Thousands of euros	
	2020	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at fair value:		
Derivatives	4,685	3,137
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,685	3,482
Bank borrowings	570,608	40,593
Other financial liabilities	19,993	—
Trade and other payables:		
Trade payables	—	17,477
Public Entities, other (Note 21a)	—	730
Customer advances	—	16
Total financial liabilities	734,971	65,435

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

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

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

At 31 December 2020 and 2019, the carrying amounts of the financial liabilities recorded at amortised cost do not differ significantly from the fair value.

(b) Classification of financial liabilities by maturity

Details by maturity of financial liabilities at 31 December 2020 and 31 December 2019 are as follows:

	2020						
	Thousands of euros						
	2021	2022	2023	2024	2025 and remaining years	Indefinite	Total
Financial liabilities from issue of bonds (a)	3,482	140,000	—	—	—	—	143,482
Bank borrowings (a)	40,653	114,509	174,405	105,188	183,509	—	618,264
Derivatives	3,137	181	1,636	430	2,438	—	7,822
Other financial liabilities	—	—	—	—	—	19,993	19,993
Trade and other payables	18,223	—	—	—	—	—	18,223
Total	65,495	254,690	176,041	105,618	185,947	19,993	807,784

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

(a) The effect of valuing financial liabilities from bonds and bank borrowings at amortised cost decreases the nominal value of the liabilities reflected above by EUR 315 thousand and EUR 7,063 thousand, respectively in the 2020 period (EUR 624 thousand and EUR 8,262 thousand in the 2019 period).

(17) FINANCIAL LIABILITIES FROM BORROWINGS

(a) Main characteristics of debt from bonds

On 21 January 2015, the Parent Company's Board of Directors approved the issue of simple bonds up to a maximum amount of EUR 200 million, following approval by the then-sole shareholder of the Parent Company on 5 February 2014.

In this respect, on 19 February 2015, the Parent Company carried out a placement of bonds amounting to a total of EUR 140 million, each with a nominal value of EUR 100 thousand.

The main characteristics of the issue are therefore as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 140,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 21/02/2022. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.
- Guarantees: Guarantee on the financial investments of the Parent Company and mortgages and ordinary first-tier pledges up to a maximum amount of 20% of the placement. Mortgaged assets include: the Txingudi, Albacenter, Albacenter Hipermercado, Anec Blau and As Termas shopping centres. An ordinary pledge has also been established on the shares in LE Retail Txingudi, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Anec Blau, S.L.U., and LE Retail As Termas, S.L.U.

On 02 December 2020, by virtue of the deed granted before notary, the investment properties pledged as collateral for bonds were amended. Said amendment comprised the cancellation of the mortgage on the Las Huertas shopping centre and the Eroski hypermarkets, as well as the cancellation of the pledge on stakes in LE Retail Huertas, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U., and the constitution of a pledge on the As Termas shopping centre and the pledge on the shareholdings in LE Retail As Termas, S.L.U.

The issuance expenses associated with this issue initially amounted to EUR 1,995 thousand, which were recorded by reducing the debt. In 2020, EUR 309 thousand of these expenses (EUR 299 thousand in 2019) were charged to the item "Financial expenses" on the Consolidated Statement of Comprehensive Income for the period. Interest accrued at 31 December 2020 totalled EUR 4,060 thousand (EUR 4,060 thousand at 31 December 2019), EUR 3,482 thousand of which was outstanding at 31 December 2020 to be paid in February of 2021.

At 31 December 2020, the investment assets that had been pledged as collateral for bonds have a fair value of EUR 271,770 thousand and correspond to the aforesaid assets, all of which comprise investment property that belongs 100% to the subsidiaries of the Parent Company.

Covenants

With respect to the bonds, the issue includes the fulfilment of certain ratios by the Group, calculated using the consolidated financial statements.

- The Interest Hedging Ratio must be 1.25 or more, calculated by dividing EBITDA by the financial expenses for the reporting period.
- The Loan-to-Value Ratio must be 65% or less, calculated by dividing the consolidated financial debt by the value of the total consolidated asset.

In addition, the Group undertook to establish new guarantees in those cases in which the Interest Hedging Ratio is less than 1.75 and the Loan-to-Value Ratio is greater than 60%.

The Directors believe the ratios are met at 31 December 2020 without the need for additional guarantees, and they believe these ratios will be met in 2021.

(b) Main characteristics of bank borrowings

The terms and conditions of the loans and debts with credit institutions are as follows:

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

Notes to the consolidated financial statements

Annual period ended 31 December 2020

Institution	Effective rate (%)	Maturity	Thousands of euros				Guarantee
			Limit 31/12/2020	Limit 31/12/2019	Fair value at 31/12/2020 *	Fair value at 31/12/2019 *	
LE Retail As Termas, S.L.U.	Euribor 3M + 1.8% spread	25 June 2020	—	37,345	—	37,245	As Termas shopping centre (b)
LE Retail El Rosal, S.L.U.	Euribor 3M + 1.75% spread	7 July 2030	50,000	50,000	48,738	49,441	El Rosal shopping centre (b)
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	97,000	97,000	96,607	96,319	Megapark shopping centre (a)(b)(c)
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	60,000	60,000	59,043	58,646	Portal de la Marina shopping centre (a)(b)(c)
LE Retail Gran Vía de Vigo, S.A.U.	Euribor 3M + 1.75% spread	14 March 2022	82,400	82,400	81,683	81,204	Gran Vía de Vigo shopping centre (a)(b)(c)
LE Retail Vistahermosa, S.L.U.	Euribor 3M + 1.85% spread	2 March 2022	21,550	21,550	21,453	21,340	Vistahermosa business park (a)(b)
LE Retail Abadía, S.L.U.	1.80% (until 23/11/20) - Euribor 3M + 1.75	23 May 2024	34,750	34,750	34,253	34,122	Abadía business park (a)(b)
LE Retail Abadía, S.L.U.	1.93% (until 23/11/20) - Euribor 3M + 1.75	23 May 2024	7,310	7,310	7,292	7,230	Abadía shopping centre (a)(b)
LE Retail Hiper Ondara, S.L.U.	Euribor 3M + 1.7% spread	24 Feb 2023	8,250	8,250	6,208	4,786	Megapark shopping centre (a)(b)(c)
LE Retail VidaNova Parc, S.L.U.	Euribor 3M + 1.85% spread	31 Dec 2024	28,000	28,000	27,449	27,248	VidaNova Parc
LE Retail Rivas, S.L.U.	1.90	19 Dec 2024	34,500	34,500	34,333	34,286	Rivas business park (b)
LE Retail Lagoh, S.L.U.	Euribor 3M +2 (+2.25 until September 2019)	29 June 2025	98,500	98,500	94,117	95,889	Lagoh shopping centre (b)
LE Retail Lagoh, S.L.U.	Euribor 3M +2 (+2.25 until September 2019)	30 June 2020	—	4,000	—	—	Lagoh shopping centre (b)
Lar España Real Estate SOCIMI, S.A.	Euribor 12M + 1.60%	16 May 2021	30,000	25,000	29,940	—	-
Lar España Real Estate SOCIMI, S.A.	1.67	04 May 2027	70,000	70,000	70,085	12	Lagoh shopping centre (b)
			622,260	658,605	611,201	547,768	

*Amount includes outstanding accrued interest.

- (a) In addition to the mortgage security on the loan, the Group companies have pledged shares, current accounts and credit accounts derived from the lease contract of the property.
- (b) With respect to said mortgage loans, there are certain clauses linked to the keeping of the LTV "Loan To Value" ratio below 50%-70%. If the LTV is not kept below 50%-70%, all or part of the debt will mature early. Additionally, the loans corresponding to the companies LE Retail El Rosal, S.L.U., LE Retail Hiper Ondara, S.L.U., LE Retail Vistahermosa, S.L.U., LE Retail Gran Vía de Vigo, S.A.U., LE Retail Abadía, S.L.U., LE Retail Lagoh, S.L.U., Lar España Real Estate SOCIMI, S.A. and LE Retail Rivas, S.L.U. have clauses for maintaining a minimum Debt Service Coverage Ratio of between 1.1% and 3.0%; otherwise all or part of the debt will be called in early.
- (c) In addition to the previously mentioned ratios, there are clauses linked to keeping the shopping centre's occupancy rate above 85%. If the occupancy rate does not meet this minimum, all or part of the debt will mature early.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

The financial expenses accrued on these loans in the 2020 period totalled EUR 12,283 thousand (EUR 11,862 thousand in 2019). The accrued, unpaid interest at 31 December 2020 amounts to EUR 794 thousand (EUR 1,038 thousand at 31 December 2019).

The main changes that occurred in the period ended 31 December 2020 are as follows:

- On 16 May 2020, the Parent Company renewed the credit facility with Bankinter in the amount of EUR 30,000 thousand (the maximum amount thereof having been expanded by EUR 5,000 thousand since the previous year). This amount may be drawn down up to the limit established at any time by virtue of cheques, transfer orders, account charges or any other order of payment accepted by Bankinter. The maturity date on which the amount drawn down must be fully repaid is 16 May 2021. Interest accrues quarterly and the interest rate is 12-month Euribor plus a 1.60% spread. A fee of 0.35% is charged on any drawdowns over the agreed amount. The fee for not withdrawing from the facility is 0.06% of the average balance that is not drawn down or returned in the quarter. On 31 December 2019, EUR 29,940 thousand was drawn down.
- On 25 June 2020, the loan the Group company LE Retail As Termas, S.L.U. formalised with the ING Bank N.V. (Branch in Spain) for an amount of 37,345 thousand euros.
- Likewise, in 2020 the maturities of the principal of the debt of El Rosal and Lagoh was paid in the amount of EUR 720 thousand and EUR 2,019 thousand, respectively.
- In 2020, EUR 1,387 thousand was drawn down from instalment B of the loan granted to the company LE Retail Hiper Ondara, S.L.U., the total limit being EUR 3,575 thousand, where EUR 2,188 thousand is yet to be drawn down by the Company.
- In addition, on 26 October 2018 the Parent Company formalised a funding line in the amount of EUR 70,000 thousand with the European Investment Bank (“EIB”). Said loan matures 7 years from the first withdrawal. On 04 May 2020, the entire amount of the loan was drawn down. Interest accrues biannually, and the interest rate is 1.67%. The interests registered amount to EUR 771 thousand EUR.

In terms of the funding from the EIB, the Parent Company undertakes to maintain, at all times, on the basis of the consolidated financial statements, a Loan to Value Ratio of less than 50% (taking into account the net financial debt), a debt service coverage ratio greater than or equal to 2.5x and a net financial debt / net equity ratio of less than 1.0x.

- On 07 January 2021, the credit facility the Parent Company held with Bankinter in the amount of EUR 29,940 thousand was returned.

The financing agreements signed by the Group require compliance with certain financial ratios. The Directors believe these ratios to be fulfilled at 31 December 2020 and expect them to be satisfactorily fulfilled while the agreements remain in force.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(c) Derivatives

The details of the derivative financial instruments as at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Non-current	4,685	2,846
Interest rate		
Current	3,137	2,393
Interest rate		
	7,822	5,239

To determine the fair value of interest rate derivatives, the Parent Company uses the cash flow discount on the basis of the implicit amounts determined by the Euro interest rate curve according to the market conditions on the date of measurement.

These financial instruments were classified as level 2 according to the calculation categories established in IFRS 7.

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

	Thousands of euros				
	Contracted interest rate	Fair value at 31/12/2020	Fair value at 31/12/2019	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	—	325	50,000	2020
LE Retail As Termas, S.L.U.	0.53%	—	177	37,345	2020
LE Retail Hiper Ondara, S.L.U. (Megapark)	0.22%	1,670	1,642	97,000	2023
LE Retail Hiper Ondara, S.L.U. (Portal de la Marina)	0.31% / 0.39%	1,199	1,250	60,000	2023
LE Retail Hiper Ondara, S.L.U. (Megapark Ocio)	0.35%	96	100	4,675	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	844	1,244	82,400	2022
LE Retail Vistahermosa, S.L.U.	0.12%	181	247	21,550	2022
LE Retail VidaNova Parc, S.L.U.	0.00%	586	254	28,000	2024
LE Retail Lagoh, S.L.U.	0.87%	3,246	—	58,113	2025
		7,822	5,239		

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

Similarly, on 07 July 2020, the derivative associated with the loan the Group company LE Retail El Rosal, S.L.U. formalised with Caixabank, S.A. matured.

On 29 August 2020, the Group company LE Retail Lagoh, S.L.U. signed an IRS hedging derivative. This IRS hedging instrument contract will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.87% and a floating component based on the three-month Euribor. The notional value of the derivative totals EUR 58,113 thousand and its maturity date is 29 June 2025, coinciding with the terms signed in hedged bank borrowing. After reviewing the documentation on the effectiveness of financial instrument hedges, the Company Directors, based on the best estimate, have determined that the hedge is not effective, posting the derivative at its fair value on the Consolidated Income Statement (Note 5d).

The hedging relationships of exchange rate hedging financial instruments contracted with LE Retail Hiper Ondara, S.L.U. and LE Retail Lagoh, S.L.U. were classified at 31 December 2020 as ineffective. This is due to the fact that the debts hedged by said instruments have a 0% floor on the floating interest rate, where this rate is mainly 3-month Euribor, while the derivatives contracted do not include a floor. Therefore, by performing the effectiveness analysis on said hedges in scenarios like the current one, in which said floating interest rate tied to the Euribor falls below 0% as is reflected in the interest rate curves, the hedge is not effective.

In this respect, the Group recognised the change in fair value of said instruments in the amount of negative EUR 2,717 thousand on the Consolidated Statement of Comprehensive Income, in addition to the effect of reversing the amount recorded under liabilities corresponding to derivatives of LE Retail El Rosal, S.L.U. and LE Retail As Termas, S.L.U., in the amount of negative EUR 197 thousand.

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

Scenario	Thousands of euros		
	Liabilities	Net equity	Consolidated profit before tax
50-bp interest rate increase	3,758	(1,033)	(2,725)
50-bp interest rate decrease	(4,287)	1,152	3,135

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(d) Movements of cash under financial liabilities from borrowings

The movement of cash in the 2020 and 2019 period of the Group's financial debts is as follows:

2020 Period

	Opening balance	New debt	Initial amortised cost	Principal paid	Interest paid	Interest accrued (Note 25)(*)	Offsets	Changes in fair value	Closing balance
		Cash flow		Cash flow	Cash flow				
Financial liabilities from issue of bonds	142,858	-	-	-	(4,060)	4,364	-	-	143,167
Bank borrowings	547,768	101,327	-	(40,084)	(10,093)	12,283	-	-	611,201
Debts with Group companies	3,199	1,000	-	-	-	76	(4,275)	-	-
Derivatives	5,239	-	-	-	(2,623)	2,623	-	2,583	7,822
	699,064	102,327	-	(40,084)	(16,771)	19,346	(4,275)	2,583	762,190

2019 Period

	Opening balance	New debt	Initial amortised cost	Principal paid	Interest paid	Interest accrued (Note 25)(*)	Changes in fair value	Closing balance
		Cash flow		Cash flow	Cash flow			
Financial liabilities from issue of bonds	142,559	-	-	-	(4,060)	4,359	-	142,858
Bank borrowings	434,861	156,955	(4,417)	(42,291)	(9,022)	11,682	-	547,768
Debts with Group companies	-	3,100	-	-	(23)	122	-	3,199
Derivatives	4,071	-	-	-	(2,341)	2,341	1,168	5,239
	581,491	160,055	(4,417)	(42,291)	(15,446)	18,504	1,168	699,064

(*) Taking the effect of formalization expenses into account

(18) OTHER NON-CURRENT FINANCIAL LIABILITIES

At 31 December 2020, the Group includes under “Other non-current financial liabilities” EUR 19,993 thousand (EUR 19,593 thousand at 31 December 2019) that comprise security deposits delivered to the Group by the various tenants of the commercial premises in the real estate assets. This amount generally represents two months’ rent and will be reimbursed at the end of the contract term.

(19) TRADE AND OTHER PAYABLES

Details of “Trade and other payables” at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Trade payables (a)	15,105	29,364
Trade payables, related companies (b)	2,262	1,173
Customer advances	17	20
Salaries payable	107	119
Public entities, other (Note 21)	730	2,368
	18,221	33,044

- (a) At 31 December 2020, “Trade payables” includes EUR 5,466 thousand corresponding to the outstanding amounts for the development and renovations pertaining to the Group’s investment property (Note 5) (EUR 19,408 thousand at 31 December 2019, mainly related to outstanding payments pertaining to the development of the Lagoh shopping centre).
- (b) “Trade payables, related companies” includes EUR 1,811 thousand related to the fixed remuneration and the floating remuneration to be paid to the manager and accrued in the period (Note 28).

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

Below appears the information required by the third additional Provision of Law 15/2010, of 5 July (amended by the second final Provision of Law 31/2014, of 3 December), which has been prepared pursuant to the Resolution of 29 January 2016 by Spain's Accounting and Audit Institute on the information to be included in the report on the consolidated financial statements in terms of the average number of days payable outstanding to suppliers in commercial transactions:

	2020	2019
	Days	Days
Average number of days payable outstanding to	29	34
Ratio of paid operations	26	21
Ratio of operations pending payment	62	95
	Thousands of euros	Thousands of euros
Total effected payments	123,609	31,785
Total pending payments	23,713	23,371

Pursuant to the Resolution by Spain's Accounting and Audit Institute on the calculation of the average number of days payable outstanding to suppliers in these consolidated annual accounts, commercial transactions corresponding to the delivery of goods or rendering of services accrued since the date Law 31/2014, of 3 December, entered into force were taken into consideration, although this has been exclusively regarding companies based in Spain that have been fully or proportionally integrated.

Trade payables as they relate to goods and services included in “Short-term suppliers, related companies”, “Suppliers, Group and associates” and “Sundry creditors” of the current liability of the balance sheet are considered suppliers, for the exclusive purpose of providing the information established in this Resolution. These refer exclusively to the Spanish institutions included in the consolidable Group.

“Average number of days payable outstanding to suppliers” is understood to mean the time passed between the delivery of goods or the rendering of services by the supplier and the material payment of the transaction.

The maximum legal payment period applicable to the Company in the 2014/15 period according to Law 3/2004, of 29 December, containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days until the publication of Law 11/2013, of 26 July, and 30 days as of the publication of said Law and as of today's date (unless the conditions established in same are met, which would allow said maximum payment period to be extended to 60 days).

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(21) PUBLIC ENTITIES AND TAXATION

(a) Balances with public entities

Receivables	Thousands of euros	
	31/12/2020	31/12/2019
Taxation authorities, VAT recoverable	5,492	7,137
Taxation authorities, other withholdings	279	1,186
Other receivables from taxation authorities	2,316	2,316
Other Social Security receivables	14	—
	8,101	10,639

Payables	Thousands of euros	
	31/12/2020	31/12/2019
Taxation authorities, VAT payable	654	1,194
Taxation authorities, personal income tax	72	87
Taxation authorities, Corporate Income Tax payable (Note 21b)	—	1,082
Social Security contributions payable	5	5
Deferred tax liabilities	17,201	17,201
	17,932	19,569

The amounts included in “Taxation authorities, VAT recoverable” mainly correspond to VAT accrued and paid in the renovations of the Anec Blau shopping centre and Megapark Ocio.

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

(b) Reconciliation of accounting profit and taxable income

At 31 December 2020, the Parent Company and the subsidiaries were covered by the SOCIMI tax regime, with the exception of LE Offices Marcelo Spínola, S.L.U and Lar España Inversión Logística IV, S.L.U., which requested the resignation of the SOCIMI tax regime in 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

At 31 December 2020 and 31 December 2019, the taxable fiscal base comprises the following items:

	Thousands of euros		Thousands of euros	
	Tax regime for SOCIMIs	General regime	Tax regime for SOCIMIs	General regime
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
Profit/(loss) before tax from continuing operations		(53,668)		79,628
Consolidation adjustments:		97,112		31,092
Aggregate profit before tax from continuing operations	43,457	(13)	100,311	10,409
<i>Permanent differences</i>	251	5	(1,994)	7
<i>Temporary differences</i>	5,432	(4)	3,342	(4)
Generation/(Offset) of negative tax bases	—	2	—	(5,140)
Tax base	—	—	101,659	5,272
Tax payable (0%/25%)	—	—	—	1,318
Withholdings/Deductions	(195)	—	—	—
Payment instalments	—	(3)	—	(236)
Corporate Income Tax	(195)	(1)	—	1,082

At 31 December 2019, the current Corporate Income Tax payable corresponds to the amount to be paid by Lar España Inversión Logística IV, S.L.U. after the 2019 sale of the plots it owned in Cheste, as well as the amount to be paid by LE Offices Marcelo Spínola 42, S.L.U., after the 2019 sale of the Cardenal Marcelo Spínola 42 office building (Note 10).

Deferred tax assets and liabilities

At 31 December 2020, the Parent Company's directors do not expect any asset to be sold before the three-year time limit expires, which is the reason the deferred tax liabilities for the increase in value (IAS 40) have been calculated at 0% for all the companies included under the SOCIMI regime.

Likewise, the Group has not recorded deferred tax assets for the temporary differences that increase the tax base because the applicable rate is calculated at 0%.

The deferred tax liability totalling EUR 17,201 thousand is the result of the purchase of LE Retail Gran Vía de Vigo, S.A.U., LE Retail Abadía, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U., LE Retail Hipermercados III, S.L.U. and LE Retail Rivas, S.L.U after adjusting the fair value of their assets when the business combination was incorporated, because these companies were not taxed under the special SOCIMI tax regime at the time of their acquisition.

Details of the Negative Tax Bases and net financial expenses posted in the Corporate Income Tax statements filed by the Group companies are as follows:

Euros		
Period created	Negative tax bases	Financial expenses
2012	—	5
2013	—	5
2014	—	8
2015	0.5	6
2016	0.5	5
2017	—	—
2018	—	3
2019	—	2
Total	1	34

However, the fact that the companies that self-declared said taxes under the SOCIMI regime and that the Company's management do not expect these companies to go on to declare tax under the general tax scheme or to receive revenue subject to the general tax scheme, means that said amounts are not considered tax credits.

(c) Reconciliation of accounting profit and Corporate Income Tax expense

The reconciliation of Corporate Income Tax expenses at 31 December 2020 and 31 December 2019 is as follows:

	Thousands of euros		Thousands of euros	
	Tax regime for SOCIMIs	General regime	Tax regime for SOCIMIs	General regime
	31/12/2020	31/12/2020	31/12/2019	31/12/2019
Profit/(loss) before tax from continuing operations		(53,668)		79,628
Consolidation adjustments		97,112		31,092
Aggregate profit before tax from continuing operations	43,457	(13)	100,311	10,409
Generation/(Offset) of unrecorded negative tax bases	—	—	—	(5,140)
<i>Permanent differences</i>	251	5	(1,994)	7
<i>Temporary differences</i>	5,432	(4)	3,342	(4)
Theoretical tax payable (0%–25%)	—	2	—	1,318
Previous years' corporate income tax	—	—	—	(210)
Movement in consolidated deferred tax liability	—	—	—	(2,211)
Corporation tax expense/income	—	—	—	(1,102)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

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

	Thousands of euros	
	2020	2019
Current tax expenses	—	1,109
Deferred tax expenses	—	(2,211)
	—	(1,102)

(d) Periods pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the 2020 reporting date, the last four fiscal years of the Group are open to inspection.

On 11 December 2019, inspections were started at Lar España Real Estate SOCIMI, S.A. to partially verify and inspect the Corporate Income Tax, Value Added Tax, Withholdings from work and professional earnings, Withholdings from movable capital and Non-resident tax withholdings for the years 2015-2019. The scope of this procedure is solely limited to the proper verification of the regional taxation authority tax rates.

In addition, inspections were started at the Group company LE Retail Gran Vía de Vigo, S.L.U. to verify and inspect the Capital Transfer Tax and Stamp Duty for 2014 in relation to the property owned by said company, where an additional payment of EUR 824 thousand is being claimed. An economic-administrative claim has been filed arguing that such payment is inadmissible. The Directors believe that the claim will be admitted with no further amounts needing to be paid.

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.

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

SOCIMI reporting requirements are broken down in the individual financial statements of each of the Group companies.

(22) RISK MANAGEMENT POLICY

(a) Financial risk factors

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

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

(i) Market risks

The emergence of the Coronavirus COVID-19 in China in January 2020 and its recent global spread to many countries led the World Health Organisation to define the viral outbreak as a pandemic since March 11. Specifically, this has caused the Group's real estate assets to be completely or partially closed, pursuant to the terms of Note 2g, resulting in uncertainty regarding the cash flows thereof, as well as an absence in the real estate operations market. In light of current conditions in the property sector, the Group has established a series of specific measures for minimising said impact on its financial position.

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

The application of these measures is dependent on the outcome of the sensitivity analyses that the 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 degrees of evolution of the COVID-19 pandemic, and in particular modifying the key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, increased defaults, increase in allowances granted, contracting of the credit market, etc.).
- The identification of variables that are interconnected and their degree of connection.
- The effect of the 5-point change in the floating interest rate on bank borrowings translates to an effect totalling EUR 507 thousand in the Consolidated Income Statement.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

- Time frame for the assessment: the time frame shall take into account the analysis and potential deviations therefrom. Specifically, various timelines of the impact of the COVID-19 crisis on the Group's operative flows were taken into account, where these impacts are expected to be concentrated in the first six months of 2021.

(ii) *Credit risk*

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

The Group 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.

Historically, the Group has not had significant concentrations of credit risk. Receivables from lessees are not considered to entail high risk, as they are collected at the beginning of the month and are guaranteed by the security deposits, deposits and sureties covered in the lease agreement. However, due to the emergence of COVID-19 and the total and partial closure of the real estate assets, the Group began negotiations with practically all lessees to reach rent allowances that relieved lessees most affected by the situation (Note 2g). Not all of said agreements were formalised at year-end. This led to there being outstanding balances invoiced to customers at 31 December 2020 in the amount of EUR 17,741 thousand (EUR 1,678 thousand at 31 December 2019). Accordingly, at 31 December 2020 the Group performed an individual study on each debtor, analysing their situation and recording a total impairment in the amount of EUR 4,133 thousand, of which EUR 3,126 thousand are due to the COVID-19 health crisis. This impairment corresponds to the receivables from lessees whose debt is considered unlikely to be recovered by Group management, after subtracting the amount of any security deposits, deposits and sureties.

The maximum exposure to credit risk for loans and other receivables at the reporting date of the Consolidated Statement of Financial Position is as follows:

	Note	Thousands of euros	
		2020	2019
Non-current financial assets	11	13,618	13,149
Other current financial assets	11	369	189
Other current assets	11	3,038	2,650
Trade and other receivables	12	46,459	14,644
Cash and cash equivalents	13	134,028	160,527
		<u>197,512</u>	<u>191,159</u>

Group policy for impairment of trade receivables stipulates that a provision must be made for debts of over 90 days for the full amount outstanding, net of any security deposits and guarantees pledged by the debtor.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	Thousands of euros				Total
	2020				
	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	
Operating lease receivables (Note 12)	964	1,516	13,834	1,429	17,743
Total assets	964	1,516	13,834	1,429	17,743

	Thousands of euros				Total
	2019				
	Not past due	Less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	
Operating lease receivables	102	131	377	1,068	1,678
Total assets	102	131	377	1,068	1,678

At 31 December 2020 and 31 December 2019, the Group has recognised impairment on all trade receivables at risk of default (90 days), discounting the balance to be allocated by the amount of risk that is covered by any security deposits, sureties and deposits received, thus covering the maximum exposure at risk. Impairment of receivables by geographical region representing the Group's activities is as follows:

	2020	2019
Community of Valencia	1,742	345
Basque Country	243	55
Galicia	354	84
Castilla La Mancha	45	116
Catalonia	217	38
Castile and León	284	227
Andalusia	2,057	—
Community of Madrid	56	—
	4,998	865

Cash and cash equivalents

At 31 December 2020, the Group has cash totalling EUR 134,028 thousand (EUR 160,527 thousand at 31 December 2019), which represents its maximum exposure to the risk associated with these assets. Cash is held at highly-rated banks and financial institutions.

(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. Given the initial uncertainty caused by the pandemic and the risk of a general increase in pressure on liquidity in the economy, as well as the contraction of a credit market, the Parent Company decided to draw down on a loan granted by the IEB in the amount of EUR 70 million and a credit line of EUR 30 million (Note 9). This withdrawal, along with the implementation of specific plans for the improvement and efficient management of liquidity, has allowed the Company to address these potential tensions and face payment obligations while maintaining a solid financial position throughout the year.

The Group's exposure to liquidity risk at 31 December 2020 and 31 December 2019 is set forth below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

	2020					Total
	Thousands of euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	
Liabilities connected to non-current assets held for sale	—	651	925	—	—	1,576
Financial liabilities from issue of bonds	—	3,482	—	139,685	—	143,167
Bank borrowings	—	—	40,593	570,608	—	611,201
Derivatives	—	—	3,137	4,685	—	7,822
Other non-current liabilities	—	—	—	—	19,993	19,993
Deferred tax liabilities	—	—	—	—	17,201	17,201
Trade and other payables	4,272	10,932	3,019	—	—	18,223
Total	4,272	15,065	47,674	714,978	37,194	819,183

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	2019					Total
	Thousands of euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	
Liabilities connected to non-current assets held for sale	1,570	-	-	-	-	1,570
Financial liabilities from issue of bonds	-	3,482	-	139,376	-	142,858
Bank borrowings	-	-	41,127	515,946	-	557,073
Derivatives	-	-	2,393	2,846	-	5,239
Other non-current liabilities	-	-	-	-	19,593	19,593
Deferred tax liabilities	-	-	-	-	17,201	17,201
Trade and other payables	779	1,313	30,952	-	-	33,044
Debts with group companies	-	3,199	-	-	-	3,199
Total	2,349	7,994	74,472	658,168	36,794	779,777

It is worth mentioning that the Group has bonds in the amount of EUR 140 million that mature on 21 February 2022. In this sense, Management and Directors prepared cash projections, in an uncertain environment, estimating that the Group shall have sufficient liquidity to face said payments and continue operating as usual. In addition, although bonds maturity date will take place in one year, Management has started a process to work in the refinancing of said bonds. The Directors estimate that this issue will be completed successfully in 2021, preventing potential liquidity pressures in the future.

In addition, the Group has securities granted for the amount of EUR 1,997 thousand (EUR 1,885 thousand at 31 December 2019), mostly related to investment property under construction in 2020. In their best estimate, the Group Directors do not expect any obligation to materialise as a result thereof.

(iv) Cash flow and fair value interest rate risks

At 31 December 2020, the Group holds short-term fixed-rate financial assets (deposits) to generate a return on cash surpluses not invested in investment property. Fixed-rate financial assets are for the most part independent of market interest rate fluctuations.

At the reporting date, income and cash flows from the Group's operating activities are for the most part not significantly affected by fluctuations in market interest rates.

(v) Tax risk

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

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

Should the Group not satisfy the requirement established in the Regime, or the Companies' Shareholders' Meeting does not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs (Note 1).

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(vi) Capital management

The Group is essentially financed with its own capital and financial debt. The Group resorted to market financing through mortgage-backed loans to fund the acquisition of new investments. In addition, the Group issued bonds in 2015.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders (within the limits established by the SOCIMI regime), reimburse capital, issue shares or dispose of assets to reduce debt.

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

	Thousands of euros	
	31/12/2020	31/12/2019
Total financial debt (Notes 11 and 17)	762,190	695,865
Less, Cash and cash equivalents (Note 13)	(134,028)	(160,527)
Net debt	628,162	535,338
Total capital (capital+premium)	650,397	650,397
Total	1,278,559	1,185,735
Leverage ratio	49.13 %	45.15 %

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(23) REVENUE

The details of revenue are presented in Note 6, in conjunction with segment reporting.

(24) OTHER OPERATING EXPENSES

Details of other expenses are as follows:

	Thousands of euros	
	2020	2019
Independent professional services	15,639	16,499
Insurance premiums	366	534
Bank fees and commissions	37	60
Advertising and publicity	1,135	2,096
Taxes other than corporate income tax	2,850	4,908
Impairment losses and uncollectibility of trade and other receivables (Note 12a)	4,242	225
Remuneration of the Board of Directors (Note 28b) (*)	560	590
Other expenses	1,886	814
	26,715	25,726

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

“Independent professional services” mainly includes the expense for the accrued Base Fee pertaining to the contract with the manager, Grupo LAR, in the amount of EUR 8,496 thousand (EUR 9,877 thousand in 2019), where no floating fee was accrued under said contract (Note 28a).

Invoices issued to lessees include rebilled communal charges (shared utility costs, services related to the management of the property, taxes, etc.) in the amount of EUR 28,562 thousand (EUR 24,533 thousand at 31 December 2019), which are net of the amount recorded under “Other expenses” on the Consolidated Statement of Comprehensive Income.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(25) FINANCIAL PROFIT/(LOSS)

The details of financial profit/(loss) at 31 December 2020 and 31 December 2019 are as follows:

	Thousands of euros	
	2020	2019
Financial revenue		
Financial revenue from deposits	40	12
Financial expenses		
Financial expenses due to bank borrowings (Note 17b)	(12,283)	(11,862)
Financial expenses due to bonds (Note 17a)	(4,364)	(4,359)
Financial expenses due to derivatives (Note 17c)	(2,623)	(2,341)
Financial expenses with Group companies and associates (Note 28a)	(76)	(122)
Other financial expenses	(750)	(293)
Inclusion of financial expenses under assets	—	659
Changes in the fair value of financial instruments (Note 17c)	(2,914)	(1,836)
	<u>(22,970)</u>	<u>(20,142)</u>

(26) EMPLOYEE BENEFITS EXPENSE

Details of employee benefits expense at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Salaries and wages	412	368
Other benefits and taxes	62	56
	<u>474</u>	<u>424</u>

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

(27) PROFIT/(LOSS) FOR THE PERIOD

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

	Thousands of euros	
	2020*	2019*
Lar España Real Estate SOCIMI, S.A.	(17,686)	(6,338)
LE Logistic Alovera I y II, S.A.U.	(11)	(23)
LE Retail Hiper Albacenter, S.A.U.	(176)	2,408
LE Retail Alisal, S.A.U.	5	6
LE Offices Eloy Gonzalo 27, S.A.U.	118	(426)
LE Retail As Termas, S.L.U.	655	2,235
LE Retail Hiper Ondara, S.L.U.	(4,388)	(4,527)
LE Offices Joan Miró 21, S.L.U.	58	1
LE Logistic Alovera III y IV, S.L.U.	(13)	14
LE Logistic Almussafes, S.L.U.	(7)	177
LE Retail VidaNova Parc, S.L.U.	(5,937)	(2,342)
LE Retail El Rosal, S.L.U.	(256)	2,509
LE Retail Galaria, S.L.U.	(9)	(84)
LE Retail Lagoh, S.L.U.	(16,176)	70,304
LE Retail Vistahermosa, S.L.U.	(603)	1,490
LE Retail Sagunto II, S.L.U.	(492)	424
Lar España Inversión Logística IV, S.L.U.	5	1,382
LE Retail Villaverde, S.L.U.	(10)	6
LE Retail Anec Blau, S.L.U.	(8,853)	(2,912)
LE Retail Albacenter, S.L.U.	270	360
LE Retail Txingudi, S.L.U.	(1,728)	527
LE Retail Las Huertas, S.L.U.	(311)	(654)
LE Offices Marcelo Spínola 42, S.L.U.	(18)	187
LE Retail Gran Vía de Vigo, S.A.U.	(8,786)	(859)
LE Retail Abadía, S.L.U.	2,350	5,766
Inmobiliaria Juan Bravo 3, S.L.	257	4,020
LE Retail Hipermercados I, S.L.U.	2,747	1,706
LE Retail Hipermercados II, S.L.U.	3,224	1,767
LE Retail Hipermercados III, S.L.U.	2,553	138
LE Retail Rivas, S.L.U.	(444)	2,380
LE Retail Córdoba Sur, S.L.U.	(6)	(14)
Profit/(loss) before tax	<u>(53,668)</u>	<u>79,628</u>
Income tax	<u>—</u>	<u>1,102</u>
Profit after tax	<u>(53,668)</u>	<u>80,730</u>

*The elimination of amounts the Parent Company rebilled to subsidiaries is not included.

(28) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related party transactions and balances

Management agreement with Grupo Lar

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

The base fee accrued by the manager totalled EUR 8,496 thousand in 2020 (EUR 9,877 thousand in 2019) (net of any expenses discounted based on the management agreement formalised between the parties, which totalled EUR 1,198 thousand) and is recorded under “Other operating expenses” on the adjoined Consolidated Statement of Comprehensive Income. At 31 December 2020, the amount of EUR 1,811 thousand was pending payment (EUR 646 thousand at 31 December 2019). In addition, and as an exceptional measure, there was a EUR 334 thousand decrease in the fees charged by the manager, the Lar Group, in the first six months of 2020 because of the COVID-19 pandemic crisis.

Likewise, the performance fee to be paid to the Management Company is calculated based on the 16% increase in the Group’s EPRA NAV over 10% and the 4% increase in the Parent Company’s market capitalisation over 10%, adjusted in both cases for certain circumstances covered in the IMA, and shall be subject to a total limit equal to 3% of the EPRA NAV of the Group at 31 December of the previous year. Pursuant to Clause 7.2.2 of the Management Agreement, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable Corporate Income Tax amount) to subscribe any shares that the Parent Company may issue, or as so decided by the Parent Company, to acquire the treasury shares of the same.

In terms of the floating amount, no figures were recorded at 31 December 2020, such that the Directors of the Parent Company believe that developments of the EPRA NAV and market capitalisation at year-end did not reach either minimum established in the IMA for the accrual thereof, as was the case in 2019.

Other contracts with related parties

Similarly, the Group has also signed a contract with a related company, Gentalia 2006, S.L., (100% stake held by Grupo Lar Inversiones Inmobiliarias, S.A.) for the provision of services related to the administration of the properties. At 31 December 2020, the expense incurred for this item amounted to EUR 2,027 thousand (EUR 3,544 thousand at 31 December 2019), of which EUR 414 thousand had not yet been paid at 31 December 2020 (EUR 527 thousand at 31 December 2019).

Related party balances and transactions

On 1 April 2019, a liquidity facility was arranged between Lar España Real Estate SOCIMI, S.A., the Parent of the Group, and Inmobiliaria Juan Bravo 3, S.L., whereby Lar España Real Estate SOCIMI, S.A. may dispose of a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020. This liquidity facility yields a fixed interest rate of 5.95% of the drawn capital payable on the due date. Interest totalling EUR 76 thousand was accrued in the first six-month period of 2020 (EUR 122 thousand in 2019).

On 27 March 2020, Inmobiliaria Juan Bravo 3, S.L. distributed the shareholder contributions by offsetting the total amount of the liquidity facility, which was EUR 4,275 thousand. This offset was recorded as decrease in the amount posted in “Equity-accounted investees”.

(b) Information on the Parent Company’s Board of Directors and senior management personnel of the Group

The remuneration received by the members of the Board of Directors and senior management personnel of the Group during 2019 and 2018, classified by item, is as follows:

	Thousands of euros					
	2020			2019		
	Salaries	Allowances	Insurance premiums	Salaries	Allowances	Insurance premiums
Board of Directors	-	560	96*	-	590	120*
Senior Management	412	-	-	368	-	-

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

Allowances for the Board of Directors include EUR 81 thousand for the non-executive Secretary of the Board of Directors (EUR 85 thousand at 31 December 2019).

In the context of the crisis caused by the COVID-19 pandemic, the Board of Directors unanimously agreed to approve a temporary reduction of 20% in the remuneration of independent directors, including that of the non-director secretary, applicable to the second quarter of 2020.

At 31 December 2020, the Company has 7 Board members, 5 of whom were men and 2 are woman (at 31 December 2019 the company had 7 Board members, 5 of whom were men and 2 were woman).

At 31 December 2020 and 2019 the Group has no pension, life insurance, stock options or compensation obligations with former or current members of the Board of Directors or Senior Management personnel of the Parent Company.

At 31 December 2020 and 2019, no advances or loans have been extended to members of the board or senior management.

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors

Apart from the transactions with related parties listed above, in 2020 the Directors have not carried out any transactions other than ordinary business or with conditions other than market conditions with related parties or with Group companies.

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

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

(29) EMPLOYEE INFORMATION

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

	2020	2019
Professional category		
Senior Management	3	3
Total	3	3

The distribution of Group personnel by gender at 31 December 2020 and 2019 is as follows:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Notes to the consolidated financial statements
Annual period ended 31 December 2020

	Number			
	2020		2019	
	Female	Male	Female	Male
Senior Management	1	2	1	2
Total	1	2	1	2

In the 2020 and 2019 periods, the Group had no employees with a 33% or greater disability.

(30) AUDIT FEES

During 2020 and 2019, fees for audit and other related services charged to the Group by the auditor of the consolidated financial statements, Deloitte, S.L., and by companies belonging to the Deloitte network, as well as fees for services charged by the auditors of the individual financial statements of the companies included in the consolidation and by the entities related thereto through control, shared property or management were as follows (in thousands of euros):

	Thousands of euros	
	31/12/2020	31/12/2019
Audit and related services		
Audit services	331	309
Other verification services	77	137
Professional services		
Other services	-	-
Total	408	446

(31) EVENTS AFTER THE REPORTING PERIOD

On 23 February 2021, the Company sold 100% of the shares in the aforesaid subsidiaries to Igcel Investments, S.L. for a combined total of EUR 59,522 thousand.

In addition, we hereby state that the consolidated financial statements we have prepared have not been drawn up or presented in European Single Electronic Format (ESEF) in accordance with the content of the Delegated Regulation (EU) 2019/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, as we have opted to delay the application of this format provided for in the announcement published by the Spanish Institute of Accounting and Account Auditing (ICAC) on 12 February 2021, which is based on the agreement to amend said Directive by the European Parliament and of the Council, reached in December 2020, to allow quoted companies to delay the obligation to draw up and publish their annual financial reports pursuant to ESEF for one year.

(32) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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

Information on Group Companies

31 December 2020

a) Subsidiaries

Company	Activity	Type of entity	% of Participation		Thousands of euros					
			Direct	Total	Share capital	Operating profit	Profit/(loss)	Dividends	Other equity	Total net equity
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	(13)	(11)	—	3,556	3,605
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	469	469	(463)	14,503	14,569
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	—	5	(4)	2,279	2,340
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	115	118	(96)	343	425
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	2,952	2,416	(2,352)	33,323	33,391
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Subsidiary	100	100	4	(14)	(13)	—	646	637
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	(13)	(7)	—	2,969	2,966
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	8,503	3,855	(3,655)	138,891	139,095
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Subsidiary	100	100	4	56	58	(57)	798	803
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	1,907	1,147	(389)	28,620	29,382
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,944	926	(344)	24,188	24,773
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	(9)	(9)	—	420	415
LE Retail Lagoh, S.L.U.*	Leasing of property	Subsidiary	100	100	3	6,949	735	—	118,190	118,928
LE Retail Sagunto II, S.L.U.	The acquisition and development of	Subsidiary	100	100	3	(10)	(441)	—	1,522	1,084
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,472	929	(575)	22,089	22,446
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	5	—	1,943	1,951
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	(13)	(10)	—	1,758	1,751
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	189	180	—	87,717	87,900
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,064	1,064	(1,051)	35,034	35,050
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	1,429	1,429	(1,148)	33,666	33,950
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	480	51	—	12,937	12,991
LE Offices Marcelo Spinola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(28)	(18)	—	6,559	6,544
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	5,912	3,695	(3,321)	28,902	29,778

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

Information on Group Companies

31 December 2020

LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	3,378	2,418	(2,294)	17,909	25,237
LE Retail Hipermercados I, S.L.U.	Leasing of property	Subsidiary	100	100	3	852	852	(820)	15,343	15,378
LE Retail Hipermercados II, S.L.U.	Leasing of property	Subsidiary	100	100	3	873	873	(770)	15,467	15,573
LE Retail Hipermercados III, S.L.U.	Leasing of property	Subsidiary	100	100	3	802	803	(699)	14,175	14,282
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	2,418	1,720	(1,580)	28,056	28,199
LE Retail Córdoba Sur, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(6)	(6)	—	963	961
					8,023	40,802	23,233	(19,618)	692,766	704,404

*Company audited by Deloitte, S.L.

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2020

b) Joint venture

Company	Registered office	Activity	Auditor	Type of entity	% of Participation		Share capital	Operating profit	Thousands of euros			
					Direct	Total			Profit/(loss)	Dividends	Other equity	Total net equity
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property development	Deloitte	Associate	50	50	1,483	2,004	558	—	123	2,164

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

Information on Group Companies

31 December 2019

a) Subsidiaries

Company	Activity	Type of entity	% of Participation		Share capital	Operating profit	Thousands of euros			
			Direct	Total			Profit/(loss)	Dividends	Other equity	Total net equity (a)
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Subsidiary	100	100	60	31,642	31,670	(16,050)	169	15,849
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Subsidiary	100	100	60	200	200	(111)	12,432	12,581
LE Retail Alisal, S.A.U.	Leasing of property	Subsidiary	100	100	60	4,145	4,110	(2,098)	2,162	4,234
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Subsidiary	100	100	60	(1,783)	(1,783)	-	19,314	17,591
LE Retail As Termas, S.L.U.*	Leasing of property	Subsidiary	100	100	4	1,815	630	-	28,227	28,861
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Subsidiary	100	100	4	5,724	5,725	(2,935)	97	2,891
LE Logistic Almussafes, S.L.U.	Leasing of property	Subsidiary	100	100	4	4,238	4,239	(2,185)	2,525	4,583
LE Retail Hiper Ondara, S.L.U.*	Leasing of property	Subsidiary	100	100	4	5,559	657	-	122,115	122,776
LE Offices Joan Miró 21, S.L.U.*	Leasing of property	Subsidiary	100	100	4	6,081	5,496	-	13,794	19,294
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Subsidiary	100	100	4	373	(236)	-	22,796	22,564
LE Retail El Rosal, S.L.U.*	Leasing of property	Subsidiary	100	100	3	(438)	(1,805)	-	23,246	21,444
LE Retail Galaria, S.L.U.	Leasing of property	Subsidiary	100	100	4	3,310	3,261	(1,665)	(1)	1,599
LE Retail Lagoh, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	(3,036)	(3,184)	-	94,344	91,163
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	4	-	1,532	1,539
LE Retail Vistahermosa, S.L.U.*	Leasing of property	Subsidiary	100	100	3	413	(167)	-	20,169	20,005

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

Information on Group Companies

31 December 2019

Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	7,676	5,575	(5,165)	(9)	404
LE Retail Villaverde, S.L.U.	Leasing of property	Subsidiary	100	100	3	3,161	3,054	(1,598)	1,651	3,110
LE Retail Anec Blau, S.L.U.*	Leasing of property	Subsidiary	100	100	3	1,025	1,025	(554)	77,989	78,463
LE Retail Albacenter, S.L.U.	Leasing of property	Subsidiary	100	100	3	220	220	-	30,638	30,861
LE Retail Txingudi, S.L.U.	Leasing of property	Subsidiary	100	100	3	(21)	(21)	-	30,637	30,619
LE Retail Las Huertas, S.L.U.	Leasing of property	Subsidiary	100	100	3	1	1	-	11,960	11,964
LE Offices Marcelo Spínola, S.L.U.	Leasing of property	Subsidiary	100	100	3	(2,158)	(2,158)	-	28,590	26,435
LE Retail Gran Vía de Vigo, S.A.U.*	Leasing of property	Subsidiary	100	100	502	2,430	226	-	21,831	22,559
LE Retail Abadía, S.L.U.*	Leasing of property	Subsidiary	100	100	7,204	2,151	1,199	(827)	14,617	22,193
LE Retail Hipermercados I, S.L.U.	Leasing of property	Subsidiary	100	100	3	346	346	(343)	13,929	13,935
LE Retail Hipermercados II, S.L.U.	Leasing of property	Subsidiary	100	100	3	370	370	(317)	14,064	14,120
LE Retail Hipermercados III, S.L.U.	Leasing of property	Subsidiary	100	100	3	262	262	(215)	12,803	12,853
LE Retail Rivas, S.L.U.*	Leasing of property	Subsidiary	100	100	3	422	(185)	-	25,593	25,411
					8,019	74,132	58,731	(34,063)	647,214	679,901

*Company audited by Deloitte, S.L.

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

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Information on Group Companies
31 December 2019

b) Joint venture

Company	Registered office	Activity	Auditor	Type of entity	% of Participation		Thousands of euros					Total net equity
					Direct	Total	Share	Operating profit	Profit/(loss)	Dividends	Other	
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property development	Deloitte	Associate	50	50	3,483	2,109	946	-	5,771	10,200

1 Situation of the Group

1.1 Organisational structure and operations

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

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

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

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

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

- Residential.

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

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

- On assets the company considers to be strategic assets, mainly commercial parks and shopping centres.
- Investment opportunities in retail assets that are dominant in its area of influence, and that offer great management possibilities, avoiding those segments where competition may be greater.
- Risk diversification, expanding throughout Spain mainly in shopping centre investments.

Management report for the period ended 31 December 2020

2 Evolution and result of the businesses

2.1 Introduction

At the 2020 reporting date, the Group's ordinary revenue amounted to EUR 93,324 thousand, corresponding to the business in which the Group is engaged, the rental business.

During 2020 the Group incurred "Other expenses" amounting to EUR 26,715 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (EUR 8,496 thousand), recurrent services that are directly linked to the everyday management of the assets (supplies, IBI -property tax-, etc.) by the amount of EUR 8,291 thousand, and bad debt provision for an amount of 4,242 thousand Euros (classified as non-recurring expenses).

Earnings before interest, taxes, depreciation and amortisation (EBITDA is calculated as the result of the operations, net of the change in fair value of investment property, net of amortisation expenses) stood at EUR 69,701 thousand.

The valuation during 2020 of the assets held by the Group at 31 December 2020, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year supposed a negative effect in the consolidated profit and loss of EUR 100,656 thousand.

The financial result was negative amount of EUR 22,970 thousand.

The Group's loss for the period was EUR 53,668 thousand.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail centres, representing a 63% of total revenue, as opposed to 33% from parks, and from 4% from other retail.
- Around 41.6% of rental revenue is generated by the Lagoh, Megapark and Gran Vía de Vigo.

As at 31 December of 2020, the Group occupied across its whole business 95.4% the gross leasable area (GLA), the occupancy rate at retail centres being 95.6%. Retail parks occupancy stands at 94.5% and 100% at the retail units.

As at 31 December of 2020, the Group has a portfolio of real estate rental projects covering shopping centres (309,996 sqm), retail parks (240,464 sqm) and retail units (27,909 sqm). The overall total gross leasable area of 578,370 sqm.

2.2 Other financial indicators

As at 31 December of 2020, the Group revealed the following financial indicators:

Management report for the period ended 31 December 2020

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 205,644 thousand (EUR 196,985 thousand as at 31 December 2019).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) → 4.1 (3.3 as of 31 December 2019).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.1 (1.1 as of 31 December 2019).

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

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals -6.24 % (8.21% as of 31 December 2019). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is -3.14% (4.70% as of 31 December 2019); This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 5 and 8 of the "Full yearly report 2020", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Environment and staff issues

Environment

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

Personnel

As at 31 December of 2020 the Group has 3 employees (2 men and 1 woman). Said employees are classified as Senior Management. In the 2020 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

At 31 December 2020, the Group's financial debt amounted to EUR 762,190 thousand, taking into account the debt classified as non-current assets held for sale. The level of debt is related to the purchases of the el Rosal, Megapark, Portal de la Marina, Vistahermosa, Gran Vía de Vigo, Abadía, Rivas Futura and the development of Lagoh shopping center and VidaNova Parc shopping park, This also includes the bonds issued by the Parent Company in 2015 and a credit line arranged by the Parent Company, as well as the credit granted by the European Investment Bank

As at 31 December of 2020, the Group's short-term financial debt stands at EUR 47,212 thousand. In this sense, Management and the Directors have drawn up cash flow projections, amidst uncertainty, estimating that the Group will have sufficient liquidity to cover these payments and continue to operate on a going-concern basis. Additionally, Management has begun a process aimed at raising financing through a new bond issue. The Directors consider that it will be completed successfully in 2021, thereby enabling them to prevent any future liquidity tensions.

The main movements of the year have been the following:

On 16 May 2020, the Parent Company renewed the credit facility with Bankinter in the amount of EUR 30,000 thousand (the maximum amount thereof having been expanded by EUR 5,000 thousand since the previous year). This amount may be drawn down up to the limit established at any time by virtue of cheques, transfer orders, account charges or any other order of payment accepted by Bankinter. The maturity date on which the amount drawn down must be fully repaid is 16 May 2021. Interest accrues quarterly and the interest rate is 12-month Euribor plus a 1.60% spread. A fee of 0.35% is charged on any drawdowns over the agreed amount. The fee for not withdrawing from the facility is 0.06% of the average balance that is not draw down or returned in the quarter. On 31 December 2019, EUR 29,940 thousand was drawn down.

On 25 June 2020, the loan the Group company LE Retail As Termas, S.L.U. formalised with the ING Bank N.V. (Branch in Spain) for an amount of 37,345 thousand euros.

Likewise, in 2020 the maturities of the principal of the debt of El Rosal and Lagoh was paid in the amount of EUR 720 thousand and EUR 2,019 thousand, respectively.

In 2020, EUR 1,387 thousand was drawn down from instalment B of the loan granted to the company LE Retail Hiper Ondara, S.L.U., the total limit being EUR 3,575 thousand, where EUR 2,188 thousand is yet to be drawn down by the Company.

In addition, on 26 October 2018 the Parent Company formalised a funding line in the amount of EUR 70,000 thousand with the European Investment Bank ("EIB"). Said loan matures 7 years from the first withdrawal. On 04 May 2020, the entire amount of the loan was drawn down. Interest

Management report for the period ended 31 December 2020

accrues biannually, and the interest rate is 1.67%. The interests registered amount to EUR 771 thousand EUR.

In addition, it should be noted that on 21 February 2022 the Simple Bonds issued by the Parent Company will expire.

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

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

At 31 December 2020, the Group has contractual obligations, in addition to those indicated in point 3.1, amounting to Euros 1,763 thousand arising from real estate investment commitments.

As at 31 December of 2020, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

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

In addition to these risks and impacts produced, those detailed in section 7 of this management report are of great importance.

5 Significant circumstances occurring after the close

No important circumstances arose after the reporting period other than those mentioned under postclosing events.

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.

Management report for the period ended 31 December 2020

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 2021 and in subsequent years.

7 COVID-19

7.1 Current situation

On Saturday 14 March 2020, when the state of alarm was first declared, the company activated its own temporary shutdown plan. Specific access routes to the stores that remained open were marked out to ensure the smoothest service possible for our customers and to make it quick, safe and convenient for them to shop for essentials. Close to a quarter of the commercial space in Lar España's shopping centres and retail parks remained open carrying out normal business activity.

Consequently, from 16 March 2020 Lar España's assets started to implement measures to prevent the spread of the virus, such as continuous disinfection and cleaning work, as well as controlling the number of people accessing the facilities and the entrances thereto.

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

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

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

7.2 Management experience

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

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

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

Management report for the period ended 31 December 2020

From the declaration of the state of emergency until 31 December 2020, the SOCIMI (REIT) Lar España Real Estate reached case-by-case rental agreements over a high percentage of the gross lettable area in its centres. The Group has managed each situation directly, without intermediaries, which has enabled it to reach agreements quickly, which are adapted to the specific needs of each tenant and activity. The agreements have largely been reached in conditions that represent a major compromise by both parties, strengthening relations with retailers and consolidating the term and stability of the agreements, as well as that of all the shopping centres and retail parks.

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 more than 95%, operating at close to full capacity.

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

Lar España has very solid, recurring operating profits, having obtained a recurring profit for the period of Euros 53,700 thousand during 2020, representing a 30% increase compared to the same period of the previous year.

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

The top ten tenants account for 33.94 % of its rental income, and more than 64% of all the leases signed with retailers have a remaining term beyond year 2024.

The company's properties have a clear competitive edge in their catchment areas, generally offering more than 578,370 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 within the 'new normal'.

As part of this commitment, Lar España has conducted an in-depth analysis to assess the situation of each and every tenant across its shopping centres and retail parks.

Management report for the period ended 31 December 2020

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

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

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

7.5 Consolidated financial position

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

With an average cost of 2.2%, 96% at fixed rate, and as well as no major lease expires in the next 12 months.

Lar España's robust cash position will enable it to meet all the Company's expenses.

7.6 Financial and investment caution

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

7.7 Post state of alarm

The assets in Lar España's portfolio opened gradually since Monday 25 May 2020, being in conditions to ensure all the measures of health and hygiene, social distancing and communication that are required in this situation and the protocols established by the authorities.

Management report for the period ended 31 December 2020

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

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

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

The main cleaning measures taken are:

Thorough cleaning of all areas of the centres

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

More security

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

Maintenance of facilities and protocols

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

Car parks and pedestrian entrances

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

Management report for the period ended 31 December 2020

Control of visitor capacities

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

Ongoing communication with users

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

Food court

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

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

8 R&D&I activities

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

9 Acquisition and disposal of treasury stock

On 28 February 2019 and 17 December 2019 marked the end of the share repurchase programs formalised between the Company and its liquidity supplier, said programs having a target of a maximum of 3,160,000 and 4,660,000 shares, respectively.

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

Management report for the period ended 31 December 2020

Said programme temporarily suspends the 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.

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

As of 31 December 2020, the share price was EUR 4.67.

As of 31 December 2020, the Company holds a total of 3,074,672 shares, representing 3.5% 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 7.10 and the nominal value at the reporting date was EUR 4.67. During 2020, the average price per share was EUR 4.76.

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

10.2 Dividend policy

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

10.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 29, complying with the maximum legal payment period applicable to the Company in the year 2020 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

11 Annual Corporate Governance Report

To the effects of Article 538 of the Spanish Companies Act, it is stated for the record that the 2020 Annual Corporate Governance Report forms part of this Director's Report.

Management report for the period ended 31 December 2020

12 Events after the reporting period

On 23 February 2021, the Company sold 100% of the stakes in the aforesaid subsidiaries to Igel Investments, S.L. for combined total of EUR 59,522 thousand.

In addition, we hereby state that the consolidated financial statements we have prepared have not been drawn up or presented in European Single Electronic Format (ESEF) in accordance with the content of the Delegated Regulation (EU) 2019/815 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, as we have opted to delay the application of this format provided for in the announcement published by the Spanish Institute of Accounting and Account Auditing (ICAC) on 12 February 2021, which is based on the agreement to amend said Directive by the European Parliament and of the Council, reached in December 2020, to allow quoted companies to delay the obligation to draw up and publish their annual financial reports pursuant to ESEF for one year.

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

Preparation of the consolidated financial statements
Yearly period ended on 31 December 2020 and
statement of compliance of
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

At their meeting held on 23 February 2021, pursuant to the requirements of Article 253 of the Revised Spanish Companies Act and Article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. (hereinafter the “Company” or “Lar España”) drew up the consolidated financial statements and consolidated management report for the period ended 31 December 2020. The consolidated financial statements are incorporated based on the adjoined documents that precede this writ and are labelled on the adjoined folios of ordinary paper. All of said folios have been endorsed by the Vice-Secretary of the Board of Directors, and this last sheet has been signed by all the members of the Board of Directors.

According to the provisions of Royal Decree 1362/2007, of 19 October, (Article 8.1 b) the undersigning Directors of Lar España and Subsidiaries (the “Group”), hereby declare that:

To the best of their knowledge, the consolidated financial statements for the annual period ended 31 December 2020, prepared in accordance with applicable accounting principles, present fairly the equity, financial position and results of the Group and that the consolidated management report accompanying the consolidated financial statements includes a reliable analysis of the development and business results and position of Lar España and its subsidiaries together with a description of the principal risks and uncertainties that they face.

Signatories:

Mr José Luis del Valle Doblado (Chairman)

Mr. José Luis del Valle Doblado (on behalf of
Mr. Alec Emmott)

Mr Roger Maxwell Cooke

Ms Leticia Iglesias Herraiz

Mr Miguel Pereda Espeso

Mr José Luis del Valle Doblado (on behalf of
Mr Laurent Luccioni)

Ms Isabel Aguilera Navarro

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

Madrid, 23 February 2021

ANNEX I FORM

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES**

IDENTIFICATION DATA OF THE ISSUER

END DATE OF THE REFERENCE YEAR

31/12/2020

Tax Identification Number:
A-86918307

Corporate Name:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered office:

Rosario Pino 14-16, Madrid

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES**

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the Company's share capital:

Last modified on	Share capital (€)	Number of shares	Number of voting rights
20/12/2019	175,267,460	87,633,730	87,633,730

Comments

Please indicate whether there are any different types of shares with different associated rights:

Yes No

Class	Number of shares	Unit name	Unit number of voting rights	Rights and obligations conferred by it

Comments

A.2 Detail the direct and indirect shareholders of significant shares at the end of the year, excluding Directors:

Name or corporate name of the shareholder	% of voting rights attributed to the shares		% of voting rights held via financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ADAMSVILLE, S.L.	3.002	0.000	0.000	0.000	3.002
BLACKROCK INC.	0.000	3.069	0.610	0.000	3.679
BRANDES INVESTMENT PARTNERS, L.P.	0.000	5.048	0.000	0.000	5.048
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	10.000	0.000	0.000	0.000	10.000
PIMCO BRAVO FUND II, L.P.	0.000	20.044	0.000	0.000	20.044

SANTA LUCIA S.A. INSURANCE COMPANY	3.888	1.328	0.000	0.000	5.216
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Comments

Details of the indirect holding:

Name or corporate name of the indirect holder	Name or corporate name of the direct holder	% of voting rights attributed to the shares	% of voting rights held via financial instruments	% of total voting rights
PIMCO BRAVO FUND II, L.P.	LVS II LUX XII, S.À.R.L.	20.044	0	20.044
SANTA LUCIA S.A. INSURANCE COMPANY	SANTA LUCIA ASSET MANAGEMENT, SGIC, SA	0.996	0	0.996
	SANTA LUCIA VIDA Y PENSIONES, S.A. INSURANCE AND REINSURANCE COMPANY	0.128	0	0.128
	UNICORP VIDA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	0.115	0	0.115
	CAJA ESPAÑA VIDA Y COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.	0.089	0	0.089

Comments

Indicate the most significant changes in the ownership structure in the year:

Name or corporate name of the shareholder	Transaction date	Description of the transaction
Adamsville, S.L.	22/07/2020	Purchase of shares above the "significant share" threshold in the company
Brandes Investment Partners, L.P.	10/11/2020	Purchase of shares

Franklin International Small Cap Growth Fund	09/03/2020	Sale of shares below the "significant share" threshold
Franklin Templeton Institutional, LLC	11/05/2020	Sale of shares below the "significant share" threshold

Most significant changes
<p>In 2020, Lar España did not carry out any expansion or reduction transaction of share capital. However, in 2020 there was a change in shareholders with significant shares.</p> <ul style="list-style-type: none"> • Adamsville, S.L. acquired a significant share of 3.002% on 22 July 2020. • Brandes Investment Partners, L.P. changed its share amount on several occasions over the year from 5.031% to 5.048% on 10 November 2020. • On the other hand, Franklin International Small Cap Growth Fund and Franklin Templeton Institutional, LLC sold voting rights until they crossed the threshold and reached participation quotas of 2.947% on 9 March 2020 and 2.952% on 11 May 2020, respectively.

A.3 Complete the following tables on the Board members, who hold voting rights on the Company's shares:

Name or corporate name of the Director	% of voting rights attributed to the shares		% of voting rights held via financial instruments		% of total voting rights	% voting rights <u>which may be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr José Luis del Valle	0.114	0.054			0.168		
Ms Isabel Aguilera	0.003				0.003		
Mr Alec Emmott	0.001				0.001		
Mr Roger M. Cooke	0.003				0.003		
Mr Miguel Pereda	0.034				0.034		
Ms Leticia Iglesias	0.000				0.000		

total % of voting rights held by the Board	0.209
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Comments

Details of the indirect holding:

Name or corporate name of the Director	Name or corporate name of the direct holder	% of voting rights attributed to the shares	% of voting rights held via financial instruments	% of total voting rights	% voting rights which may be transmitted through financial instruments
José Luis del Valle	Eugemor, SICAV, S.A.	0.054		0.054	

Comments

- A.4 Indicate, where applicable, relationships of a family, commercial, contractual or corporate nature that exist between the shareholders of significant shares, to the extent that they are known to the Company, unless they are of little relevance or result from ordinary course of trade, except those reported in section A.6:

Related name or corporate name	Type of relationship	Brief description

- A.5 Indicate, where applicable, commercial, contractual or corporate relationships that exist between the shareholders of significant shares, and the company or group, unless they are of little relevance or result from ordinary course of trade:

Related name or corporate name	Type of relationship	Brief description
LVS II LUX XII, S.A.R.L. (PIMCO)	Contractual "Subscription Agreement"	First offer rights in relation to certain opportunities for co-investment in tertiary and residential properties
GRUPO LAR INVERSIONES	Contractual "Investment Management Agreement"	Company management agreement

- A.6 Describe the relationships, unless they are of little relevance to the two parties, that exist between the significant shareholders or represented in the Board and the Directors, or their representatives, in the case of legal Directors.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate the Directors who were appointed on behalf of significant shareholders, those whose appointment had been promoted by significant shareholders, or who were related to significant shareholders or entities of their group, specifying the nature of such relationship. In particular, mention will be made, where appropriate, of the existence, identity and position of members of the Board, or representatives of Directors of the listed company who are, in turn, Board members, or their representatives, in companies holding significant shares of the listed company or in entities of the group of those significant shareholders.

Name or corporate name of the related Director or representative	Name or corporate name of the significant related shareholder	Corporate name of the significant shareholder group company	Description of relationship/position
Miguel Pereda Espeso			Appointed proprietary Director on behalf of Grupo Lar Inversiones Inmobiliarias, S.A.
Laurent Luccioni			Appointed proprietary Director on behalf of PIMCO

Comments

A.7 Please indicate whether any partnerships that affect the Company have been communicated to the Company pursuant to sections 530 and 531 of the Corporate Enterprises Act [*Ley de Sociedades de Capital*]. If applicable, briefly describe and list the shareholders related to the agreement:

Yes

No

Interventions of the parasocial agreement	% of share capital affected	Brief description of the agreement	Expiration date of the concerted action if any

Comments

Please indicate whether the company is aware of the existence of concerted actions between its shareholders. If applicable, please briefly describe:

Yes

No

Persons engaging in concerted action	% of share capital affected	Brief description of the concerted action	Expiration date of the concerted action if any

Comments

If, in the course of the year, the aforementioned covenants or agreements or concerted actions have been modified or broken, expressly describe them here:

--

A.8 Please indicate whether any natural or legal person exercises or is able to exercise control over the Company in accordance with section 5 of the Securities Market Act [*Ley del Mercado de Valores*]. If applicable, identify it:

Yes No

Name or corporate name

Comments

A.9 Complete the following tables on the Company's treasury stock:

At year-end date:

Number of direct shares	Number of indirect shares (*)	total % of share capital
3,074,672	0	3.508

Comments

(*) Via:

Name or corporate name of the direct holder of the holding	Number of direct shares
Total:	

Comments

Explain the significant changes during the year:

Explain significant changes
<p>From 14 January 2020 until 31 December 2020, the Company, following its new Share Repurchase Program approved on 12 December 2019, pursuant to the authorisation granted at the General Shareholders Meeting on 29 May 2017 for the derivative acquisition of equity, acquired a total of 2,970,852 own shares increasing the total treasury stock to 3,074,672 shares, equivalent to 3.508% of the Company's capital.</p> <p>Significant changes include the transaction communicated on 27 February 2020, which exceeded the threshold of 1% and that of 25 September 2020, which exceeded the threshold of 3% of share capital.</p>

A.10 Detail the terms and time limit of the current term of office from the shareholders meeting to the Board to issue, repurchase or transfer own shares.

<p>According to section 5 (n) of the General Shareholders Meeting Regulations, it is the responsibility of the Board to authorise the acquisition of own shares.</p>
--

At the General Shareholders Meeting held in May 2017, it was agreed to delegate to the Board of Directors, for a period of five years, the authorisation for the derivative acquisition of own shares according to the limits and requirements established in the Corporate Enterprises Act, expressly authorising it to reduce, where appropriate, the share capital by one or several times in order to amortise the acquired own shares.

In 2020, the Board of Directors carried out the acquisition of own shares according to the authority delegated by the General Shareholders Meeting.

A.11 Estimated floating capital:

	%
Estimated Floating Capital	67.6

Comments

A.12 Please indicate whether there is any restriction (statutory, legislative or any kind) on the transferability of securities or any restriction on voting rights. In particular, the existence of any restrictions that may hinder the takeover of the Company through the acquisition of its shares in the market, as well as any prior authorisation or communication regimes that, on the acquisition or transfer of the Company's financial instruments, apply to it by sectoral legislation, will be notified.

Yes **No**

Description of restrictions
In paragraph 7.2.2 of the management agreement signed between Lar España Real Estate and Grupo Lar, the shares acquired by the manager due to the performance fee, have a lock up period of 3 years.
Section 7 bis of Law 19/2003, of 4 July, on the legal regime governing capital movements and economic transactions abroad and on certain measures to prevent money laundering, on the suspension of the liberalisation regime for certain foreign direct investments in Spain; as amended by Royal Decree Law 8/2020, of 17 March; Royal Decree Law 11/2020, of 31 March and Royal Decree Law 34/2020, of 17 November also applies.

A.13 Please indicate whether the General Shareholders Meeting has resolved to take neutralisation measures against a public takeover bid pursuant to Law 6/2007.

Yes **No**

If applicable, explain the measures approved and the terms under which the restrictions will be ineffective:

Explain the measures approved and the terms on which the ineffectiveness will occur

A.14 Please indicate whether the company has issued securities that are not traded on a regulated market in the European Union.

Yes

No

If applicable, indicate the various types of shares and, for each class of shares, the rights and obligations it grants.

Indicate the various types of shares

B GENERAL SHAREHOLDERS MEETING

B.1 Please indicate and, where applicable, detail whether there are differences with the floor regime envisaged in the Corporate Enterprises Act with respect to the quorum of incorporation of the General Shareholders Meeting.

Yes

No

	% of quorum other than that established in section 193 of the Corporate Enterprises Act for general cases	% of quorum other than that established in section 194 of the Corporate Enterprises Act for the special circumstances found in that section
Quorum required at 1st call		
Quorum required in 2nd call		

Description of differences

B.2 Please indicate, and where applicable, detail whether there are differences with the regime envisaged in the Corporate Enterprises Act to pass resolutions:

Yes

No

Describe the difference in the regime envisaged in the Corporate Enterprises Act.

	Enhanced majority other than that established in section 201.2 of the Corporate Enterprises Act for the cases in its section 194.1	Other cases of enhanced majority
% established by the entity for the passing of resolutions		

Describe the differences

B.3 Please indicate the rules applicable to the modification of the Company's Articles of Association. In particular, the majorities envisaged for amendment of the Articles of Association will be notified, as well as, where appropriate, the rules envisaged for the protection of the rights of the shareholders in the modification of the Articles of Association.

Section 17.2 of the General Shareholders Meeting Regulations applies as follows: *"In order for the ordinary or extraordinary General Shareholders Meeting to validly agree on the issue of debentures, the disapply or restrict pre-emptive rights of purchase of new shares, as well as the transformation, merger, division or global assignment of assets and liabilities, the liquidation of the Company, the transfer of registered office abroad and, in general, any modification of the Articles of Association, it*

will be necessary, at first call, the concurrence of shareholders, present or represented, who hold at least 50% of the subscribed capital with voting rights. In the second call, 25% of the aforementioned share capital will be sufficient, although, when shareholders represent less than 50% of the share capital subscribed with voting rights, the resolutions referred to in this paragraph may only be validly passed with the favourable vote of two thirds of the capital present or represented on the General Shareholders Meeting."

B.4 Please indicate the attendance data at the General Shareholders Meetings held in the year to which this report relates and those of the previous two years:

General Shareholders Meeting Date	Attendance data				
	% of physical presence	% represented	% distance vote		Total
			Electronic vote	Other	
19/04/2018	5.893	68.518	0.005	0	74.415
25/04/2019	12.829	64.000	0.005	0.278	77.111
17/03/2020	13.440	53.564	0.006	0.293	67.003
Of which Floating Capital:	0.047	32,844	0.006	0.293	33.190

Comments

B.5 Please indicate whether there was any agenda item at the General Shareholders Meetings held in the year that, for any reason, was not approved by the shareholders.

Yes No

Not approved agenda items	% against (*)

(*) If the non-approval of the item is for reasons other than the vote against it, "n/a" will be explained in the part of the text and in the column of "% vote against."

B.6 Please indicate whether there is any statutory restriction that establishes a minimum number of actions necessary to attend the General Shareholders Meeting, or to vote at a distance:

Yes No

Number of actions required to attend the General Shareholders Meeting	
Number of shares required to vote at a distance	

Comments

- B.7 Please indicate whether it has been established that certain decisions, other than those established by Law, that involve the acquisition, disposal, transfer to another company of essential assets or other similar corporate transactions, must be submitted to the approval at the General Shareholders Meeting.

Yes

No

Explanation of the decisions to be submitted to the Board, other than those established by law

- B.8 Please indicate the address and mode of access on the Company's website to information on corporate governance and other information about the General Shareholders Meetings to be made available to shareholders through the Company's website.

https://www.larespana.com/gobierno-corporativo/junta-general-ordinaria-2020/

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided for in the Articles of Association and the number established at the General Shareholders Meeting:

Maximum number of Directors	fifteen
Minimum number of Directors	five
Number of Directors fixed by the Board	seven

Comments

C.1.2 Complete the following table with the Board members:

Name or corporate name of the Director	Representative:	Director category	Board position	Date of first appointment	Date of last appointment	Election procedure	Date of Birth
Mr José Luis del Valle Doblado		Independent	Chairman	05/02/2014	17/03/2020	Re-Election to Board	29/04/1954
Mr Alec Emmott		Independent	Director	05/02/2014	17/03/2020	Re-Election to Board	16/12/1947
Mr Roger Maxwell Cooke		Independent	Director	05/02/2014	17/03/2020	Re-Election to Board	12/04/1958
Ms Isabel Aguilera Navarro		Independent	Director	29/05/2017	19/04/2018	Co-opting ratified by the Board	24/08/1960
Ms Leticia Iglesias Herraiz		Independent	Director	16/10/2018	25/04/2019	Co-opting ratified by the Board	12/06/1964
Mr Miguel Pereda Espeso		Proprietary	Director	05/02/2014	17/03/2020	Re-Election to Board	30/09/1963
Mr Laurent Luccioni		Proprietary	Director	29/05/2017	17/03/2020	Proportional representation	31/07/1971

Total number of Directors	7
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Please indicate any redundancies, either by resignation or shareholder resolution, on the Board of Directors during the reporting period:

Name or corporate name of the Director	Category of Director at termination	Date of last appointment	Date of derecognition	Specialised committees of which he was a member	Please indicate whether the termination occurred prior to the end of the term of office

Cause of termination, when it occurred prior to the end of the term of office and other comments; information as to whether the Director has sent a letter to the other board members and, in the case of terminations of non-executive Directors, explanation or opinion of the Director who has been discontinued at the General Shareholders Meeting

C.1.3 Complete the following tables on board members and their different category:

EXECUTIVE DIRECTORS

Name or corporate name of the Director	Position in the Company's organisation chart	Profile

Total number of executive directors	
% of the total board	

Comments

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the Director	Name or name of the significant shareholder to whom he represents or has proposed his appointment	Profile
Mr Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A.	Mr Pereda has over 25-years' experience in the real estate sector. He is co-chair and shareholder of Grupo Lar Inversiones Inmobiliarias, S.A., and was previously Director General of Grupo Lar Grosvenor for 6 years. In 2015 he was appointed Eminent Member of the Royal

		<p>Institution of Chartered Surveyors (RICS) in London.</p> <p>Currently, he is also President of Vilnius, S.A., a company of the Grosvenor Group, and president of the Altamira Lar Foundation.</p> <p>Mr Pereda holds a degree in Economic and Business Sciences from Complutense University, has an MBA from the Institute of Enterprise (IE), Breakthrough program for Senior Executives by IMD, Master's degree in tax advising from ICADE and real estate management program by Harvard University.</p>
Mr Laurent Luccioni	LVS II LUX XII, S.A.R.L. (PIMCO)	<p>Mr Luccioni has over 18-years' experience in the area of financial and investment services. Currently, he is Senior Advisor to PIMCO in Europe. Until the end of 2019, he served as managing Director and portfolio manager at PIMCO's London office, with responsibility for overseeing the European commercial real estate team. Prior to PIMCO, Mr Luccioni was Managing Director for Europe of MGPA, a private equity firm supported by Macquarie, and worked for Cherokee Investment Partners in London.</p> <p>Currently, Mr Luccioni is a Director of Carmila SAS.</p> <p>Mr Luccioni holds an MBA from Northwestern University Business School (Kellogg School of Management) and a PhD in civil and environmental engineering from the University of California, Berkeley.</p>

Total number of proprietary Directors	2
% of the total board	28.57%

Comments

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the Director	Profile
Mr José Luis del Valle	<p>Mr José Luis del Valle has a broad track record in the banking and energy sector. From 1988 to 2002, he held various positions in Banco Santander, one of Spain's largest financial institutions. In 1999 he was appointed Director General and Chief Financial Officer of the bank (1999-2002). Subsequently, he was Director of Strategy and Development of Iberdrola, one of the main Spanish energy companies (2002-2008), Director General of Scottish Power (2007-2008), Director of Iberdrola Strategy and Studies (2008-2010) and Adviser to the Chairman of the wind turbine manufacturer Gamesa (2011-2012). At present he is Chairman of the Board of WiZink Bank, Director of the Insurer Group and Director of the Institute of Directors and Administrators.</p> <p>Mr José Luis del Valle is a Mining Engineer at the Polytechnic University (Madrid, Spain), number one of its promotion, and a Master of Nuclear Science and Nuclear Engineering at the Massachusetts Institute of Technology (Cambridge, USA.) He also holds an MBA with High Distinction at Harvard Business School (Boston, USA).</p>
Ms Leticia Iglesias	<p>Ms Leticia Iglesias has extensive experience in regulating and supervising securities markets and financial services. She started her career in 1987 in Arthur Andersen's Auditing Division. Between 1989 and 2007, she developed her professional career at the National Securities Market Commission (CNMV). From 2007 to 2013 she was Director General at the Spanish Institute of Chartered Accounts (ICJCE). Likewise, between 2013 and 2017, she was an independent Director of the Board of Banco Mare Nostrum (BMN), as well as a member of the Executive Committee, Chairman of the Global Risk Committee and a member of the Auditing Committee. In 2017 and 2018 she served as independent adviser in Abanca Servicios Financieros, EFC, as well as Chairperson of the Joint Audit and Risk Committee. Since May 2108 she has been a Board member of Abanca Corporación Bancaria, Chairperson of the Auditing and Compliance Committee and a member of the Integral Risk Commission. Since April 2019 she has been Independent Director and Chairperson of the AENA SME, S.A. Audit Commission and, on 22 October, she joined the ACERINOX S.A. Audit Commission as an Independent Director and member.</p> <p>Ms Iglesias holds a master's degree in Economics and Business Administration from the Madrid Complutense University. She is a member of the Spanish Official Registry of Accounts (ROAC), Patrono de Fundacion PRODIS Special Employment Centre, as well as a Board member of the ICADE Business Club.</p>
Mr Alec Emmott	<p>Mr Alec Emmott has an extensive professional career in the listed and unlisted real estate sector in Europe and resides in Paris. He worked as Director General of Société Foncière Lyonnaise (SFL)</p>

	<p>between 1997 and 2007, and subsequently as executive adviser to SFL until 2012.</p> <p>He is currently Director of Europroperty Consulting, and since 2011 he has been Director of CeGeREAL S.A. (representing Europroperty Consulting). He is also a member of the advisory committee of Weinberg Real Estate Partners (WREP I/II). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He holds an MA by Trinity College (Cambridge, UK).</p>
<p>Mr Roger Maxwell Cooke</p>	<p>Mr Roger M. Cooke is a professional with more than 30-years' experience in the real estate sector. In 1980, he joined the London office of Cushman & Wakefield, where he participated in the drafting of the valuation standards (Red Book). From 1995 to the end of 2013 he held the position of Director General of Cushman & Wakefield España, placing the company in a leading position in the sector.</p> <p>In 2017, Mr Cooke was decorated by Queen Isabel II with a MBE for his services to British companies in Spain and to Anglo-Spanish trade and investment.</p> <p>Mr Cooke holds a degree from Urban Estate Surveying by Trent Polytechnic University (Nottingham, United Kingdom) and is currently a member of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he chaired the British Chamber of Commerce in Spain. Since September 2017, Mr Roger Maxwell has been Chairman of the Editorial Board of Iberian Property and since January 2020 he has been Chairman of RICS in Spain.</p>
<p>Ms Isabel Aguilera Navarro</p>	<p>Ms Isabel Aguilera has developed her professional career in various companies in diverse sectors and has been President of General Electric in Spain and Portugal, Director General of Google in Spain and Portugal, Chief Operating Officer of the NH Hoteles Group, and Director General of Dell Computer Corporation in Spain, Italy and Portugal. Likewise, she has been a part of the Board of various companies such as Indra Sistemas, Banco Mare Nostrum, Aegon España, Laureate Inc, Grupo Egasa and HPS (Hightech Payment Systems). At present, Ms Aguilera is adviser to Grupo Cemex, Banca Farmafactoring, Oryzon Genomics, Baviera Clinic and Making Science.</p> <p>Ms Aguilera has a degree in Architecture and Urbanism from the Higher Technical School of Architecture in Seville, has completed the master's degree in Commercial and Marketing Directorate of the IE, the General Management Program of IESE and the Program for Upper Management of Leading Companies and Institutions of the San Telmo Institute. She is currently Associate Professor of ESADE and Consultant for Strategy and Innovation.</p>

Total number of independent Directors	5
total % of the Board	71.43%

Comments

Please indicate whether any Director classified as independent receives from the Company, or from its Group, any amount or profit for an item other than Directors' remuneration, or maintains or has maintained during the last year a business relationship with the Company or any company of its Group, whether on her own behalf or as a significant shareholder, adviser or senior manager of an entity that has or has maintained such a relationship.

Where appropriate, a reasoned statement from the Board will be included in the reasons why it considers that the Director may perform her duties as an independent Director.

Name or corporate name of the Director	Description of the relationship	Reasoned declaration
Not applicable		

OTHER EXTERNAL DIRECTORS

The other external Directors will be identified and the reasons why they cannot be considered to be a proprietary or independent Directors; their relationships, whether with the company, its Directors or its shareholders, will be detailed:

Name or corporate name of the Director	Reasoning	Company, executive or shareholder with which it maintains the relationship	Profile

Total number of other external Directors	
total % of the Board	

Comments

Please indicate any changes that may have taken place during the period in the category of each Director:

Name or corporate name of the Director	Date of change	Previous category	category current

Comments

C.1.4 Complete the following table with the information regarding the number of Directors at the end of the last 4 years, as well as the category of such Directors:

	Number of female Directors				% of the total number of female Directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Female Executive Directors	0	0	0	0	0	0	0	0
Female Proprietary Directors	0	0	0	0	0	0	0	0
Female Independent Directors	2	2	2	1	40%	40%	40%	20%
Other female External Directors	0	0	0	0	0	0	0	0
Total:	2	2	2	1	29%	29%	29%	14%

Comments

C.1.5 Please indicate whether the Company has **diversity policies** in relation to the Company's Board with regard to issues such as age, gender, disability, vocational training and experience. Small and medium-sized entities, according to the definition in the Auditing Act, will have to report, at a minimum, the policy they have in place regarding gender diversity.

Yes No Partial policies

If so, **describe these diversity policies**, its **objectives**, **measures and how they were implemented** and their **results** in the year. **Specific measures taken by the Board** should also be indicated and the **nomination and remuneration Committee** to achieve a balanced and diverse presence of Directors.

If the Company does not apply a diversity policy, explain why it does not.

Description of the policies, objectives, measures and how they were implemented and the results obtained
<p>The Board of Lar España Real Estate SOCIMI is tasked, among other functions, to ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved.</p> <p>Within the context of this function, as well as section 5 of the Board Regulations, on 15 December 2020 the Board approved the updating and reform of many of the corporate rules and policies, including the Lar España Board of Directors' Selection, Appointment, Re-Election and Evaluation Policy in order to adapt it to the new wording of the Code of Good Governance (CGG), approved on 25 June 2020. The objective of this policy is to promote the diversity of experience and knowledge, training, age, disability and gender of the Board members of the Company.</p>

To this end, consideration should be given to the selection process for candidates, the inclusion onto the Board of Directors with sufficient diversity of training, experience and knowledge, gender, age or disability, to meet the legal requirements and recommendations of good governance in relation to the composition and unique suitability to be met by the Board members and the various Internal Oversight Committees of the Board (Audit and Control Committee and Nomination and Remuneration Committee), so that their composition reflects a diverse set of views and experiences.

In particular, the Board of Directors of Lar España will promote the objective that the number of female Directors will represent at least 40% of the total Board members in 2022, while also ensuring cultural diversity and the presence of members with international knowledge and experience.

Efforts will be made to ensure that the Company has a significant number of female upper management positions.

To this end, the following measures were adapted, among others:

As mentioned above, the Board of Directors has adapted the Lar España Board of Directors' Selection, Appointment, Re-Election and Evaluation Policy to the new recommendations on diversity. At the proposal of the Nomination and Remuneration Committee, on 15 December 2020 the Board also approved a new version of the Nomination and Remuneration Committee Regulations, amending, for instance, section 5 as regards the role of the Committee in promoting and fostering diversity in consonance with new Recommendation 14 of the Code of Good Governance of June 2020 and likewise with section 540.4(c)(6) of the Corporate Enterprises Act.

The Nomination and Remuneration Committee has prepared a matrix of powers of the Board, summarising in a synthetic manner the various capacities that the Board deems most relevant to the management of the Company, pointing out the highlights of the profile of each of the Directors, concluding that the composition of the Board was appropriate and that no adjustment was therefore necessary. This matrix will be revised again for the next General Shareholders Meeting which will be held in March 2021.

Competency Matrix for the Board of Directors of Lar España December 2020

	Committee Post	Nationality	Sector: Real estate /Retail /Valuations	Technical sector: Architecture/ Urban planning/ Engineering	IT	Finance	Audits / Risks	International market	Other Boards	Investor / stakeholder knowledge	Team and talent management	ESG	Executive Management /CEO duties
Jose Luis del Valle (Chairman)	Non-executive-independent Chairman Member, AOC	Spanish		x		x	x	x	x	x		x	x
Leticia Iglesias	Independent director Chairwoman, AOC	Spanish				x	x	x	x	x	x		x
Isabel Agullera	Independent director Member, AOC	Spanish		x	x	x		x	x		x		x
Roger Cooke	Independent director Chairman, ARC	British	x					x			x	x	x
Miguel Pereda	Nominee director Member, ARC	Spanish	x			x		x		x	x	x	x
Laurent Luccioni	Nominee director Member, ARC	French	x			x		x	x	x			x
Alec Emmott	Independent director Member, ARC	British	x					x	x	x		x	x

*This matrix very concisely sums up the areas of expertise the Board considers most pertinent to Company management and notes the most relevant aspects of each Director's profile. The matrix does not set out all the areas in which Board members are competent, only those areas previously defined as essential in which each Director can be considered expert.

C.1.6 Explain the **measures** that, where applicable, the **Nomination Committee** ensures the selection procedures do not suffer from implicit biases that hinder the selection of female Directors, and that the company deliberately seeks and includes among the potential candidates women who fulfil the desired professional profile and that a balanced presence of women and men can be achieved. Please also indicate whether these measures include encouraging the company to have a significant number of upper management:

Explanation of the measures
At the proposal of the Nomination and Remuneration Committee, the body tasked with promoting and advancing these aspects, the Board of Directors approved both the revisions to the Company's Nomination and Remuneration Committee Regulations and the revisions to Lar España's Director Selection, Appointment, Re-election, and Evaluation Policy and Board of Directors Diversity Policy. Furthermore, the initial revisions to the competency matrix were affected by the Committee.

If, in spite of any measures taken, the number of female Directors or upper management is low or zero, explain the reasons justifying it:

Explanation of the reasons

C.1.7 Explain the conclusions of the nomination committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the Board.

<p>The Nomination and Remuneration Committee verified compliance with the diversity policy of the Board, reaching the following conclusion:</p> <ul style="list-style-type: none"> - The Committee reviewed the necessary matrix of powers of the Board defining the skills and knowledge of the candidates for Directors, concluding that it was up to date and that therefore no adjustment was necessary. - The Committee reviewed the categories of Director held by each of the Board members, concluding that the current categories remain fully in line with their circumstances. - In the context of different proposals regarding the nomination of Company Board members to be members of other Boards of Directors, the Committee analysed the possible incompatibilities of several of its Directors and concluded that there was no conflict of interest or adverse effect on their dedication to their position in the Company.

C.1.8 Explain, where applicable, the reasons why the proprietary Directors were appointed at the request of shareholders whose shareholding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Please indicate whether formal requests have not been complied with for presence on the Board from shareholders whose share holdings are equal to or greater than those of others who have been appointed proprietary Directors. If applicable, explain why:

Yes No

Name or corporate name of the shareholder	Explanation:

C.1.9 If they exist, indicate the powers and powers delegated by the Board to Directors or board committees:

Name or corporate name of the Director or Committee	Brief description
Miguel Pereda Espeso	It confers such a broad and sufficient power of attorney to Miguel Pereda Espeso and three others (not Directors) such that two of them together can sign a liquidity agreement.

C.1.10 Identify, where appropriate, the Board members holding positions of Directors, Directors' representatives or Directors in other companies that are part of the group of the listed company:

Name or corporate name of the Director	Corporate name of the listed entity	Position	Does it have executive functions?
Mr Miguel Pereda	LE LOGISTIC ALOVERA I Y II, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL ALISAL, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPER ALBACENTER, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE OFFICES ELOY GONZALO 27, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL AS TERMAS, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE LOGISTIC ALOVERA III Y IV, S.L.U.	Chairman of the Board	No

Mr Miguel Pereda	LE LOGISTIC ALMUSSAFES, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPER ONDARA, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE OFFICES JOAN MIRO 21, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL VIDANOVA PARC, S.L.U. (Formerly LE RETAIL SAGUNTO, S.L.U.)	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL EL ROSAL, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL GALARIA, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LAR ESPAÑA INVERSIÓN LOGÍSTICA IV, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL VISTAHERMOSA, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL LAGOH, S.L.U. (formerly LAR ESPAÑA SHOPPING CENTRES VIII, S.L.U.)	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL SAGUNTO II, S.L.U. (formerly LAR ESPAÑA OFFICES VI, S.L.U.)	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL VILLAVERDE, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL ALBACENTER, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE OFFICES MARCELO SPINOLA 42, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL LAS HUERTAS, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL TXINGUDI, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL ANEC BLAU, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL GRAN VÍA DE VIGO, S.A.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL ABADÍA, SL.U.	Chairman of the Board	No

Mr Miguel Pereda	LE RETAIL HIPERMERCADOS I, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPERMERCADOS II, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL HIPERMERCADOS III, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL RIVAS, S.L.U.	Chairman of the Board	No
Mr Miguel Pereda	LE RETAIL CORDOBA SUR, S.L.U. (formerly GLOBAL PERGAMO, S.L.U.)	Chairman of the Board	No
Mr Miguel Pereda	INMOBILIARIA JUAN BRAVO 3, S.L.	Member of the Board	No
Mr Roger M. Cooke	INMOBILIARIA JUAN BRAVO 3, S.L.	Chairman of the Board	No

Comments

C.1.11 Detail, where applicable, the Directors or representatives of Directors of legal entities of their company, who are Board members or representatives of Directors, legal persons of other entities listed on regulated markets other than their group, which have been communicated to the company:

Name or corporate name of the Director	Corporate name of the listed entity	Position
Ms Isabel Aguilera	Oryzon Genomics, S.A.	Independent Director
	Banca Famafactoring, S.p.A	Non-Executive Director
	Cemex, S.A.B	Independent Director
	Clinica Baviera, S.A.	Independent Director
Mr Alec Emmott	CeGeREAL, S.A. (representing Europroperty Consulting)	Proprietary Director
Mr Laurent Luccioni	Carmila	Independent Director
Ms Leticia Iglesias	ABANCA Corporación Bancaria, S.A.	Independent Director
	AENA SME, S.A.	Independent Director
	ACERINOX, S.A.	Independent external Director

Comments

C.1.12 Indicate and, where applicable, explain whether the company has established rules on the maximum number of company boards of which its Directors may be part, indicated where it is regulated, where applicable:

Yes **No**

Explanation of the rules and identification of the document where they are regulated
Under section 19.4 of the Board Regulations, Directors of the Company may hold positions on up to a maximum of four Boards of Directors of other companies listed on official secondary markets (other than the Company) in Spain or abroad.

C.1.13 Please indicate the amounts of the items relating to the overall remuneration of the Board:

Remuneration accrued in the year to the Board of Directors (thousands of euros)	479
Amount of accrued pension rights of former Directors (thousands of euros)	0
Amount of accrued pension rights of former Directors (thousands of euros)	0

Comments

C.1.14 Identify the upper management members who are not executive Directors and indicate the total remuneration accrued to them during the year:

Name or corporate name	Position(s)
Mr JON ARMENTIA MENDAZA	CORPORATE DIRECTOR AND CFO
Ms SUSANA GUERRERO TREVIJANO	LEGAL DIRECTOR AND VICE SECRETARY OF THE BOARD
Mr HERNAN SAN PEDRO LOPEZ DE URIBE	DIRECTOR OF INVESTOR RELATIONS

Number of women in upper management	1
Percentage of upper management	33.33

Total upper management remuneration (thousands of euros)	412
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Comments

C.1.15 Please indicate whether any changes to the Board Regulations have taken place during the year:

Yes

No

Description of Changes
<p>On 15 December 2020 the Board of LAR ESPAÑA approved a series of amendments to the Board Regulations, to bring it into line with the partial revision of the Code of Good Governance of Listed Companies, approved by the Board of the National Securities Market Commission of 25 June 2020. These Recommendations concern mainly the corporate policies that the Company must have (communication policy, contacts and involvement with shareholders, institutional investors and voting advisers, economic-financial, non-financial and corporate information communication policy, diversity policy of the Board and the selection of Directors and sustainability policy in environmental and social matters), which were also revised; certain forecasts related to the termination and resignation of Directors, the composition of the Audit and Control Committee; and the powers of the Audit and Control Committees and Nomination and Remuneration Committee.</p> <p>At that same meeting, the Board further approved a firm commitment to submit the amendments to the corporate Articles of Association and the Board Regulations to the Ordinary General Shareholders Meeting so as to be in compliance with the Transitional Provision of Circular 1/2020 concerning the Code.</p> <p>Likewise, within the context of these changes, certain express unamended Code of Good Governance Recommendations in June 2020 were completed or introduced, with which the Company currently complies (Recommendations 12, 21, 34 and 35 of the CGG). Specifically, certain systematic improvements are incorporated, including coordination with the Company's other corporate texts, and some technical details are included, such as:</p> <ul style="list-style-type: none"> (i) Article 4.2 expressly provides that the Board Regulations will be available on the Company's website; (ii) Article 5.2 establishes the separation of strategic and supervisory functions that correspond to the Board and those of the ordinary management of the executive line, and also introduces the reference to the Group; (iii) The functions of the Board are supplemented by those provided for in section 249 bis (a), (f), (j), (i) of the Corporate Enterprises Act; (iv) Section 17.4 states that, in the event of a tie, the Chairman of the Board will have a casting vote, in coordination with the current article 39.2 of the Articles of Association, including the definition of the absolute majority; (v) With regard to the minutes of the Board, it is envisaged that they may be signed using recognised electronic signatures or advanced electronic signatures, which may be partially approved when necessary and that the proposed minutes may be submitted by the Secretary or the Vice Secretary for approval by means of remote communication (article 17); (vi) Under article 19.4 of the Board Regulations, Directors of the Company may hold positions on up to a maximum of four Boards of Directors of other companies listed on "official secondary markets" (other than the Company) "in Spain or abroad". (vii) As to the duties of the Directors, given their importance, the duties of diligence and loyalty legally established are separated into two sections (articles 28 and 28 bis, respectively); and (viii) The reference to the "relevant fact" in article 40.1 is deleted, supplemented by the references to "inside information" and "other relevant information," according to the

new information communication procedure with issuers authorised by the CNMV since 8 February 2020.

C.1.16 Indicate the procedures to select, appoint, re-elect, and remove of Directors. Detail the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures.

The Board of Lar España Real Estate SOCIMI is tasked, among other functions, to ensure that the selection procedures of its members favour the diversity of gender, age, experience and knowledge and do not suffer from implicit biases that may entail any discrimination and, in particular, that they facilitate the selection of Directors in a number that allows a balanced presence of women and men to be achieved. Within the context of this duty as well as that established in Recommendation 14 of the Code of Good Governance the Lar España Board of Directors approved at its meeting on 26 January 2016 the Selection, Appointment, Re-Election, Evaluation and Removal Policy of the Directors of the Company, which was amended at its meeting on 20 December 2018 as the Selection, Appointment, Re-Election and Assessment Policy of the Directors and Diversity of the Board of Lar España (the "Policy") and this time has been amended and approved at the Board meeting on 15 December 2020, which pursues the following objectives:

- a. Be concrete and verifiable.
- b. Ensure that proposals for appointment or re-election are based on a prior analysis of the competencies required by the Board.
- c. Promote the diversity of experience and knowledge, training, age, disability and gender of the Board members of the Company.
- d. Promote that the number of Directors represents at least 40% of the total Board members in 2022.

In the selection procedures for Directors, the Board of Directors, the Nomination and Remuneration Committee and other bodies responsible for the selection of candidates will take into account at least the following requirements:

Appropriateness of Directors: The Directors of Lar España must at all times meet the conditions of suitability provided for in the regulations applicable at all times, and in particular:

- **Trade and professional honesty:** It entails commercial and professional reputations in those who have been showing personal, commercial and professional conduct that does not cast doubt on their ability to perform sound and prudent management of the company. In the negative sense, it is understood that there is no good corporate or professional character, among others, in:

- i. those who, in Spain or abroad, have been declared bankrupt without having rectified the situation;
- ii. those who have criminal records for misrepresentation, against the Public Treasury, punishable insolvency, breach of trust in the custody of documents, breach of secrets, money laundering, embezzlement of public funds, discovery and disclosure of secrets, against ownership; or

iii. those who are disqualified or suspended, criminally or administratively, to hold public office or to administer or direct financial entities.

- Proper knowledge and experience: The Board of Lar España must consist of persons of recognised professional standing with appropriate knowledge and experience. However, it will not be necessary for all Directors to have the same level of knowledge and experience, provided that the Board of Directors, as a whole, brings together an appropriate combination of both factors.

Applicants will be considered to have adequate knowledge if they have::

- i. a bachelor's degree or equivalent, preferably in any speciality related to the economy, administration and management of companies or finance; or
- ii. any other bachelor's degree or equivalent, they certify specialised training through masters, postgraduate studies or training courses given by specialised centres recognised as such officially, in any of the aforementioned subjects; or
- iii. any bachelor's degree or equivalent, they assumed for a period of at least five years managerial functions in other prestigious companies, preferably in the real estate sector.

Applicants will be considered to have adequate experience if they have:

- i. have served in any entity with an activity, totally or partially, under the supervision of the National Securities Market Commission, for a minimum of three years; or
- ii. have performed for at least three years, functions of administration or upper management or complexity equivalent to that of the Company, in any entity, Spanish or foreign, of recognised prestige, preferably in the real estate sector.

Notwithstanding the foregoing descriptions, the Board of Directors and the Nomination and Remuneration Committee may assess other types of different nominations or profiles that may be of interest to the Company at any time, expressly stating this and their justification in the corporate documents prepared within the framework of the selection process.

-Disposed to exercise good governance: Directors of Lar España must carry out their position and comply with the duties imposed by law and the Articles of Association with the due skill and care expected of a professional, taking into account the nature of the position and the duties assigned to each of them. In particular, it will assess:

- i. the ability of the candidate to devote the time and effort necessary to execute the post effectively, while respecting in any case the maximum number of positions established in the Company's internal regulations at all times.
- ii. the presence of potential conflicts of interest arising from professional experience and positions performed in the past or in the present by the candidate or, where applicable, any kind of personal, professional or economic relationship with other significant Directors or shareholders of the Company or of companies of its Group.

-Commitment to the performance of the Directors' duties and obligations:

Proposals for re-election of Board members will assess the commitment shown by the Director during his term of office with the Company and with the performance of his duties as Director. In particular:

- i. Directors must have the dedication required and take the necessary measures to ensure adequate management and control of the Company.
- ii. In carrying out their duties, Directors have the right to request and obtain from the Company the appropriate and necessary information to comply with their obligations.
- iii. The Directors must devote sufficient time to informing themselves, knowing the reality of the Company and the evolution of their business and participating in the Board meetings and the Committees of which they are part.
- iv. Directors must inform the rest of the Board of any direct or indirect conflict of interest that they or persons related to them may have with the Company's interest.

Promoting Diversity: The selection of the candidates proposed as Directors of the Company should also take into account the composition of the Board and its Committees as a whole, based on their functions and also on the characteristics of the Company and its Group.

The procedure for selecting and appointing Directors will be carried out through the following four points:

1. The proposal:

The Nomination and Remuneration Committee will carry out a prior analysis of the powers required by the Board, which will be included in the Committee's report or proposal to be published when the General Shareholders Meeting is held to which the ratification, appointment or re-election of each Director is submitted. Therefore it will:

- i. assess the competences, knowledge, and experience required for the Board of Directors. To this end, it will define the necessary functions and skills in the candidates to be filled by each vacancy and assess the time and dedication required to enable them to perform their duties effectively, ensuring that non-executive Directors have sufficient time available for the proper performance of their duties. To this end, the Committee will develop and regularly update a matrix with the necessary powers of the Board defining the skills and knowledge of candidates for Directors, especially those of executives and independent Directors.
- ii. establish a target for representation of the gender least represented on the Board and prepare guidelines to achieve that target;

2. Presentation of the nomination:

The Nomination and Remuneration Committee will seek, for its assessment, the following information, among others it may consider appropriate, about the candidates:

- i. Applicant identification details:

- Natural persons: Photocopy of their national identification document or passport and information on their effective place of residence; email address and contact phones.

- Legal persons: photocopy of their deed of incorporation, consolidated text of their current Articles of Association; email address and contact telephones.

ii. Their knowledge of the Company's Articles of Association and internal regulations, as well as the acceptance of its terms.

iii. Their appropriate knowledge and experience for the performance of the post, evaluating their curriculum or other documentation that the candidate may provide.

iv. Their willingness to exercise good governance of the Company, and the Committee may request a declaration from the candidate.

v. Concurrence of commercial and professional honour in the candidate in the terms of this Policy.

3. Evaluation of candidacy:

After the information is received, and where applicable, a period of 7 working days of correction or clarification has lapsed, within a period of 7 working days, the Nomination and Remuneration Committee will issue its reasoned proposal, in the case of independent Directors, or supporting report in the case of Directors of other categories, as follows:

i. If, in the opinion of the Nomination and Remuneration Committee, the candidate proposed meets sufficient conditions of suitability, it will submit a proposal for a favourable resolution accompanied by a copy of the information received to the Board of Directors.

ii. If the Nomination and Remuneration Committee finds: (a) reasonable doubts as to whether the proposed candidate fulfils all the suitability requirements envisaged; (b) the appointment of the proposed candidate may entail a material impairment of the knowledge and experience of the Board members as a whole; or (c) that the proposed candidate does not meet one or more of the requirements established in the applicable Policy or legislation for consideration as appropriate, it will submit to the Board of Directors a report setting out, on a reasoned basis, the circumstances that it deems to be uncertain as to the suitability of the candidate or determine an unfavourable assessment, accompanied by a copy of the information received.

4. Appointment

Once analysed within 30 working days, proposals for the appointment of independent Directors, or favourable reports in the case of Directors of other categories, of the Nomination and Remuneration Committee, the Board of Directors will raise the corresponding proposals for submission to the decision of the General Shareholders Meeting.

i. In the event of re-election of Directors, the Board of Directors will evaluate, before proposing re-election of Directors to the General Shareholders Meeting and with the abstention of the Directors concerned, the quality of the work and the dedication to the position of the Directors proposed during the previous term.

ii. In the case of appointment of co-opting Directors, the procedure described in the preceding paragraphs will be followed, and the appointment approved by the Board must be ratified by the first General Shareholders Meeting to be held after the appointment.

C.1.17

iii. At the time of appointment of a new Director, the Director will follow a guidance program for new Directors established by the Company, so that the Director can acquire a quick and sufficient knowledge of the Company and its corporate governance rules.

5. The ongoing evaluation:

i. The regular annual assessment of the suitability of the Directors:

Within the context of the regular evaluation of the Board and its Committees, the Nomination and Remuneration Committee will review annually the continuity in meeting the suitability requirements of the Directors, for which purpose it may submit to all Directors once a year an evaluation questionnaire aimed at reviewing the aforementioned continuity in meeting the suitability requirements of the Directors.

The Nomination and Remuneration Committee will analyse the information received and, in the event of any incident, will proceed as indicated in the following section.

ii. Timely assessment of special situations:

Each Director is individually responsible for immediately communicating to the Nomination and Remuneration Committee, in detail, the occurrence of any event or circumstance that may have a material effect on the assessment of his suitability as Director, in the terms upon which the suitability is defined in this Policy and in the regulations in force. Likewise, the Directors will be liable for any loss caused to the Company by the absence or delay in communicating any circumstances affecting its suitability.

When a communication is received in which a Director reports on circumstances that adversely affect the consideration of its suitability or its existence is assessed in a periodic review, the Nomination and Remuneration Committee will decide on the need to pass measures for the temporary suspension or definitive termination of the person concerned.

Please explain to what extent the Board's annual evaluation has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of Changes
<p>As a result of the Board' self-assessment process carried out in 2020 in respect of 2019, and in response to best corporate governance practices, to the CNMV recommendations contained in point 3 of section Three of the Technical Guide 1/2019, to the general requests of the stakeholders and, as envisaged in section 5.d. of the new Nomination and Remuneration Committee Regulation, the Board approved at the meeting held on 17 September 2020 The Assessment Report of the Board and its Committees, and is working on the implementation of the 2020 and 2021 action plan. The action plan includes the following measures being put in practice and implemented by the Board:</p> <ol style="list-style-type: none">1. Revisions to the succession plan2. Revisions to the crisis protocols3. Improvement of the Training Plan for Board members4. Adaptation to the new Governance Code and the ESG recommendations5. Improvement of the time taken to make the various Committees' documents available to the Board of Directors

6. Convening Audit and Control Committee meetings further in advance of Board meetings

In relation to the Training Plan, the Nomination and Remuneration Committee agreed to propose to the Board a new Training Plan for 2020 and 2021.

The Board decided at its meeting held on 15 December 2020 to approve the proposals for amendments to the Board Regulations, the Audit and Control Committee Regulations and the Appointment and Remunerations Committee Regulations, as well as its supporting documentation. On the other hand, it approved the proposal to amend the Information, Communication, Contacts and Implication Policy with Shareholders, Institutional Investors and Voting Advisers and other Interest Groups, the Selection, Appointment, Re-election and Evaluation of Directors and Diversity of the Board, the Corporate Governance Policy, and the Sustainability Policy, as well as its supporting documentation, and expressed the intention to prepare the proposals that it deems appropriate to submit to the 2021 General Shareholders Meeting in relation to the Company's compliance with the recommendations of the Code of Good Governance amended in June 2020.

Describe the evaluation process and the areas evaluated by the Board assisted, where appropriate, by an external consultant, with respect to the functioning and composition of the Board and its Committees and any other area or aspect that has been evaluated.

Description evaluation process and areas evaluated
<p>The section 18 of the Board Regulations establishes that the Board will evaluate its performance once a year and, where appropriate, on a proposal from the Nomination and Remuneration Committee, pass an action plan that corrects the deficiencies identified with respect to:</p> <ol style="list-style-type: none">1. The quality and efficiency of the Board2. The operation and composition of its committees.3. Diversity in the composition and powers of the Board4. The performance of the Chairman of the Board and of the first executive of the company, where applicable5. The performance and contribution of each Director, with particular attention to the various chairmen of the Board committees. <p>In addition, in section 18 (3) of the Board Regulations, it is indicated that every three years the Board will be assisted in carrying out such an evaluation by an external consultant. Since in 2019 the Board was assisted by Georgeson, S.L. in its 2018 accounting year evaluation process, the participation of an external consultant was not considered necessary for the 2020 evaluation process on the 2019 accounting year.</p> <p>The self-assessment carried out in 2020 in 2019 focused on the following areas: (i) the structure of the corporate governance model, (ii) the functioning of the Board, (iii) corporate governance practices, (iv) the performance of the Chairman of the Board, (v) the performance</p>

of the Secretary of the Board and (vi) the composition, quality and efficiency of the functioning of the Audit and Control Committee and the Nomination and Remuneration Committee.

Regarding the methodology used, the President of the Board lead the evaluation process of the Board, its members and Committees with the collaboration of the Secretary and the Vice Secretary in part of the process to ensure their objectivity and confidentiality.

First, each member replied to a questionnaire prepared by Georgeson, in the context of the evaluation of the previous year and for the purpose of being used in future evaluations, with questions regarding the various areas mentioned in the previous point. Once the replies were received, consolidated and analysed, they were provided to the Nomination and Remuneration Committee for the drafting of the report, which was subsequently revised and approved by the full Board. The main conclusions of the 2019 evaluation process are (i) that there is a good functioning and effectiveness of all governing bodies and roles in LAR España, (ii) that there have been significant improvements in the implementation of the action plan contained in the 2018 evaluation report, (iii) that there is a shared feeling that the Board and its Committees have worked efficiently during 2019, and (iv) the unanimous perception that the role and performance of their functions by the Chairman must be highlighted.

With regard to the action plan, the Board approved a plan for 2020 and 2021 which, as discussed in the previous section, is being suitably implemented.

C.1.18 Breakdown, in those years in which the assessment was assisted by an external consultant, of the business relationships that the consultant or any company of his group has with the company or any company of his group.

N/A

C.1.19 Indicate the cases in which the Directors are obliged to resign.

Pursuant to section 23.2 of the Board Regulations, Directors must make their position available to the Board of Directors and formalise, if deemed appropriate, the corresponding resignation in the following cases:

- a. When they discontinue in the executive positions to which their appointment as Director is associated.
- b. If any of the cases of legal or statutory incompatibility or prohibition are deemed to be ineffective.
- c. When they are severely reprimanded by the Board for violating their duties as Directors.
- d. When their stay on the Board may jeopardise or impair the Company's interest, credit or reputation or when the reasons for which they were appointed disappear (for example, when a proprietary Director disposes of his participation in the Company or significantly reduces it as indicated in the following section e.)
- e. When they are part of more than four Boards of Directors of other listed companies (other than the Company).
- f. In the case of proprietary Directors (i) when the shareholder to whom they represent fully sells their shareholder interest or significantly reduces it and, (ii) when the shareholder reduces its shareholder interest to a level that requires a reduction in the number of proprietary Directors.

C.1.20 Are super-majorities, other than legal ones, required in any kind of decision?:

Yes

No

If applicable, describe the differences.

Description of differences

C.1.21 Please explain whether there are any specific requirements, other than those relating to Directors, to be appointed Chairman of the Board.

Yes

No

Description of the requirements

C.1.22 Please indicate whether the Articles of Association or Board regulations limit the age of Directors:

Yes

No

	Age limit
Chairman	
Managing Director	
Director	

Comments

C.1.23 Please indicate whether the Board's statutes or regulations establish a limited mandate or other stricter requirements outside of those legally envisaged for independent Directors:

Yes

No

Additional requirements or maximum number of mandate years	

C.1.24 Please indicate whether the Articles of Association or Board Regulations establish specific rules for the delegation of the vote to the Board of Directors in favour of other Directors, how to do so and, in particular, the maximum number of delegations a Director may have, as well as whether any limits have been established as to the categories in which it is possible to delegate, beyond the limitations imposed by law. If applicable, please detail these rules briefly.

Section 17 of the Board Regulations establishes that representation will be given in writing, necessarily in favour of another Director, and in particular for each session, communicating it to the Chairman of the Board by any means that may prove its receipt.

In addition, pursuant to section 39 of the Articles of Association, non-executive Directors may only delegate their representation to another non-executive Director.

C.1.25 Please indicate the number of meetings held by the Board during the year. Also, indicate, where appropriate, the number of times that the Board has met without the attendance of its Chairman. In the calculation of this, representatives attending with specific instructions will be considered attendance.

Number of Board Meetings	11
Number of Board meetings without the attendance of the Chairman	0

Comments

Indicate the number of meetings held by the Coordinating Director with the other Directors, without the attendance or representation of any Executive Director:

Number of meetings	
---------------------------	--

Comments

Please indicate the number of meetings held by the various board committees in the year:

Number of meetings of the Executive Board	
Number of audit committee meetings	10
Number of meetings of the Nomination and Remuneration Committee	9
Number of meetings of the Nomination Committee	
Number of meetings of the Remuneration Committee	
Number of committee meetings _____	

Comments

C.1.26 Please indicate the number of meetings held by the Board during the year and the data regarding the attendance of its members:

Number of meetings attended by at least 80% of Directors	11
% of physical attendance over total votes in the year	98.70%
Number of meetings with the attendance, or representations made with specific instructions, of all Directors	11
% of votes cast with physical attendance and representatives attending with specific instructions, on the total number of votes in the year	100%

Comments

C.1.27 Please indicate whether the individual and consolidated annual accounts submitted to the Board for preparation have been previously certified:

Yes No

Identify, where applicable, the person(s) who has/have certified the Company's individual and consolidated annual accounts for preparation by the Board:

Name	Position

Comments

C.1.28 Explain any the mechanisms established by the Board to ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation.

Section 14 of the Board Regulations on the *Audit and Control Committee. Composition, competences and operation*, establishes that, notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform a number of core functions, including:

1. In relation to the supervision of financial and non-financial information:

- Ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation. However, in cases where the auditor of the financial statements has included in his audit report any caveats, the Chairman of the Audit and Control Committee will clearly explain in the General Shareholders Meeting the opinion of the Committee on its content and scope. Likewise, a summary of this opinion will be made available to shareholders at the time of publication of the call of the General Shareholders Meeting.
- Inform the Board of Directors, in advance, of the financial information and the management report, which will include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically. The Audit and Control Committee should ensure that the half-yearly financial reports and interim management statements are prepared under the same accounting criteria as the annual accounts and, to this end, consider the appropriateness of a limited review of the half-yearly financial reports by the external auditor.

2. With regard to internal control and reporting systems:

- Supervise and evaluate the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where applicable, the Group, reviewing compliance with the regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of the accounting criteria.

C.1.29 Does the Secretary of the Board have the status of Director?

Yes

No

If the Secretary does not have the status of Director, complete the following table:

Name or corporate name of the shareholder:	Representative:
Juan Gómez-Acebo Saénz de Heredia	
Comments	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal forecasts have been implemented in practice.

Section 5 of the Audit and Control Committee Regulations, based on its last amendment of 15 December 2020, provides that, notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform, among others, the following core functions in relation to the external auditor:

- iv. Prior to the audit report, issue an annual report expressing an opinion as to whether the independence of auditors of accounts or audit firms is compromised, which will be made available to shareholders and investors through the Company's website sufficiently in advance of the convening of the General Shareholders Meeting. In any case, this report must contain the reasoned assessment of each and every one of the additional services mentioned in the preceding letter, taken individually and as a whole, other than legal audit services, and in connection with the rules on independence or with the regulations governing the activity of accounts auditing.
- v. Preserve the independence of the external auditor in the performance of his duties and, to this end: (i) supervise the Company's disclosure through the National Securities Market Commission of the change of auditor and attach a statement to it regarding the possible existence of disagreements with the outgoing auditor and, if any, their content; (ii) ensure that the Company and the auditor comply with the current rules on the provision of non-audit services and, in general, with the other rules established to ensure the independence of the auditors; and (iii) that, in the event of the resignation of the external auditor, they examine the circumstances that gave rise to it.
- vii. Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.

Specifically, the Company has taken the following measures to ensure the independence of the external auditor:

The Audit and Control Commission has regularly monitored the compliance of both the Company and the external auditor with the current regulations on the provision of audit services and the other rules on the independence of the auditors.

In particular, the Auditing Act and paragraph 4(f) of section 529 *quaterdecins* of the Corporate Enterprises Act require the Audit Committee to issue annually, prior to the audit report, a report setting out an opinion on the independence of the auditors.

In accordance with the above, the Commission received the letter of independence from the external auditor (Deloitte) dated 13 February 2020, where the external auditor deemed that everything reviewed in the audit process was compliant, errors were not detected and there was good collaboration with the Company, with the Commission concluding that there were no objective reasons to question the independence of the auditor in 2019.

Likewise, based on the aforementioned legal requirement and the confirmation of independence received from the auditors through a letter dated 22 February 2021, the Audit and Control Committee concluded that there are no objective reasons to question the independence of the auditor in 2020.

Likewise, the Audit and Control Committee has carried out and prepared the proposal of external auditor fees for the 2020 financial year.

In accordance with the above, the Commission has reasonably concluded that:

i. In its own work in 2020, the auditor acted in accordance with the applicable independence standards under current audit regulations.

ii. No aspects have been identified that call into question compliance with the regulations for the activity of the external auditor with regard to the Company and its independence.

iii. The auditor's turnover does not represent a significant percentage of the financial income of the aforementioned auditor for the purposes of the Auditing Act [*Ley de Auditoría*].

iv. The fees have been reasonably justified, and they are not considered to exceed the reasonable market prices they apply to them, nor have any risks been assessed from the perspective of the Auditor's independence and the maximum percentages envisaged in the regulations.

There are no aspects that can reasonably be considered to be in breach of the audit regulations regarding the auditor's independence or the provision of additional audit services.

Regarding financial analysts, investment banks and rating agencies, any procurement is subject to controls to avoid any problems of independence or conflicts of interest. Especially relevant is the procedure followed for hiring the services of the external auditors in relation to the valuation of the Company's assets, which requires the approval of these hires from the Audit and Control Committee and the Board (section 5.g. of the Audit and Control Committee Regulations and section 42.2.j. of the Company's Articles of Association).

C.1.31 Please indicate whether the Company changed its external auditor during the year. If applicable, identify the incoming and outgoing auditor:

Yes

No

Outgoing Auditor	Incoming Auditor

Comments

If there were disagreements with the outgoing auditor, explain their content:

Yes No

Explanation of disagreements

C.1.32 Please indicate whether the audit firm performs any other work for the company or its group other than the audit group and, if so, declare the amount of the fees received for such work and the percentage that the above amount entails over the fees charged for audit work to the company or its group:

Yes No

	Company	Group companies	Total
Amount of work other than audit work (thousands of euros)	11.5	52.5	64.0
Amount of work other than audit work/Amount of audit work (%)	6%	39%	20%

Comments

C.1.33 Please indicate whether the audit report on the annual accounts for the previous year is valid. If applicable, indicate the reasons given to the shareholders in the General Shareholders Meeting by the Chairman of the audit committee to explain the content and scope of these caveats.

Yes No

Explanation of the reasons and direct link to the document made available to the shareholders at the time of the call in relation to this matter

C.1.34 Indicate the number of years that the current audit firm has continuously performed by auditing the company's individual or consolidated annual accounts. Also indicate the percentage representing the number of years audited by the current audit firm on the total number of years in which the annual accounts were audited:

	Individual	Consolidated
Number of uninterrupted years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm/Number of years the company or its group has been audited (%)	100	100

Comments

C.1.35 Please indicate and, where applicable, detail whether there is a procedure to allow Directors to have the information necessary to prepare the meetings of the management bodies in sufficient time:

Yes

No

Detail the procedure
<p>Paragraphs 3 and 4 of section 16 of the Board Regulations state:</p> <p>3. The Board meeting will be convened by the Secretary of the Board or by whoever, with the authorisation of its Chairman, by any means that can prove its receipt. The meeting notice will be issued at least five days in advance. The meeting notice will always include the agenda for the meeting and will be accompanied by the duly prepared and summarised relevant information.</p> <p>4. The Chairman of the Board may call extraordinary sessions of the Board when, in his opinion, the circumstances so warrant, without applying in such cases the period of notice and the other requirements indicated in the preceding section. Notwithstanding the foregoing, care will be taken to ensure that the documentation that, where appropriate, must be provided to the Directors is provided sufficiently in advance.</p> <p>In addition, section 11, regarding the Secretary and Assistant Counsel of the Board, specifies that the Registrar should be responsible, in particular, for providing the Directors with the advice and information necessary for the performance of their duties sufficiently in advance and in the appropriate format.</p> <p>Lastly, section 25 establishes that:</p> <ol style="list-style-type: none"> 1. The Director may request information on any matter within the competence of the Board and, in this regard, examine its books, records, documents and other documentation. The right of information extends to subsidiary companies in any case, and to investees, whenever possible. 2. The request for information should be addressed to the Secretary of the Board, who will send it to the Chairman of the Board and to the appropriate contact person in the Company. 3. The Registrar will notify the Director of the confidentiality of the information he requests and receives and of his duty of confidentiality in accordance with these Rules. 4. The Chairman may refuse the information if he considers: (i) it is not essential for the full performance of the functions entrusted to the Director or (ii) that its cost is unreasonable in view of the importance of the problem and the Company's assets and income.

C.1.36 Please indicate and, where applicable, detail whether the Company has established rules requiring Directors to report and, where applicable, to resign when situations affect them, whether or not related to their performance in the Company itself that may harm the Company's credit and reputation:

Yes No

Explain the rules
<p>Along with other provisions, Section 36 of the Board Regulations was amended on 15 December 2020 to bring its wording into line with the new Code of Good Governance of June 2020 and states that:</p> <ol style="list-style-type: none"> 1. The Director will inform the Board of Directors of its shares that he owns directly or indirectly through related persons referred to in section 31 of this Regulation, in accordance with the Company's Internal Rules of Conduct on the Company's Securities Markets. 2. The Director must also inform the Board of Directors of the positions he holds on the Board of Directors of other companies, whether listed or not, as well as of the other remunerated activities he performs, whatever their nature and, in general, of the events, circumstances or situations that may be relevant to his performance as Director of the Company in accordance with this Regulation. 3. Likewise, any Director must inform the Board of Directors when there are situations that affect him, whether or not related to his performance in the Company itself, that may harm the Company's credit and reputation and, in particular, they must inform the Board of any criminal cases in which they appear as investigated, as well as of their procedural vicissitudes. <p>The Board, having been informed or otherwise aware of any of the situations mentioned in the preceding paragraph, will examine the case as soon as possible and, taking into account the specific circumstances, will decide, after the report of the Nomination and Remuneration Committee, whether or not to take any action, among others, to open an internal investigation, request the resignation of the Director or propose his termination to the General Shareholders Meeting. This will be reported in the annual corporate governance report, unless there are special circumstances that justify it, which will be recorded in the minutes. This is without prejudice to the information that the Company must disseminate, if appropriate, at the time of the passing of the corresponding measures.</p> <p>Likewise, section 23.2.d. of the aforementioned Regulation establishes that Directors must make their position available to the Board of Directors and formalise, if it deems it appropriate, the corresponding resignation when their stay in the Board may jeopardise or prejudice the interests, credit or reputation of the Company or when the reasons for which they were appointed disappear.</p>

C.1.37 Please indicate, unless there were special circumstances that were recorded in the minutes, whether the Board has been informed or otherwise known of any situation affecting a Director, whether or not related to his performance in the company itself, which may harm the company's credit and reputation:

Yes No

Name of Director	Nature of the situation	Comments

If so, please indicate whether the Board of Directors has examined the case. If the answer is yes, please explain in a reasoned manner whether, in the light of the specific circumstances, you have taken any action, such as opening an internal investigation, requesting the resignation of the Director or proposing his termination.

Please also indicate whether the Board's decision has included a report from the Nomination Committee.

Yes

No

Decision taken/action taken	Reasoned explanation

C.1.38 Please provide details of the significant agreements that the Company has entered into and that enter into force, are amended or concluded in the event of a change of control of the Company following a public takeover bid and their effects.

N/A

C.1.39 Identify individually, when referring to Directors, and in aggregate in all other cases and detail the agreements between the company and its management and management positions or employees that provide compensation, warranty or protection clauses, when these resign or are wrongly dismissed or if the contractual relationship ends on the occasion of a public takeover bid or other transactions.

Number of beneficiaries	
Type of beneficiary	Description of the agreement

Please indicate whether, beyond the cases envisaged by the law, these contracts must be communicated or approved by the company's or its group bodies. If positive, specify the procedures, assumptions envisaged and the nature of the bodies responsible for their approval or for making the communication:

	Board	General Shareholders Meeting
Body authorising clauses		

	YES	NO
Is the General Shareholders Meeting informed of the clauses?		

Comments

C.2 Board of Directors' Committees

- C.2.1 Detail all the Boards of Directors, their members and the proportion of executive, proprietary, independent and other external Directors comprising them:

EXECUTIVE COMMITTEE

Name	Position	Category

% of executive Directors	
% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions that this committee has delegated or assigned other than those that have already been described in section C.1.9, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law, in Articles of Association or in other corporate resolutions.

As of this date, Lar España has not formed any Executive Committee.

AUDIT COMMITTEE

Name	Position	Category
Ms Leticia Iglesias Herraiz	Chairman	Independent
Mr José Luis del Valle Doblado	Member	Independent
Ms Isabel Aguilera Navarro	Member	Independent
Mr Juan Gómez-Acebo Saénz de Heredia	Secretary	Non-Director

% of proprietary Directors	0
% of independent Directors	100
% of other external Directors	0

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

Functions

In accordance with section 42.2 of the Company's Articles of Association, section 14.3 of the Board Regulations and section 5.1 of the Regulations of the Audit and Control Committee, and notwithstanding any other tasks that may be assigned to it at any time by the Board, the Audit and Control Committee will perform the following basic functions:

In relation to the supervision of financial and non-financial information:

1. Inform the General Shareholders Meeting regarding issues raised in relation to matters for which the committee is responsible and, in particular, regarding the results of the Audit, explaining how it has contributed to the integrity of the financial information and the function that the committee has carried out in that process.
2. Supervise the process of preparing and presenting the mandatory financial information and submitting recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.
3. Ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting law.
4. Inform the Board of Directors, in advance, of the financial information and the management report, which will include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically.

With regard to the internal control and reporting systems:

1. Supervise and evaluate the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application

of accounting criteria and, in particular, to know, understand and monitor the effectiveness of the internal control system for financial information (SCIIF, by its initials in Spanish).

2. Regularly monitor the effectiveness of the Company's internal control and its Group, as well as the Company's internal audit activity, discussing, together with the auditors of the accounts, the significant weaknesses of the internal control system identified in conducting the audit, concluding on the level of confidence and reliability of the system, all without impairing its independence.
3. Generally ensure that policies and systems established in the field of internal control are effectively applied in practice.
4. Supervise the unit that assumes the internal audit function, which will ensure the proper functioning of the internal information and control systems and will report functionally to the Chairman of the Audit and Control Committee.
5. Establish and supervise a mechanism that allows employees and other persons related to the Company, such as the boards, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting, or any other nature, related to the Company that they warn within the Company or its Group, receiving regular information on its operation and being able to propose appropriate actions for its improvement and the reduction of the risk of future irregularities.

In relation to the external auditor:

1. Submit to the Board the proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process, in accordance with the applicable law, as well as the conditions of his recruitment
2. Receive regular information from the external auditor on the audit plan and the results of its implementation and verify that the upper management takes into account its recommendations.
3. Establish appropriate relations with the auditors of the financial statements to receive information on matters that may pose a threat to their independence, in particular any discrepancies that may arise between the auditor of the accounts and the management of the Company, for consideration by the Audit and Control Committee, and any other matters related to the process of carrying out the audit of the financial statements and, where applicable, the authorisation of services other than those prohibited, in accordance with applicable law, as well as any other communications provided for in the audit legislation and other auditing standards.
4. Prior to the audit report, issue an annual report expressing an opinion as to whether the independence of auditors of accounts or audit firms is compromised, which will be made available to shareholders and investors through the Company's website sufficiently in advance of the convening of the General Shareholders Meeting.
5. Preserve the independence of the external auditor in the performance of his duties.
6. In the case of groups, encourage the group auditor to assume responsibility for the audits of the companies comprising it.
7. Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.
8. Ensure that the external auditor meets annually with the Board of Directors to inform it of the work performed and of the evolution of the Company's accounting and risk situation.

9. Make a final assessment of the auditor's performance and how it contributed to the quality of the audit and the integrity of the financial information.

In relation to the supervision of risk management and control:

1. Monitor and evaluate the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group.
2. Monitor the internal risk control and management function.
3. In relation to risk policy and management, identify or determine at least: (i) the various types of risk that the Company faces; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company considers acceptable; (iv) the measures envisaged to mitigate the impact of the risks identified, should they materialise; and (v) the information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.
4. Reassess, at least once per year, the most significant financial and non-financial risk list and assess its tolerance level, proposing its adjustment to the Board of Directors, where applicable.
5. At least once per year, hold a meeting with senior managers of business units explaining business trends and associated risks.

In relation to the Company's own obligations:

1. Inform the Board of Directors of: (a) The creation or acquisition of shares in special-purpose entities or domiciled in countries or territories that have the status of tax havens, as well as any other transactions or transactions of a similar nature that, due to their complexity, could impair the transparency of the group. (b) The economic conditions and the accounting impact and, where applicable, the exchange rate, the operations of structural and corporate changes envisaged by the Company. (c) The amendment of the internal rules of conduct.
2. Report the related transactions to be approved at the General Shareholders Meeting or Board of Directors.

In relation to the oversight of the Company's corporate governance policies and rules, as well as of the Company's internal codes of conduct:

1. Monitor compliance with the Company's legal requirements, internal corporate governance regulations and internal codes of conduct, while ensuring that corporate culture is aligned with its purpose and values.
2. Periodically review the Company's internal corporate governance regulations and propose to the Board of Directors, for approval or elevation to the General Shareholders Meeting, as appropriate, any changes and updates that contribute to its continuous development and improvement.
3. Promote the Company's corporate governance strategy, as well as regular evaluation of the adequacy of the Company's corporate governance system, to ensure that it fulfils its mission of promoting the corporate interest and consider, as applicable, the legitimate interests of the rest of the stakeholders;
4. Monitor the implementation of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisers and other interest groups.
5. Understand, promote, guide and supervise the Company's performance in relation to corporate reputation and to inform the Board of Directors or, where appropriate, its Executive Committee.

6. Report, prior to its approval, the Company's annual corporate governance report, seeking the reports of the Nomination and Remuneration Committee in relation to the sections of that report that are within the scope of its competence.

Other functions of the Committee:

1. Supervise the calculation of the fees received by the Management Company in the performance of its duties.
2. Appoint and supervise the services of the external auditors in relation to the valuation of the Company's assets.

Operation:

In accordance with section 42 of the Articles of Association in relation to section 14 of the Board Regulations, and expanded by the Audit and Control Committee Regulations:

The Audit and Control Committee will meet regularly on a quarterly basis to review the regular financial information to be sent to the supervisory authorities, as well as the information that the Board of Directors will approve and include in its annual public documents. It will also meet at the request of any of its members and whenever it is convened by its Chairman, who will do so whenever the Board or its Chairman requests the issuance of a report or the passing of proposals and, in any case, whenever it is appropriate for the proper conduct of its functions.

The Audit and Control Committee will be validly constituted when the majority of its members are present or represented and their resolutions will be passed by an absolute majority of the votes of the members present or represented at the meeting. In the event of a tie, the Chairman of the Audit and Control Committee will have a casting vote.

The Committee will draw up minutes of its meetings, from which copies will be sent to all the Board members.

The Audit and Control Committee will prepare an annual action plan that covers the main activities of the year.

The Audit and Control Committee will prepare an annual report on its operation, which will serve as the basis for the evaluation to be prepared by the Board, highlighting the main events that have arisen, if any, in relation to its functions.

In addition, when the Audit and Control Committee deems it appropriate, it will include in that report proposals to improve the Company's governing rules. The Audit and Control Committee's report will be available to shareholders and investors through the website well in advance of the convening of the General Shareholders Meeting.

The Audit and Control Committee may call any of the members of the Company's management team or staff, including calling them to appear without any other Directors present. The called parties will be obliged to attend the meetings of the Audit and Control Committee and to cooperate and give access to the information at their disposal.

The Committee may also require the attendance of auditors or other persons at its meetings at the invitation of the Chairman of the Committee.

For the best performance of its functions, the Audit and Control Committee will have sufficient resources and may seek the advice of external experts when it deems it necessary for the proper performance of its functions.

Activities

1. In relation to the supervision of financial information:

• Revision of regular financial information:

As in the previous year, in 2020 the Committee monitored the process of preparation and the integrity of the financial information, including any adjustments it deemed appropriate to the quarterly and half-yearly documentation, both individually and consolidated, that the Board of Directors must provide to the market and submit to the CNMV pursuant to its regular reporting obligations as a listed company.

Likewise, given the exceptional situation created in 2020 as a result of the COVID-19 pandemic, and based on the measures taken by the Government in the context of the state of alarm and other exceptional regulations, the Committee has been considering the possible advisability of taking advantage of the extended terms provided by the Government and has been monitoring matters continuously, for instance, the situation of employees, providers, and customers, the hygienic and health measures implemented at the Company's premises, the contract renegotiation strategy and its accounting repercussions, cash-flow projections, and compliance with financial covenants, etc. In this regard, the Committee has reviewed compliance with the regulatory requirements, the appropriate description of the scope of consolidation and the correct application of the accounting criteria in the regular financial information, all within the legally established deadlines for this purpose, approving the financial information prior to its submission to the Board of Directors for approval before making it public, with particular attention in this year to the measures taken by the Company within the context of the crisis brought about by the COVID-19 pandemic.

Within the context of this review, the Committee analysed and discussed the prospects for the future and has regularly received information from the external auditor and the internal auditor on the conclusions of its review regarding the financial information, in addition to continuously monitoring the financial information published on the Company's website.

Finally, the Committee was informed of the receipt by the Company of an information injunction by the CNMV, within the context of its regular activity of regular review of the listed entities, concerning the financial information submitted by Lar España, and has reviewed the response submitted by the Company.

• Revision of the annual accounts:

In order to prevent the individual and consolidated annual accounts prepared by the Board from being presented to the General Shareholders Meeting with caveats in the audit report prior to that formulation, the Audit and Control Committee performed, among others, the following tasks:

- ✓ Review of the individual and consolidated annual accounts.
- ✓ Monitor compliance with legal requirements and the correct application of generally accepted accounting principles and, in general, the regulatory financial reporting framework applicable to the company.
- ✓ Review the regular financial information to be provided by the Board to the markets and their supervisory bodies.

Following a presentation by the Corporate and Financial Director and after the appropriate discussion and analysis of the financial information and the audit report with the external auditor, the Audit and Control Committee has notified the Board of Directors favourably prior to the preparation of the Company's individual and consolidated annual accounts for the year ended 31 December 2019 and the management report, which incorporates the Annual Corporate Governance Report. It also agreed to propose to the Board to apply the profit/loss for the year ended 31 December 2019.

In this regard, it is noted that the audit reports of the individual and consolidated annual accounts of Lar España for the year ended 31 December 2019 did not present any caveats.

Likewise, it is not envisaged that the audit reports with respect of the individual and consolidated annual accounts of Lar España for the year ended 31 December 2020 will be qualified, with two relevant aspects being highlighted, such as the new European electronic format (ESEF) and the last recommendations of ESMA that affect the need for special clarity and transparency in financial reporting.

On the other hand, both the Company's internal auditor and the external auditors expressly stated that they were able to perform their work with complete freedom and collaboration from Lar España without any limitation.

2. With regard to internal control and reporting systems:

• Internal audit oversight:

The Audit and Control Committee of Lar España during 2020 performed the functions related to the Company's internal audit, which were attributed to it in the Board Regulation, mainly the following: (i) ensure the independence and effectiveness of internal audits; (ii) receive regular information on its activities; and (iii) verify that upper management takes into account the conclusions and recommendations of its reports.

Likewise, the Committee approved the guidance and its work plan, ensuring that its activity was focused mainly on the Company's relevant risks, which in 2020 have been especially marked by the impact of the Covid-19 pandemic, and hence the Internal Auditor has been instructed to take special care to follow-up of aspects connected with this situation. In particular, it reviewed the work carried out in 2020 by confirming that all the functions entrusted to it were fulfilled and approved the audit plan by 2021, stressing the importance of affecting the proper documentation of all the review and oversight activities carried out.

In this regard, the Company's internal audit has regularly informed the Committee of its activities. In particular, the Committee has been regularly informed, among others, of: the evolution of the implementation of the internal audit plan, the monitoring of the status of various issues related to the situation generated by the COVID-19 pandemic, the monitoring of the renegotiation of certain contracts and their accounting effects, the work carried out in the auditing of Information Technology (IT) and Cybersecurity services, the operation of the whistle-blowing channel, the review of the updating of the crime prevention model and the monitoring of crime prevention and money-laundering (also informing the Chairman of the Committee of the conclusions of the Ethics Committee in this regard).

Likewise, after presenting the conclusions by the internal auditor, the Committee has agreed to submit to the Board of Directors the report by Rubí Blanc Lawyers, as an external expert, on money-laundering.

Finally, the Audit and Control Committee, based on the self-assessment proposal prepared by the internal auditor, has evaluated the functioning of the internal audit and the performance of its head, declaring its agreement with the evaluation of the internal auditor and resolving to inform the Board of such.

• Monitoring of the information systems and internal control systems:

In 2020, in relation to the Company's SCIIF, the Audit and Control Committee analysed and monitored the effectiveness of internal control systems and was informed by the internal auditor at various meetings about the progress of the review process. Likewise, within the context of the audit, the external auditor informed the Committee that no significant weaknesses were identified.

In the framework of the ongoing review and updating of the Company's internal regulations, the Committee also approved, for instance, the new version of the Company's SCIIF Manual.

3. In relation to the oversight of the relations and independence of the external auditor:

• Proposed re-election of the external auditor:

The Audit and Control Committee analysed the advisability of proposing to the Board of Directors, for subsequent submission to the General Shareholders Meeting, the re-election of the Company's external auditor for 2020, resolving to propose to the Board of Directors the renewal of the external auditor (Deloitte) for a period of one year.

• Supervision of external audit relationships and activities:

The Audit and Control Committee has monitored relations with the external auditors and their fees for 2020, as well as compliance with the current audit agreement, receiving regular information, among others, from the audit plan for 2020, ensuring that the opinion on the annual accounts and the main contents of the audit report are clearly and accurately drafted. In this regard, the Chairman of the Committee met on several occasions with the external auditors (in addition to the management team and the internal auditor) to review the approach of their work, the issues related to their independence and the fees paid to the external auditor.

The Committee reviewed the external audit work after its completion, making a final assessment of the performance of the external auditor and its contribution to the quality of the audit and the integrity of the financial information.

As regards to the foregoing, the Audit and Control Committee considers that the Committee's communication with the external auditor has been fluid, continuous, in accordance with the regulations governing the audit activity and has not undermined the effectiveness with which the audit was performed.

• Supervision of the independence of the external audit:

The Audit and Control Committee has regularly monitored the compliance of both the Company and the external auditor with the current regulations on the provision of audit services and the other rules on the independence of the auditors.

In particular, the Auditing Act and section 4(f) of section 529 *quaterdecims* of the Corporate Enterprises Act require the Audit Commission, prior to the audit report, to issue an annual report setting out an opinion on the independence of the auditors.

In accordance with the above, the Committee received the letter of independence from the external auditor (Deloitte) dated 13 February 2020, where the external auditor deemed that everything reviewed in the audit process was compliant, errors were not detected and there was good collaboration with the Company, with the Committee concluding that there were no objective reasons to question the independence of the auditor in 2019.

Likewise, on the basis of the aforementioned legal requirement and the confirmation of independence received from the auditors through a letter dated [22] February 2021, the Audit and Control Committee concluded that there are no objective reasons to question the independence of the auditor in 2020.

The Audit and Control Committee verified the fees paid by the various Group companies to the external auditor in 2020.

The Audit and Control Committee also analysed and approved the proposal for external auditor fees for 2020.

4. In relation to the supervision of risk management and control:

• In relation to the supervision of risk management and control:

In this regard, the Audit and Control Committee has received regular reports on the internal auditor's conclusions regarding the functioning of risk management. In particular, the Committee has revised and approved the new financial and non-financial risk map, after explaining the changes in the Company's priority risks. The external auditor also informed the Committee of the main risk aspects for the Company that were being examined, agreeing on which risks should be identified as priorities for inclusion in the IAGC.

The Committee also analysed at various meetings the measures taken or proposed by the Government in the context of the state of alarm and the exceptional situation arising from the COVID-19 pandemic and its involvement in the Company. Among other issues, the Committee has continuously monitored the sanitary hygiene measures taken on in the Company's assets, certified by a certifying company, the strategy for renegotiation of contracts and their accounting effects, cash forecasts and compliance with financial covenants.

5. In relation to the Company's corporate governance obligations:

• Supervision of compliance with corporate governance regulations:

The Committee has reviewed and reported favourably on the Annual Corporate Governance Report for 2019, which, in accordance with section 538 of the Corporate Enterprises Act, must be included in a separate section in the Management Report accompanying the Annual Accounts.

Likewise, the Audit and Control Committee, after its review and subsequent debate on it, has approved the Committee's operating report for 2019, which includes the Committee's report on the auditor's independence and information on the related transactions, resolving to send it to the Board for approval and subsequent publication at the Ordinary General Shareholders Meeting.

In addition, during the Ordinary General Shareholders Meeting held on 17 March 2020, the Chairman of the Committee informed the shareholders of the main activities carried out by the Committee in 2019.

The Committee further reviewed the summary report of the Evaluation of the Board and its Committees during 2019 and approved that report as concerns the Committee and monitoring of the proposed action plan for 2020 and 2021.

To this end, among other matters, the Commission has resolved that, when the financial information of the Company must be reviewed, when setting the annual meetings schedule, the meetings of the Committee will be held further in advance of the Board Meetings.

• Revision of the Company Corporate and Policy Regulations:

On 26 June 2020, the CNMV approved the partial revision of the CGG, updating various CGG recommendations while adapting some of them to various legal changes approved since their publication, also clarifying the scope of certain recommendations.

In line with this, Circular 1/2020, of 6 October, of the CNMV was approved, which amends the models of Annual Corporate Governance Report and Annual Report on Remuneration of Directors, whose transitional provision establishes that, notwithstanding their de facto compliance, companies must adapt, before the end of 2020, internal corporate texts, policies and procedures, where appropriate, to the new wording of the CGG recommendations in order to comply with the recommendations modified in the 2020 Annual Corporate Governance Report.

In this regard, in order to always be at the forefront of corporate governance best practices and to complete the adaptation to the new CGG, the Lar España Audit and Control Committee, on the basis of the drafts circulated prior to the meeting and after having been informed by the Company's Legal Director of the main aspects of the reform, has analysed the proposals to modify: (i) the Audit and Control Committee Regulations; (ii) the Board Regulations; (iii) Corporate Governance Policy; (iv) the Company's Information, Communication, Contacts and Involvement Policy with Shareholders, Institutional Investors, Voting Advisers and Other Interest Groups; and (v) the Company's Sustainability Policy, as well as the Joint Memorandum of these proposals, resolving to report favourably and submit to the Board for final approval the proposals to amend the aforementioned Regulations and Policies.

6. In relation to the listed Companies' obligations:

• Related transactions:

After analysing and discussing the proposal, the Committee resolved to inform the Board favourably of the proposal to hire Gentalia, a subsidiary of Grupo Lar, which provides services as Property Manager to the Company to be the equity manager of the supermarket portfolio, as well as the proposal to hire the Company to provide certain technical services, after having reviewed and agreed with the information submitted by the internal auditor. It also analysed and revised the Company's property losses, including Gentalia, in the context of the situation created as a result of the COVID-19 pandemic, resolving to report favourably and submit it to the Board for approval.

• Share buyback program:

On the basis of a presentation sent to the members of the Committee in advance and presented at the meeting by the Corporate and Financial Director, the Committee has been informed of the main terms of the development of the share repurchase program launched by the Company, the current situation and the proposal of the finance team for the future. After analysing the liquidity position of the Company, the Committee has positively informed the proposed share buyback program for its elevation to the Board.

7. Other functions of the Committee:

• Measurement of the Company's assets:

In accordance with the Articles of Association, the Board Regulations and the Committee's Regulations, the Audit and Control Committee reviewed - on the basis of a previous submission to the members of the Committee - and approved the valuations of the Company's assets at 31 December 2019 and 30 June 2020 prepared by the independent valuers appointed by the Company for that purpose (Jones Lang LaSalle and Cushman & Wakefield). In this regard, the Chairman of the Committee met on several occasions with the external auditors, the management team and the internal auditor to analyse the valuation of the Company's assets.

Likewise, the Committee has been regularly informed of various issues related to the valuation of the Company's assets and the evolution and expectations of the market in general in terms of asset valuation.

• Other:

The Committee assessed various alternative versions of the Company's business plan based on the possible investments made, the market and Company circumstances, particularly taking into account the uncertainty and economic forecasts arising from the crisis caused by the COVID-19 pandemic.

On the other hand, with the collaboration of the external auditor in the audit process, the Committee reviewed the internal auditor and the Corporate and Financial Director, and approved at various meetings the fees of the Manager, confirming that they fully complied with the Investment Manager Agreement, resolving to inform the Board about it. Likewise, as progress has been made, it analysed and revised the fees for 2020 for the Company's suppliers that provide services such as Property repair in the context of the situation created as a result of the COVID-19 pandemic, resolving to report favourably on the proposal and submit it to the Board for approval.

On the other hand, the Audit and Control Committee has taken note of certain issues related to the financing of the Company. The Committee has also been informed and has shown its agreement with regard to the conditions of the insurance policies for 2021.

In addition, the Committee was informed of the Company's various proposed dividend distribution options and resolved to forward the dividend distribution proposal to the Board for approval.

Likewise, the Committee has regularly analysed the fulfilment of the requirements to be able to apply the SOCIMI regime, based on the reports prepared by KPMG. In this regard, the Chairman of the Committee met on several occasions with the external auditors, in addition to the management team and the internal auditor, to analyse and assess the risk of the Company related to meeting the requirements of the SOCIMI regime in 2020. Likewise, the Company's Legal Director informed the members of the Committee of the main characteristics of the various regulations approved by the State and Autonomous Governments within the context of the pandemic with a direct impact on commercial leases and, among others, Royal Decree Law 15/2020, Royal Decree Law 35/2020 and Decree Law 34/2020, and their possible impact on the Company.

On the other hand, the members of the Committee reviewed the actions carried out by the Committee in 2020, confirming that all the actions that the Law, the Regulations (external and internal) and the recommendations of corporate governance of the CNMV entrust to the audit committees have been complied with and carried out.

Lastly, the Committee approved the Committee's annual business plan for 2021, which includes the annual calendar of meetings, and the main activities of the Committee during the year in performing its functions.

Identify the appointed Directors of the Audit Board, taking into account their knowledge and experience in accounting, auditing or both, and report on the date of appointment of the Chairman of the Audit Board in office.

Names of experienced Directors	Ms Leticia Iglesias Herráiz Mr José Luis del Valle
Date of appointment	16/10/2018

Comments
Ms Leticia Iglesias was appointed for her knowledge of auditing matters and of other fields. Mr José Luis del Valle was re-elected for his knowledge of financial, auditing, and risk matters and of other fields.

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
Mr Roger Maxwell Cooke	Chairman	Independent Director
Mr Alec Emmott	Member	Independent Director
Mr Miguel Pereda Espeso	Member	Proprietary Director
Mr Laurent Luccioni	Member	Proprietary Director
Mr Juan Gómez-Acebo Saénz de Heredia	Secretary	Non-Director

% of proprietary Directors	50
% of independent Directors	50
% of other external Directors	0

Comments
Section 43.1 of the Articles of Association and section 15 of the Board Regulations, in line with Recommendation 47 and section 3 of the Appointment and Remunerations Committee Regulations, provide that the majority of the members of this Committee must be independent. Lar España intends to comply with this requirement as soon as there are vacancies in the Committee. The Company continues to opt for a differentiated composition of the Nomination and Remuneration Committee with respect to the Audit and Control Committee (composed of the other three independent Directors) in order to promote more participation by all the independent Directors in the various Committees, resulting in greater involvement by each participating Director by belonging to only a single committee. Notwithstanding the foregoing, the independence of the Committee's decisions is ensured by the absence of executive Directors and the Chairman of the Nomination and Remuneration Committee, which is the independent, casting vote in the event of a tie.

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

In line with section 43.2 of the Articles of Association, section 15.4 of the Board Regulations and section 5.1 of the Nomination and Remuneration Committee, notwithstanding other functions that may be assigned to it by the Board, the Nomination and Remuneration Committee will have the following basic responsibilities:
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a) Powers relating to the composition of the Board and its committees

- i. Inform and review the criteria to be followed for the composition of the Board and the selection of candidates and, in particular, evaluate the necessary skills, knowledge and experience in the Board of Directors.
- ii. Ensure that, when new vacancies are filled or when appointing new Directors, the selection procedures do not suffer from implied bias that may entail any discrimination and, in particular, that they may hinder the selection of Directors.
- iii. Propose to the Board of Directors the diversity policy of the Board and selection of Directors. It will also prepare the report referred to in section 5.6 of the Board Regulation and annually verify compliance with the diversity policy of the Board and the selection of Directors, reporting on this in the annual corporate governance report.
- iv. Ensure annually that the criteria for promoting diversity in the composition of the Board established by the Company are met.
- v. Advise the Board of Directors on the most appropriate configuration of the Board itself and its committees as to size and balance between the various classes of Directors existing at any time.
- vi. Regularly verify the category of the Directors.
- vii. Inform or make proposals regarding the appointment or separation of the members to be part of each of the committees.

b) Powers relating to the selection of candidates for Directors and upper management

- i. Select the potential candidates to be, where appropriate, appointed Directors of the Company and submit their proposals or reports, as appropriate, to the Board of Directors through its Chairman.
- ii. Submit to the Board of Directors the nomination proposals (for appointment by co-opting or submission to the decision of the General Shareholders Meeting) of the independent Directors, as well as the proposals for re-election of these Directors at the Meeting.
- iii. At the request of the Chairman of the Board, report the proposals for the appointment of the other Directors, as well as the proposals for the re-election of these Directors at the General Shareholders Meeting.
- iv. Report the proposals of the Chairman of the Board or the Director General, if any, regarding the appointment or separation of upper management.

c) Powers related to the process of appointing internal Directors

- i. Report the proposals concerning the appointment or separation of the Chairman of the Board.
- ii. Report the proposals of the Chairman of the Board or the Director General, if any, regarding the appointment or separation of upper management.
- iii. Examine or organise the succession of the Chairman of the Board and, if any, of the Director General of the Company and, where appropriate, make proposals to the Board of Directors for such succession to take place in an orderly and planned manner, preparing a succession plan for that purpose.
- iv. Inform the Chairman of the Board of the appointment or separation of the Vice Chairman or Vice Chairmen of the Board.

v. Submit to the Board of Directors the proposal for the appointment of an Independent Coordinating Director, who will be particularly empowered in the event that the Chairman of the Board exercises executive functions, and to report the proposal for their separation.

vi. Inform the Chairman of the Board of the appointment or separation of the Secretary and, where applicable, the Vice Secretary or Vice Secretary of the Board, the Secretary General and the counsel.

d) Powers related to the evaluation of Directors

i. Establish and supervise an annual program for the continuous evaluation and review of the qualification, training and, where appropriate, independence, as well as the maintenance of the conditions necessary for the exercise of the position of Director and of a member of a certain committee, and propose to the Board of Directors any measures it deems appropriate in this regard.

ii. In coordination with the Chairman of the Board and with the collaboration, where appropriate, of the Independent Coordinating Director, lead the annual evaluation of the functioning of the Board and its committees, including the evaluation of the performance of the Chairman of the Board and, where appropriate, of the Director General, and submit to the Board the results of its evaluation together with a proposal for an action plan or with recommendations to correct any identified deficiencies or improve their functioning.

e) Powers relating to the separation and termination of Directors

i. Inform the Board of Directors of the proposals for the separation of non-independent Directors in the event of a breach of the duties inherent in the position of Director or for having incurred in an unusual manner any of the circumstances of resignation or termination, in accordance with the law or the Company's internal law.

ii. Submit to the Board of Directors proposals for the separation of independent Directors in the event of a breach of the duties inherent in the position of Director or for having incurred in an unusual manner any of the circumstances of resignation or termination, in accordance with the law or the Company's internal law.

f) Powers related to the remuneration of Directors and upper management

i. Propose to the Board of Directors the remuneration policy of Directors and upper management.

ii. Regularly review the remuneration policy of Directors and upper management, including the remuneration systems with shares and their application, and ensure that their individual remuneration is proportionate to those paid by the other Directors and senior Directors of the Company.

iii. Propose to the Board of Directors the individual remuneration of non-executives, taking into account the functions and responsibility attributed to each Director.

iv. Propose the individual remuneration of the executive Directors and the other basic conditions of their contracts for approval by the Board, including any compensation that may be fixed for the event of early termination of their functions and the amounts payable by the Company for insurance premiums or contributions to savings systems.

v. Inform and submit to the Board of Directors the proposals of the Chairman of the Board or the Director General, if any, concerning the remuneration structure of upper management and the basic conditions of their contracts, including any compensation or compensation that may be fixed for the separation event.

vi. Review the terms of the executive Directors' and upper management contracts and verify that they are consistent with current remuneration policies.

vii. Ensure compliance with the Company's remuneration programs and to report the documents to be approved by the Board for general disclosure with regard to information on remuneration, including the Directors' Annual Remuneration Report and the related sections of the Company's Annual Corporate Governance Report, as well as verify the remuneration information of Directors and upper management contained in the various corporate documents.

viii. On a mandatory basis and prior to approval by the competent company body, report any remuneration that may be established for independent Directors of other Group companies.

g) Competences related to sustainability in environmental and social matters

i. Oversee and ensure that the Company's environmental and social practices conform to the strategy and policy established, and to inform the Board of Directors or, where appropriate, its Executive Committee.

ii. Regularly assess and review the Company's environmental and social sustainability policy in order to fulfil its mission of promoting the social interest and taking into account, as appropriate, the legitimate interests of the various interest groups, and to monitor their compliance.

iii. Supervise and assess processes regarding the various stakeholders;

h) Report on the matters covered by Title IX of the Board Regulations, in accordance with its provisions.

i) Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Committee in relation to the performance of its duties.

In carrying out its duties, the Nomination and Remuneration Committee will take into account the principles and criteria established in Technical Guide 1/2019 on Nomination and Remuneration Committees of the National Securities Market Commission, of 20 February 2019, notwithstanding their adaptation to the particular circumstances and characteristics of the Company and its Group, always taking into account the principle of proportionality.

Operation:

The Nomination and Remuneration Committee, which will consist of a minimum of three and a maximum of five Directors, appointed by the Board from among the external Directors, on a proposal from the Chairman of the Board, ensuring that the majority of them are independent Directors. The members of the Committee will have knowledge, skills and experience appropriate to the functions they are called to perform and, whenever possible on the basis of the principle of proportionality, it will be ensured (i) that the members of the Committee, as a whole, are appointed taking into account their knowledge and experience in areas such as human resources, selection of Directors and Directors and design of remuneration policies and plans; and (ii) to promote diversity in terms of gender, professional experience, skills, personal skills, sectoral knowledge or international experience; all of this will take into account the limitations deriving from the smaller size of the Committee as compared to the Board. They will hold office while their appointment as Directors of the Company remains in force, unless the Board resolves otherwise.

The Board will appoint the Chairman of the Committee from among the independent Directors who are part of it and the post of Secretary and Vice Secretary of the Committee will be held by those who hold such positions in the Board.

The Nomination and Remuneration Committee will normally meet at least three times a year. It will also meet at the request of any of its members and whenever it is convened by its

Chairman, who will do so whenever the Board or its Chairman requests the issuance of a report or the passing of proposals and, in any case, whenever it is appropriate for the proper conduct of its functions. Where possible, efforts will be made to ensure that Committee meetings take place sufficiently in advance of Board meetings. Attendance at the meetings of the Committee will be preceded by the sufficient dedication of its members to analyse and evaluate the information received and will promote constructive dialogue among its members, promoting free expression and supervisory and analytical attitude, and the Chairman of the Committee must ensure that everyone participates freely in the deliberations.

The Committee may call any of the members of the Company's management team or staff and may even order them to appear without any other Directors. The summoned persons will be obliged to attend the meetings of the Nomination and Remuneration Committee and to provide them with their collaboration and access to the information at their disposal; they will be validly constituted when the majority of their members are present or represented and their resolutions will be passed by an absolute majority of the votes of the members present or represented at the meeting. The Chair will have the casting vote in case of tie.

Activities

1. In relation to the composition of the Board and its Committees:

In 2020, the Nomination and Remuneration Committee analysed possible incompatibilities of two of its Directors in relation to their appointment as Board members of other entities, concluding that neither because of the number of meetings and demands for the workload, nor because of the corporate objects of the companies, nor because of the number of Boards of which the Directors are part, was there any reason for which they could admit the charges. Likewise, the Committee analysed possible incompatibilities of one of its Directors before his appointment as Chairman of a professional body, concluding that there was no conflict of interest or negatively impact on his dedication to the position in the Company.

Likewise, the Committee reviewed the categories of Director held by each of the Board members, concluding that the current categories remain fully in line with their circumstances. On the other hand, the Committee revised the necessary matrix of powers of the Board that defines the skills and knowledge of the candidates for Directors, concluding that it was up to date and that therefore no adjustment was necessary.

2. In relation to the selection of candidates for Directors and upper management:

The Nomination and Remuneration Committee revised and approved the Committee's proposals and reports for the re-election of Directors. Mr José Luis del Valle, Mr Alec Emmott, Mr Roger Cooke and Mr Miguel Pereda, also resolving to send to the Board for final approval reports that were made available to shareholders at the time of the call of the General Shareholders Meeting.

3. In relation to the process of appointing internal positions of the Board.

In 2020, the exercise of the aforementioned powers by the Nomination and Remuneration Committee was not required.

4. In relation to the evaluation of Directors:

The Committee, having reviewed and discussed the conclusions of the Board's evaluation, as well as the proposed action plan for 2020 and 2021, agreed to approve the Board's Assessment Report and its Committees for 2019 and the Board's action plan for 2021. In particular with regard to the Nomination and Remuneration Committee, it approved the Self-Assessment Report and the Committee's action plan for 2021.

In addition, the Committee analysed the training of Directors by resolving to propose to the Board training sessions in relation to Proptech and new digital retail trends, the impact of COVID-19 on the business and legal developments.

5. In relation to the separation and termination of Directors:

In 2020, the exercise of the aforementioned powers by the Nomination and Remuneration Committee was not required.

6. In relation to the remuneration of Directors and upper management:

In 2020, the Nomination and Remuneration Committee analysed the comparative report of the remuneration of independent Directors on the Spanish market prepared by external expert Willis Tower Watson at the request of the Company, resolving to postpone the review of the remuneration policy of the Board and request Willis Tower Watson to update the aforementioned report.

The Committee also revised the Directors' targets and remuneration by resolving to pay them, based on an external expert report prepared by Michael Page.

On the other hand, the Committee revised the Annual Report on Remuneration of Directors for 2019 in accordance with section 541 of the Corporate Enterprises Act, resolving to approve it and forward it to the Board for final approval and subsequent distribution at the General Shareholders Meeting.

In turn, and in the context of the crisis caused by the COVID-19 pandemic, the Committee reviewed the remuneration of the Board members, resolving to propose to it the temporary reduction of the Directors' remuneration.

In relation to the objectives of the management team, the Committee reviewed and monitored their personal objectives, informing the Board of all aspects related to this issue.

7. In relation to Corporate Social Responsibility and Sustainability:

In relation to these powers, the Committee was informed of all the actions carried out by the Company in relation to ESG (Environmental, Social and Governance) during the year, as well as of the achievements and projects in progress, analysing the possibility of obtaining some kind of rating in relation to ESG. In this regard, the Committee concluded that work should be done to find a way to adequately transmit all the work done in this area by the Company to the market.

From a more social perspective, in 2020 the Nomination and Remuneration Committee analysed, among other measures, the possibility of collaborating with the Aladina Foundation in the reform of a hospital in Seville dedicated to the treatment of children with cancer, concluding that it is appropriate to make a contribution and submit the proposal to the Board of Directors. The Committee also analysed the possible collaboration with Caritas in its accompanying project to vulnerable families, reporting favourably on it and resolving to forward it to the Board for final approval.

Likewise, in 2020 and in the context of COVID-19, the Committee has been informed at all times and has monitored the Company's situation from the perspective of the health and safety of both its employees and the Company's shopping centres.

8. Other competences:

The Nomination and Remuneration Committee revised and approved the Committee's operating report for 2019 in accordance with section 529 *nonies* of the Corporate Enterprises Act, which served as the basis for the Committee's assessment by the Board, in accordance with the aforementioned section of the Corporate Enterprises Act and the Company's internal rules.

The Nomination and Remuneration Committee reviewed the actions carried out in 2020, confirming that all the actions that the Corporate Governance Law, Regulations and Recommendations and CNMV entrust to the Commission have been implemented and carried out, with a particular focus on issues of Corporate Social Responsibility and Sustainability.

In particular, the review of Company Corporate and Policy Regulations:

On 26 June 2020, the CNMV approved the partial revision of the CGG, updating various CGG recommendations while adapting some of them to various legal changes approved since their publication, also clarifying the scope of certain recommendations.

In line with this, Circular 1/2020, of 6 October, of the CNMV was approved, which amends the models of Annual Corporate Governance Report and Annual Report on Remuneration of Directors, whose transitional provision establishes that, notwithstanding their de facto compliance, companies must adapt, before the end of 2020, internal corporate texts, policies and procedures, where appropriate, to the new wording of the CGG recommendations in order to comply with the recommendations modified in the 2020 Annual Corporate Governance Report.

In this regard, and in order to always be at the forefront of corporate governance best practices and to complete the adaptation to the new CGG, the Nomination and Remuneration Committee of Lar España has analysed, on the basis of the drafts circulated prior to the meeting and after having been informed by the Company's Legal Director of the main aspects of the reform, the proposals to amend: (i) the Nomination and Remuneration Committee Regulations; (ii) the Board Regulations; (iii) the Corporate Governance Policy; (iv) the Company's Sustainability Policy; and (v) the Diversity and Selection of Directors Policy, as well as the joint report of these proposals, resolving to report favourably and submit to the Board for final approval the proposals for amendments to the aforementioned Regulations and Policies.

NOMINATION COMMITTEE

Name	Position	Category

% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how each of the functions assigned to it has been exercised in practice, whether in law or in Articles of Association or in other resolutions.

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REMUNERATIONS COMMITTEE

Name	Position	Category

% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions, including, where appropriate, those additional to those legally envisaged, that this committee has, and describe the procedures and rules for organising and operating it. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions assigned to it either in law or in the Articles of Association or in other resolutions.

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_____ COMMITTEE

Name	Position	Category

% of executive Directors	
% of proprietary Directors	
% of independent Directors	
% of other external Directors	

Comments

Explain the functions assigned to this committee and describe the procedures and rules governing its organisation and operation. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions assigned to it either in law or in the Articles of Association or in other resolutions.

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C.2.2. Complete the following table with the information regarding the number of Directors that are part of the committees at the end of each of the last 4 years:

	Number of Directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	NA		NA		NA		NA	
Audit Committee	2	67%	2	67%	2	67%	1	33%
Nomination and Remuneration Committee	0		0		0		0	
Nomination Committee	NA		NA		NA		NA	
remuneration committee	NA		NA		NA		NA	
_____ committee								

Comments

C.2.3 If there exists any regulation of the Board's committees, indicate the place where they are available for consultation, and any changes made during the year. Likewise, indicate whether an annual report on the activities of each committee has been prepared on a voluntary basis.

The sections 42 and 43 of the Articles of Association regulate the functioning of the Audit and Control Committee and the Nomination and Remuneration Committee, respectively. In turn, the Board Regulations regulate these committees, in section 14, on the Audit and Control Committee, and section 15, on the Nomination and Remuneration Committee. In addition, these two committees each have their own operating regulations, approved on 27 December 2017 and 12 December 2019, respectively, and amended both on 15 December 2020 in order to adapt to the new Recommendations of the Code of Good Governance. These Regulations are available on the following corporate website link:

<https://www.larespana.com/gobierno-corporativo/normas-internas-de-gobierno/>

Lar España prepares on an annual basis reports on the functioning, composition and activities of the Company's Board of Directors and makes them available to shareholders at the General Shareholders Meeting. In particular, it is established in section 7.4 of the Audit and Control Committee Regulations and in the same section of the Appointment and Remunerations Committee Regulations, that these Committees will prepare an annual report on their operation during the year, which will serve as the basis for the evaluation to be carried out by the Board, highlighting the main events that have arisen, if any, in relation to their functions. The report will include, among other matters, the significant activities carried out during the period, reporting on those that have been carried out with the collaboration of external experts. In addition, with respect to the Audit and Control Committee, when the Audit and Control Committee deems it appropriate, it will include in the report proposals to improve the Company's governing rules. The report will be available to shareholders and investors through the Company website well in advance of the convening of the Ordinary General Meeting.

D RELATED TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, where applicable, the procedure and bodies competent to approve transactions with related and intra-group parties.

In accordance with section 37 of the Board Regulations, it is subject to authorisation by the Board or, in urgent cases, the Executive Committee, if any, with subsequent ratification by the Board of Directors, after informing the Audit and Control Committee, of any transaction by the Company with Directors and shareholders holding shares that are deemed significant under the securities market law that is applicable at any time or that, where applicable, have proposed the appointment of one of the Directors of the Company, or with the respective related persons, with the understanding that such persons are those indicated in internal rules.

The Audit and Control Committee and the Board of Directors or the Executive Committee, if any, before authorising the Company to perform such transactions, will assess the transaction from the point of view of equal treatment of shareholders and market conditions.

The authorisation of the Board will not, however, be understood as precise in those related transactions that simultaneously fulfil the following three conditions: (i) they are made pursuant to contracts the terms and conditions of which are standardised and applied en masse to a large number of customers; (ii) they are carried out at generally established prices or tariffs by whoever acts as the supplier of the good or service in question; and (iii) their amount does not exceed one per cent (1%) of the Company's annual revenues.

In the case of transactions within the ordinary course of corporate business that are customary or recurrent, the generic authorisation of the Board will suffice.

The Investment Management Agreement between Grupo Lar Inestaciones Inmobiliarias, S.A. as Managing Company and Lar España Real Estate SOCIMI, S.A. as Managed Company, signed on 12 February 2014, as drafted by the renewal and modification carried out on 19 January 2018, taking effect from 1 January 2018, specifies that, notwithstanding the prerogatives and powers that the Manager has to act on behalf of the Company under that agreement, they will require prior express written approval from the Board of Directors of Lar España, among others, for "transactions and situations with related parties that may give rise to a conflict of interest situation in relation to the Directors, including any transaction with third parties under which the Manager has the right to receive any compensation, commission or remuneration" (clause 5. (ix)).

D.2 Detail of the transactions that are material or material between the company or entities of its group and the significant shareholders of the company:

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity of its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
Grupo Lar Inversiones Inmobiliarias, S.A.	Grupo Lar Inversiones Inmobiliarias, S.A.	Contractual	Asset Management Agreement	8,496
Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia 2006, S.L.	Contractual	Management agreement as property manager (marketing, administration, management)	2,027

Comments

D.3 Detail the transactions that are significant in amount or are relevant to their subject matter between the company or entities of its group and the administrators or Directors of the company:

Name or corporate name of administrators or Directors	Name or corporate name of the company or entity of its group	Relationship	Nature of the transaction	Amount (thousands of euros)

Comments

D.4 Report of the significant transactions performed by the company with other entities belonging to the same group, provided that they are not eliminated in the process of preparing consolidated financial statements and are not part of the Company's usual traffic in terms of their purpose and conditions.

In any event, any intra-group transactions with entities established in countries or territories that have the status of tax haven will be reported:

Corporate name of the entity of its group	Brief description of the transaction	Amount (thousands of euros)

Comments

D.5 Detail significant transactions between the company or entities of its group and other related parties, which have not been reported under the preceding sections.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euros)

Comments

D.6 Detail the mechanisms established to identify, identify and resolve potential conflicts of interest between the company or its group and its significant Directors, administrators or shareholders.

BOARD REGULATIONS - SECTION 31

Conflicts of interest are deemed to exist in situations where they enter into a direct or indirect conflict of the Company's interest in their group and the personal interest of the Director. The personal interest of the Director will exist when the matter concerns him or a person related to him.

a. For the purposes of this Regulation, "Persons related to the Director" will mean natural persons:

- i. The spouse or persons with a similar relationship.
- ii. The ascendants, descendants and brothers of the Director or of the spouse (or person with a similar relationship) of the Director.
- iii. The spouses of the Directors' ascendants, descendants and siblings.
- iv. The Companies or entities in which the Director or any of the persons related to it, by himself or by an involved person, are in one of the situations referred to in section 42 of the Commercial Code [*Código de Comercio*].
- v. Companies or entities in which the Director or any of the persons associated with him, by himself or by an involved person, exercises a position of administration or management or receives emoluments for any cause.
- vi. In addition to the case of the proprietary Directors, the shareholders who had proposed their nomination.

b. Persons related to the legal entity Director:

- i. Shareholders who, in respect of the Director, are legal entities, and are in one of the situations referred to in section 42 of the Commercial Code.
- ii. Companies that are part of the same group, as this term is defined in section 42 of the Commercial Code, and their shareholders.
- iii. The natural person representative, the Directors, legal or, in fact, the trustees and those holding power of attorney for the legal entity Director.
- iv. Persons who, with respect to the representative of the Director, have the status of related persons in accordance with this section for natural person Directors.

In particular, the Director must refrain from transactions with the Company (except in the case of ordinary transactions, made in standard terms for customers and of little relevance, meaning those whose information is not necessary for expressing the true picture of the assets, financial position and results of the Company).

In any event, the Director must notify the Board of Directors of any dispute, direct or indirect, that he or persons related to him may have with the interest of the Company.

The conflicts of interest experienced by the Directors will be the subject of information in the notes to the annual accounts.

INTERNAL RULES OF CONDUCT IN SECURITIES MARKETS

SECTION 8. CONFLICTS OF INTEREST

A conflict of interest will be deemed to exist when the Regulated Person has any of the following conditions with respect to the entities referred to in this section:

1. Administrator or Senior Director.
2. In the case of companies listed in any Spanish or foreign official secondary market, the holders of a significant holding (i.e., those referred to in section 125LMV and its enacting legislation, and in the case of unlisted domestic or foreign companies, any direct or indirect shareholding exceeding twenty percent of its issued share capital).
3. Family relationship of up to the second degree by or third degree by consanguinity with its Directors, shareholders of significant shares in its capital or Senior Directors.
4. Maintain relevant, direct or indirect contractual relations.

Regulated Persons subject to conflicts of interest must observe the following general principles of action:

Independence: The Regulated Persons must act at all times with freedom of distance vote, loyalty to the Company and its shareholders and regardless of their own or other interests. Consequently, they will refrain from giving priority to their own interests at the expense of those of the Company or those of investors at the expense of others.

Abstention: The Directors, executives and employees will refrain from participating in or influencing the decision-making process that may affect the persons or entities with which there is a conflict and from accessing inside or relevant information affecting that conflict.

Communication: Regulated Persons must inform the Compliance Officer of any conflicts of interest that may arise as a result of their activities outside the Company, their family relations, their personal assets or for any other reason, with:

- a) The Company or any of the companies belonging to Grupo Lar España.
- b) Significant suppliers or customers of the Company or of the companies belonging to the Group of Lar España.
- c) Entities engaged in the same type of business or competing with the Company or any of the Company's subsidiaries.

Any doubts about the possibility of a conflict of interest must be consulted with the Compliance Officer, which corresponds to the final decision to the Audit Committee.

CODE OF CONDUCT

SECTION 2.3.

A conflict of interest is deemed to exist when any of the Regulated Persons that must decide, perform or omit an action, because of their functions, has the option of choosing between the interest of the Company and their own interest or that of a third party, so that by choosing one of the latter two, it would benefit the third party, obtaining an otherwise unreceived profit.

In order to avoid such situations, the Regulated Persons must act honestly and confidentially without being manipulated or influenced by third parties. They will abstain from voting or the right of opinion when they are in a conflict that may harm the social interest and will always act independently with freedom of distance vote, and loyally to the Company.

Employees, Executives or Directors who have doubts about a suspected conflict of interest must contact the Audit and Control Committee.

D.7 Please indicate whether the company is controlled by another entity within the meaning of section 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries on activities related to those of any of them.

Yes

No

Please indicate whether you have accurately publicly reported about any respective areas of activity and any potential business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries:

Yes

No

Please indicate whether you have reported about any areas of activity and potential business relationships, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries, and identify where these matters have been publicly reported:

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Identify the mechanisms envisaged to resolve any conflicts of interest between the other parent company owned by the listed company and the other group companies:

Mechanisms for resolving potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the Company's Risk Control and Management System, including those of a tax nature.

The Risk Management System of Lar España Real Estate SOCIMI, S.A. and Subsidiaries ("Lar España") is implemented at the corporate level and is designed to mitigate the risks (including tax risks) to which the Organisation is exposed because of its activity.

This System has been described and developed in the Risk Control and Management Policy approved by the Lar España Board of Directors, which is regularly reviewed by the Audit and Control Committee and establishes a methodology to identify, assess, prioritise and manage risks effectively, taking into account the circumstances of the Company and the economic and regulatory environment in which it operates. Likewise, the ultimate purpose is to ensure that a reasonable degree of security is obtained with respect to the achievement of the strategic and operational objectives, the reliability of the information and compliance with the legislation.

The System is aligned with the main guidelines contained in the document "Enterprise Risk Management - Integrating with Strategy and Performance (ERM 2017)" published by COSO (Committee of Sponsored Organisations of the Treadway Commission).

As established in the "Integrated Risk Management System," Lar España considers Risk Management a continuous and dynamic process that includes the following stages:

- Identification of the processes in which the risks are generated and the controls are performed, determining the relationship between the key risks and the processes of the Organisation.
- Identification and assessment of the risks that may affect the Organisation, evaluating the likelihood of occurrence and its potential impact.
- Identification of the controls in place to mitigate those risks.
- Assessment of the effectiveness of the controls implemented to mitigate those risks.
- Design of action plans to be carried out in response to risks.
- Regular monitoring and control of risks.
- Continued assessment of the suitability and efficiency of the implementation of the system and of best risk practices and recommendations.

In order to maintain an effective risk management system, Lar España produces a Company Risk Map that identifies the main risks that affect the group. It also has a Risk Management Manual, which includes the templates and documents to be used for carrying out the various activities and defines other relevant practical aspects of the Risk Management System.

In 2020, the Company Risk Map was revised, incorporating new relevant risks based on criticality for the business, which are associated with the pandemic:

- Economic and social impact generated by epidemic outbreaks, epidemics or pandemics. These impacts would be related to restrictions on commercial activity, restrictions on mobility, social distancing measures, etc., which may affect the activity of the shopping centres, reducing its influx, reducing or changing consumption patterns, resulting in a drop in sales, etc.
- Non-performance of the contracts by the lessees that has led to renegotiation of contracts with the tenants of non-essential activities.
- Health security of employees, customers and visitors in shopping centres and parks.

Ultimately, after the identification of the risks and the analysis of the suitability and effectiveness of the decisions taken to mitigate them, the Board of Directors, together with the oversight of Internal Audit, establishes its risk priorities and determines the measures to be put in place, ensuring the compliance and proper functioning of the Company's processes.

E.2 Identify the company bodies responsible for preparing and implementing the Risk Control and Management System, including tax payables.

The Integrated Risk Management System affects and involves all the staff of the Organisation. In addition, due to the specific characteristics of Lar España, some of the activities are carried out by certain specialised suppliers that collaborate in significant processes such as:

- Investment and asset management, mainly carried out by Grupo Lar
- Preparation of financial, accounting and tax information
- Regular valuation of the assets

However, Lar España conducts detailed monitoring processes for the third parties responsible for these outsourcing contracts, ensuring that the suppliers perform the activities envisaged in the Risk Management System.

The main participants in the model are as follows:

Responsible person for the Process or Business Units

This person is responsible for direct risk management in the day-to-day operations, which includes the tasks of identifying, analysing, evaluating and treating risks, essential to achieving the objectives envisaged in each area within the context of the strategic planning in force at any time.

Risk Officer

The Risk Officer should analyse and consolidate the risk information prepared by the Directors of the Process, which will be progressively materialised in "Risk Sheets." This person also assumes the function of identifying new events, collecting and evaluating information on key indicators of the risks inherent in the processes and, where appropriate, proposing and monitoring action plans. Once the priority risks have been defined, those responsible for their management and control of the "Risk Sheets" will be assigned.

Audit and Control Committee

In accordance with section 5 of the Audit and Control Committee Regulations, the Audit and Control Committee has, among others, the following functions:

- Monitor and evaluate the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political and reputational or corruption-related risks) and, in particular, to review them so that the main risks are adequately identified, managed and disclosed.
- Monitor the internal risk control and management function.
- In relation to risk policy and management, identify or determine at least: (i) the various types of risk (operational, technological, financial, legal, reputational, including those related to corruption) that the Company faces, including, among financial or economic, contingent liabilities and other off-balance sheet risks; (ii) a risk control and management model based on different levels; (iii) the level of risk that the Company considers acceptable; (iv) the measures envisaged to mitigate the impact of the risks identified, should they materialise; and (v) the information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.
- At least once per year, reassess the most significant financial and non-financial risk list and assess its tolerance level, proposing its adjustment to the Board of Directors, where applicable.
- At least once per year, hold a meeting with senior managers of business units explaining business trends and associated risks.

In this regard, the Audit and Control Committee is responsible for monitoring the implementation of the Risk Control and Management Policy defined by the Board. This policy includes the various risk typologies (Strategic, Operational, Compliance and Financial), including tax risks (with particular attention to monitoring the requirements associated with the SOCIMI regime). Ultimately, the Audit and Control Committee is responsible for informing the Board of its activities throughout the year.

Board of Directors

The Board is responsible for approving the Risk Control and Management Policy in accordance with section 529 *ter* of Law 31/2014, amending the Corporate Enterprises Act to improve corporate governance.

Likewise, and among other competences, it assumes responsibility for identifying the Company's main risks and supervising internal control systems, being informed through the Audit and Control Committee.

E.3 Please indicate the main risks, including taxes and to the extent the risks derive from corruption (understood as those falling within the purview of Royal Decree Law 18/2017), which may affect the achievement of business objectives.

Lar España has conducted a process to identify risks that may affect its ability to achieve its objectives and successfully implement its strategies. In order to identify the risks, the Director's experiences in the real estate sector were taken into account, as well as the Company's specificities, considering also strategic initiatives envisaged by the Organisation in the medium term.

Lar España has an updated Risk Map, which includes the risks that may potentially affect the Organisation.

The risks considered as "priority" by Lar España are detailed below, after the corresponding annual update of the Risk Map and on which, in 2020, the appropriate management and monitoring activities have been carried out, a process that will be continued in the following years. The main risks that may affect the achievement of business objectives in accordance with the classification of risk dimensions are: strategic, operational, financial and regulatory.

Strategic:

- Epidemic outbreaks, epidemics and pandemics.
- Political situation and socio-economic factors.
- Regulatory changes/legal uncertainty.
- Climate change and environmental sustainability.

Operational:

- Value of the properties.
- Health safety of employees, collaborators, customers and visitors in shopping centres and business parks.
- Loss of internal talent.
- Cyber security and information security.
- Changes in contractual obligations.
- Solvency and credit risk of customers.
- Investment/Asset Manager Unit.

Financial:

- Market risk.
- Compliance of covenants associated with financing agreements.

Regulations:

- Management of SOCIMI regime requirements.

These risks have been defined by Lar España in accordance with the risk tolerance criteria and based on criticality for the business, e.g. Impact by Probability.

The risk monitoring process consists of the constant monitoring of those variables, both internal and external, that can help anticipate or anticipate the materialisation of these and other risks relevant to Lar España.

E.4 Identify whether the entity has risk tolerance levels, including for tax payables.

The Risk Map is the risk identification and measurement tool of Lar España. All the risks envisaged, including the tax payables, are assessed by considering various impact and probability indicators.

In this way, the risk assessment is made taking into account the level of inherent risk, i.e. the level to which the Company faces in the absence of mitigation measures and the level of residual risk, understood as the resulting risk once the corresponding prevention and control measures are applied.

Once this year has been completed, priority is given to those risks considered most critical to the business and a list is prepared of priority risks that are subject to regular monitoring and reporting to the Audit and Control Committee.

In addition, the Lar España Management System defines tolerance as "*the acceptable level of variation in the Company's performance or performance in achieving its objectives*". The proposed risk tolerance criteria are used to prioritise and detail the management and monitoring to be performed for each type of risk. Thus, the more critical the objective to which an identified risk is associated, the lower the tolerance accepted by Lar España.

In this regard, there are three levels of tolerance: high, medium or low, based on the criticality of the objective to which the risk is associated. The tolerance determination system is reviewed at least once per year by the Audit and Control Committee.

E.5 Please indicate what risks, including tax payables, have materialised during the year.

The risk factors inherent in Lar España's business model may materialise over each year.

In 2020, the main risk materialised was "Economic and social impact generated by epidemic outbreaks, epidemics or pandemics."

Following the emergence and rapid global expansion of the COVID-19 virus that led the World Health Organisation to classify it as a pandemic on 11 March 2020, in our country, the health emergency caused by the virus has led the Government and the Autonomous Communities to successively impose a series of measures to prevent the spread of the disease, and to manage the health and economic consequences of the pandemic.

Some of these regulatory measures and changes were implemented in the course of 2020 and in some cases related to total or partial closures of certain activities, with restrictions on the free movement of the persons and limitations on schedules and places, thus impacting the normal activity of the company and its lessees.

The individualised renegotiation of the contracts with each of the lessees, the necessary implementation of hygienic-sanitary protocols and measures to preserve the health of employees, customers and visitors who access the company's properties, and the impact on the value of the real estate assets as a result of the situation of uncertainty generated in the market, are some examples of the effects caused by the pandemic on the company.

In addition, there are other materialised risks, related to Lar España's own activity, with effect of low significance on the business, since the internal control systems established by the Company have had significant success.

It should be noted that the activities carried out by Lar España in 2021 will be subject to the continuation of these same risk factors.

E.6 Explain the response and supervisory plans for the entity's main risks, including tax payables, as well as the procedures followed by the company to ensure that the Board responds to any new challenges that arise

The specific characteristics of Lar España, as well as those of the sector of activity in which it operates, attach greater importance to the proper monitoring and updating of the various risks, including tax payables, that may affect the Organisation.

The level and frequency of monitoring of the risks identified vary according to their criticality and the level of effectiveness of the controls currently implemented. Thus, Lar España has defined different options for carrying out risk management: a) comprehensive analysis of risks that have high criticality, to pursue an appropriate level of control; b) risk assessment and monitoring with average criticality

levels to maintain proper control based on the actual level of risk; and c) streamlining and optimisation of the applicable controls for risks with lower criticality.

Based on the above levels and the risk management model put in place, Lar España has established response and monitoring plans for the main risks, as well as four types of strategies to be considered in relation to the level of risk assumed in each case:

- Reduction: carrying out response activities to reduce the likelihood or impact of the risk, or both aspects simultaneously. It may involve introducing new controls or improving existing ones.
- Sharing: the probability or impact of the risk can be adjusted by transferring or sharing a portion of the risk, for example, obtaining insurance.
- Prevention: not engaging in activities that generate risks. In this case, the risk response is to dispense with a business unit or activity or to decide not to engage in new activities related to those risks.
- Acceptance: in this case no action is taken that affects the likelihood or impact of the risk. The risk is assumed at its inherent level as appropriate to the established activity and objectives

Lar España prioritises the action plans to be carried out, in accordance with the criticality of the risks, the cost/benefit ratio of the type of action to be taken and the resources available. To this end, the most representative risks of the Organisation have been identified, for which individual risk sheets have been set up to better document and monitor them. These financial statements incorporate the existing controls and the key indicators that make it possible to anticipate or monitor the associated risks. In this regard, in the coming years, it is planned to continue with this ongoing process of risk management and monitoring.

In addition, the tolerance level should be reviewed at least once per year and validated by the Audit and Control Committee. Once the tolerance level has been approved, it is communicated to the Risk Manager/Risk Officer and through it to the Managers of the Processes. The owners of each of the risks are responsible for preparing the corresponding risk sheets, with the objective of reporting the treatment established to mitigate or maintain the level of risk under the tolerance threshold accepted by Lar España.

It should be noted that, at least once per year, the Lar España Audit and Control Committee, which reports to the Board of Directors, analyses the validity of the Organisation's Risk Map and proceeds to incorporate, modify or rule out the risks that, if necessary, are necessary due to changes in strategic objectives, organisational structure, new risks, current regulations, etc.

Based on the review of the annual risk map, and due to the emergence of new risks associated with COVID-19, Lar España has included specific response plans to the possible materialisation of the risks based on their criticality for the business:

- 1- Development of prevention protocols and measures at work centres for employees and collaborators and in shopping centres.
- 2- Development of an Internal and External Communication Plan.
- 3- Development of action plans to adapt the company's activity to the circumstances and regulatory changes that have taken place.
- 4- Certification of the protocols and measures taken to preserve the safety of employees, customers and visitors in shopping centres and parks by an external certifying company (SGS), which has certified the correct implementation of the preventive measures.
- 5- Contractual changes with each of the lessees based on each special need.
- 6- Ongoing monitoring and adaptation of the activity in shopping centres and parks based on the regulations published by the authorities.
- 7- Update of cash forecasts, sensitivity analyses, generation of scenarios and development of liquidity protection measures for the company.
- 8- Update of the Business Plan to the new context caused by the pandemic.
- 9- Activation of a Disease Monitoring Committee, the main responsibilities of which were to pass the necessary measures and gradually implement the actions agreed to in the light of the evolution of the pandemic, and of the regulatory changes and recommendations made by national and international health authorities, government, autonomous regions or other government agencies.
- 10- Invigorating actions in the shopping centres to revitalise their activity and recover the turnout levels prior to the pandemic.

The oversight of the response plans is carried out by the Internal Auditing of Lar España.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms that make up the risk control and management systems in relation to the financial reporting process (SCIIF) of your entity.

F.1 Entity control environment

Report, indicating its main characteristics of at least:

F.1.1. Which bodies or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

The Lar Group's model of responsibilities (the "Group") is articulated through the following bodies or functions that develop, maintain and monitor the process of preparing the Group's financial information.

Board of Directors

The Board, as established in its Regulations, is ultimately responsible for the existence and maintenance of an adequate and effective SCIIF.

Specifically, section 5 of the Board Regulation ("General Functions and Powers") establishes, among others, the following functions:

The Board is ultimately responsible for the existence and maintenance of an appropriate and effective SCIIF.

To this end, as indicated in section 5 of the Board Regulations, the full Board reserves the competence to:

- "The supervision of the process of preparing and presenting the financial information and the management report, which will include, where appropriate, the mandatory non-financial information, as well as the approval of the financial information that, due to its status as a quote, the company must regularly make public."
- "The determination of the risk control and management policy, including tax payables, as well as the supervision of internal information and control systems."

To meet these objectives, the Board of Directors, as established in section 14 of its Regulations: "*it will permanently set up an Audit and Control Committee*" to which it delegates, the supervision of the SCIIF (with the support of Internal Audit).

Audit and Control Committee

Lar España establishes in section 14 of its Board Regulations and in section 5 of the Audit and Control Committee Regulations that it has among its powers:

- *Supervise and evaluate the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where applicable, the Group, reviewing compliance with regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of accounting criteria and, in particular, to know, understand and monitor the effectiveness of the internal control system for financial information (SCIIF).*
- *Regularly monitor the effectiveness of the Company's internal control and its Group, as well as the Company's internal audit activity, discussing, together with the auditors of the accounts, the significant weaknesses of the internal control system identified in conducting the audit, concluding on the level of confidence and reliability of the system, all without impairing its independence. For such purpose, and where applicable, recommendations or proposals and the corresponding period for follow-up may be submitted to the managing body.*

The SCIIF Manual, as last amended by the Audit and Control Committee on 15/12/2020, establishes: *"In this context, the oversight activity of the Audit and Control Committee is to ensure its effectiveness, obtaining sufficient evidence of its proper design and functioning, which requires evaluating the process of identifying the risks that may affect the true image of the financial information, verifying that controls exist to mitigate them and verify that they function effectively.*

The oversight also consists of reviewing, analysing and commenting on the financial and the SCIIF information with Management and with internal and external auditors, to ensure that the accounting criteria applied are correct and the information provided is complete and consistent with the transactions, and that the SCIIF is suitable for the achievement of its objectives and has functioned efficiently throughout the year.

System oversight should be an ongoing process to make it effective over time. However, the evaluation may be carried out in a timely manner to form an opinion on all or any of the control devices at a specific date.

The Audit and Control Committee has entrusted the development of this function to the Internal Auditing Service (IAS). "

The oversight activity of the Audit and Control Committee consists of ensuring the effectiveness of the SCIIF, obtaining sufficient evidence of its proper design and functioning, which requires evaluating the process of identifying the risks that may affect the true image of the financial information, verifying that controls exist to mitigate them and verifying that they function effectively.

Corporate and Financial Management

The Corporate and Financial Management is responsible for the design, implementation and operation of the SCIIF, which includes:

- *"Defining, proposing and implementing a model for generating financial information."*
- *"Defining, implementing and documenting the SCIIF."*
- *"Support the Audit and Control Committee with respect to the preparation of the financial statements and other financial information, as well as the criteria applied in that process."*
- *"Establish, at once per year, the integrity and suitability of the documentation and the functioning of the SCIIF."*
- *"Inform the Audit and Control Committee and the Internal Auditing Service (IAS) of the new documentation of the SCIIF for their knowledge and assessment."*

In relation to the evaluation and supervision of the SCIIF, the Corporate and Financial Management is responsible for:

- Initiate and manage the annual review process.
- Consolidate the individual review documents for the final report on the Group's SCIIF.
- Communicate to the Audit and Control Committee and to the IAS the conclusions of the SCIIF Review and any associated deficiencies
- Analyse the modifications to the Group's processes or operations in order to determine the need to update the associated documentation.
- Collaborate with the IAS in the SCIIF Supervision process.

Internal Auditing Service (IAS)

As established in the SCIIF Manual, the Audit and Control Committee has entrusted the IAS with the supporting role in supervising the SCIIF, which includes:

- *"To monitor the sufficiency and effectiveness of the SCIIF and of the general and process controls."*
- *"Collaborate in the definition and categorisation of events and in the design of the necessary action plans and monitor them."*
- *"To inform the Audit and Control Committee of the findings detected during the evaluation and monitoring process."*
- *"Support the Corporate and Financial Management in preparing reports on the status and description of the SCIIF."*

Services Providers involved in the generation of financial information

Its functions include:

- *"Cooperating with the Corporate and Financial Management in defining, documenting and updating internal processes and procedures."*
- *"Executing the control activities as designed and retain evidence of such execution that allows their traceability."*
- *"Informing the Corporate and Financial Management of any changes in its operations or transactions that may make it necessary to update the documentation of its processes and the controls defined therein, as well as the weaknesses of control that they may detect."*
- *"Define and implement the action plans on the incidents observed within the scope of their responsibility."*

Some of the activities relevant to the preparation of Lar España's financial information are outsourced to specialised third parties (including investment and asset management, preparation of financial, accounting and tax information, and regular valuation of the assets). In this regard, and in relation to the SCIIF, the Corporate and Financial Management ensures that these suppliers perform those controls that, being carried out by them, have been defined as essential within the SCIIF. The aforementioned model is supervised by the Internal Auditing Service, at the request of the Audit and Control Committee.

F.1.2. If there are, in particular with regard to the process of preparing the financial information, the following elements:

- Departments or mechanisms responsible for: (i) the design and revision of the organisational structure; (ii) to clearly define the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) that there are sufficient procedures for their proper dissemination in the entity.

The Corporate and Financial Management, along the lines and guidelines established by the Board, is responsible for the existence of an appropriate organisational structure, the distribution of the various functions and that, progressively, sufficient procedures are available and distributed among the different parties involved in the processes.

The Corporate Director & CFO has the collaboration and advice of the internal and external resources necessary to manage different aspects of the Company's activity. Thus, Lar España has formalised a Management Agreement with Grupo Lar whereby the Manager undertakes to dedicate the personnel and resources necessary for the performance of its functions, including those related to financial information.

The Manual of the Internal Financial Reporting Control System provides that, when the services provided by a "Service Provider Organisation" are part of the Company's information system, they must be included in the evaluation process of the SCIIF, either through a specific and direct evaluation of the controls applied by that Organisation, or through obtaining an internationally recognised SSAE (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organisation) certificate, or through the performance of alternative procedures. The second option is currently being followed through a confirmation from the third party providing accounting services.

- Code of Conduct, Approval Body, degree of dissemination and instruction, principles and values included (indicating whether there are specific indications to the register of transactions and the preparation of financial information), body responsible for analysing breaches and proposing corrective actions and penalties.

The Code of Conduct of Lar España Real Estate SOCIMI, S.A. ("Lar España") aims to establish the guidelines of conduct that will regulate the behaviour of all those acting on behalf of Lar España and its subsidiaries. The scope of this Code includes all the Board members of the Company, the Senior Directors of the Company, the members of the management team of the Lar Group (manager of Lar España), the Directors and employees of both the Company and its investee companies, and any other person that may be related to Lar España, even if it does not have the status of an employee.

The Audit and Control Committee is responsible for ensuring compliance, updating and dissemination of the Code.

Principle 4, on **trade repository and financial information**, specifies that *"Lar España will ensure that the economic-financial information, in particular the annual accounts, accurately reflects the economic, true financial and equity situation of the Company, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For this purpose, no professional will conceal or distort the information from the Company's accounting records and reports, which will be complete, accurate and truthful."*

The lack of honesty in the communication of information, both within the Company - to employees, controlled companies, departments, internal bodies, administrative bodies, etc. - and abroad - to auditors, shareholders and investors, regulatory bodies, media, etc. - contravenes this Code. There is also a lack of honesty when delivering incorrect or misleading information, or attempting to mislead those who receive it."

Likewise, with regard to the Internal Financial Reporting Control System (SCIIF), it refers to Principle 5 on Internal Control, Prevention of Money Laundering and Prevention of Crime, which establishes: *"Lar España will ensure that an appropriate control environment is established to assess and manage the risks of the Company, especially those related to the Internal Financial Reporting Control System (SCIIF), in order to ensure that all transactions of Lar España are clearly and accurately reflected in the Company's accounting and other records, as well as in the preparation of the financial information."*

- The channel of complaints, permitting the communication to the audit committee of irregularities of a financial and accounting nature, in addition to possible breaches of the code of conduct and irregular activities in the organisation, informing, where appropriate, whether it is of a confidential nature and whether it allows anonymous communications to be made with respect to the rights of the complainant and the respondent

Under section 14.3.b.v of the Board Regulations, it will be the responsibility of the Audit and Control Committee *"to establish and supervise a mechanism that allows employees and other persons related to the Company, such as boards, shareholders, suppliers, contractors or subcontractors to report any irregularities of potential significance, including financial and accounting, or of any other nature, related to the Company that they warn within the Company or its Group. This mechanism must ensure confidentiality and provide for cases in which communications can be made anonymously, respecting the rights of the complainant and the respondent."*

The Board of Lar España has a Regulation on the Functioning of the Complaints Channel, which regulates the operation of this channel, whereby any person subject to the Lar España Code of Conduct, any existing regulations or other established internal regulations, who considers that breaches are occurring, may file a complaint in order to make the problem known and resolved.

The scope of the Complaints Channel extends to all members of the Company's Board of Directors, the Company's Senior Directors, the members of the Lar Group's Managing Team (Lar España Manager), the Directors and employees of both the Company and its investee companies, and any other person that may be related to Lar España, even if it does not have the status of an employee. Likewise, it may be employed by any internal or external interest group of the Company.

Lar España establishes the following means to file complaints:

- Website: <http://larespana.com>
- Email: canaldenuncias@larespana.com
- Explanatory confidential letter

In order to ensure more effective management of the Complaints Channel, Lar España has established an Ethics Committee that mainly assumes the following functions:

- Receipt and classification of the complaints received.
- Coordination of the investigation work for each of the complaints.
- Imposition of the corresponding disciplinary sanctions.
- Preparation of regular reports on the operation of the channel.

The Ethics Committee of Lar España consists of the head of the internal audit function, the Secretary of the Board and the Chairman of the Audit and Control Committee.

The Code of Conduct and the Rules on the Functioning of the Complaints Channel are available on the Lar España website.

Likewise, throughout the year, a specific Training Course was held for all employees to ensure knowledge of the Code of Conduct.

- Regular training and updating programs for the personnel involved in preparing and reviewing the financial information, as well as in evaluating the SCIIF, covering at least accounting standards, audit, internal control and risk management.

The Corporate and Financial Management, as responsible, among other functions, for the design, implementation and operation of the SCIIF, should provide that all personnel involved in preparing the Group's financial statements have the appropriate and up-to-date training in International Financial Reporting Standards and in principles of internal control of financial information. The Corporate and Financial Management validates directly with the accounting expert, subcontracted for the preparation of the financial accounting information, the training and knowledge of the teams assigned to these activities in relation to the required regulations in order to ensure the reliability of the financial information.

The Corporate Director & CFO, as head of the SCIIF, has extensive accounting and financial reporting training as a result of his experience in accounting audit and financial management.

In the course of the year, the Corporate and Financial Management is informed of any changes that affect the preparation and monitoring of financial information, both through subscriptions to information releases and "newsletters" from external sources, as well as through attendance at conferences and seminars on specific subjects and technical updating organised by expert companies in financial regulations, accounting and auditing

Lar España has a small workforce, which, however, is complemented by the collaboration of external advisers in certain activities and, in particular, as indicated in previous sections, in those related to the preparation services of the financial statements and the implementation of the SCIIF.

Lar España conducts a rigorous process of selecting subcontracted advisers to have specialised firms of recognised standing that are selected under quality and specialisation criteria. The Corporate and Financial Management ensures that these advisers have sufficient expertise and that they have ongoing training policies in these areas.

In addition, the Internal Audit Plan, prepared by the IAS and submitted for approval by the Lar España Audit and Control Committee, includes as one of its aspects the training with which the resources involved in these matters must be counted.

F.2 Risk assessment of financial information

Report with at least the following information:

F.2.1. Main characteristics of the risk identification process, including error or fraud, with regard to:

- Whether the process exists and is documented.

The process of identifying risks, including the risks of error or fraud in financial reporting is one of the most important points within the methodology of developing the internal control of Lar España's financial information. This process is documented in an internal methodological guide explaining the SCIIF Management and Evaluation process: "Manual of the Internal Financial Reporting Control System (SCIIF) of the SOCIMI Lar España Real Estate Consolidated Group."

Lar España prepares and regularly updates an assessment of the risk associated with its accounts. Once the level of risk associated with each account has been obtained, the most significant risks are identified with the Company's processes in which the corresponding financial data is generated and monitored. The objective of this partnership is to identify the processes, or business units of the Group that have the greatest relevance in the generation of financial data.

Likewise, Lar España has documented the most significant processes through a narrative, a flowchart and a matrix of risks and controls. This documentation identifies and analyses, items such as transaction flows, possible risk of error or fraud in financial information, as well as key controls established in the Company, that adequately mitigate and anticipate the risks associated with the process.

In 2020, a process was carried out to revise the SCIIF Manual of Lar España, where it states that: *'at a minimum, the Corporate Director and CFO must review the Group's process and control documentation and verify its integrity in accordance with the scope of the Group's SCIIF. Likewise, in the event that there are relevant changes to significant processes or changes in scope to include new processes, their documentation must be updated at the time this occurs.'*

- If the process covers all the objectives of the financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), if and how often it is updated.

The process defined in Lar España covers all the objectives of the financial information:

- Integrity: there are no unregistered assets, liabilities, transactions or events, or undeclared hidden items.
- Existence and occurrence: a registered transaction or event (corresponding to the Entity) effectively took place during the period (occurrence); or an asset or liability effectively exists at a given date (existence).
- Rights and obligations: an asset or liability belongs to the Entity at a given date.
- Measurement and valuation: a transaction or event is recognised for the correct amount and in the appropriate account (measurement), or an asset or liability is recognised at its fair carrying amount (valuation).
- Presentation: an item is classified, described and presented in accordance with applicable regulatory framework.
- Transactions cut-off: the transactions and events of have been recorded in the correct period.

The documentation prepared for each of the significant processes includes, among other elements, a matrix of risks and controls. This document links the financial risks at the process level with the control(s) mitigating them. These matrices are designed to detail the relationship between the risks

and the controls at the process level and to facilitate the evaluation of the effectiveness of the design of the implemented system, verifying that all risks have been mitigated by the controls associated with them. The information used in the matrices includes specific statements or control objectives related to the identified risk.

- The existence of a process of identifying the scope of consolidation, taking into account, among others, the possible existence of complex corporate structures, or special purpose entities.

Section 5 of the Board Regulations states that the Board of Directors reserves the competence to "define the structure of the Company Group."

In this regard, in each year, the Corporate and Financial Management, together with the collaboration of the Legal Management, is responsible for continuously analysing the companies that enter into the scope of consolidation and notifying, where appropriate, the Audit and Control Committee, which makes it possible to know the companies that are part of it at any time.

The Audit and Control Committee has among its main functions the supervision of the process of preparing and presenting the regulated financial information. In this regard, the Audit and Control Committee reviews consolidated financial information in each of the quarterly financial statements.

- If the process takes into account the effects of other risk types (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process of identifying risk of error in the financial information takes into account the effects of any type of operational, technological, financial, legal, reputational, environmental, etc. risk, including tax risks, to the extent that they may affect the quality and reliability of the financial information.

In addition, the Company has a Risk Control and Management Policy where:

- The components and activities of the risk management process itself are described and analysed.
- The organisational approach and list of roles and responsibilities required in an integrated risk management system are defined.
- The Monitoring Form (information and reporting) for risk management activities is defined.
- The criteria for updating the Risk Management System are defined.

- Which governing body of the entity supervises the process.

As established by internal regulations (section 42 of the Articles of Association of Lar España, section 14 of the Board Regulations and section 5 of the Audit and Control Committee Regulations.) The Audit and Control Committee is responsible for supervising the effectiveness of the Company's internal control and risk management systems, including tax risks, and specifically the Financial Information Internal Control System.

F.3 Control activities

Report, indicating its main characteristics, if it has at least:

- F.3.1. Procedures for reviewing and authorising the financial information and description of the SCIIF, to be published on the securities markets, indicating their Directors, as well as documentation describing the activity flow and controls (including those relating to fraud risk) of the various types of transactions that may materially affect the financial statements, including the accounting closure procedure and the specific review of the relevant judgements, estimates, valuations and projections.

In accordance with section 40.3 of the Board Regulations, "*the measures necessary to ensure that quarterly, half-yearly financial information, as well as any other information required by law, is prepared based on the same principles, criteria and professional practices as the annual accounts are prepared and that they are equally as reliable as the latter*" were adopted.

The Board is ultimately responsible for the existence and maintenance of an adequate and effective SCIIF and is the competent body for financial information. It also approved the Risk Control and Management Policy and the regular monitoring of the internal information and control systems established by Lar España. To perform these functions, it is supported by the Audit and Control Committee, which, together with the help of the IAS, has the task of supervising and evaluating the Group's SCIIF. The Board also has the support of the Corporate and Financial Management, which is responsible for its suitability and effectiveness.

Lar España publishes financial information on a quarterly basis. This information is prepared by a specialised external company and is reviewed by the Corporate and Financial Management. Subsequently, the information prepared is sent to the Audit and Control Committee to be checked.

The process of generating reliable and quality financial information is documented in an internal methodological guide explaining the management and evaluation process of the SCIIF: "Internal Financial Reporting Control System Manual (SCIIF, Manual del Sistema de Control Interno sobre la Información Financiera) of the Lar España Real Estate SOCIMI Consolidated Group"

The principles and criteria for defining and managing the SCIIF are documented in the SCIIF Manual.

In recent years, Lar España has documented the General Controls of the Organisation and the most significant processes indicated below:

- Closure of financial statements and consolidation
- Asset valuations
- Revenue from rent
- Investments
- Cash
- Financing
- Management of Accounts Payables - Promotion Projects
- Management of Accounts Payables - Management Fees
- Disinvestments

In addition to the monitoring process of the SCIIF (entrusted to the Audit and Control Committee with the support of the IAS), the SCIIF Manual provides for an internal annual evaluation process that aims to verify that the controls of the SCIIF are in force, well designed and effective for the objectives pursued.

In 2020, the SCIIF was revised and updated, specifically, the SCIIF Manual, the Entity level General Controls Matrix and the Narrative corresponding to the rental income cycle were updated.

- F.3.2. Policies and procedures for internal control over information systems (including security of access, control of changes, operation of those systems, operational continuity and segregation of functions) that support the relevant processes of the entity in relation to the preparation and publication of financial information.

The accounting services of Lar España are outsourced with a specialised entity. For this reason, the Company does not have its own information systems that are relevant to preparing and publishing the financial information to be considered. However, the Corporate and Financial Management ensures that the contracted entity has a security management system for the information certified in accordance with ISO 27001, in addition to constantly monitoring and supervising both the outsourcing agreement and the financial information reported by the third party to prevent errors.

- F.3.3. Internal control policies and procedures aimed at supervising the management of the activities outsourced to third parties, as well as those evaluation, calculation or measurement aspects entrusted to independent experts, which may materially affect the financial statements.

Due to the outsourcing of certain activities related to the generation of financial information in a third party other than Lar España, the entity has identified all those organisations that provide services in the various business processes, determining the impact of their activities on the financial reporting system.

Specifically, the Company has identified certain services provided by third parties that are considered as part of the Company's financial information system. These services are included in the analysis performed for the documentation and evaluation of the SCIIF, highlighting mainly the management of investments and assets, the accounting outsourcing process and the half-yearly valuation of assets by accredited and independent entities.

In relation to the policies and procedures that are considered for evaluating and supervising the management of the outsourced activities, the Company performs a comprehensive procedure for the hiring of outsourced persons to ensure their competence, independence and technical and legal training with regard to the services provided. In addition, the Company regularly carries out evaluation work on key controls performed by third-party service providers to verify their proper functioning.

Likewise, all information prepared by independent experts that is significant for the financial statements is reviewed and validated by the Lar España Corporate and Financial Management.

F.4 Information and communication

Report, indicating its main characteristics, if it has at least:

- F.4.1. A specific function responsible for defining, maintaining up-to-date accounting policies (area or department of accounting policies) and resolving doubts or conflicts arising from their interpretation, maintaining a smooth communication with those responsible for the operations in the organisation, as well as an updated accounting policy manual and communicated to the units through which the entity operates.

The Corporate and Financial Management is responsible for the reporting process and the internal and external communication of the main applicable accounting policies, as well as for the resolution of doubts regarding their application.

Lar España has a Manual of Accounting Policies, which is in the process of being revised and updated and contains structured accounting standards, policies and criteria that apply, generally, to all entities of the Organisation.

The accounting services are currently outsourced with a specialised firm, of recognised standing, who collaborates with Lar España in defining and applying practical accounting criteria in accordance with current law. This process is monitored at all times by the Company's Corporate and Financial Management and regularly passed to the Audit and Control Committee. In addition, and where necessary, the criteria adopted with accounting experts or other advisers are confirmed to resolve any doubt or potential conflict arising from the interpretation of any rule.

Finally, the Board approves the mandatory financial information that, given that it is listed, the Company must periodically make public.

- F.4.2. Mechanisms to capture and prepare financial information with homogeneous formats, that applies and can be used by all the units of the entity or of the group that support the main financial statements and the notes, as well as the information detailed on the SCIIF.

As mentioned in section F.4.1, both the work of accounting records of the transactions and of preparing the Company's individual and consolidated financial statements has been outsourced to a specialised firm of recognised standing.

In any event, Lar España and the external firm providing the accounting services have mechanisms to capture and prepare the financial information, with appropriate formats and applications, which are used homogeneously for all the Group's units and companies. Likewise, the Company has the necessary controls over the preparation of the financial information to be published. Likewise, the Corporate and Financial Management checks and revises the financial information before submitting it to the Audit and Control Committee.

F.5 System performance monitoring

Report, indicating its main characteristics, at least:

- F.5.1. The oversight activities of the SCIIF carried out by the Audit Committee, as well as whether the entity has an internal audit function that has among its powers to support the Committee in its oversight of the internal control system, including the SCIIF. Likewise, the scope of the evaluation of the SCIIF carried out in the year and the procedure by which the person in charge of executing the evaluation communicates its results, if the entity has an action plan detailing any corrective actions, and if its impact on the financial information has been considered will be communicated.

The Audit and Control Committee is the advisory body through which the Board supervises the SCIIF. Within this framework, and in accordance with section 14 of the Board Regulations, the Audit and Control Committee is entrusted with various functions, including:

- *To supervise and assess the effectiveness of the financial and non-financial risk control and management systems related to the Company and, where applicable, the Group (including operational, technological, legal, social, environmental, political and reputational or corruption-related risks) and, in particular, to review them so that the main risks are adequately identified, managed and disclosed.*
- *Monitor the internal risk control and management function.*

The Audit and Control Committee is supported by the IAS for the supervision of the SCIIF. Specifically, the Internal Audit Function Statute, which was updated this year, assigns the IAS, among others, the following functions: meaning, the activity of this Service includes the following tasks:

- *To monitor the quality and reliability of the financial and management information, in particular the regulated information that the Group is required to provide to the markets.*
- *To ensure the proper functioning of the Internal Financial Reporting Control System established in the Group, proposing any recommendations for improvement it considers appropriate.*
- *Check the implementation of the corrective measures approved to remedy the weaknesses of the risk management and internal control system that have been revealed.*

The Audit and Control Committee met ten times as reported in the Report prepared by the Audit and Control Committee of Lar España Real Estate SOCIMI, S.A. on its operation in 2020.

In 2020, and in relation to the Company's SCIIF, the Audit and Control Committee analysed and monitored the effectiveness of internal control systems and was informed by the internal auditor at various meetings about the progress of the review process. Likewise, and in the framework of the audit, the external auditor informed the Committee that their procedures are not intended to express an opinion on the effectiveness of the internal control of the entity and the Group, however, they are obliged to communicate any deficiency in internal control detected in the course of their audit, without having identified any aspect to inform. Likewise, in the context of the ongoing review and updating of the Company's internal regulations, the Committee approved, among others, the updating of the Company's SCIIF Manual.

The Internal Audit Plan is approved annually by the Audit and Control Committee at the end of each year or in the months immediately following the following year. This Plan defines a work program by process, including, as a matter of course, the supervision of the proper implementation of the SCIIF, the review of the documentation forming part of it, and the review of the effectiveness of the controls defined. Periodically, at least quarterly, the IAS reports directly to the Audit and Control Committee on the level of compliance with the Plan and the results of its work. The SCIIF Manual provides for the annual evaluation and monitoring of the various components of the Manual. The documentation relating to some of the significant processes was revised and updated throughout 2020. Likewise, work has been carried out to verify the operation of the controls, among others, in the processes of asset valuation, management and recording of the Manager's fees, in relation to compliance with the SOCIMI regime, and with the income cycle for rent without finding any significant impact. The Directorate and the Audit and Control Committee have received the information corresponding to the development of the aforementioned activities.

In addition, the Corporate and Financial Management and the Audit and Control Committee perform a process of reviewing the quarterly financial information sent to the CNMV, based on the established schedules.

- F.5.2. If you have a discussion procedure whereby, the auditor of the financial statements (in accordance with the NTA), the internal audit function and other experts are able to inform the upper management and the Audit Committee or Directors of the entity the significant weaknesses of internal control identified during the review processes of the annual accounts or those others entrusted to them. It will also report on whether it has an action plan that seeks to correct or mitigate the weaknesses observed.

The Corporate Director & CFO holds regular meetings to discuss the criteria with the internal auditor and other advisers for preparing the financial information, as well as the review and updating activities related to the SCIIF.

In addition, all the precise actions were carried out in relation to the Board Regulations, which establishes that the Audit and Control Committee must:

- To analyse, together with the auditors of the financial statements, the significant weaknesses of the internal control system identified in the conduct of the audit and, where appropriate, to take appropriate measures to remedy them.
- To establish appropriate relations with the auditors of the financial statements to receive information on matters that may pose a threat to their independence, to be examined by the Audit and Control Committee, and any other matters related to the process of developing the audit of the financial statements and, where applicable, the authorisation of services other than those prohibited, in accordance with applicable law, as well as any other communications provided for in the audit legislation and other auditing standards.

F.6 Other relevant information

F.7 External auditor report

Report:

- F.7.1. Whether the information from the SCIIF sent to the markets has been reviewed by the external auditor, in which case the entity should include the related report as an annex. Otherwise, you should give reasons.

The external auditor's review report on the descriptive information of Lar España's SCIIF sent to the markets has been included as an annex to this document.

G DEGREE OF FOLLOW-UP TO CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of follow-up by the company to the recommendations of the Code of Good Governance.

If any recommendation is not followed, in full or in part, a detailed explanation of the rationale as to why not must be included so that shareholders, investors and the market in general have sufficient information to assess the Company's performance. General explanations are not acceptable.

- 1. That the Articles of Association of the listed companies do not limit the maximum number of votes that the same shareholder may cast, or nor do they contain other restrictions that make it difficult to take control of the company by acquiring its shares in the market.**

Compliant Explain

- 2. If the listed company is controlled by another entity, within the meaning of section 42 of the Commercial Code, irrespective whether or not it is listed, and has, directly or indirectly through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them publicly informs precisely about:**

- a) The respective areas of activity and any business relationship between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

- b) The mechanisms envisaged to resolve any conflicts of interest that may arise.**

Compliant Partially compliant Explain Not applicable

- 3. That, when the Ordinary General Shareholders Meetings are held, in addition to the written dissemination of the Annual Corporate Governance Report, the Chairman of the Board verbally informs the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company and, in particular:**

- a) about the changes that have taken place since the previous Ordinary General Shareholders Meeting; and**

- b) about the specific reasons why the Company has not followed the recommendations from the Corporate Governance Code and, if appropriate, the alternative applicable rules.**

Compliant Partially compliant Explain

- 4. The Company defines and promotes a policy regarding communication and contact with shareholders and institutional investors in the framework of their involvement in the Company, as well as with voting advisers that fully observes anti-market abuse rules and treats shareholders in the same position equally. That the Company publishes this policy on its website, including information on how it was implemented and identifying the interlocutors or those responsible for carrying it out.**

Without prejudice to legal obligations for disseminating inside information and other regulated information, the Company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social networks or other channels), maximising the dissemination and quality of the information available to the market, investors and other interest groups.

Compliant Partially compliant Explain

5. That the Board will not submit a proposal to the General Meeting for delegating powers, to issue convertible shares or securities excluding the pre-emptive right of purchase, for an amount exceeding 20% of the capital at the time of the delegation.

When the Board approves any issue of convertible shares or securities excluding the pre-emptive right of purchase, the Company immediately publishes on its website the reports on such exclusion referred to in commercial law.

Compliant Partially compliant Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the Annual General Meeting, even if their distribution is not obligatory:

a) Report on the auditor's independence.

b) Reports on the operation of the Audit Committee and the appointments and remuneration committee.

c) Report of the Audit Committee on related transactions.

Compliant Partially compliant Explain

7. The company should live-stream, through its website, the shareholders meetings held.

That the company has mechanisms that allow votes to be delegated and exercised by telematic means and even, in the case of highly capitalised companies and to the extent that it is proportionate, assistance and active participation in the General Meeting.

Compliant Partially compliant Explain

8. The Audit Committee should ensure that the annual accounts submitted by the Board to the General Shareholders Meeting are prepared in accordance with accounting legislation. If the auditor has included any caveats in his audit report, the Chairman of the Audit Committee must clearly explain the opinion of the Audit Committee on its content and scope at the General Meeting, and make a summary of the opinion available to shareholders at the time of publication of the call, together with the other proposals and Board reports.

Compliant Partially compliant Explain

9. The Company will continuously publish -on its website- the requirements and procedures it will accept to prove share ownership, right of attendance and the exercise or delegation of voting rights.

That these requirements and procedures favour the assistance and exercise of their rights to shareholders and apply indiscriminately.

Compliant Partially compliant Explain

10. If any legitimate shareholder exercises the right to add to the agenda in advance of the General Shareholders Meeting, or submits new proposals for an agreement, the company:

a) must immediately disseminate those additional points and new proposed resolutions.

b) must publish the attendance card template or form to delegate the vote or remote vote with the changes required to delegate the vote or vote on the new points in the agenda and alternative proposed resolutions on the same terms as those proposed by the Board.

c) must submit all these alternative items or proposals to vote and apply them the same voting rules as those formulated by the Board, including, in particular, presumptions or deductions on the meaning of the vote.

d) after the General Shareholders Meeting, provide a breakdown of the vote on the supplementary points or alternative proposals.

Compliant Partially compliant Explain Not applicable

11. If the company plans to pay aid premiums to the General Shareholders Meeting, it must establish, in advance, a general policy on such premiums and specify whether such a policy is stable.

Compliant Partially compliant Explain Not applicable

12. The Board should perform its functions unanimously and with independence of distance vote, treat all shares that are in the same position equally, and act in the company's interest, which is understood as achieving a profitable and sustainable long-term business, than promotes its continuity and maximises its economic value.

That in the search for the social interest, in addition to observing laws and regulations and acting in good faith, ethically and observing commonly accepted uses and good practices, seek to reconcile the social interest itself with, as appropriate, the legitimate interests of its employees, suppliers, customers and other interest groups that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliant Partially compliant Explain

13. The Board has the precise dimension to ensure effective and participatory functioning, which makes it advisable for it have between five and fifteen members.

Compliant Explain

14. That the Board approve a policy aimed at favouring an appropriate composition of the Board and that:

a) is specific and verifiable;

b) ensure that proposals for appointment or re-election are based on a prior analysis of the powers required by the Board; and

c) promote the diversity of knowledge, experience, age and gender. To this end, measures that encourage the company to have a significant number of senior managers are considered to promote gender diversity.

That the result of the prior analysis of the powers required by the Board is included in the supporting report of the Nomination Committee published when the General Shareholders Meeting to which the ratification, appointment or re-election of each Director is submitted is called.

The Nomination Committee will annually verify compliance with this policy and will be informed in the Annual Corporate Governance Report.

Compliant Partially compliant Explain

- 15. That the Parent and Independent Directors constitute a large majority of the Board and that the number of Executive Directors is the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of Executive Directors in the Company's capital.**

That the number of Directors constitutes at least 40% of the Board members before the end of 2022 and, thereafter, not less than 30%.

Compliant Partially compliant Explain

Lar España has a Board of Directors composed entirely of non-executive Directors. Of the seven Directors that make up the Board, only two are proprietary, and the remaining five independent Directors independent.

With regard to the number of female Directors, it currently accounts for 28.57%. Taking into account the current number of Directors, the appointment of an additional female Director would increase the percentage to 42.85%.

That said, and as commented in previous paragraphs, the Board of Lar España will promote the objective that the number of Directors represents at least 40% of the total Board members in 2022.

- 16. That the percentage of proprietary Directors to the total number of non-executive Directors does not exceed the ratio between the capital of the company represented by those Directors and the rest of the capital.**

This criterion may be mitigated:

- a) In highly capitalised companies where there are few shareholdings that are legally considered significant.**
- b) In the case of companies where there is a plurality of shareholders represented on the Board and they are not connected to each other.**

Compliant Explain

- 17. The number of independent Directors represents at least half of the total number of Directors.**

If, however, the company is not highly capitalised or, even if it has one shareholder or several acting in concert, controlling more than 30% of the share capital, the number of independent Directors represents at least one third of the total number of Directors.

Compliant Explain

- 18. That the companies make public through their website, and keep up-to-date, the following information about their Directors:**

- a) Professional and biographical profile.**

- b) Other Directors to which they belong, whether or not they are listed companies, as well as other remunerated activities carried out by them, whatever their nature.
- c) Indicate the category of Director to which they belong, noting, in the case of proprietary Directors, the shareholder they represent or with whom they are connected.
- d) Date of his first appointment as Director in the company and subsequent re-elections.
- e) Company shares and options, of which they hold.

Compliant Partially compliant Explain

19. That the Annual Corporate Governance Report, after verification by the Committee of appointments, specifying the reasons for which the Directors were appointed at the request of shareholders whose shareholding is less than 3% of the capital; and setting out the reasons why formal requests for presence on the Board from shareholders whose shareholder participation is equal to or greater than that of others on whose behalf the proprietary Directors were appointed.

Compliant Partially compliant Explain Not applicable

20. The proprietary Directors must resign when the shareholder they represent fully transfers their shareholding. They must also resign, in the appropriate number, when that shareholder reduces its shareholding to a level that requires a reduction in the number of its controlling Directors.

Compliant Partially compliant Explain Not applicable

21. The Board must not propose the separation of any independent Director before the end of the statutory period for which he was appointed, unless there is a just cause, assessed by the Board after having informed the Nomination Committee. In particular, it is understood that there is a just cause when the Director becomes new positions or assumes new obligations that prevent him from devoting the necessary time to the performance of the functions of Director, breaches the duties inherent in his office or for any other reason loses his independent status, in accordance with applicable law.

Separation of independent Directors may also be proposed as a result of public offers of acquisition, mergers or other similar corporate transactions that entail a change in the capital structure of the company, when such changes in the structure of the Board are permitted by the proportionality test indicated in recommendation 16.

Compliant Explain

22. The companies must establish rules that require Directors to inform and, where appropriate, resign when situations affect them, whether or not related to their actions in the company itself, may harm the company's credit and reputation and, in particular, oblige them to inform the Board of any criminal cases in which they appear as investigated, as well as of their procedural defects.

Having been informed or otherwise known to the Board of any of the situations mentioned in the preceding paragraph, they must study the case as soon as possible and, taking into account the specific circumstances, decide, after informing the Board of appointments and salaries, whether or not to take any action, such as opening an

internal investigation, requesting the resignation of the Director or proposing his termination. That it is reported in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes. This is without prejudice to the information that the company must disseminate, if appropriate, at the time the corresponding measures are adopted.

Compliant Partially compliant Explain

23. That all Directors clearly express their opposition when they consider that any proposal for a decision submitted to the Board may be contrary to the corporate interest. To do so, in particular, by independent and other Directors who do not affect the potential conflict of interest, when it comes to decisions that may prejudice unrepresented shareholders on the Board.

When the Board takes significant or repeated decisions on which the Director has made serious reservations, the Board draws the appropriate conclusions and, if it chooses to resign, explains the reasons in the letter referred to in the following recommendation.

This recommendation also extends to the Secretary of the Board, even if he does not have the status of Director.

Compliant Partially compliant Explain Not applicable

24. If, either by resignation or shareholder resolution, a Director ceases to hold office before the end of his term of office, he sufficiently explains the reasons for his resignation or, in the case of non-executive Directors, his opinion on the reasons for the termination by the Board, in a letter that he will send to all Board members.

Without prejudice to the fact that this is recognised in the Annual Corporate Governance Report, to the extent that it is relevant to investors, the company publishes the termination as soon as possible, including sufficient reference to the reasons or circumstances provided by the Director.

Compliant Partially compliant Explain Not applicable

25. That the Nomination Committee ensures that non-executive Directors have sufficient time available for the proper performance of their duties.

That the Board Regulations establish the maximum number of company boards of which its Directors are part.

Compliant Partially compliant Explain

26. That the Board meet with the precise frequency to effectively perform its functions and, at least, eight times a year, following the schedule of dates and matters it establishes at the beginning of the year, each Director being able to propose other items on the agenda initially unplanned.

Compliant Partially compliant Explain

27. The non-attending the Directors must be reduced to the indispensable cases and quantified in the Annual Corporate Governance Report. When appropriate, the representative must be sufficiently instructed.

Compliant Partially compliant Explain

28. If the Directors or the secretary express concern about any proposal or, in the case of the Directors, about the progress of the company and such concerns are not resolved

in the Board, at the request of the person who said them, they are recorded in the minutes.

Compliant Partially compliant Explain Not applicable

29. The company should provide suitable channels for Directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant Partially compliant Explain

30. That, regardless of the knowledge required of Directors for the performance of their duties, companies also provide Directors with knowledge updating programs when circumstances so warrant.

Compliant Explain Not applicable

31. That the agenda of the meetings clearly indicates those points on which the Board must take a decision or pass a resolution so that the Directors may study or obtain, prior to that, the information necessary for their approval.

If, exceptionally, for reasons of urgency, the Chairman wishes to submit to the Board for approval decisions or resolutions that are not on the agenda, the prior and express consent of the majority of the Directors present will be required, which will be duly recorded in the minutes.

Compliant Partially compliant Explain

32. The Directors are regularly informed of the movements in the shareholdings and of the opinion that the significant shareholders, investors and rating agencies have on the company and its group.

Compliant Partially compliant Explain

33. That the Chairman, as the head of the effective functioning of the Board, in addition to exercising the functions has legally and statutorily assigned, prepare and submit to the Board a schedule of dates and matters to be dealt with; organise and coordinate the periodic evaluation of the Board, as well as, where appropriate, that of the first executive of the Company; be responsible for managing the Board and for the effectiveness of its functioning; ensure that sufficient time is devoted to the strategic issues, and agree and review the programs for the updating of knowledge for each Director, when circumstances so warrant.

Compliant Partially compliant Explain

34. If there is a coordinating Director, the Articles of Association or the Board Regulations, in addition to the powers legally vested in him, attribute the following: to preside over the Board in the absence of the Chairman and the vice-presidents, if any; to echo the concerns of the non-executive Directors; to maintain contacts with investors and shareholders to know their views for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate government of the company; and to coordinate the succession plan of the president.

Compliant Partially compliant Explain Not applicable

35. The Secretary of the Board should ensure in particular that in its actions and decisions the Board takes into account the recommendations on good governance contained in this Code of Good Governance that apply to the Company.

Compliant Explain

36. The Board at its plenary session should conduct an annual assessment, adopting, where necessary, an action plan to correct any weakness detected in relation to the following:

- a) The quality and efficiency of the functioning of the Board.
- b) The operation and composition of its committees.
- c) The diversity of the composition and powers of the Board.
- d) The performance of the Chairman of the Board and the first executive of the company.
- e) The performance and contribution of each Director, with particular attention to the various chairmen of the Board committees.

The evaluation of the various Committees will be based on the report that they submit to the Board, and that of the latter, from which the Nomination Committee rises.

Every three years, the Board should engage an external consultant to aid in the evaluation process. This consultant's independence should be verified by the appointments committee.

The business relations that the consultant or any company of his group maintain with the company or any company of his group must be broken down in the Annual Corporate Governance Report.

The process and the areas evaluated will be described in the Annual Corporate Governance Report.

Compliant Partially compliant Explain

37. If there is an Executive Committee there is at least two non-executive Directors, at least one of them being independent; and its secretary is that of the Board.

Compliant Partially compliant Explain Not applicable

38. The Board should always be aware of the matters dealt with and of the decisions taken by the Executive Committee and all Board members should receive a copy of the minutes of the meetings of the Executive Committee.

Compliant Partially compliant Explain Not applicable

39. Audit and Compliance Committee members and, in particular, its Chairman, will be appointed based on their knowledge and experience in accounting, auditing and risk management.

Compliant Partially compliant Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the Audit Committee, to monitor the effectiveness of reporting and

control systems. This unit should functionally report to the Board's non-executive Chairman or the Chairman of the Audit Committee.

Compliant Partially compliant Explain

41. The head of the unit that assumes the internal audit function present to the Audit Committee, for approval by the Board or by the Board, its annual work plan, to report directly to it on its implementation, including any possible impact and limitations on the scope of its development, the results and follow-up of its recommendations and submit to it at the end of each year an activity report.

Compliant Partially compliant Explain Not applicable

42. That, in addition to those provided for by law, the following functions correspond to the Audit Committee:

1. With regard to internal control and reporting systems:

- a) To monitor and evaluate the process of preparation and the integrity of financial and non-financial information, as well as the systems of control and management of financial and non-financial risks related to the company and, where applicable, the group - including operational, technological, legal, social, environmental, political and reputational or corruption-related - by reviewing compliance with regulatory requirements, the appropriate delineation of the scope of consolidation and the correct application of accounting criteria.
- b) To ensure the independence of the unit that assumes the internal audit function; to propose the selection, appointment and termination of the head of the Internal Auditing Service; to propose the budget of that service; to approve or propose the approval of the Board of the guidance and the annual work plan of the internal audit, ensuring that its activity focuses mainly on the relevant risks (including reputational risks); to receive regular information on its activities; and to verify that the upper management takes into account the conclusions and recommendations of its reports.
- c) To establish and supervise a mechanism that allows employees and other persons related to the company, such as Directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting, or of any other nature, related to the company that they warn within the company or its group. This mechanism should ensure confidentiality and, in any case, cover cases in which communications can be made anonymously, observing the rights of the complainant and the defendant.
- d) Generally to ensure that policies and systems established in the field of internal control are effectively applied in practice.

2. Regarding the external auditor

- a) In the event of the resignation of the external auditor, examine the circumstances giving rise to it.
- b) Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.
- c) To supervise that the company communicates through the CNMV the change of auditor and accompany it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.

- d) Ensure that the external auditor meets annually with the full Board of Directors to inform him of the work performed and of the evolution of the company's accounting and risk situation.
- e) To ensure that the company and the external auditor comply with the current rules on the provision of non-audit services, the limits to the concentration of the auditor's business and, in general, the other rules on the independence of the auditors.

Compliant Partially compliant Explain

43. The Audit Committee may call on any company employee or manager to be present at its meeting, even ordering their presence without another manager.

Compliant Partially compliant Explain

44. The Audit Committee should be informed of the operations of structural and corporate changes planned by the company for analysis and prior report to the Board on its economic terms and its accounting impact and, in particular, where appropriate, on the proposed exchange rate equation.

Compliant Partially compliant Explain Not applicable

45. That the risk control and management policy identifies or determines at least:

- a) The various types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, including those related to corruption) that the company faces, including financial or economic, contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, of which a specialised Risk Committee will be part when the sectoral rules provide for it or the company considers it appropriate.
- c) The level of risk considered acceptable by the company.
- d) The measures envisaged to mitigate the impact of the risks identified, should they materialise.
- e) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Compliant Partially compliant Explain

46. That, under the direct supervision of the Audit Committee or, where applicable, a specialised Board of Directors, there is an internal risk control and management function exercised by an internal unit or department of the company that expressly has the following functions:

- a) To ensure the proper functioning of risk control and management systems and, in particular, that all significant risks affecting the company are adequately identified, managed and quantified.
- b) To participate actively in the elaboration of the risk strategy and in the important decisions on its management.
- c) To ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board.

Compliant Partially compliant Explain

- 47. Nomination and Remuneration Committee or the Nomination and Remuneration Committee members, if separate, should be appointed by ensuring that they have the knowledge, skills and experience appropriate to the functions they are called to perform and that the majority of these members are independent Directors.**

Compliant Partially compliant Explain

The Company fully complies with the first part of the recommendation since Nomination and Remuneration Committee members are appointed to ensure that they have the knowledge, skills and experience appropriate to the functions they are called to perform.

However, only half of the members of the Committee are currently independent Directors. Section 3 of the Nomination and Remuneration Committee Regulations provides that the appointment must be made "ensuring that most of them are independent Directors" and the Company intends to meet this requirement as soon as vacancies occur. The Company continues to opt for a differentiated composition of the Nomination and Remuneration Committee with regard to the Audit and Control Committee (comprising the other three independent Directors) in order to achieve greater independence of the two Committees, greater participation by all the independent Directors in the different Committees, and more dedication of each participating Director by belonging to a single Committee only. Without prejudice to the foregoing, the independence of the decisions of the Nomination and Remuneration Committee is guaranteed since there are no executive Directors and the Chairman of the Committee, who is independent, has a casting vote in the event of a tie.

- 48. The highly capitalised companies have an Nomination Committee and a separate Remuneration Committee.**

Compliant Explain Not applicable

- 49. That the Nomination Committee consults the Chairman of the Board and the first executive of the company, especially when it comes to matters concerning the Executive Directors.**

That any Director may request the Nomination Committee to take into consideration, if it considers them appropriate, potential candidates to fill adviser vacancies.

Compliant Partially compliant Explain

- 50. The Remuneration Committee exercises its functions independently and that, in addition to the functions assigned to it by law, it has the following functions:**

- a) **To propose to the Board the basic terms of the contracts of upper management.**
- b) **Check compliance with the remuneration policy established by the company.**
- c) **Regularly review the remuneration policy applied to Directors and upper management, including the remuneration systems with shares and their application, and ensure that their individual remuneration is proportionate to that paid to the other Directors and upper management of the company.**
- d) **To ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Committee.**
- e) **To verify information on the remuneration Directors and Upper management contained in the various corporate documents, including the annual report on Director remuneration;**

Compliant Partially compliant Explain

51. That the Remuneration Committee consults the president and the first executive of the company, especially when it comes to matters relating to executive Directors and upper management.

Compliant Partially compliant Explain

52. That the rules on the composition and functioning of the supervisory and control Committees are included in the Board Regulations and are consistent with those applicable to legally binding Committees based on the above recommendations, including:

- a) They are composed exclusively of non-executive Directors, with a majority of independent Directors.
- b) The chairpersons should be independent Directors.
- c) That the Board appoint the members of these Committees, bearing in mind the knowledge, skills and experience of the Directors and the tasks of each Committee, deliberates on their proposals and reports; and that they report, at the first plenary of the Board after their meetings, on their activity and that they respond to the work performed.
- d) The committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) The minutes of its meetings will be drawn up and will be made available to all Directors.

Compliant Partially compliant Explain Not applicable

The Company complies with all the recommendations listed except a), with which it partially complies. See response to section 47 of this section.

53. That oversight of compliance with Company environmental, social and corporate governance policies and rules, as well as internal codes of conduct, is attributed to one or is shared among several Committees, which may be the Audit Committee, the Nomination Committee, a Committee specialising in sustainability or corporate social responsibility or another specialised Committee that the Board, in the exercise of its self-organisation powers, has decided to establish. That Committee consists only of non-executive Directors, the majority being independent and specifically assigned the minimum functions indicated in the following recommendation.

Compliant Partially compliant Explain

Supervision of the Company's corporate governance policies and rules and internal codes of conduct were specifically attributed to the Audit and Control Committee through the new wording of its Regulation of 15 December 2020. In addition, the Audit and Control Committee is composed entirely of independent Directors.

On the other hand, the monitoring of compliance with the Company's environmental and social policies and rules was specifically attributed to the Nomination and Remuneration Committee through the new wording of its Regulation dated 15 December 2020. However, the Nomination and Remuneration Committee, although composed of only non-executive Directors, does not have a majority of independent members. See justification provided in section G. 47. of this Report.

54. The minimum functions referred to in the previous recommendation are as follows:

- a) To supervise compliance with corporate governance rules and the Company's internal codes of conduct, also ensuring that the corporate culture is aligned with its purpose and values.
- b) To supervise implementation of the general policy on the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, voting advisers and other interest groups. Likewise, the way in which the entity communicates and relates to small and medium-sized shareholders will be monitored.
- c) The periodic evaluation and review of the corporate governance system and the Company's environmental and social policy, so that they successfully perform their role to promote the social interest and take into account, as appropriate, the legitimate interests of the other interest groups.
- d) The supervision that the company's environmental and social practices are in line with the strategy and policy established.
- e) The supervision and assessment of processes regarding the various stakeholders.

Compliant Partially compliant Explain

55. That sustainability policies in environmental and social matters identify and include at least:

- a) The principles, commitments, objectives and strategy regarding shareholders, employees, customers, suppliers, social issues, environment, diversity, tax liability, respect for human rights and prevention of corruption and other unlawful conduct
- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) Non-financial risk monitoring mechanisms, including those related to ethical and business conduct aspects.
- d) Channels for communication, participation, and dialogue with stakeholders; and
- e) Responsible communication practices that prevent information manipulation and protect integrity and honour.

Compliant Partially compliant Explain

56. Director remuneration is necessary to attract and retain the Directors of the desired calibre and to remunerate the dedication, qualification and responsibility that the position requires, but not so high as to buy. Impair the independence of the non-executive Directors.

Compliant Explain

57. That executive Directors are subject to variable remuneration related to the Company's performance and personal performance, as well as remuneration through the delivery of shares, options or rights in shares or instruments related to the value of the share and long-term savings systems such as pension schemes, retirement schemes or other social security schemes.

Payment in shares may be considered as remuneration to non-executives when they are conditional upon their retention until their termination as Directors. The foregoing

will not apply to the actions that the Director needs to dispose, where appropriate, of the costs related to his acquisition.

Compliant Partially compliant Explain

58. That, in the event of variable remuneration, the remuneration policies incorporate the limits and the necessary technical precautions to ensure that such remuneration relates to the professional performance of its beneficiaries and does not derive solely from the general evolution of the company's markets or sector of activity or from other similar circumstances.

In particular, the variable remuneration components:

- a) They are linked to performance criteria that are predetermined and measurable and that these criteria consider the risk assumed for obtaining a result.
- b) Promote the sustainability of the company and include non-financial criteria that are appropriate for long-term value creation, such as compliance with the Company's internal rules and procedures and its policies for risk control and management.
- c) They are configured based on a balance between the achievement of short-, medium- and long-term objectives that make it possible to remunerate the yield for a continuous performance for a sufficient period of time to assess its contribution to sustainable value creation, so that the measuring elements of that yield do not revolve solely around specific, occasional or extraordinary events.

Compliant Partially compliant Explain Not applicable

59. The payment of the variable components of the remuneration is subject to sufficient verification that the previously established performance or other criteria have been effectively met. Entities will include in the Directors' annual remuneration report the criteria as to the time required and the methods for such verification based on the nature and characteristics of each variable component.

In addition, the entities assess the establishment of a reduction clause ("malus") based on the deferral for a sufficient period of payment of a part of the variable components that entails their total or partial loss in the event that an event that makes it advisable occurs prior to the time of payment.

Compliant Partially compliant Explain Not applicable

60. Remuneration related to the Company's performance takes into account any qualifications included in the external auditor's report and undermines those results.

Compliant Partially compliant Explain Not applicable

61. A relevant percentage of the variable remuneration of executive Directors is linked to the delivery of shares or financial instruments related to their value.

Compliant Partially compliant Explain Not applicable

62. That once the shares, options or financial instruments corresponding to the remuneration systems have been allocated, the executive Directors may not transfer their ownership or exercise them until at least three years have elapsed.

The exception is the case where the Director maintains, at the time of the transfer or year, a net economic exposure to the change in the share price at a market value

equivalent to an amount of at least twice its fixed annual remuneration by means of ownership of shares, options or other financial instruments.

The foregoing does not apply to the actions that the Director needs to dispose of to meet the costs related to his acquisition or, after favourable assessment of the Committee of appointments and salaries, to deal with extraordinary situations that require it.

Compliant Partially compliant Explain Not applicable

63. That the contractual agreements include a clause allowing the company to claim the reimbursement of the variable components of the remuneration when the payment was not in conformity with the conditions of performance or when they were paid based on data the inaccuracy of which is subsequently proven.

Compliant Partially compliant Explain Not applicable

64. That the termination or severance payments do not exceed an amount equal to two years of the total annual remuneration and that they are not paid until the company has been able to verify that the Director has met the criteria or terms established for their collection.

For the purposes of this recommendation, any termination or termination payment will be considered to be any payment whose accrual or payment obligation arises as a result of or upon termination of the contractual relationship that linked the Director to the Company, including the amounts not previously consolidated of long-term savings systems and the amounts that are paid under post-contractual non-compete clauses.

Compliant Partially compliant Explain Not applicable

H OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect of corporate governance in the company or in the group entities that has not been included in the other sections of this report, but that it is necessary to include in order to collect more complete and reasoned information on the structure and practices of government in the entity or its group, briefly detail them.
2. Within this section, any other information, clarification or nuance related to the preceding sections of the report may also be included to the extent that they are relevant and not repetitive.

Specifically, it will indicate whether the company is subject to legislation other than Spanish law on corporate governance and, where applicable, include information that it is obliged to provide and is different from that required in this report.

The detail of the direct and indirect shareholders of significant shares of Lar España reported in section A.2. corresponds to those registered in the CNMV Registry at the time of the corresponding declarations.

3. The Company may also indicate whether it has voluntarily adhered to other codes of ethical principles or good practice, international, sectoral or other. If applicable, the code in question and the date of accession will be identified. In particular, it will mention whether it has acceded to the Code of Good Tax Practices of 20 July 2010.

This Annual Corporate Governance Report was approved by the Board at its session on 23 February 2021.

Please indicate whether any Directors voted against or abstained in connection with the approval of this Report.

YES

NO

Name or corporate name of the Director who did not vote in favour of approving this report	Reasons (against, abstention, non-assistance)	Explain the reasons
Observations		

Lar España Real Estate SOCIMI, S.A.

**Auditors' report on the 2020
"Information Relating to the system
of internal control over financial
reporting (ICFR)"**

Translation of a report originally issued in Spanish based on our work performed in accordance with the assurance regulations in force in Spain and prepared in accordance with the regulatory reporting framework applicable to the Group in Spain. In the event of a discrepancy, the Spanish-language version prevails

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE 2020 INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

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

As requested by the Board of Directors of Lar España Real Estate SOCIMI, S.A. ("the Entity") and in accordance with our engagement letter of January 22th 2021, we have applied certain procedures to the accompanying "Information relating to the ICFR", included in section F) of the Annual Corporate Governance Report (ACGR) of Lar España Real Estate Socimi, S.A. for fiscal year 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

In this regard, it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2020 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

In addition, since this special engagement does not constitute an audit of financial statements and is not subject to current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12th 2013, subsequently modified, being the last one the Circular 1/2020 of October 6th, 2020.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the internal audit department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the meetings minutes of the board of directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by Circulars published by the CNMV (Spanish National Securities Market Commission) for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Carmen Barrasa Ruiz

February 24th, 2021