

## Letter from the Chairman

D. José Luis del Valle

Chairman

Dear shareholders,

Firstly, on behalf of the Lar España Board, senior management and the entire management team, I would like to thank you for **placing your trust in us and for the continuing support** received throughout 2021.

Last year was a difficult and challenging year, yet it was also one that was filled with promise and that was ultimately a positive year. Many months continued to be plagued by new waves of the pandemic, including the last quarter which was hit particularly hard by the omicron variant.

We acted in coordination with health authorities at all times across all our 14 properties, respectfully adhering to the restrictions put in place by the different public authorities and continuing to apply even more stringent protocols than those officially required, in essence, **ensuring our retail properties were highly secure spaces**. It was a commitment we made as a Company to our employees, tenants and end customers and I think that once again we more than rose to the challenge.

Throughout Europe, and especially in Spain, **shopping centres and retail parks have successfully defended their position during these two years of pandemic**. Lar España's centres guaranteed access to essential services during the worst weeks of lockdown, and after this, they became widely recognised as highly secure environments for shopping, leisure activities, eating out and for families to spend time together. Over these past two years, **our gross lettable area has remained very high – operating at close to full capacity with an occupancy rate of 96.1%**.



Thanks to our sound management, at the end of the last financial year, footfall and **sales levels had almost recovered levels last seen in 2019**, just before the onset of the pandemic.

With health and safety being a priority for all our employees, we have also made significant improvements in terms of our financial management, in **bolstering our cash position, refinancing debt and continuing to offer attractive returns to all our shareholders**. It has been a year of considerable hard work and dedication from both our commercial and management teams. We have **made improvements and come within closer reach of achieving all our strategic goals**, and are now ideally placed to further increase our leadership in the sector in both the medium and the long term.

We began the year with the sale of 22 retail units all operated by one supermarket chain to the European investment fund Blackbrook Capital.

With a gross lettable area of 28,000 sqm, **the EUR 59 million deal, which brought a value uplift of 24%**, was completed in February 2021. At a time when the market was particularly volatile, this sale allowed us to increase our liquidity and strengthen our cash position, while also bringing greater stability in the medium and long term.

Similarly, and seven years after Lar España was first floated on the stock exchange, the **extension to 2026 of the exclusive management contract with Grupo Lar on more favourable terms** was the third measure designed to optimise one of the best tools for guaranteeing the development and operational management of our portfolio in a world which has proven time and time again that it only has room for true specialists. In our case, the model has become the best way to **secure value-add – working alongside a true management expert and the more than fifty years real estate experience that our external manager brings to the table**. The contract renewal was unanimously approved by our Board of Directors.

In July and October 2021 we successfully issued **two unsecured senior green bonds amounting to a total of EUR 700 million and which were oversubscribed by almost five times on both occasions**. By doing this, all of the corporate debt burden has been eased, the guarantees pledged against assets were removed and their maturity extended considerably, extending them to July 2026 for the bonds from the first issue and to November 2028 for the bonds from the second issue.

Following both issues, the **average maturity increased from 2.6 years to 6.2 years**, while the **average cost of debt was reduced from 2.2% to 1.8%**. The **rating agency Fitch** assigned a **stable investment grade or BBB** rating to both Lar España and its two green bond issues, also in line with the second party opinion issued by **ISS Corporate Solutions**.

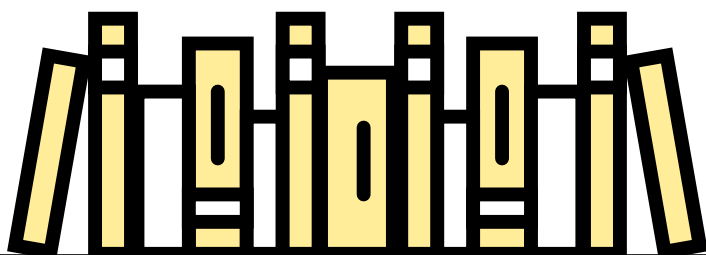
## Collaboration and dialogue

Over these past two years, Lar España has maintained an **ongoing, honest, open and collaborative dialogue** with its more than one thousand tenants, and the Company will continue to do so going forwards. An alignment of interests between landlord and tenant has always been one of the keys to success in the sector. And looking ahead this is going to be truer than ever. Our retailers and we ourselves **are on the same page and fully committed to driving business in each shopping centre and retail park**, to each taking an active role in improving the retail mix and what it offers in each centre and to working together to achieve this goal. **Omnichannel retailing** – the merging of the physical and the digital worlds – will make modern retail more efficient. The more and the better we work together with our tenants, the better both of our results will be.

Thanks to this unique approach, sales at the end of 2021 across the 14 properties owned by Lar España reached **EUR 892.8 million, 24.1% more** than in 2020 and just 2.1% down on 2019. We received **74.4 million visitors** throughout the year, **up 16.2%** on 2020, meaning the growth in visitor numbers registered by Lar España was more than 17 basis points above the average growth for the sector which came in at 14.5%.

In 2021 we obtained a total of **EUR 79.1 million in accounting income**, a significant but not comparable figure in the year-on-year comparison given the sale of 22 supermarkets to Blackbrook and given that the lion's share of the rental discounts agreed during the pandemic were booked to the 2021 accounts.

If we compare income before deducting these rental incentives, income for the year stood at EUR 85.22 million – **21% year-on-year increase**. A figure that climbs to **27% in the yearly comparison** if we also exclude the 2020 income from the 22 supermarkets sold to Blackbrook in February 2021.



In short, **a recurring rental income as resilient as ours provides us with an exceptional capacity to predict future incoming revenues and is testament to our corporate strength.** We also have the added benefit of having **hand picked** each and every one of our assets to compile an extraordinary portfolio and being the sole owner of every single property. By doing this, we have guaranteed their **leading position in their respective catchment areas, a first-rate tech component and a top quality tenant mix** that includes the best brands on the Spanish market. All essential requirements for any shopping centre or retail park wanting to prosper in the short to medium term. And attributes which also go hand-in-hand with the tech transformation that is sweeping through the sector in terms of sales experiences.

Against this backdrop, in 2021, Lar España reported a **consolidated net profit of EUR 25.8 million**, underpinned by a **solid recurring revenue and the tried and tested resilience** of the 14 properties in our portfolio. With such a performance, we have successfully managed to put the losses suffered in 2020 in purely accounting terms – as a result of the one-off drop in the independent property valuations – well and truly behind us. In 2021, **our assets achieved a value uplift of 0.5% to reach EUR 1,424 million.**

At the same time, the Company has **upheld its commitments in terms of its shareholder remuneration policy.** On 18 November 2021,

it delisted 3.94 million shares acquired via the third share buyback programme, **reducing its share capital by 4.5%.** The aim of this share amortisation was to increase the profit per share of the remaining shares and as such **raise the shareholder remuneration** by the same percentage.

It is worth taking a moment here to reflect on the concerted effort that has been made over the last three years via all the share **buyback programmes that have in total amortised 17.1 million shares, equivalent to 13.4% of our share capital.**

This, along with the uptick seen in results over the past year – despite the restrictions applied to the retail sector during the successive waves of COVID-19 – led the Company to propose a **dividend payment of 36 euro cents per share** at the General Shareholders Meeting. If approved, this will equate to a **EUR 30 million payment in dividends, and offer a 7% return per share, one of the best in the market and 30 basis points higher than the dividend paid last year.**

Although our share price still reflects a considerable discount, just like in the rest of the real estate sector, it is worth highlighting that generally speaking the market consensus on Lar España is one of **significant upside potential.** A total of twelve firms actively cover us, with the majority assigning us a buy recommendation and a **potential uplift of over 30%.**

Lar España **has successfully reinvented itself, remaining one step ahead of social change and leading from the front** in terms of the shopping and leisure trends.

I firmly believe that in part these successes are due to the Company's unfaltering commitment to **sustainability, governance and social-related issues – better known as the ESG criteria**. For a long time now this has been a key aspect for investors, just as it is for society as a whole. A recent study carried out by a well-known consultancy firm found that **sustainability and environmental management criteria** in the real estate sector **increased yields by 6% and sales by 7.6%**. It is no coincidence that our increase in yield is higher in both cases.

We have made excellent progress in these areas during 2021. **Two new EPRA Gold Awards, a BBB rating in the MSCI ESG Index, a new entry in the carbon footprint register** and further improvements made on the **2021 GRESB assessment**.

In terms of governance, **we have been included in the Ibex Gender Equality Index** and we continue to meet **every single one of the recommendations** contained within the CNMV's Code of Good Practice for Governance.

In short, once again, the Lar España property portfolio has **successfully reinvented itself, remaining one step ahead of social change and leading from the front** in terms of the shopping and leisure trends that will take hold as the world returns to normal and the economy recovers. The opportunity to socialise that our shopping centres and retail parks offer has always been a major draw.

So much so, that many have become the undisputed number one go-to destination for entire communities. They are places where families and groups of friends go to meet up, and where they are far more than mere consumers.

This concept, which was already growing ever more popular before the pandemic, will continue to go from strength to strength as soon as this COVID-induced chapter is confined to the past. We are faced with **a model that many people have very clear in their minds**. The good news is that technology will help us to keep it that way, with **disruptive technology** and e-commerce set to play a defining role going forwards.

To conclude, our financial capacity, balance sheet and cash position, combined with both our performance in terms of innovation, sustainability and governance and the most advanced professional management, mean we can truly and honestly say that **we couldn't be better placed to begin the next chapter of our story**.

**D. José Luis del Valle**  
Chairman

April, 2022