

**FULL YEARLY  
REPORT**



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# EXECUTIVE SUMMARY

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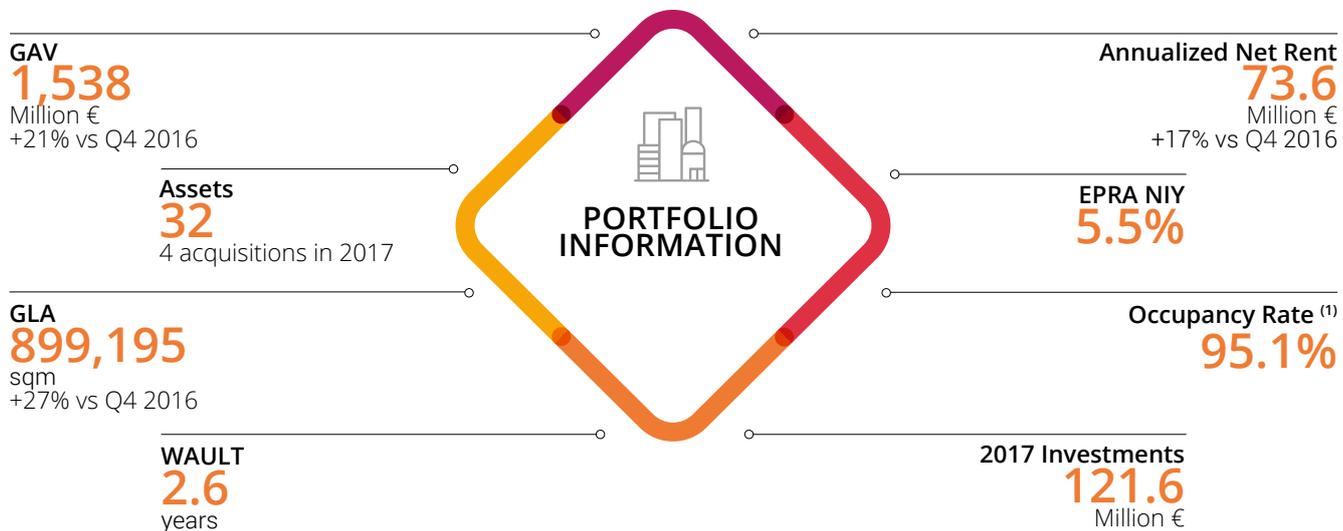
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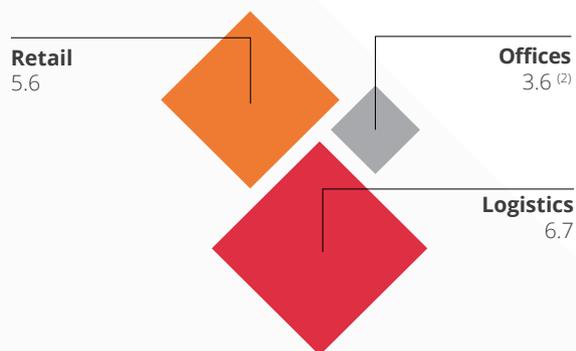
## 1.1 Highlights Q4 2017



### GAV by asset class (%)

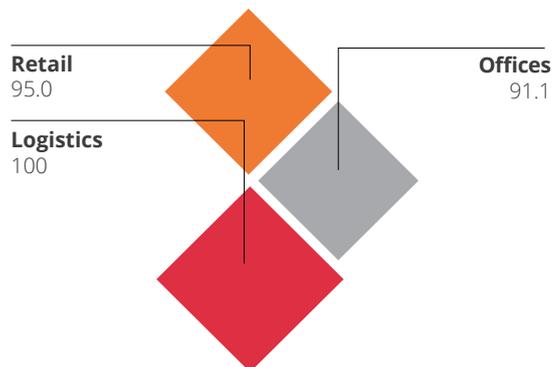


### EPRA Net Initial Yield by asset class (%)



Total Lar España 5.5%

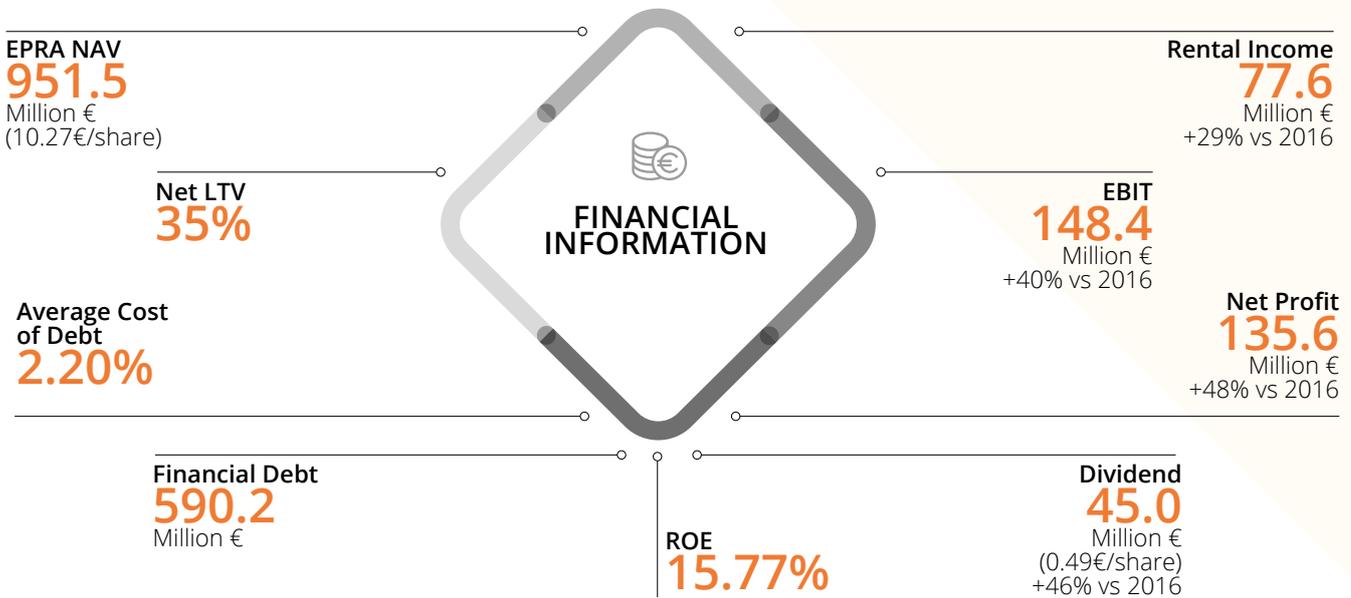
### Occupancy Rate by asset class (%)<sup>(1)</sup>



Total Lar España 95.1%

(1) Ratio calculated under EPRA recommendations

(2) For further information, see section 3 EPRA information



Rental Income by asset class (%)

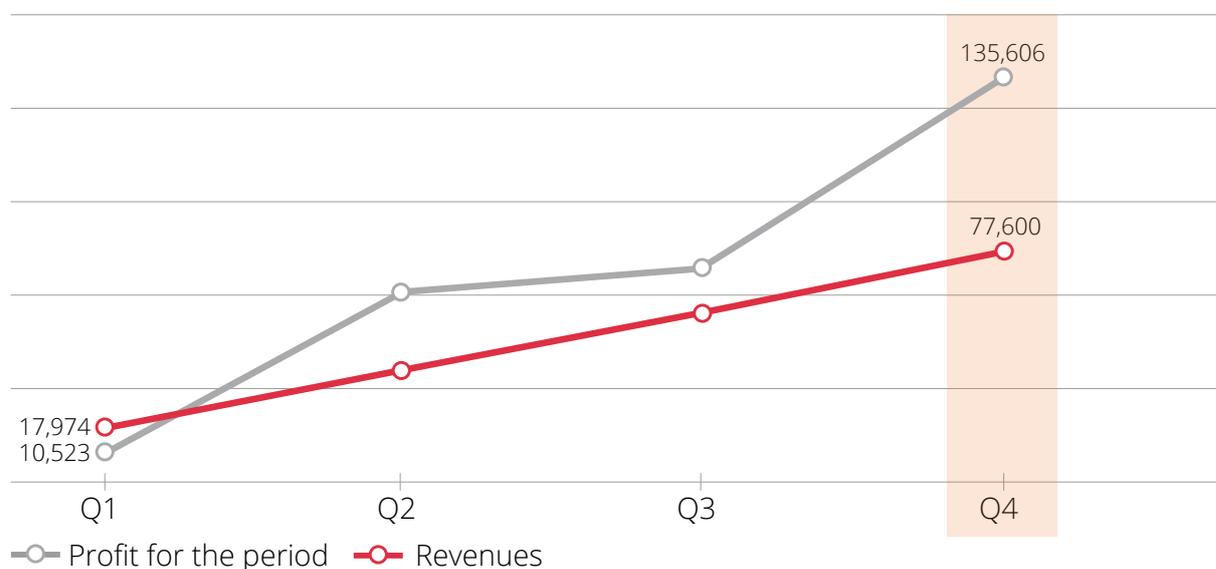


## 1.2 Key Indicators Performance

### a) Performance of principal economic and financial results

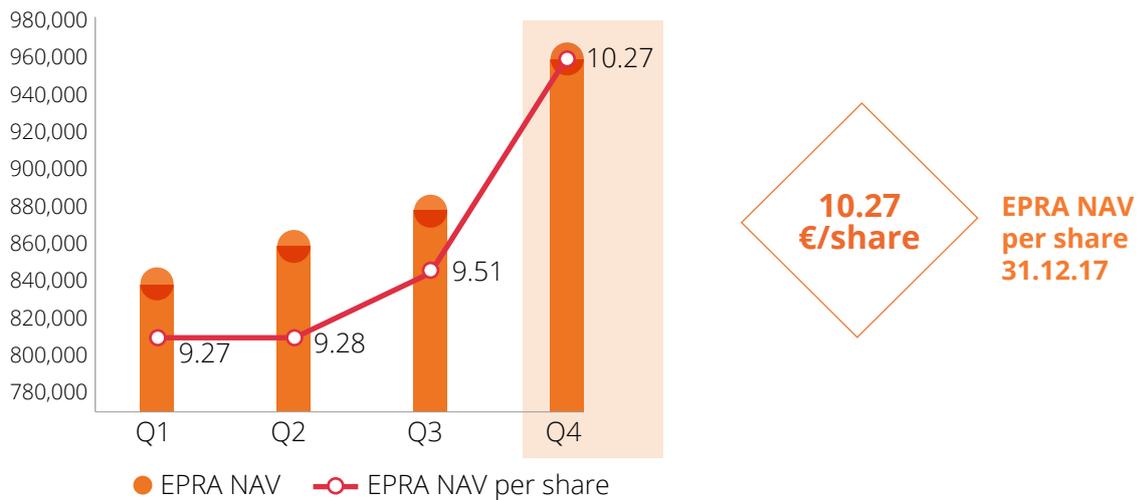
**Rental income** obtained at the close of the financial year was **77,600 thousand Euros**. This combined with the revaluation of the assets held in our portfolio gave a **net profit** figure of **135,606 thousand Euros**, an **increase of 48%** on the previous year (91,430 thousand Euros).

Performance throughout the course of 2017 is shown in the following figure (amounts shown in thousands of euros):

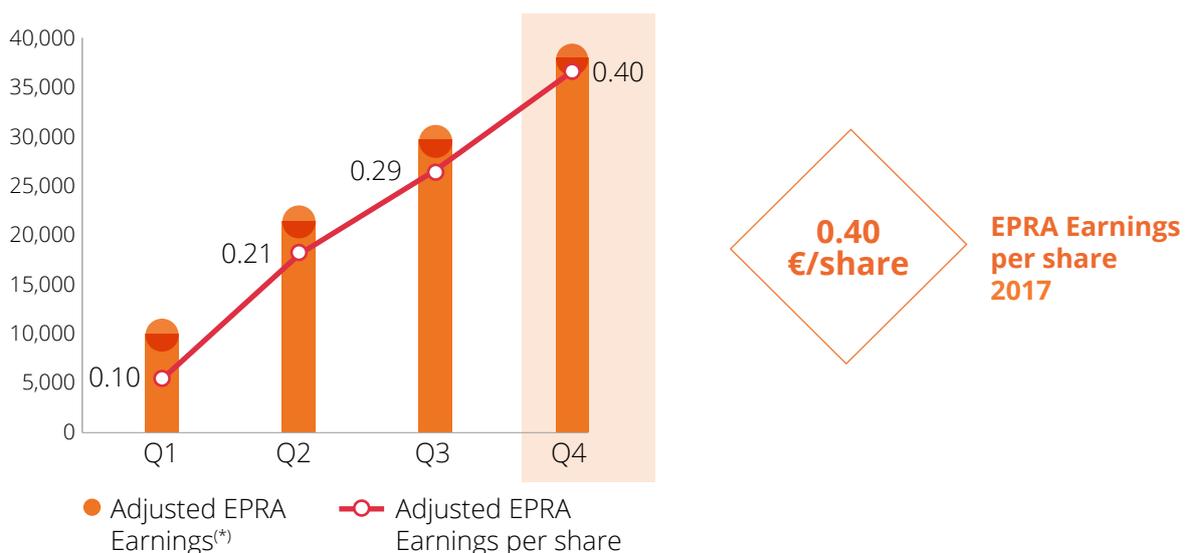


## b) Performance of principal EPRA indicators

The following figure shows the performance of the company's **EPRA NAV**, which indicates the value creation achieved during the course of 2017. At 31 December 2017, the EPRA NAV stood at **951,489 thousand Euros (10.27 €/share)**, an increase of 11.6% on the previous year:

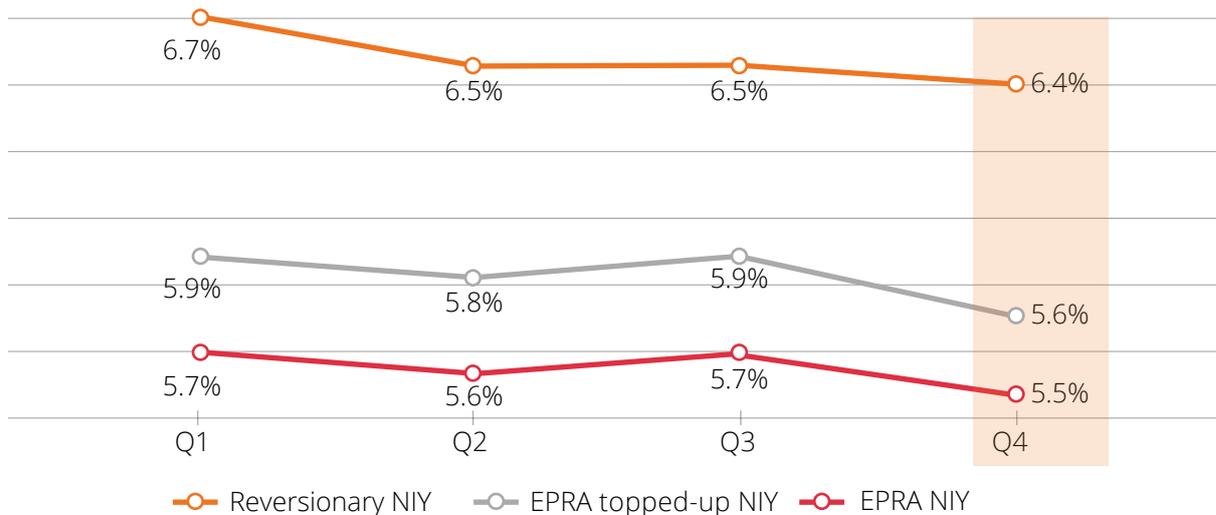


The following graph shows the change in the operating income figure (**EPRA Earnings**), which at the close of 2017 stood at **36,579 thousand Euros** (25,884 thousand Euros in 2016). This is mainly due to the efficient management of the assets held in the portfolio, along with some excellent sales and letting work.

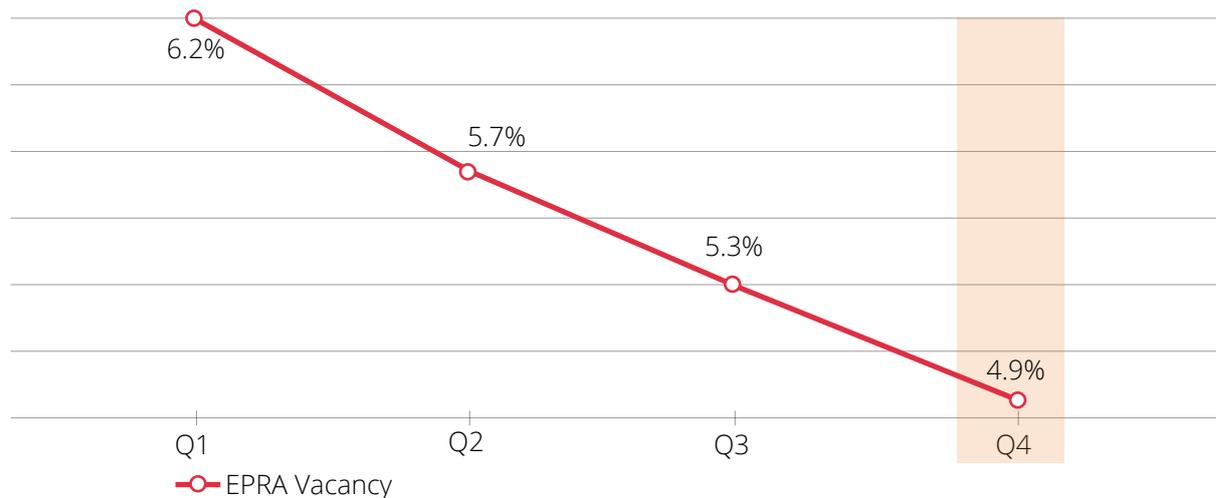


(\*) See section 3, EPRA information, EPRA Earnings calculation

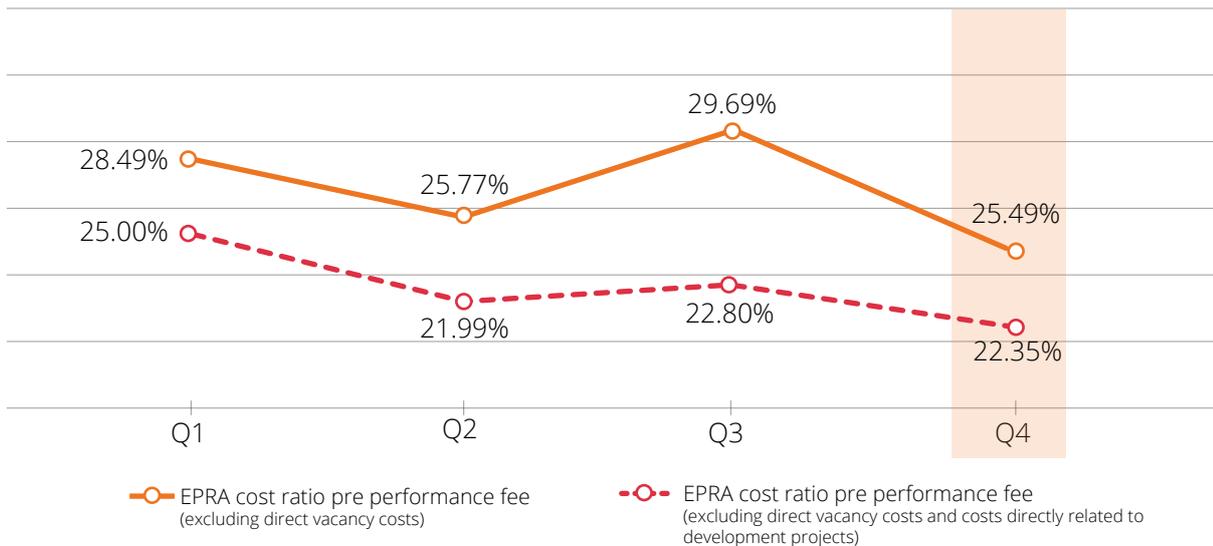
As regards the performance of **EPRA Yields** during 2017 and their comparison with the Reversionary NIY, one can see the notable profitability of Lar España's portfolio and the potential growth that the company could still obtain, thanks to the active management of the portfolio:



The **EPRA Vacancy ratio** fell during the year as the result of active and efficient sales and letting activity, standing at **4.9%** at the close of 2017:

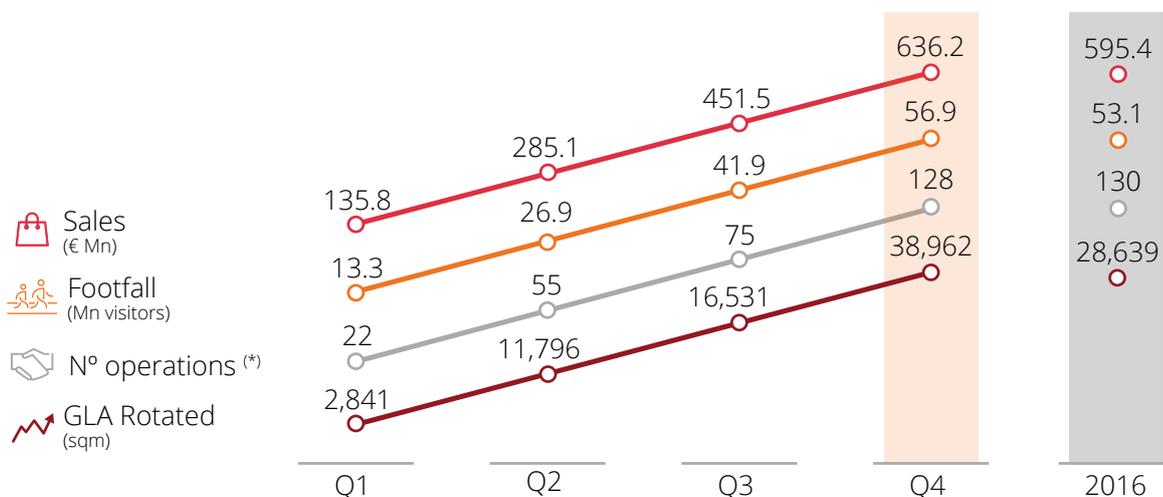


The performance of the **EPRA Cost Ratio** over the course of the year demonstrates Lar España's efficiency in reducing the costs associated with operational management:



### c) Major operative milestones evolution

The performance of the key retail indicators in 2016 is detailed below. Lar España booked total **sales** in the shopping centres of **636.2 million Euros**, driven by the growing number of people visiting our shopping centres (**56.9 million visits**). A total of 38,962 sqm have been rotated, 36% up on 2016.



(\*) Includes renewals, relocations, relettings and new lettings

## 1.3 Main events

The **regulatory notices** published and submitted to the Spanish Stock Market Commission (CNMV) during 2017 are listed below in chronological order:

1

### Liquidity contracts and specialists

**04.01.2017** According to the provisions of section 2 of the Fourth rule of Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets**, Sociedad de Valores, S.A.U. (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract") from **1 October 2016 to 31 December 2016**, the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

2

### Parque Vistahermosa and Gran Vía financing

**15.03.2017** In connection with the material facts of last 16 September and 17 June 2016 (with Registry numbers 242769 and 239851 respectively), where it was reported that the Company had acquired (i) 100% of the share capital of the company GRAN VÍA CENTRUM HOLDINGS, S.A.U., owner of **the shopping centre "Gran Vía de Vigo"**,

with a gross leasable area (GLA) of around 41,386 square metres and (ii) **the retail complex "Parque Vistahermosa"** located in Alicante, with a total gross leasable area (GLA) of approximately 33,550 square metres; it is now reported that the Company has entered into a bank financing agreements with ING Bank NV sucursal en España and BBVA, associated respectively to the above referred assets, for a total amount of **EUR 103.9 million**, a 5 years duration and a "bullet" amortization structure.

3

### Parque Abadía and a portfolio of 22 retail units acquisitions

**27.03.2017** On 27 March 2017, the Company has acquired from Rockspring NPS European Property Holding, B.V. (i) in Toledo, **Parque Abadía retail complex**, a gross leasable area (GLA) of around 37,114 square metres, fully occupied; and (ii) in different parts of Spain, a **portfolio of 22 retail units** with a total gross leasable area (GLA) of approximately 28,822 square metres, totally occupied. The acquisition has been carried out for a total amount of approximately **€110.7 million**, subject to the subsequent customary price adjustments in this kind of transactions, and has been fully paid with the funds of the Company.

◇ Vistahermosa Shopping Centre (Alicante)



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### Liquidity contracts and specialists

**06.04.2017** According to the provisions of section 2 of the Fourth rule of Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets**, Sociedad de Valores, S.A.U. (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract") **from 1 January 2017 to 31 March 2017**, the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

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### Lagasca99 financing

**28.04.2017** Lar España informs that, on 27 April 2017, it has reached an agreement to secure the **bank financing of the asset Lagasca99**. It is a loan in favor of its subsidiary Inmobiliaria Juan Bravo 3, S.L., for an amount of **EUR 78 million**, granted by Banco Santander, which will be used to finance the construction of the property; a part of it is also intended for potential buyers financing. Part of the transaction is also the amendment of the terms and conditions of an additional balance of EUR 40 million from previous financing associated with the purchase of the plot of land. This transaction betters both the cost and the amortization of the debt.

#### ◆ Lagasca99 Residential (Madrid)



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### Announcements and agreements of shareholders general meetings

**29.05.2017 The ordinary shareholders' meeting of Lar España** announced on 25 April 2017 on "El Economista" and the Company's corporate web page —copy of which was remitted to the CNMV by means of a relevant fact with registration number 251046— and which took place on second call today, **29 May 2017, has approved the resolutions submitted to its consideration** and vote, as stated in the attached voting results report.

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### Information on dividends

**29.05.2017 The General Shareholders' Meeting of Lar España**, validly held today, 29 May 2017, on second call, **has approved**, among other resolutions, to distribute:

(i) as dividend for the fiscal year, an amount of 3,416 thousand euros, at a ratio of 0.038 euros gross per share;

(ii) with charge to share premium, an amount of 26,584 thousand euros, at a ratio of 0.294 euros gross per share.

**The distribution will be carried out on 31 May 2017** via the depositaries participating entities in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (Iberclear).

It is reiterated that, pursuant to article 47 of the Bylaws, the authorized persons appearing on the accounting records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (Iberclear) at 23:59 hours on the day on which the Shareholders' Meeting approves the distribution, that is, today (record date) shall be entitled to receive the dividend.

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### Composition of the Board of Directors

**30.05.2017** As stated on the announcement of and in accordance with the information provided to the shareholders during the ordinary General Shareholders Meeting held on 29 May 2017, the Board of Directors of Lar España, after the ordinary General Shareholders Meeting, **approved the appointment of Ms. Isabel Aguilera Navarro as an independent director of the Company by means of the co-option system** (cooptación). This appointment was based on the appointment proposal issued by the Appointments and Remunerations Committee.

Consequently, after the ordinary General Shareholders Meeting of 29 May 2017, on which the number of members of the Board of Directors was increased and **Mr. Laurent Luccioni was appointed as proprietary director of the Company**, and after the following meeting of the Board, the Board of Directors of the Company is composed of the following members:

*Mr. José Luis del Valle*  
Chairman and Independent Director

*Mr. Pedro Luis Uriarte*  
Independent Director

*Mr. Alec Emmot*  
Independent Director

*Mr. Roger Maxwell Cooke MBE*  
Independent Director

*Ms. Isabel Aguilera Navarro*  
Independent Director

*Mr. Miguel Pereda*  
Proprietary Director

*Mr. Laurent Luccioni*  
Proprietary Director



◇ Txingudi Shopping Centre (Guipuzcoa)



◇ Portal de la Marina Shopping Centre (Alicante)

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### Liquidity contracts and specialists

**06.07.2017** According to the provisions of section 2 of the Fourth rule of Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets**, Sociedad de Valores, S.A.U. (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract") **from 1 April 2017 to 30 June 2017**, the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

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### Valuation reports as at 30 June 2017

**06.07.2017** Lar España has received the **valuation reports** for its property portfolio as of 30 June 2017, carried out by **JLL Valoraciones, S.A and Cushman & Wakefield Sucursal en España**.

The total **market value of the company's portfolio** as detailed in the abovementioned reports is EUR **1,448.2 million**. The acquisition price – transaction costs not included - of the assets subject to the valuation was EUR 1,211.8 million.

The properties were valued according to the **Royal Institution of Chartered Surveyors (RICS) valuation standards**, based on net market value as at 30 June 2017.

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### Liquidity contracts and specialists

**10.07.2017** Lar España announces the termination, effective on 11 July 2017, of the **Liquidity Contract, currently in force with JB Capital Markets**, S.V., S.A.U. (hereinafter, "JB Capital Markets" and the "Liquidity Contract") as a consequence of (i) the removal of Circular 3/2007, of 19 December, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice ("Circular 3/2007"), and (ii) the execution of a new liquidity contract between Lar España and JB Capital Markets, effective on 11 July 2017, pursuant to Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts ("Circular 1/2017").

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### Liquidity contracts and specialists

**10.07.2017** Pursuant to Section 2 of the Fourth Rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores, on **liquidity contracts** ("Circular 1/2017"), the Company announces the execution on 5 July 2017 of a liquidity contract (the "Liquidity Contract") with **JB Capital Markets, S.V.**, S.A.U. ("JB Capital Markets"), in accordance with the provisions of Circular 1/2017, **effective on 11 July 2017**.

According to clause a) of the above referred Fourth Rule, the Company informs of the following details concerning the Liquidity Contract:

- Name of the financial intermediary: **JB Capital Markets, S.V.**, S.A.U.
- Identification of the **securities affected by the Liquidity Contract**: Lar España Real Estate SOCIMI, S.A. ordinary shares under ISIN: ES0105015012
- **Markets where transactions will be executed**: Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Sistema de Interconexión Bursátil - SIBE (Mercado Continuo).
- **Duration of the Liquidity Contract**: 12 months since its signature on 5 July 2017 and automatically extended for the same term unless otherwise indicated by any of the parties.
- **Amount of shares** allocated to the securities deposit account for the purposes of the Liquidity Contract: 63,000 shares.
- Amount of cash allocated to the **cash account for the purposes** of the Liquidity Contract: 500,000.00 €.

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### Share capital increase: Manager's Performance Fee reinvestment

**02.08.2017** It is hereby announced that on 25 July 2017, the public deed relating to the **share capital increase** of Lar España, approved on 29 May 2017 by the ordinary General Shareholders Meeting, under item twelfth of the agenda, for a nominal amount of EUR 4,167,070 through the issuance and placing of 2,083,535 new ordinary shares of Lar España of two euros nominal value each and a share premium of EUR 7.20 each, which are of the same class and series as the existing shares currently in circulation, has been duly registered with the Commercial Registry of Madrid ("Capital Increase"). Therefore, the total amount of the **Capital Increase amounts to EUR 19,168,522**.

The Capital Increase was **fully subscribed and paid for through monetary contributions by Grupo Lar Inversiones Inmobiliarias, S.A., manager of Lar España**, in accordance with the provision included in the twelfth resolution approved by the ordinary General Shareholders Meeting of Lar España on 29 May 2017.

Consequently, the **share capital of Lar España has been set at EUR 185,248,194, divided into 92,624,097 shares**, with a nominal value of two euros each, all of which belong to the same class and series.

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### Admission to trading of the New Ordinary Shares

**19.08.2017** Further to the Material Fact published on 2 August 2017, with register number 255621, it is hereby announced that the National Securities Market Commission verified the compliance with the requirements for the **admission to trading of the New Ordinary Shares** yesterday and the Stock Exchange Management Companies of Madrid, Barcelona, Bilbao and Valencia have agreed the admission to trading of the New Ordinary Shares through the SIBE (Sistema de Interconexión Bursátil or Mercado Continuo) of the Spanish Stock Exchanges where the outstanding shares of Lar España already trade. Consequently, it is expected that on 21 August 2017 trading of the New Ordinary Shares will begin in the referred Spanish Stock Exchanges. In case of delay for any reason it will be immediately announced to the market through the release of the appropriate Material Fact.

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### Arturo Soria 336 office building divestment

**27.09.2017** On 27 September 2017, the Company **has transferred all the shares (participaciones sociales) in its wholly owned subsidiary LAR ESPAÑA OFFICES ARTURO SORIA, S.L.U.**, sole owner and proprietor of the office building Arturo Soria 336.

The aforementioned sale has been formalized in public deed on the referred date, for a total **initial price of 32,540,000 euro**, which may be adjusted upwards in the terms and pursuant to the mechanisms that are typical in this kind of transactions.

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### Liquidity contracts and specialists

**05.10.2017** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on Liquidity Contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets, Sociedad de Valores, S.A.U.** (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract") from 11 July 2017 to **30 September 2017**.



◇ Arturo Soria Office Building (Madrid)

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### Megapark Ocio acquisition

**30.10.2017** On 27 October 2017, the Company has acquired from Arcona Ibérica the assets that allow the management of **33 units** with a gross leasable area (SBA) of approximately 19,800 m<sup>2</sup>, intended to be used as **recreational and leisure facilities, located in the retail complex Megapark Barakaldo (Vizcaya)**. This strategic acquisition, in addition to those already communicated through material facts of 20 July and 19 October 2015 (with Registry numbers 226456 and 229825 respectively), where it was reported the acquisition of (i) a retail park, including 14 retail units with a gross leasable area (GLA) of approx. 44,500 square metres and (ii) an Outlet shopping centre, with 61 units and a GLA of approx. 19,300 square metres, allows the Company to operate a total SBA of approximately 83,500 m<sup>2</sup> of the Megapark Barakaldo retail complex.

The acquisition has been carried out for a total amount of approximately **€8.7 million**, subject to the subsequent customary price adjustments in this kind of transactions, and has been fully paid with the funds of the Company.

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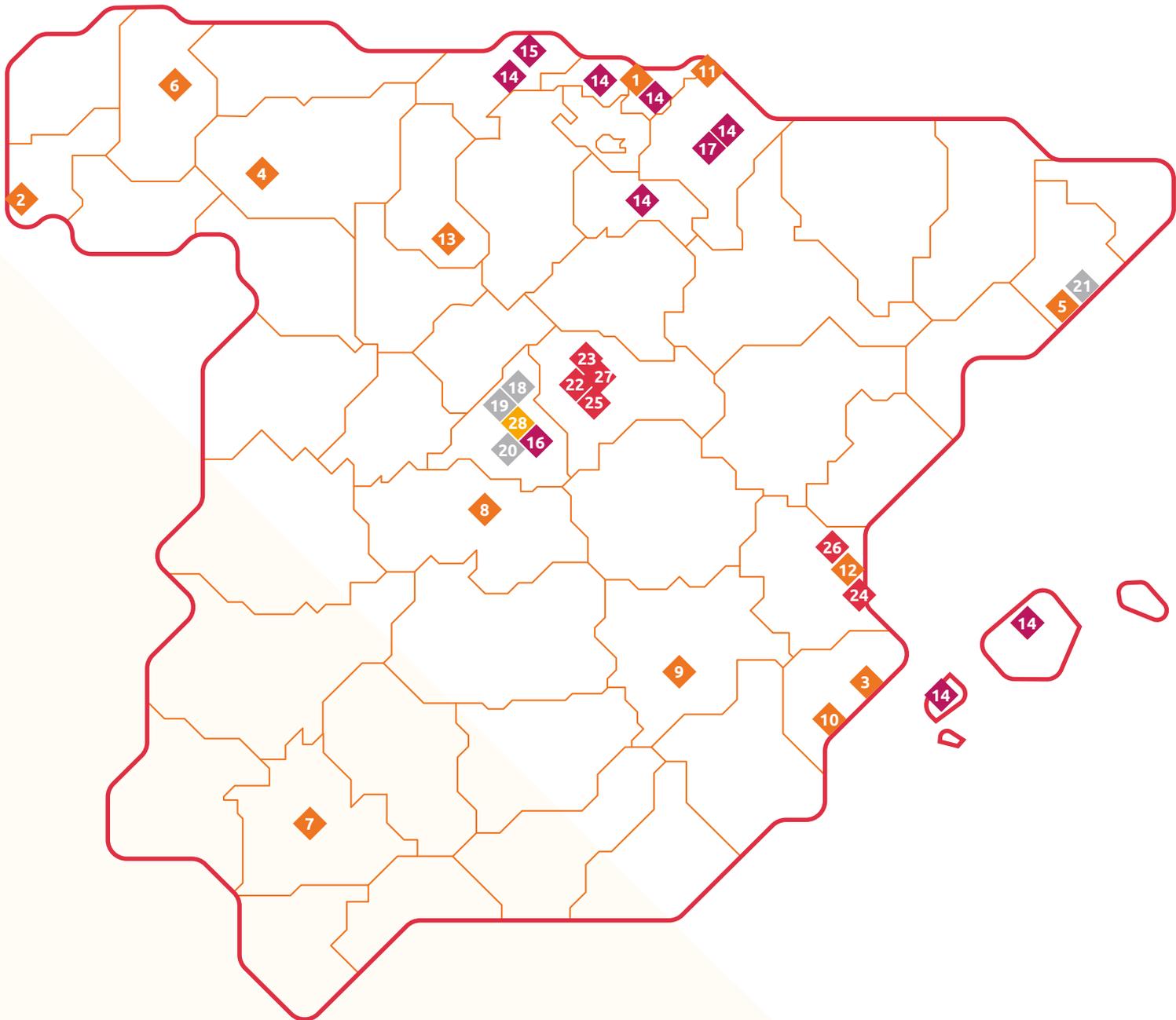
### Analyst Day

**01.12.2017** The Company would like to inform you that it has held its "2017 Analyst Day" today, and that all the reference material used during the day are available on the Company website: <http://laespana.com/inversores/informacion-economico-financiera/presentaciones/>.

◇ Lar España 2017 Analyst Day (Madrid)



## 1.4 Portfolio at 31 December 2017



**GAV=1.5**  
billion euros



### SHOPPING CENTRES

- 1 Megapark + Megapark Ocio ( Bilbao)
- 2 Gran Vía (Vigo)
- 3 Portal de la Marina + Hypermarket (Alicante)
- 4 El Rosal (León)
- 5 Anec Blau (Barcelona)
- 6 As Termas + Petrol Station (Lugo)
- 7 Palmas Altas (Sevilla)
- 8 Parque Abadía (Toledo)
- 9 Albacenter + Hypermarket and retail units (Albacete)
- 10 Vistahermosa (Alicante)
- 11 Txingudi (Guipúzcoa)
- 12 Vidanova Parc (Valencia)
- 13 Las Huertas (Palencia)



### OFFICES

- 18 Egeo (Madrid)
- 19 Marcelo Spínola (Madrid)
- 20 Eloy Gonzalo (Madrid)
- 21 Joan Miró (Barcelona)



### LOGISTICS

- 22 Alovera II (Guadalajara)
- 23 Alovera I (Guadalajara)
- 24 Almussafes (Valencia)
- 25 Alovera IV (C5-C6) (Guadalajara)
- 26 Cheste (Valencia)
- 27 Alovera III (C2) (Guadalajara)



### RETAIL WAREHOUSES

- 14 Supermarkets Portfolio (22 units)  
(Cantabria, País Vasco, La Rioja, Navarra and Baleares)
- 15 Nuevo Alisal (Santander)
- 16 Villaverde (Madrid)
- 17 Parque Galaria (Navarra)



### RESIDENTIAL

- 28 Lagasca99 (Madrid)

### 1 MEGAPARK, BILBAO BREEAM<sup>®</sup> ES MegaParx<sup>®</sup> BARAKALDO



Location	Bilbao
GLA	83,380 sqm
Purchase Date	19 October 2015/27 October 2017
Acquisition Price	EUR 178.7 m
Market Value (31 December 2017)*	EUR 214.0 m
WAULT	2.3 years
EPRA Net Initial Yield	5.4%
EPRA Vacancy Rate	7.4%

### 2 GRAN VÍA DE VIGO, VIGO BREEAM<sup>®</sup> ES GranVía<sup>®</sup> de Vigo



Location	Vigo
GLA	41,426 sqm
Purchase Date	15 September 2016
Acquisition Price	EUR 141.0 m
Market Value (31 December 2017)*	EUR 163.0 m
WAULT	2.7 years
EPRA Net Initial Yield	5.6%
EPRA Vacancy Rate	1.4%

### 3 PORTAL DE LA MARINA AND HYPERMARKET, ALICANTE



Location	Ondara (Alicante)
GLA	40,158 sqm
Purchase Date	30 October 2014/30 March 2016/9 June 2015
Acquisition Price	EUR 89.2 m
Market Value (31 December 2017)*	EUR 119.8 m
WAULT	2.2 years
EPRA Net Initial Yield	4.9%
EPRA Vacancy Rate	3.2%

### 4 EL ROSAL, LEÓN



Location	Ponferrada (León)
GLA	51,022 sqm
Purchase Date	7 July 2015
Acquisition Price	EUR 87.5 m
Market Value (31 December 2017)*	EUR 109.0 m
WAULT	2.7 years
EPRA Net Initial Yield	5.6%
EPRA Vacancy Rate	8.9%

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C & W

**5 ANEC BLAU, BARCELONA**

Location	Casteldefels (Barcelona)
GLA	28,609 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 80.0 m
Market Value (31 December 2017)*	EUR 95.4 m
WAULT	2.6 years
EPRA Net Initial Yield	4.5%
EPRA Vacancy Rate	6.6%

**6 AS TERMAS AND PETROL STATION, LUGO**

Location	Lugo
GLA	35,127 sqm
Purchase Date	15 April 2015/ 28 July 2015
Acquisition Price	EUR 68.8 m
Market Value (31 December 2017)*	EUR 84.2 m
WAULT	1.9 years
EPRA Net Initial Yield	6.1%
EPRA Vacancy Rate	4.8%

**7 PALMAS ALTAS, SEVILLA**

Location	Sevilla
Retail and family leisure place	100,000 sqm <sup>(1)</sup>
Purchase Date	1 March 2016
Acquisition Price	EUR 40.5 m
Market Value (31 December 2017)*	EUR 71.5 m <sup>(1)</sup>
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

(1) Includes a potential extra buildings rights.

**8 PARQUE ABADÍA, TOLEDO**

Location	Toledo
GLA	37,009 sqm
Purchase Date	27 March 2017
Acquisition Price	EUR 63.1 m
Market Value (31 December 2017)*	EUR 65.0 m
WAULT	2.5 years
EPRA Net Initial Yield	6.4%
EPRA Vacancy Rate	0.0%

\* The valuations have been made at 31 December 2017 by external independent valuers; JLL or C & W

## 9 ALBACENTER HYPER & RETAIL UNITS, ALBACETE



Location	Albacete
GLA	27,890 sqm
Purchase Date	30 July 2014/19 December 2014
Acquisition Price	EUR 39.9 m
Market Value (31 December 2017)*	EUR 56.3 m
WAULT	2.5 years
EPRA Net Initial Yield	5.9%
EPRA Vacancy Rate	8.5%

## 11 TXINGUDI, GUIPÚZCOA



Location	Irún (Guipúzcoa)
GLA	10,712 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 27.7 m
Market Value (31 December 2017)*	EUR 39.0 m
WAULT	2.9 years
EPRA Net Initial Yield	6.1%
EPRA Vacancy Rate	5.5%

## 10 VISTAHERMOSA, ALICANTE



Location	Alicante
GLA	33,550 sqm
Purchase Date	16 June 2016
Acquisition Price	EUR 42.5 m
Market Value (31 December 2017)*	EUR 50.4 m
WAULT	5.6 years
EPRA Net Initial Yield	5.8%
EPRA Vacancy Rate	6.1%

## 12 VIDANOVA PARC, VALENCIA (2)



Location	Sagunto (Valencia)
GLA	44,252 sqm
Purchase Date	3 August 2015
Acquisition Price	EUR 14.0 m
Market Value (31 December 2017)*	EUR 24.8 m
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

(2) Development of the project subjected on planning and commercialization fulfillment.

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C & W.

**13 LAS HUERTAS, PALENCIA**

Location	Palencia
GLA	6,267 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 11.7 m
Market Value (31 December 2017)*	EUR 12.6 m
WAULT	2.2 years
EPRA Net Initial Yield	6.6%
EPRA Vacancy Rate	9.0%

**14 SUPERMARKETS PORTFOLIO (22 UNITS)**

Location	Cantabria, País Vasco, La Rioja, Navarra and Baleares
GLA	28,822 sqm
Purchase Date	27 March 2017
Acquisition Price	EUR 47.6 m
Market Value (31 December 2017)*	EUR 52.5 m
WAULT	12.8 years
EPRA Net Initial Yield	7.0%
EPRA Vacancy Rate	0.0%

**15 NUEVO ALISAL, SANTANDER**

Location	Santander
GLA	7,649 sqm
Purchase Date	17 December 2014
Acquisition Price	EUR 17.0 m
Market Value (31 December 2017)*	EUR 19.3 m
WAULT	2.1 years
EPRA Net Initial Yield	6.3%
EPRA Vacancy Rate	0.0%

**16 VILLAVERDE, MADRID**

Location	Madrid
GLA	4,391 sqm
Purchase Date	29 July 2014
Acquisition Price	EUR 9.1 m
Market Value (31 December 2017)*	EUR 11.3 m
WAULT	4.8 years
EPRA Net Initial Yield	6.1%
EPRA Vacancy Rate	0.0%

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C & W.

**17 PARQUE GALARIA, NAVARRA**

Location	Pamplona
GLA	4,108 sqm
Purchase Date	23 July 2015
Acquisition Price	EUR 8.4 m
Market Value (31 December 2017)*	EUR 10.7 m
WAULT	3.9 years
EPRA Net Initial Yield	6.3%
EPRA Vacancy Rate	0.0%

**18 EGEO, MADRID**

BREEAM® ES



Location	Madrid
GLA	18,254 sqm
Purchase Date	16 December 2014
Acquisition Price	EUR 64.9 m
Market Value (31 December 2017)*	EUR 78.1 m
WAULT	3.7 years
EPRA Net Initial Yield	4.1%
EPRA Vacancy Rate	10.1%

**19 MARCELO SPÍNOLA, MADRID**

BREEAM® ES



Location	Madrid
GLA	8,875 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 19.0 m
Market Value (31 December 2017)*	EUR 37.5 m
WAULT	N/A
EPRA Net Initial Yield	N/A **
EPRA Vacancy Rate	N/A **

**20 ELOY GONZALO, MADRID**

BREEAM® ES



Location	Madrid
GLA	6,231 sqm
Purchase Date	23 December 2014
Acquisition Price	EUR 12.7 m
Market Value (31 December 2017)*	EUR 26.5 m
WAULT	2.1 years
EPRA Net Initial Yield	N/A **
EPRA Vacancy Rate	N/A **

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C &amp; W.

\*\* For further information, see section 3 EPRA Information

**21 JOAN MIRÓ, BARCELONA**

Location	Barcelona
GLA	8,607 sqm
Purchase Date	11 June 2015
Acquisition Price	EUR 19.7 m
Market Value (31 December 2017)*	EUR 21.5 m
WAULT	0.5 years
EPRA Net Initial Yield	1.6%
EPRA Vacancy Rate	5.9%

**22 ALOVERA II, GUADALAJARA**

Location	Guadalajara
GLA	83,952 sqm
Purchase Date	13 October 2014
Acquisition Price	EUR 32.1 m
Market Value (31 December 2017)*	EUR 43.7 m
WAULT	2.2 years
EPRA Net Initial Yield	6.7%
EPRA Vacancy Rate	0.0%

**23 ALOVERA I, GUADALAJARA**

Location	Guadalajara
GLA	35,196 sqm
Purchase Date	7 August 2014
Acquisition Price	EUR 12.7 m
Market Value (31 December 2017)*	EUR 18.8 m
WAULT	1.5 years
EPRA Net Initial Yield	6.6%
EPRA Vacancy Rate	0.0%

**24 ALMUSSAFES, VALENCIA**

Location	Valencia
GLA	19,211 sqm
Purchase Date	26 May 2015
Acquisition Price	EUR 8.4 m
Market Value (31 December 2017)*	EUR 10.3 m
WAULT	1.9 years
EPRA Net Initial Yield	6.7%
EPRA Vacancy Rate	0.0%

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C & W.

**25 ALOVERA IV (C5-C6), GUADALAJARA**

Location	Guadalajara
GLA	14,891 sqm
Purchase Date	26 May 2015
Acquisition Price	EUR 7.2 m
Market Value (31 December 2017)*	EUR 9.6 m
WAULT	1.2 years
EPRA Net Initial Yield	7.4%
EPRA Vacancy Rate	0.0%

**26 CHESTE, VALENCIA**

Location	Valencia
GLA	112,813 sqm
Purchase Date	12 May 2017
Acquisition Price	EUR 2.2 m
Market Value (31 December 2017)*	EUR 5.2 m
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

**27 ALOVERA III (C2), GUADALAJARA**

Location	Guadalajara
GLA	8,591 sqm
Purchase Date	26 May 2015
Acquisition Price	EUR 3.0 m
Market Value (31 December 2017)*	EUR 4.3 m
WAULT	2.0 years
EPRA Net Initial Yield	5.5%
EPRA Vacancy Rate	0.0%

**28 LAGASCA99, MADRID**

Location	Madrid
GLA	26,203 sqm
Purchase Date	30 January 2015
Acquisition Price	EUR 50.1 m <sup>(3)</sup>
Market Value (31 December 2017)*	EUR 83.3 m <sup>(3)</sup>
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

(3) Corresponds to the 50% of the Joint Venture with PIMCO.

\* The valuations have been made at 31 December 2017 by external independent valuers: JLL or C & W.

◇ Eloy Gonzalo Office Building  
(Madrid)



◇ Albacenter Shopping Centre  
(Albacete)

## 1.5 Key Indicators

### Economic & Financial Figures

During 2017 Lar España (hereby "Group") generated **revenues of 77,600 thousand Euros and a net profit of 135,606 thousand Euros.**

(Thousands of Euros)	2017	2016
<b>Revenues</b>	77,600	60,234
<b>EBITDA</b>	46,904	18,093
<b>EBIT</b>	148,447	105,908
<b>PBT</b>	135,606	91,430
<b>Net profit</b>	135,606	91,430

### Other Financial Indicators

The Group presents the following financial indicators:

	31/12/2017	31/12/2016
<b>Working capital</b> (Thousands of Euros)	115,198	65,512
<b>Liquidity ratio</b>	2.1	2.8
<b>Solvency ratio</b>	1.1	1.1
<b>Net LTV</b>	35%	33%
<b>ROE</b>	15.77%	13.40%
<b>ROA</b>	9.15%	7.74%

At 31 December 2017 and 31 December 2016, the Group presented ratios related to liquidity (working capital and liquidity ratio) with very high values, showing that the Group has sufficient liquidity and a high safety margin to meet its payments.



At 31 December 2017, the **ROE ("Return on Equity")**, which measures the Group's profitability as a percentage of its shareholders equity, amounted to **15.77%** (13.40% at 31 December 2016) whilst the **ROA ("Return on Assets")**, which measures the efficiency of the Group's total assets regardless of the sources of financing used, i.e. the ability of a company's assets to generate income, was **9.15%** (7.74% at 31 December 2016).



◆ As Termas Shopping Centre (Lugo)



◆ Gran Vía Shopping Centre (Vigo)

## 1.6 Business Performance

### a) Income Distribution

Rental income reached **77,600 thousand Euros** during 2017 (versus 60,234 thousand Euros in the same period of the year before). The increase in rental income between 2017 and 2016 mainly corresponds to the Group's acquiring and launching new real estate investments during said period (mainly

by Gran Vía and Parque Abadía shopping centres and 22 retail units).

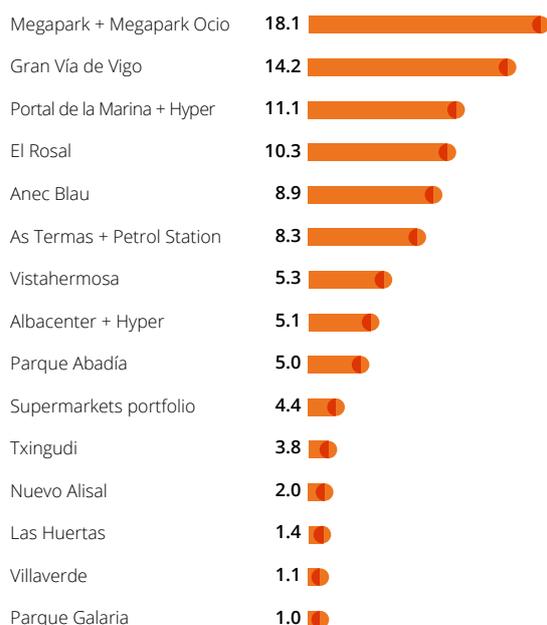
The relative weigh of rental income by line of business at 31 December 2017 is as follows:

#### Rental Income by asset class. Year 2017 (%)

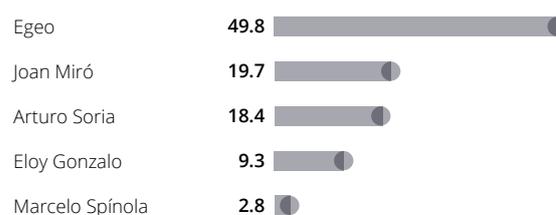


The breakdown of the **income per asset** for these three lines of business during 2017 is as follows:

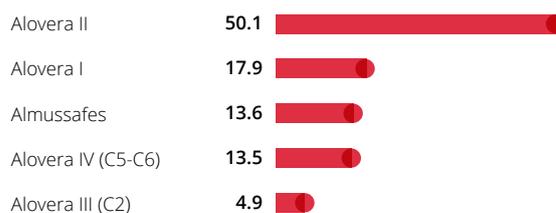
#### Income by Shopping Centre (%)



#### Income by Office Building (%)

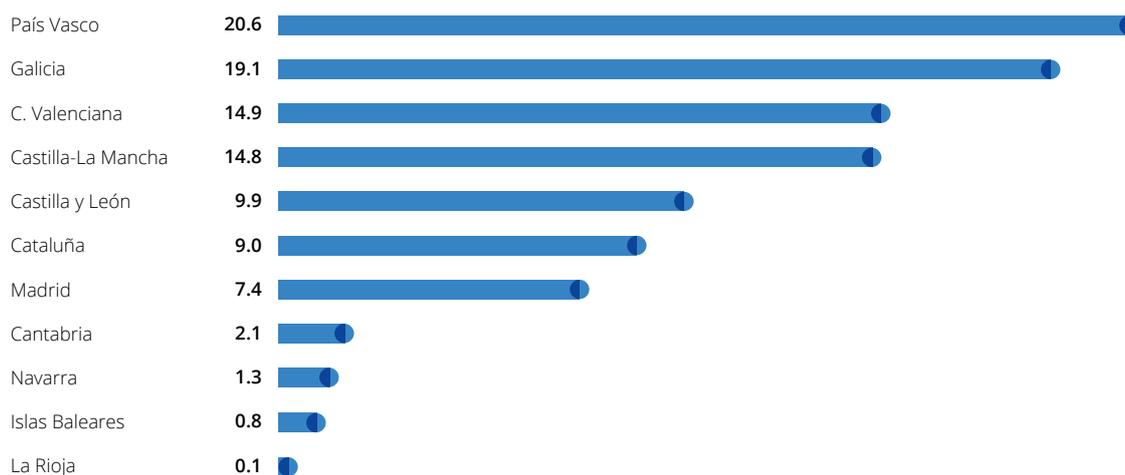


#### Income by Logistics Warehouse (%)



This graph details the breakdown of **income per region** during 2017:

### Income per region (%)



Below are the **ten tenants that have generated the most revenue** during 2017 and their main characteristics:

Ranking	Trade name	Project	% of total rental income	% acumulated	Lease end	Sector
1	<b>Carrefour</b>	Alovera II/El Rosal/Gran Vía de Vigo/Portal de la Marina hypermarket	8.53%	8.53%	2021-2060	Distribution/ Hypermarket
2	<b>INDITEX</b>	Portal de la Marina/Anec Blau/ Gran Vía de Vigo/El Rosal/As Termas/Albacenter	6.99%	15.52%	2025-2034	Retail Fashion
3	<b>MediaMarkt</b>	Megapark/Nuevo Alisal/Parque Abadía/Vistahermosa/Villaverde/As Termas	5.04%	20.56%	2023-2041	Technology
4	<b>EROSKI</b>	Albacenter hypermarket/As Termas/Supermarkets portfolio	2.86%	23.42%	2025-2051	Petrol Station/ Distribution
5	<b>DECATHLON</b>	Parque Abadía/Megapark	2.79%	26.21%	2036-2041	Distribution
6	<b>H&amp;M</b>	Portal de la Marina/Anec Blau/Gran Vía de Vigo/ El Rosal/As Termas/Albacenter/Txingudi	2.27%	28.48%	2022-2047	Retail Fashion
7	<b>C&amp;A</b>	Portal de la Marina/Megapark/Anec Blau/Parque Abadía/Gran Vía de Vigo/As Termas	2.25%	30.73%	2018-2026	Retail Fashion
8	<b>El Corte Inglés</b>	Megapark/Parque Galaria	2.02%	32.75%	2027-2036	Distribution
9	<b>CORTEFIEL</b>	Portal de la Marina/Megapark/Anec Blau/Huertas/Vistahermosa/Gran vía de Vigo/El Rosal/As Termas/Albacenter/Txingudi	1.99%	34.74%	2019-2030	Retail Fashion
10	<b>Alcampo</b>	Parque Abadía/Vistahermosa	1.66%	36.40%	2055-2061	Distribution/ Hypermarket

## Gross annualised rents

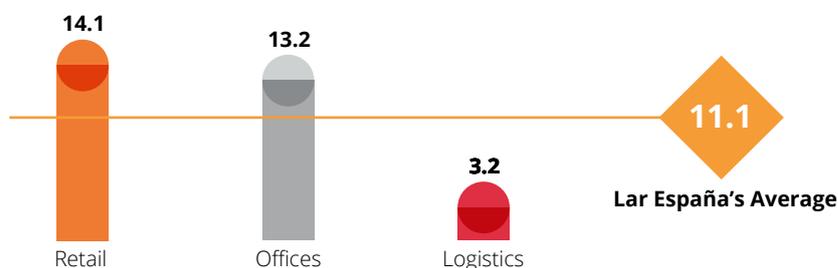
The **annualised GRI** (\*) of Lar España is detailed below, as well as the **annualised GRI per occupied sqm** at 31.12.2017:

Asset	Gross Annualized Rents (thousands of euros)	GLA occupied (sqm)	Gross Rent (€/sqm)
SHOPPING CENTRES	63,110	366,004	17.2
Megapark	12,088	70,859	14.2
Gran Vía Vigo	9,866	40,513	20.3
Portal de la Marina	7,590	39,310	16.1
El Rosal	7,207	47,601	12.6
Anec Blau	5,299	25,799	17.1
As Termas + Petrol Station	5,730	33,648	14.2
Parque Abadía	4,315	37,009	9.7
Vistahermosa	3,654	30,352	10.0
Albacenter + hypermarket	3,742	25,050	12.4
Txingudi	2,633	10,261	21.4
Las Huertas	986	5,602	14.7
RETAIL WAREHOUSES	6,593	44,970	12.2
Portfolio Supermarkets	3,793	28,822	11.0
Nuevo Alisal	1,317	7,649	14.3
Villaverde	792	4,391	15.0
Parque Galaria	691	4,108	14.0
<b>TOTAL RETAIL</b>	<b>69,703</b>	<b>410,974</b>	<b>14.1</b>
OFFICES	3,993	25,280	13.2
Egeo	3,365	17,050	16.4
Marcelo Spinola	(**)	(**)	(**)
Joan Miró	628	8,230	6.4
Eloy Gonzalo	(**)	(**)	(**)
<b>TOTAL OFFICES</b>	<b>3,993</b>	<b>25,280</b>	<b>13.2</b>
LOGISTICS	6,296	161,841	3.2
Alovera II	3,188	83,952	3.2
Alovera I	1,338	35,196	3.2
Almussafes	761	19,211	3.3
Alovera IV (C5-C6)	758	14,891	4.2
Alovera III (C2)	251	8,591	2.4
<b>TOTAL LOGISTICS</b>	<b>6,296</b>	<b>161,841</b>	<b>3.2</b>
<b>TOTAL LAR ESPAÑA</b>	<b>79,992</b>	<b>598,095</b>	<b>11.1</b>

(\*) The annualised GRI is calculated using the EPRA NIY of table calculation (See section 3 "EPRA Information"). Annualised GRI = annualised passing rental income from real estate investments + effect of rent-free periods and temporary rental discounts.

(\*\*) Data related to Marcelo Spinola (fully refurbished and in commercialization) and Eloy Gonzalo (under refurbishment) have not been included due to its lack of representativeness.

## Gross Annualised rent / sqm occupied by asset class (€/sqm)

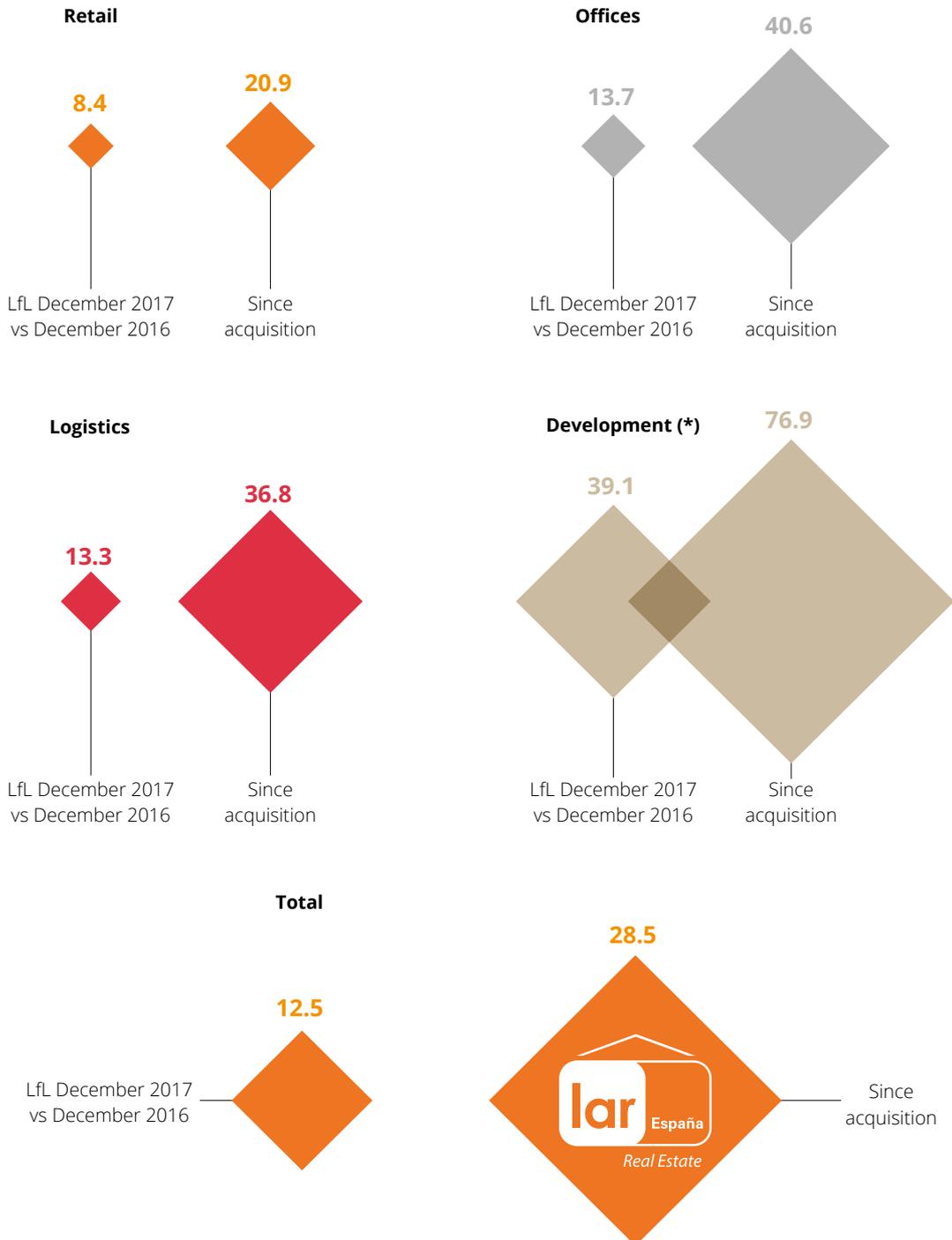


## b) Valuations

According to the valuation reports published by JLL and Cushman & Wakefield dated 31st December 2017, the total value of Lar España's Portfolio totals **EUR 1,538 million, a 28.5% increase** on the acquisition price.

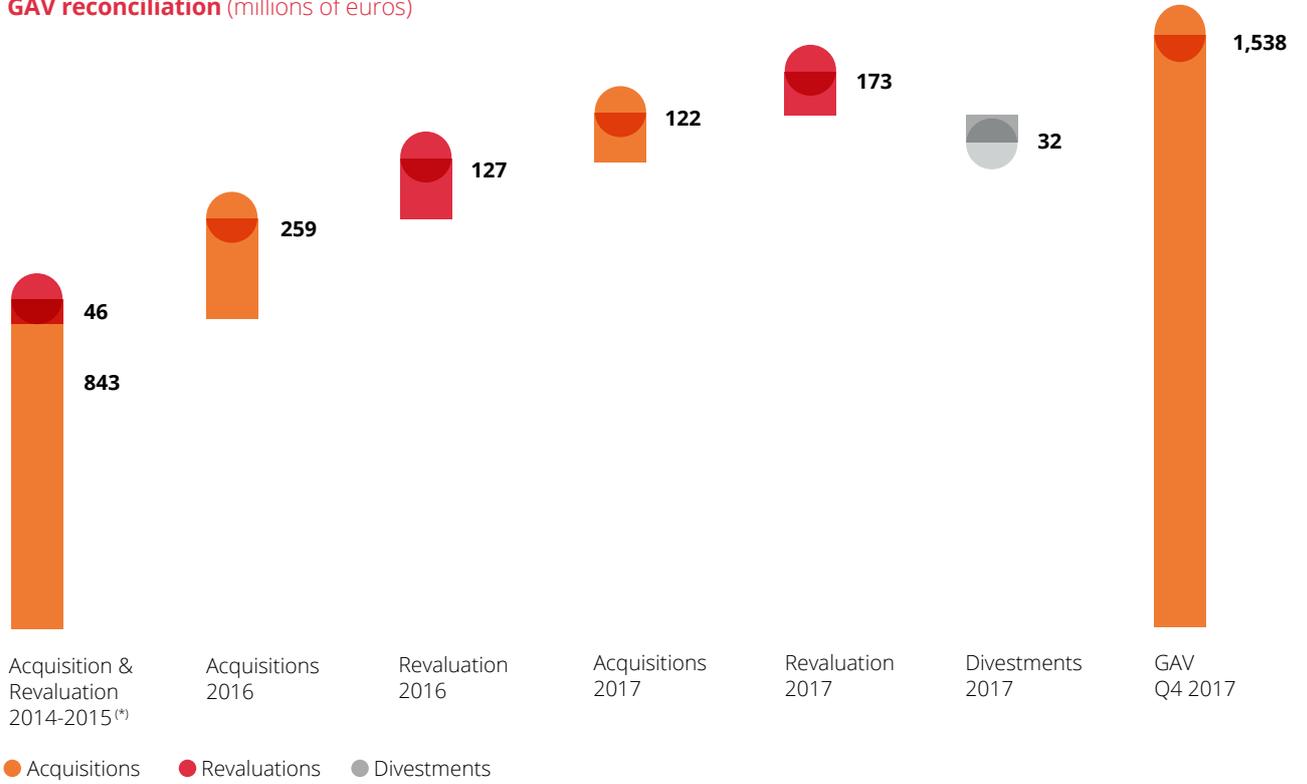
The breakdown of value uplift by asset class vs previous year and acquisition price is as follows:

### Revaluation by asset class (%)



(\*) Lagasca99 (residential), Cheste (logistics) and Palmas Altas y Vidanova Parc (retail) included.

**GAV reconciliation** (millions of euros)



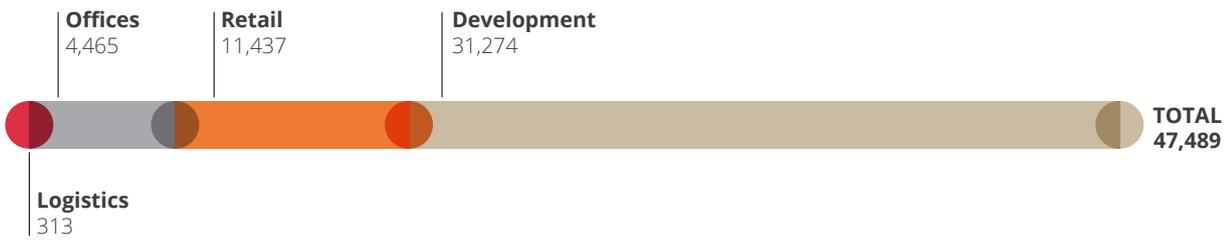
(\*) Claudio Coello project not taken into account



### c) Capex

The company has continued to refurbish and improve the assets in its portfolio in order to generate more value, investing close to **47,500 thousands of euros** during 2017.

#### CAPEX investment (thousands of euros)

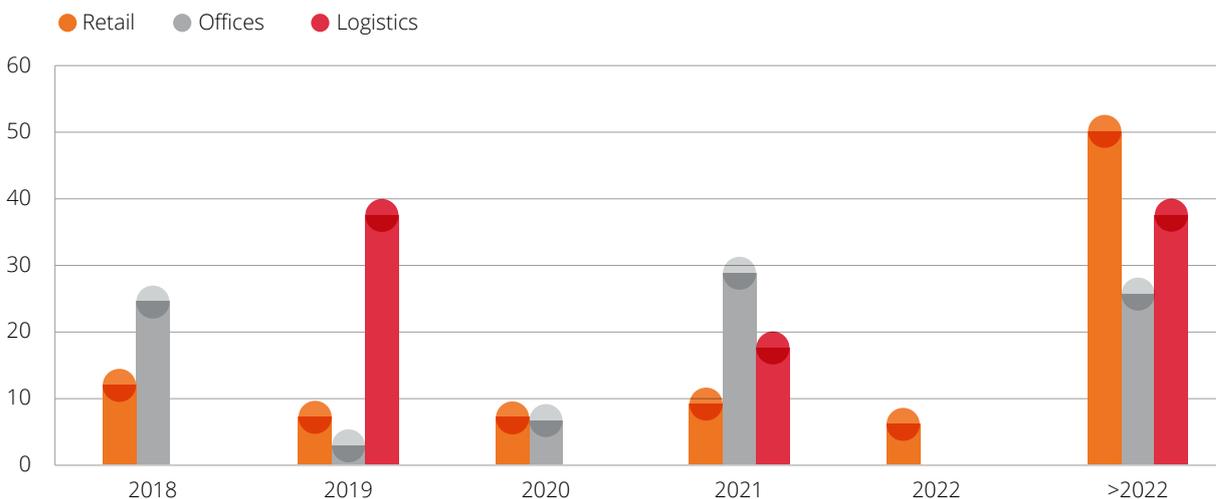


### d) Lease Expiry and WAULT

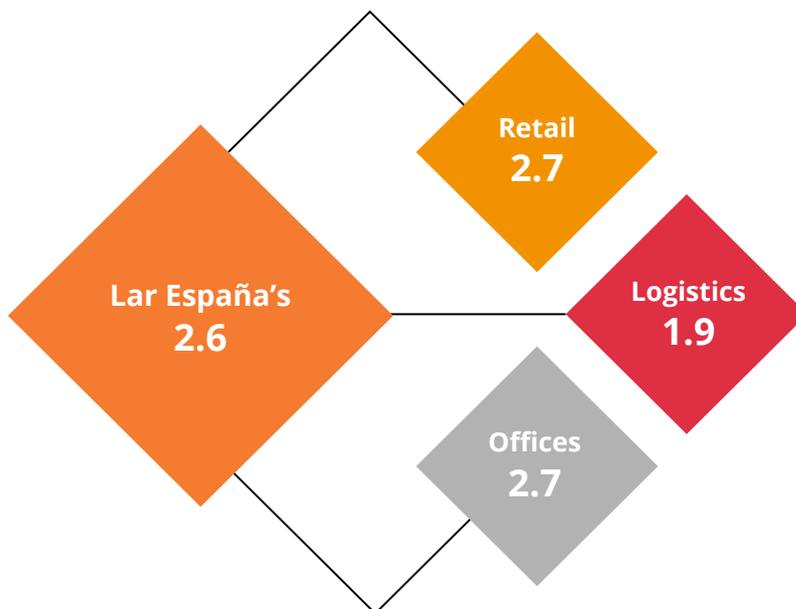
We continue to actively manage our portfolio, allowing us to achieve a **solid and diversified tenant base**.

Leases with our main tenants have been renewed and extended, thereby achieving sizeable minimum guaranteed rent levels.

#### Lease expiry scheduled (%)



Thus, the **WAULT** (\*) (weighted average unexpired lease term) at 31 of December 2017 of Lar España's portfolio is **2.6 years**. Below you will find the detail by asset class:

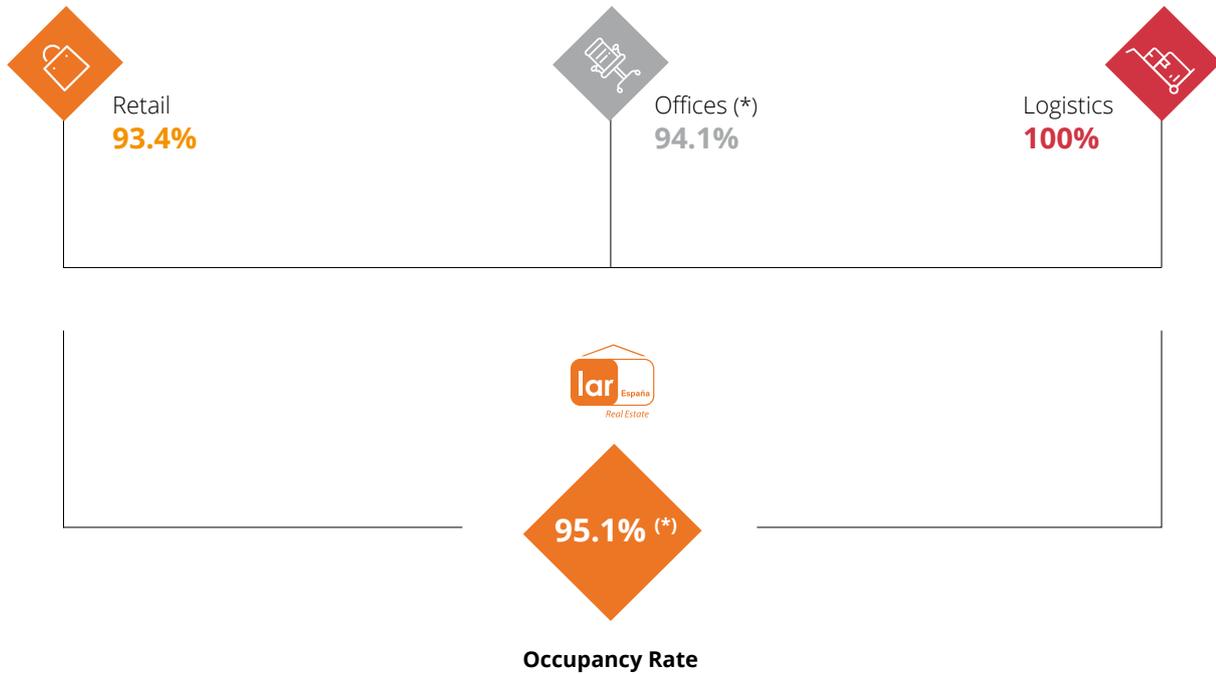


(\*) Calculated as the number of years from the current date to the first break option, weighted by the gross rent for each lease. The WAULT of each asset is detailed in section 1.3 "Portfolio at 31 December 2017".

**e) Q4 2017 Occupancy (sqm)**

The gross leasable area (GLA) of Lar España’s income producing assets at 31 of December 2017 stood at 643,927 sqm, whilst the **occupancy rate** stood at **95.1%<sup>(\*)</sup>**.

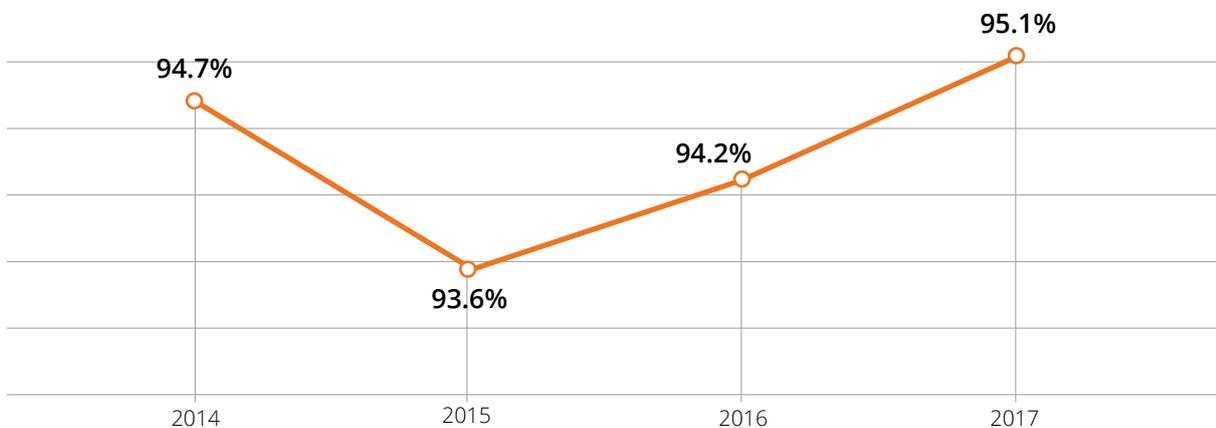
The occupancy rate by asset class is shown below:



(\*) Marcelo Spínola's project has not been included in the calculation, in commercialization after a full refurbishment. Neither Eloy Gonzalo, currently being refurbished, is included.

Below is shown the **occupancy rate evolution** of Lar España ´s portfolio since 2014:

**Occupancy rate (sqm)**



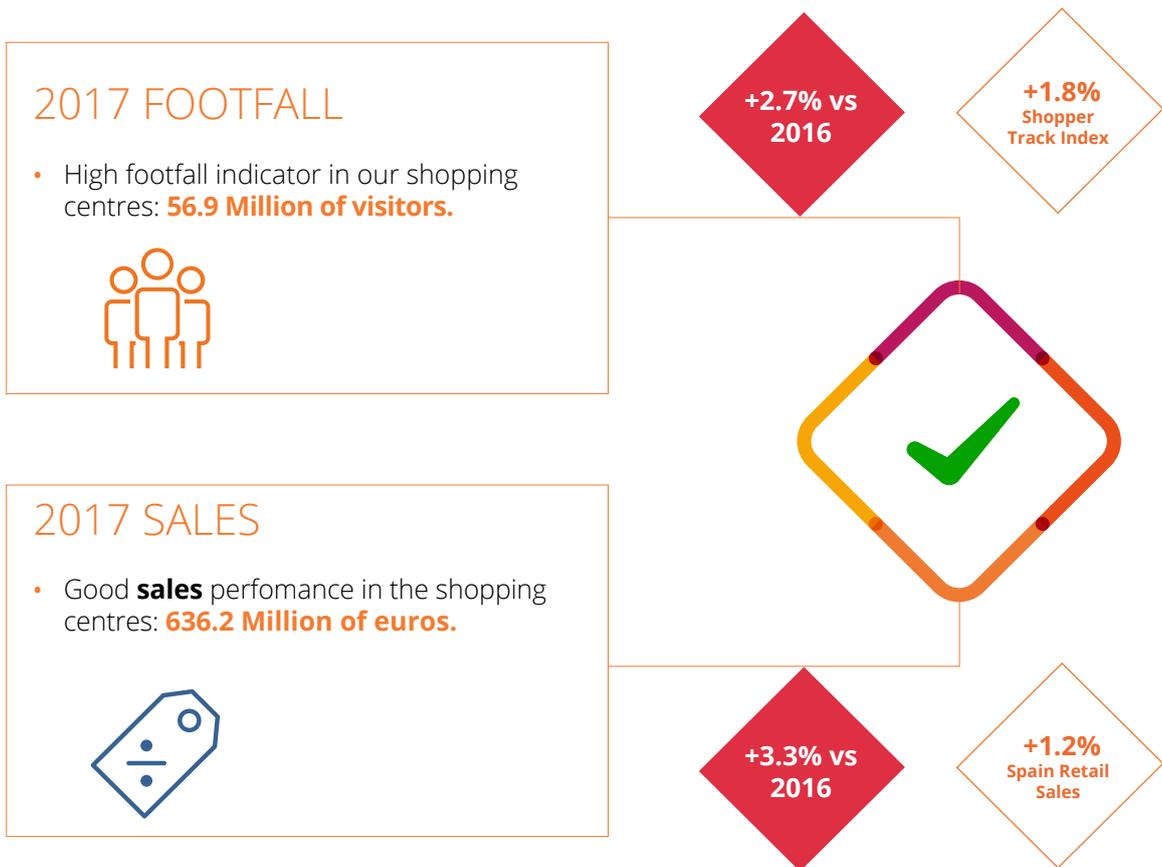
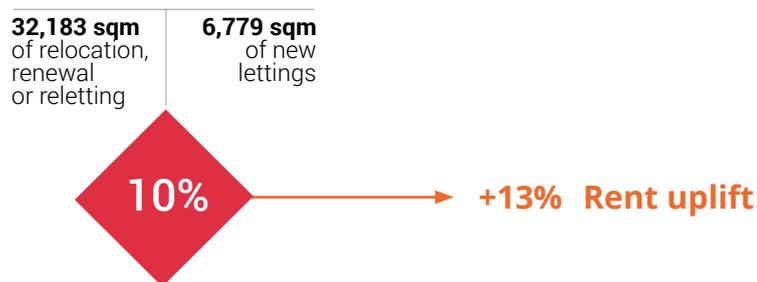
## f) Main Events

### Retail:

During 2017 Lar España continued to actively manage its retail portfolio.

It closed **128 transactions** including renewals, relocations, relettings and new lettings, resulting in an annualised tenant rotation rate of 10% for the portfolio.

#### • Tenant Rotation Rate



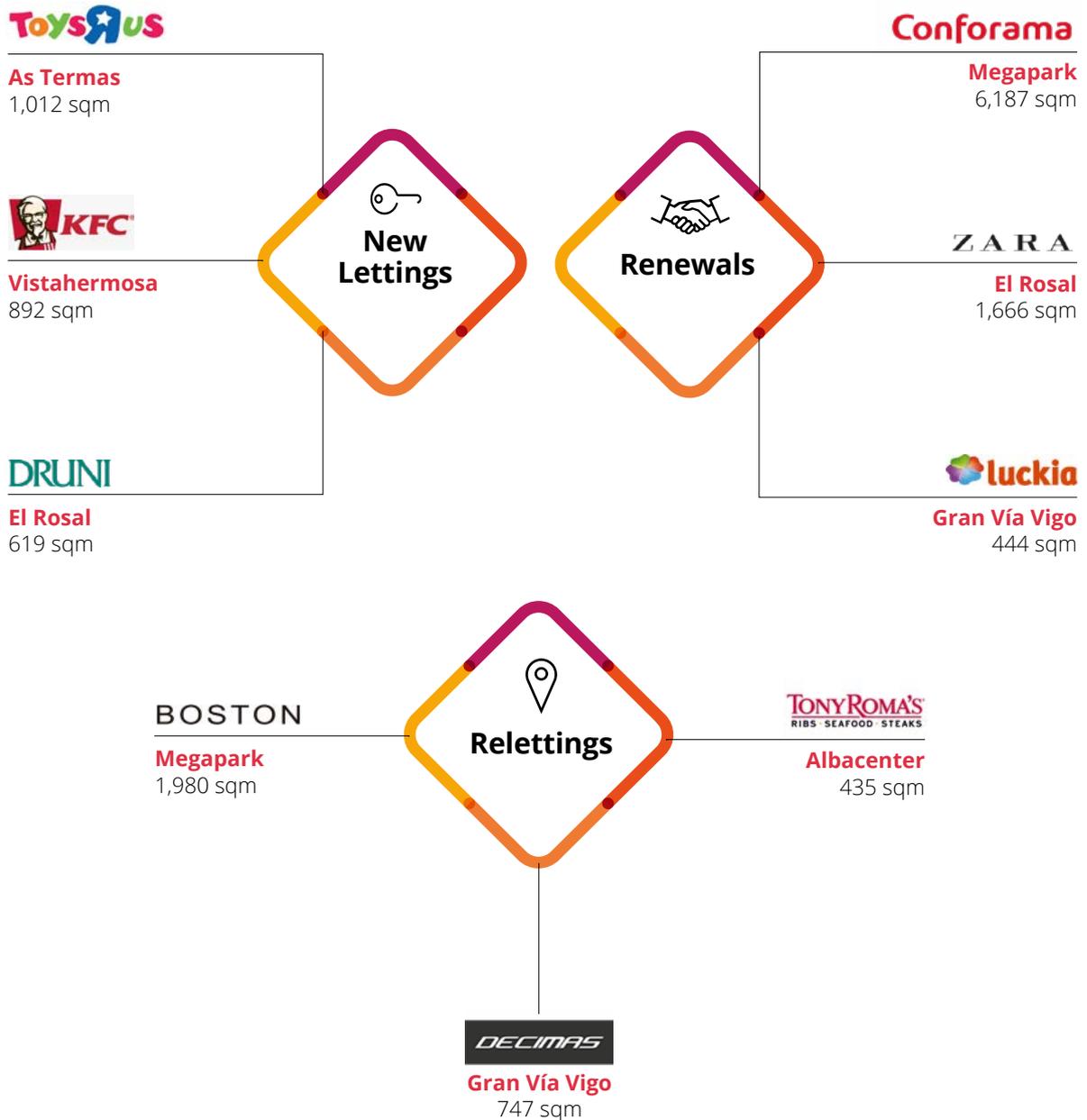


Las Huertas Shopping Centre (Palencia)



Almussafes Logistics Warehouse (Valencia)

Some of the **main deals** during the fourth quarter of 2017 are detailed below:



The rate of pre-lets for retail projects under development remains upbeat. In 2017, **eight lease agreements** have been signed for **Vidanova Parc** and **twenty-nine lettings** have been signed for the **Palmas Altas** shopping centre, equating to a total of over 36,612 sqm.



## Innovation and digitalisation

During the last quarter of the year, Lar España continued to pursue its commitment to **innovation and the development of new technologies** that drive value creation and **improve the management of the company's assets**. The company has also organised events aimed at our main stakeholders, along with projects designed to improve **user experience** at our shopping centres.

### Mapic - Leasing Tool

To mark the holding of the international retail property market trade fair, **MAPIC 2017**, and as part of the **innovation and digitalisation** process to which Lar España is committed, a new **digital tool** has been developed which will serve to support and assist the teams responsible for **leasing the assets**. This tool offers an easy way of showing **relevant information on our assets** (letting dossier, refurbishment dossier, plans, etc.) and consulting all the documents in digital format and in real time from any mobile device or PC.

## Retail Thinking Journey

October 2017 saw completion of the **in-house training programme**, which was curated specifically for Lar España by Professor Pablo Foncillas to ensure the continuous professional development of Shopping Centre Directors and Management teams. The main aim of these training seminars was to **develop and acquire new digital ideas and skills** that will allow us to better understand the **transformation process** that **shopping centres** are currently undergoing.

As a result of this programme we were able to gain a better and more in-depth understanding of the digital phenomenon and the nature of today's **digital consumers**.

Participants designed specific actions to achieve an **efficient omnichannel transformation** and came up with ideas for "the Lar shopping centre of 2020".

To mark the end of the programme, all the participants made a **presentation of the projects and ideas** that they had been working on throughout the programme, with the end goal of implementing them in the shopping centre portfolio.



◇ Albacenter Shopping Centre (Albacete)

## Analyst Day

On 1 December, Lar España held its first **Analyst Day** in Madrid. The day was organised by **Lar España's Investor Relations** department, and it allowed Lar España to share its **value creation strategy** with those attending, as well as signalling the company's ambition to become a leader and **benchmark in the shopping centre sector**. Members of the Senior Management team also set out the company's **2018-2021 strategic plan**.

The day was a resounding success in terms of attendance numbers of analysts working with the company both in Spain and internationally, and it clearly demonstrated the need to hold regular investor and analyst events.



## Offices



## Egeo

- **Rental** of 340.50 sqm of offices to **Ineco**
- Rental of a block of 15 **parking spaces**
- Completion of the full renovation of the **fire detection system at the building**
- **Weatherproofing of the plant rooms** on the roof of the building
- As of the date of this report, the asset has been sold to Inmobiliaria Colonial at a price of **79,300 thousand Euros (4,344 €/sqm)**
- The sale price represents **value uplift of 22.2%** on the acquisition price

## Cardenal Marcelo Spínola

- **Rental of 330 sqm** of offices to the licensee, which designs, produces and markets paddle tennis sports equipment worldwide under the **Adidas** brand, until 2022
- **Rental of 660 sqm** of offices to **BMIND** until 2022
- Both lettings were closed at a **good rental level** and represented a boost for **increased letting activity** (more than 30 visits over the last quarter).

## Eloy Gonzalo

- Completion of Phase 1, development of Phase 2 and **start of Phase 3 of the refurbishment works**
- Negotiations are currently at an advanced stage for the **lease** of the entire **area being refurbished**

## Joan Miró

- Initiation of the analysis, contracting and management process for the **property's refurbishment**
- Announcement of a process for the tendering of ideas, with the aim of selecting the most suitable firm of architects for this refurbishment

## Logistics



### Alovera II

- **Completion of a large percentage of the works** undertaken in the agreement for the novation of the contract with Carrefour

### Almussafes

- Start of **roof refurbishment** works

## Residential



- **Lagasca 99 building works** progressing on schedule
- Strong interest from national and international **investors**
- **Pre-sales** at 31 December 2017 stood at **78.60%**

Development projects

# PALMAS ALTAS

## RETAIL DEVELOPMENT

### Your retail and family space in Sevilla



- ✓ Excellent location, 4 km from Sevilla's city centre
- ✓ Acquisition price: €40.5 million <sup>(1)</sup>
- ✓ Market value (\*): €71.5 million
- ✓ Purchase date: Q1 2016
- ✓ Estimated opening: H1 2019
- ✓ 100,000 sqm of retail and family leisure space
- ✓ Round to 59% of GLA signed or with binding contract with leading retailers
- ✓ In the process of gaining certification **BREEAM ES**
- ✓ Large catchment area: 1.5 million people
- ✓ Some of our main tenants:
  - 
  - 
  - 
  - 
  -
- ✓ Forecast annual revenue of €14 million

(1) Includes a potential extra building rights.

# VIDANOVA PARC

## RETAIL DEVELOPMENT

### A family retail and leisure park bringing the region alive



- ✓ Urban retail and leisure park located in an important tourist area, Sagunto (Valencia)
- ✓ Acquisition price: €14 million
- ✓ Market value (\*): €24.8 million
- ✓ Purchase date: Q3 2015
- ✓ Estimated opening: Q3 2018
- ✓ 44,252 sqm GLA
- ✓ 95% of GLA signed and committed with leading retailers
- ✓ Catchment area of 250,000 people
- ✓ Some of our main tenants:
  - 
  - 
  - 
  - 
  - 
  -
- ✓ Forecast annual revenue of €4 million

(\*) The valuations have been made at 31 December 2017 by external independent valuers: JLL or C&W.

# LAGASCA99

## RESIDENTIAL DEVELOPMENT

*Unique, Outstanding, Exclusive*



- ✓ Urban plot of land under construction in the very heart of the Salamanca Neighbourhood, one of Madrid's most exclusive areas and set to become a landmark property in the luxury residential sector.
- ✓ Plot with 4 façades that will feature 42 apartments with an average floor area of 400-450 sqm
- ✓ Project carried out by the world renowned Rafael de la Hoz architectural studio
- ✓ The property will include a full range of facilities: indoor and outdoor swimming pool, spa, gym and communal rooms
- ✓ In the process of gaining certification **BREEAM<sup>ES</sup>**
- ✓ Acquisition price: €50.1 M (\*\*)
- ✓ Market value (\*): €83.3 M (\*\*)
- ✓ Acquisition date: Q1 2015
- ✓ Construction works start date: Q1 2016
- ✓ Estimated delivery date: 2018
- ✓ Comprises more than 26,000 sqm (B/G & A/G)
- ✓ As at 31 December 2017 78.6% of apartments pre-sold

(\*) The valuations have been made at 31 December 2017 by external independent valuers: JLL or C&W.

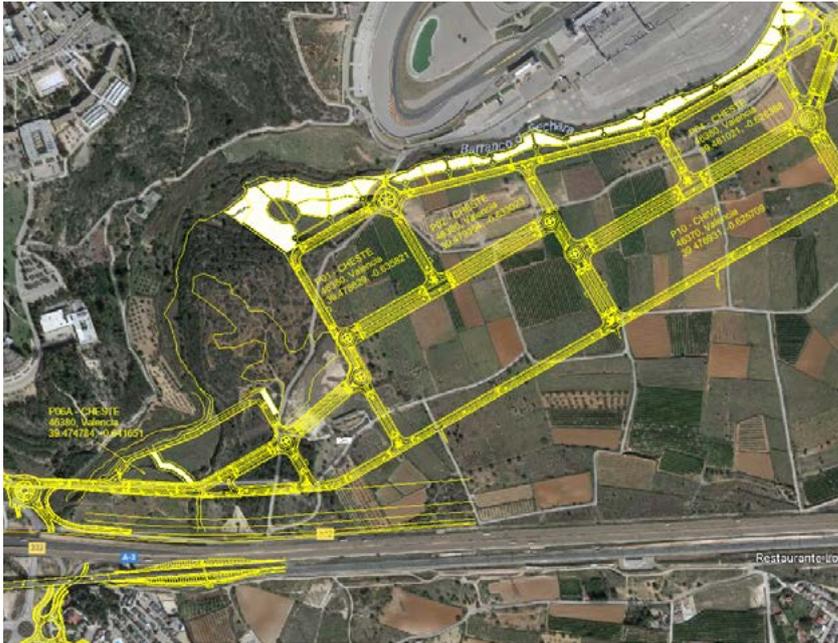
(\*\*) Corresponds to the 50% of the Joint Venture with PIMCO

◆ Lagasca 99 (Madrid) penthouse



# CHESTE

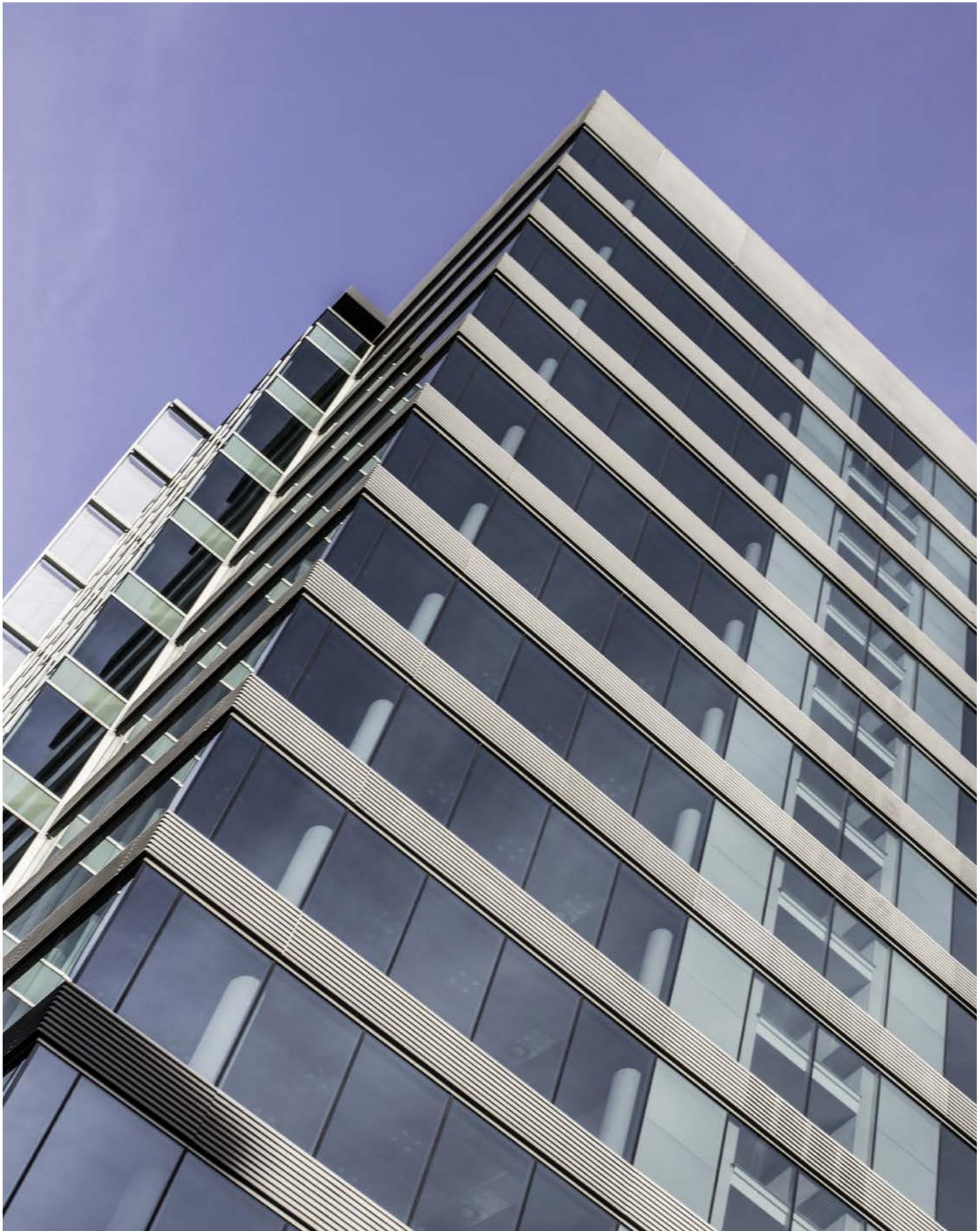
## LOGISTICS DEVELOPMENT



- ✓ Prime and strategic location along the main logistics axis of Valencia, a key location for international trade within the Mediterranean Corridor
- ✓ Valencia: 3rd largest logistics city in Spain with vacancy rate at record lows (6.1%). Currently, there is no logistics warehouses bigger than 5,000 sqm in the area
- ✓ Acquisition price: €2.2 M
- ✓ Market value (\*): €5.2 M
- ✓ Excellent opportunity with a price lower than market
- ✓ Purchase date: H1 2017
- ✓ Urbanization works start date: Q1 2018
- ✓ First logistics warehouses delivery date: Q4 2019
- ✓ Total cost of land (Land cost + urbanization): €16.5 million (84.6 €/sqm)
- ✓ GLA: 112,813 sqm

(\*) The valuations have been made at 31 December 2017 by external independent valuers: JLL or C&W.





◇ Marcelo Spínola Office Building  
(Madrid)

## Sustainability

Throughout 2017, Lar España has made great progress in the commitments established in its **Corporate Social Responsibility (CSR)** policies, particularly in the field of sustainability. Lar España is committed to using **classification and certification** tools in its properties, to ensure the highest standards of sustainability.

This year, we have achieved the following certifications:

### OFFICE BUILDINGS

- ✓ Eloy Gonzalo office building: Refurbishment project certified with **BREEAM® New-Build, "Very Good" rating** (\*)
- ✓ Marcelo Spínola office building: certified with **BREEAM® New-Build, "Very Good" rating**
- ✓ Egeo office building: Obtaining **"Good" BREEAM® In-Use certification**

(\*) Provisional until completion of the building works

### SHOPPING CENTRES

- ✓ As Termas shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**
- ✓ Albacenter shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**
- ✓ Megapark shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**
- ✓ Anec Blau shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**
- ✓ Gran Vía de Vigo shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**

- ✓ Vistahermosa shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**
- ✓ El Rosal shopping centre: Obtaining **"Very Good" BREEAM® In-Use certification**

In Portal de la Marina, Txingudi and Las Huertas all the measures required to obtain the certification over the coming months are already being implemented (under the supervision of a specialist engineer).

In both our shopping centre (**Palmas Altas and Vidanova Parc**) and residential (**Lagasca99**) development projects, we are applying all our expert knowledge and the latest technology to develop sustainable buildings that respect the environment and the people using and occupying them. These projects are also being designed and developed in line with the specifications required to obtain the prestigious BREEAM® quality and sustainability certification.

In September 2017, Lar España achieved an **EPRA Award for Sustainability (Silver)** for the first time in recognition of the work and the improvements made during the past year in terms of the information published concerning **Corporate Social Responsibility**. The company also received the **EPRA 'Most Improved Award' for Sustainability**.



## Accessibility

Lar España is also working to achieve and maintain **high accessibility standards** that will allow everyone to be able to access its properties correctly and comfortably, taking into account existing problems.

Lar España aims to gain **ISO 21542 certification** (Accessibility of the Built Environment), and comply with the **UNE-EN 17000 standard for Universal Accessibility**, thereby demonstrating its commitment to promoting social integration.

In order to achieve this objective, the conditions of the assets were analysed via **accessibility audits**, to establish priorities and determine what actions were required for each building.

These accessibility audits had been carried out on eleven of the company's **retail properties**. In addition, the recommendations issued throughout 2017 regarding measures to be put in place immediately are also being implemented, whilst the company plans to implement the remaining re-

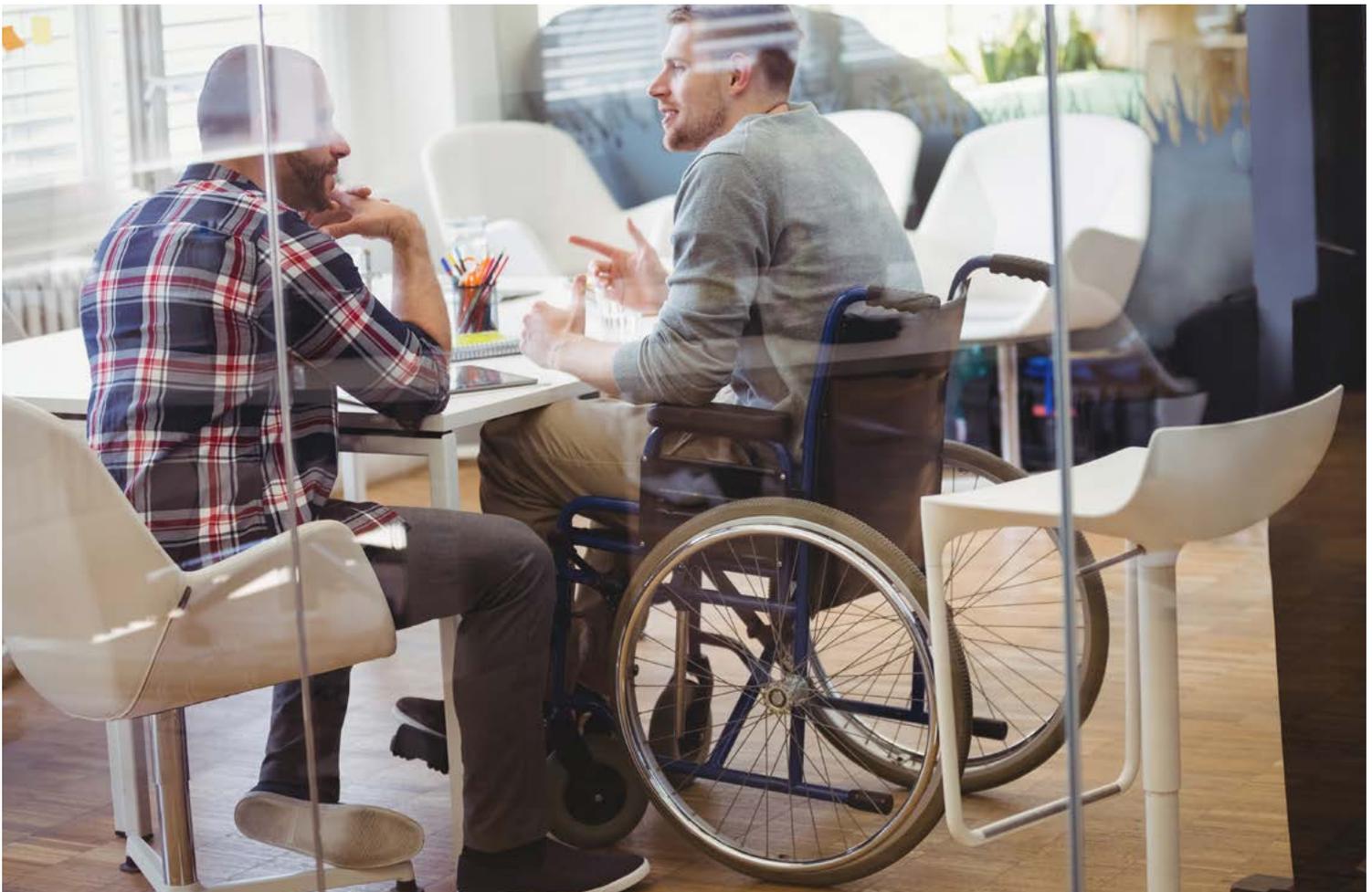
commendations over the coming months, as well as carry out accessibility audits in its recently acquired shopping centres.

An accessibility audit has been completed in all its **office buildings**.

The main achievements in 2017 are as follows:

- ✓ Eloy Gonzalo office building: Refurbishment project certified with the **AENOR Universal Accessibility certification** (\*)
- ✓ Lar España received recognition from **ILU-NION Technology and Accessibility** in October 2017 for its **initiatives and projects aimed at improving universal accessibility** and for its focus on people with disabilities.

(\*) Provisional until completion of the building works



2



# CONSOLIDATED FINANCIAL STATEMENTS

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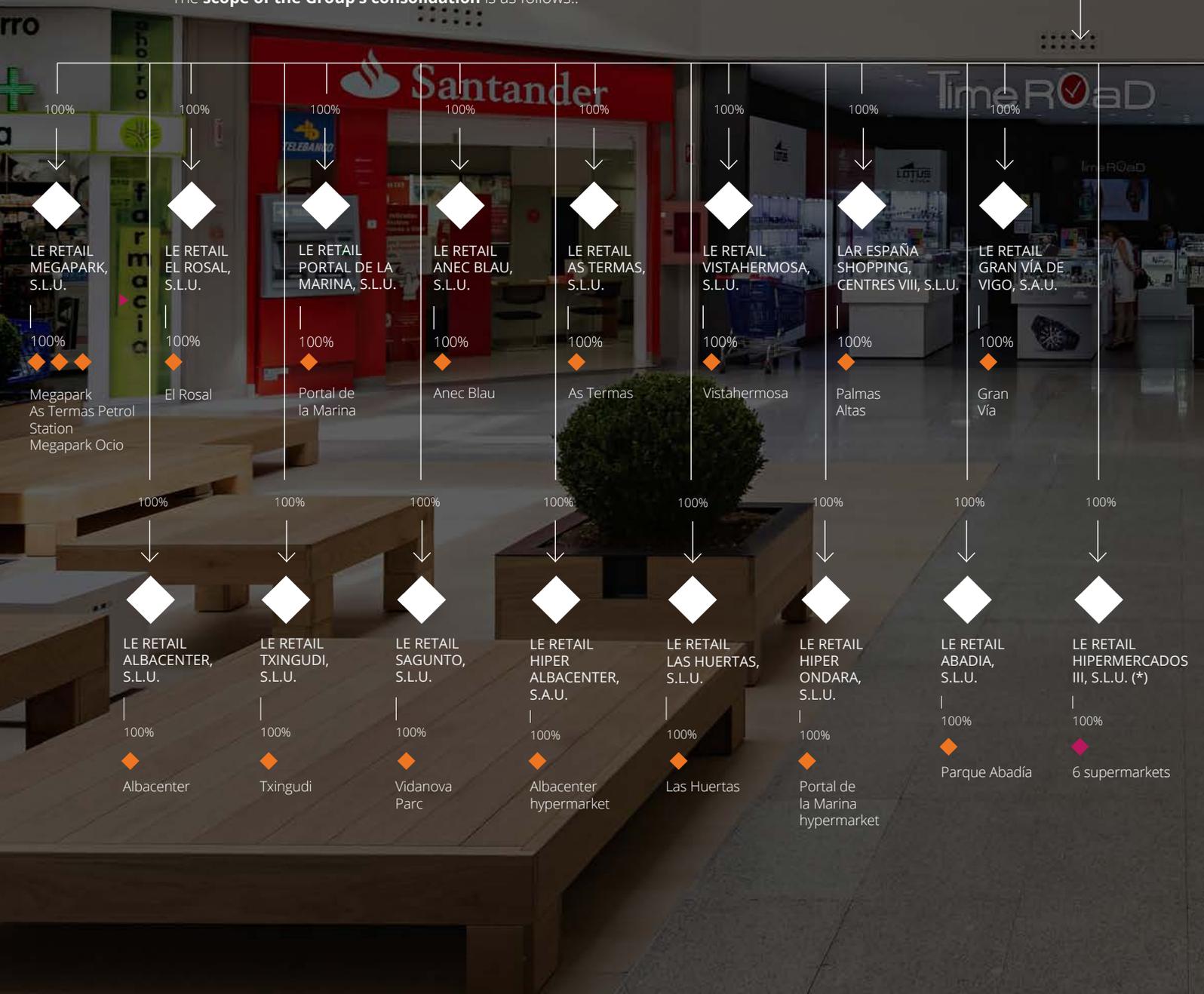
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## 2.1 Company Chart 31.12.2017

At 31 December 2017, the consolidated financial statements of the Group were presented in accordance with the accounting principles established in the International Financial Reporting Standards adopted by the European Parliament (EU-IFRS) up until this date.



The scope of the Group's consolidation is as follows::



(\*) Previously named NPS EUROPEAN PROPERTY (RETAIL) III, S.L.U.

For comparative purposes, the balances of the Consolidated Comprehensive Income Statement are shown together with those for the same period the year before, whilst for the Consolidated Statement of Financial Position they are shown together with those corresponding to 31 December 2016.



(\*\*) Previously named NPS EUROPEAN PROPERTY (RETAIL) I, S.L.U.

(\*\*\*) Previously named NPS EUROPEAN PROPERTY (RETAIL) II, S.L.U.

## 2.2 Consolidated Statement of Comprehensive Income

(Thousands of Euros)	2017	2016
Revenues	77,600	60,234
Other income	2,198	1,792
Personnel expenses	(542)	(446)
Amortisation expenses	(15)	-
Other expenses	(35,847)	(46,401)
Other results	653	2,914
Changes in the fair value of investment properties	101,558	87,815
Results of disposals of investments properties	2,842	-
<b>RESULTS FROM OPERATIONS</b>	<b>148,447</b>	<b>105,908</b>
Financial income	3,559	4,009
Financial expenses	(14,281)	(17,746)
Impairment and results of disposal of financial instruments	-	13
Share in profit (loss) for the period of equity-accounted companies	(2,119)	(754)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>135,606</b>	<b>91,430</b>
Income tax	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>135,606</b>	<b>91,430</b>

### Result from operating activities

At 31 December 2017, the Group presented a positive **result for its operations amounting to 148,447 thousand Euros** (revenue of 105,908 thousand Euros at 31 December 2016).

#### Revenues

**Revenue** during 2017 amounted to **77,600 thousand Euros** (revenue of 60,234 thousand Euros during the year 2016), 85% of which was rental income from shopping centres (79% during the year 2016).

#### Other expenses

At 31 December 2017, the Group incurred **other expenses** amounting to **35,847 thousand Euros**, mainly related to:

- Recurrent services that are directly linked to the everyday management of the assets (supplies, IBI -property tax-, etc.) in the amount of 11,343 thousand Euros.
- Management fees (base and performance fee) for management services provided to the Company by Grupo Lar Inversiones Inmobiliarias ("Grupo Lar") (19,023 thousand Euros, 9,023 thousands Euros fixed and 10,000 thousand Euros variable). See section 2.5 "Grupo Lar fees as Lar España's Manager in 2017".

### Other results

At 31 December 2017, other results include the revenue for the amount of 653 thousand Euros derived from the buyout of 100% of the subsidiaries LE Retail Hipermercados I, S.L.U. (previously named NPS European Porperty (Retail) I, S.L.U.), LE Retail Hipermercados II, S.L.U. (previously named NPS European Property (Retail) II, S.L.U.), and LE Retail Hipermercados III, S.L.U. (previously named NPS European Property (Retail) III, S.L.U.). This amount is derived from the **difference between the amount paid and the fair value of the assets acquired and liabilities assumed**. These acquisitions took place on 27 March 2017 (see notice of material fact 3), whose calculations made in the business combinations are provisional and are subject to adjustments up to one year following the date of the acquisition.

#### Change in the fair value of investment properties

The amount in this entry, **101,558 thousand Euros**, is made up of the difference in the fair value of investment properties following the latest valuations conducted by independent experts (C&W and JLL) at 31 December 2017.

#### Gain/(loss) on disposal of investment property

At 31 December 2017, this comprises the gain of **EUR 2,842 thousand on the sale of Arturo Soria** (see significant event 15).

## Net Financial Result

The **financial result** was a negative balance of 10,722 thousand Euros at 31 December 2017 (negative balance of 13,737 thousand Euros at 31 December 2016).

**Financial income** amounting to 3,559 thousand Euros during 2017 mainly comprises the interest accrued on credits granted to equity-accounted companies, while **financial expenses** amounting to 14,281 thousand Euros mainly comprises the interest accrued on loans taken out by the Group

with financial institutions and the bonds issued by the Group in February 2015.

At 31 December 2016, due to the control gained over the subsidiary company LE Retail Portal de la Marina, S.L., and consequently the valuation at fair value of the 58.78% shareholding that the Group held, a negative adjustment amounting to 4,105 thousand Euros was recognised, which is the difference between said fair value and the current carrying amount.

## Consolidated Statement of Comprehensive Income by business line

The income and expenses recorded by the Group at 31 December 2017 broken down by business line are as follows:

(Thousands of Euros)	Retail	Offices	Logistics	Residential	LRE*	Total
Revenues	65,865	6,137	5,598	-	-	<b>77,600</b>
Other income	2,030	97	70	-	1	<b>2,198</b>
Personnel expenses	(257)	(36)	(20)	-	(229)	<b>(542)</b>
Amortisation expenses	(15)	-	-	-	-	<b>(15)</b>
Other expenses	(26,463)	(4,080)	(1,819)	-	(3,485)	<b>(35,847)</b>
Other results	653	-	-	-	-	<b>653</b>
Changes in the fair value of investment properties	72,422	16,334	12,802	-	-	<b>101,558</b>
Results of disposals of investment properties	-	2,842	-	-	-	<b>2,842</b>
<b>RESULTS FROM OPERATIONS</b>	<b>114,235</b>	<b>21,294</b>	<b>16,631</b>	<b>-</b>	<b>(3,713)</b>	<b>148,447</b>
Net financial result	(9,840)	(1,895)	(828)	2,072	(231)	<b>(10,722)</b>
Share in profit (loss) for the period of equity-accounted companies	-	-	-	(2,119)	-	<b>(2,119)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>104,395</b>	<b>19,399</b>	<b>15,803</b>	<b>(47)</b>	<b>(3,944)</b>	<b>135,606</b>

(\*) The amounts included in LRE column are corporate expenses not re-invoiced to the business lines.

At 31 December 2017 shopping centres presented an operating profit of 114,235 thousand Euros; offices an operating profit of 21,294 thousand Euros;

and the logistics warehouses an operating profit of 16,631 thousand Euros.

## 2.3 Consolidated Statement of Financial Position

<b>ASSETS</b> (Thousands of Euros)	<b>31/12/2017</b>	<b>31/12/2016</b>
Intangible assets	8,673	2
Investment properties	1,306,350	1,191,089
Financial assets with associates	2,161	2,270
Equity-accounted investees	5,526	7,645
Non-current financial assets	11,928	11,205
<b>NON-CURRENT ASSETS</b>	<b>1,334,638</b>	<b>1,212,211</b>
Non current assets held for sale	124,295	-
Trade and other receivables	14,413	18,067
Financial assets with associates	27,718	45,288
Other current financial assets	7,118	5,393
Other current assets	553	617
Cash and cash equivalents	45,617	31,591
<b>CURRENT ASSETS</b>	<b>219,714</b>	<b>100,956</b>
<b>TOTAL ASSETS</b>	<b>1,554,352</b>	<b>1,313,167</b>
<b>EQUITY AND LIABILITIES</b> (Thousands of Euros)	<b>31/12/2017</b>	<b>31/12/2016</b>
Share capital	185,248	181,081
Share premium	487,349	498,914
Other reserves	111,854	42,898
Retained earnings	135,606	91,430
Treasury shares	(175)	(823)
Valuation adjustments	(1,663)	(1,365)
<b>EQUITY</b>	<b>918,219</b>	<b>812,135</b>
Financial liabilities from issue of bonds and other marketable securities	138,787	138,506
Loans and borrowings	361,165	301,738
Deferred tax liabilities	14,613	8,536
Derivatives	831	1,890
Other non-current liabilities	16,221	14,918
<b>NON-CURRENT LIABILITIES</b>	<b>531,617</b>	<b>465,588</b>
Liabilities related to assets held for sale	47,618	-
Financial liabilities from issue of bonds and other marketable securities	3,482	3,482
Loans and borrowings	5,580	7,877
Liabilities with associates	7,505	-
Derivatives	1,267	1,384
Trade and other payables	147	193
Other financial liabilities	38,917	22,508
<b>CURRENT LIABILITIES</b>	<b>104,516</b>	<b>35,444</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,554,352</b>	<b>1,313,167</b>

## Non-current assets

### Investment properties

At 31 December 2017, **investments properties** are classified under non-current assets, at a fair value of **1,306,350 thousand Euros** (1,191,089 thousand Euros at 31 December 2016), except for the investment property comprising the Egeo office building of **76,674 thousand Euros**, and the retail warehouses **Parque Galaria, Nuevo Alisal and Villaverde of 10,700 thousand Euros, 19,313 thousand Euros and 11,343 thousand Euros**, respectively, which are classified under “Non-current assets held for sale” (see assets and liabilities held for sale).

The Group’s investment properties, including the Egeo office building and Parque Galaria, Villaverde and Nuevo Alisal retail warehouses, consist of thirteen shopping centres, twenty-two retail units, three retail warehouses, four office buildings and six logistics warehouses. Of particular significance is the investment in shopping centres and offices amounting to 1,253,720 thousand Euros (1,069,312 thousand Euros at 31 December 2016), with revenue from leases representing 93% of the Group’s total revenues during the 2017 (91% of the Group’s revenues at 31 December 2016).

During the year 2017, the Group purchased the shopping center Parque Abadía and twenty-two retail units (see relevant fact 3), whose fair values at 31 December 2017 amount to 65,040 thousands Euros and 52,533 thousands Euros, respectively.

During the year 2017, the Group also sold the Arturo Soria office building, the fair value of which at the transaction date was EUR 29,664 thousand (see significant event 15).

### NET INVESTMENT

(Thousands of Euros)	31/12/2017	31/12/2016
Shopping Centres (*)	1,091,596	898,302
Offices (**)	162,124	171,010
Logistics	86,680	76,475
Development (***)	83,980	45,302
<b>Investment properties</b>	<b>1,424,380</b>	<b>1,191,089</b>

(\*) This amount includes Parque Galaria, Nuevo Alisal and Villaverde investments for a total amount of 41,356 thousand Euros, which has been reclassified to “Non current assets held for sale”.

(\*\*) This amount includes Egeo investment for a total amount of 76,674 thousand Euros, which has been reclassified to “Non current assets held for sale”.

(\*\*\*) As at 30 December 2017 the amount included under “Other” mainly corresponds to the fair value of the plots of land acquired in relation to Vidanova Parc (Valencia), Palmas Altas (Sevilla) and Cheste (Valencia) projects.

#### Net investment by asset class (%)



The **GLA**, the **fair value** and the **initial yield** per asset is as follows:

Assets	Total Gross Leasable Area (GLA)(sqm)	Fair Value (thousands of euros)	Net Initial Yield (NIY) (*)
Megapark	63,576	203,000	5.05%-7.50%
Gran Vía	41,426	163,000	
Portal de la Marina + Hypermarket	40,158	119,800	
El Rosal	51,022	108,950	
Anec Blau	28,609	95,380	
As Termas + Petrol Station	35,127	84,225	
Parque Abadía	37,009	65,040	
Albacenter + Hypermarket	27,890	56,322	
Supermarket Portfolio	28,822	52,533	
Vistahermosa	33,550	50,390	
Txingudi	10,712	39,000	
Nuevo Alisal	7,649	19,313	
Las Huertas	6,267	12,600	
Villaverde	4,391	11,343	
Parque Galaria	4,108	10,700	
<b>TOTAL SHOPPING CENTRES AND RETAIL WAREHOUSES</b>	<b>420,316</b>	<b>1,091,596</b>	
Egeo	18,254	76,674	0.91%-4.43%
Marcelo Spínola	8,875	37,500	
Joan Miró	8,607	21,450	
Eloy Gonzalo	6,231	26,500	
<b>TOTAL OFFICES</b>	<b>41,967</b>	<b>162,124</b>	
Alovera II	83,952	43,680	6.49%-7.63%
Alovera I	35,196	18,800	
Almussafes	19,211	10,300	
Alovera IV (C5-C6)	14,891	9,600	
Alovera III (C2)	8,591	4,300	
<b>TOTAL LOGISTICS</b>	<b>161,841</b>	<b>86,680</b>	
Vidanova Parc	44,252	24,780	N/A
Palmas Altas	(**)	54,000	
Cheste	112,813	5,200	
<b>TOTAL OTHERS</b>	<b>157,065</b>	<b>83,980</b>	
<b>TOTAL LAR ESPAÑA</b>	<b>781,189</b>	<b>1,424,380</b>	

(\*) Yields provided in the valuations reports made by JLL and C&W at 31 December 2017.

(\*\*) 100,000 sqm of retail and family leisure space.

## Intangible assets

At 31 December 2017, the amount mainly corresponds to the acquisition of the **right of use** that allow the operation of **33 units** intended to be used as recreational and leisure facilities, located in the retail complex **Megapark Barakaldo** (Vizcaya). (See significant event 17)

## Financial assets with associates

The amount recognised under this item at 31 December 2017 and 31 December 2016 reflects loans extended to Inmobiliaria Juan Bravo 3, S.L.

## Equity-accounted investees

At 31 December 2017 and 31 December 2016, the amount reflects investments held by the Group that are accounted for using the equity method: Inmobiliaria Juan Bravo 3, S.L.

## Non-current financial assets

At 31 December 2017 and 31 December 2016, the Group has recognised as non-current financial assets mainly security deposits received from tenants, which the Group has deposited with the corresponding public bodies.

## Current assets

### Assets and liabilities held for sale

At 31 December 2017, this heading comprises the assets and liabilities of the companies **LE Offices Egeo, S.A.U., LE Retail Villaverde, S.A.U., LE Retail Galaria, S.A.U. y LE Retail Alisal, S.A.U.**, which have been classified as held for sale following IFRS 5<sup>(\*)</sup>.

(\*) IFRS (International Financial Reporting Standards).

## Non current assets held for sale

Thousands of euros	31/12/2017
Investment properties	118,030
Non-current financial assets	841
Other current assets	-
Trade and other receivables	1,959
Cash and cash equivalents	3,465
<b>Non current assets held for sale</b>	<b>124,295</b>

## Liabilities related to assets held

Thousands of euros	31/12/2017
Loans and borrowings	45,809
Other non-current liabilities	1,020
Loans and borrowings - Current	173
Trade and other payables	616
<b>Liabilities related o assets held for sale</b>	<b>47,618</b>

## Trade and other receivables

As of 31 December 2017, this heading principally reflects other public administration credits in the amount of 6,833 thousand Euros.

## Financial assets with associates

At 31 December 2017 and 31 December 2016, the amount of this item mainly reflects the loan and current accounts with the associate Inmobiliaria Juan Bravo 3, S.L.

## Net Equity

At 30 September 2017, **the Company's share capital consisted of 92,624,097 registered shares** represented by book entries with a par value of 2 Euros each, fully subscribed and paid up, giving their holders equal rights.

- The Company was incorporated with a capital of 60 thousand Euros, which corresponded to 30,000 shares with a par value of 2 Euros.
- On 5 February 2014, it was decided to increase the share capital by 80 million Euros by issuing and putting into circulation 40 million common shares in the Company with a par value of 2 Euros each and an issue premium of 8 Euros each, to be subscribed and paid up in cash and to be offered in a subscription offer.
- In order to make the value of the subscribed shares equal to 10 Euros, the shareholders made a contribution of 240 thousand Euros, corresponding to 30,000 shares at a price of 8 Euros.
- On 6 August, the process of increasing Lar España's capital by 39,935,512 Euros was completed through the issuance and distribution of 19,967,756 new shares with a subscription price of 6.76 Euros each (with a nominal value of 2 Euros plus an issue premium of 4.76 Euros per share).
- On 21 April 2016 it was agreed that 4,499 thousand Euros should be distributed as dividend for the fiscal year, at 0.075 gross Euros per share; and that 7,538 thousand Euros should be distributed, at 0.125 gross Euros per share, charged to the share premium.
- On 29 April 2016 a capital increase was implemented for a total nominal value of 1,258,654 Euros through the issuance of 629,327 new shares with a par value of 2 Euros per share, with the sole purpose that the Performance Fee due to Grupo Lar for the services provided as exclusive manager of the Company is invested in ordinary shares in the Company. This capital increase was fully subscribed and paid by Grupo Lar. The new shares have been issued with a premium of 6.4189 Euros per share, amounting to a total premium of 4,039,590.37 Euros, pursuant to the authorisation granted to the Board of Directors by the Extraordinary General Shareholders' Meeting held on 18 December 2015 at second call.

- On 3 August 2016 the process of share capital increase for Lar España was concluded. This increased the share capital by EUR 59,826,958 through the issue and entry into circulation of 29,913,479 new shares at a subscription price of EUR 4.92 per share (with a nominal value of EUR 2 each and a premium of EUR 2.92 per share).
- On 29 May 2017, the Shareholders' General Meeting approved the distribution of a dividend of EUR 3,416 thousand, at EUR 0.038 per share charged to the results for the financial year 2016, and of EUR 26,584 thousand, at EUR 0.294 per share. (See notice 7 of material fact of 29 May 2017).
- On 29 May 2017 the Shareholders' Meeting agreed to increase the company's capital by the nominal amount of EUR 4,167 thousand through a share issue (2,083,535 ordinary shares with a nominal value of EUR 2) and an issue premium for the amount of EUR 15,001 thousand to be issued by the managing company Grupo Lar as performance fee reinvestment in compliance with the terms of the Investment Manager Agreement (IMA).

The Company has recognised share issue costs of 16,428 thousand Euros as a reduction in reserves under equity.

During the year 2017, the Company has carried out its own share sale and purchase transactions, as described below:

	Number of shares	Thousands of Euros
<b>31 December 2016</b>	<b>117,998</b>	<b>823</b>
Additions	3,993,001	31,370
Disposals	(4,091,119)	(32,018)
<b>31 December 2017</b>	<b>19,880</b>	<b>175</b>

The positive balance arising from the sale of own shares in the year 2017 amounted to 131 thousand Euros, recorded under "Other reserves".

## Financial liabilities

### Loans & Borrowings

The characteristics of the Loans & Borrowings at 31 December 2017 are as follows:

Type	Project	Entity	Interest rate <sup>(*)</sup>	Maturity date	Nominal amount (Thousands of Euros)	Current (Thousands of Euros)	Non-Current (Thousands of Euros)
Mortgage Loan <sup>(**)</sup>	Egeo	WestImmo	Eur 3M + 2%	15/12/2019	30,000	-	30,000
Mortgage Loan <sup>(**)</sup>	Nuevo Alisal	bankinter.	Eur 3M + 2.90%	16/06/2025	7,822	165	7,196
Mortgage Loan	As Termas	ING BANK	Eur 3M + 1.80%	25/06/2020	37,345	-	36,835
Mortgage Loan	El Rosal	CaixaBank	Eur 3M + 1.75%	07/07/2030	50,000	294	48,894
Mortgage Loan <sup>(**)</sup>	Villaverde	bankinter.	1.75% until 30/09/2018 (later on Eur 12 months + 1.75%)	13/10/2020	4,550	4	4,499
Mortgage Loan <sup>(**)</sup>	Parque Galaria	CaixaBank	Eur 3M + 1.75%	14/12/2029	4,200	3	4,116
Mortgage Loan	Joan Miró	BBVA	Eur 3M + 1.75%	23/12/2020	9,800	5	9,644
Mortgage Loan	Megapark	Santander NATIXIS CRÉDIT AGRICOLE	Eur 3M + 1.70%	24/02/2023	97,000	222	95,657
Mortgage Loan	Megapark Ocio	Santander NATIXIS CRÉDIT AGRICOLE	Eur 3M + 1.70%	24/02/2023	4,675	-	4,583
Mortgage Loan	Portal de la Marina	CaixaBank BBVA Sabadell	Eur 3M + 0.88%	17/05/2020	49,266	4,994	30,373
Mortgage Loan	Vistahermosa	BBVA	Eur 3M + 1.85%	02/03/2022	21,550	1	21,070
Mortgage Loan	Gran Via Vigo	ING BANK	Eur 3M + 1.75%	14/03/2022	82,400	-	80,284
Developer's Loan	Vidanova Parc	CaixaBank	Eur 3M + 2.10%	14/09/2020	24,000	-	-
Mortgage Loan	Parque Abadía	Santander	1.80%	23/05/2024	34,750	65	33,825
<b>LOANS AND BORROWINGS</b>					<b>457,358</b>	<b>5,753</b>	<b>406,976</b>

(\*) The 67% of the principal is covered by derivatives.

(\*\*) This mortgage loan is connected with the Egeo project and has been reclassified to "Liabilities associated with non-current assets held for sale".

### Financial liabilities from the issue of bonds and other securities.

Corresponds to the bonds issued by the Group amounting to 140,000 thousand Euros in 2015.

Below you will find the net **Loan To Value** calculation as at 31 December 2017:

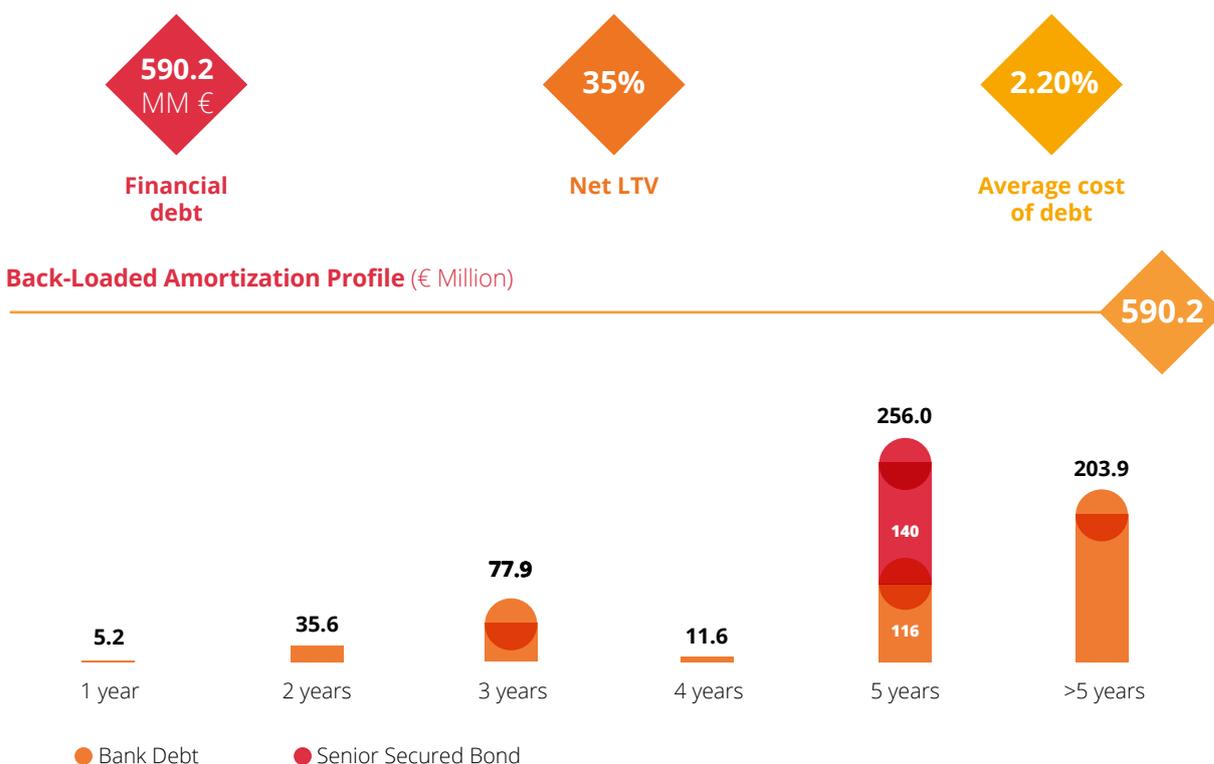
(Thousands of Euros)	31/12/2017
<b>GAV</b>	<b>1,537,576</b>
Full Consolidation Gross Debt	559,374
Equity Method Gross Debt	30,842
<b>Total gross debt</b>	<b>590,216</b>
Cash (Full Consolidation and equity method)	46,717
<b>Total net debt</b>	<b>543,499</b>
<b>Net LTV*</b>	<b>35%</b>

\* Result of Net Debt/GAV

At 31 December 2017, Lar España's financial debt stood at EUR 590.2 million, with an **average cost of 2.20%**.

The **net LTV** ratio is **35%**, complying with the objective not to exceed 50%, whilst the average **debt maturity** stood at **5.3 years**.

The main debt indicators and the amortisation schedule is detailed below:



### Deferred tax liabilities

At 31 December 2017, this heading covers the deferred tax liability derived from the business combinations carried out during the year 2017 (see notice of material fact 3), as well as the acquisition of the subsidiary LE Retail Gran Vía de Vigo, S.A.U. during the year 2016. These amounts correspond to the tax effect derived from the difference between the fair value and the fiscal value of the acquired real estate investments.

### Other non-current liabilities

Correspond to security deposits received by way of guarantee from the tenants of the company's shopping centres, offices and logistics warehouses.

### Liabilities with associates

This heading principally reflects the credit facility signed with the associate Inmobiliaria Juan Bravo 3, S.L.. At 31 December 2017, the Company used 7,500 thousand Euros of this facility.

## 2.4 Consolidated Statement of Cash Flows

(Thousands of Euros)	31/12/2017	31/12/2006
<b>A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>48,688</b>	<b>19,132</b>
<b>1. Profit/(loss) for the period before tax</b>	<b>135,606</b>	<b>91,430</b>
<b>2. Adjustments for:</b>	<b>(92,178)</b>	<b>(56,720)</b>
Amortisation of intangible assets (+)	15	-
Profit / (loss) from adjustments to fair value of investment properties	(101,558)	(87,815)
Results of disposal of investments properties	(2,842)	-
Impairment (+/-)	19	349
Financial income (-)	(2,085)	(4,009)
Financial expenses (+)	14,281	14,696
Costs corresponding to share-based payments	-	19,169
Share in profit (loss) for the period of equity-accounted companies	2,119	754
Changes in Fair value of financial instruments (+/-)	(1,474)	3,050
Adjustments to the consideration given against profit and loss from business combinations	(653)	(2,914)
<b>3. Changes in operating assets and liabilities</b>	<b>17,389</b>	<b>(5,863)</b>
Trade and other receivables (+/-)	1,776	(12,750)
Trade and other payables (+/-)	17,274	7,902
Other non-current assets and liabilities (+/-)	(1,661)	(1,015)
<b>4. Other cash flows used in operating activities</b>	<b>(12,129)</b>	<b>(9,715)</b>
Interest paid (-)	(12,129)	(9,758)
Interest received (+)	-	43
<b>B) CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(129,142)</b>	<b>(237,915)</b>
<b>1. Payments for investments (-)</b>	<b>(163,530)</b>	<b>(249,477)</b>
Net cash outflow from acquisitions of businesses	(110,218)	(152,042)
Associates	(248)	(2,000)
Intangible assets	(8,686)	(1)
Investment property	(43,934)	(93,699)
Other financial assets	(444)	(1,735)
<b>2. Proceeds from divestments (+)</b>	<b>34,388</b>	<b>11,562</b>
Group companies	14,388	-
Other financial assets	-	9,663
Associates	20,000	-
Other assets	-	361
Dividends received	-	1,538
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>97,945</b>	<b>214,819</b>
<b>1. Payments made and received for equity instruments</b>	<b>779</b>	<b>142,460</b>
Proceeds from issue of share capital (+)	-	143,038
Acquisition/disposal of treasury shares (- /+)	779	(578)
<b>2. Proceeds from and payments for financial liability instruments</b>	<b>127,145</b>	<b>84,368</b>
a) Issue of:	<b>151,875</b>	<b>85,724</b>
Bank borrowings (+)	143,375	85,724
Other financial liabilities (+)	8,500	-
b) Redemption and repayment of:	<b>(24,730)</b>	<b>(1,356)</b>
Bank borrowings (-)	(24,730)	-
Other financial liabilities (+)	-	(1,356)
<b>3. Payments for dividends and remuneration on other equity instruments</b>	<b>(29,979)</b>	<b>(12,009)</b>
Dividends (-)	(29,979)	(12,009)
<b>D) CASH AND CASH EQUIVALENTS IN NON-CURRENT ASSETS HELD FOR SALE</b>	<b>(3,465)</b>	-
<b>E) NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>14,026</b>	<b>(3,964)</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>31,591</b>	<b>35,555</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)</b>	<b>45,617</b>	<b>31,591</b>

## 2.5 Grupo Lar fees as Lar España's Manager in 2017

### 1) Base fee (Fixed fees)

The **base fee**, under the terms of the Investment Manager Agreement (IMA) signed between Lar España and its manager, Grupo Lar, and amended on 6 October 2016 after a GAV (gross asset value) in excess of one thousand million euros had been reached, amounts to 1.25% of NAV (net asset value) up to 600,000 thousand Euros + 1% of NAV above 600,000 thousand Euros.

As a result, the fixed fees entered in the Global Consolidated Income Statement for Lar España at 31 December 2017 total 9,023 thousand Euros.

### 2) Performance fee (Variable fees)

Pursuant to Clause 7.2 of the Investment Management Contract, Grupo Lar has the right to a **Performance Fee** that is paid to the manager depending on the **profitability obtained by Lar España shareholders**.

In this respect, the annual profitability of shareholders is defined in the contract as the sum of the change to EPRA NAV of the Group during the period, less net funds obtained from the issue of shares during the period, plus the dividends distributed during said period.

The amount of the actual **return for the shareholder** is as follows:

#### BASE FEE

	(thousands of Euros)
<b>EPRA NAV 31.12.16</b>	<b>830,399</b>
Gross fee	9,804
Grupo Lar expenses incurred by Lar España	(277)
Fees indirectly paid in subsidiary companies (*)	(504)
<b>BASE FEE</b>	<b>9,023</b>

\* Lagasca 99 fees

	(thousands of Euros)
EPRA NAV 31.12.16	830,399
EPRA NAV 31.12.17	961,489
<b>Difference</b>	<b>131,090</b>
2016 Dividend paid in 2017	30,000
<b>Net annual increase</b>	<b>161,090</b>
<b>SHAREHOLDER RETURN (%)</b>	<b>19.40%</b>

Gran Vía Shopping Centre  
(Vigo)



Grupo Lar had the right to a fee equal to 20% of the return of the shareholders when same exceeds 10%, and 20% of any excess over 12% in the event the return exceeds 12% up to 22%.

On 28 December 2017, Lar España and Grupo Lar have agreed to amend, retroactively to 1 January 2017, Clause 7.2 of the Investment Management Agreement, which stipulates the definition and calculation of the Performance Fee, such that the amount earned per year by the manager for this concept may not surpass the **maximum amount of EUR 10,000 thousand**.

The parties also agreed that the management company will be entitled to **remuneration linked to the sale of real estate assets** and on the condition that returns have been generated for the shareholder, provided that such **sales amount to at least EUR 100 million**.

The amount of this remuneration will be accrued by the management company in the year the Group sells its investments at the aforementioned price or when, having generated value for the shareholder, Lar España unilaterally terminates the management agreement, neither of which has occurred at the date these annual accounts were authorised for issue. The amount of this remuneration will be the excess of EUR 10,000 thousand of the return generated for the shareholder, which is determined in accordance with the original clause of the agreement (20% of the shareholder's return if this exceeds 10%, and, additionally, if the return exceeds 12% and up to 22%, 20% of the excess of 12%).

Therefore, the sum of **19,023 thousand Euros** that results from adding the base fee to the performance fee is entered in the Global Consoli-

dated Income Statement at 31 December 2017 under the heading "Other Costs". See page 58, section 2, "Consolidated Financial Statements". Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation (see page 81, section 3 "EPRA Information").

In order to pay the performance fee, the following process will be followed as detailed in the IMA:

- Approval by Lar España.
- Payment of the amount corresponding to the performance fee (10,000 thousand Euros) to Grupo Lar.
- Reinvestment of this amount by Grupo Lar (after tax deductions) via the subscription of new Lar España shares.

	%	(thousands of Euros)
Performance fee	100	10,000
Taxes	25	(2,500)
<b>Grupo Lar reinvestment</b>	<b>75</b>	<b>7,500</b>

The 7,500 thousand Euros will be used to acquire new shares issued by Lar España via a share capital increase after obtaining the General Shareholders Meeting approval (expected to be held in April 2017).

Lar España and Grupo Lar have agreed to **subscribe new Lar España shares** at the company's 2017's EPRA NAV closing price, in other words, at **EUR10.27 per share**.

## 2.6 Proposed Shareholder Remuneration

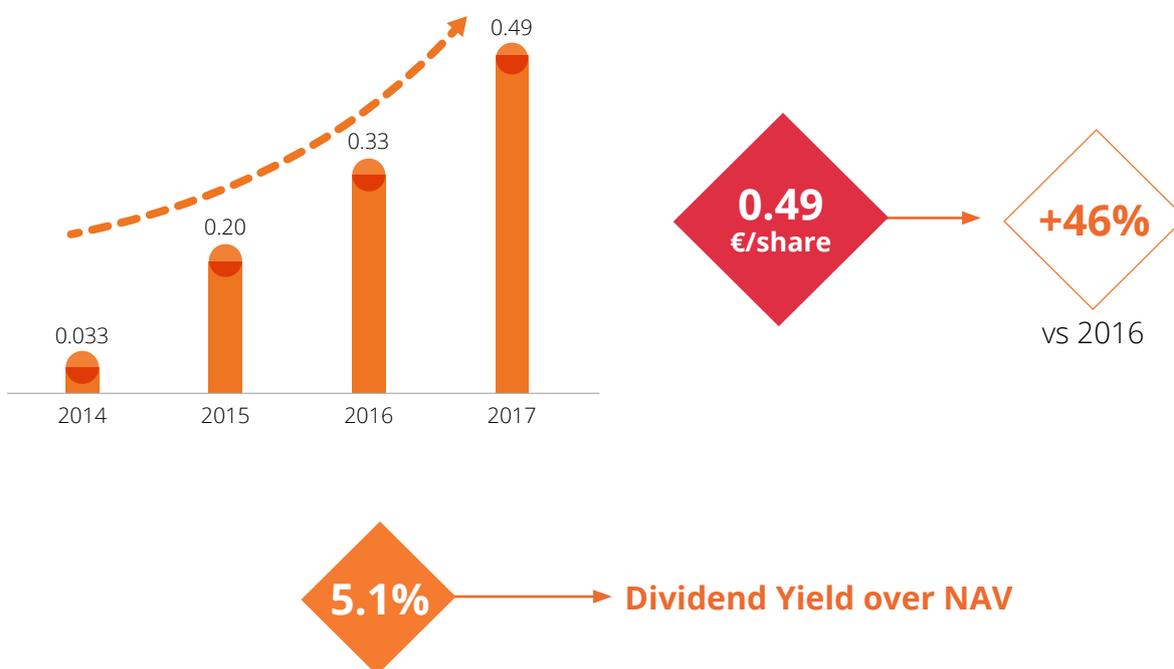
The Company intends to maintain a **dividends policy** which takes account of sustainable levels of dividend payments that reflect the Company's future profit forecasts. Lar España was formed with the aim of generating **high returns for its shareholders** through the **annual payment of significant dividends** and the **creation of value** in the form of an increase in the Company's EPRA NAV.

In line with the most recent announcement made by Lar España (**dividend yield to be over 5% of 2017's average quarterly EPRA NAV**), the proposed shareholder remuneration will be as follows:

EPRA NAV	Thousand euros
Q1	838,128
Q2	859,244
Q3	880,241
Q4	951,489
<b>AVERAGE</b>	<b>882,276</b>

As a result, the amount to be put to the General Shareholders Meeting as the proposed **shareholder dividend** for the financial year ending 31 December 2017 will be **45,000 thousand Euros (5.1% of the year's average EPRA NAV)**, representing a payment of **0.486 Euros per share**.

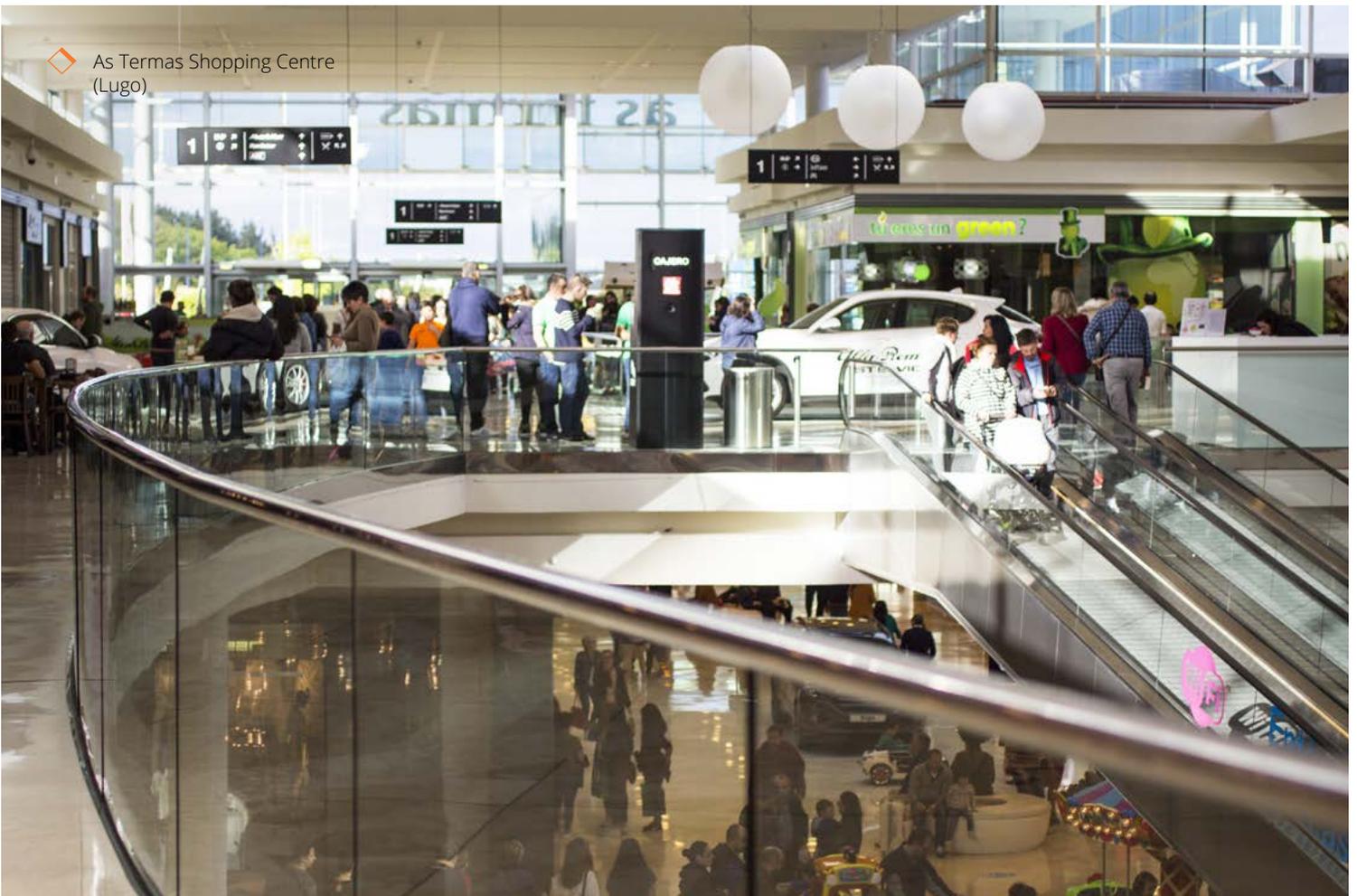
The following figure shows the annual performance of the dividend paid per share (euros):



Since 5 February 2018, Lar España has formed part of the **Ibex Top Dividendo**, a group comprising 25 shares listed on the Ibex 35, the Ibex Medium Cap or the Ibex Small Cap that offer shareholders **the highest return in terms of dividends**. This has further advanced our aim of generating value for our investors.



Portal de la Marina Shopping Centre (Alicante)



As Termas Shopping Centre (Lugo)

3





# EPRA INFORMATION

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- **In November 2016**, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association<sup>1</sup>) updated a Best Practices Recommendations<sup>2</sup> document in order to improve the presentation, transparency, comparability and relevance of the published results of listed real estate companies in Europe.

Lar España fully supports and endorses the principle of standardising the reporting of performance indicators from the perspective of comparability and improving the quality of information provided to investors and other users of the annual report.

For this purpose, Key EPRA performance indicators are reported in a separate chapter at the end of our financial reporting.

- **In September 2015**, Lar España received the 'GOLD AWARD' from EPRA in recognition of the quality of the financial information provided, it became the first Spanish SOCIMI to receive this award.
- **In September 2016**, Lar España has been awarded with the most prestigious recognition from EPRA, the GOLD AWARD. Once again our effort in providing quality information within the Index standards framework has been recognized.
- **In September 2017**, Lar España has been awarded for the **third year running the Gold Award** from the European Public Real Estate Association (EPRA) in **recognition of the quality of the financial information provided** by the company. Lar España has also been awarded for the first time with the **EPRA Award for Sustainability (Silver)** for the improvement carried out related to the information about Corporate Social Responsibility. Also in this area, the company has been awarded with the **EPRA Most Improved Award of Sustainability**.



2015



2016



2017



(1) Not-for-profit association founded in 1999 registered in Belgium which aims to make the financial statements of public real state companies clearer, more transparent and comparable across Europe.

(2) "Best Practices Recommendations - BPR" available at [www.epra.com](http://www.epra.com).

Key performance indicators described in the Best Practices Recommendations developed by EPRA are shown as follows:

Indicator	31/12/2017 (Thousands of Euros) / %	31/12/2017 (Euros per share)
EPRA Earnings	<b>36,579</b> (*)	<b>0.40</b>
EPRA NAV	<b>951,489</b>	<b>10.27</b>
EPRA NNNNAV	<b>936,687</b>	<b>10.11</b>
EPRA Net Initial Yield (NIY)	<b>5.5%</b>	-
EPRA "topped-up" NIY	<b>5.6%</b>	-
EPRA Vacancy Rate	<b>4.9%</b>	-
EPRA Cost Ratio	<b>29.1%</b> (**)	-
EPRA Cost Ratio (excluding costs of direct vacancy)	<b>25.5%</b> (**)	-

(\*) Adjusted EPRA Earnings

(\*\*) Excludes the variable performance fee

See terms definitions in Glossary, section 6



### 3.1 EPRA Earnings

(Thousands of euros)	2017	2016
<b>EARNINGS PER IFRS INCOME STATEMENT</b>	<b>135,606</b>	<b>91,430</b>
Change in value of investment properties	(101,558)	(87,815)
Companies acquisitions effect	(653)	1,191
Change in fair value of financial instruments	(1,474)	1,909
Companies divestments effect	(2,842)	-
<b>EPRA EARNINGS</b>	<b>29,079</b>	<b>6,715</b>
<b>Weighted average number of shares (excluding treasury shares)</b>	<b>91,372,891</b>	<b>72,707,108</b>
<b>EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.32</b>	<b>0.09</b>
Company specific adjustment (*)	7,500	19,169
<b>ADJUSTED EPRA EARNINGS</b>	<b>36,579</b>	<b>25,884</b>
<b>ADJUSTED EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.40</b>	<b>0.36</b>

(\*) Corresponds to the part of the Performance fee that the Manager will be obliged to reinvest in Lar España, although this does not mean that there is any cash outlay for the company.

**Adjusted  
EPRA  
Earnings**

vs 2016

**+41%**



## 3.2 EPRA NAV

(Thousands of euros)	31/12/2017	31/12/2016
<b>NET ASSET VALUE PER THE FINANCIAL STATEMENTS</b>	<b>918,219</b>	<b>812,135</b>
Change in fair value of non current assets	18,468	14,990
Fair value of financial instruments	189	3,274
Deferred tax liabilities	14,613	-
<b>EPRA NAV</b>	<b>951,489</b>	<b>830,399</b>
<b>Number of Shares (excluding treasury shares)</b>	<b>92,604,217</b>	<b>90,245,429</b>
<b>EPRA NAV PER SHARE (EUROS)</b>	<b>10.27<sup>(*)</sup></b>	<b>9.20</b>

(\*) When analyzing this measure it is important to take into account the shareholders remuneration amounting 30,000 thousand euros in Q2 2017 (0.33€/share), relating to 2016 financial year.

**EPRA NAV  
per share**

**10.27  
€/share**

## 3.2 EPRA NNAV

(Thousands of euros)	31/12/2017	31/12/2016
<b>EPRA NAV</b>	<b>951,489</b>	<b>830,399</b>
Fair value of financial instruments	(189)	(3,274)
Deferred tax liabilities	(14,613)	-
<b>EPRA NNAV</b>	<b>936,687</b>	<b>827,125</b>
<b>Number of shares (excluding treasury shares)</b>	<b>92,604,217</b>	<b>90,245,429</b>
<b>EPRA NNAV PER SHARE</b>	<b>10.11<sup>(*)</sup></b>	<b>9.17</b>

(\*) When analyzing this measure it is important to take into account the shareholders remuneration amounting 30,000 thousand euros in Q2 2017 (0.33€/share), relating to 2016 financial year.



### 3.3 EPRA NIY y EPRA “topped-up” NIY (31/12/2017)

(Thousands of euros)

Asset	Completed Property Portfolio	Allowance for estimated purchasers costs	Gross up completed property portfolio valuation (A)	Annualised cash passing rental Income
<b>SHOPPING CENTRES</b>	1,008,707	24,169	1,032,876	63,110
Megapark + Megapark Ocio	214,000	4,066	218,066	12,088
Gran Vía Vigo	163,000	4,483	167,483	9,866
Portal de la Marina + hypermarket	119,800	2,875	122,675	7,590
El Rosal	108,950	2,726	111,676	7,207
Anec Blau	95,380	2,380	97,760	5,299
As Termas + Petrol station	84,225	2,316	86,541	5,730
Parque Abadía	65,040	1,630	66,670	4,315
Albacenter + hypermarket	56,322	1,408	57,730	3,742
Vistahermosa	50,390	1,260	51,650	3,654
Txingudi	39,000	741	39,741	2,633
Las Huertas	12,600	284	12,884	986
<b>RETAIL WAREHOUSES</b>	93,889	1,968	95,857	6,593
Supermarkets Portfolio	52,533	1,051	53,584	3,793
Nuevo Alisal	19,313	483	19,796	1,317
Villaverde	11,343	284	11,627	792
Parque Galaria	10,700	150	10,850	691
<b>TOTAL RETAIL</b>	<b>1,102,596</b>	<b>26,137</b>	<b>1,128,733</b>	<b>69,703</b>
<b>OFFICES</b>	163,570	4,340	102,053 <sup>(1) (2)</sup>	3,993
Egeo	78,120	1,950	80,070	3,365
Marcelo Spínola	37,500	1,088	38,588	<sup>(1)</sup>
Eloy Gonzalo	26,500	769	27,269	<sup>(2)</sup>
Joan Miró	21,450	533	21,983	628
<b>TOTAL OFFICES</b>	<b>163,570</b>	<b>4,340</b>	<b>102,053 <sup>(1) (2)</sup></b>	<b>3,993</b>
<b>LOGISTICS</b>	86,680	2,716	89,396	6,296
Alovera II	43,680	1,091	44,771	3,188
Alovera I	18,800	733	19,533	1,338
Almussafes	10,300	350	10,650	761
Alovera IV (C5-C6)	9,600	374	9,974	758
Alovera III (C2)	4,300	168	4,468	251
<b>TOTAL LOGISTICS</b>	<b>86,680</b>	<b>2,716</b>	<b>89,396</b>	<b>6,296</b>
<b>TOTAL LAR ESPAÑA</b>	<b>1,352,846</b>	<b>33,193</b>	<b>1,320,182</b>	<b>79,992</b>

(1) Marcelo Spínola's data have not been taken into account because the asset has been fully refurbished and in commercialization.

(2) Eloy Gonzalo's data have not been taken into account due to its currently refurbishment.

Property outgoings	Annualised net rents (B)	Notional rent expiration of rent free periods or other lease incentives	Topped-up net annualised rent (C)	EPRA NET INITIAL YIELD (B/A)	EPRA TOPPED-UP NET INITIAL YIELD (C/A)
(6,102)	57,009	947	57,955	5.5%	5.6%
(392)	11,696	258	11,954	5.4%	5.5%
(494)	9,372	75	9,447	5.6%	5.6%
(1,552)	6,039	117	6,155	4.9%	5.0%
(904)	6,303	231	6,534	5.6%	5.9%
(923)	4,375	26	4,401	4.5%	4.5%
(453)	5,277	34	5,311	6.1%	6.1%
(60)	4,255	73	4,328	6.4%	6.5%
(355)	3,387	24	3,411	5.9%	5.9%
(649)	3,005	50	3,055	5.8%	5.9%
(190)	2,444	22	2,466	6.1%	6.2%
(130)	856	37	893	6.6%	6.9%
(209)	6,384	0	6,384	6.7%	6.7%
(38)	3,755	0	3,755	7.0%	7.0%
(78)	1,239	0	1,239	6.3%	6.3%
(81)	711	0	711	6.1%	6.1%
(12)	679	0	679	6.3%	6.3%
<b>(6,311)</b>	<b>63,393</b>	<b>947</b>	<b>64,339</b>	<b>5.6%</b>	<b>5.7%</b>
(337)	3,656	81	3,737	3.6%	3.7%
(71)	3,294	81	3,375	4.1%	4.2%
(1)	(1)	(1)	(1)	(1)	(1)
(2)	(2)	(2)	(2)	(2)	(2)
(266)	362	0	362	1.6%	1.6%
<b>(337)</b>	<b>3,656</b>	<b>81</b>	<b>3,737</b>	<b>3.6%</b>	<b>3.7%</b>
(312)	5,984	84	6,068	6.7%	6.8%
(184)	3,004	0	3,004	6.7%	6.7%
(54)	1,284	0	1,284	6.6%	6.6%
(47)	714	0	714	6.7%	6.7%
(22)	736	0	736	7.4%	7.4%
(5)	246	84	330	5.5%	7.4%
<b>(312)</b>	<b>5,984</b>	<b>84</b>	<b>6,068</b>	<b>6.7%</b>	<b>6.8%</b>
<b>(6,960)</b>	<b>73,033</b>	<b>1,112</b>	<b>74,144</b>	<b>5.5%</b>	<b>5.6%</b>

- (1) Marcelo Spínola's data have not been taken into account because the asset has been fully refurbished and in commercialization.  
(2) Eloy Gonzalo's data have not been taken into account due to its currently refurbishment.

### 3.4 EPRA Vacancy Rate

Asset	ERV (Thousands of euros)	ERV Vacancy (Thousands of euros)	EPRA VACANCY RATE %
Megapark + Megapark Ocio	14,363	1,061	7.4%
Gran Vía	9,761	141	1.4%
Portal de la Marina + hypermarket	7,753	251	3.2%
El Rosal	7,446	659	8.9%
Anec Blau	6,285	418	6.6%
As Termas + Petrol station	5,612	272	4.8%
Parque Abadía	3,879	0	0.0%
Vistahermosa	3,633	220	6.1%
Albacenter + hypermarket	3,909	333	8.5%
Txingudi	2,875	158	5.5%
Las Huertas	1,058	95	9.0%
<b>TOTAL SHOPPING CENTRES</b>	<b>66,574</b>	<b>3,608</b>	<b>5.4%</b>
Cartera de supermercados	3,276	0	0.0%
Nuevo Alisal	1,231	0	0.0%
Villaverde	738	0	0.0%
Parque Galaria	664	0	0.0%
<b>TOTAL RETAIL WAREHOUSES</b>	<b>5,909</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL RETAIL</b>	<b>72,483</b>	<b>3,608</b>	<b>5.0%</b>
Egeo	3,883	391	10.1%
Marcelo Spínola	N/A	N/A	N/A
Eloy Gonzalo	N/A	N/A	N/A
Joan Miró	1,436	85	5.9%
<b>TOTAL OFFICES</b>	<b>5,319</b>	<b>476</b>	<b>8.9%</b>
Alovera II	3,274	0	0.0%
Alovera I	1,330	0	0.0%
Almussafes	807	0	0.0%
Alovera IV (C5-C6)	643	0	0.0%
Alovera III (C2)	335	0	0.0%
<b>TOTAL LOGISTICS</b>	<b>6,389</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL</b>	<b>84,191</b>	<b>4,084</b>	<b>4.9%</b>

EPRA  
Vacancy Rate

4.9%

-1.6% vs 2016

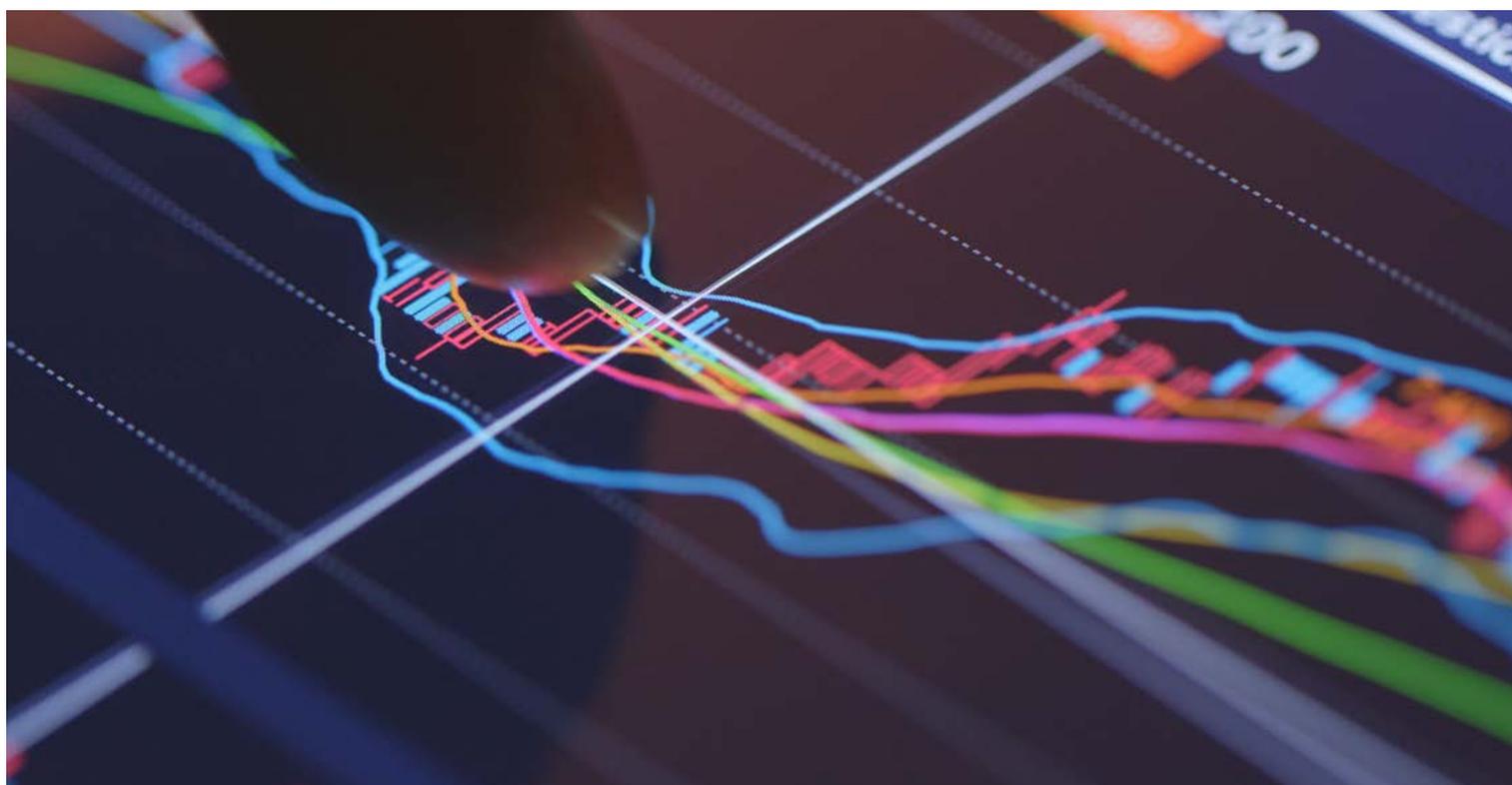
### 3.5 EPRA Cost Ratios

(Thousands of euros)	2017	2016
Administrative expenses	(542)	(446)
Operating costs net of recoverable income <sup>(*)(**)</sup>	(29,523)	(40,018)
Administrative/operating expenses in associates	(1,206)	(1,030)
<b>EPRA Cost (including direct vacancy costs) (A)</b>	<b>(31,271)</b>	<b>(41,494)</b>
Direct vacancy costs	(2,659)	(2,221)
<b>EPRA Cost (excluding direct vacancy costs) (B)</b>	<b>(28,612)</b>	<b>(39,273)</b>
Gross Rental Income less ground rent costs-per IFRS	79,346	61,555
Gross Rental Income less ground rent costs in associates	-	959
Net Associated Costs ( <i>net service charge</i> )	(6,324)	(6,383)
<b>Gross Rental Income (C)</b>	<b>73,022</b>	<b>56,131</b>
<b>EPRA COST RATIO (including direct vacancy costs) A/C</b>	<b>42.8%</b>	<b>73.9%</b>
<b>EPRA COST RATIO (excluding direct vacancy costs) B/C</b>	<b>39.2%</b>	<b>70.0%</b>
<b>EPRA COST RATIO pre performance fee (including direct vacancy costs) (***)</b>	<b>29.1%</b>	<b>28.4%</b>
<b>EPRA COST RATIO pre performance fee (excluding direct vacancy costs) (***)</b>	<b>25.5%</b>	<b>24.4%</b>

(\*) Maintenance costs totalling 1,011 thousands of euros are included.

(\*\*) Management fees included (fixed and variable).

(\*\*\*) Excluding costs directly related to development projects, as at 31 December 2017, the ratios would be 26.0% and 22.4% respectively.



4



# EL ROSAL FASHION EXPERIENCE

27 Marzo - 11 Abril



- DESFILES DE MODA
- MÚSICA EN DIRECTO
- DEMOSTRACIONES DE DESDIBUJOS EN VIVO
- PERSONAL SHOPPER
- EXHIBICIÓN DE GRAFFITI
- TALLERES DE BAILE

# SHARE PRICE PERFORMANCE

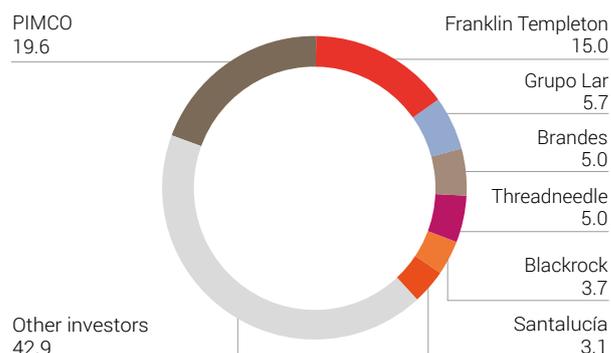


## 4. Share Price Performance

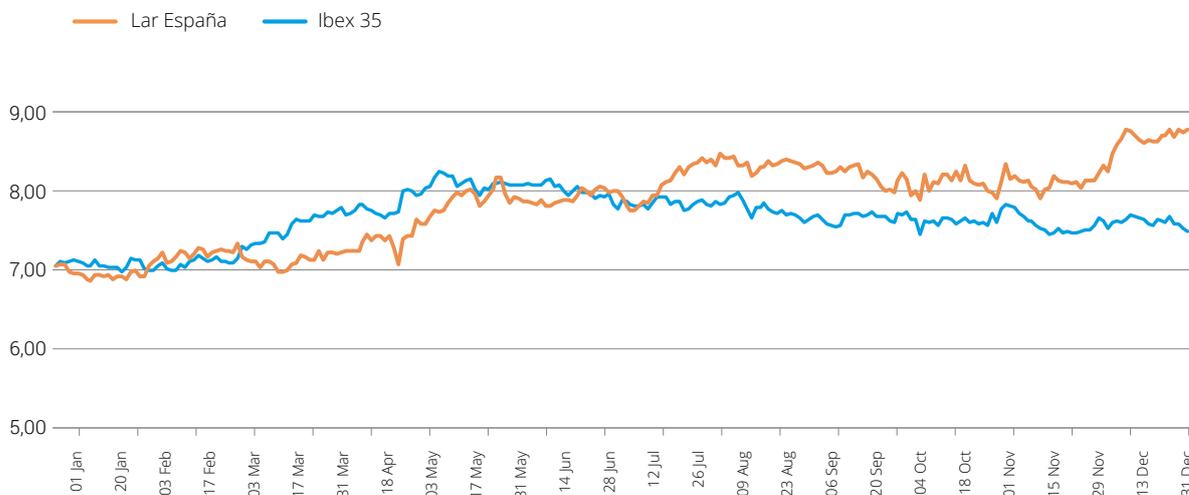
Details of shares (Eur)	Jan-Dec 2017
Price at the beginning of the period	7.05
Price at the end of the period	8.89
<b>Performance during the period</b>	<b>26.2%</b>
Maximum price for the period	8.90
Minimum price for the period	6.83
<b>Average price for the period</b>	<b>7.87</b>
ADTV (*)	180,707
Market Cap (Euros) 31/12/2017	823,428,222
Number of shares 31/12/2017	92,624,097

(\*) Average Daily Trading Volumen in number of shares

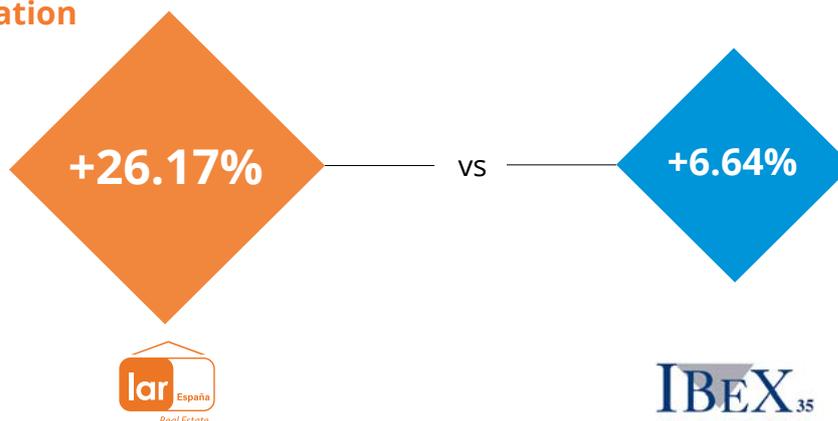
### Share distribution at 31 December 2017 (%)



### Lar España share price performance vs Ibex 35 (January-December 2017)



### 2017 Revaluation



Translation of information originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version shall prevail.

**7.5%**  
Potential  
Return

## Analyst Recommendations

As of the date of this report, Lar España has the coverage of 14 analysts, whose average target price is **€ 9.56**.

Broker	Recommendation	Analysis Date	Target Price (Euros)
 Ahorro Corporación	Buy	16/11/2016	<b>9.00</b>
 Santander	Buy	16/11/2016	<b>9.10</b>
 Kepler Cheuvreux	Hold	22/03/2017	<b>7.80</b>
 J.P.Morgan Asset Management	Hold	29/03/2017	<b>9.50</b>
 intermoney valores sv	Buy	17/05/2017	<b>9.50</b>
 HAITONG	Buy	13/07/2017	<b>9.70</b>
 GVC Gaesco Beka	Buy	04/12/2017	<b>9.97</b>
 bankinter.	Buy	04/12/2017	<b>10.25</b>
 Sabadell	Buy	04/12/2017	<b>9.05</b>
 MIRABAUD	Hold	04/12/2017	<b>9.30</b>
 KEMPEN & CO	Hold	11/01/2018	<b>9.40</b>
 fidentiis	Buy	24/01/2017	<b>10.80</b>
 JBCapitalMarkets	Buy	01/02/2018	<b>11.50</b>
 ING BANK	Hold	07/02/2018	<b>8.96</b>

Buy  
**64%**

Hold  
**34%**

Sell  
**0%**

Source: Bloomberg

(\*) Taken into account the average target price and the price at the end of the period.



5



# EVENTS AFTER THE REPORTING PERIOD



## 5. Events after the Reporting Period

1

### Liquidity contracts and specialists

**04.01.2018** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets, Sociedad de Valores, S.A.U.** (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract" or the "Contract") **from 1 October 2017 to 31 December 2017.**

3

### Egeo office building divestment additional information

**17.01.2018** As a supplement to the Material Fact published on this date with register number 260739, it is hereby announced that the initial price agreed with Inmobiliaria Colonial Socimi, S.A. for the transfer of all the shares (participaciones sociales) of LE OFFICES EGEO, S.A.U. (79,279,870 euro) represents (i) a capital **gain of 22.2% on the acquisition price paid** by the Company for the office building Egeo in December 2014, and (ii) **an increase of 4.2% over the last valuation of the asset.**

2

### Egeo office building divestment

**17.01.2018** On 16 January 2018, the Company has transferred to Inmobiliaria Colonial Socimi, S.A. all the shares (participaciones sociales) in its wholly owned subsidiary LE OFFICES EGEO, S.A.U., sole owner and proprietor of the **office building Egeo**, located in Madrid, Avenida Partenón 4-6. The aforementioned sale has been formalized in public deed on the referred date, for **a total initial price of 79,279,870 euro**, which may be adjusted upwards in the terms and pursuant to the mechanisms that are typical in this kind of transactions.

◇ Egeo Office Building (Madrid)



4

### Valuation reports as at 31 December 2017

**25.01.2018** Lar España has received the valuation reports for its property portfolio as of 31 December 2017, carried out by JLL Valoraciones, S.A and Cushman & Wakefield Sucursal en España. The **total market value of the company's portfolio** as detailed in the above-mentioned reports is EUR 1,537.6 million. The acquisition price – transaction costs not included – of the assets subject to the valuation was **EUR 1,196.3 million**. The properties were valued according to the Royal Institution of Chartered Surveyors (RICS) valuation standards, based on net market value as at 31 December 2017. The valuation certificates are enclosed to this announcement.

5

### Rivas Futura retail park acquisition

**06.02.2018** On 6 February 2018, Lar España has acquired from a Credit Suisse investment fund all the shares (participaciones sociales) of the Spanish company owner of a gross leasable area (GLA) of approximately 36,724 square metres in **the retail park Rivas Futura (Rivas-Vaciamadrid)**. The total price of the transaction is approximately **EUR 61.6 million**, which may be adjusted in the terms and pursuant to the mechanisms that are typical in this kind of transactions.

◇ Rivas Futura Retail Park (Madrid)



## 6

### Novation of the investment manager agreement with the Manager

**19.02.2018** On this date the Company has entered into an agreement with its investment manager, Grupo Lar Inversiones Inmobiliarias, S.A. (the "Investment Manager"), in order to **novate the investment manager agreement** executed by both parties on 12 February 2014 (the "IMA"). Pursuant to the referred novation, the IMA (which originally expired on 12 February 2019) will be effective for **4 years as from 1 January 2018**. Additionally, certain provisions of the IMA have been amended in order to update its content in line with the expertise achieved and the growth experienced in Spain by the SOCIMI's market since the initial subscription of the IMA. The most relevant amendments are as follows:

- **Investment strategy:** With effects as of 1 January 2018, **the real estate investments of the Company must be distributed among retail properties, logistic properties on a selective basis and other properties** that could represent a maximum of 10% of the total GAV of the assets forming part of the Company's real estate portfolio (in all cases, across Spain). No acquisitions consisting of properties comprised predominantly of offices or residential units shall be pursued by the Company.

The Company shall focus on assets with **potential for value creation** or which constitute **active asset management opportunities**, including development projects.

- **Investment Manager's exclusivity and Board representation:** The **Investment Manager will preserve its exclusivity obligations towards Lar España**, adapted in line with the new investment strategy defined in the IMA.

**The Investment Manager will be entitled to appoint one non-executive member of the Board of Directors of Lar España** (currently, Mr. Miguel Pereda), regardless of the number of directors seating in the Board from time to time.

- **Management fees:** The **Investment Manager's fee structure** (base fee and performance fee) **has been amended in order to improve the cost structure of the Company and further align the interests of the Investment Manager and the Company's shareholders.**

Starting in the 2018 fiscal year, the base fee to be drawn by the Investment Manager will be calculated by reference to an annual amount equivalent to the higher of (i) **€2 million**, or (ii) the sum of (a) **1.00% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which **is up to and including €1,000 million**, and (b) **0.75% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is **in excess of €1,000 million**.

Likewise, starting in the 2018 fiscal year the **performance fee to be drawn by the Investment Manager will be linked to both the EPRA NAV and the market capitalisation of the Company**, and subject to an **overall cap equivalent to 3% of the EPRA NAV** of the Company as of 31 December of the preceding year. Further information on the calculation and payment of the performance fee is included in the presentation annexed to this communication.

- **Termination:** The **novated IMA allows the Company to terminate the agreement at its sole discretion at any time prior to its expiration bearing a termination fee** that may range between 1.50% and 2.00% of the last reported EPRA NAV of the Company (adjusted for acquisitions and disposals of real estate properties up to the date of the termination notification), depending on the circumstances and the prior notice given.

## 7

### Commercial gallery acquisition in Parque Abadía

**20.02.2018** Today, the Company has acquired a **commercial gallery in Parque Abadía (Toledo)** with a gross leasable area (GLA) of approximately 6,138 sqm. This strategic acquisition, which is added to the one already communicated through material fact of 27 March 2017 (with registry number 250038), that informed of the acquisition of, among others, a gross leasable area (GLA) of approximately 37,114 sqm, fully occupied, in the same retail park, allows the Company to operate a total GLA of approximately 43,252 sqm of the Parque Abadía real estate complex. The acquisition has been carried out for a total **amount of approximately €14 million**, subject to the subsequent customary price adjustments in this kind of transactions.

## 6. Glossary

### **PBT**

*Profit Before Tax.*

### **EBIT**

*Earnings Before Interest and Tax.*

### **EBITDA**

*Earnings Before Interest, Tax, Depreciation and Amortisation.*

### **Net profit/(loss)**

*Profit/(Loss) for the period after tax.*

### **ROE (Return on Equity)**

*Return on equity, calculated by dividing profit for the last 12 months by the company's average equity of the last four quarters.*

### **ROA (Return on Assets)**

*Return on assets, calculated by dividing profit for the last 12 months by the company's average assets of the last four quarters.*

### **Liquidity ratio**

*The Company's capacity to meet its obligations with liquid assets, calculated as the ratio between the Company's current assets and current liabilities.*

### **Solvency ratio**

*The Company's financial capacity to meet its payments obligations with all the assets and resources available. It is calculated by dividing equity plus non-current liabilities by non-current assets.*

### **EPRA**

*European Public Real Estate Association.*

### **EPRA Earnings**

*Earnings from operational activities.*

### **EPRA NAV**

*Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.*

### **EPRA NNNAV**

*EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.*

### **EPRA Net Initial Yield (NIY)**

*Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.*

### **EPRA "topped-up" NIY**

*This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).*

### **EPRA Vacancy Rate**

*Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.*

### **Reversionary Yield**

*Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.*

### **EPRA Cost Ratio**

*Administrative & operating costs (including direct vacancy costs) divided by gross rental income.*

### **EPRA Cost Ratio (excluding direct vacancy costs)**

*Administrative & operating costs (including & excluding direct vacancy costs) divided by gross rental income.*

### **WAULT**

*Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from current date, until the first break option, weighted by the gross rent of each individual lease contract.*

### **Net LTV (Loan to Value)**

*Ratio that measures the total amount of outstanding principal, discounted available cash, against the value of the assets.  
Net LTV = Net debt / GAV.*

### **GAV**

*Gross Asset Value.*

### **GLA**

*Gross Leasable Area in sqm*

### **Like for like (LfL)**

*Comparison of one period, with that of the same period the year before, taking into consideration the same number of assets.*

### **IFRS**

*International Financial Reporting Standards.*



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