

ANNUAL
REPORT

2015





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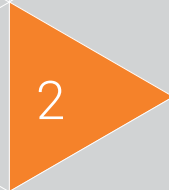


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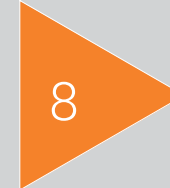
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A year ago I set out our aim to become the benchmark European SOCIMI for the active management of real estate assets. Just twelve months later I can confirm that we have come ever closer to achieving this goal.

In our determination to turn this dream into a reality, we have worked resolutely to build one of the most important rental property portfolios in Spain, a portfolio which during its first complete year of operation has generated excellent results. I would particularly like to emphasise the high quality and recurring nature of these results: according to the prestigious EPRA standard, Lar España's adjusted Recurring Profit, or EPRA Earnings (as reported by real estate companies that adhere to best practices in the sector), amounted to € 13.4 million, which has meant that we have been able to propose to the Ordinary General Meeting that it make a payment of € 12 million to our shareholders.

Lar España's established objective was to invest its shareholder equity and the funds resulting from its planned borrowings over a period of between 18 and 24 months. We achieved that objective in just 15 months. However, that was not all. We achieved it through acquisitions that for the most part were off-market deals, thanks to the reputation and know-how of our manager, Grupo Lar; we succeeded in leveraging our assets close to the target we originally set, thus optimising the profitability expected by our investors. We also succeeded in demonstrating the first indications of the value that had been created by means of our active management strategy.

Once this had been achieved, and with a view to taking advantage of new investment opportunities, our

shareholders reaffirmed their trust in Lar España and unanimously subscribed a share capital increase for the amount of € 135 million. This operation allowed us to acquire five magnificent assets worth € 282 million. Notable among these is Megapark Barakaldo: a unique retail complex located near Bilbao, which was acquired at a price of € 170 million on a yield of 6.25%. This retail complex is notable not only for its size, but also for its location in one of the most affluent regions in Europe and for its excellent range of top-tier retail operators.

During the course of the Extraordinary General Meeting, our shareholders authorised the purchase of the 41.22% that we did not yet own of the Portal de la Marina Shopping Centre, and they reiterated their authorisation to make share capital increases under the same conditions, provided that the investment opportunities on which they are based offer prospects for value creation for shareholders.

Our assets performed extraordinarily well during 2015, both because of the signs of the recovery in consumer confidence in Spain, which is a key factor for the Shopping Centres in our portfolio, and because of the active management initiatives employed by the Lar España team across all asset classes. By way of example, the company's outstanding specialist team has made it possible for tenants at its Shopping Centres to increase their sales by more than the average for the sector in Spain. In addition, the value uplift in the company's assets, which rose by 6.1% in 2015, once again shows that the implementation of ad hoc business plans through active property management has had real results.



We are more committed than ever to the project that we began just two years ago. Thanks to the support of our shareholders, Lar España Real Estate has built one of the most important rental property portfolios in Spain, investing € 961 million in 27 real estate assets. These assets are located in ten different autonomous communities and have an average net yield on acquisition price of more than 6%.

We are also especially proud of the assets that are currently in the development or refurbishment phase. They are all intended to cover the current pent-up demand for high quality real estate products, which will be a very important source of income for our shareholders in the future. As regards shopping centres, we would like to make particular mention of the recent investment in a plot of land in Seville for the development of a landmark retail complex, which will be a benchmark entertainment and leisure destination in the region. This is a unique opportunity which,

combined with the development of another retail complex in Sagunto, demonstrates Lar España's commitment to quality retail complexes in markets that are currently under-supplied. As regards offices, the Marcelo Spínola building is being completely renovated in order to increase the insufficient supply of new or refurbished office space within the M-30 ring road. This renovation will bring a return on total investment that will be much higher than would have been achieved if the asset had been left in the condition in which it was acquired. In the residential sector, Lar España has already begun construction work on the most exclusive residential development in central Madrid: Lagasca 99. Interest in this development is exceeding even our own expectations, and we are sure that in the coming years it will be a source of great satisfaction for our shareholders. We are convinced that the combination of rental assets and works in progress will be a key factor as regards value creation and risk diversification for our shareholders.

At the beginning of 2015 Lar España demonstrated its capacity for innovation in the area of non-banking finance for SOCIMIs, becoming the first SOCIMI to issue a corporate bond, and we can now announce that it has optimised its financing structure still further, achieving a more balanced diversification of its sources of financing and some highly attractive conditions in terms of cost, risk, repayment terms and interest rate hedging. In short, its current financing structure will allow Lar España to develop its investment and business plans without any concerns, offering the most advantageous combination of return and risk for its investors.

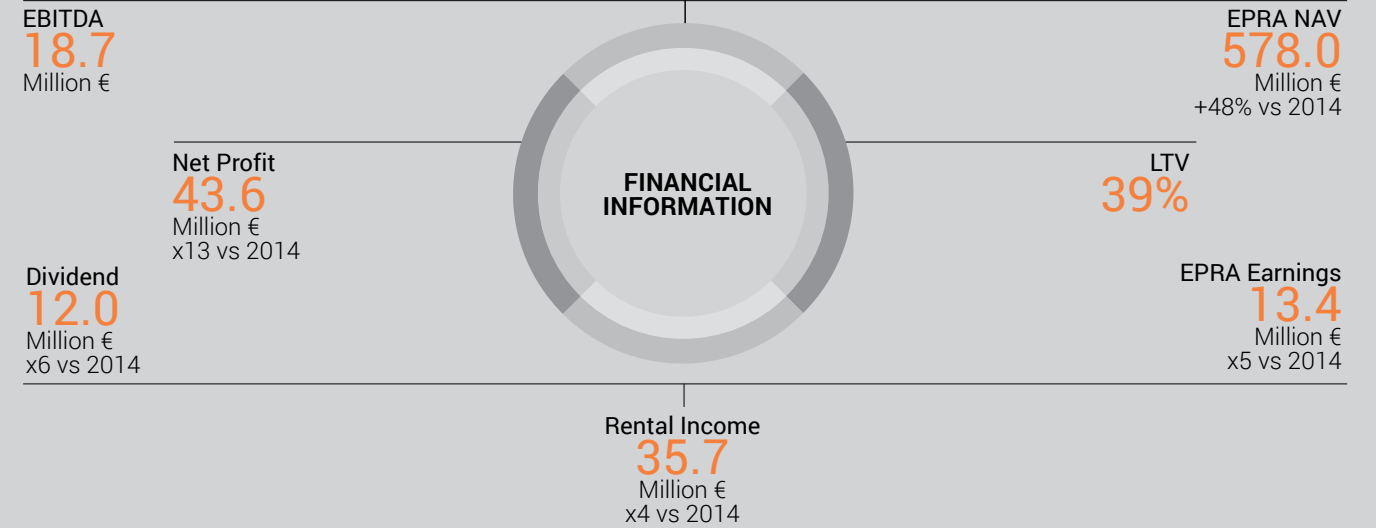
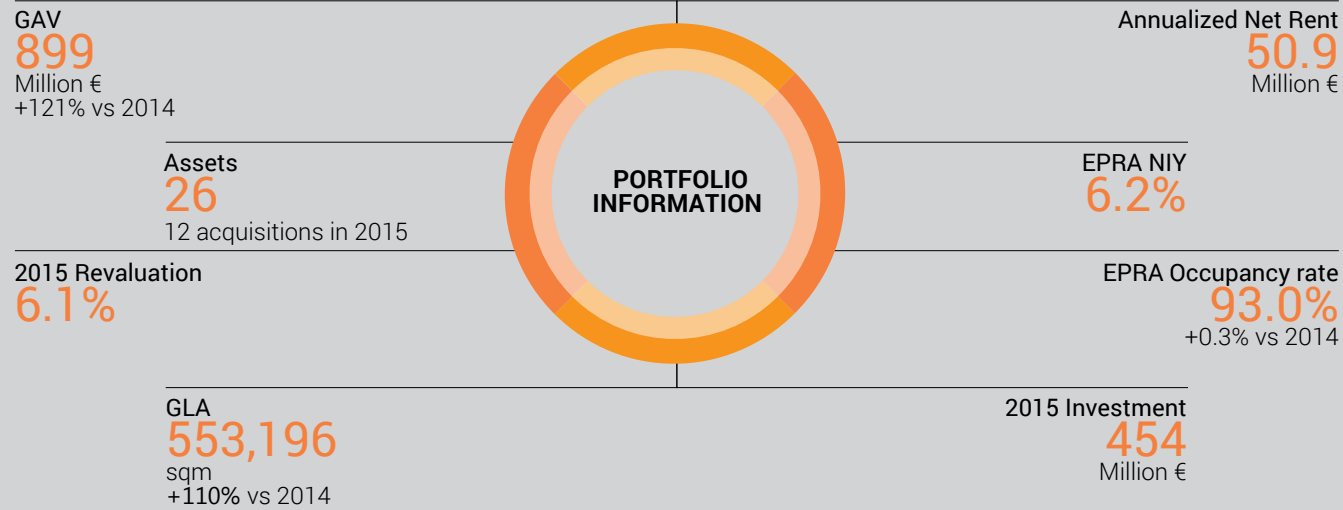
As regards financial and operational information, we have achieved a high degree of transparency and consistency: the prestigious EPRA/ NAREIT Global Index has included Lar España alongside all of the world's most important listed real estate vehicles. The Company was also presented with the European Public Real Estate Association (EPRA) "Gold Award 2015", in recognition of the quality of the financial information provided. It thus became the first and only SOCIMI to be honoured with this coveted real estate industry award. During this last financial year we have made a significant effort to strengthen our Investor Relations department, which plays a key role in positioning Lar España's value proposal among both investors and analysts. A year on, thanks to this effort, our shares are much more liquid than they were a year ago, making them more attractive both for current shareholders and for the markets in general.

We are aware that in a context such as we find ourselves at present, ensuring good governance through transparency, ethics, corporate social responsibility and regulatory compliance is essential if we want to create a sustainable business model that will gene-

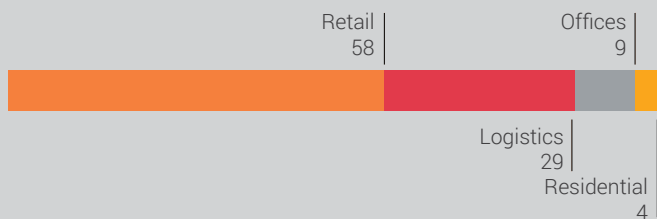
rate value, not only for our shareholders but also for all our stakeholders as a whole. I would therefore like to make special mention of all the work carried out this year in two particular areas: the first relates to the efforts made to bring our rules and processes in line with current regulations and recommendations in the area of corporate governance, in order to ensure that the company adheres to best practices; the second focuses on identifying the expectations of our stakeholders with respect to economic, social and environmental issues and levels of industry response, as the basis for defining a plan of action that will help us to implement our CSR policy in the day-to-day running of our operations.

Our second year of operations has once again been extremely busy from both an investment and asset management point of view. All of us at Lar España wish to thank our investors for putting their faith in our company and we would like to express the enthusiasm and confidence that we feel for the success of this great project that has been further consolidated over the course of the year.

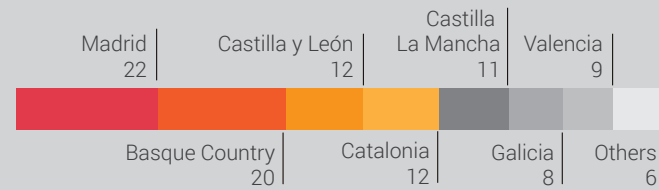
Mr. José Luis del Valle Doblado
Chairman
April, 2016



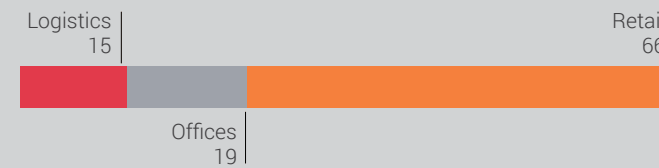
GLA breakdown by asset class (%)



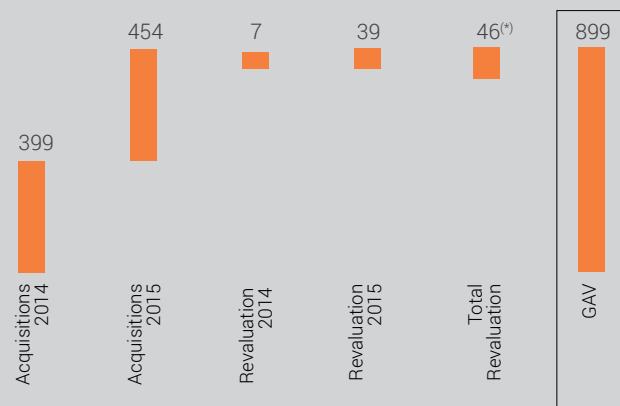
GLA breakdown by location (%)



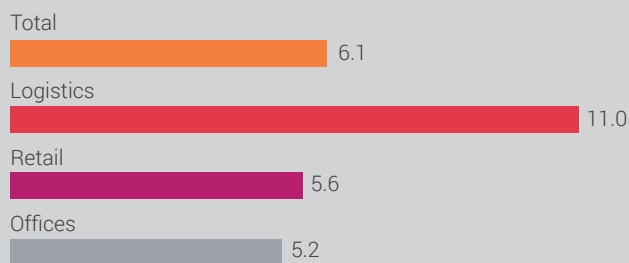
Rental Income by asset class (%)



GAV evolution (Million €)



LikeforLike. Valuation growth 2014-15 (%)



CERTIFICATIONS

1 BREEAM provisional for Marcelo Spinola Office Building design
1 OHSAS 18000 As Termas Shopping Centre
1 ISO 9001 As Termas Shopping Centre

CONSUMPTION PERFORMANCE

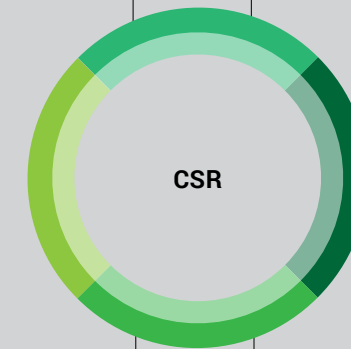
0.34 m³/m²/year water consumption
70.35 kWh/m²/year power consumption

RENEWABLE ENERGY

206 kW installed capacity
279,356 kWh power produced from renewable sources

EMISSIONS

6,536 tCO₂e/year total emissions
103 tCO₂e/year emissions avoided by production of power from renewable sources
25.01 kgCO₂e/m²/year GHG emissions

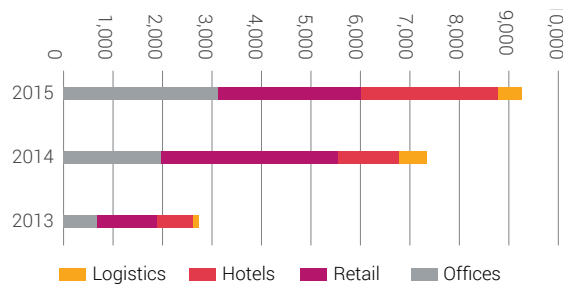


(*) In just **10.9 months** of average holding period

MARKET ENVIRONMENT



Investment Volumes per Sector (Million €).



Investment **9,218** Million €

Investment increase vs 2014 **27%**

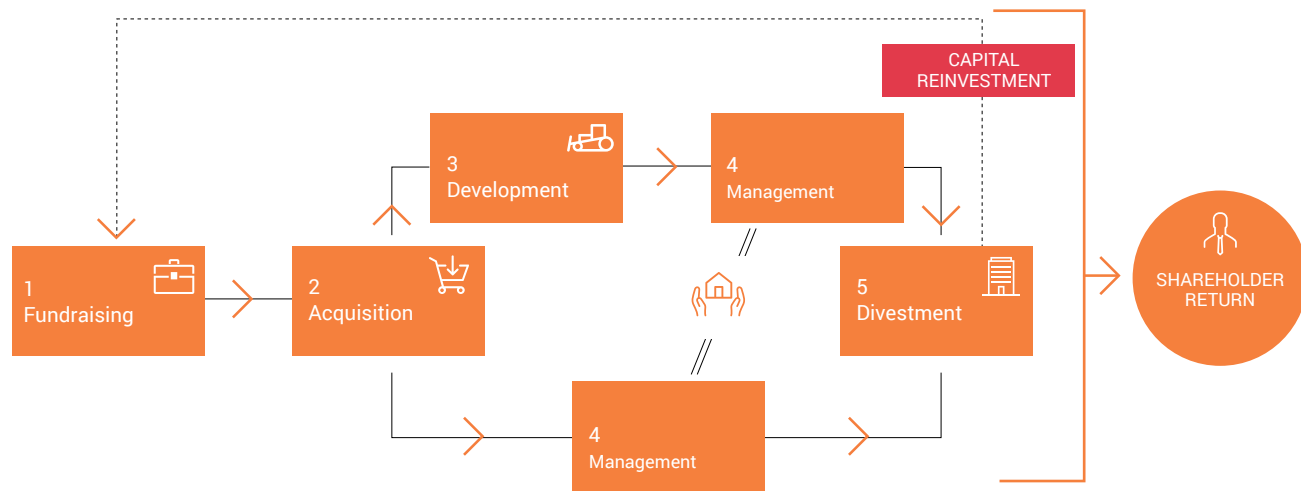
Record real estate investment in 2015: € 9,218 million, up 27% year-on-year.

BUSINESS MODEL



Investment in established commercial property in Spain - assets in excellent locations presenting management upside - with a view to boosting cash flows and generating value:

- Retail
- Offices
- Logistics
- Residential



GOVERNANCE



CORPORATE GOVERNANCE

- Updated Articles of Association and Board Regulations
- Corporate Governance Policy
- Remuneration Policy
- Director Selection Policy
- Board Performance Evaluation
- Officer Evaluation

ETHICS AND COMPLIANCE

- Code of Conduct and Whistle-blowing Channel
- Crime Prevention Model
- Anti-Money Laundering Manual

CORPORATE SOCIAL RESPONSIBILITY

- Corporate Social Responsibility Policy
- Corporate Social Responsibility Master Plan

RISKS & OPPORTUNITIES



- Risk Control and Management Policy
- Enterprise Risk Management (ERM) System
- Risk map and risk files
- Monitoring strategy shaped by risk categories and Action Plan

PORTFOLIO RISK MANAGEMENT

Portfolio diversification by asset class and investment volume

STRATEGY



2015 RESULTS

100% delivery of investment strategy

Average Yield on Cost above that of the competition

12 assets acquired for a total of € 454 million

- Mid-cap REIT specialised in medium-sized commercial property
- Generation of compelling shareholder returns via portfolio yield: Annualised net rental income: € 50.9 million
- Portfolio diversification
- Innovative financing
- Competitive profit-sharing policy. DPS: €0.201
- Property acquisitions: carefully selected; proprietary dealflow

- Active and diversified management - annual asset revaluation: 6.1%
- Managed exclusively by Grupo Lar

OUTLOOK



€135 million equity raise to position the platform for the long term: continued active and innovative property management with the aim of creating sustainable value and becoming a sector benchmark

PORTFOLIO LEVERAGE

Target LTV: round to 50%



2

MARKET CONTEXT

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2.1 Economy



Tourism

Over the past year, Spanish tourism sector benefited from the geopolitical instability of other sun and beach destination competitors, such as Egypt, Tunisia and Turkey, and a favorable macroeconomic environment. In 2015, **68 million tourists** visited our country, that is an increase of **4.6 %** compared to 2014 and **7.3 %** compared to 2013. Inland destinations, with Madrid at the top - north of Spain (Cantabria, Asturias and Galicia), Balearic Islands and the Mediterranean coast, stand as the big winners of 2015. 2016 is expected to bring a new record in the number of tourists in Spain.



Inflation

The **annual average inflation in 2015 stood at -0.5 %**, lower than expected due to low oil prices. But the underlying rate has remained throughout the year in positive and upward trend which is a sign of the recovery of the economy and consumption



GDP

The macroeconomic data of 2015 confirm the consolidation of the recovery of the Spanish economy.

With a GDP growth of **3.2 %** in 2015 (double the average of the Euro Zone), Spain is the fastest growing economy within the advanced countries according to the IMF. This agency predicts a growth of **2.7%** in 2016.



Consumer confidence Index

Consumer Confidence closed at **maximum levels** in 2015, with an increase of 15.6% driven by the improvement of the economic situation and positive Outlook. Consumer confidence rose 2.8 points in December respect to previous month, up to 107.4 points.



Labour market

With the creation of more than half a million jobs, the highest growth in employment since 2006, Spain has closed 2015 with a **reduction of the unemployment rate down to 20.9%**. Spain is the most dynamic country in the Euro Zone in terms of job creation with a job creation rate of 3% for 2015-2016.



Consumer spending

Spanish household spending stood at **3.1%**, thanks partly to the fall in energy prices and the cut in personal income taxes. The forecasts point to this positive trend continuing, with consumer spending growing by **3.2%** over the course of 2016.

2.2 The Investment market in Spain

The direct property investment market in the commercial sector closed 2015 with record figures, reaching € 9,218 million, surpassing the levels reached in 2006. This figure represents an increase of 27% on the figure for 2014.

The **office market** saw investments of € 3,100 million in 2015 (indirect investments not included), mainly accounted for by SOCIMIs (Spanish REITs) and investment funds.

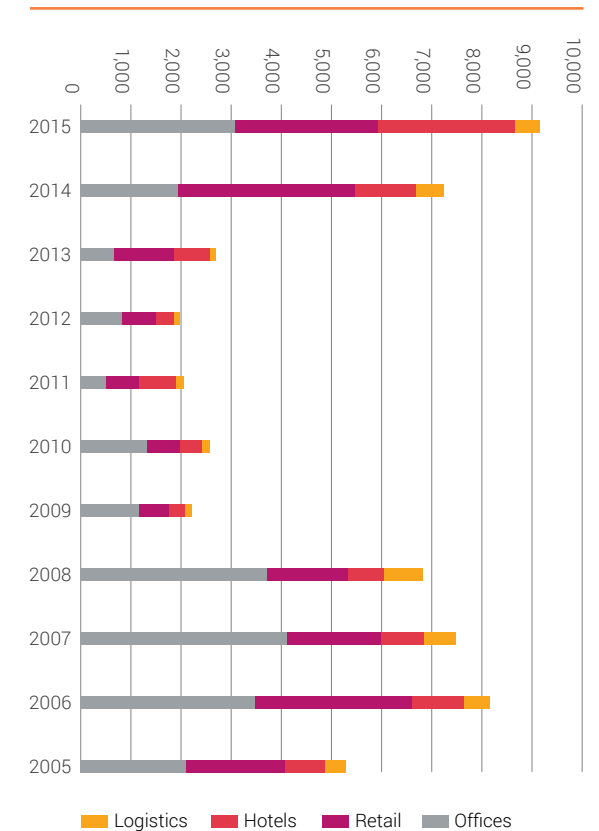
This figure represents an investment volume increase of 46,5% on the figure for 2014, despite the scarcity of investment product to meet the existing demand. The demand is mainly oriented towards buildings in the CBD and well-established office areas in more peripheral locations.

The investment volume in Spain for the **retail sector** during 2015 was € 3,060 million slightly lower than the figure reached in 2014, although there was a 15 % more transactions than in the previous year.

Shopping centres and retail parks took centre stage, accounting for in excess of 53% of total investment volume with over 685,000 sqm of GLA, while investment in high street retail represented 36% of the total, at €1,090 million and, lastly, other retail assets stood at 12% with over €354 million.

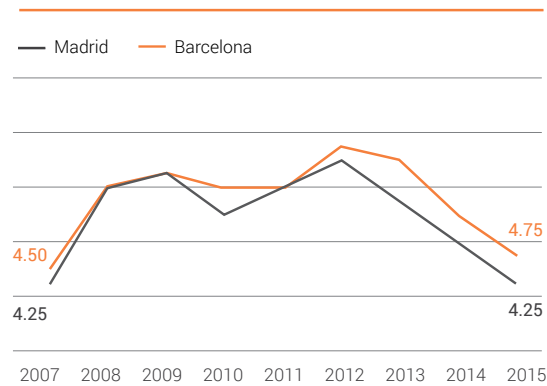
The **logistics sector** attracted investment of €434 million (€ 725 million if we include indirect investment).

Investment Volumes per Sector (Millions €)

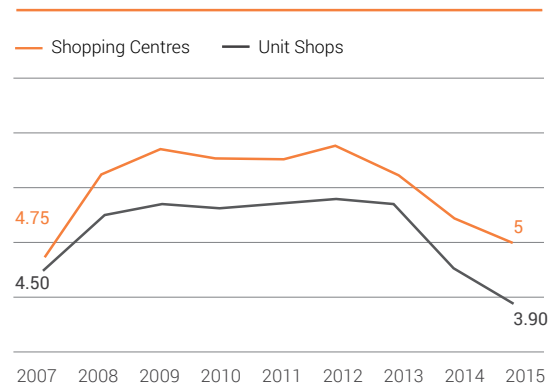


Prime **yields** for **offices** in Madrid still compressed in 2015. In Madrid, yields stood at 4.25% in the Q4 2015 from 5% at the end of 2014. In Barcelona, yields stood at 4.75% at end 2015 in Paseo de Gracia/Diagonal. Yields are expected to tighten slightly in 2016.

Prime Yield Offices (%)



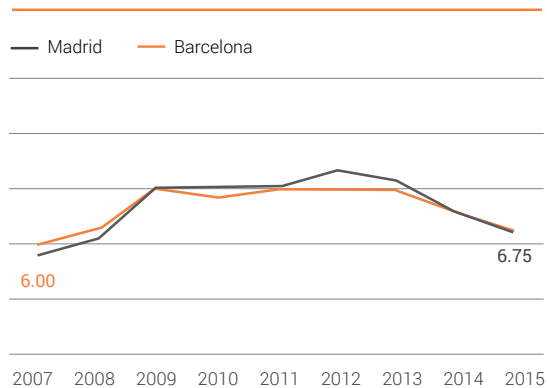
Prime Yield Retail (%)



Prime yields for **shopping centres** stood at 5.0% in 2015 from 5.5% in 2014, while yields for **retail parks** it has risen from 7.10 % to the current 6.00% at the end of 2015.

High street prime yields stood at 4.50% in 2014 and have tightened to 3.90% in 2015.

Prime Yield Logistics (%)



Investors were also attracted to logistics properties and increased buying pressure on this type of asset. SOCIMIS added over 1 million sqm of logistics warehouses to their portfolios between 2014 and 2015.

This factor, coupled with scarce supply, has driven down yields. Prime yields fell over the course of 2015 from 7.25% to 6.75%.

2.3 The Office market

Madrid

Supply

The **average vacancy rates** in Madrid have continued their downward trend that began in 2014 to stand at 10.6% during the fourth quarter of 2015. This trend will continue over the medium term, although it will be more evident for quality product.

The **decrease in available quality product** has been much more pronounced in the CBD and peripheral submarkets. Forecasts for new supply coming onto the market over the next three years remain very low across all market areas, at around 100,000 sqm. This means that **the potential for renovation and repositioning of properties is high.**

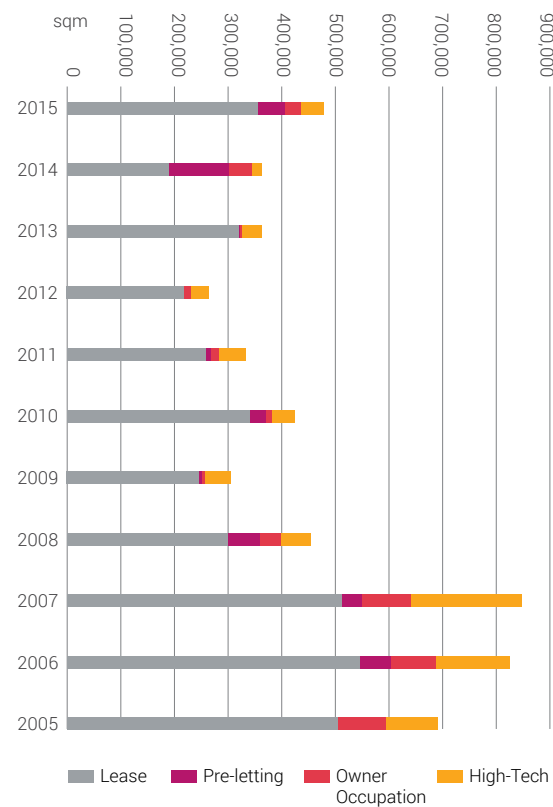


Take-up

The economic recovery has finally become a reality over the past 12 months, coupled with greater economic activity and business confidence. This factor, together with an up-tick in employment in the office sector, is translating into a **greater demand for space** and, therefore, real net absorption of offices in main markets.

The take-up of offices and high-tech properties was **477,969 sqm** in 2015, up **31% on 2014** and the highest figure over the 8-year-long economic crisis. Specifically, the CBD and peripheral areas saw take-up of 183,000 sqm and 192,000 sqm, respectively, accounting for almost 80% of total floor space signed up last year.

For the first time since the onset of the crisis, deals for over 6,000 sqm are being signed across all market areas.



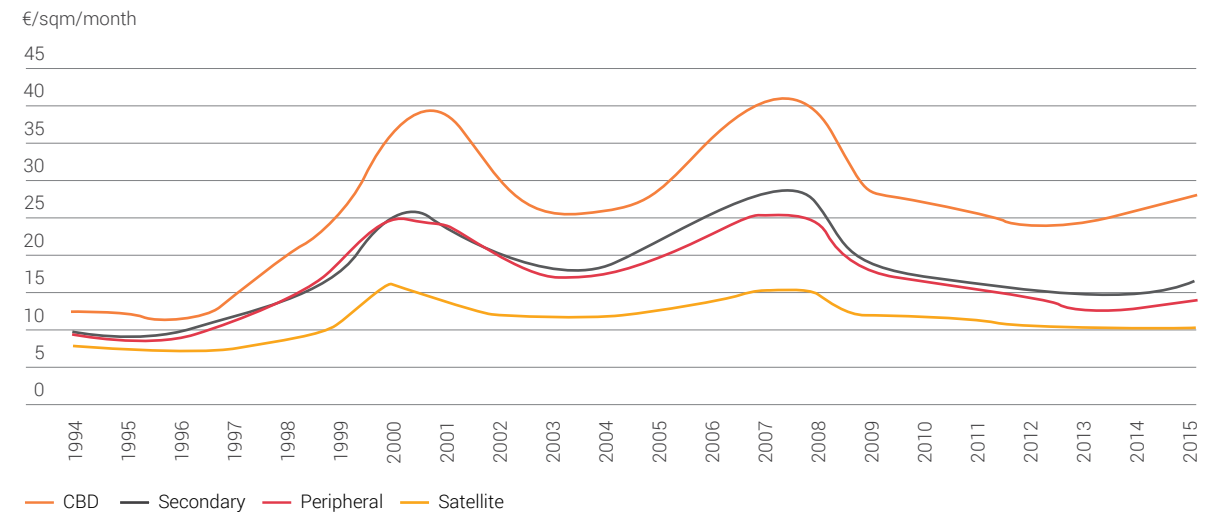
Rents

The lack of product is continuing to **drive up rental levels**, primarily for prime properties in the best locations. Rental levels in the CBD have registered a gradual increase since the second quarter of 2014 to stand at €27.25/sqm/month as of 31 December 2015, **an increase of 12.4%**. However, as one might expect, the rental levels for Grade A buildings in the CBD has registered even higher rental level increases.

The maximum rental levels in secondary and peripheral locations have seen slower growth, standing at €15.75 and €13.50/sqm/month, respectively, while rental levels in satellite areas have remained the same at €10/sqm/month.

Rental level forecasts for the coming years are positive for the Madrid office market as a whole. In fact, Madrid and Barcelona are shaping up to be two of the leading European cities in terms of prime rental growth. This positive trend for maximum prices will ripple out to more peripheral locations, although more gradually according to each submarket.

Despite the pick-up in rental levels, they remain low with respect to the all-time highs reached in 2007, which evidences the sharp price correction that was felt following the onset of the crisis.



Barcelona

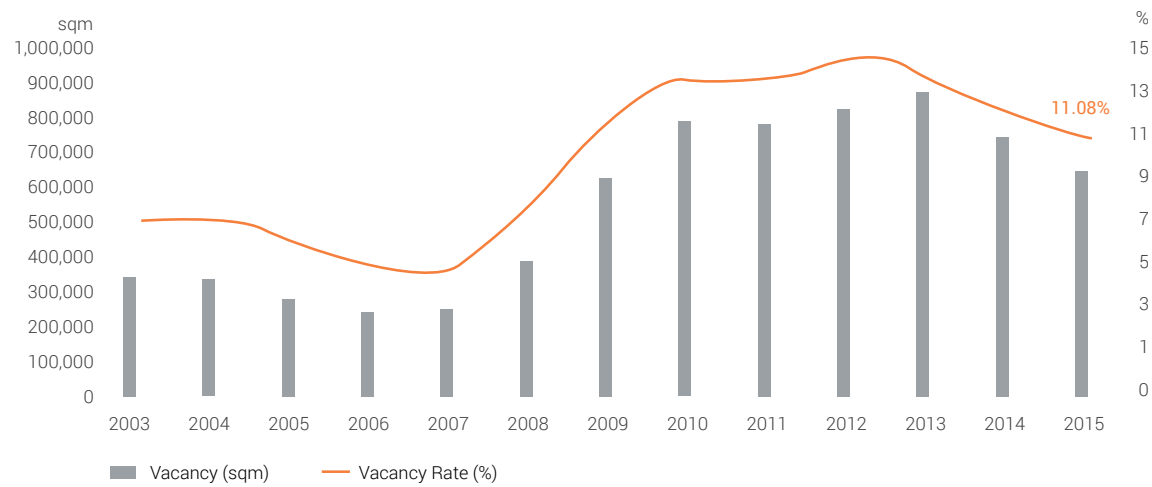
Supply

The **lack of both quality and new-built offices** to meet the strong demand in Barcelona will continue to be a major factor over the next two years. The **average vacancy rate in Barcelona has fallen from 14% to the current 11% over the past two years.**

The lack of office space for large companies in the city centre is pushing demand out towards the New Business Areas and decentralised peripheral areas, home to modern buildings adapted to companies' current requirements. However, over the course of 2016, the few remaining large floor areas in these areas will also become scarce.

The developments expected to be completed over the next two years will be insufficient to affect future vacancy trends, which will continue their downward trajectory.

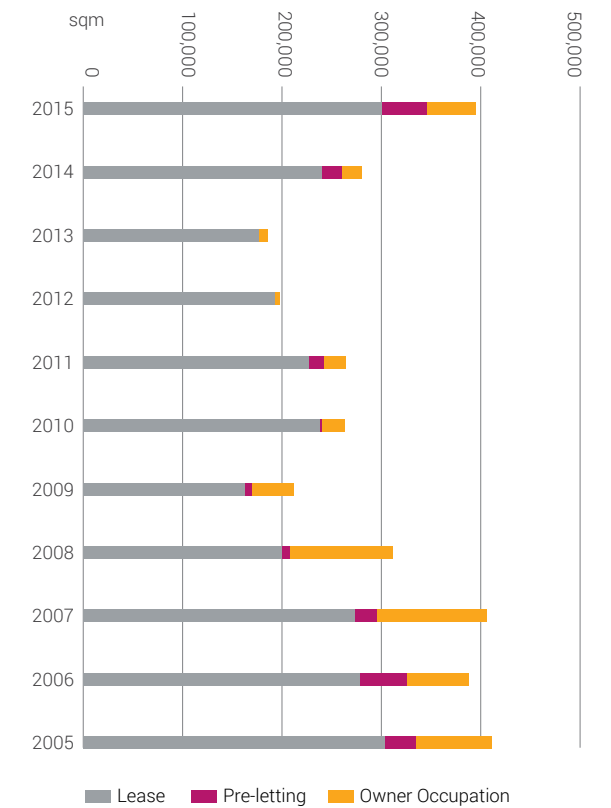
Faced with the lack of quality supply, it will be necessary to develop office projects in the city and refurbish existing office stock to meet companies' demand for space and increase the quality of offices in the city generally.



Take-up

The economic recovery and the increased activity and business confidence indicators are underpinning **growth in office take-up levels in Barcelona**, building upon the trend which began last year. In 2015, take-up in the city amounted to 398,000 sqm of office space, **up 41% on 2014** and the best figure for the past ten years. Of this figure, 83,000 sqm of office space was signed up in the last quarter of the year.

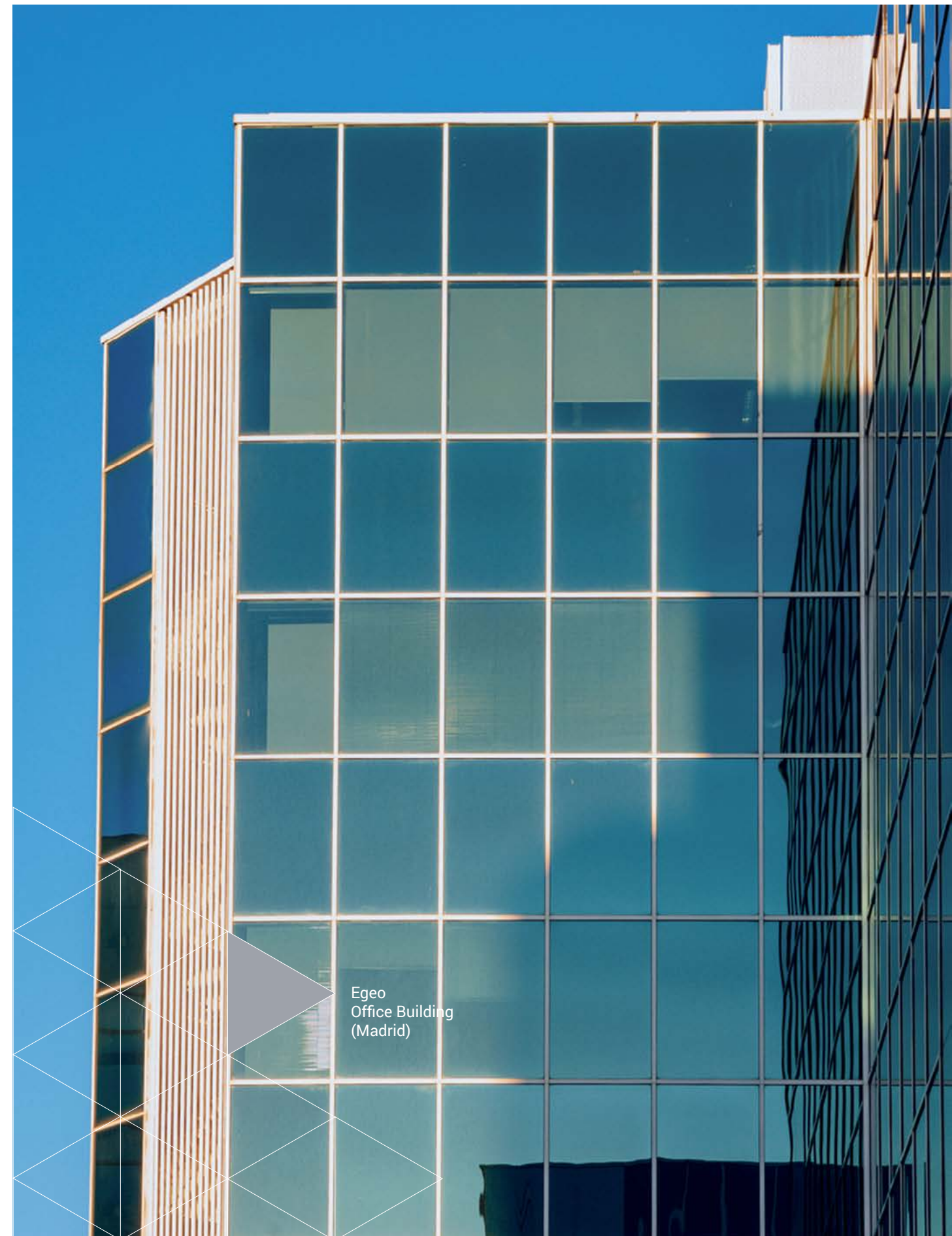
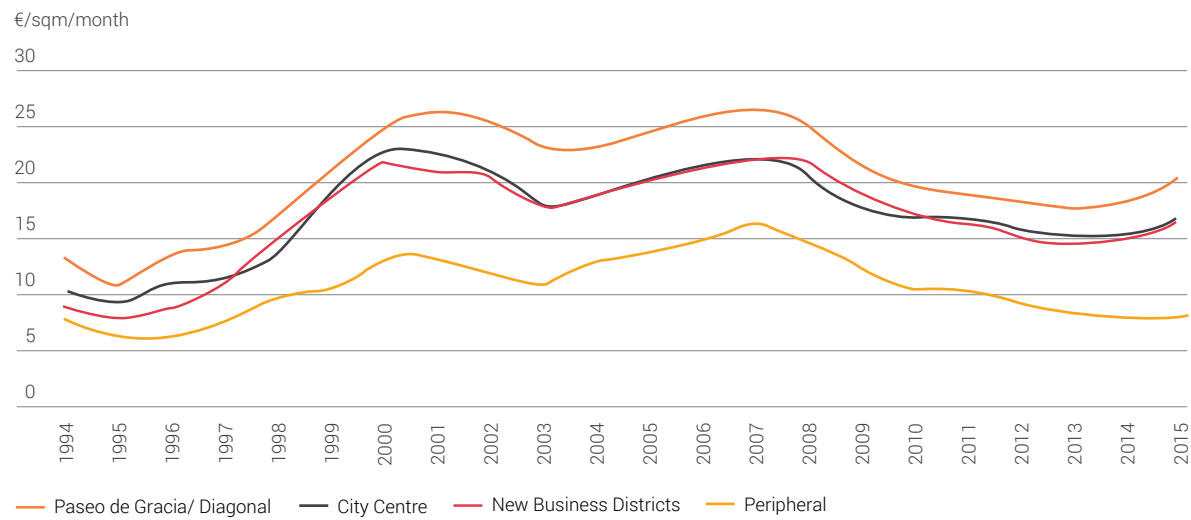
The New Business Areas concentrated the lion's share of office take-up, accounting for 43% of the total 2015 take-up of 173,000 sqm.



Rents

Office rental levels in Barcelona rose on average by 11% over the course of 2015. In the Paseo de Gracia/Diagonal area, where we can find the highest rents in the city, rental levels registered an annual increase of 12.16%, **reaching €20/sqm/month** in the fourth quarter of 2015.

The concerning lack of quality office space, coupled with strong take-up levels, have driven office rental levels upwards, both in the city centre and the new business districts. This upward trend is expected to continue into 2016.

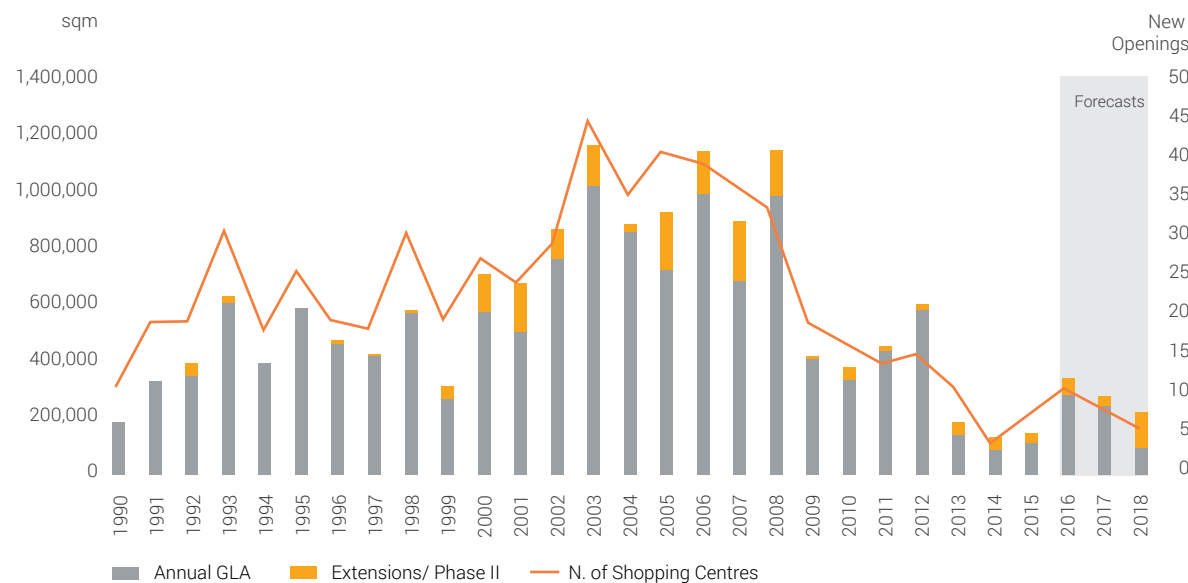


2.4 The Retail market

Shopping centres

Prime rental levels in the Spanish shopping centre market slightly increased in 2015 with respect to 2014, holding at €1,056/sqm per annum. The GLA coming on stream in 2015 amounted to 138,035 sqm, of which 111,535 sqm related to new shopping centres and retail parks, while 26,500 sqm related to extensions or second phases of existing facilities.

The total **stock of shopping centres and retail parks** stands at 687, with a GLA of 16,367,947 sqm. The average density in Spain stood at 362 sqm of retail space per 1,000 inhabitants. Densities in the Spanish provinces of La Coruña, Álava, Cádiz, Las Palmas, Murcia, Valladolid and Zaragoza exceed 500 sqm per 1,000 inhabitants, while Gerona, Jaén, Lérida and Teruel reflect the lowest densities at under 100 sqm per 1,000 inhabitants.



Madrid is the Spanish Autonomous Region with the highest retail GLA, with a total volume of 3.2 million sqm, followed by Andalusia at 2.9 million sqm and Valencia at 2 million sqm.

2.5 The Logistics market

In 2015 immediate **availability** of logistics warehouses in Spain gradually fell. Large deals, both in Madrid and in Barcelona, have driven this change.

In Madrid, availability fell during 2015 to 402,000 sqm, a 45% decrease of the vacancy rate to 6.1% of stock, mainly due to the increase in take-up in the third ring. As well, in Barcelona, availability fell down to 290,000 sqm, a 50% decrease in vacancy rate due to high take up and lack of product.

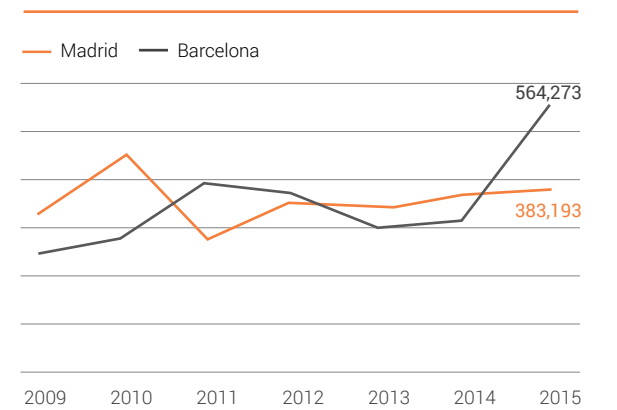
In Madrid, a pick-up in speculative developments and turnkey projects is expected. Of the 313,800 sqm under construction, some 59% was speculative. 60% of **future supply** under construction is located in the second ring and is expected to be completed in 2016 and 2017.

In Barcelona, of the 178,607 sqm under construction at the end of 2015, some 81% already has a confirmed tenant, while 20% was speculative. An upturn is expected in construction activity as regards speculative projects, owner-occupied properties and turnkey projects, primarily in the second ring, which is where over 84% of the future supply already under construction is located.

In line with the trend seen in earlier years, 2015 data confirmed the reactivation of the logistics **take up** primarily in Barcelona, where take up grew 78% in 2015 on the previous year, a record figure in Catalonia. 74% of the deals were for over 5,000 sqm. One of the reasons behind these strong take up figures is the expected demand coupled with the lack of future supply.

Logistics take-up in Madrid has remained stable in terms of volume, continuing its gradual improvement which began in 2012. During last quarter of 2015, 60% of the deals signed were for over 20,000 sqm.

Take up (sqm)



Logistics rental levels have held firm across all Madrid rings thanks to stabilising take-up levels. Prime rental levels have held firm at **€4.75/sqm/month**. Maximum rental levels in the second belt remain at **€3.60/sqm/month**, while rental levels in the third belt have also been remained at **€2.90/sqm/month**.

As well, logistics rental levels in Barcelona held firm in all rings in 4Q 2015.

There continues to be a lack of land for logistics projects in Barcelona, meaning that values remained stable in 2015 with minimums of €150/sqm. This is particularly clear in the two closest rings to the city, due to the particular features of the terrain, its industrial background, plots that are too small for logistics operations, and the complex mix of owners.

2.6 The Residential market

New housing **stock** amounts to over 500,000 homes.

There still exist areas with high disequilibrium and over supply, stock is decreasing progressively, primarily in big cities, however 30% of the supply is located in more complex markets where houses are considered difficult to sell. Stock of new homes is expected to decrease by 24.5% in 2016 down to 350,000 homes (source: ASPRIMA).

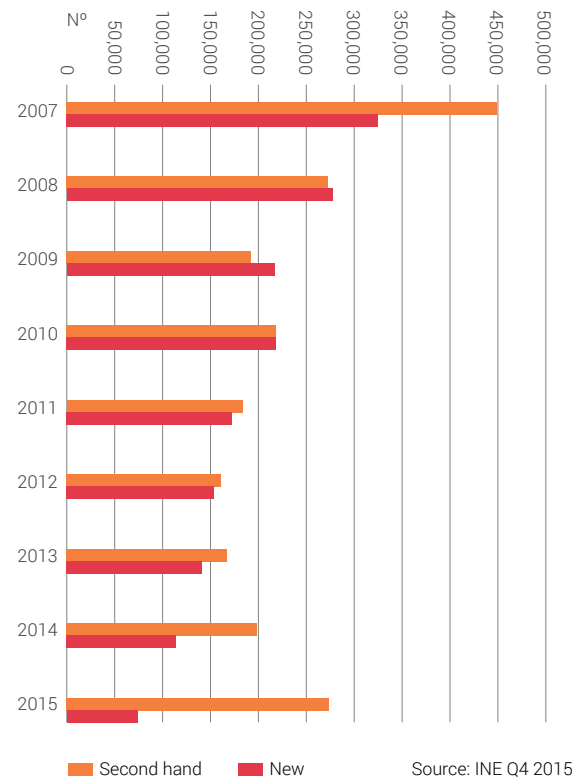
The number of residential **transactions** continues the positive trend initiated in 2014 and is confirmed by 2015 data.

Residential transactions increased by approximately 11% in 2015, in part thanks to second hand homes deals which represent 78% of total transactions.

Meanwhile, the demand fundamentals are improving. Employment continues to grow and unemployment rate fell again. Both data affiliation to Social Security as EPA in 2015 confirmed the positive trend for the labor market, which, together with the recovery of consumer confidence, is driving demand to a stronger position.

Foreign investors, and mainly investors from UK (23.95%), are major players in the Spanish residential sector, as they account for 14% of total transactions.

In 2015, **residential prices increased** driven by the higher demand. According to Ministerio de Fomento, the average price increase by 1.9%.



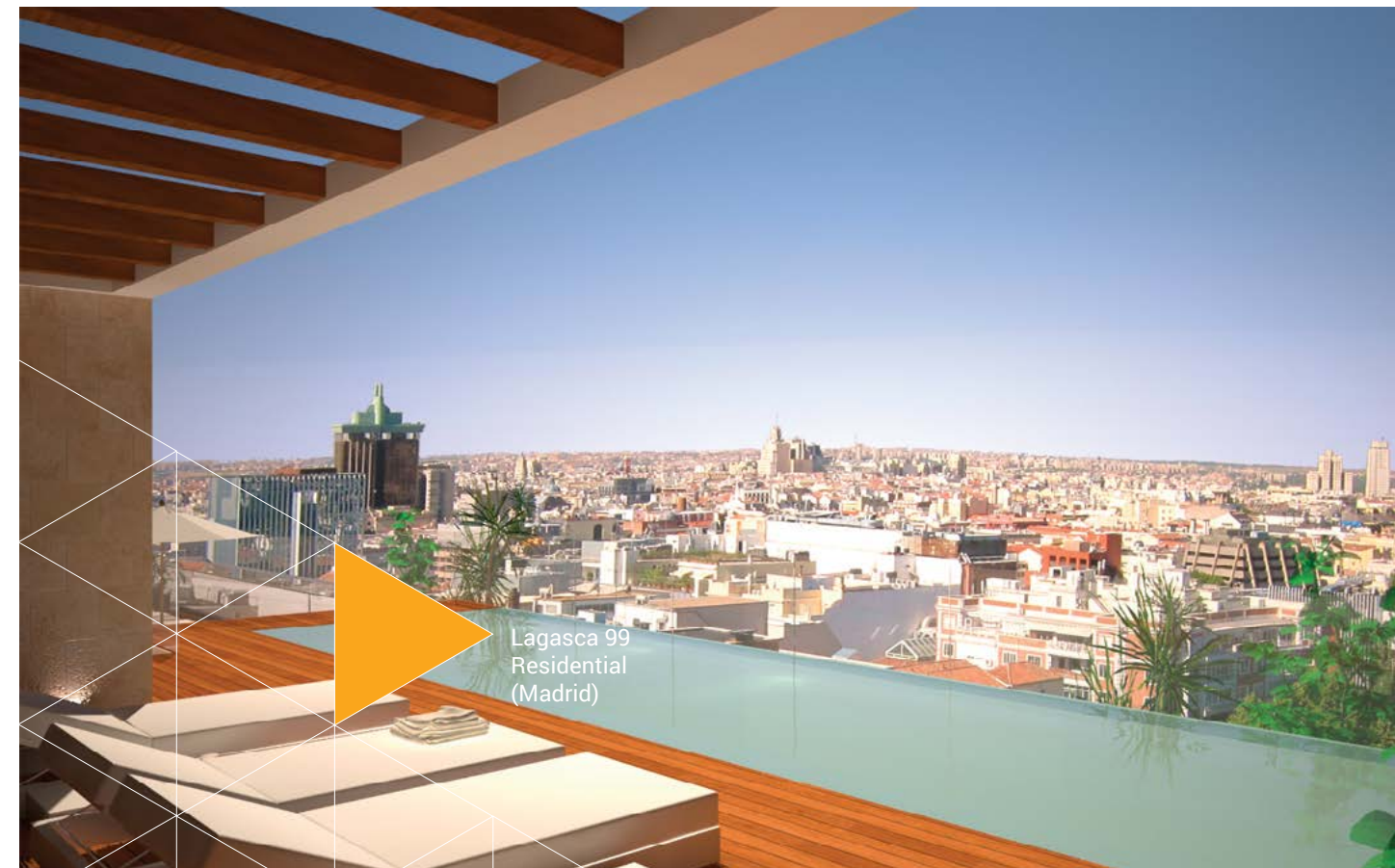
However, it cannot be generalized, since the price spike is registered essentially in very specific areas like large cities (Madrid, Barcelona) or tourist areas (the Balearic Islands and Costa del Sol).

There is interest in the residential investment market, both for direct investment as for debt portfolios. The interest is driven by the significant price adjustment and positive macroeconomic outlook coupled with low interest rates.

There are attractive opportunities in large portfolio purchase for subsequent rental and management, as well as for value creation through development and refurbishment of buildings.

Therefore, the residential market offers again investment opportunities, mainly in assets located in prime locations in big cities and touristic areas, Madrid, Barcelona, the Balearic Islands and Costa del Sol.

Source: JLL.





3 WHO WE ARE AND WHAT WE DO

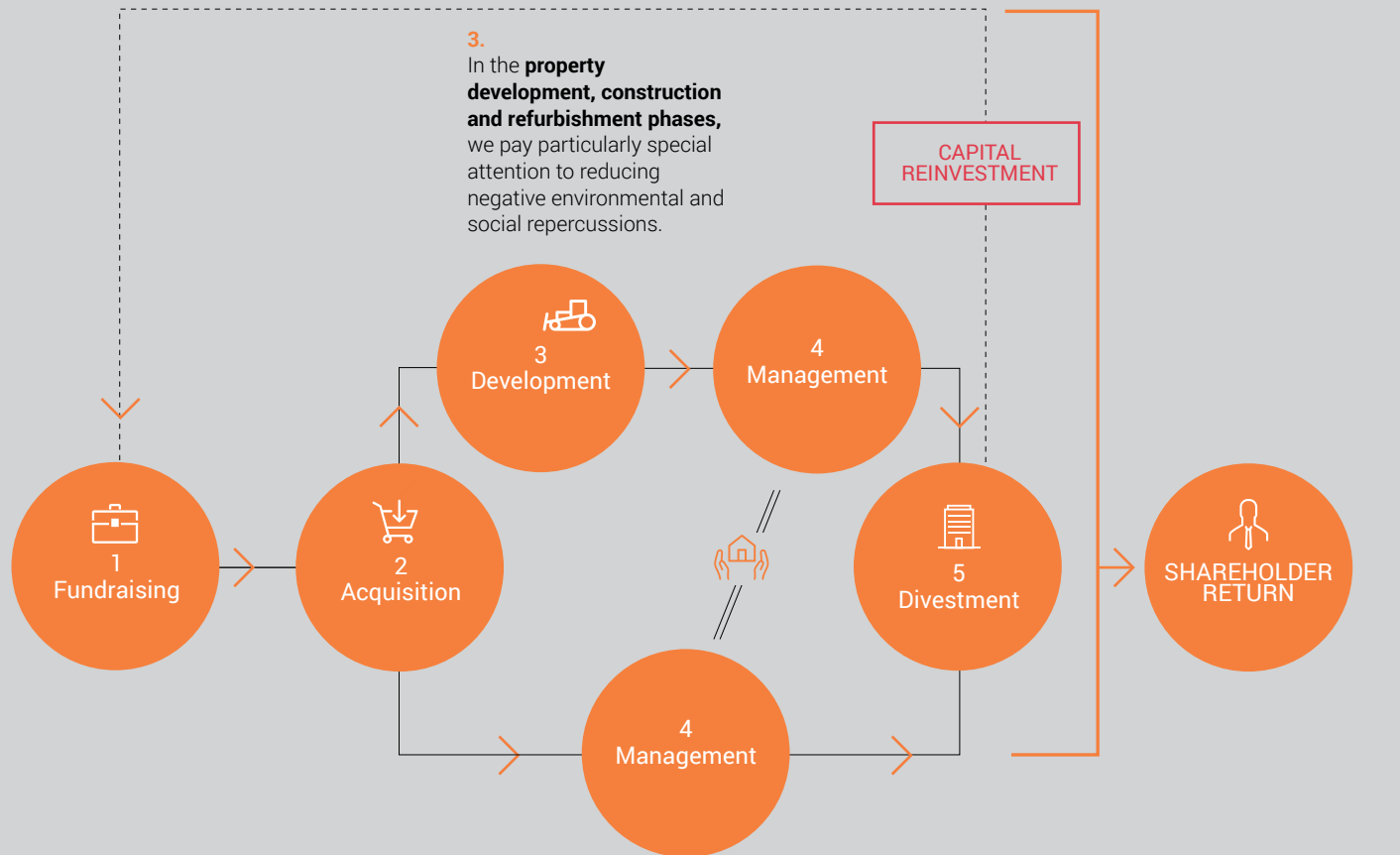
3.1
Business model
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3.2
Corporate strategy
and positioning
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Grupo Lar, Lar
España's Manager
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3.1 Business model



3. In the **property development, construction and refurbishment phases**, we pay particularly special attention to reducing negative environmental and social repercussions.

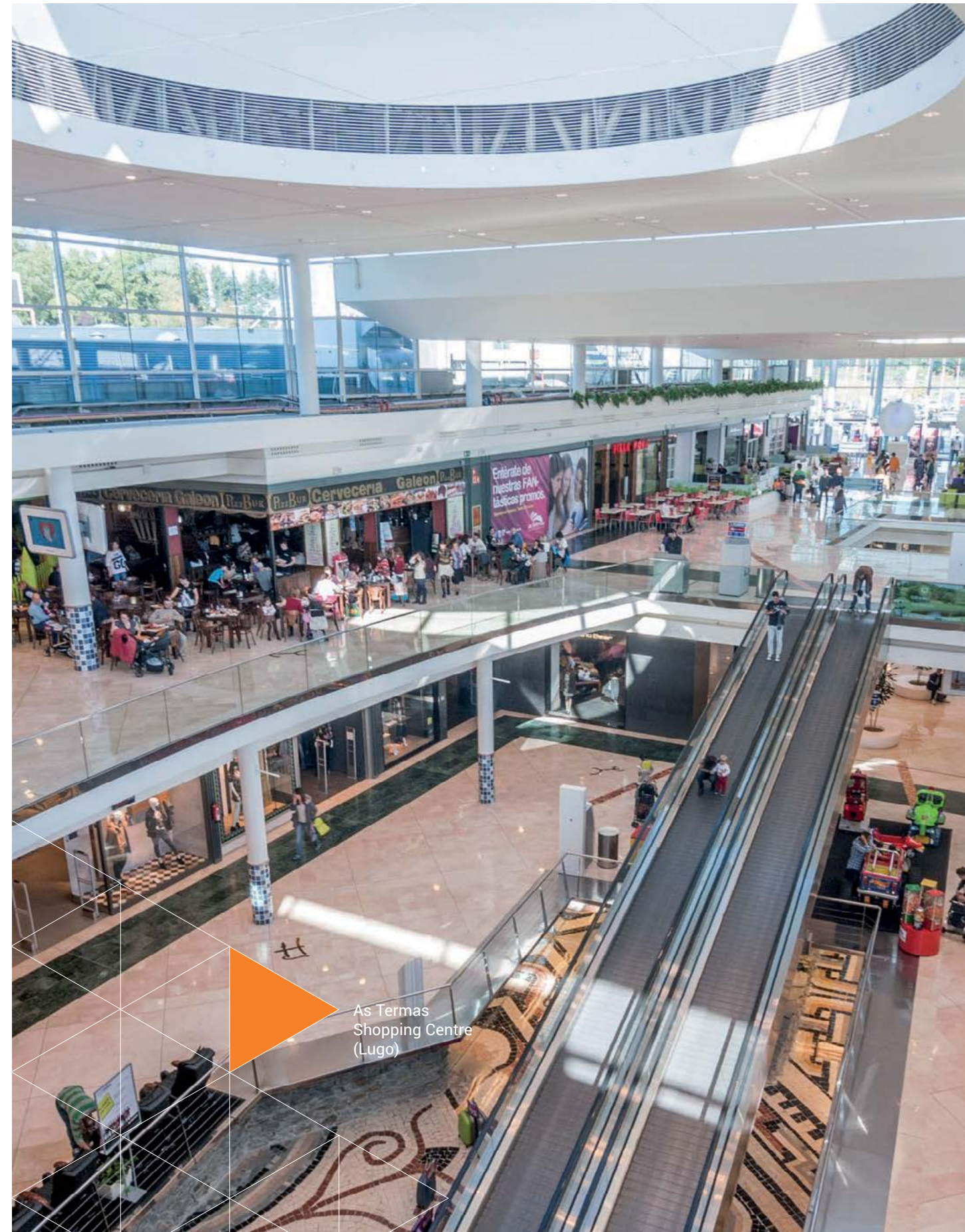
1. The **investment** and real estate management process begins at corporate level, where investment decisions are made and **financing** is acquired via:

- Financial Markets (IPO and share capital increases).
- Bank Financing.
- Alternative Financing (Bonds).

2. Once and in-depth analysis of the investment opportunity and its future returns has been carried out, a **decision to purchase** is then made.

4. We look at the deal from an **active management** point of view, analysing the most efficient way to conserve the properties, paying particular attention to aspects such as, sustainability, innovation, accessibility, ensuring value creation for all of our stakeholders.

5. We sell our properties at the optimal moment, after **maximising their value creation**, and ensuring that returns have been achieved in line with those approved in the acquisition process.



As Termas Shopping Centre (Lugo)

3.2 Corporate strategy and positioning

Who we are

We are a mid-cap **SOCIMI** (*Sociedad Anónima Cotizada de Inversión Inmobiliaria*) specialised in mid-size commercial properties. **Lar España Real Estate SOCIMI, S.A.** (hereinafter, Lar España) is exclusively managed by Grupo Lar, a real estate company with an extensive track-record in the sector, and in-depth knowledge of managing different asset classes (retail, office, residential, industrial, etc.) over the course of the property cycles of the past few decades, and with a long track-record of alliances with some of the world's most renowned international investors.

Lar España was the **first Spanish REIT to list on the Spanish Stock Exchange** and started trading on 05 March 2014.

Lar España was founded at an **optimal moment in the Spanish property cycle**, with real estate prices hitting record lows and the property market having turned a corner. Lar España also ushered in a change of trend for the Stock Market, as it was not only the first Spanish REIT IPO, but also the very first after three years of no listings and seven years since the previous listing of a real estate company.

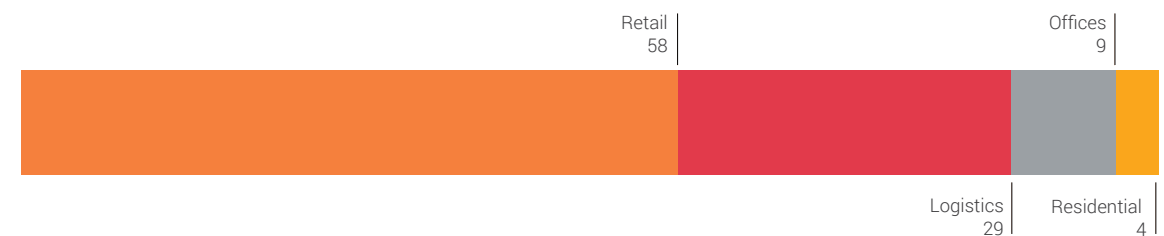
The company focuses on investing in well-located and under-managed **real estate throughout Spain** in the retail, office, logistics warehouse and prime residential sectors.

portfolio, primarily comprised of commercial properties in Spain. All of which is implemented via active and diversified management.

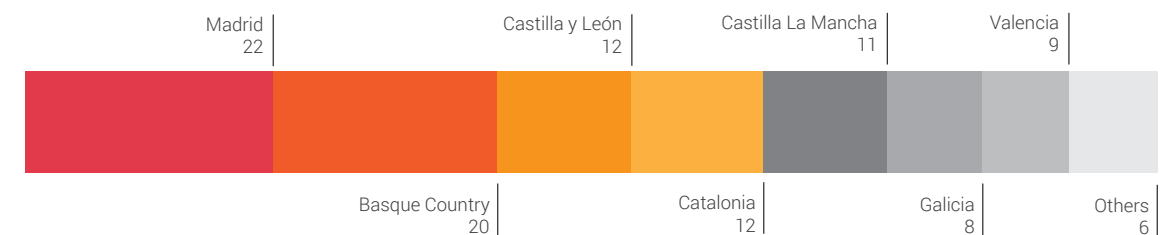
Lar España's objective is to generate high **returns for its shareholders**, via the implementation of its business strategy focused on letting its property por-

Below is a breakdown of the **gross leasable area** of the assets in Lar España portfolio by **asset class** and **location** as at 31 December 2015:

GLA by asset class (%)



GLA by location (%)



It set a trend in the real estate market



Lar España primarily focuses on identifying the very best investment opportunities in the Spanish market and acts as a vehicle for generating value for its shareholders.

Hence over the course of 2015, we completed the **acquisition of 12 assets** (5 shopping centres, 2 retail warehouses, 1 office building, 3 logistics complexes and 1 residential plot of land for development) for a **total purchase price of € 454 million**. We would like to make particular mention of various key aspects related to our business activity during 2015:

- Thanks to actively managing the properties in the portfolio, we achieved **rental income of € 35.7 million** and a **net annualised rent of € 50.9 million**.
- **6.1% y-o-y asset value increase** (5.6% in shopping centres; 5.2% in offices and 11% in logistics), which demonstrates the active management of the portfolio.
- The results obtained by Lar España in 2015 have allowed the company to **distribute profits** via dividend of € 12 million (€ 0.201/share), which equates to the distribution of 90% of EPRA Earnings registered over the year. This demonstrates a highly competitive profit distribution policy.
- € 135 million **share capital increase**.
- **First Spanish SOCIMI to obtain financing on the capital markets via a € 140 million bond issue** on very attractive terms.

The objective for 2016 continues to be to acquire the best properties in the market in order to add further value to the portfolio and provide shareholders with high returns.

For example, on 01 March 2016, an agreement was reached to acquire a retail use plot of land in **Palmas Altas**, to the North of Seville. A large retail, leisure and entertainment complex is expected to be constructed on this 123,000 sqm retail plot of land. The development is scheduled to complete by the end of 2018 and to have a total cost of circa € 145 million, of which € 36 million corresponds to the acquisition of the plots of land. The remainder of the investment will be used to develop and construct the macro family retail and leisure complex.

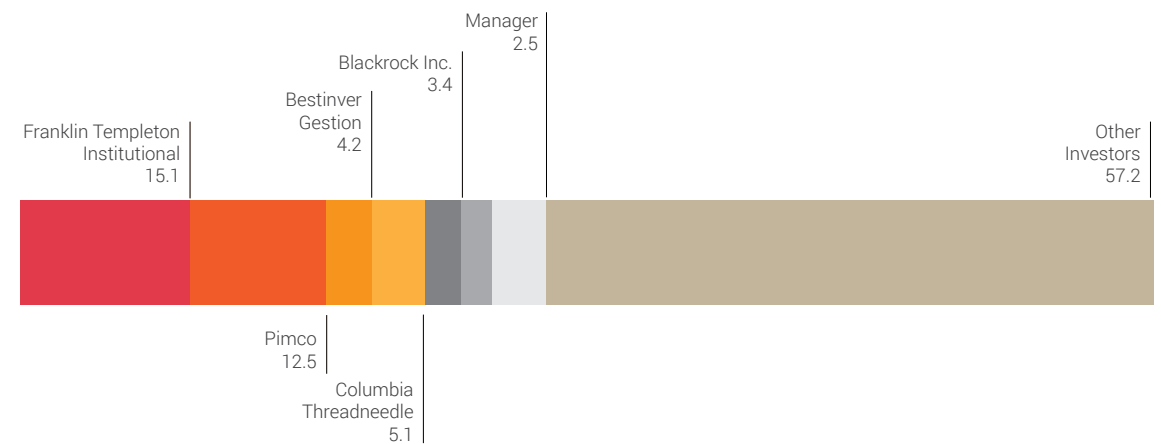
On 30 March 2016, Lar España also completed the acquisition of the remaining 41.22% of the **Portal de la Marina** shopping centre, becoming the sole owner and titleholder of 100% of the property.

In line with the company's objectives, at the start of 2016 a **bank financing agreement** was signed **associated with the acquisition of Megapark shopping centre** in Bilbao, for a total amount of € 97 million, on a 7 year term based on a bullet loan structure.

Shareholders

Lar España's shareholders include some of the most important investment and financial groups in the world, such as **Franklin Templeton** and **Pimco**.

Shareholders as at 31 December 2015 (%)



Lar España Board of Directors and Management Team

Lar España's investment decisions are made by its Board of Directors, comprised of **4 Independent Directors and one Grupo Lar Proprietary Director**. This, coupled with the knowledge and experience of its Directors, is one of the factors that make Lar España stand out from its competitors.

All of the members of the **Board of Directors** occupy or have occupied senior management roles in listed companies in the finance and real estate sectors.

The **Management Team** that runs Lar España is comprised of three people. The structure is detailed below:



Others

Lar España aims to comply with the highest international standards of transparency, comparability and commitment. Hence, it is a member of the **European Public Real Estate Association (EPRA)**, the leading international association in the sector, which aims to provide comparable financial information between publicly listed Real Estate companies.



On 04 June 2015 the SOCIMI joined the **FTSA EPRA/NAREIT index**, a select global index designed to showcase general trends, which includes some of the biggest real estate companies in the world.



In September 2015, Lar España received the **GOLD AWARD** from the **European Public Real Estate Association (EPRA)** in recognition of the quality of the information provided by Lar España within the **Index standards framework**. Lar España has therefore become the first and only Spanish SOCIMI to receive this award, the most prestigious in the real estate sector.



Lar España also collaborates with MSCI-IPD and forms part of its annual real estate index, **IPD Spain Annual Property Index**, which provides additional information and visibility of the real estate sector.

What we do

Lar España invests in **real estate assets across Spain**, primarily focusing on the retail, office, logistics warehouses and prime residential sectors, located in Madrid and Barcelona and their surrounding areas.

Investment is primarily focused on **very well located mid-size commercial properties**. It is also open to the potential of allocating up to 20% of its GAV in to residential developments.

Lar España primarily invests in consolidated but under-managed high quality commercial properties in Spain, in order to **improve their cash flow and create value in order to maximise shareholder returns**. This is possible thanks to the active management strategy that Grupo Lar applies to its investments.

One of the key factors behind Lar España's successful strategy is its capacity to **manage its risk diversifying investments by asset class and investment volume**. Lar España is not allowed to invest more than 20% of the SOCIMI's shareholder equity in one single asset.



What do we do?	We invest in real estate assets throughout Spain in the retail, office, logistics warehouse and residential sectors
Strategy	Investing in mid-size, very well located and very good quality commercial properties that are under-managed
Goal	Improve cash flow in the properties in the portfolio and generate value by maximising shareholder returns
Active Management	Thanks to the experience of Grupo Lar's professionals, who apply an active management strategy to the investments
Diversification (Risk management)	Risk management via diversifying investments by asset class and investment volume
Investments	100% delivery on the investment strategy by adopting the guidelines put in place and thanks to shareholder backing
Average Yield on Cost	Highest Average Yield on Cost out of all of its competitors, which clearly demonstrates the manager's past experience and expertise in the real estate market and the thorough analysis of the deals offered to it
In-depth analysis	High yields due to the acquisition of individual properties, after carrying out an in-depth analysis of each deal

Within the retail sector, Lar España owns leading **shopping centres** in their respective catchment areas, with proven levels of demand and high potential returns. The investment objective focuses on good quality properties with excellent access and visibility.

In the **office** segment, Lar España invests in consolidated assets in Madrid and Barcelona, with good transport links, recurring activity and a select level of rotation.

Select **logistics properties** also form part of the portfolio, with potential rental growth and high returns.

Hence, Lar España has created a property portfolio that has been specially selected via **off-market deals**, which adhere to a value-add approach based on an active management strategy.



Where we are going

Lar España will continue to consolidate its position as one of the most active **SOCIMIs in Europe and its benchmark status in the sector.**

From a more tactical point of view, Lar España knows how to benefit from the **favourable economic outlook** over the upcoming years, thanks to the **consolidation of the Spanish real estate industry**, as well as **improving financing conditions**, which is allowing Lar España to finance its investment property portfolio acquisitions on highly favourable terms. Leverage of its portfolio has again been set at a target of circa 50% LTV, which will help to boost shareholders' returns.

As previously mentioned, Lar España intends to offer, where possible, even more attractive returns, thanks

to the **high initial yield at which its income-producing properties were acquired** and the efficient management of its assets. In 2015 it increased payments to shareholders by six times that of the previous year, thanks to the EUR 12 million allocated to these payments.

Another important factor in order to develop the investment pipeline is the **stability of the initial 5-year contract signed with the manager Grupo Lar**, which has been exclusively mandated in order to manage the SOCIMI's property portfolio.

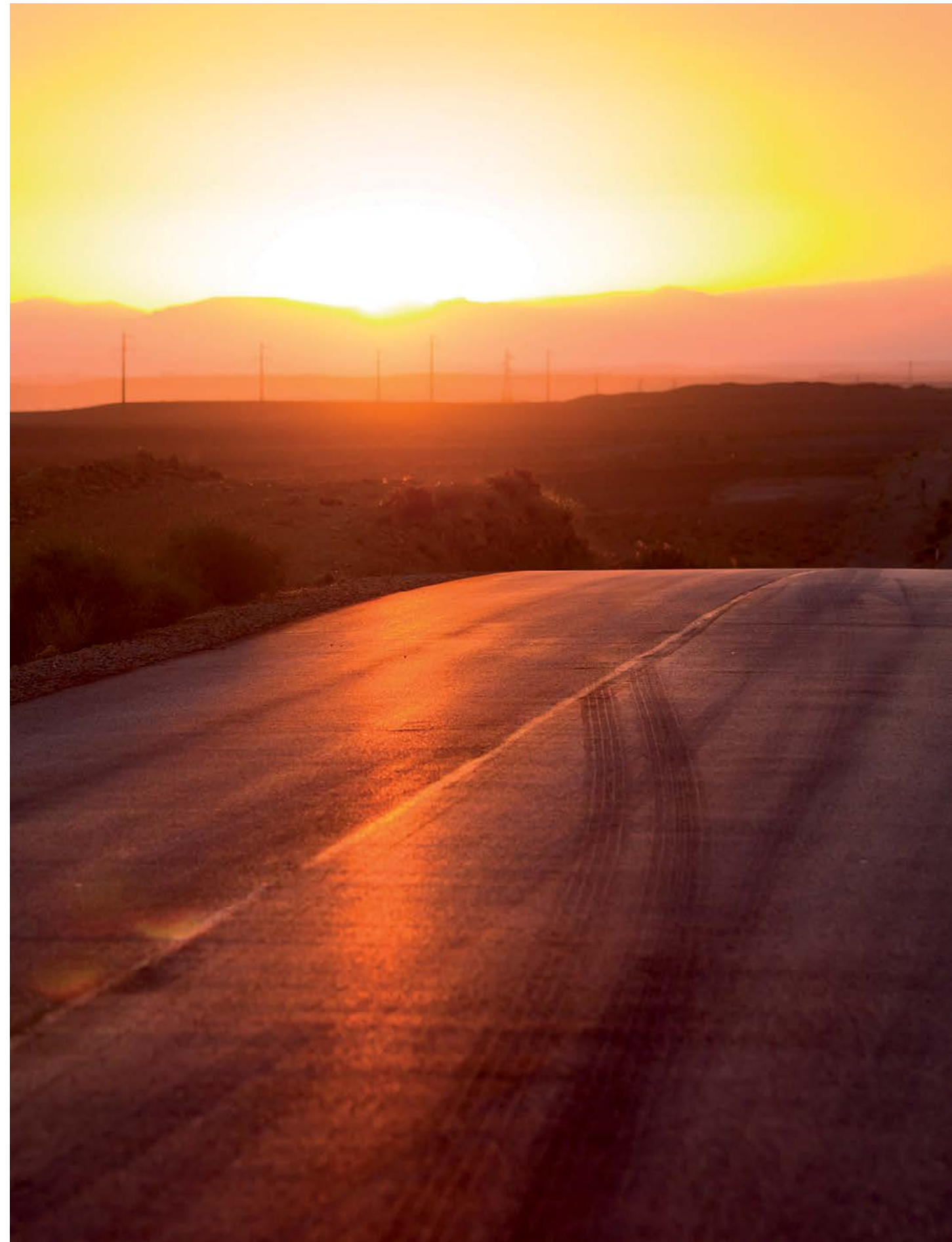
Lar España will continue to provide innovative active asset management with the aim of **creating sustainable value.**

Continue to provide innovative active asset management with the aim of creating sustainable value

Lar España will continue to innovate, with newer and smarter ways of financing in order to bolster its value-added strategy and deliver on its business plan

Long-term project, the goal of which is to become one of the most active REITs in Europe and become a benchmark for the sector

Offer returns, where possible, that are more attractive to its shareholders, thanks to the high initial yield at which its properties are acquired and their efficient management



3.3 Grupo Lar, Lar España's Manager

Lar España Real Estate SOCIMI, S.A. is exclusively managed, for an initial term of 5 years, by **Grupo Lar**, a real estate company with extensive experience in the sector, knowledge of different asset classes (retail, offices, residential, industrial, etc.) over the course of the real estate cycles over the past few decades and a long track-record of alliances with some of the world's most renowned international investors.

- Grupo Lar is a **real estate developer, investor and manager** with a consolidated presence in the markets it operates in.
- Developer focused on **investment and management** of real estate assets:
 - Shopping centres
 - Residential – primary and second homes
 - Offices and business parks
 - Industrial parks
- More than **40 years experience**.
- Strategy based on **risk diversification** and developing competitive advantages via **strategic alliances**.
- Present in **7 countries**: Spain, Poland, Romania, Mexico, Brazil, Colombia and Peru.
- Non-listed company owned by the **Pereda family** and the **Special Situations Fund** managed by **Proprim** holds a 16.7% stake.
- It benefits from **solid corporate governance regulations**. Four of the ten directors are independent and benefit from extensive experience in the financial and/or real estate sectors.



Grupo Lar's competitive advantages

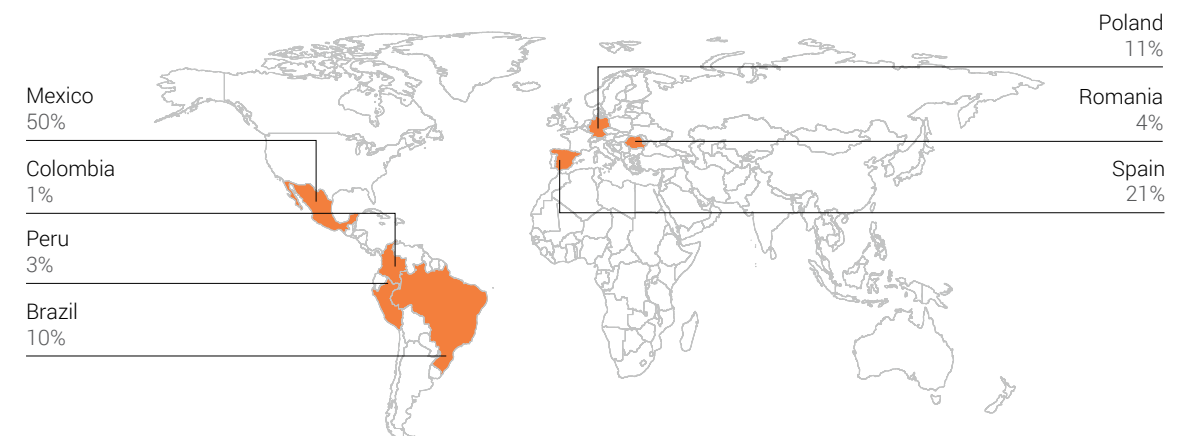
1. Product diversification

- Grupo Lar is a **real estate investor, developer and manager**.
- **Specialised in various sectors**: Grupo Lar has invested in and managed a wide range of different asset classes, among others, retail, offices, residential and industrial, thereby demonstrating its ability to adapt to the cyclical nature of the sector.

2. Geographical diversification

- **International presence**: the company portfolio is spread across 7 countries in Europe and the Americas.

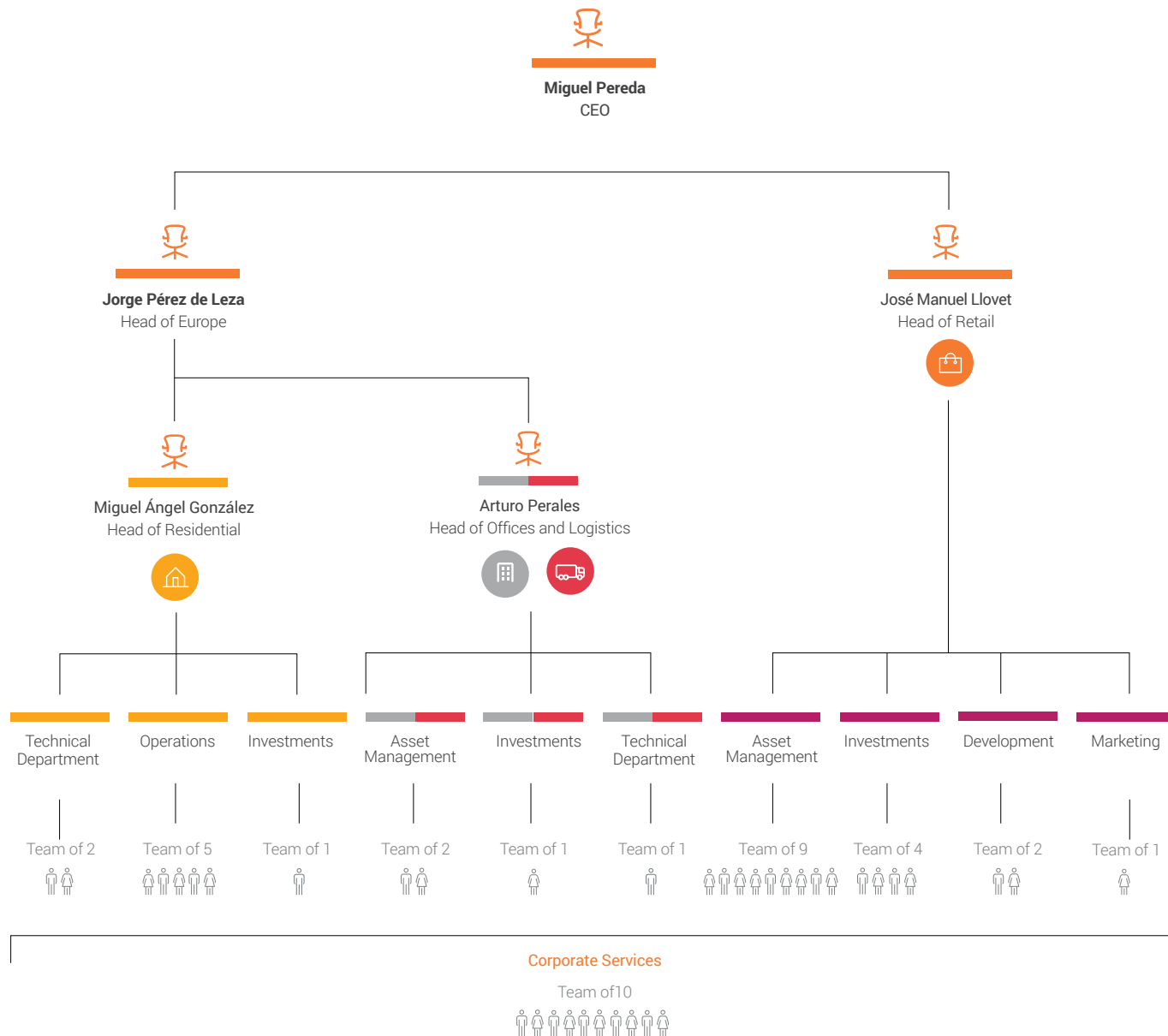
Weighting of each country in the portfolio



3. Solid Structure

- Non-listed company.
- Management Team and **Board of Directors** headed up by Luis Pereda, member of the founding family.
- **259 employees** in **7 countries** with on-going training programmes in each country and talent selection processes in order to build on middle management capabilities.

Below we detail the management team, which is heavily involved in the day-to-day running of Lar España:



Proven Partner in Alliances/JVs

One of the key differentiating values of Grupo Lar is its proven experience of establishing **alliances with prestigious international investors**, such as Green Oak, Grosvenor, Goldman Sachs, Henderson Global Investors, Morgan Stanley and Ivanhoe Cambridge, among others:



Grupo Lar's experience and knowledge are demonstrated by the fact that the company is the majority shareholder (66%) of Gentalia, the largest retail property manager in Spain.

Given its expertise in Shopping Centres, **Gentalia** provides:

- Feasibility studies.
- Advice on architectural and commercial concepts.
- Leasing of new schemes and re-letting of existing shopping centres.
- Shopping centre management.
- Asset management.

The company currently has a portfolio of **55 shopping centres**. This equates to more than 1,485,800 sqm (GLA) and 3,254 retail units spread across the length and breadth of Spain.



- The strategy focuses on risk diversification and the development of competitive advantages via **strategic alliances**.
- **Co-investor and operating partner for top institutional investors** such as: Goldman Sachs, Morgan Stanley, RB Capital and La Caixa Private Equity.
- JVs successfully completed in Spain and abroad. Examples include: Morgan Stanley, Grupo Eroski, Whitehall, Grosvenor, Grupo Acciona, Mero do Brasil, Banco Sabadell and Caja de Ávila.

Fees received by Grupo Lar as Lar España's Manager in 2015

1) Base fee (Fixed fees)

The base fee, in accordance with the Investment Manager Agreement (IMA) agreed between Lar España and its Manager, Grupo Lar, will be paid monthly to the Manager and will amount to the figure proportional to 1.25% of the EPRA NAV figure (excluding cash) as at 31 December of the previous year, in this case, 31 December 2014.

The fixed fees received by Grupo Lar in 2015 for its management of the Lar España portfolio amounted to **3,883 thousand Euros**.

2) Performance fee (Variable fees)

A performance fee is also included in the IMA, as an incentive to our Manager, which depends on the annual return generated to our shareholders.

The performance fee becomes payable when the annual increase in Lar España's EPRA NAV (net of share capital increases and dividend distributions), exceeds 10% and is calculated as follows:

- **Promote fee:** 20% of the shareholders annual return over 10%.
- **Catch-up fee:** an additional 20% of the portion of the excess return between 12% and 22%.

Performance fee calculation for 2015 is shown below:

Thousand Euros	
EPRA NAV 31.12.14	389,862
EPRA NAV 31.12.15	580,029
Difference	190,167
Capital Increase	(134,982)
Capital Increase expenses	4,764
2014 Dividend paid in 2015	1,331
NET ANNUAL INCREASE	62,280
Increase % 31.12.14 - 31.12.15	15.72%
Above 10%	5.72%
Promote fee	4,459
Between 12%-22%	3.72%
Catch-Up fee	2,899
Promote + Catch-Up = Performance fee (*)	7,358

(*) Data audited by Deloitte



Hence, the variable fees received by Grupo Lar in 2015 due to it achieving excellent returns for our shareholders amounted to **7,358 thousand Euros**.

The amount of **11,241 thousand Euros** resulting from the base fee and performance fee are entered in the Consolidated Income Statement as at 31 December 2015 under the entry "Other Expenses". See page 144, section 9 "Financial information".

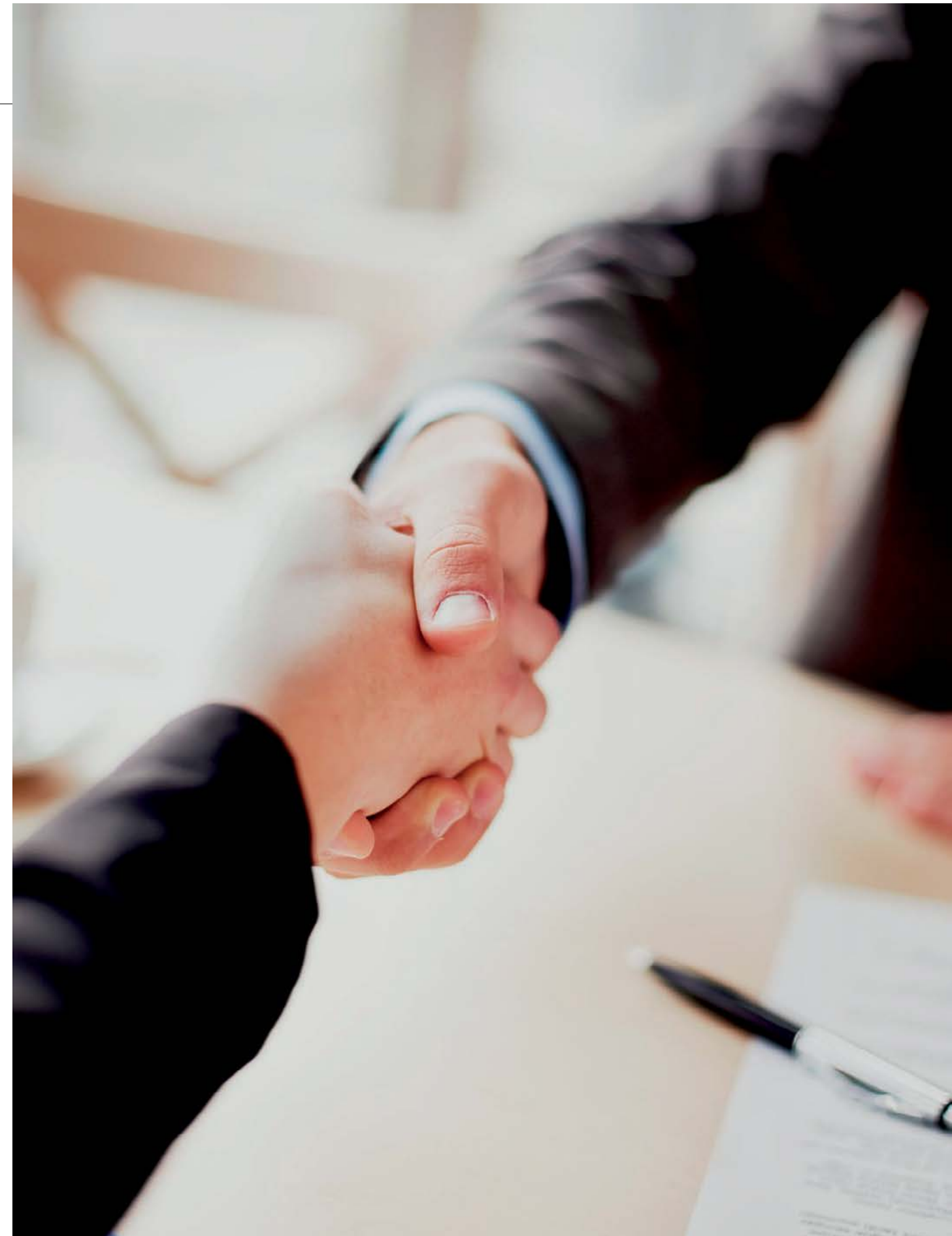
Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation. See page 165.

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

- Approval by Lar España
- Payment of the amount corresponding to the performance fee (**7,358 thousand Euros**) to Grupo Lar
- Reinvestment of this amount by Grupo Lar (after tax deductions) via the subscription of new Lar España shares

	%	Thousand Euros
Performance fee	100	7,358
Taxes	28	(2,060)
Grupo Lar refund	72	5,298

- The 5,298 thousand Euros will be used to acquire new shares issued by Lar España via a share capital increase (based on the authorisation approved by the Extraordinary General Shareholders' Meeting held on 18 December 2015).





4 OUR STAKEHOLDERS

4.1
What's important
to them, our
commitment
p. 50

4.2
Stakeholder
expectations
p. 53

4.1 What's important to them, our commitment

The real estate sector is at the crux of several issues of the utmost importance in our time, including town planning, demographic shifts, resource scarcity, environmental impacts and emerging technologies. Building **design, construction and operation** can echo, boost and mitigate the impact of all of these issues on their occupants, owners, communities and society in general.

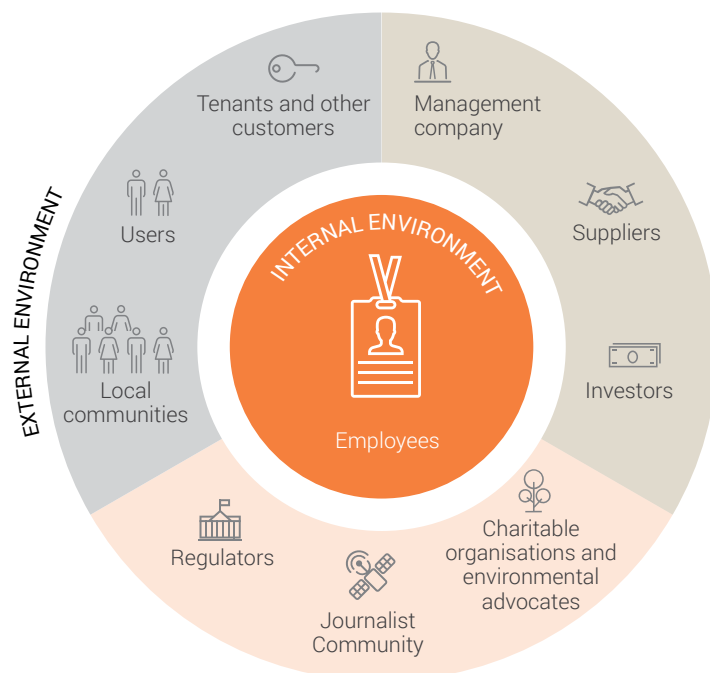
Sector expectations are changing rapidly all over the world. Investors, owners, tenants, regulators and other stakeholders are clamouring for **greater transparency** in general and in relation to **environmental, social and governance (ESG) issues** in particular. This trend is driving demand for information about corporate performance on ESG matters so that stakeholders can build it into their decision-making processes.

Ever since it was incorporated, Lar España has maintained that solid knowledge of its surroundings, teamwork and the involvement of the players with a vested

interest in its value chain must be championed by the Company from a strategic perspective and in its everyday asset management. To this end, Lar España strives to understand its stakeholders' expectations so it can incorporate them into its **strategic and management decisions** and develop **adequate reporting processes**.

This is why dialogue and the desire to improve stakeholder relations have played crucial role in defining the Company's corporate social responsibility (CSR) policy, which echoes several of its general principles of conduct: **creation of shared value, transparency, employees and business relations**.

The starting point for approaching stakeholder management and communication was an analytical exercise to identify the Company's **key** internal and external stakeholders.



Lar España is planning to define **formal mechanisms for gathering their feedback and enabling two-way communication** so that they can express their

concerns and Lar España can respond to their needs and expectations, in line with the **commitments assumed under its CSR policy**.

General	<ul style="list-style-type: none"> To promote communication and dialogue with the company's shareholders, employees, customers, suppliers and, in general, all of its stakeholders, with a view to understanding and meeting their expectations and incorporating their most pressing concerns into the company's CSR policy. A commitment to accountability by developing the indicators needed to deliver measurable information that helps set in motion initiatives designed to improve Lar España's products, services and management processes. A transparency pledge, to which end the Company commits to compile and report relevant and reliable financial and non-financial information about its performance and activities on an annual basis.
Investors	<ul style="list-style-type: none"> To create value for the Company's shareholders with a view to ensuring the financial strength and sustainability of Lar España in the long run.
Suppliers and the Management Company	<ul style="list-style-type: none"> To ensure that product and service selection processes are not biased in any way, are transparent, objective and equitable. To articulate mutually-beneficial business relationships that generate strategic and forward-looking alliances, underpinned by the establishment of and compliance with Lar España's corporate social responsibility criteria. To factor corporate social responsibility criteria into business relationships.
Regulators, charitable organisations and environmental advocates	<ul style="list-style-type: none"> To cooperate with institutions, non-governmental organisations, private companies and other entities in pursuit of effective community work related with the development and construction business and with a strategic focus on education, all with the goal of contributing to the community's economic and social well-being in the medium and long term.
Tenants and other customers	<ul style="list-style-type: none"> To create value for the Company's owners with a view to ensuring the financial strength and sustainability of Lar España in the long run.
Users	<ul style="list-style-type: none"> To incorporate accessibility criteria into property refurbishment projects, not only with a view to complying with prevailing legislation but also in a bid to create safer and more efficient spaces for all of society, irrespective of their capabilities. To ensure universal access to the properties owned by the Company such that they can be approached, used and enjoyed as safely, comfortably and autonomously as possible by all.
Local communities	<ul style="list-style-type: none"> To contribute to human, economic and environmental development so as to in turn foster the sustainable development and social progress of the communities in which Lar España operates. To channel the charitable concerns and philanthropic nature of Lar España's employees by means of corporate volunteering and the proposal of specific charitable work initiatives.
Employees	<ul style="list-style-type: none"> To frame talent recruitment, selection and retention policies with equal opportunities, non-discrimination and diversity criteria and to foster measures designed to integrate minorities. To establish a compensation policy that enhances the ability to hire the finest professionals and reinforces the Company's human capital. To champion the upgrade of employees' training and skills and to prioritise career promotion by means of performance evaluation. To ensure a safe and healthy workplace. To facilitate work-life balance against the backdrop of equal treatment and employee engagement.

Information

Shareholders, investors and indeed any interested party may also use the **corporate website (www.larespana.com)** to channel enquiries or request information. The website includes continually updated information about the Company's management and investment strategies, economic performance, corporate reports, share price performance, corporate governance rules, etc.

It also hosts a **press room** with current Company information tailored specifically for the journalist community. Lar España's **press office** handles information requests.

General communication channels and contact details
 info@larespana.com
 +34 91 436 04 37
 larespana.com/contacto/
 Queries, questions, comments or information requests

Press
 prensa@larespana.com
 +34 91 436 04 37
 larespana.com/prensa/
 Press office, information about news and developments at Lar España

Shareholder and investor information
 info@larespana.com
 +34 91 436 04 37

Whistle-blowing channel
 canaldenuncias@larespana.com

4.2 Stakeholder expectations

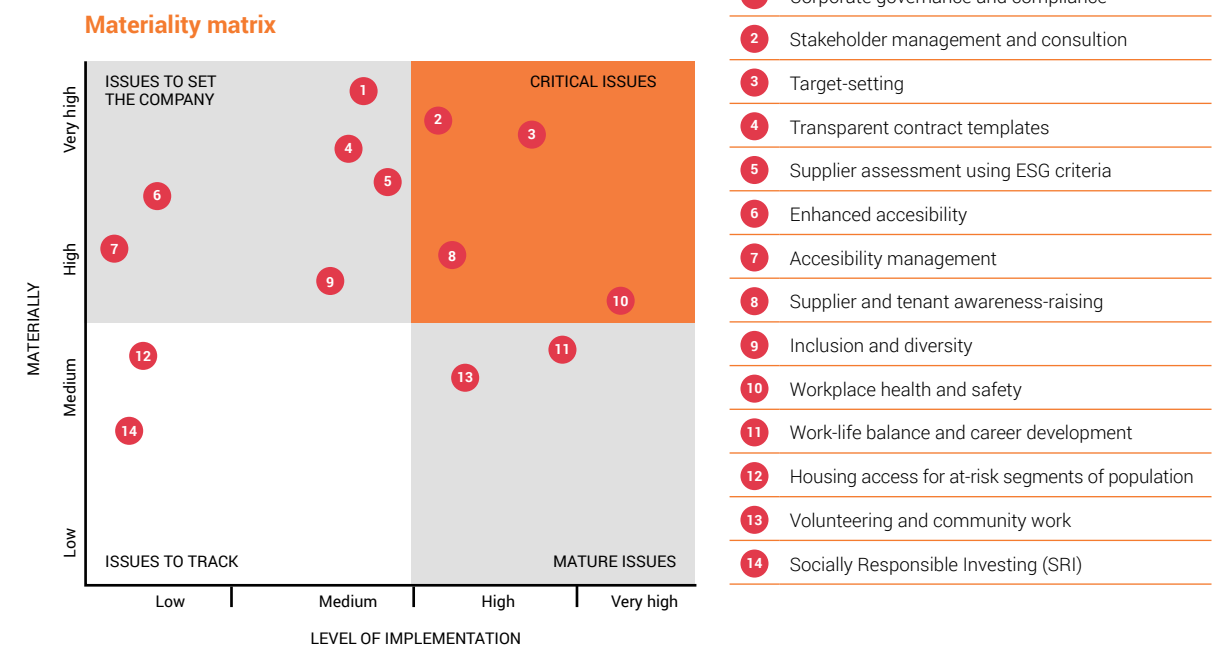
With the aim of identifying the issues of greatest interest to Lar España's stakeholders in the ESG and financial arenas, so as to fine-tune the information disclosed about the Company's performance in 2015, Lar España conducted a materiality assessment, analysing the following aspects:

- The interests and expectations of investors and authorities in the **real estate investment world**: European Public Real Estate Association (EPRA), Global Real Estate Sustainability Benchmark (GRESB).
- Analysis of **best sector practices**: Royal Institution of Chartered Surveyors (RICS), sector guides on accessibility.

- Areas and issues of concern and interest to the leading **ESG reporting initiatives** in respect of the real estate sector: Global Reporting Initiative (GRI), Dow Jones Sustainability Index.

- The issues and challenges being taken up by the **sector leaders at the European level**.

In the wake of this analysis, a **materiality matrix** was drawn up of the key material matters as a function of their relevance to the Company's stakeholders and the extent to which they have been adopted by benchmark sector players. Lar España is planning to roll out a series of specific initiatives to address these matters in the immediate future. Further information can be found in **Chapter 8. Corporate Social Responsibility**.





5 PORTFOLIO

5.1

Main Events
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5.2

Portfolio location
and description
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Real estate
valuation
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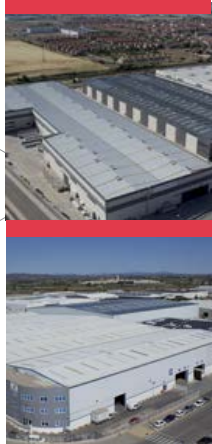
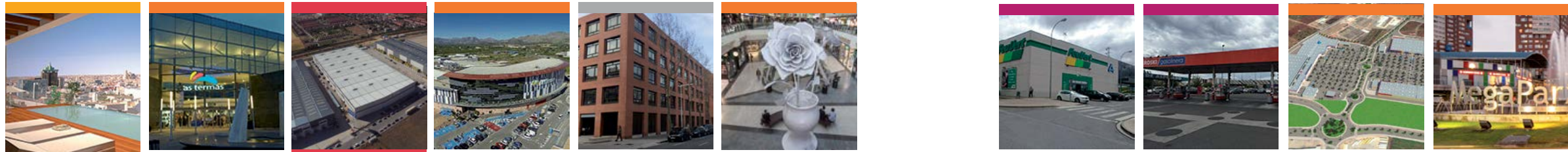
5.4

Additional Portfolio
Information
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5.1 Main Events

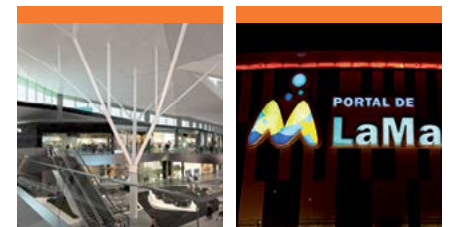
2015

FEBRUARY	APRIL	MAY	JUNE				AUGUST	SEPTEMBER	DECEMBER
Corporate bond issue (€ 140 million)	General Ordinary Shareholders' Meeting	Dividend distribution € 1.3 million (€ 0.033/share)	Incorporation of Lar España's shares on the FTSE EPRA/NAREIT Global Real Estate Index				Share capital increase: € 135 million	Lar España Real Estate SOCIMI, S.A received the EPRA Gold Award	General Extraordinary Shareholders' Meeting
30 JANUARY	15 APRIL	26 MAY	9 JUNE	11 JUNE	7 JULY	23 JULY	28 JULY	3 AUGUST	19 OCTOBER
Acquisition Lagasca 99 Residential Development	Acquisition As Termas Shopping Centre	Acquisition Alovera III (C2) Logistics Warehouse Alovera IV (C5-C6) Logistics Warehouse Almussafes Logistics Warehouse	Acquisition Portal de la Marina Hypermarket	Acquisition Joan Miró Office Building	Acquisition El Rosal Shopping Centre	Acquisition Parque Galaria Retail Warehouse	Acquisition As Termas Petrol Station	Acquisition Cruce de Caminos Plot of land	Acquisition Megapark Shopping Centre

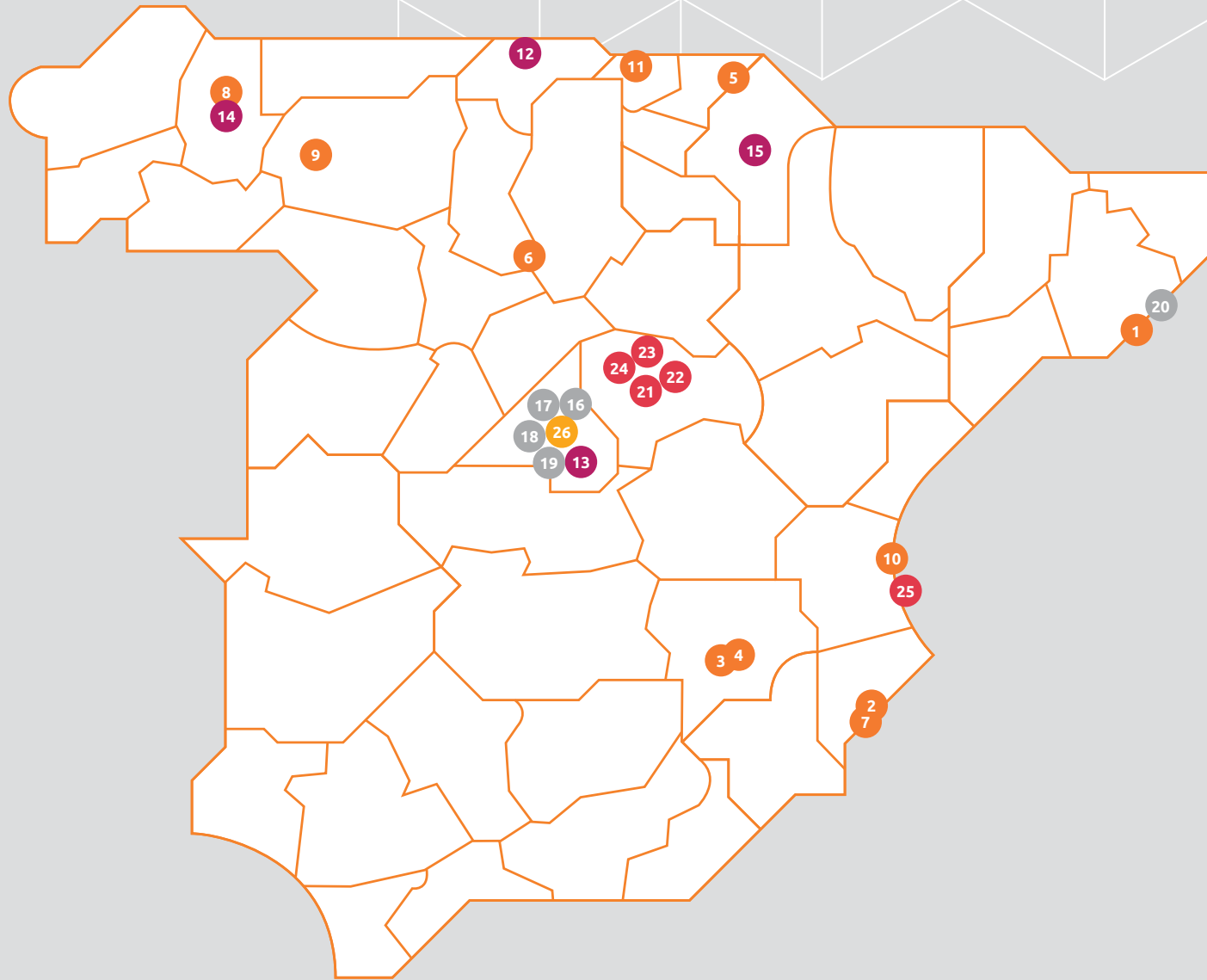


2016

25 FEBRUARY Megapark financing: € 97 million	1 MARCH Acquisition Palmas Altas Plot of land	30 MARCH Acquisition 41.22% Portal de La Marina Shopping Centre
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SHOPPING CENTRE

ANEC BLAU, BARCELONA



Location & Profile

Centre located in the best Catalan tourist destination, Casteledefells. Located 18 km south of Barcelona, with access via the C-32.

Situated in a prized location 10 minutes from El Prat airport.

Its primary catchment area comprises 400,000 inhabitants.

Total sales at end of year reached €58,940,103.

Footfall 2015: 5,381,246 visitors (4% y-o-y increase).

Investment Rationale

Medium sized shopping centre, which is the leading centre in its catchment area.

Excellent tenants such as Zara, Massimo Dutti, Pull & Bear, C&A, H&M and Mercadona (leading distribution company in Spain, which has a 3,156 sqm retail unit).

Asset Characteristics

Property Name	Anec Blau
Property Type	Shopping Centre
Location	Barcelona
Ownership (%)	100%
Year of Construction	2006
GLA	28,603 sqm
Purchase Date	31 July 2014
Acquisition Price	€80.0 million
Market Value (*)	€84.9 million
Price / sqm	€2,797 per sqm
No. of Tenants	Multi-tenant
WAULT	2.9 years

Key Performance Indicators

EPRA Occupancy Rate	91.7%
EPRA Net Initial Yield	6.4%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

PORTAL DE LA MARINA, ALICANTE



Location & Profile

Dominant shopping centre in the area area comprised of Gandía, Denia and Calpe, three of Spain's main tourist destinations.

Located 100 km from Valencia beside the AP-7 Motorway.

Closest catchment area: 175,000 inhabitants.

Main tenants: Zara, Massimo Dutti, Pull & Bear, Cortefiel and H&M.

Total sales at the end of the year reached €37,235,545.

Footfall 2015: 2,211,683 visitors (6% y-o-y increase).

Investment Rationale

High footfall due both to its high population density and the volume of tourists who visit.

Offering targets local customers and the large number of tourists.

This is a stable property with potential for growth and refurbishment plans underway.

This property also includes the Eroski hypermarket located inside the centre, which has been purchased for an excellent price and gives Lar full control of the shopping centre.

Asset Characteristics

Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Ondara (Alicante)
Ownership (%) (*)	58.78%
Year of Construction	2008
GLA	17,638 sqm
Purchase Date	10 October 2014
Acquisition Price	€47.6 million
Market Value (**)	€51.0 million
Price/sqm	€2,699 per sqm
No. of Tenants	Multi-tenant
WAULT	1.7 years

Key Performance Indicators

EPRA Occupancy Rate	91.1%
EPRA Net Initial Yield	7.2%

(*) As at 30/03/16 Lar España has purchased the additional 41.22% of the shopping centre property

(**) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

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

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SHOPPING CENTRE



SHOPPING CENTRE

ALBACENTER, ALBACETE



Location & Profile

Located in the heart of Albacete, it is the dominant shopping centre in the province.

The centre was opened in 1996, extended in 2004 and refurbished in 2008.

Catchment area: more than 278,000 inhabitants.

Urban shopping centre, with easy access via A31 Motorway.

The property features 1,223 parking spaces.

Total sales at the end of the year reached €24,468,708.

Footfall 2015: 4,955,690 visitors (4% y-o-y increase).

Investment Rationale

Medium size dominant shopping centre in its catchment area.

The centre features renowned fashion retailers, such as Primark, H&M, Stradivarius and Bershka, among others.

Asset Characteristics

Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	15,428 sqm
Purchase Date	30 July 2014
Acquisition Price	€28.4 million
Market Value (*)	€32.3 million
Price/sqm	€1,841 per sqm
No. of Tenants	Multi-tenant
WAULT	1.6 years

Key Performance Indicators

EPRA Occupancy Rate	87.2%
EPRA Net Initial Yield	7.6%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

HYPERMARKET ALBACENTER AND RETAIL UNITS, ALBACETE



Location & Profile

Hypermarket that complements the Albacenter shopping centre, also owned by Lar España.

Albacete's dominant shopping centre which provides a wide offering of top-tier fashion retailers.

Its anchors tenants are Eroski hypermarket and Primark.

Investment Rationale

Strategic acquisition in order to guarantee full control of the Albacenter shopping centre.

Eroski and Primark provide security in terms of income stream, size, quality and lease term.

This acquisition reinforces our leading position in Albacete and helps the implementation of our action plan for value creation.

Asset Characteristics

Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	12,462 sqm
Purchase Date	19 December 2014
Acquisition Price	€11.5 million
Market Value (*)	€12.4 million
Price/sqm	€923 per sqm
No. of Tenants	Multi-tenant
WAULT	2.0 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	7.2%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

SHOPPING CENTRE



SHOPPING CENTRE

TXINGUDI, GUIPÚZCOA



Location & Profile

Highly consolidated shopping centre in its catchment area, with limited current and future competition.

Closest primary catchment area comprises of 100,000 inhabitants.

Consolidated industrial and retail area with excellent access to the national motorway and the city.

Total sales at the end of the year reached €15,809,458.

Footfall 2015: 3,841,745 visitors.

Investment Rationale

Its location near the border attracts a significant amount of traffic from France drawn by the Centre's offerings and prices.

The anchor tenants are: Mango, Springfield, Punto Roma and Promod.

Strong asset management opportunities based on reduction in non-recoverable costs and improving vacancy and tenant mix. Reducing leisure and improving the offering of fashion brands will help to achieve a better balance of Spanish and French customers.

Asset Characteristics

Property Name	Txingudi
Property Type	Shopping Centre
Location	Guipúzcoa
Ownership (%) (*)	100%
Year of Construction	1997
GLA	9,862 sqm
Purchase Date	24 March 2014
Acquisition Price	€27.7 million
Market Value (**)	€30.7 million
Price/sqm	€2,809 per sqm
No. of Tenants	Multi-tenant
WAULT	1.8 years

Key Performance Indicators

EPRA Occupancy Rate	86.6%
EPRA Net Initial Yield	6.2%

(*) Lar España owns 100% of the shopping arcade

(**) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

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LAS HUERTAS, PALENCIA



Location & Profile

Located in Palencia, within the Castilla y León Region in North West Spain.

Direct catchment area of more than 81,000 inhabitants.

The immediate surrounding area comprises a mixed residential and retail area, therefore 50% are pedestrians. Well located, connecting the city centre with the A-67 highway (main connection between Palencia and Valladolid).

Total sales at the end of the year reached €8,860,862.

Footfall 2015: 2,237,694 visitors.

Investment Rationale

Only shopping centre in Palencia.

We would particularly note the presence of the Carrefour Hypermarket.

The Centre has a good offering centred on professional retailers, with well-renowned international and national brands: Springfield, Deichman, Pull & Bear and Sprinter.

Asset Characteristics

Property Name	La Huertas
Property Type	Shopping Centre
Location	Palencia
Ownership (%) (*)	100%
Year of Construction	1989
GLA	6,225 sqm
Purchase Date	24 March 2014
Acquisition Price	€11.7 million
Market Value (**)	€11.7 million
Price/sqm	€1,879 per sqm
No. of Tenants	Multi-tenant
WAULT	2.1 years

Key Performance Indicators

EPRA Occupancy Rate	81.2%
EPRA Net Initial Yield	7.1%

(*) Lar España owns 100% of the shopping arcade

(**) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

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SHOPPING CENTRE



SHOPPING CENTRE

HYPERMARKET PORTAL DE LA MARINA, ALICANTE



Location & Profile

Located in Ondara, Alicante.

The hypermarket complements the Puerta Marítima Ondara shopping centre, the benchmark centre in its catchment area on the Alicante Costa Blanca.

The property is fully occupied by Eroski.

Investment Rationale

Strategic acquisition to guarantee full control of the shopping centre to which is is connected.

The acquisition of the 9,924 sqm hypermarket, allows the SOCIMI to improve the management of the Shopping Centre.

Asset Characteristics

Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Ondara (Alicante)
Ownership (%)	100%
Year of Construction	2008
GLA	9,924 sqm
Purchase Date	9 June 2015
Acquisition Price	€7.0 million
Market Value (*)	€7.8 million
Price/sqm	€705 per sqm
No. of Tenants	Single-tenant
WAULT	14.3 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.6%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

AS TERMAS, LUGO



Location & Profile

As Termas is located in the northern outskirts of Lugo, the capital city in a province of 350,000 inhabitants in the North West of Spain.

It is the dominant centre in the area, with a large primary catchment area (over 200,000 people).

The shopping centre has excellent visibility and is easily accessible from the N-VI, N-640 and A-6.

It also features 2,200 parking spaces.

Total sales at the end of the year reached €52,055,261.

Footfall 2015: 3,762,740 visitors (6% y-o-y increase).

Investment Rationale

Medium size dominant shopping centre in its catchment area.

The property provides the right mix of interesting current yields and upside potential.

Asset Characteristics

Property Name	As Termas
Property Type	Shopping Centre
Location	Lugo
Ownership (%) (*)	100%
Year of Construction	2005
GLA	33,150 sqm
Purchase Date	15 April 2015
Acquisition Price	€67.0 million
Market Value (**)	€68.5 million
Price/sqm	€2,021 per sqm
No. of Tenants	Multi-tenant
WAULT	1.4 years

Key Performance Indicators

EPRA Occupancy Rate	88.9%
EPRA Net Initial Yield	6.3%

(*) Lar España owns 100% of the shopping arcade

(**) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

SHOPPING CENTRE



SHOPPING CENTRE

EL ROSAL, LEÓN



Location & Profile

Shopping centre located in the centre of Ponferrada, León.

Primary catchment area of more than 200,000 inhabitants.

El Rosal is the dominant shopping centre in the Bierzo region and the largest in the province of León.

It has excellent transport links and direct access to the A6 motorway.

Total sales at the end of the year reached €93,336,271.

Footfall 2015: 5,451,834 visitors (1% y-o-y increase).

Investment Rationale

Main tenants include, among others, leading top-tier brands such as Carrefour, Zara, Mango, H&M, Worten, Cines La Dehesa and Burger King.

Comprises over 50,000 sqm of lettable area in an area with no competition.

Asset Characteristics

Property Name	El Rosal
Property Type	Shopping Centre
Location	León
Ownership (%)	100%
Year of Construction	2007
GLA	51,022 sqm
Purchase Date	7 July 2015
Acquisition Price	€87.5 million
Market Value (*)	€89.6 million
Price/sqm	€1,715 per sqm
No. of Tenants	Multi-tenant
WAULT	1.8 years

Key Performance Indicators

EPRA Occupancy Rate	91.7%
EPRA Net Initial Yield	6.8%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

CRUCE DE CAMINOS, VALENCIA ⁽¹⁾



Location & Profile

Lar España has reached an agreement to acquire a 120,000 sqm plot of land in Sagunto (Valencia).

Investment Rationale

Cruce de Caminos will comprise a shopping centre, which will include a hypermarket and a retail arcade with fashion, accessories and service stores, and a retail warehouse park for specialist sports, DIY, decoration, homewares, toys, fashion and accessories stores.

A car park exclusively for the use of the retail park will also be constructed with capacity for close to 2,600 vehicles.

Asset Characteristics

Property Name	Cruce de Caminos
Property Type	Retail Complex
Location	Valencia
Ownership (%)	100%
Year of Construction	2016
Estimated year of opening	2017
Status	WIP
GLA	43,091 sqm
Purchase Date	3 August, 2015
Acquisition Price	€14.0 million
Market Value (*)	€15.7 million
No. of Tenants	Multi-tenant

(1) Development of the project dependent on planning and commercialization fulfillment

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

SHOPPING CENTRE



SHOPPING CENTRE

MEGAPARK, BILBAO



Location & Profile

The centre is located in the largest retail area in the Basque Country.

Primary catchment area of more than 1,000,000 people.

Excellent location and access via the A-8 motorway.

Total sales at the end of the year reached €112,079,673.

Footfall 2015: 9,792,378 visitors (3% y-o-y increase).

Investment Rationale

Features some of the top international retail warehouse operators, such as Ikea, Media Markt and Leroy Merlin.

The retail arcade has excellent tenants such as Mango, Zara and Mercadona (Spain's leading distributor).

It is the only Outlet Centre in a 400 km radius and benefits from the cinema with the highest box office turnover in the Basque Country.

Asset Characteristics

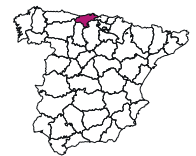
Property Name	Megapark
Property Type	Shopping Centre
Location	Bilbao
Ownership (%)	100%
Year of Construction	2007
GLA	63,938 sqm
Purchase Date	19 October 2015
Acquisition Price	€170.0 million
Market Value (*)	€171.4 million
Price/sqm	€2,659 per sqm
No. of Tenants	Multi-tenant
WAULT	2.5 years

Key Performance Indicators

EPRA Occupancy Rate	95.1%
EPRA Net Initial Yield	5.9%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

NUEVO ALISAL, SANTANDER



Location & Profile

Free standing retail warehouses located next to the consolidated retail park, Nuevo Alisal, which has been operational since 2004.

Located in Santander, capital city of Cantabria in the north of Spain, which has a strong and stable economy and good growth potential.

Investment Rationale

Media Markt and Toys R Us are two well-renowned international retailers.

It is a recently built retail warehouse and is in an excellent state of repair.

Forms part of the most successful retail park in the region.

Highly liquid property due to the size of investment, prime location, prestigious tenants and lease term.

Asset Characteristics

Property Name	Nuevo Alisal
Property Type	Retail Warehouse
Location	Santander
Ownership (%)	100%
Year of Construction	2010
GLA	7,649 sqm
Purchase Date	17 December 2014
Acquisition Price	€17.0 million
Market Value (*)	€17.2 million
Price / sqm	€2,222 per sqm
No. of Tenants	Multi-tenant
WAULT	3.5 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.5%

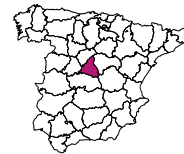
(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

RETAIL WAREHOUSE



RETAIL WAREHOUSE

VILLAVERDE, MADRID



Location & Profile

Property located in a well established and populated area of southern Madrid, Villaverde, with more than 142,000 inhabitants.

Excellent visibility: fronts on to Avenida Andalusia, the main urban link to the South of Madrid, with connections to the M-30, M-40 and M-45 ring roads.

The building has been let to Media Markt since 2003, a European electronics retail chain, on a long term lease.

Investment Rationale

Media Markt (part of the Metro Group) is the leading electronics retailer in Spain and one of the largest in Europe.

The retailer has increased its market share over the crisis, benefiting from the closure of a number of competitors and bolstering its position in Spain.

The rent was renegotiated prior to the acquisition, generating strong cash flow with mid-term potential.

Asset Characteristics

Property Name	Villaverde
Property Type	Retail Warehouse
Location	Madrid
Ownership (%)	100%
Year of Construction	2002
GLA	4,391 sqm
Purchase Date	29 July 2014
Acquisition Price	€9.1 million
Market Value (*)	€9.9 million
Price/sqm	€2,072 per sqm
No. of Tenants	Single-tenant
WAULT	6.8 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.7%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

GASOLINERA AS TERMAS, LUGO



Location & Profile

Petrol station located to the north of Lugo with a catchment area of over 200,000 people.

Located next to the As Termas shopping centre, the dominant centre in the province, with a stable number of visitors and sales.

Asset Characteristics

Property Name	As Termas Petrol Station
Property Type	Retail Warehouse
Location	Lugo
Ownership (%)	100%
Year of Construction	2002
GLA	2,000 sqm
Purchase Date	28 July 2015
Acquisition Price	€1.8 million
Market Value (*)	€1.8 million
Price/sqm	€900 per sqm
No. of Tenants	Single-tenant
WAULT	15.4 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	5.9%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

RETAIL WAREHOUSE



RETAIL WAREHOUSE

PARQUE GALARIA, PAMPLONA



Location & Profile

Retail warehouse located in the most important retail area in Navarre, with a very large catchment area (600,000 inhabitants).

Parque Galaria has excellent transport links to the city centre via the PA-31 highway and the AP-15 and PA-30 radial roads, which allow the inhabitants of a large metropolitan area to easily access the retail park. Pamplona features circa 200,000 inhabitants and one of the highest per capita income levels in Spain.

Investment Rationale

Currently occupied by top-tier tenants such as El Corte Inglés Oportunidades, Aldi and Feuvert.

Highly liquid property due to the size of investment, prime location, prestigious tenants and lease term.

Asset Characteristics

Property Name	Parque Galaria
Property Type	Retail Warehouse
Location	Pamplona
Ownership (%)	100%
Year of Construction	2003
GLA	4,108 sqm
Purchase Date	23 July 2015
Acquisition Price	€8.4 million
Market Value (*)	€9.5 million
Price/sqm	€2,045 per sqm
No. of Tenants	Multi-tenant
WAULT	3.7 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	7.0%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

EGEO, MADRID



Location & Profile

Located at Avenida Partenón 4-6, in front of the Campo de las Naciones Exhibition Centre and just a few minutes from the Adolfo Suárez-Madrid Barajas (T4) International Airport.

Excellent public transport links. The "Campo de las Naciones" metro stop is on Line 8 and is located just 150 m from the property.

The property comprises 18,254 sqm, arranged over six above-ground floors, as well as 350 parking spaces.

Offers two independent wings with symmetrical floors, with an appealing central lobby crowned with a large skylight which bathes the internal areas in natural light.

The size and (standard floor space of 3,000 sqm) flexibility of its floors, which can be divided up into as many as eight modules, allows it to be highly marketable to many different potential occupiers.

Investment Rationale

Established office location.

High occupancy level with market rents and potential for rental growth.

In a good state of repair, has a large investment lot size, which would be highly attractive to future institutional investors.

Stable medium term occupancy. The main tenant (77% GLA) has a term certain until December 2021.

Asset Characteristics

Property Name	Egeo
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1993
GLA	18,254 sqm
Purchase Date	16 December 2014
Acquisition Price	€64.9 million
Market Value (*)	€69.2 million
Price/sqm	€3,555 per sqm
No. of Tenants	Multi-tenant
WAULT	5.3 years

Key Performance Indicators

EPRA Occupancy Rate	95.9%
EPRA Net Initial Yield	4.7%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

OFFICE BUILDING



OFFICE BUILDING

ARTURO SORIA, MADRID



Location & Profile

Located in the north-east of Madrid. Quick access to the M-11 (Airport) and the M30 and M40 ring roads, and the A-1/A-2 motorways.

Good access to public transport: Pinar de Chamartín metro station located just 200 m from the property and the Renfe Fuente de la Mora train station just 450 m away.

Top-tier tenants such as Clear Channel, Banco Santander and Securcaixa Adeslas.

It comprises a total of 8,663 sqm (GLA). Is arranged over nine floors and has 193 parking spaces.

The property is set around a large internal patio, which provides plenty of natural light to inner areas and it stands out for the design, size and flexibility of its floors.

The surrounding area has a wide range of amenities

Investment Rationale

Consolidated urban area with good transport links.

High occupancy level and rents at market.

Town planning regulations permit residential use for the property.

Proposed capex will allow for the common areas to be modernised and to improve energy efficiency.

Asset Characteristics

Property Name	Arturo Soria
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1994
GLA	8,663 sqm
Purchase Date	29 July 2015
Acquisition Price	€24.2 million
Market Value (*)	€25.6 million
Price/sqm	€2,793 per sqm
No. of Tenants	Multi-tenant
WAULT	3.2 years

Key Performance Indicators

EPRA Occupancy Rate	78.6%
EPRA Net Initial Yield	4.7%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

MARCELO SPINOLA, MADRID



Location & Profile

Office building located in Madrid inside the M-30 ring road.

The property comprises 14 above ground floors and 3 below ground floors (semi-basement and car park currently let).

The location, design and visibility of the property, make it an undeniably attractive property.

The property is currently undergoing a full refurbishment, which will provide a flexible and versatile property, with modern installations and efficient LED lighting, changing rooms with showers, bicycle parking, CCTV.

BREEAM® certification will provide significant savings for its tenants.

Investment Rationale

Consolidated location with excellent visibility from the M30 ring road.

The investment strategy was to reposition the property via a full refurbishment. Capex: (€9.44 million).

Asset Characteristics

Property Name	Marcelo Spinola
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1991
GLA	8,586 sqm
Land	12,412 sqm
Purchase Date	31 July 2014
Acquisition Price	€19.0 million
Market Value (*)	€21.5 million
Price/sqm	€2,213 per sqm
No. of Tenants	Single-tenant
WAULT	0.0 years (**)

Key Performance Indicators

EPRA Occupancy Rate	7.9% (**)
EPRA Net Initial Yield	N/A (**)

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W
(**) The property is currently being remodelled, and is scheduled to complete in Q2 2016

OFFICE BUILDING



OFFICE BUILDING

ELOY GONZALO, MADRID



Location & Profile

Located on Eloy Gonzalo, 27, is in an excellent location, just one kilometre from the central Paseo de la Castellana, very close to the city's central business district.

The "Iglesia" metro station (Line 1) is situated just 100 m from the property.

Arranged over eight above ground floors. 23% of its GLA is currently occupied by five retail units.

The property's operating licence permits Office use, and Retail use on the ground and lower ground floors. Town planning regulations also permits Residential use.

The property is rectangular in shape, and has facades that front on to Calle Eloy Gonzalo (22.50 m) and Calle Santísima Trinidad (32.20 m).

Investment Rationale

The average rent in the property is clearly below market rent.

Its flexible design and abundance of natural light provide a flexible space for a wide variety of office occupiers.

The proposed strategy involves repositioning the property via a partial refurbishment.

The property features a wrap around terrace on the top floor (7th).

Asset Characteristics

Property Name	Eloy Gonzalo
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1962
GLA	6,231 sqm
Purchase Date	23 December 2014
Acquisition Price	€12.7 million
Market Value (*)	€13.0 million
Price/sqm	€2,043 per sqm
No. of Tenants	Multi-tenant
WAULT	2.6 years

Key Performance Indicators

EPRA Occupancy Rate	95.5%
EPRA Net Initial Yield	3.5% (**)

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

(**) Two floors of the property are expected to be refurbished

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

JOAN MIRÓ, BARCELONA



Location & Profile

Located at Calle Joan Miró, 21, in an excellent location within the Olympic Village, close to the 22@ technological district and just 350 m from the Ronda Litoral and prestigious properties such as the Hotel Arts.

The "Ciutadella/Vila Olímpica" metro station (Line 4) is located 350 m from the property.

Arranged over seven above ground floors. The ground floor features two retail units.

The town planning regulations allow for potential residential use.

The property is horizontally divided into independent properties, and is managed via a Property Owner's Association, in which LAR ESPAÑA represents 85% of the total. The other co-owner of the property (15%) is the Spanish Land and Mercantile Registrars Association.

The Pompeu Fabra University, which heads up the ranking of Spanish universities, has various of its main properties on the "Ciutadella Campus" just 300 m from the property.

Investment Rationale

Established office location.

Attractive purchase price (€/sqm) and potencial rental growth.

The standard floor area (2,350 sqm), makes it flexible for multiple tenants.

The main tenants are the Land Registry (Registro de la Propiedad), Mutua Pelayo and BBVA.

The property features a spectacular terrace on the 5th floor.

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

Asset Characteristics

Property Name	Joan Miró
Property Type	Office building
Location	Barcelona
Ownership (%)	85%
Year of Construction	1992
GLA	8,610 sqm
Purchase Date	11 June 2015
Acquisition Price	€19.7 million
Market Value (*)	€20.4 million
Price/sqm	€2,285 per sqm
No. of Tenants	Multi-tenant
WAULT	1.9 years

Key Performance Indicators

EPRA Occupancy Rate	98.1%
EPRA Net Initial Yield	5.5%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

OFFICE BUILDING



LOGISTICS WAREHOUSE

ALOVERA I, GUADALAJARA



Location & Profile

Logistics warehouse located at Km. 48 on the A2 highway, in the town of Alovera (Guadalajara), right on the Henares Corridor, the country's main industrial and logistics hub.

Comprises two logistics warehouses constructed between 2000 and 2004, set on a 57,982 sqm plot.

Currently occupied by Tech Data (leading wholesaler of IT products and services in the Iberian Peninsula).

Comprises a total built area of 35,195 sqm, 33 metre turning circle on both façades, as well as 42 loading bays on both sides of the warehouse.

Investment Rationale

Main tenant: TechData. Well established tenant with a lease agreement since 2009.

Highly consolidated logistics location.

Purchase price below replacement cost.

The logistics operator has invested heavily in technological facilities related to its business needs.

Direct access to the A2 highway and highly visible.

Asset Characteristics

Property Name	Alovera I
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2000 - 2004
GLA	35,195 sqm
Plot Size	57,982 sqm
Purchase Date	7 August 2014
Acquisition Price	€12.7 million
Market Value (*)	€14.3 million
Price/sqm	€361 per sqm
No. of Tenants	Single-tenant
WAULT	3.2 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.4%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

ALOVERA II, GUADALAJARA



Location & Profile

The property is located at Km. 48 on the A2 highway, in the town of Alovera (Guadalajara), in the very heart of the Henares Corridor, the country's main industrial and logistics hub.

Set on a 142,144 sqm plot of land, is divided up in to 6 warehouses and comprises a total built area of 83,951 sqm, as well as a parking area.

Warehouses 1.A and 1.B, and 2.A and 2.B were constructed in 2000 (Phase 1). Warehouse 3 was constructed in 2006 and warehouse 4 in 2007 (Phase 2).

The complex is currently 100% occupied by Carrefour (the leading international distribution company in Europe and third in the world).

Investment Rationale

Tenant: Carrefour (100%), a core tenant.

Purchase price below replacement cost.

The GLA of this complex is a distinguishing feature compared to other warehouses in the surrounding area and particularly due to the lack of logistics development in the area.

The complex is highly flexible, allowing the complex to house 3 separate tenants.

Asset Characteristics

Property Name	Alovera II
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2000 / 2006 & 2007
GLA	83,951 sqm
Plot Size	142,144 sqm
Purchase Date	13 October 2014
Acquisition Price	€32.1 million
Market Value (*)	€36.8 million
Price/sqm	€383 per sqm
No. of Tenants	Single-tenant
WAULT	1.8 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.7%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

LOGISTICS WAREHOUSE



LOGISTICS WAREHOUSE

ALOVERA III (C2), GUADALAJARA



Location & Profile

Located in a consolidated industrial area, Alovera (Guadalajara). Next to the main logistics hubs linked to the national and international distribution sector, including companies such as Nestle.

Its location allows for direct access to the R-2 motorway (Madrid-Guadalajara) and the A-2 (Madrid- Zaragoza- Barcelona) with the potential of accessing the Azuqueca de Henares Dry Port services due to its proximity.

The warehouse comprises a total built area of 8,591 sqm, and the existing tenant is Factor 5 (a logistics company that operates in the following sectors: industry, mass consumption, food, cosmetics, e-commerce and retail)

Investment Rationale

Strategic location.

The warehouse was purchased as part of a portfolio along with another two warehouses (C5C6, located very close to Almussafes Valencia)

Purchase price similar to or below replacement cost.

Current rent in line with market rent.

Asset Characteristics

Property Name	Alovera III (C2)
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2007
GLA	8,591 sqm
Plot Size	13,251 sqm
Purchase Date	26 May 2015
Acquisition Price	€3 million
Market Value (*)	€3.3 million
Price/sqm	€349 per sqm
No. of Tenants	Single-tenant
WAULT	1.0 year

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	6.1%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

ALOVERA IV (C5-C6), GUADALAJARA



Location & Profile

Located in a consolidated industrial area, Alovera (Guadalajara). Next to the main logistics hubs linked to the national and international distribution sector, including companies such as Volvo and Mahou.

Its location allows for direct access to the R-2 motorway (Madrid-Guadalajara) and the A-2 (Madrid- Zaragoza- Barcelona), as well as the potential of accessing the Azuqueca de Henares Dry Port services due to its proximity.

Occupied by Saint Gobain Isover Ibérica (worldwide leader in the design, manufacturing and distribution of construction materials).

Investment Rationale

Strategic location.

High quality and established tenant (Saint Gobain has been the sole tenant in the warehouse since 2008 - the warehouse was constructed as a turn-key project for Saint Gobain)

The current passing rent is above-market and clear potential growth.

Asset Characteristics

Property Name	Alovera IV (C5-C6)
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2008
GLA	14,891 sqm
Plot Size	22,530 sqm
Purchase Date	26 May 2015
Acquisition Price	€7.2 million
Market Value (*)	€7.5 million
Price/sqm	€484 per sqm
No. of Tenants	Single-tenant
WAULT	3.2 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	9.6%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

LOGISTICS WAREHOUSE



LOGISTICS WAREHOUSE

ALMUSSAFES, VALENCIA



Location & Profile

Logistics warehouse located in the Juan Carlos I Industrial Park in Almusafes, 17 Km from Valencia, next to the Ford Spain factory, with excellent access from the AP7 motorway.

This area has become one of the most sought after logistics areas in Valencia due to the presence of the automobile company, whose most technologically advanced factory in the world is located in Almusafes.

The property comprises 19,211 sqm of constructed area, set on a 22,887 sqm plot of land.

The property is currently 100% let to Grupo Valautomoción (a car parts and accessories supplier for Ford Spain, which was recently acquired by Ferrostaal).

Investment Rationale

Almusafes has become one of the most expensive and sought after logistics areas in Valencia, due to the presence of the Ford factory, which generally requires that its suppliers are located no less than 6 km from its facilities.

Low commercial risk. Currently a highly sought after area.

Stable lease and 100% let.

Rent is at market with potential for growth.

Asset Characteristics

Property Name	Almusafes
Property Type	Logistics warehouse
Location	Valencia
Ownership (%)	100%
Year of Construction	2005
GLA	19,211 sqm
Plot Size	22,887 sqm
Purchase Date	26 May 2015
Acquisition Price	€8.4 million
Market Value (*)	€8.5 million
Price/sqm	€437 per sqm
No. of Tenants	Single-tenant
WAULT	3.9 years

Key Performance Indicators

EPRA Occupancy Rate	100%
EPRA Net Initial Yield	8.3%

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

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

RESIDENTIAL

LAGASCA 99, MADRID



Location & Profile

The only plot of land for residential development in the prime Salamanca district (Calle Lagasca 99), one of the most exclusive areas in Madrid. The plot of land has a total buildable area of 26,203 sqm.

It will occupy most of the block between Calles Juan Bravo, Maldonado, Claudio Coello and Lagasca, an exceptional location in the heart of Madrid's Salamanca neighbourhood.

This is a prime location within the city, close to the Serrano and Ortega y Gasset retail high streets, known as the "Golden Mile" due to the presence of top-tier brands and international designers.

It is the only free-standing plot of land for residential use in the Salamanca district.

Access: Located 300 metres from Paseo de la Castellana and 10 minutes from the M-30 ring-road. Metro, Nuñez de Balboa, lines 5 and 9. Buses 9, 19, 51 and N4.

Investment Rationale

Its development potential makes this a unique property, due to the lack of available high quality new-build homes in the city centre.

Asset Characteristics

Property Name	Lagasca 99
Property Type	Residential
Location	Madrid
Ownership (%)	50%
Year of Construction	2016
GLA	26,203 sqm
Purchase Date	30 January 2015
Acquisition Price	€50.1 million
Market Value (*)	€54.4 million
Price/sqm	N/A
No. of Tenants	Multi-tenant

(*) The valuations have been made at 31 December 2015 by external independent valuers: JLL or C&W

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

5.3 Real estate valuation

Introduction

Lar España Real Estate SOCIMI, S.A. (Lar España) bases its business activity on the investment in, and management of real estate assets. Hence, the regular monitoring and valuation of its assets is a key process in order to provide correct financial information to all stakeholders. Hence, over the course of 2015, Lar España has drawn up a **Property Valuation Policy**, which was approved by the Board of Directors in November 2015.

Lar España recognises that the valuation of the property portfolio is inherently subjective, and may be based on assumptions that may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The company's policy on this subject is designed to **mitigate such risks and increase confidence in the prevalence and credibility of external valuations**, and will be reviewed by the Board on a regular basis.

In accordance with Lar España's IPO prospectus, the Company will **publish an estimate of the Fair Value all of its real estate assets every six months** (at 30 June and 31 December of each year). The valuation will be undertaken by an independent, external, qualified valuer (Valuer) and who is a Registered Valuer, accredited by the RICS (*Royal Institution of Chartered Surveyors*).

The valuations are in accordance with RICS standards (Valuation – Professional Standards 2012) and are arrived at by reference to market evidence of transactions for similar properties.

The valuations carried out as at 31 December must be full valuations, including a physical inspection of each one of the assets. A physical inspection of each one of the properties may not need to be made (at the Valuer's discretion) when carrying out the valuations at 30 June in the absence of material changes to the asset.

Selection and appointment of the external valuer

Lar España's **Audit and Control Committee** (A&C Committee) is tasked with appointing and overseeing the external Valuers/regulated Valuers (*tasadores*) instructed to carry out the valuation of the Company's real estate assets.

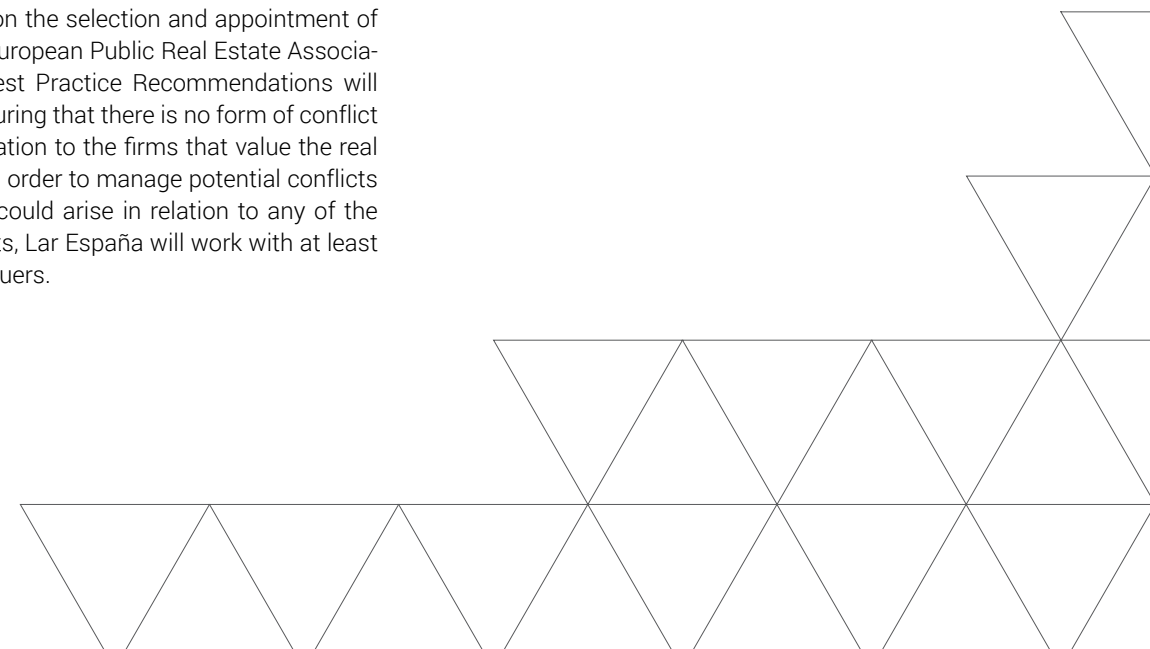
In order to qualify for selection the Valuers must comply with the following:

- Be a qualified Registered Valuer accredited by RICS (*Royal Institution of Chartered surveyors*).
- Be able to demonstrate independence and to declare that there is no conflict of interests.
- Be a firm that has a previous track record of valuing properties for companies similar to Lar España.
- Be affiliated to a reputable international firm.

When deciding on the selection and appointment of the Valuer, the European Public Real Estate Association (EPRA)'s Best Practice Recommendations will be adopted, ensuring that there is no form of conflict of interest in relation to the firms that value the real estate assets. In order to manage potential conflicts of interest that could arise in relation to any of the real estate assets, Lar España will work with at least two different Valuers.

The **A&C Committee** will also decide on two important points related to the valuation of the assets:

- Frequency with which each of the assets should rotate between Valuer (currently 3 years).
- Minimum level of professional indemnity insurance to be requested from the Valuers.



Implementation of the valuation process

The process of completing, approving and publishing Lar España's property valuations is carried out as follows:

Coordinator	Roles
Property Manager	<ul style="list-style-type: none"> Preparation of information
Asset Manager	<ul style="list-style-type: none"> Review the information prepared by the Property Manager Send this information to the valuers Review the draft valuations sent by the valuers and confirm that everything is correct
Head of Business Unit + Corporate Director	<ul style="list-style-type: none"> Review the final reports and confirm that they are in agreement with them
Review by the Deloitte Real Estate Department (Lar España's Auditor)	
Audit and Control Committee	<ul style="list-style-type: none"> Review and approve the information related to the valuations prior to sending to the Board of Directors
Board of Directors	<ul style="list-style-type: none"> Review and approve the information related to the final valuations
Publication of final valuations along with the regular financial information	



We also include the valuation **certificates issued by the independent external valuers** (C&W and JLL) relating to the valuations of the Lar España portfolio as at 31 December 2015:





JLL Valoraciones, S.A.
Pº de la Castellana, 130 - 1º Planta, 28046 Madrid
tel +34 91 789 11 00 fax +34 91 789 12 03
CIF: A-28806222 / VAT: ES A28806222

LAR ESPAÑA REAL ESTATE SOCIMI SA

C/ Rosario Pino, 14 - 16.
28020 Madrid

F.A.O. Mr. Jon Armentia

Direct line +34 (91) 789 11 00
Direct fax +34 (91) 789 12 00
Teresa.martinez@eu.jll.com
Rocio.valverde@eu.jll.com

20th April 2016

Dear Sirs,

According to your instructions, we include the Valuation Certificate of the freehold interest of various assets located in Spain belonging to the portfolio of properties of LAR ESTAPA REAL ESTATE SOCIMI as at **31st December 2015**. This letter should be considered as an annex of the valuation report issued by JLL Valoraciones S.A. for accounting purposes and dated 3rd February 2016.

Considering the characteristics of the assets at valuation date, we are of the opinion that the Net Market Value of the 100% freehold interest of the subject properties as at 31st December 2015 is

Asset	Use	Location	Area (sqm)	Net Market Value (€)	Fair Market Value (€)
Albacenter	Shopping Centre & Eroski/Primark	Albacete	27,892	44,769,000	44,769,000
Albacenter	Shopping Centre	Albacete	15,429	32,332,400	32,332,400
Albacenter	Eroski&Primark	Albacete	12,463	12,436,600	12,436,600
L'Anec Blau	Shopping Centre	Casteldefels (Barcelona)	28,603	84,890,000	84,890,000
El Rosal	Shopping Centre	Ponferrada (León)	51,022	89,600,000	89,600,000
Media Markt	Retail Warehouse	Villaverde (Madrid)	4,391	9,851,000	9,851,000
El Alisal	Retail Warehouses	Santander	8,106	17,202,000	17,202,000
Sagunto Plot	Plot of Land	Sagunto (Valencia)	42,470	15,690,000	15,690,000
Alovera II	Industrial	Alovera (Guadalajara)	83,952	36,840,000	36,840,000
Arturo Soria 366	Office	Madrid	8,663	25,600,000	25,600,000
Edificio Egeo	Office	Madrid	18,404	69,210,000	69,210,000
Joan Miró 21	Office	Madrid	8,611	20,440,000	20,440,000
TOTAL				414,092,000	414,092,000



JLL Valoraciones, S.A.
Pº de la Castellana, 130 - 1º Planta, 28046 Madrid
tel +34 91 789 11 00 fax +34 91 789 12 03
CIF: A-28806222 / VAT: ES A28806222

Therefore, in accordance with your instruction, we are of the opinion that the Net Market Value of the 100% freehold interest in the above indicated properties, subject to the comments, qualifications and financial data contained within our report dated 3rd February 2016, and assuming that the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect the value, as of the 31st of December 2015 is:

Net Market Value of LAR España Real Estate Socimi S.A Portfolio

414,092,000 Euros

(Four Hundred Fourteen Million and Ninety Two Thousand Euros)

Evan Lester, MRICS
National Director
Head of Valuation
Corporates / Investors

Teresa Martinez, MRICS
Associate Director
Head of Retail Valuation
Corporates / Investors

For and on behalf of
JLL Valoraciones, S.A.



C/ José Ortega y Gasset, 29 – 6ª planta
28006 Madrid
Tel +34 (91) 781 00 10
Fax +34 (91) 781 80 50
cushmanwakefield.es



Jon Armentia

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

C/Rosario Pino, 14-16 8ª planta
28020 Madrid

Our Ref: ctg2140

20 April 2016

Dear Jon,

As requested, we set out below the summary table from our valuation report dated 20 January 2016, undertaken for financial reporting purposes as at 31 December 2015 in accordance with our Engagement Letter and Standard Terms and Conditions dated 18 November 2014 and the amendment letter dated 17 December 2015.

PROPERTY	MARKET VALUE (Net of Acquisition Costs) AS AT 31 DECEMBER 2015	Ownership Lar España %	% Market Value as at 31 December 2015 ⁽¹⁾
Portal de la Marina ⁽²⁾	€ 86,800,000	58,78%	€ 51.021.040
Hypermarket at Portal de la Marina ⁽²⁾	€ 7.750.000	100%	€ 7.750.000
Txingudi	€ 30.700.000	100%	€ 30.700.000
Las Huertas	€ 11.700.000	100%	€ 11.700.000
As Termas ⁽²⁾	€ 68.500.000	100%	€ 68.500.000
Petrol Station at As Termas ⁽²⁾	€ 1.845.000	100%	€ 1.845.000
Megapark Retail Park and Factory Outlet	€ 171.400.000	100%	€ 171.400.000
3 retail warehouses at Galaria RP	€ 9.500.000	100%	€ 9.500.000
Alovera I	€ 14.300.000	100%	€ 14.300.000
Alovera C2	€ 3.250.000	100%	€ 3.250.000
Alovera C5-C6	€ 7.500.000	100%	€ 7.500.000
Almussafes	€ 8.500.000	100%	€ 8.500.000
Cardenal Marcelo Spinola 42	€ 21.500.000	100%	€ 21.500.000
Eloy Gonzalo 27	€ 13.000.000	100%	€ 13.000.000
Claudio Coello 108	€ 21.700.000	50%	€ 10.850.000
Juan Bravo 3	€ 108.700.000	50%	€ 54.350.000
TOTAL	€ 586.645.000		€ 485.666.040

(1) We assume a sale of 100% of the asset in which the proceeds are shared between the joint venture partners in accordance with their percentage ownership share.

(2) Portal de la Marina comprises a Shopping Centre and Hypermarket that we assume is sold together, with our valuation of each element being an apportionment. The same principal applies to As Termas Shopping Centre and petrol filling station.

The opinion stated above totalling €586,645,000 represents the aggregate of the values attributable to the individual properties and should not be regarded as an opinion of value of the portfolio as a whole in the context of a sale as a single lot.

We point out that the above table of values should be read in conjunction with our full valuation report (of 20 January 2016) and Engagement Letter with its Terms and Conditions, as referred to above, given that our full Basis of Valuation, extent of our enquiries and the assumptions we have made is fully explained therein.

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

Yours faithfully

Signed for and on behalf of Cushman & Wakefield Sucursal en España.

Tony Loughran MRICS

Partner

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Reno Cardiff MRICS

Partner

+34 93 272 16 68

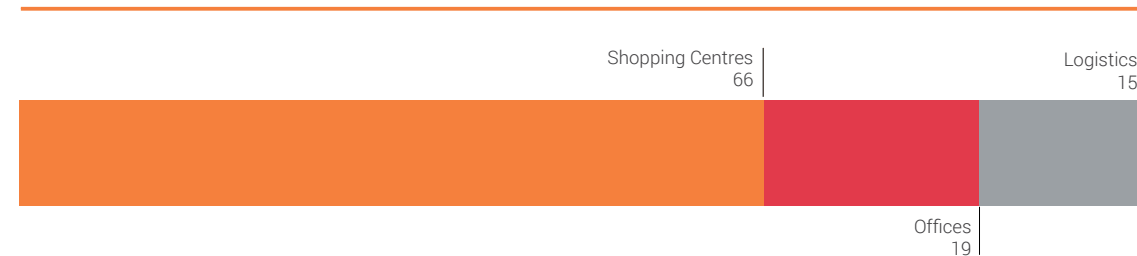
reno.cardiff@eur.cushwake.com

5.3 Additional Portfolio Information

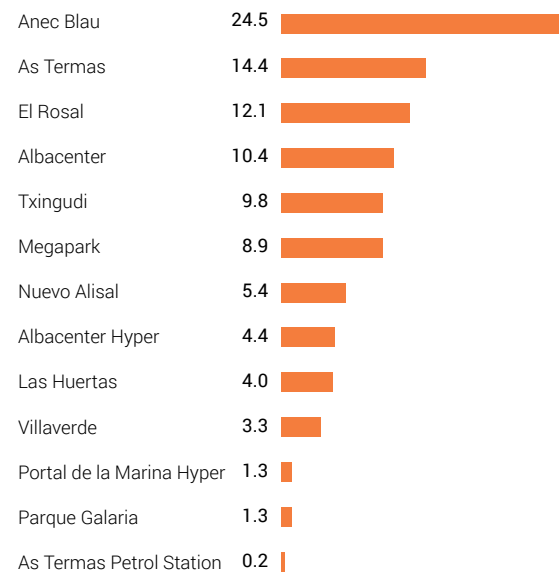
Income Distribution

Rental income reached **35,734 thousand Euros** in 2015 (versus 8,606 thousand Euros in the same period of the year before). The relative weight of rental income by line of business at 31 December 2015 is as follows:

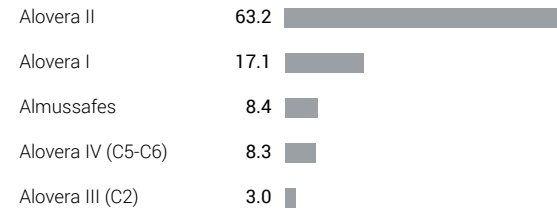
Rental Income by asset class (%)



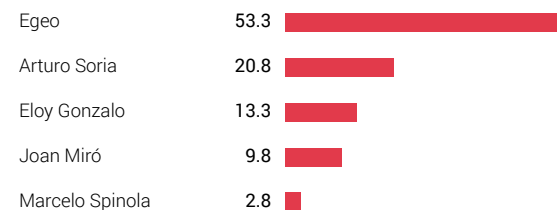
Income by Shopping Centre (%)



Income by Logistics Warehouse (%)



Income by Office Building (%)

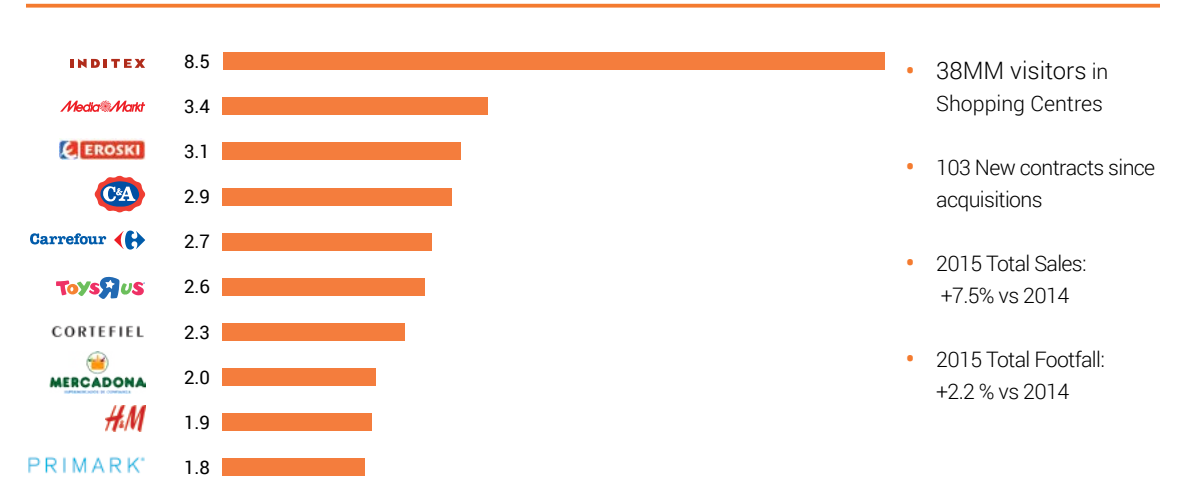


(*) We have not included Like for Like (Lfl) rental growth due to the lack of comparability, as a large number of the properties did not form part of the portfolio for the full financial year in 2014 and 2015.

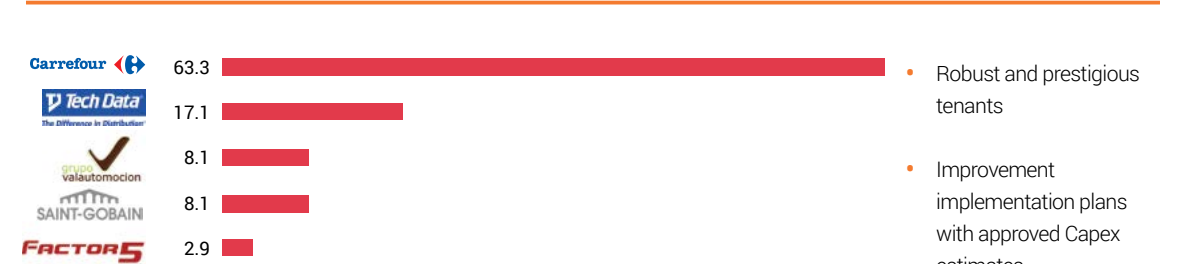
Top Tenants

Below are the tenants, broken down by business unit, that have generated the highest amounts of rent during 2015:

Top Tenants. Shopping Centres (%)



Top tenants. Logistics (%)



Top Tenants. Offices (%)

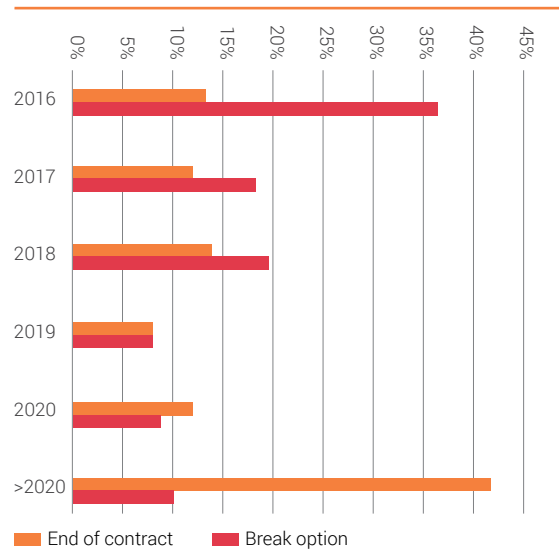


Lease Expiration

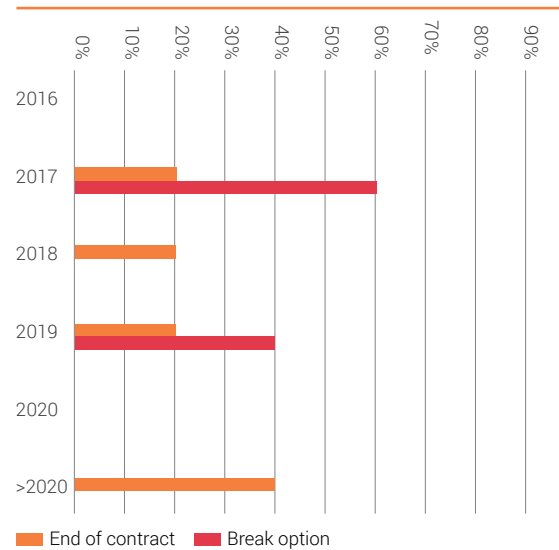
The proactive management carried out by Lar España allows us to have a solvent and diversified tenant base. Renovations have been carried out at the pro-

erties occupied by our key tenants, thereby prolonging the lease terms, which allows us to have a significant level of guaranteed minimum rents.

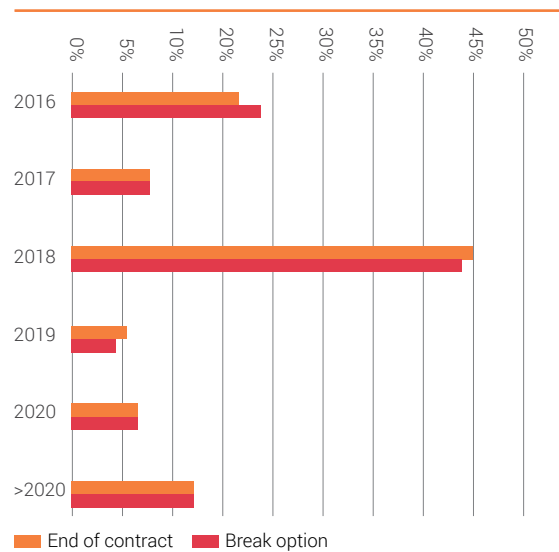
Annual Lease Expiration. Shopping Centres



Annual Lease Expiration. Logistics



Annual Lease Expiration. Offices



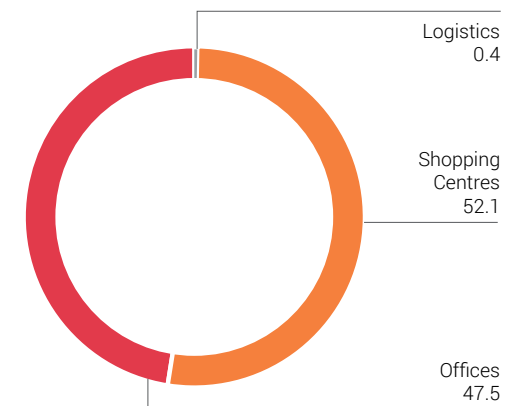
Capex

Over the course of 2015, various refurbishment and improvement works were carried out at the properties, which have helped to considerably increase their value. A Capex plan has also been forecast for 2016

The Capex figure for 2015 amounted to 3,534 thousand Euros. The breakdown by business unit is as follows:

- **Shopping Centres:** 1,844 thousand Euros
- **Offices:** 1,677 thousand Euros
- **Logistics:** 13 thousand Euros

2015 Invested Capex by asset class (%)





6

CORPORATE GOVERNANCE

6.1

Corporate
governance at Lar
España
p. 100

6.2

Lar España
and corporate
governance
p. 102

6.3

Ethics and
compliance
p. 109

6.1 Corporate governance at Lar España

General Shareholders' Meeting

The General Shareholders' Meeting is Lar España's **highest decision-making and control body**; it is the vehicle around which shareholders' right to intervene in the Company's essential decisions, within their purview, is articulated. Its powers include those of **determining the number of members of the Board of Directors** within a minimum and maximum stipulated in the Articles of Association and **appointing or removing directors**, without prejudice to the Board of Director's power to appoint directors by co-option in the interim.

The Company's shareholders met on two occasions in 2015. These two meetings' key agenda items are summarised below:

Annual General Meeting 28 April 2015

1. Ratification of the separate and consolidated annual financial statements for 2014.
2. Ratification of the 2014 management reports.
3. Grant of discharge to the Board of Directors for its management and performance.
4. Approval of the proposed appropriation of profit and dividend distribution.
5. Approval of the Director Remuneration Policy.
6. Empowerment of the Board of Directors to issue equity on one or more occasions and at any time, within the five-year term beginning on the date of ratification of the resolution, by an amount of up to half of then-current share capital.
7. Delegation in the Board of Directors of the power to issue marketable securities.
8. Authorisation of the Board of Directors to issue marketable securities.
9. Amendments to the General Meeting Rules.
10. Authorisation of the Board of Directors to carry out the derivative acquisition of shares of Lar España Real Estate SOCIMI, S.A.
11. Amendment of the Articles of Association.
12. Approval of the contribution by the Company to subsidiaries of assets which were held at the time directly by the Company.
13. Empowerment of the Board of Directors, the Chairman and the Secretary of the Board Directors so that any of these parties can execute the resolutions ratified at the Annual General Meeting.
14. Approval of the 2014 Annual Report on Director Remuneration by means of a favourable advisory vote.
15. Acknowledgement of the amendments made to the Company's Board Regulations at the proposal of the Board of Directors in a meeting held on 25 March 2015.

Extraordinary General Meeting 18 December 2015

1. Approval of the acquisition by the Company of an additional 41.22% equity interest in Puerta Marítima Ondara, S.L. from the management company, Grupo Lar Inversiones Inmobiliarias, S.A.
2. Empowerment of the Board of Directors to issue equity on one or more occasions and at any time, within the five-year term beginning on the date of the resolution, by an amount of up to half of then-current share capital.

Board of Directors

The **Board of Directors** is Lar España's management body with the broadest powers to manage the company, except in relation to the matters reserved to the shareholders in **general meeting**. In its capacity as the **highest governance body**, the Board's duties include that of supervising the Company's management with the goal of upholding the organisation's corporate interest. The board met 16 times in 2015.

The Board of Directors has two **delegated or supervisory and control committees**: the Audit and Control Committee and the Appointments and Remuneration Committee, each of which made up of three members, two of whom are independent directors. In 2015, the Audit and Control Committee met eight times and the Appointments and Remuneration Committee met twice.

José Luis del Valle Doblado		
▶		Chairman
	▶	Chairman
Pedro Luis Uriarte Santamarina		
▶		Director
	▶	Member
Alec Emmott		
▶		Director
	▶	Member
Roger Maxwell Cooke		
▶		Director
	▶	Chairman
Miguel Pereda Espeso		
		Director representing Grupo Lar
	▶	Member
	▶	Member
Juan Gómez-Acebo Sáenz de Heredia		
▶		Secretary of the Board (Non-Director)
	▶	Secretary
	▶	Secretary
<ul style="list-style-type: none"> ▶ Independent Director ▶ Appointments and Remuneration Committee ▶ Audit and Control Committee 		

More detailed information about Lar España's governance system can be found in the **2015 Annual Corporate Governance Report**, which is available on the Company's corporate website (<http://www.larespana.com>).

6.2 Lar España and corporate governance

Approach

Lar España has prioritised corporate governance since it was incorporated in 2014, thereby addressing a **key concern** for companies, regulators, investors and shareholders insofar as it has pledged to guarantee that the Company's **governing bodies** are adequately integrated and functioning as intended.

In response to the growing demand for disclosures about corporate governance practices, Lar España has rolled out an **Action Plan covering 2014-2016** which is designed to enable the organisation comply with prevailing regulations and position it in line with best practice in this field.

More specifically, the Action Plan is articulated around the following **objectives**:

- 1**
Ensuring strong governance by means of transparency, business ethics, corporate social responsibility and regulatory compliance.
- 2**
Leveraging director activities, selection, remuneration and training to pursue more advanced management and enhance transparency.
- 3**
Furthering the process of evaluating and improving the board's performance.

Key milestones of 2015

Progress was made on the following fronts in 2015:

1. Updating of the Articles of Association and Board Rules

As part of Lar España's efforts to continually review and update its universe of internal governance rules, on 28 April 2015, the Company's shareholders ratified certain amendments to the Articles of Association at the Annual General Meeting. In addition, on 18 June 2015, the Board approved changes to the Board Regulations, shaped by the following developments:

- The need to adapt the regulations to reflect the latest developments in corporate law, particularly in respect of listed companies, and, more specifically, Law 31/2014 (of 3 December 2014) amending the Corporate Enterprises Act in order to strengthen corporate governance.
- The need to adapt the regulations to reflect the new recommendations issued in the Good Governance Code of Listed Companies ("Corporate Governance Code") approved by Spain's securities market regulator (the "CNMV" for its acronym in Spanish) on 18 February 2015.
- Incorporation into the Board Regulations of the amendments to the Articles of Association ratified at the Annual General Meeting held on 28 April 2015.
- A review of the Regulations in order to simplify their content, fix certain errors and make certain technical improvements.

Amendments to the Articles of Association

- Article 1. Classes of General Meetings
- Article 22. Calling General Meetings
- Article 39. Conduct of Board meetings
- Article 40. Removal of Directors
- Article 42. Audit and Control Committee Composition, authority and functioning
- Article 43. Appointments and Remuneration Committee
- Elimination of the transitional provision

Amendments to the Board Regulations

- Board duties
- Board structure
- Board functioning
- Remuneration of the members of the Board of Directors
- Director duties
- Elimination of the Sole Transitional Provision

2. Corporate Governance Policy

In 2015, Lar España drew up its **corporate governance framework**, factoring in, on the one hand, its binding obligations under Spanish company law (the Corporate Enterprises Act) and the recommendations issued in the latest version of the CNMV's Corporate Governance Code, approved on 18 February 2015.

Accordingly, the Board of Directors approved the firm's Corporate Governance Policy in January 2016, thereby ensuring that the Company's policies are in harmony with best practice among listed companies.

The aim of the policy is to help Lar España maximise its competitiveness, foster transparency and thereby build the confidence of Spanish and international shareholders and investors, improve internal control and corporate responsibility and ensure due segregation of functions, duties and responsibilities, all from the standpoint of maximum professionalism and rigour.

1
To **maximise**, on a sustained basis, the **Company's economic value**, in keeping with the legitimate public and/or private interests that come into play in the pursuit of any economic activity.

2
To establish the **mechanisms and instruments needed** to ensure that the Company identifies, analyses and adopts, as required, the best practices, standards and recommendations in the **corporate governance field**.

3
To guarantee **equal treatment of all shareholders**, duly protecting and facilitating the exercise of their rights.

4
To promote **adequate transparency and disclosure vis-a-vis the market**, so that the Company reports in a clear, comprehensive, simple, orderly and comprehensible manner to its various **stakeholders**.

3. Corporate Social Responsibility Policy

In 2015, Lar España drew up its Corporate **Social Responsibility (CSR) Policy**, following the recommendations made in the new Corporate Governance Code and the most recent company law amendments, which was approved by the Board of Directors in January 2016.

The CSR Policy is framed by Lar España's commitment to **sustainable business development and the creation of shared value over the long term**. Against this backdrop, the policy establishes the fundamental principles and values underpinning the running

5
To oversee the safeguards in place to ensure the **honourability, suitability, solvency, skills, experience, qualification, training, availability and commitment to their duties** of the directors and senior officers.

6
To ensure the existence of **appropriate director selection procedures** so as to guarantee reasonable boardroom **balance and diversity**.

7
To establish the appropriate mechanisms for circumscribing the duties and responsibilities of the directors and enabling the discovery and resolution of potential **conflicts of interest** between the directors and the Company.

8
To ensure a director **remuneration policy** based on the principles of transparency, moderation, compensation for dedication and correlation with the Company's performance.

9
To ensure the **quality and effectiveness of the work performed by the Board of Directors**, its members and its committees by means of an annual evaluation, attempting to this end to rely on the support and assistance of independent external advisors.

10
To facilitate the **directors' ongoing learning** so as to ensure familiarity with the Company's business and its corporate governance rules by means of an annual knowledge and information program.

and management of Lar España and its investees with a view to generating a business model capable of contributing to long-term value creation, satisfying the needs and expectations of its stakeholders and generating socially-responsible externalities.

The policy makes the **Appointments and Remuneration Committee** responsible for supervision and enforcement of the CSR Policy, monitoring corporate responsibility strategy and practices and evaluating the level of policy compliance before reporting to the Board of Directors.

4. Remuneration Policy

Having been first approved by the Board of Directors in February 2015, the Company's shareholders ratified the **Director Remuneration Policy** at the Annual General Meeting held on 28 April 2015; this policy determines how directors are remunerated in their capacity as such, under the scope of the remuneration regime provided for in the Articles of Association.

This policy is based on the principles of **transparency, moderation, compensation for dedication and correlation with performance**. In this manner, remuneration shall be in line with the Company's importance, the evolving economic situation and market standards for comparable companies. The remuneration regime is designed to foster the Company's long-term profitability and sustainability and inject the safeguards needed to prevent the assumption of too much risk or the reward of adverse results.

FIXED REMUNERATION

Chairman of the Board:	€90,000 per annum
Independent directors:	€60,000 per annum
Proprietary directors:	€0 per annum
Directors who sit on the boards of investees:	Up to €15,000 per annum
Board members who sit on either of its Committees:	€15,000 per annum

5. Director Selection Policy

The structure and composition of the Board of Directors is a crucial element of strong corporate governance as it shapes its effectiveness and influences decision-making quality and the ability to effectively champion the company's interests. To this end, in 2015, Lar España completed the process of drawing up its **Director Selection Policy**, which was approved by the Board of Directors on 20 January 2016.

The policy tasks the Board of Directors with ensuring that its director selection procedures foster **diversity in terms of gender, professional backgrounds and skills and are unbiased** so as to prevent discrimination on any grounds; in particular, it must work to facilitate the selection of female directors.

In parallel, the policy serves to establish the internal requirements and procedures needed to ensure the selection of the best directors for Lar España by means of pursuit of the following specific **objectives**:

- Provision of tangible and verifiable guidance.
- Assurance that resolutions to appoint or re-elect directors are underpinned by prior analysis of the board's needs.
- Due fostering of diversity in terms of skills, backgrounds and gender.
- A concerted effort to ensure that by 2020 at least 30% of all members of the Board of Directors are female.

The policy defines the procedure for selecting and appointing directors, which is based on **analysis of the suitability of the candidates in terms of their professional and business standing, their expertise and experience of relevance to the position and their readiness to govern the company well.** The procedure is triggered as a function of the needs detected by the Appointments and Remuneration Committee and concludes when the Board submits its director appointment proposals to the General Meeting for ratification.

Lastly, this policy envisages an **annual assessment of director performance**, the purpose of which is to verify that the directors continue to meet the aptitudes required of the post.

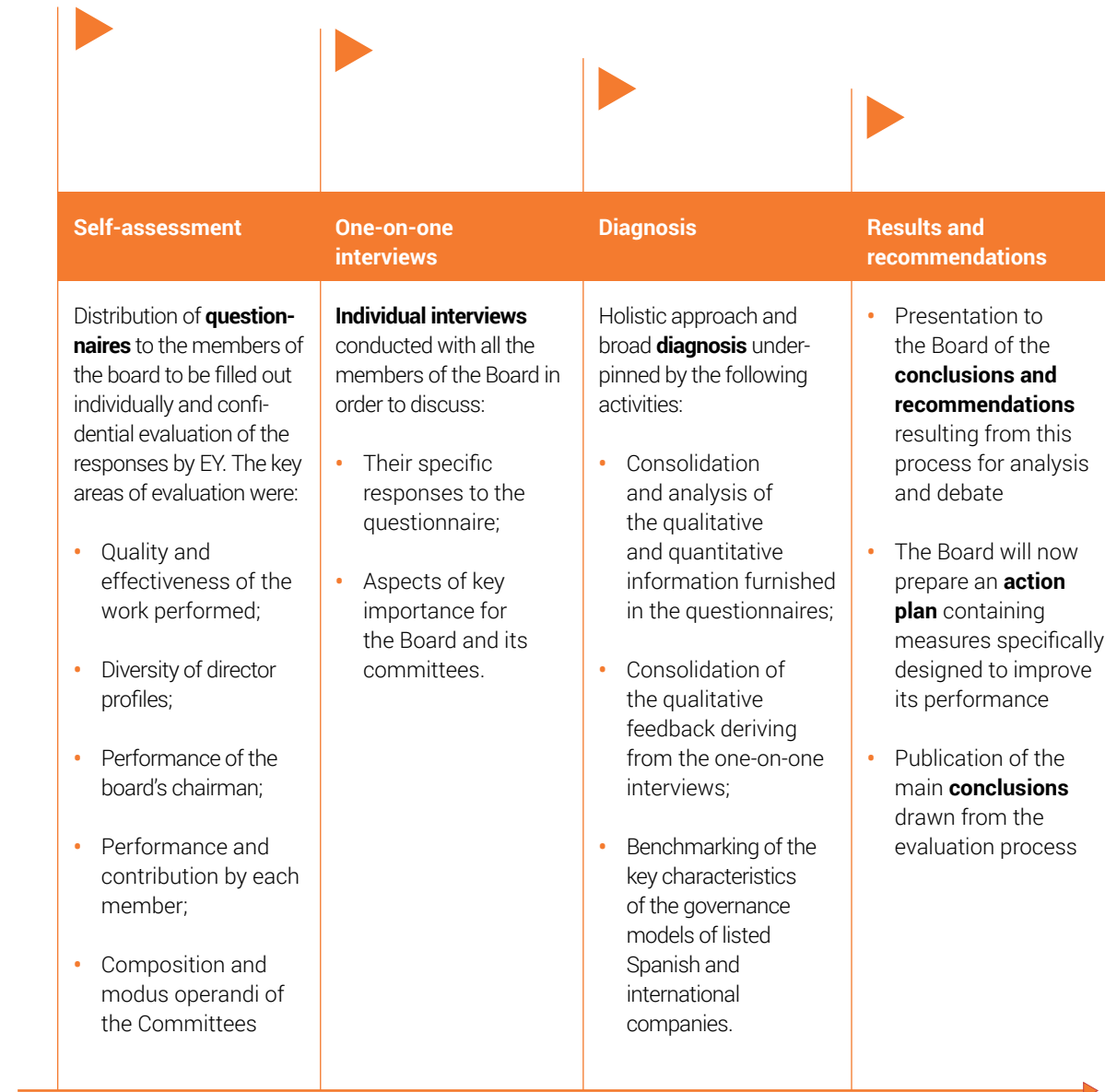
6. Evaluation of the Board of Directors, its members and its committees

Both the CNMV's new Corporate Governance Code and article 529 nonies of the Corporate Enterprises Act echo the **growing importance ascribed to evaluation of the Board, its members and its committees.** Against this backdrop, in 2015, Lar España

drew up a specific procedure for carrying out these assessments; this procedure was approved on 20 January 2016.

Jumping ahead of the CNMV's requirement that the evaluation be performed by an external consultant every three years, Lar España decided to have Ernst & Young S.L. ("EY") assess the Board's performance in 2015.

Taking the methodological approach represented schematically below, EY compiled a report with the main conclusions and recommendations deriving from the evaluation process, which was based on several actions: a **self-assessment exercise** using the questionnaire defined to this end in the Company's procedure; **one-on-one interviews** with all of the directors to go over key issues in greater detail; and an **analysis of the key characteristics of the government models deployed by listed companies** in Spain and internationally (benchmarking exercise). This report will be brought before the Board for analysis and debate for the purpose of devising an action plan designed to enhance the performance of the Board and its committees.



Looking forward

Officer Evaluation



The significant influence exerted by senior officers over strategic decision-making, strategy implementation and, ultimately, the Company's results, highlights the importance of senior management evaluation and remuneration as a tool for ensuring that the Board of Directors has the best management team for executing its strategy. Senior officer evaluation permits enhanced individual and collective performance and establishment of the foundations of the remuneration system which in turn exerts a crucial influence on their behaviour.

To this end, in 2015, Lar España defined a **senior officer performance evaluation system**, which was approved by the Appointments and Remuneration Committee on 20 January 2016. This system accordingly stipulates the formal process for evaluating senior officer performance in terms of the criteria established and approved by the Board of Directors, as well in relation to internal efficiency in fulfilling their duties and in managing people and teams.

The results will be used to feed and fine-tune the officer remuneration and career development plan for 2016; the Appointments and Remuneration Committee is tasked with spearheading this process.

Director Training



Training directors to optimally **fulfil their duty** to provide leadership and take decisions about group strategy is crucial in an increasingly demanding and changing corporate environment. **Regular review** of the training and briefing programmes addressing **corporate governance** and **relevant sector aspects** constitutes a clear competitive advantage when it comes to **informed decision-making** by the Board of Directors.

To this end, Lar España has developed a **director training programme** encompassing several **skills and knowledge refresher initiatives** for execution in 2016. This process encompassed the following lines of initiative:



6.3 Ethics and compliance

On principle, all the people and entities related to Lar España must conduct their **corporate activities in keeping with prevailing legislation**, steering clear of unethical or unprofessional conduct which could harm the Company's image.

In order to guarantee ethical conduct and enforce regulatory compliance, Lar España has established a number of **control and supervision mechanisms** to ensure that all employees and members of the company's governing bodies behave in accordance with the Company's ethics principles and uphold moral standards which enable every individual to behave with honesty, truthfulness and transparency, with the ultimate aim of preventing any form of legal breach or professional misconduct.

Code of Conduct and Whistle-blowing Channel

The Code of Conduct, approved by the Board of Directors in 2015 to **complement the Internal Securities Markets Code of Conduct**, applies and is binding upon all the members of the Board of Directors, the senior officers and management team of Grupo Lar, to all the executives and employees of the investees and to third parties who have professional dealings with Lar España. It establishes the **rules of conduct** to be followed by all those who act in the name of Lar España and its subsidiaries.

Framed by a commitment to analysing and responding to queries and complaints arising in relation to the Company's in-house governance rules, Lar España set up a **Whistle-blowing Channel**, which has its own Operating Rules and is governed by the principles of good faith, confidentiality and protection. The Company has also set up an **Ethics Committee** which is tasked with the duties deriving from implementation of this channel. Failure to comply with the Code's provisions constitutes an infraction and may derive in the application of disciplinary measures.

Crime Prevention Model

Framed by its commitment to stringent compliance with prevailing legislation and the prevention of illicit practices which could harm the Company's reputation, in 2015, Lar España defined and adopted a **Organizational and Management Model for the Prevention of Crime** (hereinafter, the Crime Prevention Model or CPM) with the following characteristics:

- 1 It is articulated around the various **processes and activities** of Lar España.
- 2 For each process and activity, it identifies the **criminal risk** to which it is most exposed.
- 3 For each risk factor identified, it associates one or more **internal controls** that mitigate or in some way eliminate or diminish the probability that each criminal risk will materialise.



4

It includes **controls** which belong to the **Internal Control over Financial Reporting (ICFR) system** which are deemed preventive in terms of mitigating the probability of the commission of crime. These controls notably include those associated with the **management of Lar España's financial resources**.

5

The **internal controls** that mitigate or in some way eliminate or diminish the probability that each criminal risk will materialise are, for the large part, officially enshrined in internal policies and rules.

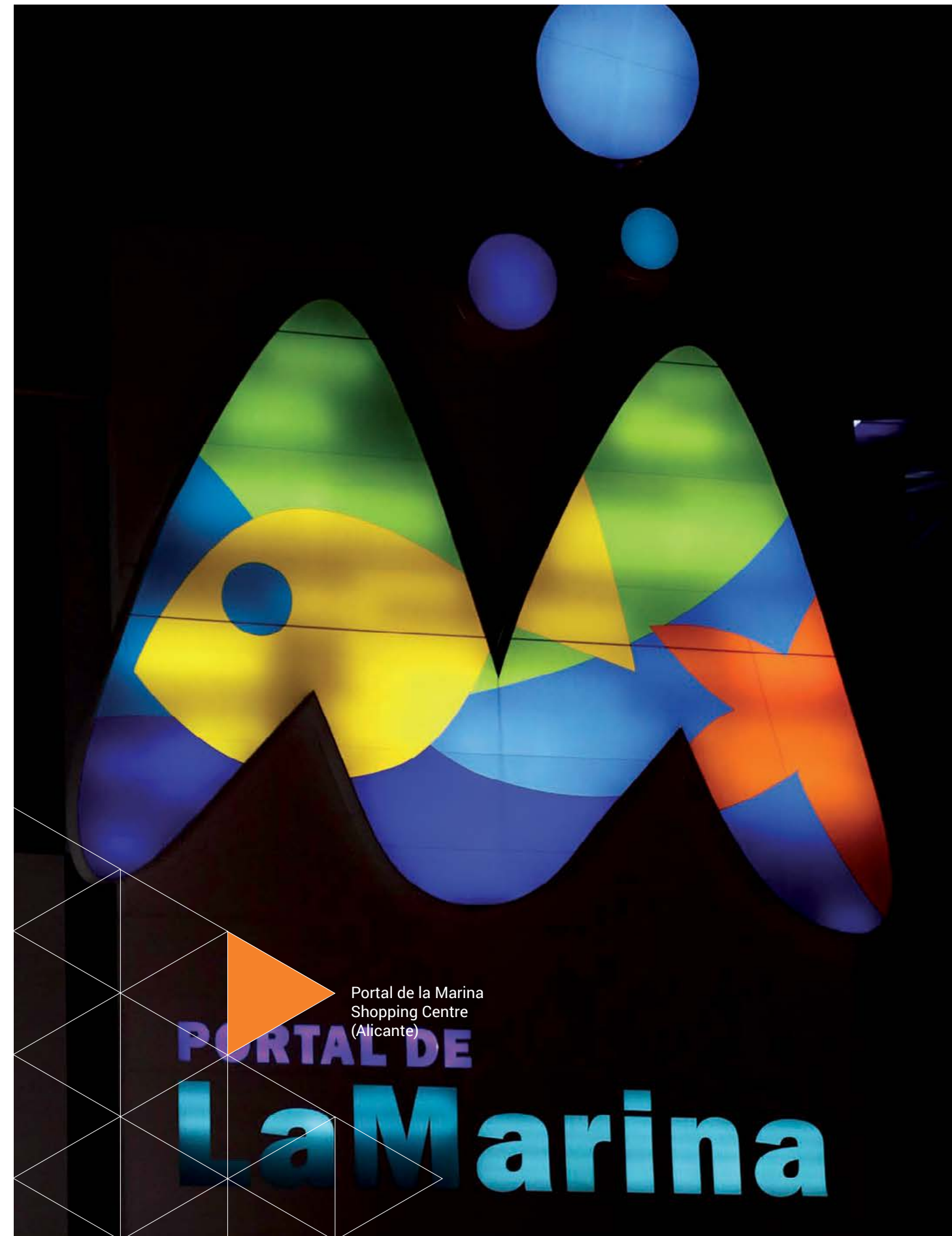
The **Board of Directors** is the body ultimately responsible for the CPM's implementation and effective execution. In addition, the **Audit and Control Committee** and the person responsible for oversight of the CPM have been tasked with its correct functioning and enforcement.

In turn, because it has delegated a large part of its management, Lar España requires the companies it has contractual relationships with to comply with prevailing legislation. To this end, Lar España requires those companies to have **crime prevention models which mirror the company's own CPM** and reserves the right to ask for information evidencing its existence. Meanwhile, the Whistle-blowing Channel can be used to report any perceived model breaches.

Anti-Money Laundering Manual

The real estate sector is subject to strict regulations designed to prevent money laundering and establish the rules of engagement with the Executive Branch of the Commission for the Prevention of Money Laundering and Monetary Infractions ("SEPBLAC" for its acronym in Spanish). Against this backdrop, Lar España is working to develop an **Anti-Money Laundering Manual**, which it expects the Board to approve in 2016, as required under Spanish Law 10/2010, of 28 April 2010, on the prevention of money laundering and terrorist financing.

The Company is striving to follow best practice in this effort, prioritising ethical and transparent conduct and abolishment of any form of fraudulent or illicit activity. In addition, information will be exchanged with all parties related to Lar España and its management company (Grupo Lar) to detect potentially-suspicious transactions.





7

RISK MANAGEMENT

7.1

Risk control and
management system
p. 114

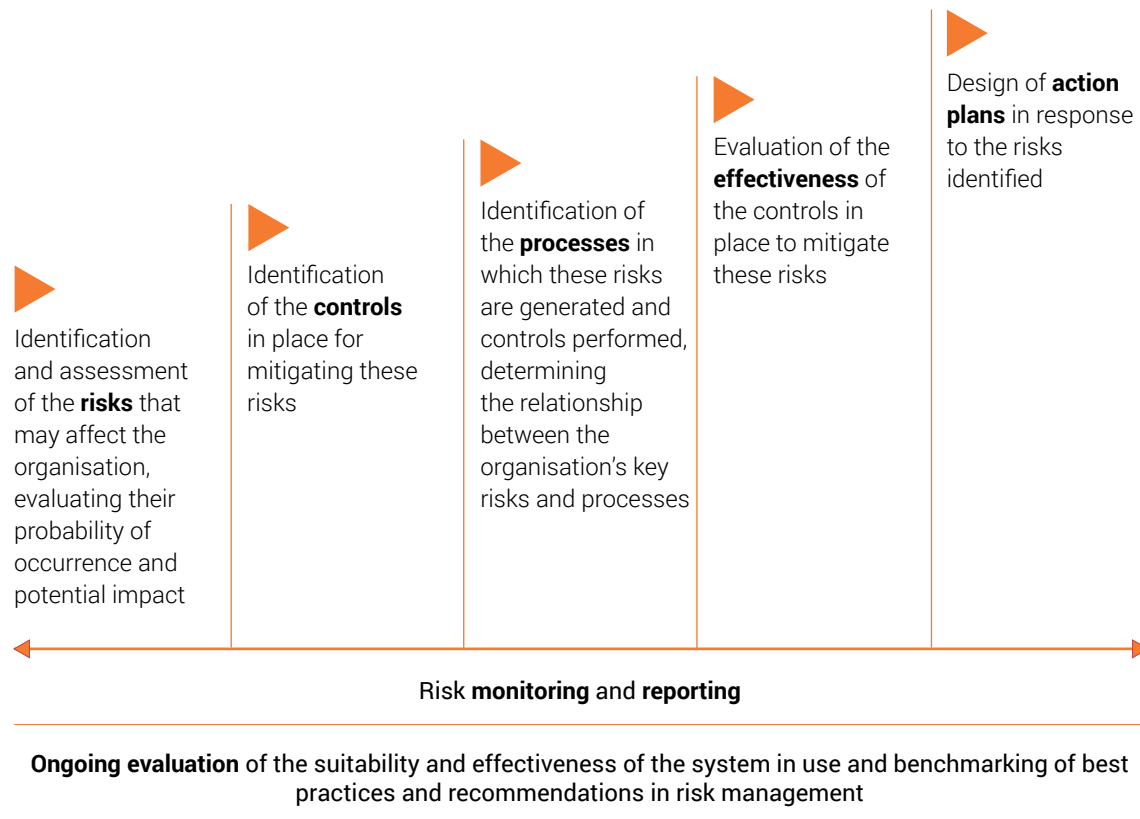
7.1 Risk control and management system

As stipulated in the **Risk Control and Management Policy** approved in February 2015, the Company approaches risk management as a continuous and dynamic process encompassing the identification, assessment, prioritisation and management of risks effectively and efficiently, factoring in the organisation's specific circumstances and the economic and regulatory environments prevailing in its operating markets.

The integrated **enterprise risk management (ERM) system** of Lar España and its subsidiaries, implemented at the highest level of the corporation, has been designed to mitigate the risks (including tax risks) to which the organisation is exposed by virtue of its business activities.

The system's overriding goal is to guarantee reasonable assurance that it will be able to achieve its strategic, operating, reporting and compliance objectives. Accordingly, the ERM system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report (hereinafter, COSO).

As set out in its ERM system, Lar España views **risk management as a continuous and dynamic process** which encompasses the following steps:



Risk ownership

The **ERM system** affects and involves all of the organisation's staff. Due to the specific characteristics of Lar España, certain risk management activities are performed by specialist service providers which assist with significant processes such as:

- **Investment and asset management**, performed primarily by Grupo Lar
- Preparation of the organisation's **financial, accounting and tax information**

- Half-yearly **asset appraisals**

However, Lar España follows detailed processes for supervising the third parties responsible for these outsourced services to ensure that these suppliers perform the activities contemplated in the ERM model.

The main participants in the ERM model are:

BODY/PARTY	RESPONSIBILITY	DUTIES
Process Manager or Owner	Direct management via everyday operations	<ul style="list-style-type: none"> • Risk identification, analysis, assessment and mitigation
Risk Officer	Analysing and consolidating the risk information compiled by the process owners	<ul style="list-style-type: none"> • Compiling risk files, identifying new events, gathering information and preparing action and monitoring plans as required
Audit and Control Committee	Monitoring application of the Risk Control and Management Policy defined by the Board of Directors	<ul style="list-style-type: none"> • Identifying risks, establishing risk tolerance thresholds and identifying adequate risk mitigation measures, IT systems and controls • Reporting to the Board of Directors on its activities over the course of the year and monitoring application of the Risk Control and Management Policy • Analysing, at least once a year, the continued validity of the risk map and adding, modifying or eliminating risks as a result of changes at the organisation or in its business environment
Board of Directors	Approval of the Risk Control and Management Policy	<ul style="list-style-type: none"> • Ultimate responsibility for identification of the main risks facing the Company and for supervision of its internal control systems

Lar España has identified the risks that could jeopardise its ability to achieve its objectives and successfully execute its strategies. In order to identify these risks, management's experience in the real estate sector and the Company's specific circumstances were factored in, as were the medium-term strategic initiatives contemplated by the firm.

Lar España has an updated **risk map** depicting the universe of risks that could affect the organisation. The risks listed below are the risks that have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2015, it managed and monitored these risks adequately, a process which will be ongoing in the years to come:

Main risks

The **risk map** is the tool used by Lar España to identify and assess its risks. All the risks contemplated,

including tax risks, are evaluated considering various indicators of impact and likelihood.

The organisation's most significant risks have been duly identified:

- Management of REIT regime-related requirements
- Investment planning
- Accounting and financial reporting
- Investment project monitoring
- Real estate asset sale-purchases

- Property values
- Property maintenance
- Data collection (quality of information key for decision-making)
- Dependence on the Asset/Investment Manager
- Financing (including financial planning)
- Investor and media relations
- Board functioning
- Impact of socio-political changes

The risk monitoring process consists of tracking all internal and external variables that could help anticipate or foresee the materialisation of these or other risks of relevance to the Lar España.

The **ERM system categorises risk** into one of three levels for management purposes - high, medium and low - depending on how critical the objective with which the risk is associated is deemed. The risk tolerance determination system is reviewed at least annually by the **Audit and Control Committee**.

Response and monitoring plans

The specific characteristics of Lar España, coupled with those of the business sector in which it operates, make it of tantamount importance to correctly monitor and update the various risks to which the organisation is exposed, including tax risks.

The level and frequency with which it monitors the risks identified varies as a function of the perceived importance or criticality of these risk factors and the level of effectiveness of the controls currently in place. Accordingly, Lar España has defined different scenarios for **managing its risks**:



Exhaustive analysis

Risks deemed highly critical



Assesment and surveillance

Risks assessed to be of medium importance



Rationalisation and optimisation

Less critical risks

Based on these levels, Lar España has established four kinds of strategies in relation to the level of risk assumed in each instance:

- **Reduction:** this implies undertaking response activities designed to reduce the probability of occurrence or impact of the risk, or both simultaneously. This may entail the introduction of new controls or the improvement of existing ones.
- **Avoidance:** this implies withdrawal from the risk-generating activities. In this instance, the risk response may be to get out of a given business unit or line and/or decide not to pursue new business activities associated with such risks.
- **Sharing:** a risk's probability of occurrence or impact can be reduced by transferring or sharing a portion of that risk (e.g., via insurance policies).
- **Acceptance:** in this instance no action is taken to modify the risk's probability or impact; risk is assumed at its inherent level as this is deemed appropriate for the activity and established objectives.

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, work has begun on documenting the identified risks in the form of **individual risk files** in order to enable enhanced monitoring.

These files specify the controls in place and the key indicators (KRIs) that enable anticipation and/or monitoring of the associated risks. The plan is to **further advance this risk management** and monitoring process in the years to come



8 CORPORATE SOCIAL RESPONSIBILITY

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Lar España's
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Asset
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Accesibility
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8.1 Lar España's approach to CSR

For Lar España, sustainability, in its three core dimensions - economic, environmental and social -, is a matter to be addressed at the highest level, structurally and strategically. The Company strives to put its sustainable development pledges into practice in all its activities and the everyday management of its assets. Lar España is aware that a **business model that is sustainable** for the long haul is one that helps to create added value for its stakeholders, to which end the generation of positive externalities

and satisfaction of their legitimate expectations are key enablers.

For these reasons, Corporate Social Responsibility has been a key issue for Lar España since it was incorporated in 2014. Against this backdrop, 2015 was a decisive year, punctuated by board approval of the **Company's CSR Policy**, a framework for action articulated around seven core lines of initiative.



Business ethics and integrity

To guarantee compliance with prevailing legislation and the codes endorsed by the Company which ensure that the organisation and its employees act with due diligence



Creating shared value

To cooperate and engage with the Company's stakeholders with the aim of generating a positive impact on its surroundings by fostering sustainable economic and human development



Environmental management

To manage the properties' environmental footprint from the moment they are acquired throughout their life cycle, cooperating with suppliers, tenants and users to minimise their environmental impacts



Building accessibility

To strive to ensure that the Company's **properties** are **accessible, functional and inclusive** so that everyone, regardless of their physical condition, are guaranteed safe access



Business relationships

To articulate mutually-beneficial business relationships by means of fair, objective and transparent contracting processes which incorporate corporate responsibility criteria



Employees

To frame talent recruitment, selection and retention policies with equality and professional development criteria



Transparency

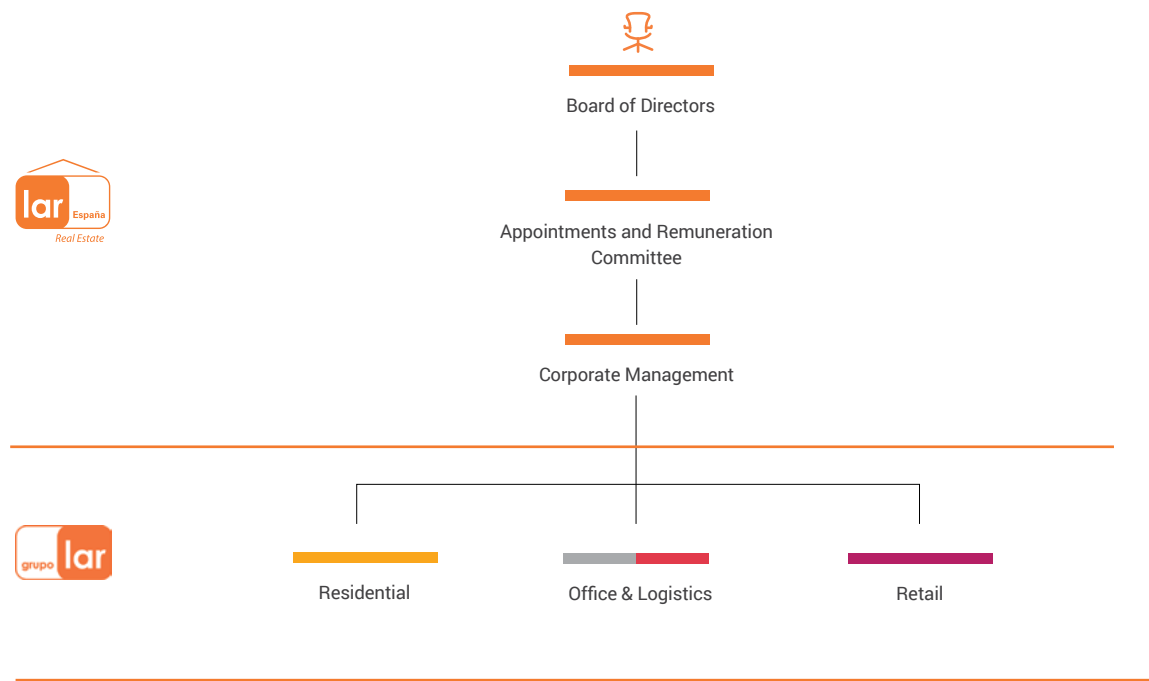
To measure and report relevant and reliable financial and non-financial information about the Company's activities and performance



Organisational structure

The **Board of Directors**, in plenary session, is responsible for approving **Lar España's corporate social responsibility policies**. Meanwhile, the Appointments and Remuneration Committee is responsible for staying abreast of, driving, orienting and supervising the Company's actions in the CSR arena and reporting to the Board of Directors on its activities

and findings. Lastly, **Lar España's corporate management** is tasked with coordinating, aligning and standardising the Company's CSR efforts, with the help of the Management Company, which takes the guidelines set by the Company fully on board and ensures their implementation.



Master CSR Plan

In line with its **CSR commitments**, Lar España has decided to integrate the core lines of initiative defined in its **CSR policy** into its everyday business operations by means of an action plan. At the time of writing, the Company is in the midst of drawing up its **CSR Master Plan**.

The starting point for the Master Plan is the **materiality assessment** performed by the Company (further information can be found in Chapter 4), a matrix which maps the issues of greatest concern to the Company's stakeholders and their level of implementation among its main competitors. This work is being performed in close collaboration with the Management Company's team, which will ultimately be responsible for execution of the various initiatives defined in the Plan.



8.2 Asset management

Management approach

Asset management is underpinned by three cornerstones at Lar España:

1. Intervention to **improve** the buildings' environmental, social and economic **performance**;
2. **Active property management** by means of detail-focused management policies, processes and practices which factor in environmental and social impacts;
3. **Tenant management** with the aim of offering high-quality service by means of management policies, processes and practices targeted specifically at them and, indeed, at all its buildings' users.

However, due to the unique characteristics of the classes of properties it manages in its portfolio, the manner in which Lar España applies this approach varies accordingly.

Residential

At present Lar España does not have any residential properties in its asset portfolio. However, it has acquired a 26,203 sqm plot in Madrid's exclusive Salamanca district for residential development (Lagasca 99). Construction is due to begin in 2016 and will be framed by a management system at the design and construction levels.

The plan is to certify the building's design and construction under the stringent **BREEAM® green-building standard**. This seal guarantees more sustainable building methods, which translate into enhanced efficiency for the parties building, operating and/or maintaining the property, reducing its environmental footprint and boosting user comfort.

Offices

Our offices in Arturo Soria are equipped with a remote BMS monitoring system.

The technical and operational aspects of the properties' management are handled by an external property management firm with a view to delivering service excellence and the specific targets set. Whenever possible, Lar España tries to select local property managers with long-standing knowledge of the property in question.

The property managers engage directly with the buildings' various service and maintenance providers and are fully and exclusively dedicated to the buildings. They report their activities to the Company's offices unit which follows up at least monthly. Issues of greater significance or complexity may require more intense supervision, possibly even management involvement.

Whenever a building is refurbished or rehabilitated, the management approach is articulated around achieving **BREEAM certification**.

Retail

The quality management system in place at the As Termas shopping centre is ISO 9001-certified.

A **sustainability plan** is already in place across the retail portfolio, leveraging Lar España's extensive track record managing this class of assets. The sustainability plan builds on analysis and ongoing monitoring of each property's **energy usage**, in turn underpinned by full **energy audits** and strict periodic controls.

Specifically, portfolio properties which exceed average energy (kWh/m²) and water (m³/m²) consumption levels by more than 50% qualify for priority intervention, marked by the implementation of quick-win measures (payback: 2.5 years).




Logistics

This asset class - warehouses and logistics platforms - is operated entirely by the lessors; as a result, management and operation of this specific asset class is not within the scope of Lar España's services. The **management and performance indicators for these assets are accordingly not available to Lar España** and therefore not included within the scope of this report.



Energy

Energy management lies at the heart of Lar España's environmental management effort, framed by a commitment to reducing energy bills and passing these savings onto the tenants. Several energy savings and efficiency initiatives were undertaken in 2015.

		
Residential	Offices	Retail
<ul style="list-style-type: none"> The Lagasca 99 residential property development has been planned as follows: <ul style="list-style-type: none"> Measures will be taken during the works to reduce electricity consumption. The building design features an envelope which will deliver higher insulation performance than that required in Spain's Building Code. All lighting will be LED. If discharge lamps have to be installed, they will be equipped with high-intensity ballasts. The heating system will be individual, enabled for separate temperature control in each of the homes' main zones. The homes will be provided with class A or A+ household appliances. The communal areas and each home will be equipped with home automation systems in order to maximise energy efficiency. 	<ul style="list-style-type: none"> Energy audits have been performed at all the office properties (except at Cardenal Marcelo Spínola, a property in the midst of overhaul) to determine how their energy performance could be improved and streamlined. Energy efficiency plans have been defined for each property on the basis of their scope for improvement. Action taken in 2015 at the offices in Arturo Soria: <ul style="list-style-type: none"> Installation of LED lighting covering 24% of GLA. Replacement of incandescent light bulbs (60W) with energy-saving bulbs (14W) throughout the building stairwell. Replacement of halogen landing lights with energy-saving LED lighting. Installation of dusk-to-dawn sensors in landing areas. 	<ul style="list-style-type: none"> Under the scope of the sustainability plan, the following noteworthy initiatives were carried out between 2014 and 2015: <ul style="list-style-type: none"> Performance of full energy audits at priority properties such as Ànec Blau, As Termas, Portal de la Marina, El Rosal, Albacenter, Txingudi. Installation of photovoltaic solar panels at the following shopping centres: El Rosal (100 kW), Albacenter (86 kW) and El Alisal (20 kW), generating sustained annual production of around 280,000 kWh. Installation of LED lighting inside the Albacenter car park. Maintenance and renewal of the air conditioning units at As Termas and El Rosal shopping centres. This action plan also encompasses specific energy consumption savings targets for the As Termas (7%), Portal de la Marina (10%) and Ànec Blau (15%) shopping centres.

Certifications

The continuous management and improvement effort being undertaken by the portfolio management team is set to translate into **better energy performance certificates (EPC)** at the buildings where action has been taken. In order to have this effort externally acknowledged, the Company is in the process of obtaining **BREEAM certification** for most of its properties' in-use sustainability.

CERTIFICATIONS, ENERGY PERFORMANCE CERTIFICATES AND SUSTAINABILITY SEALS OBTAINED AND/OR IN PROCESS FOR NEW BUILDS, MANAGEMENT, USAGE AND REFURBISHMENT		
	EPC	Certifications
Residential		
Lagasca 99	A or B*	BREEAM for design and construction*
Offices		
Arturo Soria	C	-
Egeo	D	-
Marcelo Spínola	D ¹	Preliminary BREEAM rating (design): Very Good
Eloy Gonzalo	E	-
Joan Miró	C	-
Retail		
Las Huertas	C	BREEAM In Use**
Txingudi	E	BREEAM In Use**
Albacenter	E	BREEAM In Use**
Anec Blau	C	BREEAM In Use**
Portal de la Marina	D	BREEAM In Use**
As Termas	C	BREEAM In Use**, ISO 9001
El Rosal	C	BREEAM In Use**
Megapark	D/E/F	BREEAM In Use**
Villaverde	N/A	N/A***
Nuevo Alisal	D	-
Parque Galaria	E	N/A***

* In the pipeline (construction of this building is about to begin).

** In process.

*** Building managed directly by tenants.

¹ At the time of acquisition.

Energy consumption, production and usage intensity

The table below provides the 2015 **energy consumption, production and intensity** figures for Lar España's property portfolio (excluding the logistics centres)².

Portfolio / Property	GLA (sqm)	Energy consumed		Energy use intensity (kWh/sqm)	Energy production (kWh)
		Total electricity consumption (kWh/year)	Total natural gas consumption (kWh/year)		
Residential					
Lagasca 99	26,203	N/A	N/A	-	-
TOTAL	26,203	N/A	N/A	-	-
Offices					
Egeo	18,254	1,172,592	412,969	86.86	-
Arturo Soria	8,663	563,638	316,157	101.56	-
Joan Miró	8,610	349,055	N/A	40.54	-
Marcelo Spinola	5,440	33,461	377,977	75.63	-
Eloy Gonzalo	12,220	N/A	N/A	-	-
TOTAL	53,187	2,118,746	1,107,103	78.74	-
Retail					
Megapark Barakaldo	64,000	N/A	N/A	-	-
El Rosal	50,000	3,639,312	786,189	88.51	152,890
Ànecblau	28,863	3,483,782	N/A	120.70	-
As Termas	33,151	1,657,782	51,421	51.56	-
Portal de la Marina	30,007	2,825,182	N/A	94.15	-
Albacenter	15,696	974,098	345,321	84.06	101,916
Txingudi	34,700	840,723	N/A	24.23	-
Nuevo Alisal	7,648	55,337	N/A	7.24	24,550
Las Huertas	20,291	498,594	N/A	24.57	-
Villaverde	4,391	N/A	N/A	-	-
Parque Galaria	4,108	N/A	N/A	-	-
TOTAL	292,855	13,974,810	1,182,931	68.79	279,356
TOTAL	346,042	16,093,556	2,290,034	70.35	279,356

² Lar España's management remit at its logistics centres is very limited; most tasks are performed by the lessees and neither consumption nor emission figures are generally available.

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

Water

Keenly aware of the water scarcity issue, Lar España strives to deploy technological breakthroughs to ensure efficient water **consumption and sanitation** across its portfolio. To this end, the Company uses water-saving and efficiency strategies when designing and maintaining its properties with the goal of **reducing the volume of water used inside and outside its buildings**, minimising the volume of wastewater requiring treatment and reusing rainwater. Water-saving measures were implemented at the Arturo Soria offices in 2015.



Offices

The work at Arturo Soria office building concluded in 2015 with:

- The installation of frequency converters in the drinking water unit,
- The placement of diffusers in taps to conserve water,
- The installation of air quality probes in the air conditioning unit return pipes and integration with the BMS system.



Water consumption by property is broken down in the next table:

Portfolio / Property	GLA (sqm)	Total water consumption (m ³ /year)	Water use intensity (m ³ /sqm)
Residential			
Lagasca 99	26,203	N/A	-
TOTAL	26,203	N/A	-
Offices			
Egeo	18,254	5,851	0.32
Arturo Soria	8,663	4,072	0.47
Joan Miró	8,610	1,973.49	0.23
Marcelo Spinola	5,440	1,732	0.32
Eloy Gonzalo	12,220	N/A	-
TOTAL	53,187	13,628.49	0.33
Retail			
Megapark Barakaldo	64,000	N/A	-
El Rosal	50,000	13,959.24	-
Ànecblau	28,863	14,772	0.14
As Termas	33,151	9,820.10	0.23
Portal de la Marina	30,007	16,833	0.29
Albacenter	15,696	6,852	0.34
Txingudi	34,700	7,131	0.21
Nuevo Alisal	7,648	N/A	0.11
Las Huertas	20,291	3,870	-
Villaverde	4,391	N/A	0.21
Parque Galaria	4,108	N/A	-
TOTAL	292,855	73,237.34	0.34
TOTAL	346,042	86,865.83	0.34

Emissions

In addition, management has calculated the portfolio's scope 1 (direct) and scope 2 (indirect) GHG emissions corresponding to their most significant energy consumptions - electricity and fossil fuel - for each asset operated, using benchmark emission factors.

It is estimated that the on-site generation of power from the photovoltaic solar panels installed at the El Rosal, Albacenter and El Alisal shopping centres has prevented the emission of **103 tonnes of carbon dioxide equivalent (tCO₂e)**.

Portfolio / Property	GLA (sqm)	Emissions			GHG intensity (kgCO ₂ e/sqm)	Emissions avoided (tCO ₂ e)
		Scope 1 (direct) (tCO ₂ /year)	Scope 2 (indirect) (tCO ₂ /year)	Total (tCO ₂ /year)		
Residential						
Lagasca 99	26,203	N/A	N/A	-	-	-
TOTAL	26,203	N/A	N/A	-	-	-
Offices						
Egeo	18,254	83.25	451.45	534.70	29.29	-
Arturo Soria	8,663	63.74	217.00	280.74	32.41	-
Joan Miró	8,610	0.00	134.39	134.39	15.61	-
Marcelo Spinola	5,440	76.2	12.88	89.08	16.38	-
Eloy Gonzalo	12,220	N/A	N/A	-	-	-
TOTAL	53,187	223.19	815.72	1,038.91	25.36	-
Retail						
Megapark Barakaldo	64,000	N/A	N/A	-	-	-
El Rosal	50,000	198.12	1,353.82	1,551.94	31.04	56.57
Ànecblau	28,863	N/A	1,295.97	1,295.97	44.90	-
As Termas	33,151	12.96	616.69	629.65	18.99	-
Portal de la Marina	30,007	N/A	1,050.97	1,050.97	35.02	-
Albacenter	15,696	87.02	362.36	449.39	28.63	37.71
Txingudi	34,700	N/A	312.75	312.75	9.01	-
Nuevo Alisal	7,648	N/A	20.59	20.59	2.69	9.08
Las Huertas	20,291	N/A	185.48	185.48	9.14	-
Villaverde	4,391	N/A	N/A	-	-	-
Parque Galaria	4,108	N/A	N/A	-	-	-
TOTAL	292,855	298.10	5,198.63	5,496.73	24.94	103.36
TOTAL	346,042	521.29	6,014.35	6,535.64	25.01	103.36

8.3 Accessibility

Lar España strives to ensure all its properties are **accessible, functional and inclusive** so that everyone, regardless of their physical condition, is guaranteed access. To this end, the Company takes an end-to-end management approach from building design to remodelling, refurbishment and maintenance, at all times framed by the goal of outperforming legal thresholds.



Residential

The **Lagasca 99 residential** property development has been planned as follows:

- All of the complex's **communal areas** will be accessible.
- All of the duplex units will be fitted with a **vertical transportation system**.
- Buyers will be offered the possibility of **adapting the layout for accessibility purposes**.
- A bike storage room is planned within the communal area and there will be an **electric vehicle charging station** in the underground car park.
- Correct functioning of the shared elevator systems is guaranteed by means of **emergency power generator support**.



Offices

- All communal floor space in Lar España-owned offices is **accessible**.
- The main lobby at the **Arturo Soria** office can be accessed by a wheelchair ramp.
- The ramp at the **Egeo** office building is covered by **non-slip flooring**, which also covers the main stairs. Elsewhere, all of this building's emergency lighting has been replaced to ensure accessibility in the event of emergency evacuation.
- The ground floor of the **Joan Miró** office building is fitted with reduced-mobility **access ramps** which give access via the lifts to all of the building's public-use floors other than the basement. There are also bathrooms adapted for reduced mobility on the second through to the sixth floors.



Retail

- All of the Company's shopping centres meet applicable **accessibility requirements**.
- The Company is in the process of obtaining a renowned accessibility seal (DIGA) for the various centres to highlight its excellence in this respect.
- **DIGA certification** will inform all visitors about the accessibility conditions of its establishments and services.

8.4 Supplier and customer relations

The As Termas shopping centre has an OHSAS 18000-certified occupational health and safety management system.

Lar España and its Management Company only work with **suppliers of renowned solvency**, making sure that they have **internal control mechanisms** and **codes of conduct** that guarantee due diligence.

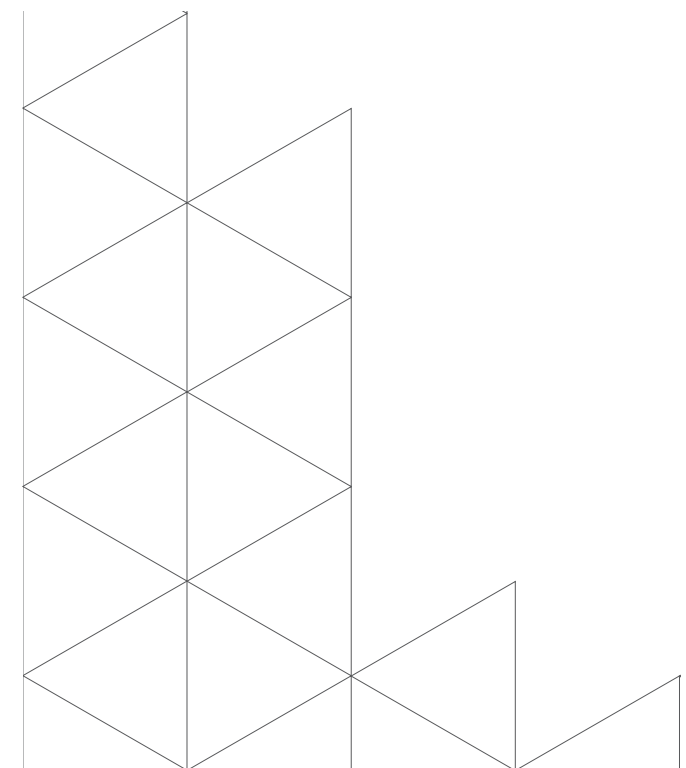
Lar España attempts to anticipate its customers' and users' needs and demands in order to provide them with optimal product and service quality. Against this backdrop, the safety and health of its property occupants is crucial to the Company. To this end it pays special attention to compliance with basic **health and safety regulations** by duly coordinating its business activities and information about safety risks at work centres and correctly distributing the emergency evacuation protocols.

The following communication channels have been set up to ensure smooth communication with suppliers and customers:

- Direct dialogue between the asset manager assigned to each property and its tenants.
- An incident reporting protocol with the property managers in the form of a dedicated e-mail inbox (Incidencias LAR Project).
- Specific meetings with the property manager upon demand by either party.
- Office user satisfaction surveys.

In addition, the following initiatives have been carried out with the aim of fostering best sustainability practices on the part of tenants:

- Provision of information about energy consumption and efficiency.
- Specific health and safety training.
- Provision of sustainability guides and manuals to tenants: this initiative is planned as part of a pilot test for the Cardenal Marcelo Spínola offices when they are reopened following full refurbishment.





9 FINANCIAL INFORMATION

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9.1 Internal Control Over Financial Reporting (ICFR) System

The **internal control over financial reporting (hereinafter, ICFR)** system has been designed and configured to provide reasonable assurance as to the reliability of the financial information disclosed to the markets.



BODY/PARTY	RESPONSIBILITY	DUTIES
Board of Directors	Ultimately responsible for the existence and maintenance of a suitable and effective ICFR system	<ul style="list-style-type: none"> Approving the financial information which the organisation must report periodically in its capacity as a listed entity Approving the risk control and management policy and the periodic monitoring of the internal information and control systems
Audit and Control Committee	Supervising the ICFR system (with the support of the internal audit function), control of compliance and reporting to the Board of Directors	<ul style="list-style-type: none"> Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process Monitoring the process of drawing up and disclosing regulated financial information
Corporate Management	Responsible for the design, implementation and workings of the ICFR system	<ul style="list-style-type: none"> Defining, proposing and implementing a model for generating financial information Defining, implementing and documenting the ICFR system Assisting the Audit and Control Committee in preparing the financial statements and other financial information and selecting the criteria used in the process Verifying, at least annually, the comprehensiveness and suitability of ICFR documentation and performance Reporting on developments in terms of ICFR documentation to the Audit and Control Committee and to the Internal Audit Service so they are familiar with and can appraise such developments
Internal Audit Service	Supporting supervision of the ICFR system, a duty vested in it by the Audit and Control Committee	<ul style="list-style-type: none"> Supervising the operation of the ICFR system and its general controls and processes Collaborating on the definition and classification of incidents and on the design of any required action plans, and monitoring the latter Reporting to the Audit and Control Committee on the incidents detected during the evaluation and oversight process Assisting Corporate Management to prepare reports on the status and description of the ICFR system
Process owners involved in the financial reporting process	Staff with financial reporting responsibilities	<ul style="list-style-type: none"> Defining, documenting, and updating the internal processes and procedures Executing the control activities as designed and intended and documenting evidence of their performance for traceability purposes Reporting to Corporate Management on any change to their modus operandi or transactions that could trigger the need to update how their processes and controls are defined and documented and on any control shortcomings they may detect Defining and implementing action plans in response to incidents observed within their sphere of responsibility

Corporate Management, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director can call on the resources, whether internal or external, he or she needs to manage the Company for assistance and advice. Against this backdrop, Lar España has entered into a **Management Agreement with Grupo Lar** under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its **financial reporting** related duties.

Lar España's ICFR Manual provides that whenever the services provided by a "service organisation" are part of the Company's IT system, they must be encompassed by the **IFRS evaluation process** either by means of specific and direct assessment of the controls applied by the service organisation or by obtaining an internationally recognised SSAE certificate (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization) or by carrying out alternative procedures.

Training

Corporate Management, in its capacity as the party responsible for the design, implementation and operation of the ICFR system, is obliged to make sure that all staff involved in preparing the Group's financial statements have received sufficient and up-to-date training on the International Financial Reporting Standards (IFRS) and the internal control over financial reporting principles. Corporate Management directly checks with the accounting expert engaged to prepare the Company's financial and accounting information that the teams assigned to these activities have the **required ICFR-related skills and knowledge**.

The Corporate Director, who is responsible for ICFR, boasts an extensive background in accounting and financial reporting, acquired during his years in auditing and financial management work. In 2015, the Corporate Director was in frequent contact with the financial statement auditor and the firm tasked with the accounting function during the year, addressing any issues arising and receiving updates from them on any developments with an **impact on the ICFR system**.

Lar España has a relatively small staff which is, however, bolstered by the **assistance provided by external advisers in certain areas**, specifically including, as detailed in other sections, some of the activities related to the financial statement preparation process and the implementation and rollout of the ICFR system.

Lar España **selects the service organisations to which it outsources these activities rigorously so that it works with specialist firms of renowned prestige** that are chosen for their quality and expertise. Corporate Management ensures that these advisors indeed have the expertise required and continuous learning policies in respect of these areas of expertise.

In addition, the Internal **Audit Plan** prepared by the Internal Audit Service and approved by the **Audit and Control** Committee of Lar España contemplates the training needed by the people involved in these matters.

Financial reporting risk assessment

The process of **identifying financial reporting risks**, including risks of error or fraud, is one of the most important aspects of Lar España's ICFR methodology. This process is documented in an internal methodology guide explaining the ICFR management and assessment process: **"Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI"**.

Lar España has assessed the risk associated with its financial accounts using quantitative and qualitative criteria. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information. The purpose of this mapping exercise is to identify the processes or business units within the Group of greatest importance in terms of financial information generation.

Lar España has documented the most significant processes. In 2015, it revised and enhanced the documentation prepared the year before. This documentation identifies and analyses, among other things, transaction flows, potential financial reporting error and fraud risks and the controls established by the Company to **mitigate the risks associated with each process**. Having documented the majority of the most significant processes in 2014 and 2015, the idea is to continue to flesh out and fine-tune this information for these and other processes related with the financial reporting function.

Control activities

As stipulated in the ICFR Manual, the significant processes documentation covers existing risks and defines controls related with different financial reporting objectives: existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations. The documentation is updated whenever significant changes occur and is additionally subjected to an annual review.

Lar España has documented the **organisation's General Controls and its most significant processes** (including the period-end closing - providing for a specific review of critical judgements, estimates, valuations and projections -, revenue recognition, asset appraisals and property acquisitions). Last year, it also reviewed and updated the documentation detailing some of the processes related with the generation of financial information.

In addition to the ICFR oversight process (tasked to the Audit and Control Committee with the assistance of the Internal Audit Service), the **ICFR Manual** of Lar España contemplates the performance of an annual internal evaluation intended to ensure that the ICFR controls remain valid, well-designed and capable of delivering the intended objectives. In 2015, Corporate Management continued the process of gradually implementing the **policies and procedures** itemised in the ICFR Manual.

Information and communication

Lar España has an effective and duly-approved **Accounting Policy Manual** encompassing, in a structured manner, the accounting rules, policies and criteria being applied in general at all of the organization's companies.

The book-keeping process per se is handled at present by an outsourced, prestigious, specialist firm which is working with Lar España on the definition and application of accounting criteria, in keeping with prevailing legislation. This process is being supervised continually by **Corporate Management**, which is reporting to the **Audit and Control Committee** on the progress made on a regular basis. In addition, the external auditor is being contacted as required to confirm certain stances taken in order to resolve any questions and avoid any potential conflicts arising from the interpretation of any given accounting standard.

Lastly, the **Board of Directors** approves the financial information which the Company must report periodically in its capacity as a listed entity.

System monitoring

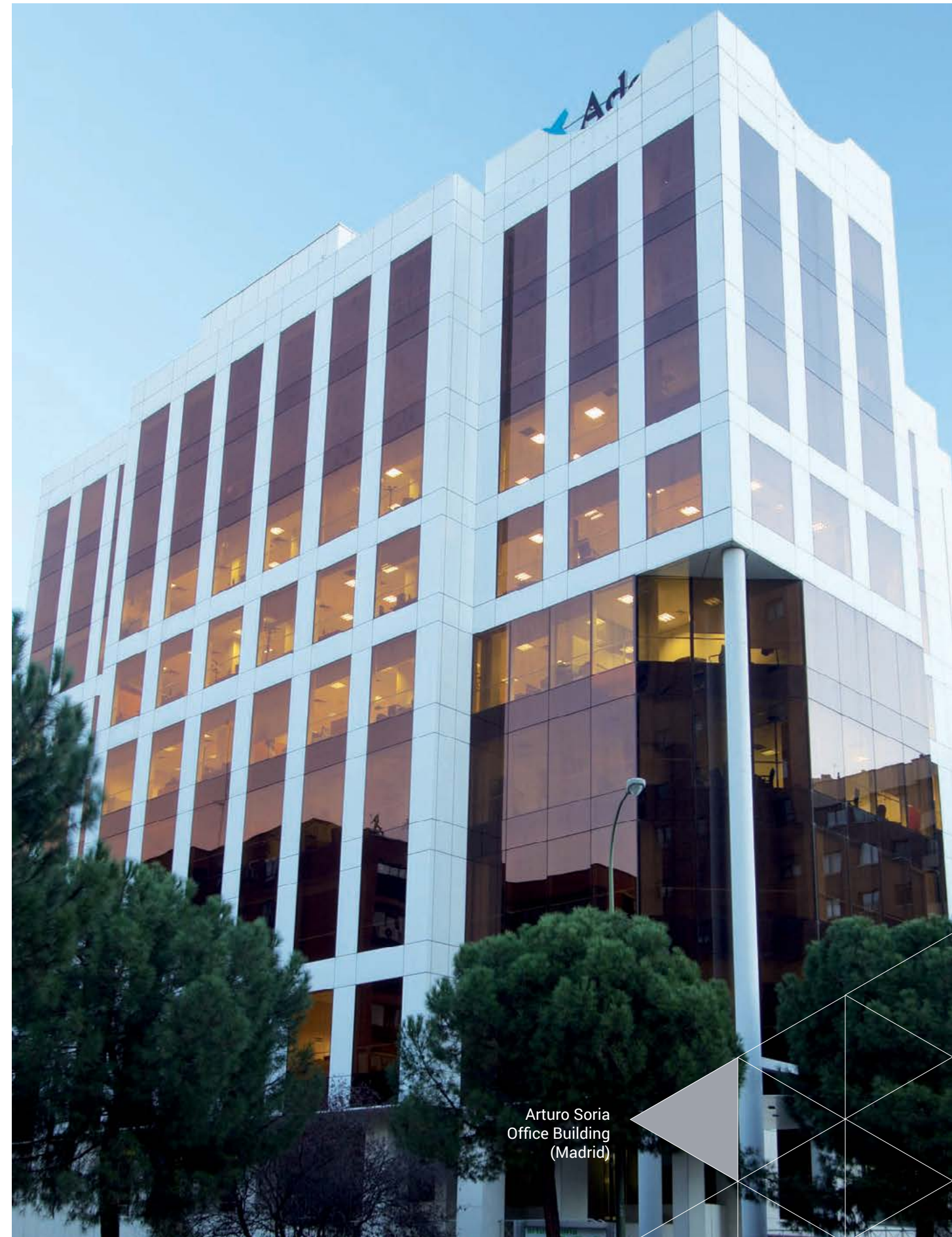
The gradual rollout of the ICFR system continued in 2015, identifying the most critical accounts and processes and working to document them in detail. Management and the Audit and Control Committee were kept abreast of related developments and the progress made on implementing the system.

In addition, Corporate Management and the Audit and Control Committee reviewed the financial information submitted to the securities market regulator (and its timeliness) quarterly. Meanwhile, the **ICFR Manual** contemplates annual assessment and oversight of the system's various components.

Lastly, it is worth noting in this respect that Corporate Management meets regularly with the **external auditor** to discuss its proposed financial reporting criteria and the level of progress made on developing the ICFR system. All required steps were taken to facilitate the provisions contained in the Board Regulations with respect to its mandate to the Audit and Control Committee, specifically that of:

- Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process and adopting the opportune measures for addressing them, as required.
- Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence.

Internal risk monitoring and management systems information has been reviewed by the **external auditor** and no inconsistencies or incidences were raised that could affect this.



Arturo Soria
Office Building
(Madrid)

9.2 Consolidated Financial Statements 31.12.15 (IFRS)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Position at 31 December 2015^(*)

ASSETS (Thousands of euros)	31/12/2015	31/12/2014
Intangible assets	1	-
Investment properties (**)	776,375	357,994
Financial assets with associates	16,774	-
Equity-accounted investees	43,217	18,087
Non-current financial assets	8,475	3,841
NON-CURRENT ASSETS	844,842	379,922
Inventories	-	2,843
Trade and other receivables	4,647	1,970
Financial assets with associates	26,717	-
Other current financial assets	1,676	32,032
Other current assets	601	136
Cash and cash equivalents	35,555	20,252
CURRENT ASSETS	69,196	57,233
TOTAL ASSETS	914,038	437,155

(*) These financial statements are an integral part of the 2015 Consolidated Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.

(**) Investment properties are presented at their fair value at the end of the financial year and are not subject to amortization. Profits or losses due to variation in the fair value of the investment properties are included in the results of the period in which they arise.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Position at 31 December 2015^(*)

EQUITY AND LIABILITIES (Thousands of euros)	31/12/2015	31/12/2014
Share capital	119,996	80,060
Share premium	415,047	320,000
Other reserves	(5,767)	(9,185)
Retained earnings	43,559	3,456
Treasury shares	(709)	(4,838)
Valuation adjustments	(1,560)	-
EQUITY	570,566	389,493
Financial liabilities from issue of bonds and other marketable securities	138,233	-
Loans and borrowings	173,354	37,666
Derivatives	1,560	-
Other non-current liabilities	10,774	5,143
NON-CURRENT LIABILITIES	323,921	42,809
Financial liabilities from issue of bonds and other marketable securities	3,504	-
Loans and borrowings	5,593	156
Other financial liabilities	2,651	18
Trade and other payables	7,803	4,679
CURRENT LIABILITIES	19,551	4,853
TOTAL EQUITY AND LIABILITIES	914,038	437,155

(*) These financial statements are an integral part of the 2015 Consolidated Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Income Statement at 31 December 2015^(*)

(Thousands of euros)	2015	2014
Revenues	35,734	8,606
Other income	3,374	217
Personnel expenses	(396)	(108)
Other expenses	(20,013)	(7,231)
Changes in the fair value of investment properties	25,978	(442)
RESULTS FROM OPERATING ACTIVITIES	44,677	1,926
Financial income	2,444	2,391
Financial expenses	(6,127)	(519)
Impairment and results on disposals of financial instruments	(29)	-
Share in profit (loss) for the period of equity-accounted companies	2,594	(342)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	43,559	3,456
Income tax	-	-
PROFIT FOR THE PERIOD	43,559	3,456

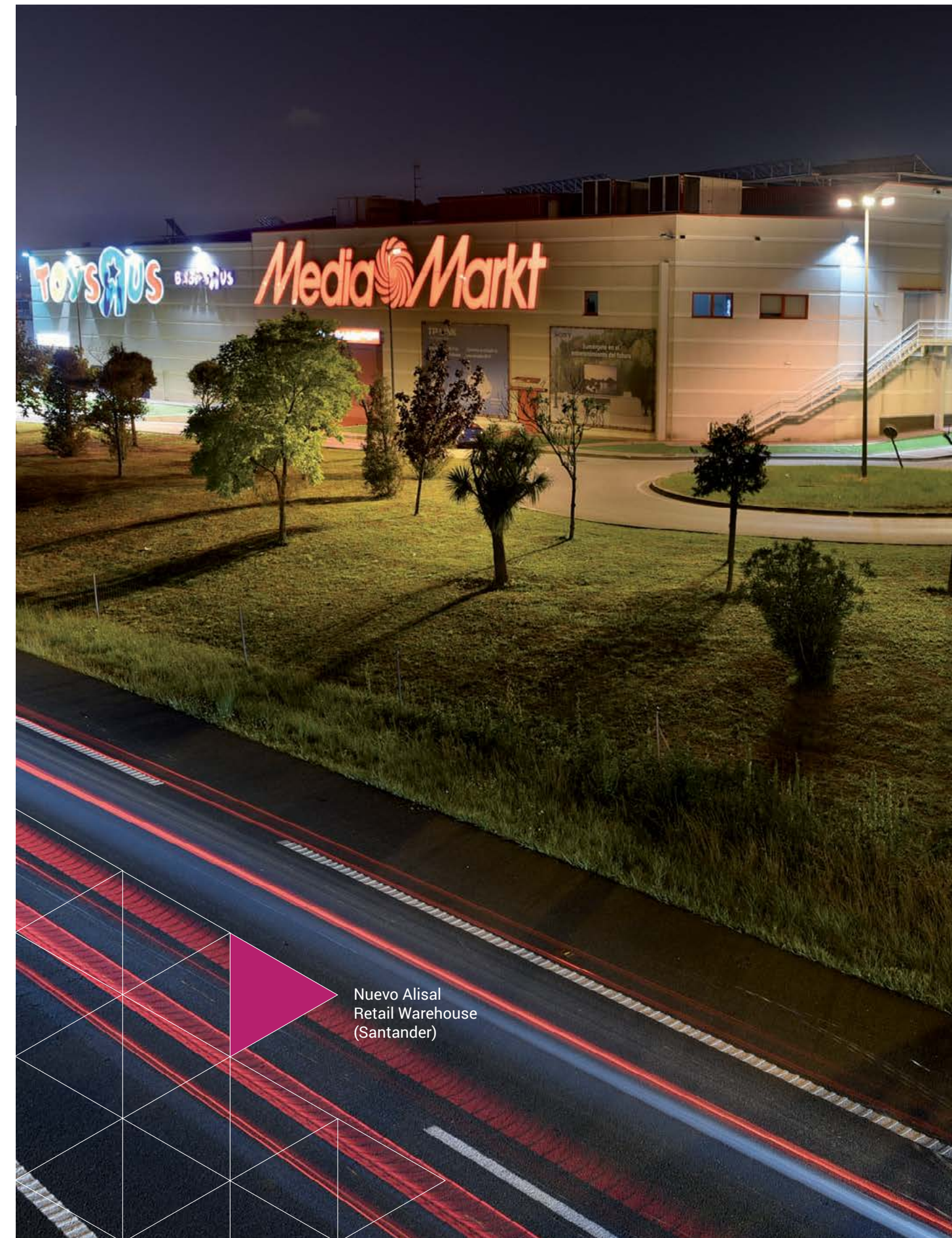
Net
Profit

43.6
Million €

x13
VS 2014

2015

(*) These financial statements are an integral part of the 2015 Consolidated Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.



Nuevo Alisal
Retail Warehouse
(Santander)

9.3 Individual Financial Statements 31.12.15 (Spanish GAAP)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Balance Sheet at 31 December 2015^(*)

ASSETS (Thousands of euros)	31/12/2015	31/12/2014
Investment properties	176,691	202,310
Land	67,736	80,456
Buildings	108,955	121,854
Non-current investments in Group companies and associates	471,693	134,525
Equity instruments	260,267	134,525
Loans to companies	211,426	-
Non-current investments	1,909	2,409
Other financial assets	1,909	2,409
TOTAL NON-CURRENT ASSETS	650,293	339,244
Inventories	-	3,102
Trade	-	2,843
Advances	-	259
Trade and other receivables	2,974	1,870
Client receivables for sales and rendering of services	522	1,170
Clients, group companies and associates	55	-
Other credits with Public Administrations	2,397	700
Current investments in group companies and associates	37,332	-
Loans to companies	25,319	-
Other financial assets	12,013	-
Current financial investments	6	32,066
Other financial assets	6	32,066
Prepayments for current assets	387	95
Cash and cash equivalents	17,482	17,467
Cash	17,482	17,467
TOTAL CURRENT ASSETS	58,181	54,600
TOTAL ASSETS	708,474	393,844

(*) These financial statements are an integral part of the 2015 Individual Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Balance Sheet at 31 December 2015^(*)

EQUITY AND LIABILITIES (Thousands of Euros)	31/12/2015	31/12/2014
Share Capital	119,996	80,060
Share capital	119,996	80,060
Share premium	415,047	320,000
Reserves	(7,799)	(9,425)
Legal and statutory	166	-
Other reserves	(7,965)	(9,425)
(Treasury shares)	(709)	(4,838)
Other shareholder contributions	240	240
Profit for the period	5,006	1,664
TOTAL EQUITY	531,781	387,701
Non-current payables	161,079	3,603
Bonds and other marketable securities	138,233	-
Loans and borrowings	19,839	-
Other financial liabilities	3,007	3,603
TOTAL NON-CURRENT LIABILITIES	161,079	3,603
Current payables	11,274	-
Bonds and other marketable securities	3,504	-
Loans and borrowings	5,119	-
Other financial liabilities	2,651	-
Trade and other payables	4,340	2,540
Current suppliers, related parties	2,516	866
Other payables	1,635	1,578
<i>Personnel (salaries payable)</i>	115	18
Other debts with Public Administrations	74	78
TOTAL CURRENT LIABILITIES	15,614	2,540
TOTAL EQUITY AND LIABILITIES	708,474	393,844

(*) These financial statements are an integral part of the 2015 Individual Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Income Statement for 2015^(*)

(Thousands of euros)	2015	2014
CONTINUING OPERATIONS		
Revenues	13,259	7,207
Sales	13,259	7,207
Other operating income	807	217
Non-trading and other operating income	807	217
Personnel expenses	(396)	(108)
Salaries and wages	(355)	(93)
Benefits	(41)	(15)
Other operating expenses	(17,214)	(6,824)
External services	16,591	(6,441)
Taxes	(549)	(221)
Losses, impairment and changes in trade provisions	(74)	(162)
Amortisation of fixed assets	(2,466)	(1,219)
Impairments and result from disposal of fixed assets	(328)	-
Impairments and losses	(328)	-
OPERATING PROFIT	(6,338)	(727)
Financial income	16,274	2,391
From stakes in equity instruments	11,990	-
In group companies and associates	11,990	-
From negotiable securities and other financial instruments	4,284	2,391
From group companies and associates	3,771	-
From third parties	513	2,391
Financial expenses	(4,474)	-
From debts with third parties	(4,474)	-
Impairments and gains (losses) on disposals of financial instruments	(456)	-
Impairments and losses	(456)	-
FINANCIAL PROFIT	11,344	2,391
PROFIT BEFORE INCOME TAX	5,006	1,664
Income tax expense	-	-
PROFIT FROM CONTINUING OPERATIONS	5,006	1,664
PROFIT FOR THE PERIOD	5,006	1,664

(*) These financial statements are an integral part of the 2015 Individual Annual Accounts. On February 26th 2016 Deloitte issued its unqualified audit report.



9.4 Proposed Profit Distribution

The **proposed distribution of the result for the financial year ended at 31 December 2015** and the other reserves of the Company to be presented to the General Shareholders' Meeting is as follows:

PROPOSED PROFIT DISTRIBUTION (Thousands of euros)

Basis of allocation

- Profit for the year	5,006
- Share premium	7,538
	12,544

Distribution

- Legal reserve	501
- Dividends (*)	12,037
- Voluntary reserve	6
	12,544

(*) The company has proposed to distribute 90% of its EPRA Earnings figure registered in 2015. See page 148.

Dividend
2015

12.0
Million €

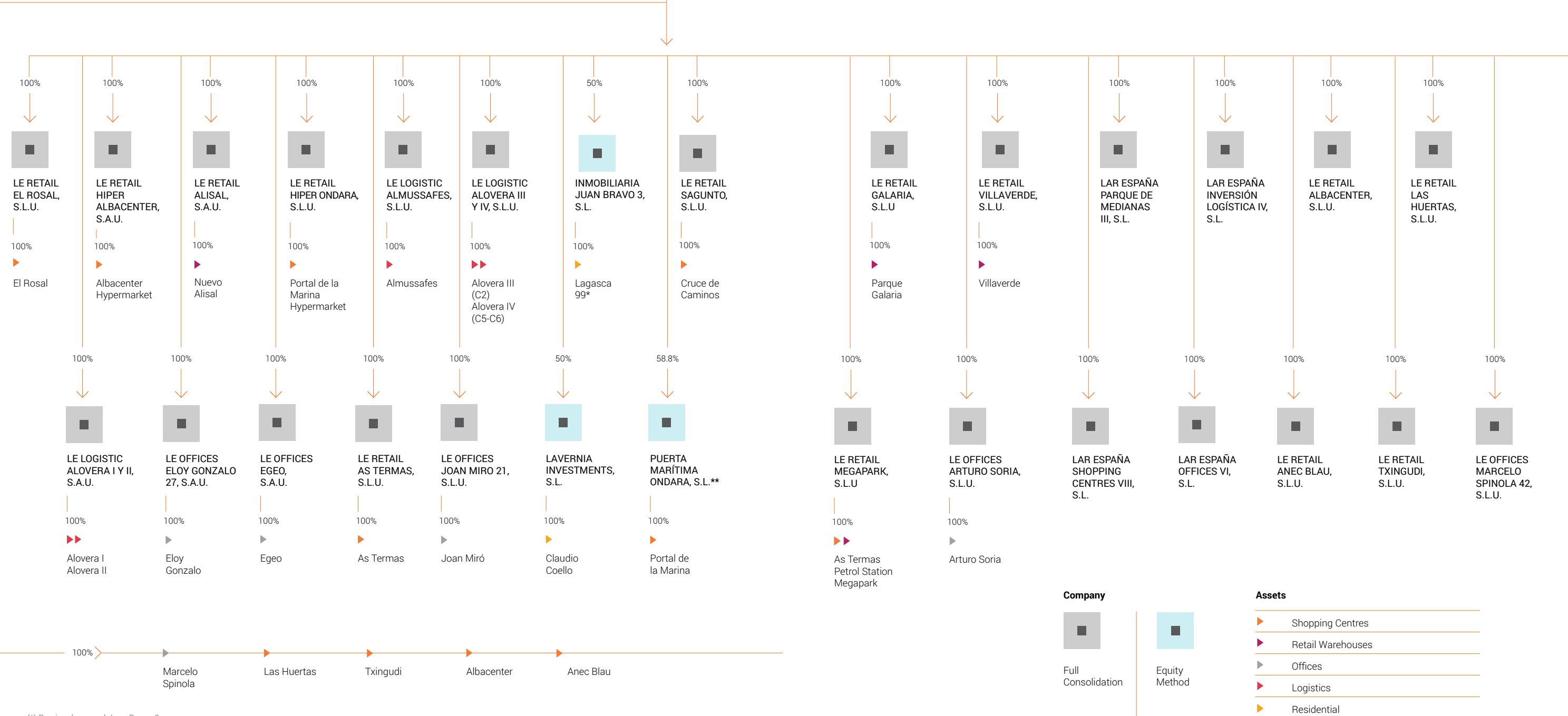
x6
VS 2014



9.5 Company Chart 31.12.15

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

LAR ESPAÑA
REAL ESTATE
SOCIMI, S.A.



(*) Previously named Juan Bravo, 3.

(**) As at 30/03/16 Lar España has purchased the additional 41.22% of Portal de la Marina shopping centre.

9.6 Share price performance

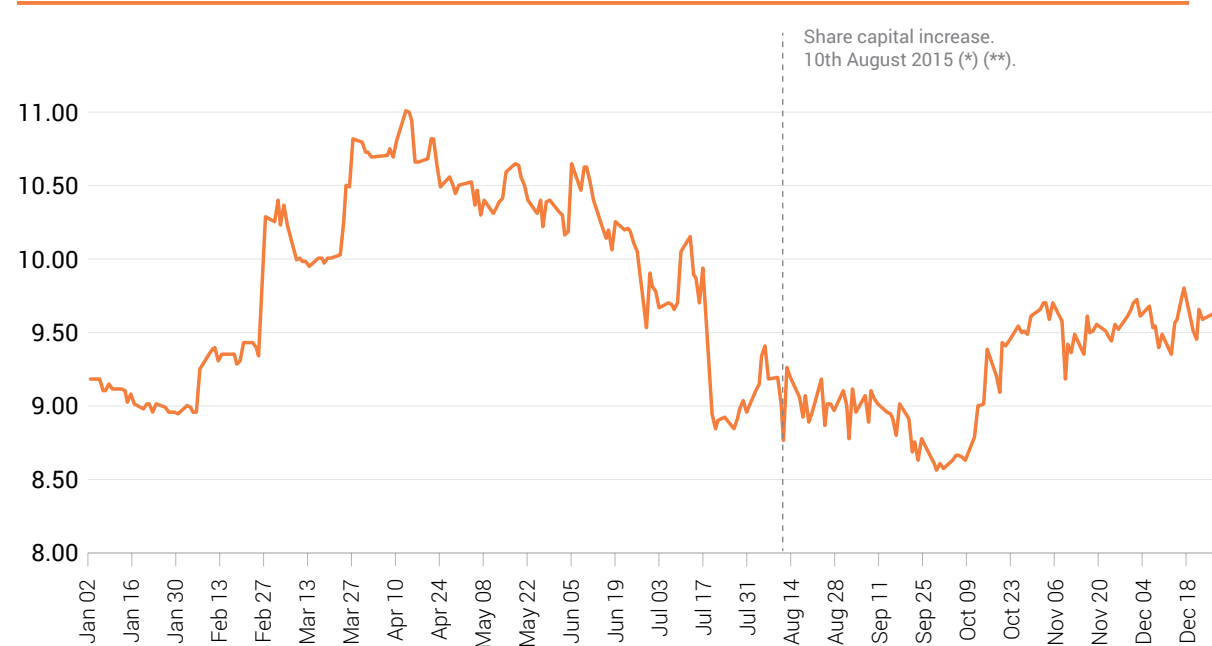
Key Market Indicators

DETAILS OF SHARES	2015
Max (Euros)	11.01
Min (Euros)	8.55
Average price for the period (Euros)	9.62
Price at the beginning of the period (Euros)	9.18
Price at the end of the period (Euros)	9.46
Performance during the period (%)	3.05
ADTV (*)	226,694
Market Cap (Euros)	567,578,771
Number of shares	59,997,756

(*) Average Daily Trading Volume in number of shares.

The **share price performance** during 2015 can be seen in the following graph:

Share price performance (€)



(*) The process of increasing Lar España's capital on August 2015 was completed through the issuance and distribution of new shares with a subscription price of 6.76 Euros each.

(**) The weighted share price after the capital increase amounted to 8.92 Euros per share.

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

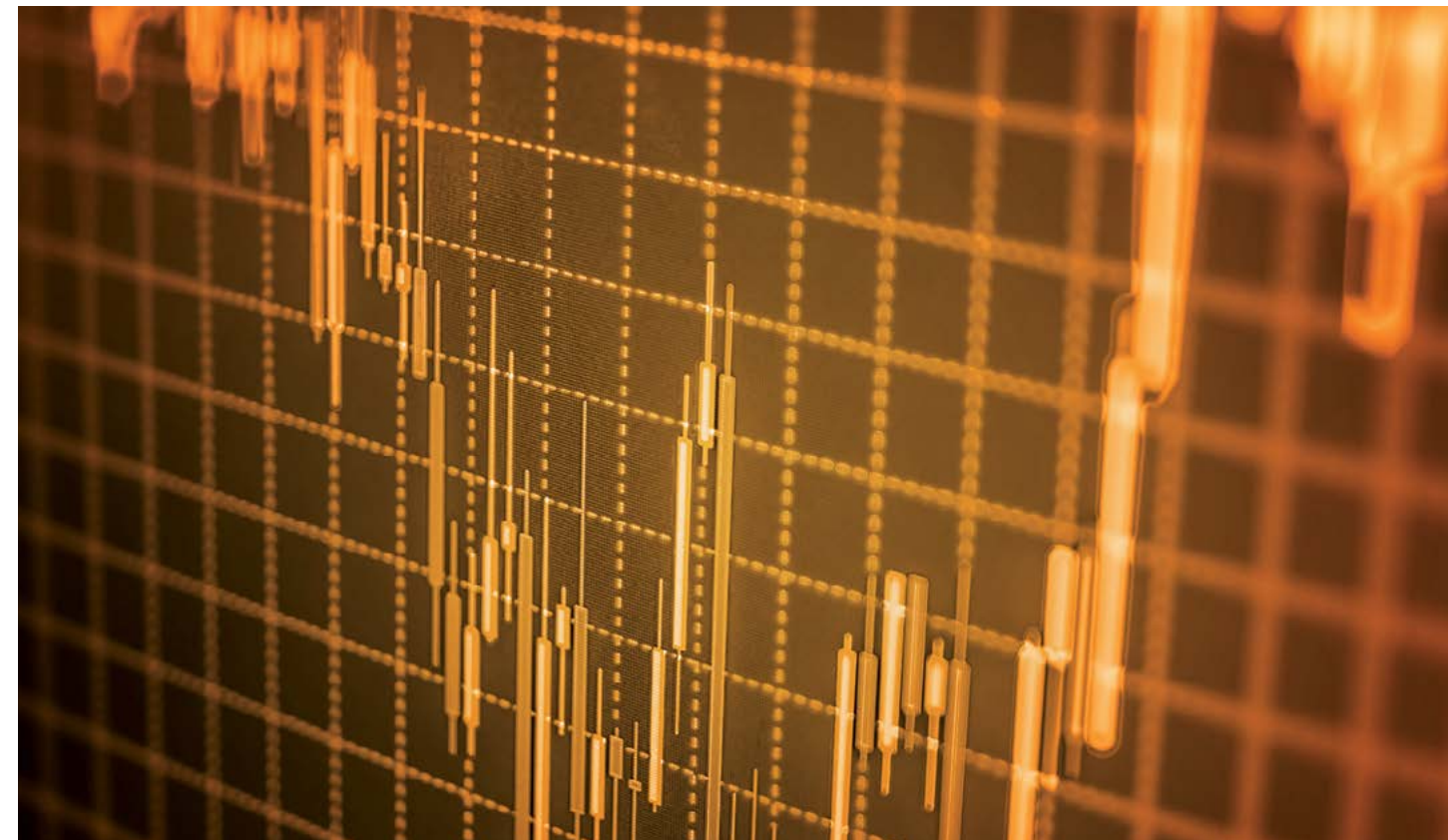
28.4%
Potential Return

Analyst Recommendations

BROKER	RECOMMENDATION	ANALYSIS DATE	TARGET PRICE (EUROS)*
Banco Sabadell	Buy	05/10/2015	11.44
Ahorro Corporación	Buy	03/02/2016	11.50
Fidentiis Equities	Buy	03/03/2016	12.15
JP Morgan	Overweight	22/03/2016	11.50
JB Capital Markets	Buy	04/04/2016	11.60
Santander	Buy	05/04/2016	11.20
Kepler Cheuvreux	Buy	05/04/2016	10.15
Kempen & Co	Neutral	18/04/2016	9.10

(*) The target market price of the shares after the share capital increase is as proposed by the above-mentioned institutions.

Source: Bloomberg





10 EPRA INFORMATION

10.1

EPRA Key
Performance
Measures
p. 158

10.1 EPRA Key Performance Measures

- **In December 2014**, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association⁽¹⁾) updated a Best Practices Recommendations⁽²⁾ document in order to improve the presentation, transparency, comparability and relevance of the published results of listed real estate companies in Europe.
- **On September 24, 2015**, Lar España, the listed real estate investment company, has received the 'Gold Award' from the European Public Real Estate Association (EPRA) in recognition of the quality of the information provided by Lar España within the Index standards framework.

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.

Lar España has therefore become the first and only Spanish SOCIMI to receive this award, the most prestigious in the real estate sector. The companies awarded were selected from among 106 real estate companies (92 of which are European listed companies on the FTSE EPRA/Nareit index).



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

(2) "Best Practices Recommendations – BPR" available at www.epra.com

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

Indicator	Description	Reference	31/12/2015 (Thousands of euros) / %	31/12/2015 (Euro per share)
EPRA Earnings	Earnings from operational activities	Page 148	13,374	0.28
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	Page 149	577,970	9.65
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Page 149	576,226	9.62
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.	Page 150-151	6.2%	-
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).	Page 150-151	6.4%	-
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	Page 152	7.0%	-
EPRA Cost Ratios	Administrative & operating costs (including direct vacancy costs) divided by gross rental income .	Page 153	56.5%	-
EPRA Cost Ratios (excluding direct vacancy costs)	Administrative & operating costs (including & excluding direct vacancy costs) divided by gross rental income	Page 153	53.1%	-

EPRA EARNINGS

(Thousands of euros)	2015	2014
Earnings per IFRS income statement	43,559	3,456
Change in value of investment properties	(25,978)	(442)
Negative goodwill	(1,741)	(87)
Change in value of investment properties in associates	(2,466)	(353)
Change in fair value of financial instruments in associates	-	(58)
EPRA Earnings	13,374	2,516
Weighted average number of shares (excluding treasury shares)	47,790,562	38,276,618
EPRA EARNINGS PER SHARE (EUROS)	0.28	0.07

EPRA
Earnings

2015

13.4
Million €

x5
VS 2014



EPRA NAV

(Thousands of euros)	31/12/2015	31/12/2014
Net Asset Value per the Financial Statements	570,566	389,493
Change in fair value of non current asses	5,660	-
Fair value of financial instruments	1,560	-
Deferred tax	-	-
Fair value of financial instruments in associates	184	527
Deferred tax in associates	-	(158)
EPRA NAV	577,970	389,862
Number of Shares (excluding treasury shares)	59,923,506	39,498,633
EPRA NAV PER SHARE (EUROS)	9.65 *	9.87

(*) When analyzing this value, the capital increase completed by Lar España in August 2015 must be taken into account (EUR 135 m with a subscription price of 6.76 Euros per share).

EPRA NNNAV

(Thousands of euros)	31/12/2015	31/12/2014
EPRA NAV	577,970	389,862
Fair value of financial instruments	(1,560)	-
Deferred tax	-	-
Fair value of financial instruments in associates	(184)	(527)
Deferred tax in associates	-	158
EPRA NNNAV	576,226	389,493
Number of Shares (excluding treasury shares)	59,923,506	39,498,633
EPRA NNNAV PER SHARE (EUROS)	9.62 *	9.86

(*) When analyzing this value, the capital increase completed by Lar España in August 2015 must be taken into account (EUR 135 m with a subscription price of 6.76 Euros per share).

EPRA NIY and EPRA “topped-up” NIY

RETAIL											OFFICES					LOGISTICS					TOTAL							
SHOPPING CENTRES										RETAIL WAREHOUSES				TOTAL RETAIL						TOTAL OFFICES		TOTAL LOGISTICS						
Albacenter	Albacenter Hypermarket	Anec Blau	Las Huertas	Txingudi	As Termas	El Rosal	Megapark	Portal de la Marina Hypermarket	Portal de la Marina (1)	Villaverde	As Termas Petrol Station	Parque Galaria	Nuevo Alisal	TOTAL RETAIL	Arturo Soria	Egeo	Eloy Gonzalo (3)	Joan Miró	Marcelo Spinola (2)	TOTAL OFFICES	Alovera I	Alovera II	Alovera III (C2)	Alovera IV (C5-C6)	Almussafes	TOTAL LOGISTICS	TOTAL	
Completed property portfolio	32,332	12,437	84,890	11,700	30,700	68,500	89,600	171,400	7,750	51,021	9,851	1,845	9,500	17,202	598,728	25,600	69,210	13,000	20,440	21,500	149,750	14,300	36,840	3,250	7,500	8,500	70,390	818,868
Allowance for estimated purchasers' costs	801	319	1,320	293	583	1,713	1,504	3,257	194	1,390	246	46	133	430	12,229	1,245	2,003	325	640	580	4,793	286	1,125	65	150	170	1,796	18,818
Gross up completed property portfolio valuation (A)	33,133	12,755	86,210	11,993	31,283	70,213	91,104	174,657	7,944	52,411	10,097	1,891	9,633	17,632	610,956	26,845	71,213	13,325	21,080	22,080	154,543	14,586	37,965	3,315	7,650	8,670	72,186	837,685
Annualised cash passing rental income	2,824	932	6,270	997	2,154	5,005	7,150	10,728	528	4,178	769	112	680	1,234	43,561	1,417	3,466	747	1,191	(2)	6,821	1,013	2,720	201	746	749	5,429	55,811
Property outgoing	(322)	(10)	(740)	(140)	(208)	(584)	(942)	(394)	(5)	(420)	(88)	-	(9)	(79)	(3,941)	(164)	(148)	(279)	(33)	(2)	(624)	(73)	(184)	(1)	(13)	(32)	(303)	(4,868)
Annualised net rents (B)	2,503	922	5,530	856	1,946	4,421	6,208	10,334	522	3,758	681	112	671	1,155	39,619	1,253	3,318	468	1,158	(2)	6,197	940	2,536	201	733	717	5,127	50,943
Notional rent expiration of rent free periods or other lease incentives	19	46	72	42	9	149	327	198	-	75	-	-	-	50	987	-	-	-	-	(2)	-	308	-	67	-	-	375	1,362
Topped-up net annualised rent (C)	2,522	969	5,602	898	1,955	4,570	6,534	10,533	522	3,832	681	112	671	1,205	40,606	1,253	3,318	468	1,158	(2)	6,197	1,248	2,536	268	733	717	5,502	52,305
EPRA NET INITIAL YIELD (B/A)	7.6%	7.2%	6.4%	7.1%	6.2%	6.3%	6.8%	5.9%	6.6%	7.2%	6.7%	5.9%	7.0%	6.5%	6.5%	4.7%	4.7%	3.5%	5.5%	(2)	4.7% (2)	6.4%	6.7%	6.1%	9.6%	8.3%	7.1%	6.2% (2)
EPRA TOPPED-UP NET INITIAL YIELD (C/A)	7.6%	7.6%	6.5%	7.5%	6.2%	6.5%	7.2%	6.0%	6.6%	7.3%	6.7%	5.9%	7.0%	6.8%	6.6%	4.7%	4.7%	3.5%	5.5%	(2)	4.7% (2)	8.6%	6.7%	8.1%	9.6%	8.3%	7.6%	6.4% (2)

(1) The stake in PMO through LRE reaches 58.78%.

(2) Data related to Marcelo Spinola Investment asset has not been included in both Total Portfolio and Office EPRA Vacancy ratio due to its lack of representativeness. During the fourth quarter of 2014, the asset had been preparing and evicting for a refurbishment that began during the second quarter of 2015 and is expected to finish during the second quarter of 2016. This fact explains the % EPRA Vacancy obtained for Marcelo Spinola.

(3) Ratio distorted as two floors of the property are to be refurbished.

EPRA VACANCY RATE

Asset Class	ERV (Thousands of euros)	ERV VACANCY (Thousands of euros)	EPRA VACANCY RATE %
Retail	44,987	3,577	7.95%
Shopping Centres	42,310	3,577	8.45%
Albacenter	2,851	364	⁽¹⁾ 12.76%
Albacenter Hypermarket	899	0	0.00%
As Termas	5,412	603	11.14%
Anec Blau	6,084	506	8.32%
Las Huertas	1,334	251	18.81%
El Rosal	7,142	592	8.29%
Portal de la Marina	3,941	351	⁽²⁾ 8.91%
Megapark	11,569	570	4.93%
Txingudi	2,542	340	13.37%
Portal de la Marina Hypermarket	536	0	0.00%
Retail Warehouses	2,677	0	0.00%
Villaverde	738	0	0.00%
Parque Galaria	568	0	0.00%
As Termas Petrol Station	112	0	0.00%
Nuevo Alisal	1,259	0	0.00%
Offices	7,088	493	⁽³⁾ 6.95%
Arturo Soria	1,299	278	21.40%
Egeo	3,423	141	4.12%
Eloy Gonzalo	1,137	51	4.49%
Joan Miró	1,229	23	1.90%
Marcelo Spinola	1,928	1,776	⁽³⁾ 92.12%
Logistics	5,862	0	0.00%
Alovera I	1,267	0	0.00%
Alovera II	2,922	0	0.00%
Alovera III (C2)	283	0	0.00%
Alovera IV (C5-C6)	583	0	0.00%
Almussafes	807	0	0.00%
TOTAL	57,937	4,070	⁽³⁾ 7.02%

(1) A rental guarantee has been taken into consideration.

(2) The stake in PMO via LRE amounts to 58.78%.

(3) Data related to the Marcelo Spinola Investment asset has not been included in both the Total Portfolio and Office EPRA Vacancy ratio due to its lack of representativeness. During the fourth quarter of 2014, the asset had been preparing and evicting for a refurbishment that began during the second quarter of 2015 and is expected to finish during the second quarter of 2016. This fact explains the % EPRA Vacancy obtained for Marcelo Spinola.

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

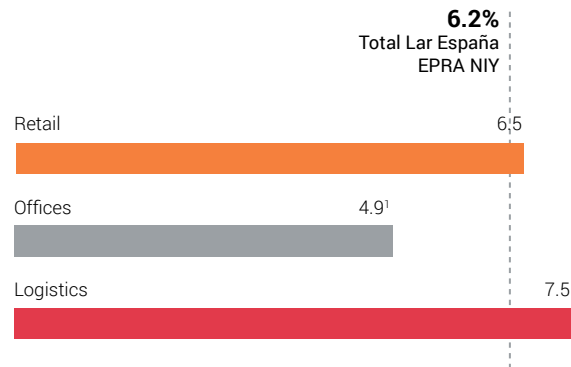
EPRA COST RATIOS

(Thousands of euros)	31/12/2015	31/12/2014
Administrative expenses	(396)	(108)
Operating expenses (including net service charges) (*)	(20,011)	(7,231)
Administrative/operating expenses in associates	(1,792)	(875)
EPRA Cost (including direct vacancy costs) (A)	(22,199)	(8,214)
Direct vacancy costs	(1,328)	(474)
EPRA Cost (excluding direct vacancy costs) (B)	(20,871)	(7,740)
Gross Rental Income less ground rent costs – per IFRS	35,734	8,606
Gross Rental Income less ground rent costs in associates	3,589	393
Gross Rental Income (C)	39,323	8,999
EPRA COST RATIO (including direct vacancy costs) A/C	56.5%	91.3%
EPRA COST RATIO (excluding direct vacancy costs) B/C	53.1%	86.0%

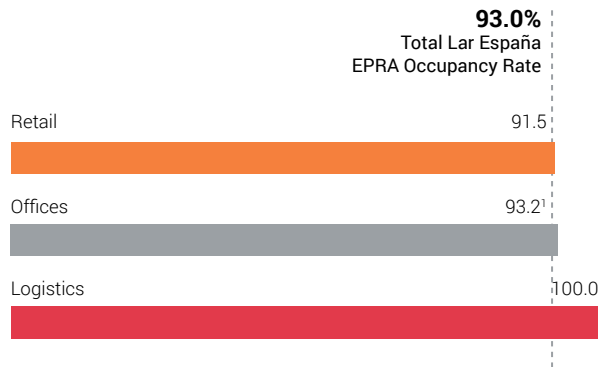
(*) Managers fee included (fixed and variables).

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

EPRA Net Initial Yield breakdown by asset class (%)



EPRA Occupancy Rate breakdown by asset class (%)



¹ In order to calculate the EPRA NIY and EPRA Occupancy Rate of the office portfolio, we have excluded the figures relating to the investment in the Marcelo Spínola property. During Q4 2014, the office building was being prepared and vacated in order to remodel the property. Works then began in Q2 2015 and are scheduled to complete in Q2 2016.

ABOUT THIS ANNUAL REPORT

Report boundary

The information included in the 2015 Annual Report relates to all of the activities carried out by Lar España Real Estate SOCIMI, S.A. and its subsidiaries (together, the Group) between 1 January 2015 and 31 December 2015.

The last annual report presented by Lar España corresponded to the period elapsing between 1 January and 31 December 2014. The organisation has not undergone any significant change in its reporting boundary in the interim that would affect the information presented herein.

The information provided herein refers to the most significant aspects of Lar España's financial and non-financial performance in respect of all the asset classes in its real estate portfolio - shopping centres, offices, residences and logistics centres -, unless specifically indicated to the contrary in the report.

Guidelines and criteria used

The 2015 Annual Report was prepared on the basis of the guidelines established in the most updated version of the Best Practices Recommendations report for real estate sector companies issued by the Reporting and Accounting Committee of the **European Public Real Estate Association (EPRA)**.

In addition, and for the first time, this report follows the **Global Reporting Initiative (GRI)** Sustainability Reporting Guidelines in respect of the non-financial sustainability disclosures provided in the annual report. Specifically, it applies the indications contained in version G4 of the GRI Guidelines, the most updated version, selecting the **Core** option for its **'In-Accordance'** criteria. This means that the report covers the

essential material aspects, as determined by means of a materiality assessment, and reports at least one indicator for the aspects considered material in respect of the Group.

Contact details

Anyone who would like to request additional information about this 2015 Annual Report and its contents may address their queries to the following **e-mail address: info@larespana.com**



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