



QUARTERLY RESULTS

Financial reporting for Q1
2014

FINANCIAL REPORTING FOR Q1 2014

1. EXECUTIVE SUMMARY

- 1.1. Significant Events
- 1.2. Key Performance Indicators

2. FINANCIAL STATEMENTS

- 2.1. Income Statement
 - Net Sales
 - Operating Loss
 - Net Finance Income
- 2.2. Balance Sheet
 - Non-Current Assets
 - Current Assets
 - Equity
 - Non-Current Liabilities
 - Current Liabilities
- 2.3. Net Cash Flows
 - Operating Activities
 - Investing Activities
 - Financing Activities

3. OTHER INFORMATION

- 3.1. Share Price Performance
- 3.2. Corporate Governance

1. EXECUTIVE SUMMARY

1.1. Significant Events

➤ LAR ESPAÑA REAL ESTATE, SOCIMI, S.A. (“the Company” or “Lar España”) is a Spanish property investment company incorporated on 17 January 2014. On 5 February 2014 the Company opted into the SOCIMI (Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario, a Spanish real estate investment trust) regime.

The Company is supported by its designated management company, Grupo Lar Inversiones Inmobiliarias, S.A.

The main focus of the Company’s activity is the acquisition and management of shopping centres and offices. It may also, to a lesser extent, invest in other assets for rental or direct sale (commercial premises, industrial buildings, logistics centres or residential products).

➤ On 5 March 2014 the Company was floated on the Spanish stock exchange via the automated quotation system (*Mercado Continuo*), with a public share offering of 40 million shares at Euros 10 per share (par value of Euros 2 and share premium of Euros 8).

Following this offering, Lar España’s management company, Grupo Lar Inversiones Inmobiliarias, S.A., held 2.5% of its share capital, with anchor investor PIMCO holding a further 12.5%.

Lar España agreed to authorise the presentation of subscription proposals by shareholders covered by the ERISA legislation in the US for up to 7% of the total shares included in the offering. This is the maximum percentage allocated to this type of investor.

The Company acquired the Txingudi shopping centre in Irún (Basque Country, Spain) and the Las Huertas shopping centre in Palencia (Castilla y León, Spain) – with a combined gross lettable area (GLA) of approximately 16,200 square metres – from Corio Real Estate España, S.L. on 24 March 2014.

The total cost of this acquisition was Euros 39.4 million.

The Txingudi shopping centre is well consolidated in its area of influence, with limited competition at present or in the future. It is anchored on the Alcampo hypermarket, which has been deeply rooted in the area since 1997, and shares parking and services with a retail park boasting a specialised, unique and attractive commercial offering from local and international retailers. The centre acts as a focal point in an area with a

population of 370,000 potential customers. Due to its proximity to the French border, it receives major traffic from France, attracted by the offer and differences in pricing.

The Las Huertas shopping centre has operated on an exclusive basis since it opened in 1989. It is anchored on a Carrefour hypermarket and has a direct area of influence of over 100,000 inhabitants. The centre boasts an attractive offering based on professional operators and brands of recognised prestige and international or nationwide presence.

Lar España's first transaction reinforces its aim of making long-term investments in the Spanish property sector, particularly in the retail segment, and demonstrates its solid relationship with market players, giving it access to a portfolio of transactions that Lar España considers to be exclusive.

1.2. Key Performance Indicators

Financial Indicators

In thousands of Euros	January-March 14 *
Sales	-
EBITDA	(484)
EBITDA margin	-
EBIT	(494)
Pre-tax loss	(228)
Net loss	(228)

* Note: Comparative figures are not presented because the Company was incorporated on 2014

In the purchase and sale agreements for the shopping centres (Las Huertas and Txingudi) signed on 24 March 2014, the parties agreed by mutual consent that the rent accrued from the agreement signature date until the last day of that same month would be paid in June 2014.

The Company has not, therefore, recorded any operating income at the close of the first quarter of 2014.

At 31 March 2014 the Company reports negative EBITDA of Euros 484 thousand.

As it has incurred a depreciation expense of Euros 10 thousand, the Company has negative EBIT of Euros 494 thousand at 31 March 2014.

Both figures are in line with the Company's expectations, considering that they reflect the start-up stage.

The Company has made a loss of Euros 228 thousand in the first quarter of 2014, mainly due to the fact that it commenced activities at the end of this first quarter and has incurred advisory costs in the acquisition of assets.

Operating Indicators

At 31 March 2014 the Company has total gross lettable area (GLA) of 16,149 m² considering both of the shopping centres acquired. A total area of 1,350 m² is vacant at that date, with total occupancy standing at 92%.

	Las Huertas	Txingudi
Total Gross Lettable Area (GLA) (m ²)	6,288	9,861
Vacant (m ²)	938	412
% Occupancy (m ²)	85%	96%

* Note: Comparative figures are not presented because the Company was incorporated on 2014

2. FINANCIAL STATEMENTS

2.1. Income Statement

In thousands of Euros	January-March 14 *
Revenue	-
Supplies	-
Other operating income	-
Personnel expenses	-
Operating expenses	(484)
Depreciation	(10)
OPERATING LOSS	(494)
Finance income	267
Finance costs	-
NET FINANCE INCOME	267
LOSS BEFORE TAX	(228)
Income tax	-
LOSS FOR THE YEAR	(228)

* Note: Comparative figures are not presented because the Company was incorporated on 2014

Operating Loss

At 31 March 2014 the Company presents an operating loss of Euros 494 thousand due to having commenced activities towards the end of this first quarter of 2014.

The main costs incurred in this period (January-March 2014) are operating expenses of Euros 484 thousand and depreciation of Euros 10 thousand.

The main operating expenses are advisory expenses relating to the acquisition of assets.

The depreciation charge of Euros 10 thousand is recorded within buildings in investment property, in proportion to a useful life of 50 years.

Net Finance Cost

The Company presents net finance income of Euros 267 thousand.

Interest accrued on the Company's current accounts at market interest rates – the majority since the share issue on 5 March 2014 accounts for all of the Company's finance income.

2.2. BALANCE SHEET

In thousands of Euros	January-March 14 *	In thousands of Euros	January-March 14 *
Investment property	39,754	Capital	80,060
Non-current investments	554	Share premium	320,000
NON-CURRENT ASSETS	40,308	Reserves	(8,757)
Trade and other receivables	142	Other shareholder contributions	240
Current investments	266	Loss for the period	(228)
Cash and cash equivalents	360,794	EQUITY	391,315
CURRENT ASSETS	361,202	Non-current payables	554
TOTAL ASSETS	401,510	NON-CURRENT LIABILITIES	554
		Trade and other payables	9,641
		CURRENT LIABILITIES	9,641
		TOTAL EQUITY AND LIABILITIES	401,510

* Note: Comparative figures are not presented because the Company was incorporated on 2014

Non-Current Assets

Non-current assets of Euros 40,308 mainly reflect the two shopping centres acquired by the Company, Las Huertas and Txingudi:

	Las Huertas	Txingudi
Total Gross Lettable Area (GLA) (m ²)	6,288	9,861
Acquisition price	11,708	27,673
Initial yield	8,0%	7,3%

* Note: Comparative figures are not presented because the Company was incorporated on 2014

The Company has also recognised unrecoverable indirect taxes of Euros 383 thousand incurred on the acquisition as an increase in the price.

Security deposits received from lessees of premises within these shopping centres, which the Company has deposited with the corresponding public authorities, are recognised under non-current investments.

Working Capital

The issue of shares onto the Spanish stock market has led to the generation of significant funds for the Company, resulting in a working capital balance of Euros 351,561 thousand.

Non-Current Liabilities

Security deposits received from lessees make up the entire balance under non-current liabilities, totalling Euros 554 thousand.

Equity

The Company's equity consists of 40 million shares at a price of Euros 10 per share (par value of Euros 2 and share premium of Euros 8).

The Company was incorporated with capital of Euros 60 thousand, represented by 30 thousand shares at a price of Euros 2 per share. To make the value of the subscribed shares equivalent to Euros 10 per share, the shareholders contributed Euros 240 thousand (30 thousand shares at a price of Euros 8 per share).

Pursuant to recognition and measurement standard nine (Financial Instruments) of the Spanish General Chart of Accounts, the Company has recognised costs of Euros 8,757 thousand associated with the share issue in equity by reducing reserves accordingly.

2.3. NET CASH FLOWS

In thousands of Euros	January-March 14 *
A) CASH FLOWS FROM OPERATING ACTIVITIES	1,569
1. Loss for the period before tax	(228)
2. Adjustments for:	(257)
Depreciation	10
Finance income	(267)
3. Changes in working capital	2,054
Trade and other receivables	(142)
Trade and other payables	1,642
Other non current liabilities	554
B) CASH FLOWS USED IN INVESTING ACTIVITIES	(40,318)
1. Payments for investments (-)	(40,318)
C) CASH FLOWS FROM FINANCING ACTIVITIES	399,543
1. Proceeds from and payments for equity instruments	399,543
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-
E) NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	360,794
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	360,794

* Note: Comparative figures are not presented because the Company was incorporated on 2014

Operating Activities

Net cash of Euros 1,569 thousand was generated in operating activities.

Investing Activities

Net cash flows of Euros 40,318 thousand were used in investing activities, reflecting the acquisition of the Las Huertas and Txingudi shopping centres and security deposits received from lessees and placed with public authorities.

Financing Activities

Cash flows from financing activities reflect amounts received from third parties in relation to the share issue and the shareholder contribution to the incorporation of the Company.

3. OTHER INFORMATION

3.1. Share Price Performance

Share information (€)	January-March 14 *
Flotation price (05-03-14)	10,00
Closing price (31-03-14)	10,38
Performance over the period	3,80%
Maximum for the period	11,18
Minimum for the period	10,00
Average for the period	10,45

* Note: Comparative figures are not presented because the Company was incorporated on 2014

3.2. Corporate Governance

Board of directors	Date of appointment	Position
Del Valle Doblado, Jose Luis	05/02/2014	Non-Executive Independent Chairman
Emmott, Alec	05/02/2014	Non-Executive Independent Director
Cooke, Roger Maxwell	05/02/2014	Non-Executive Independent Director
Uriarte Santamarina, Pedro Luis	05/02/2014	Non-Executive Independent Director
Pereda Espeso, Miguel	05/02/2014	Non-Executive Proprietary Director