



HALF-YEAR RESULTS

2014 First half financial
information

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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 managed exclusively 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 that can be 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.

➤ On 26 June 2014 Mr. Jon Armentia Mendaza has been appointed as Lar España, S.A.'s Corporate Director, reporting directly to the company's Board of Directors.

1.2. Key Performance Indicators

Financial Indicators

At 30 June, the company presents the following financial indicators:

In thousands of Euros	January- June 14 *
Sales	933
EBITDA	(1,132)
EBITDA Margin	**
EBIT	(1,276)
Pre-tax loss	(25)
Net loss	(25)

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

** Note: EBITDA Margin is not representative because EBITDA is negative

The purchase and sale agreements for the shopping centres (Las Huertas and Txingudi) were signed on 24 March 2014. At 30 June 2014, the Company has registered the total rent accrued from the agreement signature date (Euros 933 thousand).

At the end of the first half of 2014, the Company had negative EBITDA of Euros 1,132 thousand, due mainly to the operating costs incurred as a result of the start-up of the activity and the acquisition of assets.

The Company has negative EBIT of Euros 1,276 thousand at 30 June 2014 because it has incurred a depreciation expense of Euros 144 thousand.

At 30 June 2014, the Company presents a loss for the period of Euros 25 thousand.

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

The Company is analysing and evaluating investment opportunities that are in line with its policy and which it expects will materialise in the short term.

Other Financial Indicators

At 30 June 2014, the Company presents the following financial indicators:

	January- June 14 *
Working Capital (in thousand of euros)	351,421
Liquidity Ratio	37
Solvency Ratio	10
EPRA Net Asset Value (EPRA NAV) in thousands of euros	391,017
EPRA Net Asset Value (EPRA NAV) (per share)	9.77

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

As can be seen in the above table, at 30 June 2014 the Company presents liquidity-related ratios (working capital, liquidity ratio, solvency ratio) with considerably high amounts, showing that the Company has sufficient liquidity and a high security margin vis-à-vis settling its payments.

The EPRA NAV calculation is based on capital and reserves (Euros 390,687 thousand), adjusted for investment property revaluations (Euros 330 thousand), using the asset appraisals performed by an independent expert at 30 June 2014.

EPRA NAV per share is calculated by dividing the resultant amount from the EPRA NAV calculation by the number of shares.

Operating indicators

At 30 June 2014 the Company has a total gross lettable area (GLA) of 16,149 m² considering both of the shopping centres acquired. A total area of 2,599 m² is vacant at that date, with total occupancy standing at 83.91%.

	Las Huertas	Txingudi	Total
Total Gross Lettable Area (GLA) (m ²)	6,288	9,861	16,149
Vacant (m ²)	1,848	751	2,599
Occupied (m ²)	4,440	9,110	13,550
% Occupancy (m ²)	70,61% **	92.38%	83.91%

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

** On 21 July 2014 the Company entered into a lease contract for premises at the Las Huertas shopping centre, which will increase the occupancy rate in square metres to 85% (see Subsequent events)

2. FINANCIAL STATEMENTS

2.1. Income Statement

In thousands of Euros	January- June 14 *
Revenue	933
Other operating income	14
Personnel expenses	(2)
Operating expenses	(2,077)
Depreciation	(144)
OPERATING LOSS	(1,276)
Finance income	1,251
Finance cost	-
NET FINANCE INCOME	1,251
LOSS BEFORE TAX	(25)
Income tax	-
LOSS FOR THE YEAR	(25)

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

Operating Loss

At 30 June 2014, the Company presents an operating loss of Euros 1,276 thousand due to:

Net sales

Revenues in the first half of 2014 were Euros 933 thousand, Euros 639 thousand from Txingudi and Euros 294 thousand from Las Huertas, representing 68% and 32% of total revenues, respectively.

A list of the Company's most relevant lessees is provided below, as well as the main characteristics of each:

Ranking	Label	Location	% as of total of rents	% Accumulated	Maturity	Sector
1	Kiabi	Txingudi	5.35%	5.35%	2027	Fashion
2	Los Telares	Txingudi	4.41%	9.76%	2018	Fashion
3	Punto Roma	Txingudi	3.37%	13.13%	2025	Fashion
4	Txangu	Txingudi	3.27%	16.40%	2017	Restaurants and Cafés
5	Gambrinus	Txingudi	3.06%	19.46%	2021	Restaurants and Cafés
6	Mango	Txingudi	2.97%	22.43%	2015	Fashion
7	Txikiguay	Txingudi	2.91%	25.34%	2017	Leisure and Culture
8	Pimkie	Txingudi	2.73%	28.07%	2017	Fashion
9	Los Telares	Las Huertas	2.71%	30.78%	2017	Fashion
10	Jabugo	Txingudi	2.64%	33.42%	2020	Restaurants and Cafés

Other Operating Income

During the first half of 2014 , the Company has recognised operating income of Euros 14 thousand, from early termination of lease contracts (Euros 6 thousand) and the temporary rental of communal areas in the shopping centres (Euros 8 thousand).

Personnel Expenses

Personnel expenses amounted to Euros 2 thousand and reflect the remuneration received by management personnel hired on 26 June 2014.

Operating Expenses

At 30 June 2014, the Company has incurred operating expenses of Euros 2,077 thousand, mainly due to:

- Advisory services regarding the acquisition of assets (Euros 950 thousand), rendered by companies not related to Lar España.
- Management fees for services rendered to the Company by the Lar Inversiones Inmobiliarias, S.A. Group (Euros 643 thousand).
- Other expenses (accounting advisory services, insurance premiums, directors' remuneration, legal advisory services)

Depreciation

The Company has charged depreciation of Euros 144 thousand during the first half of 2014. This expense is the proportional depreciation of the investment property, *buildings*, based on 50 years of useful life, Euros 90 thousand for the Txingudi shopping centre and Euros 54 thousand for Las Huertas shopping centre.

Net Finance Cost

The Company presents net finance income of Euros 1,251 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.

Income Statement by Shopping Centre

The income and expenses recognised by the Company at 30 June 2014 by shopping centre are as follows:

In thousands of Euros	TXINGUDI	LAS HUERTAS	LRE**	TOTAL
Revenue	639	294	-	933
Other operating income	7	7	-	14
Personnel expenses	-	-	(2)	(2)
Operating expenses ***	(76)	(66)	(1.935)	(2.077)
Depreciation	(90)	(54)	-	(144)
OPERATING LOSS	480	181	(1.937)	(1.276)

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

** The costs recognised by LRE are corporate expenses.

***Note: The advisory costs related to the acquisition of the assets are included in the LRE column

At 30 June 2014, the Txingudi and Las Huertas shopping centres present operating profits of Euros 480 thousand and Euros 181 thousand, respectively. The costs incurred to acquire assets, amounting to Euros 950 thousand (presented in LRE column), are non-recurring and not associated with operating the shopping centres.

2.2. Balance Sheet-

In thousands of Euros	30/06/14 *
Investment property	39.610
Non-current investments	552
NON-CURRENT ASSETS	40.162
Trade and other receivables	943
Current investments	325
Cash and cash equivalents	359.918
CURRENT ASSETS	361.186
TOTAL ASSETS	401.348

In thousands of Euros	30/06/14 *
Capital	80.060
Share premium	320.000
Reserves	(9.588)
Other shareholder contributions	240
Loss for the period	(25)
EQUITY	390.687
Non-current payables	896
NON-CURRENT LIABILITIES	896
Trade and other payables	9.765
CURRENT LIABILITIES	9.765
TOTAL EQUITY AND LIABILITIES	401.348

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

Non-Current Assets

Investment Property

Investment property is classified as non-current assets and the cost amounts to Euros 39,754 thousand, which relate to the Company's acquisition of two shopping centres: Las Huertas y Txingudi.

Details of the gross lettable area, the cost of acquisition and the initial yield of each shopping centre are as follows:

	Las Huertas	Txingudi	Total
Total Gross Lettable Area (GLA) (m ²)	6,288	9,861	16,149
Acquisition price (in thousand of euros)	11,708	27,673	39,381
Initial yield	8.0%	7.3%	-

The Company has also recognised non-recoverable indirect taxes totalling Euros 373 thousand as a higher cost of acquisition.

The following table shows a comparison of the acquisition price, carrying amount and the valuation of each shopping centre:

In thousands of Euros	Las Huertas	Txingudi	Total
Acquisition price at 24.03.2014	11,708	27,673	39,381
Net Asset Value at 30.06.2014	11,888	27,722	39,610
Assessment (Valuation) at 30.06.2014	11,900	28,040	39,940

As can be seen in the above table, the valuation of the shopping centres according to the appraisal performed by Jones Lang LaSalle España, S.A. at 30 June 2014 is higher than both the acquisition price and the carrying amount at 30 June.

Investments

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 on the Spanish stock market has led to the generation of significant funds for the Company, resulting in a working capital balance of Euros 351,421 thousand.

Non-Current Liabilities

Security deposits received from lessees make up the entire balance under non-current liabilities, totalling Euros 896 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 9,588 thousand associated with the share issue in equity by reducing reserves accordingly.

2.3. Cash Flows

In thousands of Euros	January- June 14 *
A) CASH FLOWS FROM OPERATING ACTIVITIES	1,012
1. Loss for the period before tax	(25)
2. Adjustments for:	(1,107)
Depreciation	144
Finance income	(1,251)
3. Changes in working capital	1,218
Trade and other receivables	(943)
Trade and other payables	1,265
Other non current liabilities	896
4. Other cash flows from operating activities	926
Interest receipt	926
B) CASH FLOWS USED IN INVESTING ACTIVITIES	(40,306)
1. Payments for investments (-)	(40,306)
Investment property	(39,754)
Other financial assets	(552)
C) CASH FLOWS FROM FINANCING ACTIVITIES	399,212
1. Proceeds from and payments for equity instruments	399,212
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-
E) NET CASH INCREASE/DECREASE (A+B+C+D)	359,918
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	359,918

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

Operating Activities

Net cash of Euros 1,012 thousand was generated from operating activities.

Investing Activities

Net cash flows of Euros 40,306 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 amount to Euros 399,212 thousand and reflect amounts received from third parties in relation to the share issue and the shareholder contribution to the incorporation of the Company.

3. RISKS AND UNCERTAINTIES

The Company, in carrying out its activity, is subject to the following financial risks:

- *Credit risk*

This is defined as the risk of financial loss faced by Lar España if a client or counterparty does not honour their contractual obligations.

The Company has no significant concentrations of credit risk. The Company has policies in place to limit the amount of risk with each client and managing exposure to the risk relating to the recovery of loans forms part of the Company's ordinary activities.

The Company has implemented formal procedures to detect the impairment of commercial credit and loans. Through these procedures and individual analyses by area of business, the Company is able to identify payments in arrears and to establish methods for estimating the potential impairment.

- *Liquidity risk*

This is defined as the risk of the Company having difficulties in meeting the obligations associated with its financial liabilities, which are settled in cash or using other financial assets.

The Company manages liquidity risk by ensuring, as far as possible, that it always has sufficient liquidity to meet its obligations as they fall due, both under normal conditions and in times of economic uncertainty, and without incurring unacceptable losses or risking the Company's reputation.

- *Cash flow interest rate risk*

The Company's revenues and cash flows from operating activities are unaffected by fluctuations in market interest rates.

4. PERSONNEL AND BOARD OF DIRECTORS

At 30 June 2014 the Company has two executive personnel.

Details of the members of the board of directors are as follows:

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
Gómez-Acebo, Juan	05/02/2014	Secretary of the Board (non-Director)

5. SHARE PRICE PERFORMANCE

Share information (€)	January- June 14 *
Flotation price (05-03-14)	10.00
Closing price (30-06-14)	9.50
Performance over the period	-5.00%
Maximum for the period	11.18
Minimum for the period	9.45
Average for the period	10.05

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

6. SUBSEQUENT EVENTS

The following relevant event concerning the Company has occurred since 30 June 2014:

- On 21 July 2014 the Company signed a lease with Shana for premises with an area of 875 m² in the Las Huertas shopping centre. As a result of this contract, the percentage of occupancy of the shopping centre in m² now stands at 85%.

7. GLOSSARY

Item	Description
Profit/loss before tax	Results from operating activities before tax.
Market capitalisation	This is the value of the Company's capital calculated based on its market price, and reflects the result of multiplying the number of shares in circulation by the listed price thereof.
EBIT	Earnings Before Interest and Tax.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
Profit/loss for the year	Profit/loss for the year after tax.
Liquidity ratio	This value indicates the Company's capacity to meet its obligations with liquid assets. It is calculated as the ratio between the Company's current assets and current liabilities.
Solvency ratio	This value indicates the financial capacity of the Company to meet its payment obligations with all the assets and resources available. It reflects the ratio between equity plus non-current liabilities and non-current assets.
EPRA NAV	This value is calculated based on the Company's equity adjusted for certain items following the recommendations of the EPRA (revaluations of investments)
EPRA NAV per share	This value is calculated based on the Company's equity adjusted for certain items following the recommendations of the EPRA (revaluations of investments) and divided by the number of Company shares