Lar España Real Estate SOCIMI, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2015, together with Report on Limited Review

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Lar España Real Estate SOCIMI, S.A.:

Report on the interim condensed consolidated financial statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Lar España Real Estate SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position as at 30 June 2015, and the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's Directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying certain analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2015 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2.a to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2014. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated Directors' report for the six-month period ended 30 June 2015 contains the explanations which the Parent's Directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated Directors' report is consistent with that contained in the interim condensed consolidated financial statements for the six-month period ended 30 June 2015. Our work was confined to checking the interim consolidated Directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Lar España Real Estate SOCIMI, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Directors of Lar España Real Estate SOCIMI, S.A. in relation to the publication of the half-yearly financial report required by Article 35 of Spanish Securities Market Law 24/1988, of 28 July, implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González

28 August 2015

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements and Consolidated Management Report for the period of six months ending on 30th June 2015.

(Prepared in accordance with the International Financial Information Standards adopted by the European Union)

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(Stated in thousands of Euros)

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Assets	Note	30th June 2015 (1)	31st December 2014
Intangible assets		1	-
Investment properties	5	485,916	357,994
Financial assets with associates	6, 8	24,743	-
Equity-accounted investees	7	20,740	18,087
Non-current financial assets	8	5,542	3,841
Total non-current assets		536,942	379,922
Inventories		2,843	2,843
Trade and other receivables	8	2,257	1,970
Financial assets with associates	6, 8	31,217	-
Other current financial assets	8	6,860	32,032
Other current assets		511	136
Cash and cash equivalents		86,434	20,252
Total current assets		130,122	57,233
Total assets		667,064	437,155

(1) Data not audited

The notes 1 to 22 described in the attached explanatory notes form an integral part of the condensed consolidated statement of financial position as at 30th June 2015.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Condensed Consolidated Statement of Financial Position as at 30th June 2015
(Stated in thousands of Euros)

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

Net Equity and Liabilities	Note	30th June 2015 (1)	31st December 2014
Capital	9	80,060	80,060
Share premium	9	320,000	320,000
Other reserves	9	(6,257)	(9,185)
Retained earnings		19,346	3,456
Treasury shares	9	-	(4,838)
Valuation adjustments	11	(249)	-
Total equity		412,900	389,493
Financial liabilities from issue of bonds and other marketable securities	11	138,433	-
Loans and borrowings	11	94,579	37,666
Derivatives	11	249	-
Other non-current liabilities	11, 12	7,729	5,143
Total non-current liabilities		240,990	42,809
Financial liabilities from the issue of bonds and other marketable securities	11	1,123	-
Loans and borrowings	11	5,306	156
Other financial liabilities	11	975	-
Trade and other payables	11, 13	5,770	4,697
Total current liabilities		13,174	4,853
Total equity and liability		667,064	437,155

(1) Data not audited.

The notes 1 to 22 described in the attached explanatory notes form an integral part on the condensed consolidated statement of financial position as at 30th June 2015.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Comprehensive Income corresponding to the period of six months ending on 30th June 2015

(Stated in thousands of Euros)

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

Condensed consolidated Income Statement	Note	30 June 2015 (1)	30 June 2014 (2) (3)
Revenue	4, 16	14,116	933
Other income	17	400	14
Employee benefits expenses		(160)	(2)
Other expenses	18	(6,055)	(2,221)
Changes to the fair value of investment properties	5	12,470	-
Result of the operations		20,771	(1,276)
Financial income	8	615	1,251
Financial costs		(2,330)	-
Impairment and gains/(losses) on disposal of financial instruments	6	(257)	-
Share in profit / (loss) for the period of Equity-accounted companies	7	547	-
Profit before tax from continuing operations		19,346	(25)
Income tax expense		-	-
Profit for the period		19,346	(25)
Basic earnings per share (Euros)	10	0,49	(0,0009)
Diluted earnings per share (Euros)	10	0,49	(0,0009)

Interim Condensed Consolidated Statement of Comprehensive Income	30 June 2015 (1)	30 June 2014 (2) (3)
Result of the income statement (I)	19,346	(25)
Other Comprehensive Income Directly Attributed to the Net Equity (II)	(249)	-
Other Transfers to the income statement (III)	-	-
Total Comprehensive Result (I+II+III)	19,097	(25)

The notes 1 to 22 described in the attached explanatory notes form an integral part of the condensed consolidated statement of comprehensive income for the period of six months ending on 30th June 2015.

(1) *Data not audited.*
(2) *Data not audited or revised.*
(3) *Non-comparative data given that the Parent Company was incorporated in 2014 and at 30th June 2014 it did not have control over any company, not forming a Group.*

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity for the Period Ended at 30th June 2015

(Stated in thousands of Euros)

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Capital	Share premium	Other reserves	Other contributions	Retained earnings	Valuation adjustments	Treasury shares	Total equity
Balance at 31 December 2014	80,060	320,000	(9,425)	240	3,456	-	(4,838)	389,493
Total income and expenses recognised in the period	-	-	-	-	19,346	(249)	-	19,097
Distribution of results	-	-	-	-	-	-	-	-
Reserves	-	-	2,125	-	(2,125)	-	-	-
Dividends	-	-	-	-	(1,331)	-	-	(1,331)
Treasury shares	-	-	803	-	-	-	4,838	5,641
Balance at 30th June 2015 (1)	80,060	320,000	(6,497)	240	19,346	(249)	-	412,900

(1) Data not audited.

The notes 1 to 22 described in the attached explanatory notes form an integral part of the condensed consolidated statement of changes in equity for the period ended at 30th June 2015.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Changes in Equity for the Period Ended at 30th June 2014

(Stated in thousands of Euros)

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Capital	Share premium	Other reserves	Other contributions	Retained earnings	Total equity
Incorporation of the Company on 17th January 2014	60	-	(2)	-	-	58
Total income and expenses recognised in the period	-	-	-	-	(25)	(25)
Capital increases	80,000	320,000	-	240	-	400,240
Other changes to net equity	-	-	(9,586)	-	-	(9,586)
Balance at 30th June 2014 (1)	80,060	320,000	(9,588)	240	(25)	390,687

The notes 1 to 22 described in the attached explanatory notes form an integral part of the condensed consolidated statement of changes in equity for the period ended at 30th June 2015.

(1) Data not audited or revised.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows for the Period of six months ending on 30th June 2015

(Stated in thousands of Euros)

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Note	30 June 2015 (1)	30th June 2014 (2)(3)
A) Cash flows from operating activities		8,369	1,012
Profit / (loss) before tax		19,346	(25)
Adjustments to the result		(11,081)	(1,107)
Profit from adjustments to fair value of investment properties		(12,470)	-
Impairment valuation adjustments		221	144
Financial income		(615)	(1,251)
Financial costs		2,330	-
Share in profit / (loss) for the period of Equity-accounted investees		(547)	-
Changes in working capital		447	1,218
Trade and other receivables		(251)	(943)
Other current assets		(375)	-
Trade and other payables		1,073	1,265
Other current liabilities		-	896
Other cash flows from operating activities		(343)	926
Interest paid		(624)	-
Interest received		281	926
B) Cash flows from investment activities		(149,971)	(40,306)
Payments made for investments		(175,143)	(40,306)
Equity-accounted investees		(57,989)	-
Intangible assets		(1)	-
Investment properties		(115,452)	(39,754)
Other financial assets		(1,701)	(552)
Proceeds from sales on investments		25,172	-
Other financial assets		25,172	-
C) Cash flows from financing activities		207,784	399,212
Payments made and received for equity instruments		5,641	399,212
Acquisition / disposal of equity instruments		5,641	399,212
Receivables and payments for financial liability instruments		203,552	-
Issuance of:			
Bonds and other marketable securities		138,005	-
Loans and borrowings		61,986	-
Other financial liabilities		3,561	-
Return and amortisation of:			
Loans and borrowings		(78)	-
Dividends paid		(1,331)	-
E) Net Increase / Decrease in cash or cash equivalents		66,182	359,918
F) Cash and cash equivalents at the beginning of the period		20,252	-
G) Cash and cash equivalents at the end of the period		86,434	359,918

The notes 1 to 22 described in the attached explanatory notes form an integral part of the condensed consolidated statement of cash flow for the period of six months ending on 30th June 2015.

(1) *Data not audited.*

(2) *Data not audited or revised.*

(3) *Non-comparative data given that the Parent Company was incorporated in 2014 and at 30th June 2014 it did not have control over any company, not forming a Group.*

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Explanatory Notes of the Interim Condensed Consolidated Financial Statements for the period of six months ending on 30th June 2015

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

(1) Nature, activities and makeup of the Group

Lar España Real Estate SOCIMI, S.A. (hereinafter, the Parent Company or Lar España) was incorporated as a Public Limited Company (*Sociedad Anónima*) in Spain on 17th January 2014, for an unlimited period of time with the name Lar España Real Estate, S.A., which was changed to its current name on 6th February 2014.

Its registered office is at Calle Rosario Pino 14-16, 28020, Madrid.

The corporate object of the Parent Company, in accordance with its Articles of Association, is:

- The acquisition and promotion of urban real estate assets for leasing.
- The holding of stakes in the capital of other Real Estate Market Investment Companies ('SOCIMI') or in other entities not domiciled within Spanish territory that have the same purpose as them and that are subject to a similar regime to that established for SOCIMIs in terms of the policy established by mandatory regulation, law or bylaws for the distribution of profits.
- The holding of stakes in the capital of other entities, whether or not they are domiciled within Spanish territory, the main corporate purpose of which is the acquisition of urban real estate assets for leasing, and which are subject to the same regime as established for SOCIMIs in terms of the policy established by mandatory regulation, law or bylaws for the distribution of profits, and which comply with the investment requirements set out in Article 3 of Act 11/2009, dated 26th October 2009, modified by Act 16/2012, dated 27th December 2012, regulating Listed Real Estate Market Investment Vehicles.
- The holding of shares or stakes in Collective Real Estate Investment Vehicles governed by Collective Investment Vehicles Act 35/2003, dated 4th November 2003, or any other regulation which may replace this in the future.
- Alongside the economic activity derived from the main corporate purpose, SOCIMIs may engage in other ancillary activities, to be understood as those which as a whole account for less than 20% of the revenue of the Company over each taxation period, or any which may be deemed ancillary in accordance with the law applicable at each moment in time.

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and affiliates, Lar España Inversión Logística, S.A.U., Puerta Marítima Ondara, S.L., Lar España Shopping Centres, S.A.U., Lar España Offices, S.A.U., Lar España Parque de Medianas, S.A.U., Riverton Gestión, S.A.U., Global Noctua, S.L.U., Global Tannenberg, S.L.U., Global Meiji, S.L.U., Global Brisulia, S.L. U., Global Zohar, S.L.U., Global Regimonte S.L.U, Global Morello, S.L.U, Lavernia Investments, S.L., and Inmobiliaria Juan Bravo 3, S.L. (hereinafter “the Group”), the details of which are set out below, have as their main activity the acquisition and management of mainly shopping centres and offices, although they may to a lesser extent invest in other assets for rental or direct sales (commercial premises, industrial warehouses, logistical centres, residential products).

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

Lar España Real Estate SOCIMI, S.A. has had its shares/stock titles listed for trading on the Spanish Securities Markets and on the Continuous Market since 5th March 2014.
The Parent Company is regulated by Law 11/2009, dated 26th October, amended by Law 16/2012, dated 27th December, regulating SOCIMIs, the Spanish equivalent of Real Estate Investment Trusts (REIT). Note 1 of the consolidated annual accounts for the financial year 2014 describes the main investment requirements for this type of companies.

The composition of the Group at 30th June 2015 and its method of integration in the interim condensed consolidated financial statements is as follows:

Corporate Name	Company Address	Activity	Company holding the stake	% stake	Method of integration
Lar España Inversión Logística S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Shopping Centres, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Parque De Medianas, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Offices, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Riverton Gestión, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Noctua, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lavernia Investments, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
Puerta Marítima Ondara, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	58.78	Shareholding
Inmobiliaria Juan Bravo 3, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Property leasing and development	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
Global Tannenberg S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Meiji S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Brisulia S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Zohar S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Regimonte S.L.U.	Calle Pradillo, 5 28002 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Morello, S.L.U.	Calle Pradillo, 5 28002 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

(2) Basis for presentation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union

(a) Regulatory framework

The regulatory framework for the financial information that applies to the Group is that established in:

- The Code of Commerce and other commercial legislation;

- International Financial Reporting Standards (IFRS) adopted by the European Union in accordance with the provisions of Regulation (EC) number 1606/2002 of the European Parliament and Law 62/2003, dated 30th December, regarding tax, administrative and social measures, as well as in the applicable rules and circulars of the National Securities Market Commission;

- Law 11/2009, dated 26th October, amended by Law 16/2012, dated 27th December, regulating Listed Real Estate Market Investment Vehicles (SOCIMIs).

- Any other Spanish accounting regulations that apply.

The consolidated annual accounts for the period ended 31st December 2014 were prepared in accordance with the regulatory framework for financial information described in the preceding paragraph, so that they give a true and fair view of the consolidated equity and the consolidated financial situation of the Group at 31st December 2014 and of the consolidated results of its operations, of the changes to consolidated net equity and of the consolidated cash flows that have occurred in the Group during the period ending on this date.

The Group's Consolidated Annual Accounts for the period ended 31st December 2014 were approved by the General Meeting of Shareholders of Lar España Real Estate SOCIMI, S.A. held on 28th April 2015.

These interim condensed consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and were authorised for issue by the Directors of the Parent on 28 August 2015, pursuant to article 12 of Royal Decree 1362/2007, of 19 October 2007, developing Security Markets Law 24/1988, of 18 July 1988, with regard to the transparency requirements in connection with disclosures on the issuers whose securities are admitted for trading on an official secondary market or any other regulated market within the European Union.

In accordance with IAS 34, interim financial information is prepared solely in order to update the most recent consolidated annual accounts drawn up by the Group, placing emphasis on new activities, occurrences and circumstances that have taken place during the period and not duplicating the information previously published in the consolidated annual accounts of the 2014 financial year. Therefore, at 30th June 2015 the Interim Condensed Consolidated Financial Statements do not include all of the information that would be required in complete Consolidated Financial Statements drawn up in accordance with the International Financial Reporting Standards adopted by the European Union and therefore the attached interim condensed consolidated financial statements must be read together with the Group's consolidated annual accounts for the period ending on 31st December 2014.

The consolidated results and the determination of the consolidated equity are based on the accounting principles and policies, evaluation criteria and estimates followed by the Directors of the Parent Company during the preparation of the interim condensed consolidated financial statements. In this respect, the main accounting principles and policies and evaluation criteria used correspond to those applied in the annual accounts for the financial year 2014, except for the standards and interpretations that entered into force during the first half of 2015.

During the first half of 2015 the following standards, amendments to standards and interpretations have entered into force that, where applicable, have been used by the Group during the formulation of the interim condensed consolidated financial statements:

– IFRIC 21 Levies (published in May 2013). The European Union has endorsed IFRIC 21 (EU Bulletin dated 14th June 2014), modifying the original date of entry into force established by the IASB (1st January 2014) to 17th June 2014. Interpretation regarding when to recognise a liability for fees or levies that are conditions for the company's participation in an activity on a specific date.

– Amendment of IAS 19 Employee Contributions to Defined Benefit Plans (published in November 2013). The amendments to clarify the requirements related to how the contributions of employees or third parties linked to periods of service should be recognised. Effective date for financial years beginning from 1st February 2015 onwards.

As regards IFRIC 21, due to the high occupancy rates and the Group's capacity of transferring to tenants costs of property tax, the impact at 30 June 2015 is not significant. The other standards did not have a significant impact.

There is no accounting principle or valuation criterion which has a significant effect on the Interim Condensed Consolidated Financial Statements that has not been applied.

Similarly, the following standards were not in force during the first half of 2015:

– IFRS 9: Financial instruments (financial years beginning at or after 1st January 2018). It replaces the requirements for classification, valuation of financial assets and liabilities, derecognition and hedge accounting of IAS 39. Pending adoption by the EU.

- IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture. Effective date for financial years from 1st January 2016 onwards.

- Changes to IFRS 11: Accounting of acquisitions of stakes in joint operations (published in May 2014). The amendment specifies how to record the acquisition of a stake in a joint operation whose activity constitutes a business. Effective date for financial years from 1st January 2016 onwards.

- IFRS 14: Regulatory Deferral Accounts. Effective date for financial years from 1st January 2016 onwards.

- IFRS 15: Revenue from contracts with customers (published in May 2014). New standard for recognition of income (Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and IAS -31) Effective date for financial years beginning from 1st January 2017 onwards. Pending adoption by the EU.

- IAS 16 and IAS 38: Acceptable methods of amortisation and depreciation (published in May 2014). Clarification regarding acceptable methods of amortisation and depreciation. Prospective effective date from 1st January 2016 onwards. Pending adoption by the EU.

- IAS 27: Amendments to contemplate the application of the equity method in separate financial statements. Effective date for financial years from 1st January 2016 onwards.

(b) Comparative information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these interim condensed consolidated financial statements corresponding to 30th June 2015 is presented for comparative purposes together with the information related to the period of five months and fourteen days ending on the 30th June 2014 for the income statement, the comprehensive income statement, the statement of changes to net equity and the cash flow statement (all condensed and consolidated) and for the financial year ending on 31st December 2014 for the condensed consolidated financial statements.

The information contained in these interim condensed consolidated financial statements corresponding to the closure of the period of five months and fourteen days ending on 30th June 2014 was prepared and published by the Directors of the Parent Company in accordance with the regulatory framework that applied to them, which did not have any differences in terms of the Net Equity of the Parent Company or in its income statement with that established in the International Financial Reporting Standards adopted by the European Union. In this respect, on this date the Group had not been created as at this date the Parent Company did not have any stakes in subsidiaries.

(c) Estimates made

The interim condensed consolidated financial statements occasionally use estimations made by the Directors of the Parent Company to quantify some of the assets, liabilities, income, expenses and commitments that are recorded within. Essentially, they refer to:

- Calculation of fair values of investment properties by applying valuation models.

- Corrections to valuations due to insolvencies of customers, the review of individual balances based on the credit rating of customers, the current trends in the market and historic analysis of insolvencies at an aggregate level that imply a high level of judgement by the Management.

- Calculation of the fair value of certain financial instruments.

- The evaluation of provisions and contingencies.

- The management of financial risk.

- Compliance with the requirements that regulate Listed Real Estate Market Investment Vehicles (SOCIMI).

These estimates have been made by the Directors of the Parent Company based on the best information available at the time regarding the events analysed. In any case, it is possible that events that may take place in the future mean that they need to be modified in the following financial years, which shall be carried out, if appropriate, in accordance with the provisions of IAS 8.

During the period of six months ending on the 30th June 2015 there have been no significant changes to the estimates made at the end of the financial year 2014.

(d) Contingent assets and liabilities

During the first six months of 2015 there have been no significant changes to the main contingent assets and liabilities of the Group.

(e) Correction of errors

During the first half of the 2015 financial year no errors have been found with regard to the closure of previous financial years that require correction.

(f) Seasonality of the Group's transactions

Due to the activities that the Group companies carry out, its transactions do not have a significant cyclical or seasonal nature. Because of this, no specific breakdowns in this regard are included in these explanative notes to the interim condensed consolidated financial statements corresponding to the period of six months ending on 30th June 2015.

(g) Relative importance

When determining the information to be broken down in the explanative notes regarding the different sections of the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account their relative importance in relation to the interim, condensed consolidated financial statements for the half-year.

(h) Interim condensed consolidated cash flow statement

In the interim condensed consolidated cash flow statement, the following expressions are used with the following meanings:

- Cash flows are the inflows and outflows of cash and cash equivalents.

- Operating activities are the activities that constitute the company's main source of revenue, as well as other activities that cannot be qualified as investment or financing.

- Investment activities are activities involving the acquisition and disposal of long-term assets, as well as other investments not included in cash and cash equivalents.

- Financing activities are activities that result in changes to the size and composition of the equity capital and of the loans taken out by the company.

For the purposes of the preparation of the interim condensed consolidated cash flow statement, "cash and cash equivalents" has been considered as cash in hand and demand bank deposits, as well as the highly liquid short-term investments that are easily convertible into certain amounts of cash, which are subject to a low risk of changes to their value.

(3) Changes to the composition of the group

In Note 4.e. and Annex I of the consolidated annual accounts corresponding to the period of eleven months and fourteen days ending on 31st December 2014, relevant information is provided regarding the Group companies that were consolidated on this date and regarding those integrated using the equity method.

During the first six months of the financial year 2015 there have been the following changes to the scope of the consolidation:

- In May 2015 the Parent Company acquired holdings representing 100% of the share capital of the companies: Global Regimonte, S.L.U. and Global Morello, S.L.U. The amount paid for each of them amounted to 3,600 Euros.

- In February 2015 the Parent Company acquired holdings representing 100% of the share capital of the companies: Global Tannenberg, S.L.U., Global Zohar, S.L.U., Global Meiji, S.L.U. and Global Brisulia, S.L.U. The amount paid for each of them amounted to 3,600 Euros.

The corporate object of these companies is the rental of real estate on their own behalf. These companies are integrated using the full consolidation method in the Group's condensed consolidated financial statements. On the date of their acquisition, these companies did not have significant activities, assets or liabilities.

- Acquisition of 50% of the share capital of the company Inmobiliaria Juan Bravo 3, S.L. on 30th January 2015 for the sum of 1,706 thousand Euros. The corporate object of this affiliated company is real estate development and promotion and it is integrated into the interim condensed consolidated financial statements using the equity method in accordance with IFRS 11, given that it constitutes a joint venture between the Parent Company and the other partner.

(4) Financial information by Segments

The Group is organised internally by operating segments at 30th June 2015, divided into 4 different business lines: shopping centres (which includes the business of rental of the commercial premises and single-tenant commercial premises), offices (including the office rental business), logistics (including the logistical warehouse rental business) and residential, which are the strategic units of the business. The breakdown of operational segments is as follows:

- Shopping centres: Txingudi, Las Huertas, Albacenter Hipermercado, Anec Blau, Villaverde, Portal de la Marina, Albacenter, Nuevo Alisal, As Termas and Portal de la Marina Hipermercado.
- Office buildings: Arturo Soria, Marcelo Spinola, Egeo, Eloy Gonzalo and Joan Miró.
- Logistics: Alovera I, Alovera II, Alovera III, Alovera IV and Almussafes.
- Residential: Stakes in the affiliated companies Lavernia Investments, S.L. and Inmobiliaria Juan Bravo 3, S.L. (the owners of a building in Calle Claudio Coello and a site in Calle Juan Bravo in Madrid).

The profit from each segment, and from each asset within each segment, is used as a measurement of performance, as the Group believes that this information is the most significant in evaluating the results of certain segments with regard to other groups operating in these businesses.

Below is the information by segments for these activities at 30th June 2015 and its comparison with the period before (30th June 2014 for income and expenses and 31st December 2014 for assets and liabilities):

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Thousands of euros					
	30 June 2015					
	Shopping Centres	Office Buildings	Logistics	Residential (Equity-accounted investees)	Corporate Unit and others (*)	Total
Lease revenue	8,617	3,167	2,332	-	-	14,116
Total revenue	8,617	3,167	2,332	-	-	14,116
Other Income	333	47	20	-	-	400
Personnel Expenses	-	-	-	-	(160)	(160)
Operating expenses	(1,377)	(933)	(336)	(22)	(3,387)	(6,055)
Change in the fair value of investment properties	4,574	4,336	3,560	-	-	12,470
Net Financials	(108)	(307)	3	(339)	(964)	(1,715)
Impairment and gains/(losses) on disposal of financial instruments	-	-	-	(257)	-	(257)
Investments by equity method	1,525	-	-	(978)	-	547
Profit	13,564	6,310	5,579	(1,596)	(4,511)	19,346

** The Group has included corporate income and expenses not attributable to any asset in "Corporate Unit and others".*

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Explanatory Notes of the Interim Condensed Consolidated Financial Statements for the period of six months ending on 30th June 2015

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Thousands of Euros				
	30 June 2014				
	Shopping Centres	Office Buildings	Logistics	Corporate Unit and others	Total
Lease revenue	933	-	-	-	933
Total revenue	933				933
Other Income	14	-	-	-	14
Personnel Expenses	-	-	-	(2)	(2)
Operating expenses	(286)	-	-	(1,935)	(2,221)
Net Financials	-	-	-	1,251	1,251
Loss	661	-	-	(686)	(25)

** The Group has included corporate income and expenses not attributable to any asset in "Corporate Unit and others".*

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Explanatory Notes of the Interim Condensed Consolidated Financial Statements for the period of six months ending on 30th June 2015

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	Thousands of Euros					
	30th June 2015					
	Shopping Centres	Office Buildings	Logistics	Residential (Equity-accounted investees)	Corporate Unit and others	Total
Intangible assets	1	-	-	-	-	1
Investment properties	269,766	147,620	68,530	-	-	485,916
Financial assets with associates	-	-	-	24,743	-	24,743
Equity-accounted investees	20,008	-	-	732	-	20,740
Non-current financial assets	3,279	1,180	1,083	-	-	5,542
Total non-current assets	293,054	148,800	69,613	25,475	-	536,942
Inventories	-	-	-	2,843	-	2,843
Trade and other receivables	2,008	116	133	-	-	2,257
Financial assets with associates	-	-	-	31,217	-	31,217
Other current financial assets	92	-	-	-	6,768	6,860
Other current assets	405	9	97	-	-	511
Cash and cash equivalents	-	-	-	-	86,434	86,434
Total current assets	2,505	125	230	34,060	93,202	130,122
Total assets	295,559	148,925	69,843	59,535	93,202	667,064

Thousands of euros

	31st December 2014					
	Shopping Centres	Office Buildings	Logistics	Residential (Equity-accounted investees)	Corporated Unit and others	Total
Investment properties	189,053	122,870	46,071	-	-	357,994
Equity-accounted investees	18,087	-	-	-	-	18,087
Non-current financial assets	2,029	964	848	-	-	3,841
Total non-current assets	209,169	123,834	46,919	-	-	379,922
Inventories	-	-	-	2,843	-	2,843
Trade and other receivables	1,171	89		-	710	1,970
Other current financial assets	-	-	-	-	32,032	32,032
Other current assets	95	4	-	-	37	136
Cash and cash equivalents	-	-	-	-	20,252	20,252
Total current assets	1,266	93	-	-	53,031	57,233
Total assets	210,435	123,927	46,919	2,843	53,031	437,155

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
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Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

	Thousands of Euros					
	30th June 2015					
	Shopping Centres	Office Buildings	Logistics	Residential (Equity-accounted investees)	Corporate Unit and others	Total
Financial liabilities from the issue of bonds and other marketable securities	-	-	-	-	139,556	139,556
Loans and borrowings	44,939	30,155	-	24,791	-	99,885
Derivatives	249	-	-	-	-	249
Other non-current liabilities	4,997	1,572	1,160	-	-	7,729
Trade and other payables	2,913	1,336	692	-	829	5,770
Other current liabilities	-	-	-	971	4	975
Total liabilities	53,098	33,063	1,852	25,762	140,389	254,164

	Thousands of Euros				
	31st December 2014				
	Shopping Centres	Office Buildings	Logistics	Corporate Unit and others	Total
Loans and borrowings	7,822	30,000	-	-	37,822
Other non-current liabilities	3,163	1,084	896	-	5,143
Trade and other payables	1,145	1,909	176	1,467	4,697
Total liabilities	12,130	32,993	1,072	1,467	47,662

(a) Geographical segments

As information is presented for geographical segments, the income and the assets from the segment is established based on the geographical location of the assets.

(b) Geographical information

The table below contains a summary of the revenue and investment properties for each of the assets held by the Group, by geographical area at 30th June 2015:

	Thousands of Euros			
	30th June 2015			
	Revenue	%	Investment properties	%
Basque Country	1,174	8%	28,750	6%
Galicia	1,007	7%	68,498	14%
Cantabria	642	5%	17,069	4%
Catalonia	3,011	21%	102,840	21%
Castilla la Mancha	4,189	30%	103,241	21%
Community of Valencia	107	1%	16,001	3%
Castilla y León	496	3%	12,300	3%
Community of Madrid	3,490	25%	137,217	28%
	14,116	100%	485,916	100%

All activities performed within Spain,

(c) Main customer

This caption presents a breakdown list of those the tenants generating the greatest rental income at 30th June 2015, along with the key characteristics of each of them:

Position	Name	Project	% of Total Rents	% Cumulative	Expiry*	Sector
1	Centros Comerciales Carrefour, S.A.	Alovera II	12.05%	12.05%	2017	Distribution
2	Ingeniería y Economía del Transporte, S.A.	Egeo	9.68%	21.73%	2021	Transport
3	Media Markt	Villaverde	5.22%	26.95%	2022	Technology
4	Tech Data	Alovera I	3.26%	30.21%	2019	Technology
5	Toys r Us Iberia, S.A.	Alisal	2.10%	32.31%	2033	Distribution
6	Cecosa Hipermercados S.L.	Hiper Albacenter	1.78%	34.09%	2024	Distribution
7	Segurcaixa Adeslas, S.A.	Arturo Soria	1.69%	35.78%	2038	Insurance
8	C&A	Txingudi/Ánec Blau	1.59%	37.37%	2020	RM Fashion
9	Primark Tiendas, S.L.U.	Hiper Albacenter	1.51%	38.88%	2020	RM Fashion
10	Mercadona S.A.	Anec Blau	1.47%	40.35%	2030	Distribution

* The information related to the expiry of contracts refers to the final date of the contract, although the contract may have the option for early termination.

(5) Investment properties

At 30th June 2015 the investment properties were made up of 7 shopping centres, 5 office buildings, 2 single-tenant commercial premises and 5 logistical warehouses, in addition to the corresponding land on which they are located, that are kept in order to earn lease revenue and are therefore not occupied by the Group.

The composition and movements that had occurred in the accounts included under the heading "Investment Properties" in the condensed consolidated financial statements at 30th June 2015 were as follows:

	Thousands of Euros	
	Investment Properties completed	Total
Fair value at 31st December 2014	357,994	357,994
Additions during the period	115,452	115,452
Change in fair value	12,470	12,470
Balance at 30th June 2015	485,916	485,916
Fair value at 30th June 2015	485,916	485,916

The investment properties are shown valued at their fair value,

The Group has recognised the following investment properties at their fair value at 30th June 2015 and 31st December 2014:

	Thousands of Euros	
	Investment properties held	
	30th June 2015	31st December 2014
Shopping centres and single-tenant commercial premises	269,766	189,053
Office Buildings	147,620	122,870
Logistical warehouses	68,530	46,071
	485,916	357,994

The fair value of investment property has been determined by professionally accredited external independent appraisal companies with recent experience in the locations and categories of the properties being appraised, Independent appraisal companies determine the fair value of the Group's investment properties portfolio every six months.

The appraisal of this investment is conducted in accordance with the statements of the RICS Valuation - Professional Standards published by The Royal Institution of Chartered Surveyors ("Red Book"), based in the United Kingdom.

The methodology used to calculate the market value of investment assets consists of preparing 10 years' of income and expense projections for each asset, which will subsequently be updated at the interim condensed consolidated financial statements date using a market discount rate. The residual amount at the end of year 10 is calculated applying a rate of return ("exit yield" or "cap rate") to the net income projections for year 10. The market values obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. The projections are aimed at reflecting the Group's best estimate, reviewed by the appraiser, of the future income and expenses of the real estate assets. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained is tested in terms of initial gain.

At 30th June 2015, the appraisal companies that performed the valuations of the Group's investment properties were Cushman & Wakefield and Jones Lang Lasalle España, S.A.

At 30th June 2015 and 31st December 2014 all of the buildings that made up the entry entitled "Investment Properties" were insured and the coverage was considered to be sufficient.

At 30 June 2015 there are mortages on Group's investment properties to secure repayment of certain loans (see note 11).

At 30th June 2015, the breakdown of the gross leasable area and the occupancy ratio by business line was as follows:

	Square metres	
	Gross leasable area	% occupancy
Shopping centres and single-tenant large commercial premises	127,979	91.7%
Office Buildings	50,342	79.2%
Logistical warehouses	161,840	100.0%

(6) Financial assets with associates

The breakdown at 30th June 2015 of the financial assets with associates is as follows:

	Thousands of Euros	
	Current	Non-current
Loans with associates	25,334	24,743
Other financial assets	5,883	-
Total financial assets with associates	31,217	24,743

On 30th January 2015, Lar España Real Estate SOCIMI, S.A. granted two loans amounting to 10,000 and 40,000 thousand Euros to the affiliated companies Lavernia Investments, S.L. and Inmobiliaria Juan Bravo 3, S.L. This financing shall be used for the development of residential real estate projects owned by the affiliated companies.

Impairment of Euros 257 thousand has been recognised on the loan extended to Lavernia Investments, S.L.

On 29 May 2015, Lar España Real Estate SOCIMI, S.A. reached an agreement with Inmobiliaria Juan Bravo 3, S.L. to convert the credit it held into a participating loan, under the terms of article 20 of Royal Decree-Law 7/1996 of 7 June 1996. The interest to be accrued on the loan will comprise a fixed annual rate of 5.95% and a variable rate, calculated each quarter based on the positive cash flow of the borrower, net of interest paid. The final maturity date of the participating loan is 31 March 2018. According to the terms and conditions, on 30 June 2016 Inmobiliaria Juan Bravo 3, S.L. shall pay an amount of Euros 25,000 thousand to Lar España Real Estate SOCIMI, S.A. for the first principal repayment.

At 30 June 2015, the accrued interest payable on this loan amounts to Euros 334 thousand.

Moreover, the current account with Inmobiliaria Juan Bravo 3, S.L. has a current balance of Euros 5,883 thousand at 30 June 2015.

(7) Equity-accounted investees

The breakdown by company at 30th June 2015 and 31st December 2014 of the Equity-accounted investees as well as the result attributed to the Group is as follows:

	Thousands of Euros			
	30th June 2015		31st December 2014	
	Investments	Result attributed to the Group	Investments	Result attributed to the Group
Puerta Marítima Ondara, S.L.	20,007	1,525	18,087	(342)
Lavernia Investments, S.L.	-	(4)	-	-
Inmobiliaria Juan Bravo 3, S.L.	733	(974)	-	-
Total	20,740	547	18,087	(342)

The main figures of the joint ventures (standardized based on the regulatory framework applicable to the Group) at 30th June 2015 and 31st December 2014 are as follows:

	Thousands of Euros				
	30th June 2015			31st December 2014	
	Puerta Marítima Ondara, S.L.	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.	Puerta Marítima Ondara, S.L.	Lavernia Investments, S.L.
Non-current assets	83,825	20,000	72	82,576	-
Current assets	1,425	415	90,382(a)	2,718	4
Non-current liabilities	46,345	-	97,605	46,571	-
Current liabilities	4,867	21,218	93,182	7,959	-
Revenues	4,134	3	-	5,249	-
Profit for the year	2,594	(479)	(1,949)	158	(3)

(a) Essentially property inventories.

(8) Financial Assets by Category

(a) Classification of financial assets by category

The financial assets that the Group holds at 30th June 2015 are guarantee deposits held by public entities, accounts receivable from customers and Public Authorities, fixed-term cash deposits and loans to affiliated companies. They are shown separately in the following table at 30th June 2015 and 31st December 2014:

	Thousands of Euros			
	2015		2014	
	Non-current	Current	Non-current	Current
	Book value	Book value	Book value	Book value
Loans and accounts receivable				
Loans to third parties	73	5	-	-
Deposits and guarantees	5,469	6,855	3,841	31,735
Financial assets with associates (note 6)	24,743	31,217	-	-
Other financial assets	-	-	-	297
Clients receivables for sales and rendering of services	-	1,594	-	1,260
Other credits with public authorities	-	663	-	710
Total	30,285	40,334	3,841	34,002

For the financial assets recorded at cost or amortised cost, the book value is not different from the fair value.

At 30th June 2015, the "Deposits and guarantees" entry is mainly made up of the guarantees and deposits received from the lessees of the investment properties mentioned in Note 5 as a guarantee that the Group has deposited with the corresponding Public Bodies ("Deposits and guarantees - Non-current") as well as the deposits made in financial institutions with a due date at 30th June 2015 within twelve months ("Deposits and guarantees - Current").

The entry "Other (current) financial assets" includes the financial interest accrued and not collected from the Group's current accounts. This interest at market rates is accrued monthly and collected on the due date. The interest is at market rates with accrual and collection on the due date.

(b) Classification of financial assets by due dates

The classification of the financial assets based on their due dates at 30th June 2015 and 31st December 2014 is as follows:

	2015 Thousands of Euros			
	Less than 1 year	Between 1 and 5 years	Undetermined	Total
Financial assets with associates	31,217	24,743	-	55,960
Loans to third parties	5	73	-	78
Down payments and deposits	6,855	-	5,469	12,324
Trade and other receivables	2,257	-	-	2,257
	40,334	24,816	5,469	70,619

	2014 Thousands of Euros		
	Less than 1 year	Undetermined	Total
Downpayments and deposits	31,735	3,841	35,576
Loans to third parties	5	-	5
Other financial assets	292	-	292
Trade and other receivables	1,970	-	1,970
	34,002	3,841	37,843

(c) Income/expense of financial assets by due date

Details of the income/expense of financial assets by category at 30 June 2015 and 30 June 2014 are as follows:

	Thousands of Euros	
	Loans and accounts receivable	
	2015	2014
Financial income applying the amortised cost method	615	1,251
Total	615	1,251

(9) Net Equity

(a) Capital

At 30th June 2015 and 31st December 2014 the share capital of Lar España Real Estate SOCIMI, S.A. amounted to 80,060 thousand Euros and was represented by 40,030,000 registered shares, represented by means of book entries, each with a nominal value of 2 Euros, fully subscribed and paid up, giving their titleholders the same rights.

All of the shares of the Company Lar España Real Estate SOCIMI, S.A. are officially listed for trading on the stock markets of Madrid, Barcelona, Bilbao and Valencia. There are no restrictions on their free transmission.

The main shareholders of the Parent Company at 30th June 2015 are as follows:

	2015
Franklin Templeton Institutional, LLC	15.1%
PIMCO Bravo II Fund, L.P.	12.5%
Cohen & Steers, Inc	5%
Other shareholders with a stake of less than 5%	67.4%
At 30th June 2015	100.0%

As indicated in note 21, on 15 July 2015 the Board of Directors of the Parent agreed to increase share capital and the share premium by Euros 134,982 thousand, as approved by the shareholders at the Annual General Meeting held on 28 April 2015.

(b) Share premium

The consolidated text of the Capital Companies Act expressly allows the use of the balance of the share premium to increase capital and does not establish any specific restriction with regard to the availability of this balance.

This reserve is freely available as long as, as a consequence of its distribution, the Company's shareholder’s equity does not go below the share capital.

At 30th June 2015, the Group’s share premium amounted to 320,000 thousand Euros,

(c) Other reserves

(i) *Legal reserve*

At 30th June 2015 the Parent has not appropriated to this reserve the minimum amount required by the Revised Spanish Companies Act as 2014 was the first year of operations for Lar España Real Estate SOCIMI, S.A. At 30 June 2015 the legal reserve of the Parent amounts to Euros 166 thousand.

(ii) *Other Reserves*

Other reserves also include expenses related to the incorporation of the Parent and to the capital increase through a share issue carried out on 5 March 2014 and other non-distributed profits.

(iii) *Bought-back stock*

At 30th June 2015, the Parent Company did not have treasury shares. The changes during the period of six months were as follows:

	Number of shares	Thousands of Euros
31st December 2014	531,367	4,838
Additions	293,217	2,902
Reductions	(824,584)	(7,740)
30th June 2015	-	-

On 5th February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. This authorisation was approved by the Shareholders' General Meeting of the Parent Company held on the 28th April 2015.

The average selling price of treasury shares was Euros 10.17 per share. The proceeds for the six-month period ended 30 June 2015 amounted to Euros 803 thousand and have been recognised under “Other Reserves” epigraph in the condensed consolidated statement of financial position.

(d) Dividends paid

On 28th April 2015 the Shareholders' General Meeting approved the distribution of the Parent Company's results in accordance with the proposal formulated by the Parent Company's Directors in their meeting held on 28 February 2015. The distribution is as follows:

	Thousands of Euros
Balance	
Profit for the year	1,664
Distribution	
Legal reserve	166
Dividends	1,331
Voluntary reserve	167
	1,664

The payment of the dividend approved by the Shareholders' General Meeting amounts to 0.033 Euros per share, charged to the results for the financial year 2014, and has been paid in total on the 28th May and 19th June 2015.

(10) Earnings per share

(a) Basic

The basic earnings per share are calculated by dividing the profit for the financial year attributable to the ordinary shareholders of the Parent Company between the weighted average number of ordinary shares in circulation during the period, excluding the treasury shares.

The breakdown of the calculation of the earnings (losses) per share is as follows:

	Thousands of Euros	
	30th June 2015	30th June 2014
Profit or (loss) for the financial year that can be attributed to the holders of net equity instruments of the Parent Company (in thousands of Euros)	19,346	(25)
Weighted average number of ordinary shares in circulation (in securities)	39,604,369	28,601,429
Basic Earnings or Losses per share	0.49	(0.0009)

The average number of ordinary shares in circulation is calculated as follows:

	30th June 2015	30 June 2014
Ordinary shares	40,030,000	28,601,429
Average effect of the treasury shares	(425,631)	-
Weighted average number of ordinary shares in circulation at 31st March (in securities)	39,604,369	28,601,429

On 15 July 2015, the Board of Directors of the Parent agreed to increase share capital by a nominal amount of Euros 39,935,512, through the issue of 19,967,756 new ordinary registered shares of the Company with a par value of Euros 2 each. These shares are of the same class and series as the Company's current shares outstanding and are represented through book entries. The new shares will be issued with a share premium of Euros 4.76 per share, resulting in an effective total for the issue of Euros 134,982,030.56. The effect of this capital increase will be a reduction in the basic earnings per share.

(b) Diluted

The diluted earnings per share are calculated by adjusting the profit for the financial year attributable to the holders of the Parent Company's net equity instruments and the weighted average number of ordinary shares in circulation taking into account all of the dilutive effects inherent to the potential ordinary shares, i.e. as if the conversion of all of the potentially dilutive ordinary shares had been carried out.

The Parent Company does not have different types of potentially dilutive ordinary shares.

(11) Financial Liabilities by Category

(a) Classification of financial liabilities by category

The classification of the financial assets by category and type at 30th June 2015 and 31st December 2014 is as follows:

	2015	
	Non-current	Current
	Book value	Book value
Financial liabilities from issue of bonds and other marketable securities	138,433	1,123
Loans and borrowings	94,579	5,306
Derivatives	249	-
Other financial liabilities	7,729	975
Trade and other payables		
Trade payables	-	4,878
Other accounts payable with Public Authorities	-	892
Total financial liabilities	240,990	13,174

	2014	
	Non-current	Current
	Book value	Book value
Loans and borrowings	37,666	156
Other financial liabilities	5,143	-
Trade and other payables		
Trade payables	-	4,428
Other accounts payable with Public Authorities	-	269
Total financial liabilities	42,809	4,853

At 30th June 2015 and 31st December 2014, the carrying amount does not differ significant from the fair value. The only financial liability recognised at fair value is the financial derivative explained in section b) of this note.

On 21st January 2015 the Company's Board of Directors approved the issue of simple bonds up to a maximum amount of 200 million Euros, following approval by the then-sole shareholder of the Parent on 5 February 2014.

In this respect, on 19th February 2015 the Company carried out a placement of bonds amounting to a total of 140 million Euros, each with a nominal value of 100 thousand Euros. The main characteristics of the issue are as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Guarantees: Guarantee on the assets of the Company and mortgages and ordinary first tier pledges up to a maximum amount of 20% of the placement. The assets mortgaged were: L'Anec Blau, Albacenter, Txingudi, Las Huertas, Albacenter Hipermercado, Alovera and Marcelo Spínola, An ordinary pledge has also been established on the shares of Lar España Inversión Logística, S.A.U., Lar España Shopping Centres S.A.U. and Riverton Gestión S.A.U.
- Amount of the issue: 140,000 thousand Euros.
- Nominal value: 100 thousand Euros.
- Maturity Date: 7 years. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.

The issuance expenses associated with this issue amounted to 1,995 thousand Euros, which were recorded by reducing the debt. During the financial year 2015, 94 thousand Euros of these expenses have been charged to the entry "Financial costs" on the interim condensed consolidated comprehensive income statements for the period of six months ending on 30th June 2015. The interest accrued during the six-month period ended 30 June 2015 and payable at that date totalled Euros 1,457 thousand.

The entry "Other long-term financial liabilities" mainly contains deposits and guarantees.

(b) Main characteristics of loans and debts

The terms and conditions of the loans and debts are as follows:

Rate	Currency	Effective rate	Due Date	Thousands of Euros Amount Granted
Lar España Real Estate SOCIMI, S.A.	Euro	EURIBOR 3M + 2.83%	30-Jan-18	25,000
Lar España Offices, S.A.U.	Euro	EURIBOR 3M + 2% margin	15-Dec-19	30,000
Lar España Parque de Medianas, S.A.U.	Euro	3.02% (until 16 Jun 15), Subsequently EURIBOR 3M + 2,90%	16-Jun-25	7,822
Global Noctua, S.L.U.	Euro	EURIBOR 3M + 1.80%	25-Jun-20	37,345

On 25th June 2015, ING Bank N.V, (Spanish Branch) granted a loan of 37,345 thousand Euros to the Group company "Global Noctua, S.L.U." with a maximum maturity of five years. This loan will accrue interest on the principal pending payment, which shall be paid on the last day of each Interest Period. The interest rate applied will be the three month Euribor plus a premium of 1.80%.

On 25th June 2015, the Group Company "Global Noctua, S.L.U." signed an IRS hedging instrument contract for a nominal amount of 37,345 thousand Euros with ING Bank N.V. (Spanish Branch), with a maximum maturity of 5 years. This IRS hedging instrument contract will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.5315% and a variable component based on the three month Euribor. The fair value of the financial instrument has been recognised under liabilities for an amount of Euros 249 thousand at 30 June 2015. The Group has applied hedge accounting, having recognised the fair value under equity.

On 30th January 2015, Banco Santander granted a loan of 25 million Euros to Lar España Real Estate SOCIMI, S.A. with a maturity of 3 years. The interest on the loan accrues and is paid on a quarterly basis at a rate of three month Euribor plus a premium of 2.83%. The purpose of this loan is to finance the real estate developments of the affiliated companies Lavernia Investments, S.L. and Inmobiliaria Juan Bravo 3, S.L.

On 16th December 2014 the Group company "Lar España Offices, S.A.U." purchased the EGEO office building from the subsidiary Meag Munich Ergo Kapitalanlagegesellschaft mbHSpanishbranch ("MEAG") encumbered with a mortgage of 30,000 thousand Euros with the bank Westdeutsche Immobilienbank AG. The novation of the mortgage loan states that its new maturity date will be 15th December 2019, the date on which all of the principal will be paid. The interest on the mortgage loan is accrued and paid on a quarterly basis at a rate of three month Euribor plus a premium of 2%.

On 17 December 2014 the Group company “Lar España Parque de Medianas, S.A.U.” was subrogated in the mortgage loan that was previously held by the company Grupo Empresarial Sadisa, S.L. with the bank Bankinter, This subrogation forms part of the payment for the sale of the Nuevo Alisal set of single-tenant commercial premises, which was purchased by Lar España Parque de Medianas from Grupo Empresarial Sadisa, S.L. The mortgage loan amounts to a principal of 7,822 thousand Euros, The principal is amortised in quarterly payments of equal amounts. The interest is accrued and paid quarterly with a rate of 3.02% until 16th June 2015 and then three month Euribor plus a 2,90% premium. The mortgage loan ends on 16th June 2025. The guarantees granted to cover the mortgage loan is the asset that is the object of the sale between the parties.

The financial costs accrued on these loans during the six-month period ended 30 June 2015 totalled Euros 779 thousand.

(c) Classification of financial liabilities by maturity

The classification of financial liabilities by maturity at 30 June 2015 and 31 December 2014 is as follows:

	30 June 2015				
	Thousands of Euros				
	Less than 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Financial liabilities from issue of bonds and other marketable securities	1,123	-	138,433	-	139,556
Loans and borrowings	5,306	87,696	6,883	-	99,885
Derivative	-	249	-	-	249
Other financial liabilities	975	-	-	7,729	8,704
Trade and other payables	5,770	-	-	-	5,770
Total	13,174	87,945	145,316	7,729	254,164

	31 December 2014				
	Thousands of Euros				
	Less than 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	-
Loans and borrowings	156	30,626	7,040	-	37,822
Other financial liabilities	-	-	-	5,143	5,143
Trade and other payables	4,697	-	-	-	4,697
Total	4,853	30,626	7,040	5,143	47,662

(12) Other non-current financial liabilities

In the entry "Other non-current financial liabilities" the Company recorded 7,729 thousand Euros at 30th June 2015, corresponding to the deposits and guarantees given to the Group by the different lessees of the different premises of the real estate assets. In general this amount represents two months of rent which will be returned at the end of the contracts.

(13) Trade and other payables

The breakdown of trade and other payables at 30th June 2015 and 31st December 2014 is as follows:

	Thousands of Euros	
	2015	2014
Trade creditors	4,878	4,428
Other accounts payable with Public Authorities	892	269
	5,770	4,697

(14) Risk Management and Policies

(a) Financial risk factors

The Group's activities are exposed to various types of financial risk: market risk, credit risk, liquidity risk and interest rate risk in the cash flows. The Group's overall risk management programme is focused on the uncertainty of financial markets and seeks to minimize the potential adverse effects on the Group's financial profitability.

Risk management is controlled by the Group's Senior Management in accordance with the policies approved by the Board of Directors. The Senior Management identifies, evaluates and covers the financial risks in close collaboration with the Group's operative units. The Board of Directors issues comprehensive risk management policies, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investment of cash surpluses.

(i) *Market risk,*

In accordance with the current situation of the real estate sector, and in order to minimise any impact that this could generate, the Group has established specific measures to minimise the impact on its financial situation.

The application of these measures is dependent on the results of the sensitivity analyses which the Group carries out repeatedly. These analyses take into account:

- The economic environment within which it performs its operations: Design of different economic scenarios, modifying the key variables which could affect the group (interest rates, share price, % occupancy of investment properties, etc.). Identification of interdependent variables and their level of association.

- Timeframe for which the evaluation is being performed: Consideration will be given to the timeframe of the analysis and any possible deviations.

(ii) *Credit risk*

Credit risk is defined as the risk of financial loss faced by the Group if a client or counterpart does not fulfil its contractual obligations.

The Group is not significantly exposed to credit risk. The Group has policies to limit the volume of risk with clients and exposure to risk in the recovery of credits is administered as a part of standard operations.

The Group has formal procedures in place for the detection of impairment of trade credits. These procedures and an individual analysis by business area serve to identify late payments and establish methods to be followed in order to estimate the impairment loss.

Cash and cash equivalents

The Group holds cash and cash equivalents amounting to 86,434 thousand Euros, representing its maximum exposure to the risk associated with these assets.

Cash and cash equivalents are held with banks and financial institutions.

(iii) *Liquidity risk*

This is defined as the risk that the Group could have difficulties in fulfilling its obligations associated with its financial liabilities which are settled by means of the handover of cash or of other financial assets.

The Group applies a prudent management of the liquidity risk, based on maintaining sufficient liquidity in order to fulfil its obligations when they are due, under both normal and stressed conditions, without incurring any unacceptable losses or jeopardising the Group's reputation.

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 22). In the event of a discrepancy, the Spanish-language version prevails

(15) Breakdowns of the Fair Value of Financial and Non-Financial Assets and Liabilities

(a) Assets and Liabilities valued at their fair value

The breakdown of the assets and liabilities valued at their fair value and the hierarchy in which they are classified at 30th June 2015 and 31st December 2014 is as follows:

	Thousands of Euros			
	2015			
	Total	Level 1	Level 2	Level 3
Recurrent valuations at fair value				
Investment properties				
Shopping centres				
· Land	89,276	-	-	89,276
· Constructions	180,490	-	-	180,490
Office buildings				
· Land	72,412	-	-	72,412
· Constructions	75,208	-	-	75,208
Industrial buildings				
· Land	11,995	-	-	11,995
· Constructions	56,535	-	-	56,535
Total Assets valued recurrently at fair value	485,916	-	-	485,916

	Thousands of Euros			
	2014			
	Total	Level 1	Level 2	Level 3
Recurrent valuations at fair value				
Investment properties				
Shopping centres				
- Land	73,096	-	-	73,096
- Constructions	115,957	-	-	115,957
Office buildings				
- Land	63,023	-	-	63,023
- Constructions	59,847	-	-	59,847
Industrial buildings				
- Land	4,995	-	-	4,995
- Constructions	41,076	-	-	41,076
Total Assets valued recurrently at fair value	357,994	-	-	357,994

The only financial liability recognised at fair value is the derivative instrument described in Note 11, which has been classified under level 2 of the hierarchy.

During the financial year there were no transfers of assets and liabilities between the different levels.

The main hypotheses used in the calculation of the fair value of the real estate assets at 30th June 2015 were as follows:

	Net Initial Yield	Discount rate
Shopping centres and single-tenant commercial premises	5.95% - 7.47%	9.00% - 12.48%
Office buildings	4.70% - 6.00%(*)	8.33% – 9.08%
Logistical warehouses	7.85% - 9.62%	9.63% - 12.18%

(*) Data referred to Marcelo Spinola has not been taken into account as the Building is under refurbishment.

(16) Revenue

The detail of revenue was set out in Note 4, together with information by segment.

(17) Other Income

During financial year 2015, the Group recorded other income amounting to 400 thousand Euros, mainly corresponding to temporary leases of common areas in the shopping centres.

Invoices issued to tenants include Euros 3,664 thousand for communal charges (shared utility costs, services, etc.) passed on to them. This amount is presented, according to its nature, net of the corresponding expenses under other expenses in the accompanying condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2015.

(18) Other Expenses

The breakdown of other expenses at 30th June 2015 and 30th June 2014 is as follows:

	Thousands of Euros	
	2015	2014
Repairs and maintenance	202	-
Independent professional services	3,329	2,017
Insurance premiums	86	-
Bank Fees	15	-
PR and advertising	67	-
Utilities	332	-
Taxes	1,243	60
Changes in provisions due to impairment and trade debts and other accounts receivable being considered irrecoverable	(36)	-
Remuneration of the Board of Directors	211	-
Other results	606	144
	6,055	2,221

(19) Balances and Transactions with Related Parties

(a) Balances with affiliated and related companies

	Thousands of Euros				
	30th June 2015				
	Affiliated Companies		Other related parties		
	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia , S.L.	Total
Loans to equity-accounted investees	9,743	40,334	-	-	50,077
Other current assets	-	5,883	-	-	5,883
Trade and other payables	-	-	829	58	887

	Thousands of Euros		
	31st December 2014		
	Other related parties		
	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Trade and other payables	771	95	866

(b) Transactions with affiliated and related companies

On 12th February 2014 an Investment Management Agreement was signed between Grupo Lar Inversiones Inmobiliarias, S.A. (which at the time was the sole shareholder of the Company) and Lar España Real Estate SOCIMI, S.A. in which they agreed on the provision of management services by Grupo Lar Inversiones Inmobiliarias, S.A., which include (among others) consulting regarding the acquisition and management of real estate assets on behalf of the Company and financial marketing. For this contract, fees are accrued based on a percentage of the fair value (EPRA NAV) of the investments made as well as variable fees that depend on the profitability of the management carried out.

These services are recorded in the “other operating expenses” entry on the consolidated income statement. At 30th June 2015 the expense for this item amounted to 1,936 thousand Euros, not having reached the limits for the variable remuneration agreed.

Furthermore, the Group has signed a contract with the related company Gentalia 2006, S.L. for the provision of services related to the management and administration of the real estate assets. At 30th June 2015 the expense for this item amounted to 360 thousand Euros.

As described in note 6, during the first six months of 2015, finance income of Euros 334 thousand was accrued on the participating loan arranged between the Parent and Inmobiliaria Juan Bravo 3, S.L. This amount was payable at 30 June 2015.

(c) Information regarding the Directors of the parent company and the Group's Senior Management

The remuneration received at 30th June 2015 and 30th June 2014 by the members of the Board of Directors and the Company's Senior Management, classified by item, was as follows:

	Thousands of Euros	
	2015	
	Wages	Allowances
Board of Directors	-	211
Senior Management	140	-

	Thousands of Euros	
	2014	
	Wages	Allowances
Board of Directors	-	115
Senior Management	2	-

At 30th June 2015, the Company had not taken on any obligations related to pensions or the payment of life insurance premiums for the current or former members of the Board of Directors and the Senior Management of the Parent Company.

At 30th June 2015, no advances or loans had been granted to the members of the Board of Directors or the Senior Management.

At 30th June 2015 the Company has 5 Directors (at 31st December the Company had 5 Directors).

(20) Information regarding Employees

The average number of the Group's employees at 30th June 2015 and 31st December 2014, broken down by category, was as follows:

	2015	2014
Professional category		
Senior Management	3	2
Total	3	2

(21) Subsequent Events

After 30th June 2015, the following significant events related to the Group have occurred:

- On 7th July 2015, the Parent entered into an agreement to acquire shares representing 100% of the share capital of El Rosal Retail, S.L.U., the owner of the "El Rosal" shopping centre located in Ponferrada (León) with a gross lettable area of 51,142 m2. The acquisition was made for Euros 87.5 million, and paid in full using Parent funds. The Group has subsequently arranged bank borrowings totalling Euros 50 million with Caixabank in order to finance this acquisition. At the date these consolidated interim financial statements were authorised for issue, the Group does not have sufficient information in order to present the main effects deriving from this business combination.

- On 15th July 2015, as authorised by the shareholders at their Annual General Meeting held on 28 April 2015, the board of directors of the Parent agreed to increase the share capital of Lar España through the issue of 19,967,756 new ordinary shares, with a par value of Euros 2 each plus a share premium of Euros 4.76 per share, for a total issue price of Euros 6.76 per new share. As a result, the effective amount of the share capital increase will total Euros 134,982,030.56.

- On 20th July 2015 the Company reached an agreement with OCM Gaudí Master Holdco BV for the purchase of 100% of the share capital of Elisandra Spain VIII, S.L.U., the owner of a shopping centre that includes 14 single-tenant commercial premises with a gross leasable area (GLA) of 44,512 m2 and a set of single-tenant commercial premises that includes 59 premises, with a gross leasable area (GLA) of 19,395 m2, both located within the real estate development Megapark Barakaldo (Biscay). This operation is expected to be completed in October 2015 for the sum of 170 million Euros.

- On 23rd July 2015, the Parent, through its subsidiary company Global Misner, S.L.U., entered into an agreement with Galaria Superficie Comercial Pamplona, S.L.U., for the purchase of two single-tenant commercial permises at Parque Galaria (Pamplona), with a gross leasable area (GLA) of 4,104 square meters. The agreed amount of the purchase has been 8.4 million euros.

- On 3rd August 2015, the Company, through its wholly owned subsidiary Global Regimonte, S.L., entered into an agreement with ACTIVIDADES INTEGRADAS URBANÍSTICAS S.L. Urban Developer of the PAI for macrosector-IV and the adjoining PGOUs belonging to Sagunto for the acquisition of a 120,000 sqm plot in macrosector-IV- Sagunto (Valencian Community), on which the retail complex "Cruce de Caminos" is expected to be developed, with a 45,000 sqm gross leasable area (GLA). The complex will comprise a shopping centre of approximately 20,000 sqm (with a hypermarket and a shopping arcade) and a retail park of 25,000 sqm with specialized "big-boxes". This project, which forms part of the pipeline under exclusivity referred to in the capital increase prospectus registered with the CNMV on 16 July 2015 under "Real Estate Portfolio - Pipeline under exclusivity", is expected to be completed between the end of 2016 and spring 2017, at a total cost of 53 million Euros, of which 14 million Euros are from the plot's acquisition price, and the remainder, from the development of the project.

- On 6th August 2015, the Company finalized its share capital increase for which 19,967,756 new ordinary shares were subscribed for a total issue price of Euros 2 each plus a share premium of Euros 4.76 per share, for a total issue price of Euros 6.76 per new share. As a result, the new ordinary shares subscribed amount to gross proceeds of Euros 134,982,030.56. The new ordinary shares were duly registered with the Commercial Registry of Madrid on 7th August 2015. The new ordinary shares started trading in the Spanish Stock Market on August 10th 2015.

(22) Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Lar España Real Estate SOCIMI, S.A. and subsidiaries

Consolidated Management Report for the period of six months ending on 30th June 2015

1. The Group's Situation

1.1 Situation of the property market

<u>Office Market</u>

- **<u>Madrid</u>**

At 30 June 2015 the office rental market in the centre of Madrid showed a positive evolution in terms of income levels in the CBD area, with an increase of 1.0% over the first quarter of 2015, in the secondary area the rents have experienced an increase of 1.7% .

The gross take-up in the second quarter is 106,435 m2, up 56% on the first quarter of the year.

At 30th June 2015, the vacancy rate in the CBD area was 7.7%.

The prime rent in Madrid is 26.0 EUR / m2 / month.

- **<u>Barcelona</u>**

During the first half of 2015 rents in the centre of Barcelona have undergone an increase of 6% due to the lack of high quality offer.

In Paseo de Gracia and Diagonal prime rent has reached 19.0 EUR/m2.

The gross "Take up" at 30 June 2015 was 106,435 m2, which represented an increase of 56% compared to the first semester.

At 30 June 2015, the vacancy rate in Paseo de Gracia and Diagonal was 7.25% and 11.24% in the city centre.

<u>Logistics market</u>

The investment volume has increased from 38 million Euros in the first quarter of 2015 to over 290 million Euros at the second quarter as a result of the entry of major institutional investors and newly established SOCIMI (a type of REIT).

Profit levels in prime zone have remained in a 7%.

The "Take up" has decreased in Madrid and Barcelona.

Residential market

According to the latest statistics published by the INE (Spanish Statistical Office), prices in the residential market grew by 1.5% this year. Within this increase it is worth highlighting an increase of 4% in the prices of new housing and a 1.1% in the prices of second-hand housing.

There have been new housing developments, especially in Madrid and Barcelona, cities in which the built residential property market is limited.

Shopping centres

According to the latest report published by the INE on 30 June 2015, the national occupancy rate has increased along this year by 0.8%.

This trend has been fuelled by an increase in sales in shopping centres of 1.2%.

The general retail trade index rose by 3.2% along 2015, with the most favoured sectors being: personal accessories (2.3%), home accessories (4.0%) and others (2.4%).

Consumption in Spain is rising, experiencing an improvement over 2014.

Investment Market

The market has become more competitive due primarily to the following factors:

- Emergence of new SOCIMIs (Listed Public Limited Investment Companies in the Real Estate Market) competing in some asset classes.
- Stock market transactions undoubtedly comprise the main activity in the first half of 2015, with IPOs and capital increases.
- Growing entry into the Spanish market of international investors looking for opportunities.
- Financing is improving with regard to the loan to value ratio (LTV) and cost.
- There is no property market available for the excessive sales during this business year, especially with regard to the office sector.

The capacity for asset management and market access will be key in the coming months to better estimate the performance of the Spanish real estate sector.

These trends have not changed the initial plans regarding the schedule of investments or their expected profitability.

1.2 Organizational Structure and Operation

The Group is a recently created group of companies with an outsourced management structure. It has appointed Grupo Lar Inversiones Inmobiliarias, S.A. as the exclusive manager, a company with over forty years' experience in the housing market and a long history of creating value during several real estate cycles in recent decades by means of alliances with some of the most renowned international investors.

The Company's Board of Directors' main responsibilities are the establishment of the investment strategy, the allocation of resources, risk management and corporate governance, as well as accounting and financial reporting.

The Group works mainly with three types of assets:

- Shopping centres: rental of business premises and megastores.

  The Group focuses its strategy on seeking for shopping centres with strong potential growth and shortcomings in asset management, particularly those where there is an opportunity for replacement or expansion.

  The Group intends to continue investing in megastores in good locations and offer appropriate transport infrastructure.

  In order to make these investments, the Group will assess the possibility of signing joint ventures, in order to limit the risk of asset concentration and gain access to larger shopping centres.

- Offices: office rental business.

  The Group mainly focuses on the markets of Madrid and Barcelona, where the interest of institutional investors is concentrated and where there is the most liquidity. The Group's strategy is to invest in properties that have already been built, in their rehabilitation and upgrading of their facilities and occupancy.

- Logistics: logistical warehouse rental business.

  The Group aims to invest in large warehouses located within logistics platforms with good road connections and major tenants. It also intends to invest in assets and locations where rents are expected to grow.

To a lesser extent, the Group also invested in the residential market, with a particular focus on first homes located in the most consolidated areas of the largest cities in Spain. The Juan Bravo project, which was acquired in the first quarter of 2015, is proof of this type of investment.

The Group's investment policy focuses mainly on:

- Investment opportunities in medium-sized assets that offer great potential for management, avoiding the segments where there is more competition.

- Risk diversification, expanding in Spain mainly in investment in shopping centres, whilst investments in offices and logistics buildings are mainly in the areas of Madrid, Barcelona and to a lesser extent in large cities such as Valencia, Seville etc. and with regard to the residential market (first home), in the main towns and areas of the market where supply is limited. This will allow it to have a diversified portfolio both with regard to asset types and locations.

The company has a robust pipeline; as a result investment plans will be achieved as expected. For more information on business lines and geographical areas, see Note 21 of the consolidated report.

2 Evolution and business results

2.1 Introduction

At 30th June 2015, the Group's ordinary revenue amounted to 14,116 thousand Euros for the business in which the Group is engaged, i.e. the rental business.

During the first six months of 2015, the Group has incurred other expenses of Euros 6,055 thousand, which mainly comprise fees for management services rendered by Grupo Lar Inversiones Inmobiliarias, S.A. to the Company (Euros 1,936 thousand) and professional services (accounting and legal advisory, audit, asset appraisal) of Euros 1,393 thousand.

Operating income before revaluations, provisions and interest (EBITDA) is 8,301 thousand Euros.

The revaluation of investment property, in accordance with the independent appraisal carried out by Cushman & Wakefield and Jones Lang LaSalle at 30 June 2015, has been Euros 12,470 thousand.

The Group's rental business at the end of the first half of 2015 has been valued by the same independent appraisers mentioned in the preceding paragraph at 485,916 thousand Euros. The appraisal values are updated every six months, based on the market's best practices.

The financial result presents a loss of 1,972 thousand Euros (excluding profit / (loss) from the investments recorded using the equity method).

The Group's profit for the year amounted to 19,346 thousand Euros.

It is worth highlighting the following by business area:

- A significant percentage of the Group's revenues derived from income from shopping centres, which made up 64% of total revenues compared to 22% and 17% made up by offices and logistics respectively.

- Over 63% of the rental income from shopping centres came from the Anecblau centres, Albacenter and Txingudi.

At 30th June 2015, across the whole business the Group had an occupancy rate of 93.9% of the gross leasable area (GLA), with an occupancy rate of 91.7% in shopping centres, 79.2% in offices and 100% in logistics centres.

At the end of the first half of 2015, the Group had a portfolio of property projects for rental made up of nine shopping centres (127,979 m2), five office buildings (50,342 m2) and five logistics warehouses (161,840 m2). In total they added up to a gross leasable area of 343,812 m^2.

2.2 Other financial indicators

At 30th June 2015, the Group had the following financial indicators:

- Working capital of 116,948 Euros.
- Liquidity ratio of 9.9.
- Solvency ratio of 1.2.

These ratios have very high values, meaning that the Group has sufficient liquidity and a high safety margin for meeting its payments.

The ROE ("Return on Equity"), which measures the Group's profitability as a percentage of its shareholders equity, amounts to 8.95%; whilst ROA ("Return on Assets"), which measures the efficiency of the Group's total assets regardless of the sources of financing used, i.e. the ability of a company's assets to generate income, is 5.63%. (ROA and ROE ratios have been annualized)

2.3 Questions related to the environment and staff

The Environment

The Group carries out operations to prevent, reduce or repair any damage done to the environment as a result of its activities. However, given their nature, the Group's activities have no significant impact on the environment.

Staff

At 30th June 2015 the Company had 3 employees.

3 Liquidity and Capital Resources

3.1 Liquidity and Capital Resources

The Company obtained liquidity primarily by issuing 40,030,000 shares of Euros 2 par value each, plus a share premium of Euros 8 per share in March 2014, and the placement of bonds totaling Euros 140,000 thousand in February 2015.

At 30th June, the Group's financial debt amounted to 99,885 thousand Euros. This level of indebtedness is due to the acquisition during the business year of the Egeo office building, the property at Juan Bravo 3 and the shopping centres Nuevo Alisal and As Termas.

The Group aims to match the maturity of its debt to its capacity to generate cash flows to meet it.

3.2 Analysis of contractual obligations and off-balance sheet operations

The Group does not have any contractual obligations that involve a future outflow of liquid resources at 30th June 2015.

At 30th June 2015, the Group has no off-balance sheet transactions that have had or are likely to have a significant effect on the Group's financial position, the structure of its income and expenses, the results of its operations, its liquidity or its capital costs.

4 Main risks and uncertainties

See note 14 of the consolidated report.

5 Important events that occurred after the end of the business year

See note 21 of the consolidated report.

6 Information regarding the expected evolution of the Group

The prospects of the rental market in Spain are described below:

- 2015 is expected to be a year of consolidation and subsequent improvement of the activities of the Spanish property market in general.
- The price of homes in Spain is expected to rise by 2.5% in 2015 and up to 4% in 2017.
- Divergences in price, profitability and availability between different areas will be contemplated.
- Furthermore, an increase in supply is expected in the rental market as a result of the disposal of assets acquired by investors at the time of the floor in prices in the sector.
- Regarding the evolution of prices, they are expected to increase whilst there is expected to be a decline in profitability in the prime areas of Madrid and Barcelona, as a result of the low supply of premium assets and increased demand, particularly amongst institutional investors.

We are confident that the Group will be able to continue to progress positively in the business years 2015 and beyond with the reserves based on the current situation.

Please refer to paragraph 1.2 of this report regarding the investments that the Group plans to make in the future.

7 R+D+i Activities

Given the characteristics of the companies that make up the Group, as well as its activities and structure, the Group does not normally carry out research, development and innovation activities.

8 Acquisition and disposal of treasury stock

With regard to transactions with treasury stock, see Note 9.c.iii) of the consolidated report.

The acquisitions were carried out within the framework of a discretionary management contract for treasury stock which was communicated to the CNMV (National Securities Market Commission) in accordance with the recommendations issued by that body on 18th July 2013.

At 30th June 2015, the parent company had no treasury stock.

At 30th June 2015, the share price stood at 9.90 Euros.

9 Other relevant information

9.1 Information related to the Stock exchange

The initial share price was 10 Euros and its nominal value at the end of the first half of 2015 was 9.90 Euros. The average price per share was 9.55 Euros.

The Group does not currently have any credit rating provided by the major international rating agencies.

9.2 Dividend Policy

See Note 9.d) of the consolidated report regarding the dividend policy

Preparation of the Interim Condensed Consolidated Financial Statements corresponding to the period of six months ending on the 30th June 2015

The Directors of Lar España Real Estate SOCIMI, S.A. met on the 28th August 2015 and, in accordance with the requirements established in Articles 253 of the Consolidated Text of the Capital Companies Act and Article 37 of the Code of Commerce, proceeded to draw up the Consolidated Interim Financial Statements for the period of six months ending on 30th June 2015. The Interim Condensed Consolidated Financial Statements are made up of the attached documents preceding this text.

Signatories:

Jose Luis del Valle Doblado (Chairman)	Alec Emmott
Roger Maxwell Cooke	Pedro Luis Uriarte Santamarina
Miguel Pereda Espeso	

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES

Mr, José Luis del Valle and Mr, Juan Gómez-Acebo, in their capacities as Chairman and Secretary to the Board of Directors of the Parent, respectively, certify:

(i) That the Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2015 have been approved, authorised for issue and signed by all Directors of the Parent during the Board meeting held on 28 August 2015.

(ii) That the attached copy of the Financial Statements is identical to that signed and authorised for issue by the Board of Directors.

Mr, Jose Luis del Valle Doblado (Chairman)	Mr, Juan Gómez-Acebo (Non-director Secretary)