



EXPLANATORY NOTE FOR ITEM ONE ON THE AGENDA

The Board of Directors of Lar España Real Estate SOCIMI, S.A. ("**Lar España**" or the "**Company**") has requested the General Extraordinary Shareholders Meeting an authorization for the acquisition by the Company of 41.22% of the shares of Puerta Marítima Ondara, S.L. ("**PMO**"), company owner of the shopping center Portal de la Marina, held by the investment manager Grupo Lar Inversores Inmobiliarias, S.L. (the "**Investment Manager**" or "**Grupo Lar**") through one of its subsidiaries (the "**Transaction**").

There might be concerns as to whether the information provided to shareholders is sufficient to analyze and value the Transaction.

In this context, Lar España would like to provide additional information to shareholders in order to allow a proper analysis of a Transaction that the Board of Directors considers to be an excellent investment opportunity for the Company.

1. Transaction rationale

The investment strategy of the Company includes, among others, (i) the acquisition of selective properties such as shopping centers and retail parks with a confirmed catchment area expected to be consolidated through an improved tenant mix or with upside potential for repositioning, extension and development; and (ii) the intense asset management through vacancy reduction, increase in turnover rents and mall income as well as a reduction of non-recoverables.

In this context, Portal de la Marina Shopping Centre perfectly suits the investment strategy of the Company and represents an excellent investment opportunity for Lar España:

- It has had a very positive performance during the first 9 months of 2015. The number of visitors has increased 6% during this period and sales have grown over 15%, both magnitudes are significantly above market average. Important retailers like Cortefiel and H&M have recently opened or extended their agreements.
- The shopping center does not have ordinary debt.
- Furthermore, the Transaction, together with the acquisition of the hypermarket carried out in June 2015, will allow the Company to consolidate the ownership of

Portal de la Marina Shopping Centre, granting full control, more flexibility in decision-making and a greater potential. This is an essential benefit that will boost the implementation of ambitious management plans for the improvement of the asset in the near future, in addition to synergies that will provide higher value and greater liquidity at exit.

2. Valuation process

Lar España and Grupo Lar jointly asked for a property valuation of Portal de la Marina shopping center to three external independent valuers (Cushman & Wakefield, JLL and EY).

On the basis of the aforementioned valuations, EY calculated the value of 100% of the shares of PMO. Afterwards, taking into consideration (i) the shareholders agreements in place between the parties; (ii) the marketability restrictions of the shares; and (iii) the impacts of selling a minority stake, EY provided with the value for the minority stake (41.22%) of Grupo Lar.

As a result of the above, EY noted two discounts to be taken into consideration due to marketability restrictions under the shareholders agreement currently in force: (i) a 2% discount due to a lock-up period only applicable to Grupo Lar; and (ii) a 6% discount due to another lock-up period applicable to both parties.

On the basis of the calculations referred in the previous paragraphs Lar España and Grupo Lar agreed:

- (i) To set Portal de la Marina value as the average of JLL and CW valuations, excluding the highest asset valuation provided by EY.
- (ii) To implement the 2% discount, that is the one applicable only to Grupo Lar.

	EY	CW	JLL	Average(1)	Average(2)
	Thousands of Euros			Thousands of Euros	
Asset Value	95,160	83,000	84,730		
Value of 100% of the shares without adjustments	43,815	34,948	36,210	38,324	35,579
Grupo Lar Stake	41.22%	41.22%	41.22%	41.22%	41.22%
Value of Grupo Lar stake without adjustments	18,061	14,406	14,926	15,797	14,666
Discount due to marketability restrictions (2%)	361	288	299	316	293
Net Value after adjustment	17,700	14,118	14,627	15,481	14,373
(1) Average value taken into account EY, CW and JLL valuations					
(2) Average value taken into account CW and JLL valuations					



Thus, the agreed value of the minority stake of Grupo Lar (41.22%) amounts to **EUR 14,373,000** as proposed by the Board of Directors to the General Extraordinary Shareholders Meeting. This **price will be paid in cash with the funds of the company**.

3. Comparison between the asset value basis for the acquisition of the 58.78% stake and proposed Transaction

The asset value taken into account for the acquisition of the 58.78% stake was approximately EUR 47.6 Million.

The asset value taken into account for the acquisition of the 41.22% stake is approximately EUR 34.56 Million.

The overall asset value of Portal de la Marina would be **EUR 81.56 Million**.

	Basis for the Acquisition of 58.78% (October 2014)	Basis for the Acquisition of 41.22% (September 2015)
Market value-CW (Thousands of Euros)	-	83,000
Market value-JLL (Thousands of Euros)	-	84,730
Asset value	81,000	83,865
Price psm (Euros)	2,692	2,787
Entry yield (%)	6.70%	6.67%
NOI Year 1 (Thousands of Euros)	5,424	5,591

Madrid, 4 December 2015