



*Real Estate*

# 2014 ANNUAL REPORT

# Contents

1

2

3

4

**1.1**

Letter from the  
Chairman  
p. 4

**1.2**

Key Figures  
p. 8

**Market Context**

p. 10

**2.1**

Economy  
p. 12

**2.2**

Investment Market  
in Spain  
p. 13

**2.3**

Office Market  
p. 15

**2.4**

Retail Market  
p. 16

**2.5**

Logistics Market  
p. 17

**2.6**

The Residential  
Market  
p. 18

**Who We are and  
What We do**

p. 20

**3.1**

Company Strategy  
and Positioning in the  
Real Estate Sector  
p. 22

**3.2**

Grupo Lar as  
Manager of Lar  
España  
p. 28

**Main Events**

p. 32

5

6

7

8

9

**Portfolio**

p. 14

**Corporate  
Governance**

p. 56

**Risk  
Management**

p. 68

**Financial  
Information**

p. 72

**EPRA  
Information**

p. 89

**8.1**

ICFR

p. 74

**8.2**Consolidated  
Financial Statements  
as at 31.12.14 (IFRS)

p. 78

**8.3**Individual Financial  
Statements as at  
31.12.14 (Spanish  
GAAP)

p. 82

**8.4**Proposed Dividend  
(Spanish GAAP)

p. 85

**8.5**Company Chart  
31.12.14 / 15.04.15

p. 87





**Mr. José Luis del Valle Doblado**  
Chairman



After raising €400 million from institutional investors, LAR ESPAÑA began to operate as a listed company on the Spanish Stock Exchanges on 5 March 2014, SOCIMI of reference in Europe for asset management.

Since then, the company has completed acquisitions worth €526 million, placing more than 30% of the funds acquired from the IPO. The properties acquired have been hand picked one by one and stand out for their quality, initial yield and potential value uplift via active management. Lar España has also set itself apart from the rest due to its innovative ability to acquire non-bank financing, thanks to its placing of the first bond issued by a Spanish SOCIMI.

Lar España's listing on the Stock Exchange was the first after three years of no listings and seven since the previous listing of a real estate company. Its foundations were the positive outlook of the real estate market that began in the second half of 2013. And the fact that there were attractive opportunities in the market related to under-managed or out-dated assets, due to the long crisis. The first signs of a recovery in the real estate sector were confirmed in 2014, both in terms of the number of transactions completed, rental corrections bottoming out and the stabilisation and increase in take-up. This recovery was aided by six years of price and rental corrections, the improvement of the Spanish economy, overseas investor confidence in Spain and access to bank and non-bank financing.

In this new property cycle, the past experience and skills of the manager will be key, as the real estate market recovery will be asymmetrical: the market

will be the same for all investors, but the acquisition and subsequent management of the assets will separate the wheat from the chaff. Putting this type of management in place is not always straightforward; it requires the right professionals and resources. In order to successfully manage multidisciplinary problems. Lar España was founded on this approach and its strategy is based on capitalising as much as possible on all of the resources, experience and skills of Grupo Lar, the sole manager for Lar España.

Over this time, we have been able to invest in high quality consolidated assets with higher yields than those of our competitors. This has been aided by our strategy of acquiring properties one by one, after carrying out an in-depth analysis of each transaction, and rejecting more uncertain routes, such as purchasing whole property portfolios. What justifies the purchase of these properties for a manager like Grupo Lar is their potential for improvement. The implementation of ad-hoc business plans by the manager, via the active management of the properties, will significantly increase their value.

In short, we believe that we set up our project at the optimal moment, when there was a good supply of appealing properties on the market at attractive prices, coupled with a good macroeconomic outlook.

As previously mentioned, over its first year, Lar España has demonstrated its ability to innovatively raise non-bank finance, becoming the first SOCIMI to issue a corporate bond, on highly advantageous terms. Its principal will mature in one bullet payment



in 2022, its cost is attractive for the company and is flexibly structured in order to allow Lar España to develop its investment and business plan, with the potential for additional leveraging. Our debt structure has a target of around 50% LTV which will allow us to minimise the cost of capital in our investment transactions, in order to offer the best combination of risk and return to our investors.

At the General Shareholders Meeting, Lar España will also submit for approval its first dividend pay of 0.033 euros per share, based on the 2014 financial results. Lar España intends to offer an ever more attractive return to shareholders, thanks to the high initial yield at which its income-producing properties were acquired, an efficient management of those assets and the profits that will be generated by the

final sale of the residential development that will be developed over the next few years on the plot of land at Calle Juan Bravo 3 of Madrid.

Lar España has become the leading SOCIMI in shopping centre investment, via the acquisition of 7 shopping centres and 2 retail parks. These are the most complex assets to manage, as they require teams and resources that very few operators are capable of providing in order to ensure the success of the investment. Hence it is the asset class where the greatest risk and return opportunities have arisen for Lar España. Its manager Grupo Lar's proven track record in managing these types of properties, provides a unique opportunity to gain the maximum potential out of these investments. In addition, we are entering this market at the

optimal moment in terms of a recovery in private consumption in Spain and a recovery in investments made by retailers. Having the largest shopping centre manager in Spain, Gentalia, helping to manage these properties is also a major added value for our shareholders.

We have also made significant investments in the office sector, all of which have been in Madrid. The assets acquired are consolidated properties in their respective submarkets and have strong uplift potential, both in terms of the business activity started this year, as well as in terms of the active management of the properties in order to make them more appealing, improving the tenant mix, and increasing rents and occupancy. This is a highly attractive segment for our investors, due to the risk return ratios that these types of properties bring to the portfolio. Consequently, we will continue to invest in this segment in the future.

In terms of logistics, we acquired two industrial warehouses near Guadalajara on very favourable terms. The characteristics of the properties make them ideal investments for our vehicle, given that they generate high yields and have very stable tenants and lease agreements in place.

Our management strategy will raise the current rents and boost the yield in relation to purchase price. This rental growth will translate into higher values for the properties, which at the same time will benefit from the upswing in the property cycle.

Finally, as previously mentioned, Lar España has invested in a residential development at Calle Juan Bravo 3, in the heart of Barrio de Salamanca. This is a unique location in the Spanish capital, due to the lack of other exclusive new-build housing in the

area, and for the extensive amount of demand for this type of residential product.

It has been an extremely active first year for the company, both from an investment, as well as a property management point of view. It has also been extremely exciting. We at Lar España would like to thank the investors for putting their trust in the company and assure them of our excitement and confidence in the success of this great project that we have undertaken together less than one year ago.

**Mr. José Luis del Valle Doblado**

**Chairman**

*April, 2015*





## Consolidated Income Statement

31 December 2014

EBITDA	1,926	K Eur
Recurring EBITDA <sup>(1)</sup>	4,523	K Eur
IFRS Net Profit	3,456	K Eur
IFRS Earnings per share	0.09	Eur

(1) Excludes non-recurring expenses.

## Financial Indicators

31 December 2014

Working Capital	52,380	K Eur
Liquidity Ratio	11.8	
Solvency Ratio	1.1	
Leverage <sup>(2)</sup>	16.6	%

(2) Bank Debt (Egeo, Nuevo Alisal, Portal de la Marina)/  
Total Investments.

31 December 2014

GLA	Portfolio Market Value	EPRA NAV	Dividend per share
263,363 sqm	406.0 <sup>(3)</sup> M Eur	389.9 M Eur	0.033 Eur

(3) +1.8% of asset revaluation in just 3.7 months of average holding period, weighted by capital invested.

## Investment Plan ahead of expectations

15 April 2015

Eur 400m raised in IPO

Eur 526m in assets already acquired

Eur 750m target w/50% LTV

c. Eur 526m of assets acquired  
in 13 months, 30% above the  
IPO target.

c. Eur 224m

30% of the total expected  
investment to be  
accomplished in  
45% of the time.

- Shopping Centres
- Retail Warehouses
- Offices
- Logistics
- Residential

## Attractive Off-market and diversified Investments

31 December 2014

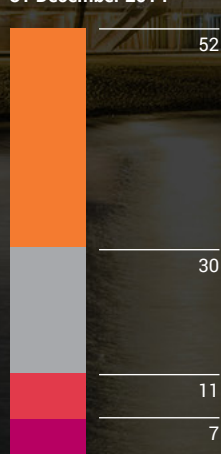
Asset Class	Units	Acquisition Price M €	Lettable Area sqm	Avg. Initial Occupancy %	Avg. Initial Yield on cost %	Avg rent/month €/sqm
Shopping Centres	6	206.9	90,503	91.5	6.5	15.0
Offices	4	120.8	41,732	94.7	5.8	14.2
Logistics	2	44.9	119,147	100.0	10.0	3.4
Retail Warehouses	2	26.1	12,039	100.0	7.0	14.0
<b>TOTAL</b>	<b>14</b>	<b>398.7</b>	<b>263,363</b>	<b>-</b>	<b>6.7</b>	<b>-</b>

15 April 2015

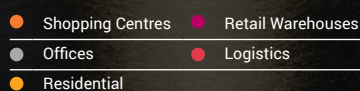
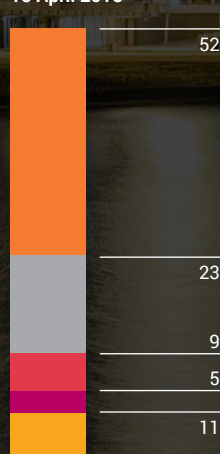
Asset Class	Units	Acquisition Price M €	Lettable Area sqm	Avg. Initial Occupancy %	Avg. Initial Yield on cost %	Avg rent/month €/sqm
Shopping Centres	7	273.9	123,654	91.5	6.4	14.2
Offices	4	120.8	41,732	94.7	5.8	14.2
Logistics	2	44.9	119,147	100.0	10.0	3.4
Retail Warehouses	2	26.1	12,039	100.0	7.0	14.0
Residential	1	60.0	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>16</b>	<b>525.7</b>	<b>296,572</b>	<b>-</b>	<b>6.7</b>	<b>-</b>

### Asset Distribution by Acquisition Price %

31 December 2014

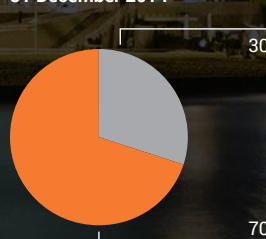


15 April 2015

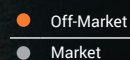
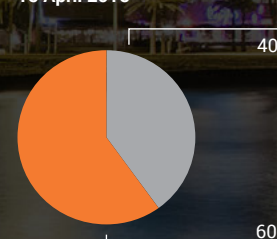


### Mostly Off-Market Acquisition %

31 December 2014



15 April 2015





# 2





# Market Context

---

## 2.1

Economy

---

## 2.2

Investment Market in Spain

---

## 2.3

Office Market

---

## 2.4

Retail Market

---

## 2.5

Logistics Market

---

## 2.6

The Residential Market

---



Shopping Centre  
As Termas  
(Lugo)



## 2.1 Economy

Signs of a consolidated improvement in the Spanish economy are beginning to emerge. This trend is expected to continue in 2015, thanks to greater confidence in the economic outlook and more favourable financing conditions, as well as the decrease in the euro exchange rate and the fall in oil prices.

In general, Spain's economic growth is being bolstered by an increase in private consumption, which is being driven by favourable monetary and financing conditions and an increase in disposable income, both due to the continued increase in the job market, as well as low inflation.



### GDP

2014 ended with GDP growth of 1.4%. The Bank of Spain forecasts that the Spanish economy will see GDP growth of 2.8% by the end of 2015 –up on the previous estimation (0.8%)– and 2.7% for 2016.



### Financial conditions

The yields on 10-year Spanish bonds on secondary debt markets continue to fall and now stand at an all-time low, which has also allowed the Spanish sovereign risk premium to fall significantly.



### Private consumption,

Over the start of 2015, household consumption continued to grow in line with figures seen over the last few months of 2014 (+2.7%), when household spending was given an additional boost by the increase in purchasing power (+1%).



### Job market

The job market is expected to recover in line with the improvement in economic activity. By the end of 2014 the number of people in work grew by 433,900 people, which equated to a y-o-y increase of 2.53%. The unemployment rate stood at 23.70%. In the first two months of 2015 the unemployment rate fell slightly faster, to a y-o-y decrease of 6.2% in February. The unemployment rate could fall to 22.2% by the end of 2015 and to 20.5% in 2016.



### Inflation

The rate of inflation in Spain over the past few months has been similar to that of the Eurozone, with the inflation differential standing at 0.9% in favour of Spain in February, for the third consecutive month. Consumer price inflation –which is dependent on the change in oil prices– could fall by an average of 0.2% in 2015 and register an increase of slightly more than 1% in 2016.

## 2.2 Investment Market in Spain

The direct commercial property investment market ended 2014 with record figures, reaching €6,045 million. All sectors (offices, retail and industrial) registered **investment volumes** comparable to those of pre-crisis years. This figure was a 209% increase compared to the same investment figure in 2013, which amounted to €1,958 million of commercial property investment.

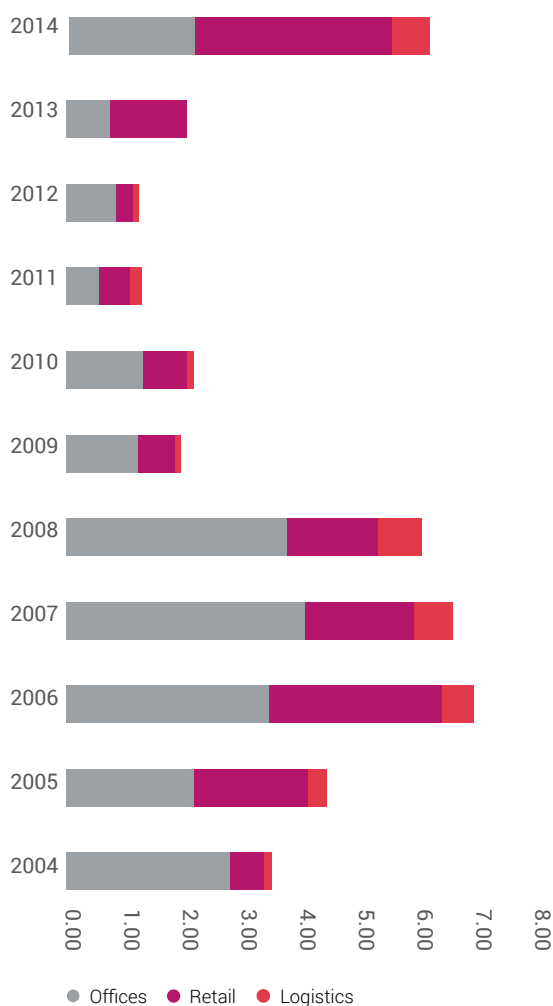
The **office market** reached €2,116 million of investment in 2014. The main players were SOCIMIs, which played a major part in investment over H2 2014, as well as investment funds and banks.

The **retail** sector achieved an investment volume of €3,344 million, which equated to 181% more than the year before, and is only comparable with the €3,098 million achieved in 2006.

Shopping Centres and Retail Parks were the investment stars, accounting for more than 80% of total investment volume (more than 1,400,000 sqm of GLA).

The **logistics** sector registered investment of €586 million, which was only bettered by the €780 million registered in 2008. The SOCIMIs added more than 400,000 sqm to their portfolios, accounting for 30% of investment.

**Investment by Asset Class**  
Thousands of millions Eur







There is currently strong interest in the **residential** investment market, both in terms of direct investment, as well as indirect via Non-Performing Loan portfolios (NPLs). In Q4 2014 international funds and other players showed significant interest in residential land. It is expected that this appetite for land will continue to grow during 2015.

At the start of 2014, the prime office **yield** in Madrid stood at 5.25%, thereby reaching a low not seen in Madrid since the start of the crisis. The continued yield compression for prime properties and the lack of investment opportunities for the large amount of demand looking for quality product, drove yields down quicker, both for properties in prime areas, as well as in periphery areas, with yields standing at 5% at the end of 2014. In Barcelona, buyer pressure pushed prime yields down and in H2 2014 they stood at 5.5% and then stabilised at the end of the

year, as long as the property 100% complied with the parameters required by core buyers.

The prime yield for **shopping centres** in 2014 ended the year at 5.5%, whilst the prime yield for **retail and retail warehouse parks** hardened to 7.10%. In 2015, they have continued to decrease to 5.25% and 6.75%, respectively.

Investors also opted for **logistics** properties and increased buyer pressure. This, in addition with the lack of supply, economic growth forecasts and the effect of international financial measures will drive yields down, in line with other European countries. The prime yield fell over the course of 2014 from 8% to 7.25%.

Yields in the **residential** market stood at around 3.50% for the super-prime area and 4% in the prime area.



## 2.3 Office Market

### Madrid

#### Rents

Prime rents rose over the course of 2014 from €24.25 per sqm/month in Q4 2013, to €25.50 per sqm/month by Q4 2014, which is a y-o-y variation of 5.15%. Prices in the remaining areas remained stable over the whole of 2014. However, in Q1 2015, the lack of product that meets occupiers' requirements in secondary areas has driven up rents, which had already been seen the CBD over 2014. In 2014, rental concessions began to fall in the best locations in the CBD.

#### Supply

There was a continued increase in the amount of available space on the market between 2007 and 2013, which then went on to lead to a phase of stability in 2014. The amount of available space remained virtually flat across the whole of the year, even slightly trending downwards. At the end of the year the vacancy rate stood at 12.08%.

#### Take-up

Take-up in 2014 exceeded 365,000 sqm, which is similar to the same figure in 2013. However, the largest transactions of the year were smaller than those registered in 2013, which, given that a similar amount of take-up was recorded, is an indication of a healthier occupier market. The signing of pre-lets in properties to be refurbished was the main form of large office take-up, which demonstrated the lack of large, good quality office spaces (more than 10,000 sqm) in the CBD, Secondary and Periphery areas.

### Barcelona

#### Rents

After seven years of rental corrections in Barcelona, prime rents began to increase in 2014. Prime rents increased over the course of 2014 from €17.50 per sqm/month in Q1 2014, to €17.75 per sqm/month in Q4 2014. In Q1 2015 rents of €18.00 per sqm/month have been achieved, meaning that rents have now turned the corner. This rental recovery has been confirmed in the transactions carried out in the best quality and best-located properties in the city. Upward rental pressure is also being seen in trophy properties in the City Centre and in the 22@ district in the New Business Areas, due to the lack of supply for large floor space requests.

#### Supply

The vacancy rate fell by almost two per cent over the course of 2014 (more than 100,000 sqm) to end the year at 12.8%.

#### Take-up

Office take-up in Barcelona exceeded 281,000 sqm in 2014, 51% more than in 2013, which confirms the progressive recovery of the lettings market. In Q1 2015, 70,500 sqm was signed, 16% more than in the same period the year before. Q4 2014 was the most active quarter of the year registering 105,500 sqm of office take-up, almost 80% more than the previous quarter.

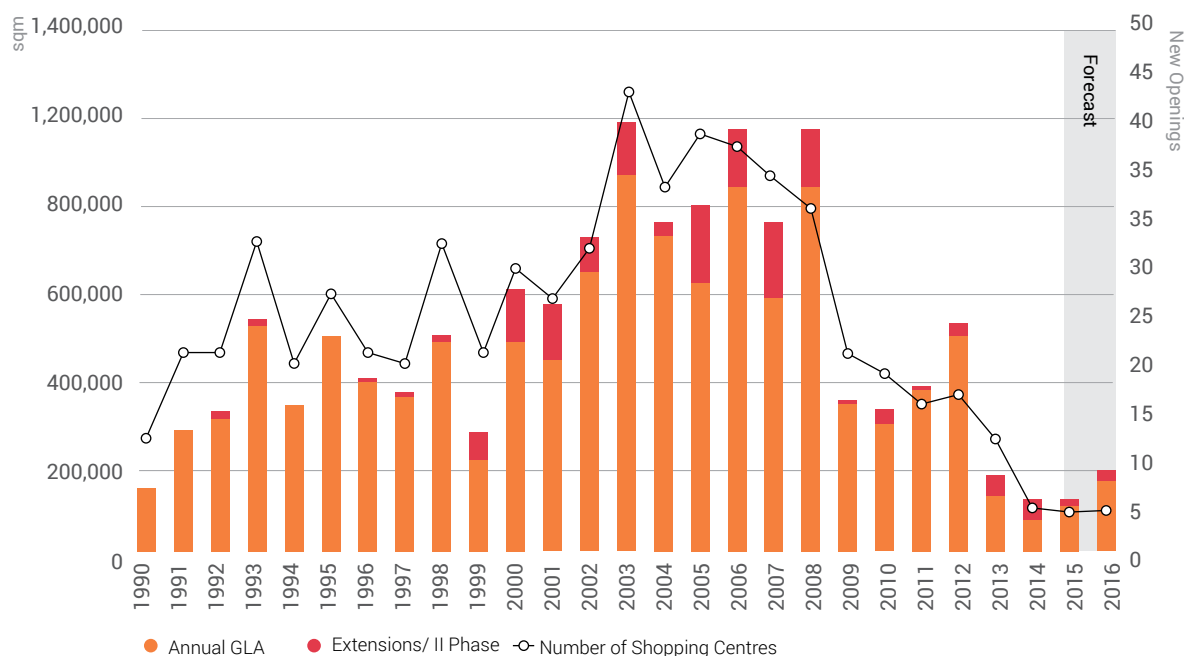


## 2.4 Retail Market

Prime **rents** in the Spanish Shopping Centre market did not change between 2013 and 2014, remaining at €1,020 per sqm/year. 143,949 sqm of new GLA was opened in 2014, of which 83,300 sqm were new Shopping Centres and Retail Parks, and 60,649 sqm related to extensions and second phases.

The overall **stock** of Centres and Retail Parks stands at 682, with a total GLA of 16,262,359 sqm. Hence, the average retail density in Spain stood at 356 sqm per 1,000 inhabitants. La Coruña, Álava, Cádiz, Las Palmas, Murcia, Valladolid and Zaragoza are the Spanish provinces with more than 500 sqm per 1,000 inhabitants and Gerona, Jaén, Lérida and Teruel, had the lowest densities of below 100 sqm per 1,000 inhabitants.

### Stock of Shopping Centres and Retail Parks



Madrid is the Autonomous Community with the largest amount of retail GLA, with a total volume of 3.2 million sqm, followed by Andalucía with 2.9 million sqm and the Comunidad Valenciana follows in third place with 2 million sqm.



## 2.5 Logistics Market

Available **supply** of logistics warehouses for immediate occupation in Spain fell gradually over 2014 to stand at around 1.7M sqm by the end of the year. Large transactions, both in Madrid, as well as in Barcelona, were the reasons for this change. The large transactions were spread across all of the tiers, with occupiers looking for good locations at very competitive prices. The lack of new-build speculative projects over the past few years helped to reduce the amount of available supply.

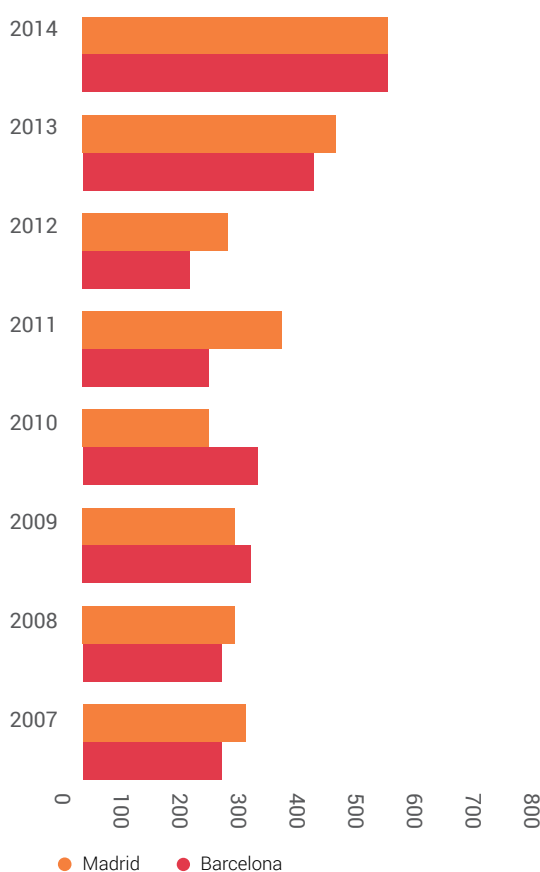
In Madrid there is virtually no **future supply** in prime areas to the south of Madrid, but there is beginning to be an increase in these types of products, primarily along the Henares Corridor, both under construction, as well as planned. This increase can be seen in Tier 2 and 3, and only 12% of the projects under construction are located in the Prime area.

It is estimated that around 960,000 sqm of logistics space was **taken-up** during 2014, 373,000 sqm in Madrid and around 320,000 sqm in Catalonia. These figures, which have followed the same line as seen in previous years, are beginning to show some form of recovery, especially in the Barcelona market, which remained robust for the fourth year in a row. The good figures registered in the Catalonia market were in large part due to the increase in logistics operator activity, which accounted for 51% of take-up.

In Madrid, big companies are requesting large spaces of more than 20,000 sqm. Out of the total take-up in Madrid across the whole of 2014, of more than 370,000 sqm, some 300,000 sqm were taken-up along the length of the Henares Corridor.

In terms of **rents**, the rental corrections seen since 2008 in Madrid, bottomed out in Q1 2014. However, the lack of available product on the market to meet occupier requirements, along with an upturn in demand, resulted in a slight increase in rents over the course of 2014.

**Take up**  
Thousands of sqm



The narrow gap between rents in different submarkets, attracted operators to move to locations closer to the city. The prime rent in Madrid in Q4 2014 stood at €4.70 per sqm/month.

In Barcelona the maximum prime logistics rent has begun to rise again after 6 successive years of corrections, and now stands at €6.50 per sqm/month.



## 2.6 The Residential Market

New-build housing **stock** stood at approximately 560,000 in 2014, circa 13% less than in 2009. The total number of second hand homes is estimated to stand at around one million.

Residential **transactions** grew by approximately 20% in Spain over 2014, primarily in relation to second hand homes which, in many cases, were in the hands of banks, SAREB, etc.

The increase in residential transactions was registered in areas with recovering economies, such as Madrid, Barcelona and the Costa del Sol, and in areas where there are large amounts of supply, where banks and developers are aggressively marketing their properties.

Overseas buyers are playing a key role in the Spanish residential market and now account for 13% of all transactions.

Generally speaking, sales **prices** have not seen any form of significant rise in 2014. The regions that are expected to see the largest amount of growth over the short term are the Canary Islands and the Balearic Islands, Madrid, Barcelona, the Costa del Sol and the Basque Country.

Source: JLL





3





# Who We are and What We do

---

## 3.1

Company Strategy and Positioning in the  
Real Estate Sector

---

## 3.2

Grupo Lar as Manager of Lar España



Office  
Cardenal Marcelo Spinola  
(Madrid)

## 3.1 Company Strategy and Positioning in the Real Estate Sector

### Who We are

We are a mid-cap REIT specialised in mid-size commercial properties, which is managed by Grupo Lar, one of the leading Spanish real estate investment, asset manager and developer groups, which is recognised around the world for its professionalism and expertise within the sector.

Lar España Real Estate SOCIMI, S.A. (hereinafter, Lar España) was the first Spanish REIT to list on the Spanish Stock Exchange and started trading on 5 March 2014.

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

During 2014 we acquired 14 assets (6 Shopping Centres, 2 Retail Warehouses, 4 Office Buildings and 2 Logistics Warehouses), for a total price of €398.7m. We would like to highlight two very important items in relation to our first nine months as a listed company:

- **+1.8% of asset revaluation in just 3.7 months of Average holding period, weighted by capital invested, demonstrating first signs of active asset management.**
- **Lar España's 2014 results have allowed us to be able to pay our first dividend, of 0.033 EUR per share, which paves the way for a highly competitive profit distribution policy in the future.**

In 2015, we have continued to look to acquire the best assets on the market in order to add value to our portfolio and deliver high returns to our shareholders. In fact, Lar España has already invested in 2 additional assets for €127m: a residential development at Calle Juan Bravo 3, in the heart of Barrio de Salamanca, the most exclusive neighbourhood in the centre of Madrid and As Termas, the leading Shopping Centre in Lugo.

Lar España has proven its ability to be innovative, as it was the first Spanish REIT to achieve financing in the Capital Markets via a Bond issue of €140m, on very attractive terms.

Thanks to this bond issue, Lar España will now benefit from a flexible balance sheet structure that provides visibility and stability to its value-added strategy and creates value for shareholders, increasing returns via financial management, in addition to pure property management.

# 14

**Assets  
acquired  
during 2014**

# €398.7m

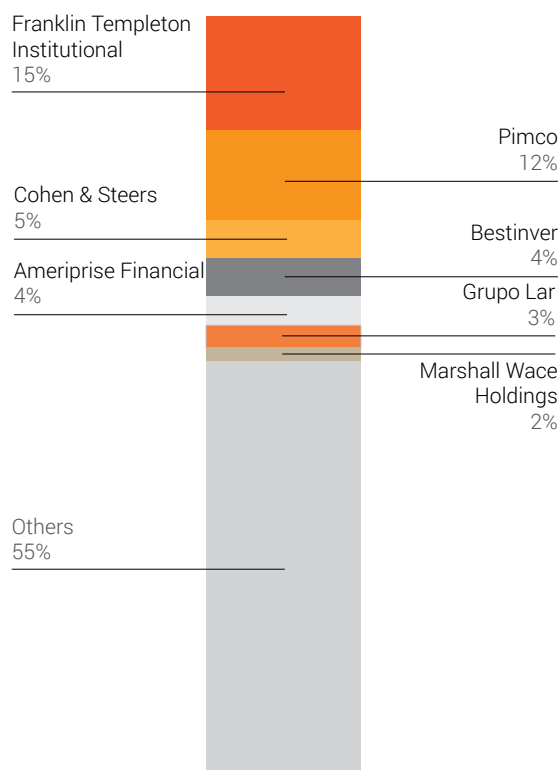
**Total price**

## Shareholders

As proof of our professionalism and knowledge, Lar España is extremely honoured to include some of the world's leading investment and financial groups as its shareholders, such as Franklin Templeton,

### Shareholders structure in April 2015

%

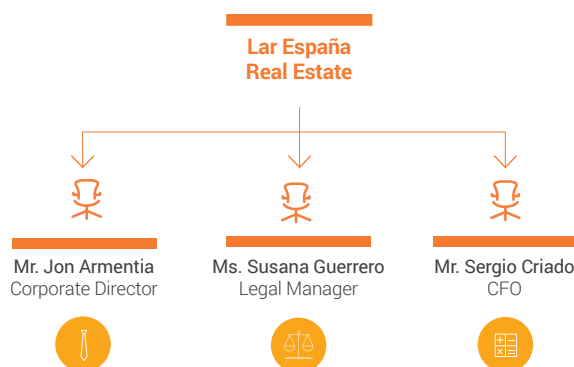


## Lar España Board of Directors and Management Team

The investment decisions of Lar España are taken by a Board of Directors comprised of 4 independent members and one proprietary member from Grupo Lar.

This, coupled with the quality and experience of its Directors is one of the factors that sets Lar España apart from the rest of its competitors. All of the members of the Board of Directors hold senior executive positions in listed companies in the financial and real estate sectors. (See additional information in section 6 – Corporate Governance).

The management team that runs Lar España is comprised of three people. The structure is detailed below:



## Others

Lar España aims to comply with the highest international standards of transparency, comparability and commitment. Hence, it is a member of EPRA, the leading international association that aims to provide comparable financial information between publicly-listed Real Estate companies. Lar España also collaborates with MSCI-IPD and forms part of its annual real estate index, IPD Spain Annual Property Index, which provides us with additional information and visibility of the real estate sector.



## What We do

Lar España invests in real estate assets across Spain, particularly focusing on Retail, Office, Logistics and Prime Residential assets in and around Madrid and Barcelona.

Lar España's strategy is to invest in mid-size commercial properties in very good locations and is open to the possibility of allocating up to 20% of GAV in to residential developments.

Lar España primarily invests in consolidated but undermanaged high quality commercial properties in Spain, in order to improve their cash flow and create value, in order to maximise shareholder returns. This is possible due to the highly talented and experienced professionals at Grupo Lar that apply an active asset management strategy to these investments.

Of particular note is the 6.7% Average Net Yield on Cost of the assets acquired that indicates the Manager's expertise in the Spanish real estate market and their thorough analysis of the deals proposed to them.

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

Today, we can proudly say that Lar España has 100% delivered on its investment strategy by adopting the guidelines put in place and displaying a high level of commitment to its shareholders.

Of particular note is the 6.7% Average Net Yield on Cost of the assets acquired that indicates the Manager's expertise in the Spanish real estate market and their thorough analysis of the deals proposed to them.

This is the highest average net yield on cost compared with all of its competitors and there is also ample room for asset management improvement, which will generate superior returns for shareholders.

Lar España is committed to delivering value to shareholders via an active asset management strategy of its carefully selected portfolio. This outstanding initial yield is thanks to our strategy of acquiring properties one by one, after carrying out an in-depth analysis of each transaction and rejecting more uncertain routes, such as purchasing whole property portfolios.



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

## Where We are going

Lar España is a long-term project: its goal is to become one of the most active REITs in Europe and become a benchmark for the sector. Although Lar España was founded at the optimal moment in the property cycle, after 7 years of a market in free-fall, it was not just founded in order to be an opportunistic play. It is primarily a challenging and thrilling project, which aims to be there for the duration. Its manager, Grupo Lar has been able to weather the worst of the crisis, thanks to its 40 year track record of international experience. Its quality, among other attractive characteristics, makes it a reliable partner to accompany it through the inevitable turbulences of future real estate cycles, whilst always taking Lar España's shareholders' best interests into consideration. The manager is aware of the importance of asset classes and geographical diversification and that a mid-term asset rotation is required, in order to prevent and cushion against real estate cycles.

From a more tactical point of view, Lar España is going to benefit from the favourable outlook over the upcoming years, due to the recovery and consolidation of the Spanish real estate industry, as well as improving financing conditions.

Improved financing conditions are enabling Lar España to be able to finance the acquisitions of its investment pipeline on very favorable terms. Leverage of its portfolio is set at a maximum LTV target of 50%, thereby boosting shareholders' returns. Lar España will continue to innovate, with newer and smarter ways of financing in order to bolster its value-added strategy and deliver on its business plan.

Lar España intends to offer a more attractive return to shareholders, thanks to the high initial yield at which its income-producing properties were acquired, the efficient management of its assets and the profits that will be generated by the final sale of the residential development that will be developed over the next couple of years on the plot of land at Calle Juan Bravo, 3 in Madrid.

Another important factor in order to develop the investment pipeline is the stability of the initial 5 year contract signed with the manager Grupo Lar, which has been exclusively mandated in order to manage the REIT.

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



## Share price evolution



## Key Market Indicators

Share Price	2014	YTD 15-04-2015	2014/YTD
Max	10.80	11.01	1.9%
Min	8.75	8.94	2.2%
Average Price	1.46	9.72	1.46%
Year End	9.18	10.94	19.2%
ADTV <sup>(*)</sup>	124,723.31	31,345.28	(74.9%)
Market Cap	367,475,400	437,928,200	19.2%
Number of Shares	40,030,000	40,030,000	-

\* Average Daily Trading Volume

Potential Return  
**11,9%**

### Analyst Recommendations

Broker	Recommendation	Analysis Date	Target Price
Ahorro Corporación	Buy	16/04/2015	11.10
Fidentiis Equities	Buy	26/03/2015	12.24
Banco Sabadell	Buy	23/03/2015	11.68
Santander	Buy	12/03/2015	11.71



## 3.2

## Grupo Lar as Manager of Lar España



[www.grupolar.com](http://www.grupolar.com)

Lar España has appointed Grupo Lar as its exclusive manager.

Grupo Lar is a seasoned, family owned, Spanish private Real Estate developer, investor and asset manager with a 40-year track record of international experience.

It has been able to weather the worst of the crisis thanks to its diversification and financial strength.



## Competitive advantages of Grupo Lar

### Stable Ownership & Governance

The Pereda Family owns 83% and the Special Situations Fund, managed by Proprium, holds 17%.

**Strong Corporate governance** regulations with 4 out of 10 Independent Directors, who are highly regarded individuals with extensive experience in the Real Estate and/or Financial sectors.

### Reliable manager and Partner of third party funds

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



One of the key differentiating factors within Grupo Lar's expertise is that it is the majority shareholder (66% shares) of Gentalia, the largest Retail property manager in Spain.

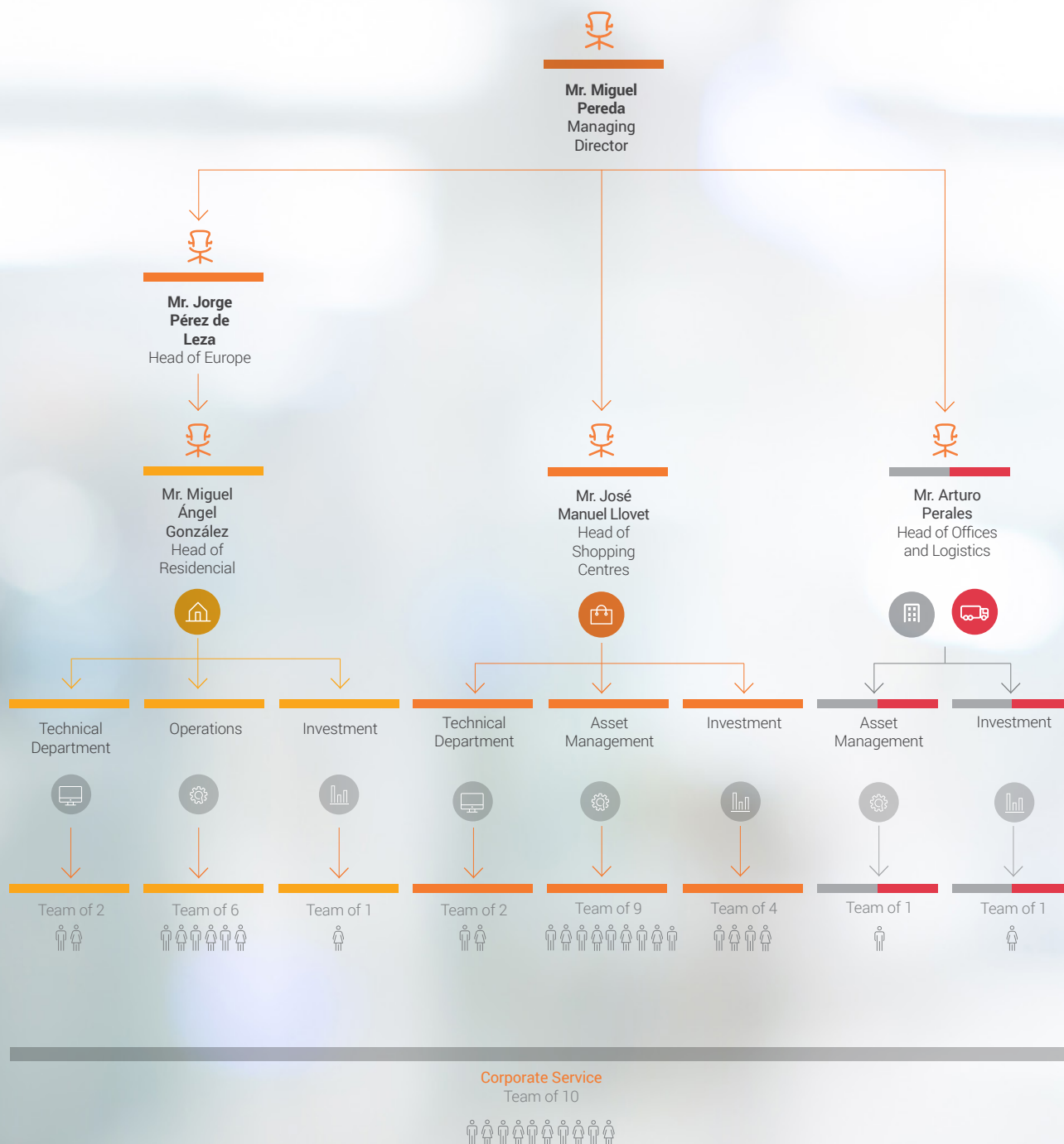
Gentalia



## Management team

**249 people in 7 countries** with Trainee Programmes in each country and talent selection processes in place to consolidate Middle Management.

The management team, which is fully implicated in the day-to-day running of Lar España, is as follows:



## Present in Europe and America (7 countries).

### Geographical Diversification

#### Weight of each country in the portfolio



### Product Diversification

Developers, Investors, and Asset Managers in  
Shopping Centres, Offices, Logistics and Residential.



# 4



Office  
Arturo Soria  
(Madrid)

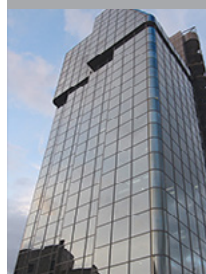
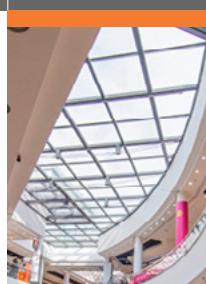






## Main Events



## Main Events




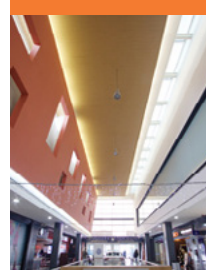
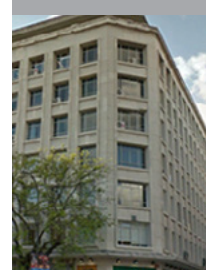
2014

IPO  
5  
March24  
MARCH29  
JULY30  
JULY31  
JULY7  
AUGUST13  
OCTOBERAcquisition  
Shopping Centre  
Las HuertasAcquisition  
Office Building  
Arturo SoriaAcquisition  
Shopping Centre  
AlbacenterAcquisition  
Shopping Centre  
Anec BlauAcquisition  
Logistics Warehouse  
Alovera IAcquisition  
Logistics Warehouse  
Alovera IIShopping Centre  
TxingudiRetail Warehouse  
VillaverdeOffice Building  
Marcelo Spinola

-  Shopping Centre
-  Retail Warehouse
-  Office
-  Logistics
-  Residential





30 OCTOBER	16 DECEMBER	17 DECEMBER	19 DECEMBER	23 DECEMBER
Acquisition Shopping Centre Portal de la Marina	Acquisition Office Building Egeo	Acquisition Retail Warehouses Nuevo Alisal	Acquisition Hypermarket Albacenter	Acquisition Office Building Eloy Gonzalo
				



FIRST SOCIMI TO LEVERAGE  
THROUGH A BOND ISSUE

12  
February

Size:

€140m



Maturity:

7 year

Coupon:

2.900% Fixed, annual Act/Act

2015

30 JANUARY	15 APRIL
Acquisition Residential Development Juan Bravo	Acquisition Shopping Centre As Termas
	

## 5

 Shopping Centre  
Portal de la Marina  
(Alicante)





# Portfolio







## Portfolio Overview

### Location by Asset Class

#### ● Shopping Centres

- |   |  |
|---|--|
| 1 | Anec Blau (Barcelona)                            |
| 2 | Portal de la Marina (Alicante)                   |
| 3 | Albacenter (Albacete)                            |
| 4 | Albacenter-Hypermarket + Retail Units (Albacete) |
| 5 | Txingudi (Guipúzcoa)                             |
| 6 | Las Huertas (Palencia)                           |
| 7 | As Termas (Lugo)                                 |

#### ● Retail Warehouses

- |   |                          |
|---|--------------------------|
| 8 | Nuevo Alisal (Santander) |
| 9 | Villaverde (Madrid)      |

#### ● Offices

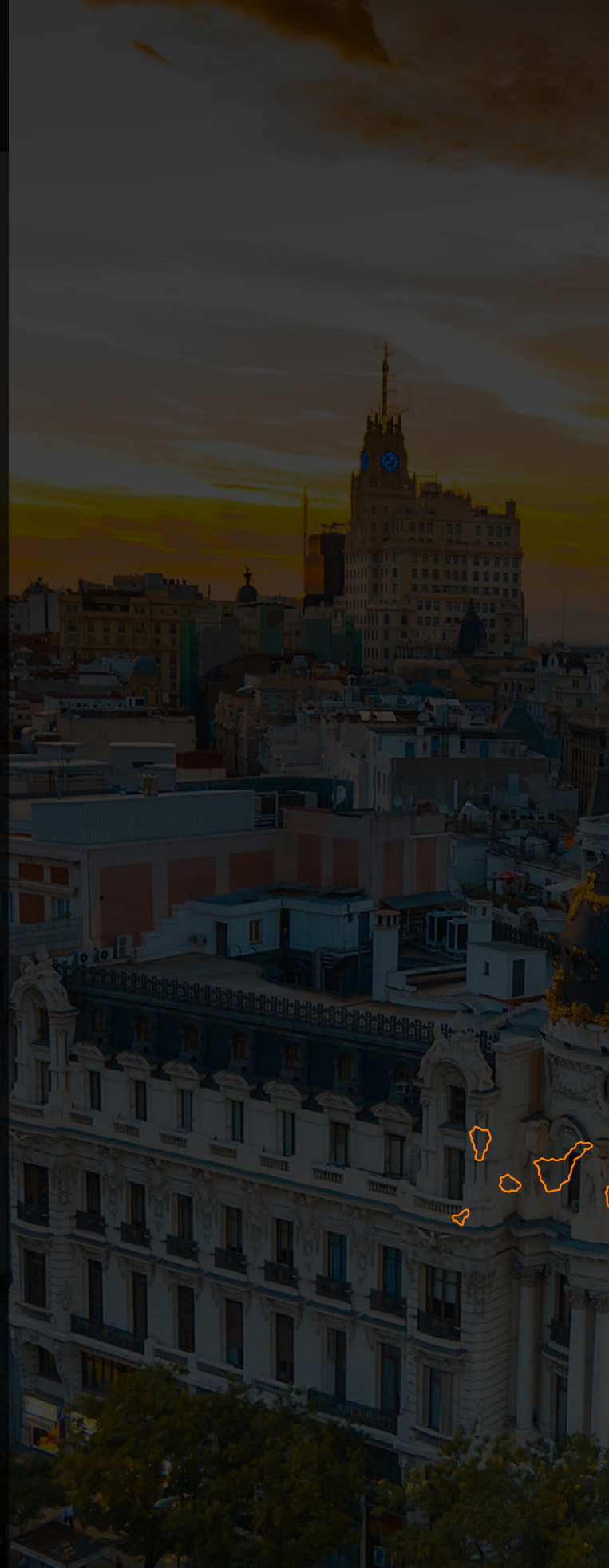
- |    |                                   |
|----|-----------------------------------|
| 10 | Egeo (Madrid)                     |
| 11 | Arturo Soria (Madrid)             |
| 12 | Cardenal Marcelo Spinola (Madrid) |
| 13 | Eloy Gonzalo (Madrid)             |

#### ● Logistics

- |    |                          |
|----|--------------------------|
| 14 | Alovera I (Guadalajara)  |
| 15 | Alovera II (Guadalajara) |

#### ● Residential

- |    |                                      |
|----|--------------------------------------|
| 16 | Juan Bravo / Claudio Coello (Madrid) |
|----|--------------------------------------|











## Anec Blau, Barcelona

### Shopping Centre



#### Location & Profile

- Located in Castelldefels, in the South-West of Greater Barcelona, next to the busiest highway in the area.
- 18 Km to the South-West of Barcelona and 9 km from El Prat International Airport.
- Strong draw combination of fixed residential population and tourism.
- Primary Catchment area: 140,000 within 0-10 minutes.
- Footfall 2014: 4.7 Mn visitors.

#### Investment Rationale

- Medium size dominant shopping centre in its catchment area.
- Excellent tenants such as Mango, Zara Group, H&M and Mercadona Supermarket (Leading distribution company in Spain).
- Requires intense asset management to improve the retail offering, reconversion of external no-let areas and to take advantage of the special Sunday trading authorisation.

#### Asset Characteristics

Asset Name	Anec Blau
Asset Type	Shopping Centre
Location	Barcelona
Date of Opening	2006
GLA	28,863 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 80.0 m
Market Value (*)	EUR 81.3 m
Price per sqm.	2,772 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	90.4
Yield on cost (%)	6.1

(\*) Valuation at 31 of December 2014.





## Portal de la Marina, Alicante Shopping Centre



### Location & Profile

- 100 Km south of Valencia beside the AP-7 Motorway.
- Catchment area: 216,000 Inhabitants.
- Main Tenants: Kiabi, Mango.
- Footfall 2014: c. 3.5 Mn visitors.

### Investment Rationale

- Already managed by Grupo Lar, this is a dominant shopping centre in its catchment area-high population and tourist area.
- Attractive opportunity to improve cash-flow by generating an alternative marketing mix with the anchor tenants.
- Excellent tenant line-up and upside potential through active asset management.

### Asset Characteristics

Asset Name	Portal de la Marina
Asset Type	Shopping Centre
Location	Alicante
Date of Opening	2008
GLA	17,638 <sup>(**)</sup> sqm
Purchase Date	30 October 2014
Acquisition price	EUR 47.6 m
Market Value <sup>(*)</sup>	EUR 48.0 m
Price per sqm.	2,699 €/sqm
No. Tenants	Multi-tenant

### KPI's (initial)

Occupancy (%)	89.9
Yield on cost (%)	6.6

(\*) Valuation at 31 of December 2014.

(\*\*) Lar España has acquired 58.78% of Puerta Marítima de Ondara, S.L.  
Total GLA: 30,007 sqm.



## Albacenter, Albacete

### Shopping Centre



#### Location & Profile

- Located in Albacete, the largest city in Castilla La Mancha, with a provincial population of 402,837 inhabitants and municipal population of 172,472.
- Urban shopping centre with outstanding access from the city and regional main roads.
- Parking: 75 spaces over two levels.
- Footfall 2014: 4.7 Mn visitors.

#### Investment Rationale

- Medium size dominant shopping centre in its catchment area with top tier mass market fashion operators.
- Anchored by Eroski Hypermarket and a +4,000 sqm Primark unit (European leading fashion specialist) together with a good number of relevant tenants such as H&M and Inditex brands.
- Focus on the leisure floor and fashion brands, reinforcing its privileged urban location and improving occupancy.

#### Asset Characteristics

Asset Name	Albacenter
Asset Type	Shopping Centre
Location	Albacete
Date of Opening	1996
GLA	15,488 sqm
Purchase Date	30 July 2014
Acquisition Price	EUR 28.4 m
Market Value <sup>(*)</sup>	EUR 29.1 m
Price per sqm.	1,834 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	91.7
Yield on cost (%)	6.9

(\*) Valuation at 31 of December 2014.





## Albacenter Hypermarket, Albacete

### Hypermarket+2 Retail Units



#### Location & Profile

- Complements the Albacete shopping centre previously acquired.
- Albacete's dominant shopping centre, providing main mass market fashion operators and anchored by an Eroski hypermarket.
- Tenants: Eroski, Primark, Orchestra.
- Parking: 75 spaces over two levels.
- Footfall 2014: 4.7 Mn visitors.

#### Investment Rationale

- Asset management: Improve commercial attractiveness.
- Strategic acquisition for the full control of Albacenter shopping centre.
- Eroski and Primark provide security to the income stream, in terms of size, quality and lease term.
- This acquisition reinforces our leading position in Albacete and helps the implementation of our action plan for value creation.

#### Asset Characteristics

Asset Name	Albacenter
Asset Type	Shopping Centre
Location	Albacete
Date of Opening	1996
GLA	12,486 sqm
Purchase Date	19 December 2014
Acquisition Price	EUR 11.5 m
Market Value (*)	EUR 11.8 m
Price per sqm.	922 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	7.4

(\*) Valuation at 31 of December 2014.





## Txingudi, Guipúzcoa

### Shopping Centre



#### Location & Profile

- Irún (61,193 inhab.) within Guipúzcoa (Basque Country) on the North Coast of Spain, adjacent to the French border.
- Catchment (20 min. drive): 91,351 inhabitants.
- Consolidated industrial and commercial area with excellent access to the national motorway and the city.
- Footfall 2014: 4 Mn visitors.

#### Investment Rationale

- Located in one of the areas with the highest GDP and income per capita in Spain.
- Anchored by Alcampo, Decathlon, Norauto, (owner-occupiers) Kiabi and Mango.
- Strong asset management opportunities based on reduction in non-recoverable costs improving vacancy and tenant mix. Reduction in leisure and improvement in fashion brands to improve the balance between Spanish and French customers.

#### Asset Characteristics

Asset Name	Txingudi
Asset Type	Shopping Centre
Location	Guipúzcoa
Date of Opening	1997
GLA	9,920 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 27.7 m
Market Value <sup>(*)</sup>	EUR 28.5 m
Price per sqm.	2,789 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	90.3
Yield on cost (%)	6.7

(\*) Valuation at 31 of December 2014.



## Las Huertas, Palencia

### Shopping Centre



#### Location & Profile

- Palencia, within the Castilla y León Region in North West Spain. Catchment (20 min drive): 99,310 inhabitants.
- Immediate area comprises a mixed residential and retail area, therefore 50% are pedestrians. Well located, connecting the city centre with the A-67 highway (main connection between Palencia and Valladolid).
- Footfall 2014: 2.3 Mn visitors.

#### Investment Rationale

- Only shopping centre in the city of Palencia.
- Main tenants: Sprinter, MerKal, P&B.
- Renovation project under consideration aimed at attracting a diversified retail offer to change the positioning from a convenience centre to a fashion based centre, by remodeling and incorporating local specialists and international brands.

#### Asset Characteristics

Asset Name	Las Huertas
Asset Type	Shopping Centre
Location	Palencia
Date of Opening	1989
GLA	6,108 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 11.7 m
Market Value (*)	EUR 12.0 m
Price per sqm.	1,916 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	85.9
Yield on cost (%)	6.9

(\*) Valuation at 31 of December 2014.





## As Termas, Lugo

### Shopping Centre



#### Location & Profile

- As Termas is located on the northern outskirts of Lugo, a secondary city in a province of 350,000 inhabitants in the North West of Spain. It is the dominant centre in the area, with extensive primary catchment (over 200,000 people).
- As Termas is highly visible and easily accessible from the N-VI, N-640 and A-6 motorways.
- Average annual footfall of 3.45 million visitors between 2007 and 2013.
- 2,200 parking spaces.
- Footfall 2014: 3,5 Mn shoppers.

#### Investment Rationale

- Large dominant shopping centre in its catchment area with top tier mass market operators, such as H&M, Media Markt, C&A, Sfera or Cortefiel, all of them are the only stores of their kind in the entire province.
- Catchment area's average retail spend is 13% above the Spanish average. Unemployment is the lowest of the four Galician provinces.
- Potential to increase occupancy via improvement of the retail offer.

#### Asset Characteristics

Asset Name	As Termas
Asset Type	Shopping Centre
Location	Lugo
Date of Opening	2005
GLA	33,151 sqm
Purchase Date	15 April 2015
Acquisition Price	EUR 67.0 m
Market Value (*)	n/a
Price per sqm.	2,021 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	91.5
Yield on cost (%)	6.2

(\*) Valuation at 31 of December 2014.





## Nuevo Alisal, Santander

### Retail Warehouses



#### Location & Profile

- Stand alone units next to the consolidated Nuevo Alisal Retail Park, which has been operational since 2004.
- Located in Santander, capital city in the north of Spain with strong and stable economy and growth potential.
- The retail Park features Carrefour, Aki, Worten, Kiabi, Merkal, Galp, Burger King, McDonald's and Mercadona. El Alisal has a GLA of more than 25,000 sqm.
- The Media Markt located in Nuevo Alisal, was in the Spanish Top 10 for sales.

#### Investment Rationale

- Media Markt and Toys' R' Us are two well-renowned international retailers.
- Very well located asset, where rent has recently been renegotiated to generate strong cash flow with mid-term potential for consolidation.
- Recently built and in excellent condition.
- Part of the most successful retail park in the region.

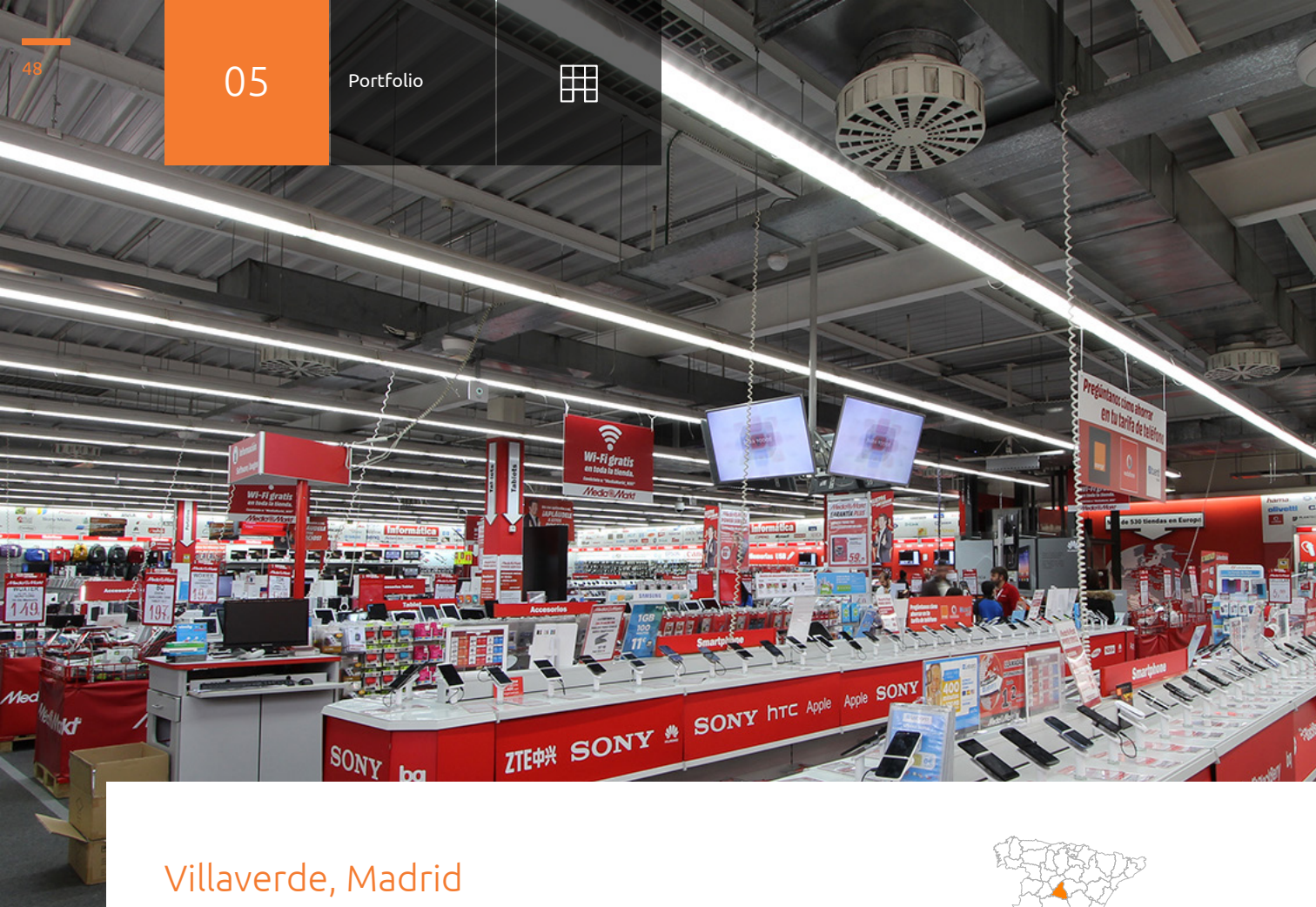
#### Asset Characteristics

Asset Name	Nuevo Alisal
Asset Type	Retail Unit
Location	Santander
Date of Opening	2010
GLA	7,648 sqm
Purchase Date	17 December 2014
Acquisition Price	EUR 17.0 m
Market Value (*)	EUR 17.0 m
Price per sqm.	2,223 €/ sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	6.8

(\*) Valuation at 31 of December 2014.



## Villaverde, Madrid

### Retail Warehouse



#### Location & Profile

- Stand alone unit in a very consolidated residential area. Very well located in a highly populated area.
- Excellent visibility: faces on to Avenida de Andalucía, the main urban link to the South of Madrid, with connections to the M-30, M-40 and M-45 ring roads.
- Public transport: bus and underground. In front of Villaverde transport interchange.

#### Investment Rationale

- Media Markt (part of Metro Group) is the leading electronics retailer in Spain and one of the biggest in Europe.
- The retailer has increased market share over the crisis, benefiting from the closing of a number of competitors and strengthening its position in Spain.
- The rent was renegotiated prior to the acquisition, in order to generate strong cash flow with mid-term potential.

#### Asset Characteristics

Asset Name	Villaverde
Asset Type	Retail Unit
Location	Madrid
Date of Opening	2002
GLA	4,391 sqm
Purchase Date	29 July 2014
Acquisition Price	EUR 9.1 m
Market Value <sup>(*)</sup>	EUR 9.4 m
Price per sqm.	2,072 €/sqm
No. Tenants	Single-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	7.5

(\*) Valuation at 31 of December 2014.





## Egeo, Madrid

### Office building



#### Location & Profile

- Located in the north-east of Madrid, outside the M-30 ring road, in Phase I of Campo de las Naciones (5 minutes drive from the airport).
- Freestanding building.
- 6 storey building.
- Parking: 340 spaces (1.86 spaces: 100 sqm).
- Main Tenants: Ineco and Sanofi.

#### Investment Rationale

- Confirmed location.
- Building has two independent distribution wings with an attractive central lobby topped by a large skylight, providing light to the interior areas.
- Opportunity to improve management of building and invest capex to add value by improving energy efficiency.
- Clear potential rental growth.
- 100% occupied at current market rents.

#### Asset Characteristics

Asset Name	Egeo
Asset Type	Office Building
Location	Madrid
GLA	18,254 sqm
Purchase Date	16 December 2014
Acquisition Price	EUR 64.9 m
Market Value (*)	EUR 66.0 m
Price per sqm.	3,555 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	5.6

(\*) Valuation at 31 of December 2014.





## Arturo Soria 336, Madrid

### Office building



#### Location & Profile

- Located in the north east of Madrid, very close to the M-30 ring road and Airport. Quick access to the M-11 (Airport) and A-1 motorways and the M-30 & M-40 ring roads.
- Underground station "Pinar de Chamartín" located 150 m. from the building.
- 9 storey freestanding building with plenty of natural light.
- Divisible floor 1,045 sqm in 2/3 units.
- Good average car parking ratio (2.22 spaces: 100 sqm).
- Main Tenants: Banco Santander, Adeslas and Clear Channel.

#### Investment Rationale

- Urban and consolidated urban area with good identity and communications.
- Offers very competitive average rents, 16 €/sqm/ month with potential growth.
- Programmed capex will improve the distribution of the building, enable lease-up of the current vacant space. and improve its energy efficiency.

#### Asset Characteristics

Asset Name	Arturo Soria
Asset Type	Office Building
Location	Madrid
GLA	8,663 sqm
Purchase Date	29 July 2014
Acquisition Price	EUR 24.2 m
Market Value (*)	EUR 24.7 m
Price per sqm.	2,793 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	82.7
Yield on cost (%)	5.4

(\*) Valuation at 31 of December 2014.



## Cardenal Marcelo Spínola 42, Madrid

### Office building



#### Location & Profile

- Located in Madrid (North-East), inside M-30 ring road.
- Underground station is 900 m. away from the building.
- 14 storey building above ground, freestanding tower with 4 facades.
- Main Tenants: Maessa, Acer Computer, Sungard.
- Parking: 150 parking spaces (1.75 spaces: 100 sqm).

#### Investment Rationale

- Consolidated location with excellent visibility from M30.
- A repositioning, via full refurbishment, of the asset is required due to under management and low occupancy. Capex: €8.5m.
- This will permit very flexible space (single tenant-multi-tenant) at net rents around 20 €/sqm. taking into account the expected market improvement and lack of renovated/new buildings.

#### Asset Characteristics

Asset Name	Marcelo Spinola
Asset Type	Office Building
Location	Madrid
GLA	8,584 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 19.0 m
Market Value (*)	EUR 19.3 m
Price per sqm.	2,213 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	38.2 (**)
Yield on cost (%)	7.7% (***)

(\*) Valuation at 31 of December 2014.

(\*\*) Occupancy affected by Total refurbishment of the building.

(\*\*\*) With an estimated Occupancy of 95% after total refurbishment in 2016.





## Eloy Gonzalo, Madrid

### Office building



#### Location & Profile

- Located in the centre of Madrid, inside M-30 ring road, 1Km away from Paseo de la Castellana.
- Underground, 100m away.
- 5 street level retail units (24% of GLA).
- Main Tenants: Spotify, Territorio Creativo.

#### Investment Rationale

- Under-rented-20% below market levels.
- The flexibility of its layout and natural day-lighting offer versatile accommodation for a wide variety of office users generating a solid cash-flow on the low unit cost.
- A repositioning, via partial refurbishment of the asset is required. Capex: EUR 1.9 Mn; average rent clearly below market rents. Opportunity for rental increases.
- The seven floors currently used as office space, also allow for conversion to residential space if vacancy can be achieved.

#### Asset Characteristics

Asset Name	Eloy Gonzalo
Asset Type	Office Building
Location	Madrid
GLA	6,231 sqm
Purchase Date	23 December 2014
Acquisition Price	EUR 12.7 m
Market Value (*)	EUR 12.9 m
Price per sqm.	2,043 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	95.9
Yield on cost (%)	5.2

(\*) Valuation at 31 of December 2014.



## Alovera I, Guadalajara

### Logistics Warehouse



#### Location & Profile

- Guadalajara (East), 48 km from Madrid. Facing A-2 (national highway).
- Prime Logistics and industrial area.

#### Investment Rationale

- Tenant: Factor 5 & TechData.
- Very strong logistics location.
- Below replacement cost purchase price avoids risk from new supply.
- Lack of large warehouses in good locations.
- This is a captive client and a high-tech warehouse.

#### Asset Characteristics

Asset Name	Alovera I
Asset Type	Logistics Warehouse
Date of Opening	2000-2001
Location	Guadalajara
GLA	35,196 sqm
Purchase Date	7 August 2014
Acquisition Price	EUR 12.7 m
Market Value (*)	EUR 12.9 m
Price per sqm.	361 €/sqm
No. Tenants	Multi-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	9.6

(\*) Valuation at 31 of December 2014.



## Alovera II, Guadalajara

### Logistics Warehouse



#### Location & Profile

- Guadalajara (East), 48 km from Madrid. Facing A-2 (national highway).
- Prime Logistics and industrial area.

#### Investment Rationale

- Tenant: Carrefour (100%).
- Very strong logistics location. One "Core" tenant. Large GLA in comparison with other options but flexible to allow re-letting of up to 3 tenants.
- Below replacement cost purchase price avoids risk from new supply.
- Lack of large logistics warehouses in good locations.

#### Asset Characteristics

Asset Name	Alovera II
Asset Type	Logistics Warehouse
Date of Opening	1992-2008
Location	Guadalajara
GLA	83,951 sqm
Purchase Date	13 October 2014
Acquisition Price	EUR 32.1 m
Market Value (*)	EUR 33.2 m
Price per sqm.	383 €/sqm
No. Tenants	Single-tenant

#### KPI's (initial)

Occupancy (%)	100.0
Yield on cost (%)	10.2

(\*) Valuation at 31 of December 2014.





## Juan Bravo 3 and Claudio Coello Building, Madrid Residential Portfolio



### Location & Profile

- Location in the Salamanca district, the most exclusive area in Madrid.
- Total 26,203 sqm to develop residential units for sale. 5,318 sqm belong to a residential building in Claudio Coello.
- Fully licensed plot of land for a new-build residential building, with no building refurbishment limitations.
- Opportunity to define units with areas that are fully adapted to current demand. The land allows for the construction of a stand-alone building, providing excellent natural light and ventilation options. Possibility of interior designed common areas providing XXI century services.

### Investment Rationale

- The property will be the most exclusive residential development in Madrid since 2006.
- High demand and a lack of supply of luxury residential apartments in Madrid.
- Construction costs have dropped significantly due to the real estate crisis, while quality has increased.
- Projects with high customisation options are performing very well in the market.

### Asset Characteristics

Asset Name	Juan Bravo
Asset Type	Residential
Date of Construction	2015-2017
Location	Madrid
GLA	31,521 <sup>(*)</sup> sqm
Purchase Date	30 January 2015
Acquisition Price	EUR 60 <sup>(**)</sup> m

(\*) 26,203 sqm for development in Juan Bravo 3 and 5,318 sqm corresponds to the Claudio Coello building.

(\*\*) Corresponds to the 50% of the JV with PIMCO.



## 6





# Corporate Governance



Shopping Centre  
Txingudi  
(Guipúzcoa)



## 1. Lar España and Corporate Governance

Corporate Governance today is of **chief importance** to companies, regulatory authorities, investors, and shareholders, in that the adequate management of corporate principles and regulations ensures appropriate integration and performance of a company's **governing bodies**.

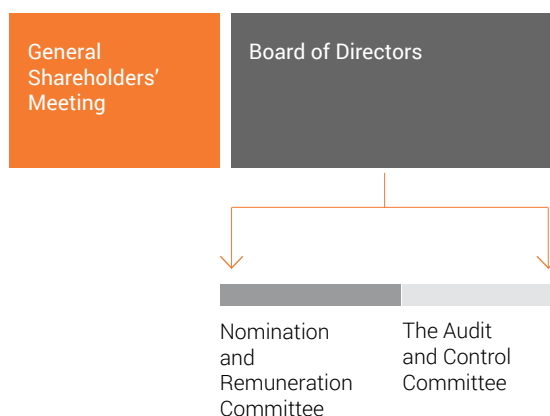
In line with this trend, and based on the **growing demand for information** on Corporate Governance practices, Lar España is reflecting its clear commitment to **sound management practices** through the development of Corporate Governance guidelines which are aligned with **prevailing legislation and familiar standards** in this regard. In its **aim to forge bonds of trust** with its investors and other interest groups, Lar España's goals include:

- Apply **best international** practices with regard to **transparency**
- Improve its performance and **risk profile**
- Facilitate the **relationship between shareholders and directors**
- Increase its ability to **attract financing**

## 2. Lar España's governance system

The **Board of Directors** is Lar España's governing body, with the broadest powers for managing the Company, apart from areas which fall under the responsibility of the **General Shareholders Meeting**.

The **Board Committees or supervisory and control body** during 2014 were as follows:



### General Shareholders' Meeting

The **General Shareholders Meeting** is Lar España's highest **decision-making and control body**, which articulates the rights of shareholders to intervene in the Company's essential controlling processes with regard to the matters falling under its supervision. The General Shareholders Meeting **determines the number of members** on the Board, which must fall within the minimum and maximum range set forth in bylaws, as well as the **appointment and removal of directors**, without prejudice to appointment by co-option by the Board, among others.



## Board of Directors

Lar España's Board of Directors is its **highest governing body**, and is responsible for supervising Company management in order to foster corporate interest. The Board held 15 meetings in 2014.

### Mr. José Luis del Valle Doblado

●			Chairman
		●	Chairman

### Mr. Pedro Luis Uriarte Santamarina

●			Independent Directors
		●	Member

### Mr. Alec Emmott

●			Independent Directors
	●		Member

### Mr. Roger Maxwell Cooke

●			Independent Directors
	●		Member

### Mr. Miguel Pereda Espeso

			Director from Grupo Lar
	●		Member
		●	Member

### Mr. Juan Gómez-Acebo Sáenz de Heredia

●			Secretary of the Board (Non-Director)
	●		Secretary
		●	Secretary

### Mr. José Luis del Valle Doblado

*Chairman of the Board and Independent Director*

Mr. José Luis del Valle has a solid background in the banking and energy sectors. He has held positions of responsibility in Banco Santander, Iberdrola, Scottish Power, and Gamesa. Currently, he is the Chairman of the Board of Directors of GES-Global Energy Services, which is an independent services provider engaged in construction, operations, and maintenance services for the renewable energy sector, as well as on the Accenture Global Energy Board.

Mr. José Luis del Valle holds a Mining Engineering Degree from the Madrid Polytechnical University as well as a Master's Degree in Science and Nuclear Engineering from MIT (Boston, USA). He has another MBA with High Honors from Harvard Business School (Boston, USA).

### D. Miguel Pereda Espeso

*Proprietary Director*

Mr. Miguel Pereda has a great deal of experience as a board member, with over 25 years in the real estate sector. He has been a Board member and CEO of the Lar Group since 2007, and previously was the Chairman of the Lar Grosvenor Group for 6 years. Mr. Pereda has a Business Degree from Universidad Complutense de Madrid, an MBA from the Instituto de Empresa (IE), Breakthrough Program for *Senior Executives* from the IMD, a tax advisory Master's Degree from the ICADE, and a Real estate management program degree granted by Harvard University.

- Independent Directors
- Nomination and Remuneration Committee
- Audit and Control Committee




---

**Mr. Pedro Luis Uriarte Santamarina**
*Independent Director*

Mr. Pedro Luis Uriarte is a seasoned professional. From 1975 to 2001, he held different positions in BBVA, one of Spain's leading banks, including Vice President of BBV and BBVA. He served as Deputy Chairman of the Board of Telefonica. Mr. Uriarte was appointed Regional Minister of Economy and Finance of the Basque Government. He founded and headed Innobasque. He is currently Executive Chairman of Economia, Empresa, Estrategia. He is also Deputy Chairman of Bilbao Civil Council and Member of the Board of UNICEF Spain. Mr. Uriarte holds a degree in Business and Law from Universidad de Deusto.

---

**Mr. Alec Emmott**
*Independent Director*

Mr. Alec Emmott's expertise is based on many years in the real estate sector. He served as CEO and Executive Advisor for Societe Fonciere Lyonnaise (SFL). He is currently the Principal of Europroperty Consulting, CeGeREAL S.A., Weinberg Real Estate Partners (WREP I and II), Cityhold AP, and MITSUI FUDOSAN. He is a member of the Royal Institution of Chartered Surveyors (MRICS). Mr. Emmott received a Master of Arts degree from the Trinity College (Cambridge, UK).

---

**Mr. Roger Maxwell Cooke**
*Independent Director*

Mr. Roger M. Cooke has over 30 years of experience in the real estate sector. He joined Cushman & Wakefield in 1980 in which he has held a number of different positions. Mr. Cooke holds a degree in Urban Estate Surveying from the Trent Polytechnic University (Nottingham, UK) and is currently President of the British Chamber of Commerce in Spain and a Fellow of the Royal Institution of Chartered Surveyors (FRICS). As of May, 2014 he has been onboard at EY as a Senior Advisor.

---

**D. Juan Gómez-Acebo Sáenz de Heredia**
*Secretary of the Board (Non-Director)*

Mr. Juan Gomez-Acebo is a practicing lawyer with over 30 years of experience. In 1991 he joined the international law firm Freshfields Bruckhaus Deringer as a Corporate/Finance lawyer. In 1995 he was elected international partner, becoming Freshfields' first Spanish partner. In 2000, he was asked to set up Freshfields' Real Estate Practice Group and, from that date, until 30 April 2014, he has been the head of the Spanish practice. Currently he is the Head of BDO Abogados' Real Estate Practice in Spain.



## Position or duties

The Board of Directors has the following duties, among others:

- Preparation of the Company's **financial statements, management report, and appropriation of profit**, as well as the consolidated financial statements and management report for their presentation to the General Shareholders' Meeting for approval.
- Proposals for **appointments and reappointments of directors** to be submitted to the General Shareholders Meeting for removal, appointment, ratification, renewal, or reelection of Board Members.
- **Approval of policies** (investment and financing, Corporate Governance, Corporate Social Responsibility Policy, and risk control and management policies), as well as the Company's **general strategies**, most notably its business or strategic plan and management goals, annual forecast and periodic follow ups on internal IT and control systems.
- **Supervision of the performance of Board Committees**

## Committees

Committee	Key functions	Meetings in 2014
The Audit and Control Committee	<ul style="list-style-type: none"> <li>• Supervise the calculation of commissions received by the entity which manages the Company's investments.</li> <li>• Oversee the efficiency of internal control systems and risk management policies, as well as the steps for preparing and presenting financial information.</li> <li>• Propose to the Board regarding the appointment, reelection, and replacement of Auditors.</li> </ul>	5
Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>• Devise and review the criteria to be used to design the composition of the Board and for selecting candidates for directorships.</li> <li>• Inform the Board regarding the appointment and removal of senior officers, and their termination benefit clauses should they be replaced.</li> <li>• Report to the Board on gender diversity issues as well as the board member qualifications.</li> </ul>	5



### 3. 2014-2016 Corporate Governance Action Plan

To move forward in Corporate Governance matters, in 2014 Lar España performed an **analysis** evaluating the Group's positioning with regard to best practices and specific regulations in this regard. Based on results from the study, Lar España defined its **2014-2016 Action Plan** aimed at applying specific Corporate Governance measures designed to achieve the following goals:

---

**Ensure good governance based on transparency, ethics, corporate responsibility, and regulatory compliance**

---

**Move forward in the management and transparency of board member activity, selection, training, and remuneration**

---

**Take steps in Board of Directors' evaluation performance-enhancing processes**

Lar España identified the **six following areas** in which to implement the above: Investors and shareholders, Financial information, Board members, Governance model, Internal Audit and Control, and Risk management. **25 specific measures** were defined to be rolled out throughout upcoming years.

#### Key highlights

The following **Action Plan measures** were introduced in **2014**:

---

#### Annual Corporate Governance Report and Annual Report on Directors' Compensation

In view of Lar España's recent incorporation and initial public offering, its Annual Corporate Governance Report and Annual Report on Directors' Remuneration were prepared and **approved by the Board of Directors**. These reports were published by the CNMV. The Annual Corporate Governance Report is available on the **Company's website** ([www.larespana.com](http://www.larespana.com)).

---

#### Remuneration Policy

The **Board of Directors** approved a remuneration policy for its Board members which will foreseeably be approved during the **General Shareholders Meeting** held on April 27/28 April, 2015.

These policies are based on the **principles** of transparency, moderation, compensated dedication which is based on results; therefore, directors fees will in any case be reasonably proportionate to the Company's performance, economic situation at any given time, as well as market standards for comparable companies. This remuneration scheme is designed to foster the Company's long-term **profitability and sustainability** as well as incorporate the necessary safeguards to avoid the excessive assumption of risks or compensation for poor results.



---

### Code of conduct and whistle-blowing procedures

The Corporate Management prepared Lar España's Code of Conduct, which was **approved by the Board of Directors, prior approval of the Audit and Control Committee**, and published on Lar España's website ([www.larespana.com](http://www.larespana.com)).

This Code of Conduct sets the **behavioral guidelines** for all those who act in representation of Lar España and its subsidiaries, which are **mandatory** for all the Company's Board members and top directors, members of the Lar Group's management team (Lar España's parent), directors, and employees of the Company as well as its subsidiaries, and any other individual related to Lar España. This code is **complementary to Lar España's existing Capital Markets Code of Conduct**, which establishes the Company's code of conduct with regards to the securities market, its governing bodies, employees, and representatives.

Lar España's Code of Conduct is committed to analyzing and responding to consultations and complaints filed as a result of the application of and compliance with its established guidelines, which includes a **Whistle-blowing channel** with its own Guidelines, governed by the principles of good faith, confidentiality, and protection. An Ethics Committee was also set up, which assumes the functions inherent in implementing the above Channel .

---

### Adaptation of the bylaws and Articles of the General Shareholders Meeting

In order to stand out as a benchmark in Corporate Governance standards in its sector, Lar España has **adapted a portion of its internal regulations** to those which are more current and/or recommendations in this regard (the new version of the **Code of Good Governance** dated February 2015, and the **Capital Companies Act** of December 2014.



## Future outlook

In accordance with the Action Plan, the following **measures will** be implemented during **2015 and 2016**:

### Corporate Governance policies

Lar España is currently developing its Corporate Governance policies, which are aimed at pushing the Company to unparalleled levels of **competitiveness**, creating **bonds of trust** and **transparency** with shareholders and investors locally and abroad, enhance **internal control and Corporate Responsibility**, while also ensuring the adequate segregation of functions, duties, and responsibilities from a perspective of superlative professionalism and rigor.

- **Specific practices** regarding the following: shareholders, employees, customers, suppliers, social environmental affairs, diversity, tax matters, respect for human rights, and the prevention of illegal conduct.
- **Monitoring Methods or systems** which analyze the outcome from applying the above specific practices, associated risks, and their management.
- **Supervisory mechanisms** for non-financial risk, ethics, and business conduct.
- **Communication channels**, participation, and dialog with interest groups.
- **Responsible communication practices** which hinder the manipulation of information while protecting integrity and honor.

### Corporate Social Responsibility policies

Lar España is currently preparing its Corporate Social Responsibility Report (CSR) as exclusive authority for the Board of Directors, which clearly defines all the pertinent information regarding its preparation, application and results, based on the guidelines included under **Good Corporate Governance** and the recent **Capital Companies Law**. In accordance with recommendation 54 of the Code of Good Governance, the CSR will cover the **principles and commitments** the Company assumes voluntarily with regard to different interest groups, to identify the following, at the very least:

- The **purposes** of corporate social responsibility policies and the development of supporting measures.
- **Corporate strategy** related to sustainability, the environment, and social matters.

### The selection and appointment process

Lar España plans to prepare and approve **Selection and appointment policies** for choosing its Board Members during 2015. It will be prepared in accordance with recommendations included in the **Corporate Governance Code** based on strict principles of transparency. It will also be specific and verifiable, and will ensure that appointment or reelection proposals are based on a **prior analysis** of the Board of Directors' **needs**, to foster **diversity** of knowledge, experiences, and gender. These policies will assist in reaching the 2020 goal: at least 30% of Board members will be female.

The **Appointments and Remuneration Committee** will annually verify compliance with the above policies, to report accordingly in the Annual Corporate Governance Report. It will also ensure that proposed candidates are honorable, appropriate, and of known solvency, competence, experience, qualifications, training, availability, and commitment, while also endeavoring that the candidate selection process

achieve a correct balance in the Board of Directors which will enrich **decision making** processes, while at the same time avoiding potential conflicts of interest, and ensure the prevalence of **common good** over personal interest.

### Evaluation of the Board of Directors

In line with the requirements for evaluating the Board of Directors introduced by Capital **Companies Law**, as well as recommendation 36 of the new **Code of Good Governance**, Lar España plans to define its process for evaluating its Board of Directors during 2015.

The Board of Directors evaluation process is a tool serving to **bolster its efficiency** while also ensuring that candidates without the necessary background are not appointed. The process will evaluate aspects such as quality, efficiency, performance, and composition of the Committees as well as those of the President, among others, to afterwards propose an **Action Plan** to implement the identified improvements. An **independent external consultant** will be called on to assist in the evaluation process at least every three years.

### Directors' backgrounds

**Attracting** members to **perform their duties** based on leadership and making decisions on the Group's strategy is fundamental in an ever-changing corporate environment. **Periodic reviews** of training and information programs on **Corporate Governance**, as well as **relevant sector matters** provide a clear advantage for Board members to be able to **make informed decisions**.

With this in mind, Lar España plans to create a **training program** for its Board members, covering different **updated topics** during 2015. The following activities will be taken into consideration:

>	>	
Analysis of the Board of Directors' training and informational needs	Preparation of <b>training for new additions</b> to the Board of Directors on topics related to the Company's activity as well as CSR and Corporate Governance aspects	Creation of an <b>annual training program</b> for members based on market needs

### Prevention of Money Laundering Manual

The real estate sector is governed by strict **regulatory requirements** designed to **prevent money laundering**, with set parameters for collaborating with the Commission for the Prevention of Money Laundering and Monetary Offenses (SEPBLAC). In accordance with Law 10/2010 of 28 April 2010, Lar España plans to develop a Manual for the Prevention of Money Laundering during 2015 to prevent money laundering and financing of terrorism. The **Manual will be developed in line with best practices**, focusing on ethical and transparent behavior as well as the abolition of fraud or illegal transactions. A **knowledge-transfer** process will involve all individuals related to Lar España or its manager (Grupo Lar) to **detect possible suspicious transactions** and any other **legal or regulatory infraction**.





---

### Crime Prevention Manual

On 23 December, 2010, Spain's criminal code, Organic Law 10/1995, went into effect; during 2015, Lar España will prepare a **Manual** making it possible to **identify** areas and activities susceptible to the **risks** associated to criminal activity, in order to implement the **measures** and controls designed to avoid them. The Crime Prevention Manual will be designed based on the **pillars of transparency** and ethics, in accordance with **compliance with prevailing legislation** and best practices. To this end, all types of risks will be identified, with a periodic follow-up and effective application of the pertinent controls aimed at guaranteeing that any criminal activity or suspicion thereof is eliminated.



Shopping Centre  
As Termas  
(Lugo)





## 7



Office  
Cardenal Marcelo Spinola  
(Madrid)



# Risk Management





Lar España has introduced a corporate Risk Control System designed to ensure a reasonable degree of security as regards to achieving the Company's strategic and operational goals, reliability of information, and compliance with prevailing legislation. This system is based on the directives outlined in the COSO Report (*Committee of Sponsoring Organizations of the Treadway Commission*) and it is defined and regulated by the Risk Control and Management Policy, which was approved by the Board of Directors last 24 February, 2015, prior to approval of the Audit and Control Committee.

The **Integrated Risk Management System (IRMS)** reflects the Company's understanding of Risk Management as a continual and dynamic process which encompasses the identification, evaluation, prioritizing, and management of risks in an efficient manner, while also taking the Company's circumstances and economic and regulatory backdrop into account.

#### Responsible bodies

Although the IRMS involves all the Company's employees, four key figures stand out:

Figures	Responsibility	Functions
Process manager or owner	Directly responsible for managing risk in its everyday manifestations.	Duties encompass the identification, analysis, assessment and management of risks.
Risk Officer	The risk officer's job is to analyze and consolidate the risk information prepared by the process owners.	He or she is also expected to identify potential threats, gather and assess information, and propose any monitoring action plans, as required.
The Audit and Control Committee	It is responsible for monitoring application of the Risk Control and Management Policy defined by the Board of Directors.	Its key function is to inform the Board on its activities throughout the course of the year.
Board of Directors	The Board of Directors is in charge of approving the Group's Risk Control and Management Policy.	It assumes, among other powers, the duty of identifying the Company's main risks and supervising the internal control systems.

## Identification and Risk Evaluation

Based on management's real estate expertise, as well as the Company's idiosyncrasies, in 2014 Lar España was able to identify risks with a potential impact on the Company. A number of different impact and probability indicators were considered in order to pinpoint and assess these risks, and thereby prepare a **risk map**.

Risk **tolerance criteria** were then applied to make it possible to **prioritize and detail** how each type of risk is managed and monitored. Thus, the more critical the objective associated to the identified risk, the lower the degree of tolerance accepted by Lar España.

## Main risks

The following are the main risks which were managed and monitored throughout 2014 and which will be closely followed in upcoming years:

- Tax management and sector-specific regulation (SOCIMIs)
- Investment planning
- Accounting, reporting, and presentation of financial information
- Investment project monitoring
- Confidentiality

## Response and supervision plans

The appropriate follow-up and response to the different risks potentially affecting the Company are considered crucial by Lar España. The level and frequency with which it monitors the risks identified varies with regard to how critical they are considered, as well as the degree of effectiveness of controls currently implemented.

Accordingly, Lar España has defined four different strategies aimed at the risks assumed for each case:

- **Reduction:** this implies actions taken to reduce the probability and impact of risk individually or simultaneously, through the implementation of new controls or improving those already in place.
- **Sharing:** a risk's likelihood or impact can be reduced by transferring or sharing a portion of that risk (e.g., via insurance policies).
- **Avoidance:** represents withdrawing activities generating risk. In this instance, the response to risk may represent divesting in a business unit or activity, and/or making the decision to not undertake new activities which might potentially lead to unwanted risks.
- **Acceptance:** in this instance no action is taken to modify the risk's probability or impact. This exercise assumes inherent risk levels.

Lar España prioritizes action plans based on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action, and available resources. To this end, the organization's most significant risks have been identified, and work has begun on documenting these risks on individual risk files to closely monitor them.

Lar España's Audit and Control Committee will review its Risk Map at least on an annual basis, to therefore include, modify, or dismiss certain risks, and where necessary, tailor its strategic objectives, organizational structure, and prevailing legislation, where necessary.



# 8



# Financial Information

---

## 8.1

ICFR

---

## 8.2

Consolidated Financial Statements as at  
31.12.14 (IFRS)

---

## 8.3

Individual Financial Statements as at  
31.12.14 (Spanish GAAP)

---

## 8.4

Proposed Dividend (Spanish GAAP)

---

## 8.5

Company Chart  
31.12.14 / 15.04.15



Logistics  
Alovera I  
(Guadalajara)



## 8.1 Internal Control over Financial Reporting (ICFR).

The internal control over financial reporting (hereinafter, ICFR) system was designed and configured to provide reasonable assurance regarding the reliability of financial information communicated to markets.

### Control environment of entity

Lar España has progressively developed a number of different items related to its financial reporting process, covering its preparation, control, and follow-up, aimed at increasing the reliability and transparency of the information contained therein.

Hence, on February 24, 2015, Lar España's Board of Directors approved its Code of Conduct, the purpose of which was to establish the guidelines governing the conduct of all parties acting in the name of Lar España and its subsidiaries.

It also approved a set of rules governing the operation of a Whistle-blowing Channel, by virtue of which any party bound by Lar España's Code of Conduct may confidentially make a claim regarding potential breaches which might affect the company, most notably those financial in nature. To enhance the Whistle-blowing Channel, Lar España created an Ethics Committee to assume the functions arising from implementing this Channel.

Another of the Company's initiatives is focused on training. Lar España is obliged to ensure that all staff involved in preparing the Group's financial statements receive sufficient and up-to-date training on International Financial Reporting Standards (IFRS) as well as internal control principles.

Another of the Company's initiatives is focused on training. Lar España is obliged to ensure that all staff involved in preparing the Group's financial statements receive sufficient and up-to-date training on International Financial Reporting Standards (IFRS) as well as internal control principles.



## Responsible bodies

The following bodies are responsible for the existence and/or supervision of Lar España's ICFR model,

Bodies	Responsibility	Functions
Board of Directors	The Board of Directors is the maximum party responsible for maintaining an appropriate and effective ICFR system.	<ul style="list-style-type: none"> <li>• The approval of financial information and risk management, and periodic monitoring of internal information and control systems</li> </ul>
The Audit and Control Committee	The body which oversees the ICFR (with assistance from Internal Audit).	<ul style="list-style-type: none"> <li>• Supervise the efficiency of the Company and Group's internal control processes and risk management systems.</li> <li>• In conjunction with its auditors, assess significant weaknesses of the internal control system detected during the audit process.</li> <li>• Supervise processes for preparing and presenting regulated financial information.</li> </ul>
Corporate Management	The body which oversees the ICFR (with assistance from Internal Audit) In charge of the ICFR's design, implementation, and performance.	<ul style="list-style-type: none"> <li>• Define, propose, and implement a model for generating financial information.</li> <li>• Prepare, implement, and document the ICFR</li> <li>• Provide support to the Audit and Control Committee with regard to the preparation of the financial statements and other financial information, as well as related criteria applied.</li> </ul>
Internal Audit Service (IAS)	Responsible for assisting in supervising the ICFR, reporting to the Audit and Control Committee.	<ul style="list-style-type: none"> <li>• Oversee the functioning of the ICFR as well as its general controls and processes.</li> <li>• Participate in defining and categorizing incidences, as well as in designing the necessary action plans and following them up.</li> <li>• Report any irregularities detected during the evaluation and supervision process to the Audit and Control Committee.</li> <li>• Support Corporate Management in the preparation of reports on the ICFR's status and description</li> </ul>
Determine the parties responsible for the processes involved in the preparation of financial information	These individuals are in charge of generating financial information.	<ul style="list-style-type: none"> <li>• Define, document, and update internal processes and procedures applicable to their area of responsibility.</li> <li>• Perform control activities according to instructions, while saving evidence that their execution makes them traceable.</li> <li>• Report any modifications in their operation or transactions which might necessitate updating the documentation of processes and controls to Corporate Management, as well as any control weaknesses detected.</li> <li>• Define and implement action plans on irregularities observed in the scope of their responsibility.</li> </ul>



### Evaluation of financial reporting risks

Lar España utilizes an internal methodology guide for identifying risks inherent in its financial Information, namely “**Internal Control over Financial Reporting (ICFR) Manual of Lar España Real Estate SOCIMI**” which was approved by the Audit and Control Committee on February 19, 2015.

In 2014, the Company was immersed in documenting processes through the identification and analysis of transactions with inherent risks related to error or fraud. In 2015, this information should be completed and optimized. The ICFR Manual documentation is updated whenever significant changes occur and is additionally subjected to an annual review, to determine that its controls are current, well-designed, and efficient for achieving identified goals.

The process for identifying the risk of errors in financial information contemplates the effect of any type of risk, including: operating, technological, financial, legal, reputational, environmental, as well as tax risk, which could potentially affect the quality and reliability of financial information.

### Control activities

#### • External information

Lar España publishes its financial information on a quarterly basis. It is prepared by a specialized external firm, and later reviewed by Corporate Management. Subsequently, this information is sent to the Audit and Control Committee for review.

Lar España’s internal financial information control system is chiefly based on the COSO model, which assists companies in providing reasonable assurance about the achievement of objectives regarding the effectiveness and efficiency of operations and the credibility in its financial reporting.

#### • Internal information

Lar España’s accounting needs are outsourced to an entity specializing in these matters. Therefore, the Company does not have its own information systems in this regard. Within the scope of services provided by third parties, Lar España internally assumed part of the financial information system, including accounting and the quarterly evaluation of assets carried out by accredited independent entities. These services are broken down in the analysis carried out as part of the ICFR documentation and evaluation process.

Corporate Management **continually monitors and reviews** financial information reported by third parties to ensure there are no errors.

- **Information and communication**

Lar España is currently in the process of drawing up an Accounting Policy Manual encompassing a structured breakdown of generally applicable accounting regulations, policies, and criteria currently applied to all the Group companies. Accounting recognition is handled by a specialized outsourced consulting firm.

- **System monitoring**

Since 2014 was Lar España's first year in business, the ICFR system was rolled out gradually over the course of the year by identifying the most critical accounts and processes and beginning the task of documenting them in detail. Management and the Audit and Control Committee were kept abreast of related developments and the progress made on implementing the system.

In addition, Management reviewed the information submitted to the securities market regulator (and its timeliness) in painstaking detail.





## 8.2

## Consolidated Financial Statements as at 31.12.14 (IFRS)

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

Consolidated statement of financial position at 31 December 2014

(Expressed in thousands of Euros)

ASSETS	31-12-2014
Investment property	357,994
Equity-accounted investees	18,087
Non-current financial assets	3,841
<b>Total non-current assets</b>	<b>379,922</b>
Inventories	2,843
Trade and other receivables	1,970
Other current financial assets	32,032
Other current assets	136
Cash and cash equivalents	20,252
<b>Total current assets</b>	<b>57,233</b>
<b>TOTAL ASSETS</b>	<b>437,155</b>

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES**  
**Consolidated statement of financial position at 31 December 2014**

(Expressed in thousands of Euros)

<b>EQUITY AND LIABILITIES</b>	<b>31-12-2014</b>
Capital	80,060
Share premium	320,000
Other reserves	(9,185)
Retained earnings	3,456
Treasury shares	(4,838)
<b>Total equity</b>	<b>389,493</b>
Loans and borrowings	37,666
Other non-current liabilities	5,143
<b>Total non-current liabilities</b>	<b>42,809</b>
Loans and borrowings	156
Trade and other payables	4,697
<b>Total current liabilities</b>	<b>4,853</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>437,155</b>



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

### Consolidated Income Statement at 31 December 2014

(Expressed in thousands of Euros)

<b>Consolidated Income Statement</b>	<b>2014</b>
Revenues	8,606
Other income	217
Employee benefits expense	(108)
Other expenses	(7,231)
Changes in fair value of investment property	442
<b>Results from operating activities</b>	<b>1,926</b>
Finance income	2,391
Finance costs	(519)
Share in profit (loss) for the period of equity-accounted companies	(342)
<b>Profit before tax from continuing operations</b>	<b>3,456</b>
<b>Profit from continuing operations</b>	<b>3,456</b>
Income tax expense	-
<b>PROFIT FOR THE YEAR</b>	<b>3,456</b>
Basic earnings per share (in Euros)	0.09
Diluted earnings per share (in Euros)	0.09







## 8.3

## Individual Financial Statements as at 31.12.14 (Spanish GAAP)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Balance Sheet at 31 December 2014

(Expressed in thousands of Euros)

<b>ASSETS</b>	<b>31-12-2014</b>
<b>Investment property</b>	<b>202,310</b>
- Land	80,456
- Buildings	121,854
<b>Non-current investments in Group companies and associates</b>	<b>134,525</b>
- Equity instruments	134,525
<b>Non-current investments</b>	<b>2,409</b>
- Other financial assets	2,409
<b>Total non-current assets</b>	<b>339,244</b>
<b>Inventories</b>	<b>3,102</b>
- Goods for resale	2,843
- Advances	259
<b>Trade and other receivables</b>	<b>1,870</b>
- Trade receivables	1,170
- Public entities, other	700
<b>Current investments</b>	<b>32,066</b>
- Other financial assets	32,066
<b>Prepayments for current assets</b>	<b>95</b>
<b>Cash and cash equivalents</b>	<b>17,467</b>
- Cash	17,467
<b>Total current assets</b>	<b>54,600</b>
<b>TOTAL ASSETS</b>	<b>393,844</b>

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**  
**Balance Sheet at 31 December 2014**

(Expressed in thousands of Euros)

<b>EQUITY AND LIABILITIES</b>	<b>31-12-2014</b>
<b>Capital</b>	<b>80,060</b>
- Share capital	80,060
<b>Share premium</b>	<b>320,000</b>
<b>Reserves</b>	<b>(9,425)</b>
- Other reserves	(9,425)
<b>(Treasury shares and equity holdings)</b>	<b>(4,838)</b>
<b>Other shareholder contributions</b>	<b>240</b>
<b>Profit for the year</b>	<b>1,664</b>
<b>Total equity</b>	<b>387,701</b>
<b>Non-current payables</b>	<b>3,603</b>
- Other financial liabilities	3,603
<b>Total non-current liabilities</b>	<b>3,603</b>
<b>Trade and other payables</b>	<b>2,540</b>
- Current suppliers, related parties	866
- Other payables	1,578
- Personnel ( <i>salaries payable</i> )	18
- Public entities, other	78
<b>Total current liabilities</b>	<b>2,540</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>393,844</b>





LAR ESPAÑA REAL ESTATE SOCIMI, S.A.  
INCOME STATEMENT FOR THE PERIOD OF 11 MONTHS AND 14 DAYS ENDED 31 DECEMBER 2014

(Expressed in thousands of Euros)

	2014
<b>Continuing operations</b>	
Revenues	7,207
- Sales	7,207
Other operating income	217
- Non-trading and other operating income	217
Personnel expenses	(108)
- Salaries and wages	(93)
- Employee benefits expense	(15)
Other operating expenses	(6,824)
- External services	(6,441)
- Taxes	(221)
- Losses, impairment and changes in trade provisions	(162)
Amortisation and depreciation	(1,219)
<b>Results from operating activities</b>	<b>(727)</b>
Finance income	2,391
- Marketable securities and other financial instruments	2,391
<b>Net finance income</b>	<b>2,391</b>
<b>Profit before income tax</b>	<b>1,664</b>
Income tax expense	-
<b>Profit from continuing operations</b>	<b>1,664</b>
<b>PROFIT FOR THE YEAR</b>	<b>1,664</b>

## 8.4

## Proposed Dividend (Spanish GAAP)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

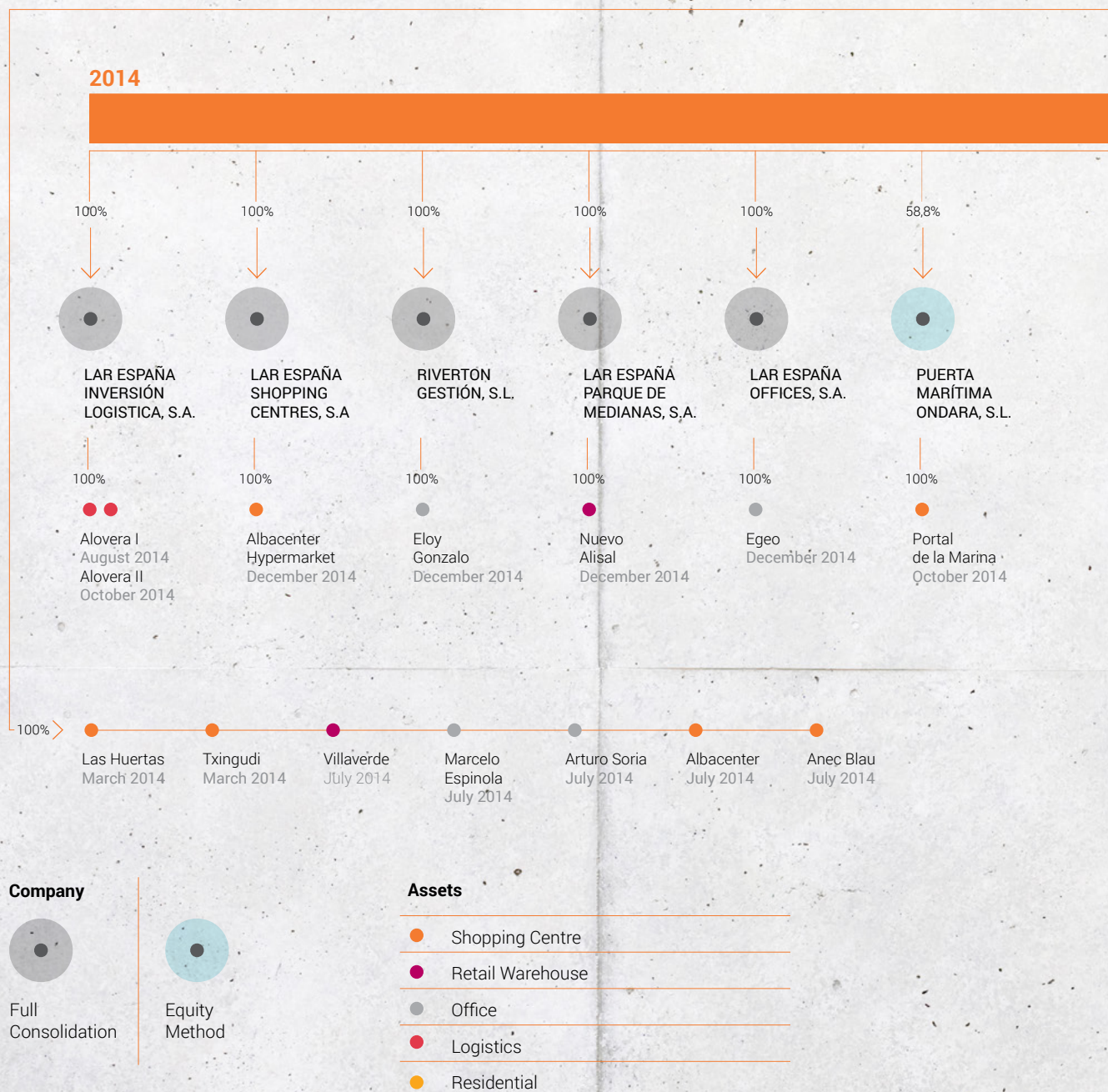
Proposed Profit Distribution	2014
Net Profit (Individual P&L)	1,664
- Dividends	1,331
- Legal Reserve (10%)	166
- Voluntary Reserve	167
<b>DIVIDEND PER SHARE</b>	<b>€0.033</b>

(\*) All figures expressed in thousands of Euros



## 8.5

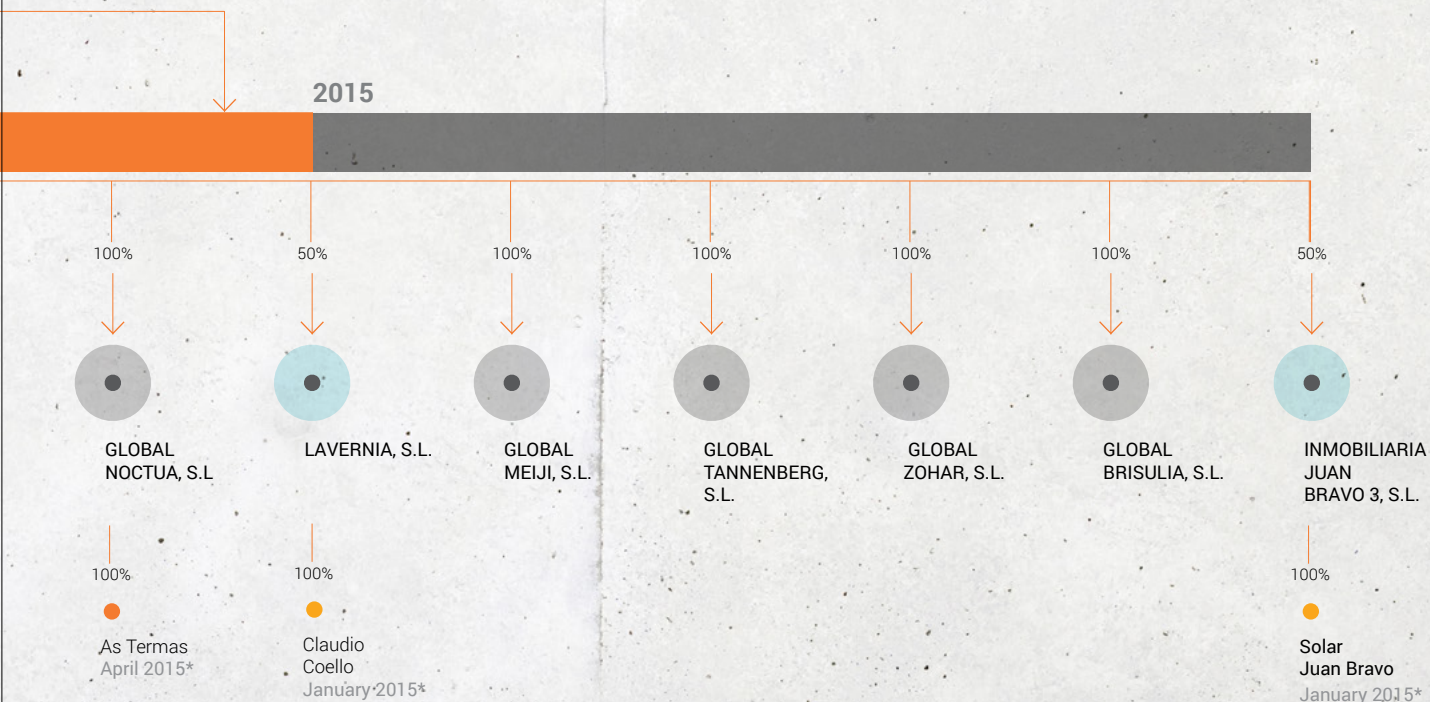
## Company Structure as of 31 December 2014 / 15 April 2015



\*Assets acquired at 2015



## Lar España Real Estate SOCIMI, S.A.





9





# EPRA Information



Shopping Centre  
As Termas  
(Lugo)





## Epra Key Performance Measures. Best Practices-Recommendations

The Reporting & Accounting Committee of EPRA (European Public Real Estate Association<sup>1</sup>) updated in December 2014 a Best Practices Recommendations<sup>2</sup> document in order to improve the presentation, transparency, comparability and relevance of the published results of listed real estate companies in Europe.

Lar España fully supports and endorses the principle of standardizing the reporting of performance indicators from the perspective of comparability and improving the quality of information provided to investors and other users of the annual report.

For this purpose, Key EPRA performance indicators are reported in a separate chapter at the end of our financial reporting.

It should be noted that Lar España started with its real estate activity during the present year. This causes key performance indicators detailed below to only refer to our position as at 31 December 2014 and the period then ended and no changes are shown in these indicators compared to previous years.

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

(2) "Best Practices Recommendations-BPR" available in [www.epra.com](http://www.epra.com)

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

EPRA Indicator	Description	Reference	31/12/2014 Thousands of Euros	31/12/2014 Euro per share
EPRA Earnings	Earnings from operational activities.	Page 92	2,516	0.07
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Page 93	389,862	9.87
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments. (ii) debt and (iii) deferred taxes.	Page 93	389,493	9.86
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date. less non-recoverable property operating expenses. divided by the market value of the property. increased with (estimated) purchasers' costs.	Page 94-95	7.0	
EPRA "topped-up" NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	Page 94-95	7.1	
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	Page 96	7.27	
EPRA Cost Ratio	EPRA Cost Ratio Administrative & operating costs (including costs of directvacancy) divided by gross rental income.	Page 97	91.3	
EPRA Cost Ratio (Excluding costs of direct vacancy)	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	Page 97	86.0	



## EPRA EARNINGS

(Thousands of Euros)

	2014	2013
<b>Earnings per IFRS income statement</b>	<b>3,456</b>	<b>N/A</b>
Change in value of investment properties	(442)	N/A
Negative goodwill	(87)	N/A
Change in value of investment properties in associates	(353)	N/A
Change in fair value of financial instruments in associates	(58)	N/A
<b>EPRA Earnings</b>	<b>2,516</b>	<b>N/A</b>
<b>Weighted average number of shares (excluding treasury shares)</b>	<b>38,276,618</b>	<b>N/A</b>
<b>EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.07</b>	<b>N/A</b>



## EPRA NAV

(Thousands of Euros)

	31-12-2014	31-12-2013
Net Asset Value per the Financial Statements	389,493	N/A
Fair value of financial instruments in associates	527	N/A
Deferred tax in associates	(158)	N/A
<b>EPRA NAV</b>	<b>389,862</b>	<b>N/A</b>
<b>Number of Shares (excluding treasury shares)</b>	<b>39,498,633</b>	<b>N/A</b>
<b>EPRA NAV PER SHARE (EUROS)</b>	<b>9.87</b>	<b>N/A</b>

## EPRA NNNAV

(Thousands of Euros)

	31-12-2014	31-12-2013
EPRA NAV	389,862	N/A
Fair value of financial instruments in associates	(527)	N/A
Deferred tax in associates	158	N/A
<b>EPRA NNNAV</b>	<b>389,493</b>	<b>N/A</b>
<b>Number of Shares (excluding treasury shares)</b>	<b>39,498,633</b>	<b>N/A</b>
<b>EPRA NNNAV PER SHARE (EUROS)</b>	<b>9.86</b>	<b>N/A</b>



## EPRA NIY and EPRA “topped-up” NIY

RETAIL							
	Shopping Centres						Retail Warehouses
	Albacenter	Hyper Albacenter	Anec Blau	Las Huertas	Txingudi	Portal de la Marina (1)	Villaverde
Completed property portfolio-wholly owned	29,103	11,788	81,310	12,000	28,500	47,964	9,345
Allowance for estimated purchasers' costs	728	295	2,030	300	713	1,199	234
Gross up completed property portfolio valuation (A)	29,831	12,083	83,340	12,300	29,213	49,164	9,579
Annualised cash passing rental income	2,681	884	6,291	1,159	2,658	3,809	780
Property outgoings	(308)	(50)	(707)	(136)	(158)	(218)	(50)
Annualised net rents (B)	2,373	834	5,584	1,023	2,500	3,591	730
Notional rent expiration of rent free periods or other lease incentives	54	95	48	38	84	106	0
Topped-up net annualised rent (C)	2,427	929	5,632	1,061	2,584	3,697	730
<b>EPRA NET INITIAL YIELD (B/A)</b>	<b>8.0%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>7.3%</b>	<b>7.6%</b>
<b>EPRA “TOPPED-UP” NET INITIAL YIELD (C/A)</b>	<b>8.1%</b>	<b>7.7%</b>	<b>6.8%</b>	<b>8.6%</b>	<b>8.8%</b>	<b>7.5%</b>	<b>7.6%</b>

(1) Participation in Puerta Marítima Ondara, S.L. is 58,78%.

(2) EPRA NIY related to Marcelo Spinola investment asset has not been calculated due to its lack of representativeness. During the fourth quarter of the year, the asset has been preparing and evicting for a refurbishment that will begin during the second quarter of 2015 and is expected to finish during the second quarter of 2016. Both total portfolio EPRA NIY and total office EPRA NIY results exclude data related to Marcelo Spinola investment asset.

		OFFICES					LOGISTICS			TOTAL
es	TOTAL RETAIL					TOTAL OFFICES			TOTAL LOGISTICS	
Nuevo Alisal		Arturo Soria	Egeo	Eloy Gonzalo	Marcelo Spinola (2)		Alovera I	Alovera II		
17,007	237,017	24,690	65,980	12,900	19,300	122,870	12,900	33,171	46,071	405,958
511	6,010	720	1,910	323	560	3,512	258	960	1,218	10,740
17,518	243,027	25,410	67,890	13,223	19,860	126,382	13,158	34,131	47,289	416,698
1,188	19,450	1,371	3,725	1,011	(2)	6,107	930	3,401	4,331	29,888
(60)	(1,687)	(49)	-	(277)	(2)	(326)	(75)	(147)	(222)	(2,235)
1,128	17,763	1,322	3,725	734	(2)	5,781	856	3,254	4,110	27,653
46	471	0	0	0	(2)	0	0	0	0	471
1,174	18,234	1,322	3,725	734	(2)	5,781	856	3,254	4,110	28,124
6.4%	7.3%	5.2%	5.5%	5.6%	(2)	5.4%	6.5%	9.5%	8.7%	(2) 7.0%
6.7%	7.5%	5.2%	5.5%	5.6%	(2)	5.4%	6.5%	9.5%	8.7%	(2) 7.1%





## EPRA VACANCY RATE

Asset Class	ERV (Thousands of Euros)	ERV Vacancy (Thousands of Euros)	EPRA VACANCY RATE %
<b>Retail</b>	<b>18,728</b>	<b>1,431</b>	<b>7.64%</b>
Shopping Centres	16,732	1,431	8.6%
- Albacenter	2,567	407	<sup>(1)</sup> 15.84%
- Hyper Albacenter	872	0	0.00%
- Anec Blau	5,807	234	4.04%
- Las Huertas	1,213	233	19.20%
- Portal de la Marina	3,755	333	8.87%
- Txingudi	2,518	224	8.88%
<b>Retail Warehouses</b>	<b>1,997</b>	<b>0</b>	<b>0.00%</b>
- Villaverde	738	0	0.00%
- Nuevo Alisal	1,259	0	0.00%
<b>Offices</b>	<b>6,574</b>	<b>371</b>	<b>5.64%</b>
- Arturo Soria	1,531	336	21.95%
- Egeo	3,915	0	0.00%
- Eloy Gonzalo	1,128	35	3.07%
- Marcelo Spinola	2,087	1,294	<sup>(2)</sup> 62.00%
<b>Logistics</b>	<b>3,931</b>	<b>325</b>	<b>8.26%</b>
- Alovera I	1,161	325	<sup>(3)</sup> 27.98%
- Alovera II	2,770	0	0.00%
<b>TOTAL</b>	<b>29,234</b>	<b>2,126</b>	<b><sup>(2)</sup> 7.27%</b>

(1) Taking into account a guaranteed rental contract, EPRA Vacancy rate is 13.31%.

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

(3) EPRA Vacancy rate is 0% as at February 2015.

## EPRA COST RATIOS

(Thousands of Euros)

	2014	2013
Administrative expenses	<sup>(1)</sup> (108)	N/A
Operating expenses (including net service charges)	<sup>(1)</sup> (7,231)	N/A
Operating expenses (including net service charges)	(875)	N/A
<b>Operating expenses (including net service charges)(A)</b>	<b>(8,214)</b>	<b>N/A</b>
Direct vacancy costs	(474)	N/A
<b>EPRA Cost (excluding direct vacancy costs) (B)</b>	<b>(7,740)</b>	<b>N/A</b>
Gross Rental Income less ground rent costs – per IFRS	8,606	N/A
Gross Rental Income less ground rent costs in associates	<sup>(2)</sup> 393	N/A
<b>Gross Rental Income (C)</b>	<b>8,999</b>	<b>N/A</b>
<b>EPRA COST RATIO (including direct vacancy costs) A/C</b>	<b><sup>(3)</sup> 91.3%</b>	<b>N/A</b>
<b>EPRA COST RATIO (excluding direct vacancy costs) B/C</b>	<b><sup>(3)</sup> 86.0%</b>	<b>N/A</b>

(1) No material overhead and operating expenses were capitalised as at 31/12/2014.

(2) % EPRA Cost Ratios obtained are so high due to asset consultancy operating expenses (2.597 thousand euros) related to the assets acquisitions during 2014. Lar España started with its real estate activity during the present year and these kind of expenses represent a high percentage compared to gross rental income for 2014.



C/ Rosario Pino 14-16 8<sup>th</sup> Floor.  
28020 Madrid, Spain  
[+34 91 436 04 37](tel:+34914360437)  
[www.larespana.com](http://www.larespana.com)  
[info@larespana.com](mailto:info@larespana.com)