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

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2017, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Lar España Real Estate SOCIMI, S.A., at the request of Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Lar España Real Estate SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2017, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2017 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2a to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016. Our conclusion is not modified in respect of this matter.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2017 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2017. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Lar España Real Estate SOCIMI, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Lar España Real Estate SOCIMI, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González
26 July 2017

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

Interim Condensed Consolidated Financial Statements for the period of six months ended 30th June 2017.

(Prepared under International Financial Reporting Standards as adopted by the European Union)

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(Expressed in thousands of Euros)

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

Assets	Note	30 June 2017 (1)	31 December 2016
Intangible assets		2	2
Investment property	5	1,372,187	1,191,089
Financial assets with associates	6 and 8	2,119	2,270
Equity-accounted investees	7	6,933	7,645
Non-current financial assets	8	12,634	11,205
Total non-current assets		1,393,875	1,212,211
Trade and other receivables	8	23,693	18,067
Financial assets with associates	6 and 8	27,285	45,288
Other current financial assets	8	3,452	5,393
Other current assets		802	617
Cash and cash equivalents	9	25,030	31,591
Total current assets		80,262	100,956
Total assets		1,474,137	1,313,167

(1) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position corresponding to the period of six months ended 30th June 2017.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of the Financial Position for the six-month period ended 30 June 2017
(Expressed in thousands of Euros)

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

Equity and Liabilities	Note	30 June 2017 (1)	31 December 2016
Capital	10a	185,248	181,081
Issue premium	10b	487,349	498,914
Other reserves	10c	111,576	42,658
Other contributions	10c	240	240
Profits for the period		64,997	91,430
Treasury shares	10e	(353)	(823)
Valuation adjustments	12	(2,665)	(1,365)
Total equity		846,392	812,135
Financial liabilities from issue of bonds and other marketable securities	12	138,644	138,506
Loans and borrowings	12	418,675	301,738
Deferred tax liabilities	12	14,605	8,536
Derivatives	12	2,376	1,890
Other non-current liabilities	12 and 13	16,782	14,918
Total non-current liabilities		591,082	465,588
Financial liabilities from issue of bonds and other marketable securities	12	1,435	3,482
Loans and borrowings	12	5,619	7,877
Derivatives		1,743	1,384
Other financial liabilities	12	158	193
Trade and other payables	12 and 14	27,708	22,508
Total current liabilities		36,663	35,444
Total equity and liabilities		1,474,137	1,313,167

(1) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position corresponding to the period of six months ended 30th June 2017.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of the Comprehensive Income for the six-month period ended 30 June 2017
(Expressed in thousands of Euros)

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

Summarised Consolidated Income Statement	Note	30 June 2017 (1)	30 June 2016 (1)
Revenue	4 and 18	37,547	26,872
Other income	19	1,002	794
Other results		653	6,978
Employee benefits expense		(222)	(175)
Other expenses	20	(15,718)	(10,666)
Changes to the fair value of investment property	5	46,903	29,066
Results from operating activities		70,165	52,869
Financial income	8	1,860	1,978
Financial costs	12	(6,772)	(9,776)
Changes in the fair value of financial instruments	12	456	-
Impairment and gains/(losses) on disposal of financial instruments		-	29
Share in income for the period of equity-accounted investees	7	(712)	(1,773)
Finance profit		(5,168)	(9,542)
Profit before tax from continuing operations		64,997	43,327
Income tax		-	-
Profit for the period		64,997	43,327
Basic earnings per share (in Euros)	11	0.72	0.72
Diluted earnings per share (in Euros)	11	0.72	0.72

Summarised Consolidated Statement of Comprehensive Income		30 June 2017 (1)	30 June 2016 (1)
Profit for the period (I)		64,997	43,327
Other Comprehensive Income Directly Recognised in Equity (II)	10d	(1,673)	(4,016)
Other Amounts Transferred to the Income Statement (III)		373	747
Total Comprehensive Income (I+II+III)		63,697	40,058

(1) Unaudited data.

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of comprehensive income corresponding to the period of six months ended 30th June 2017.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Changes in Equity at 30 June 2017
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2016	181,081	498,914	42,658	240	91,430	(823)	(1,365)	812,135
Total income and expenses recognised in the period	-	-	-	-	64,997	-	(1,300)	63,697
Distribution of profit	-	-	91,430	-	(91,430)	-	-	-
Transactions with equity holders and owners								
- Capital increase (Note 10)	4,167	15,001	(19,168)	-	-	-	-	-
- (-) Dividend distribution	-	(26,566)	(3,416)	-	-	-	-	(29,982)
Treasury shares	-	-	93	-	-	470	-	563
Other operations	-	-	(21)	-	-	-	-	(21)
Balance at 30 June 2017 (1)	185,248	487,349	111,576	240	64,997	(353)	(2,665)	846,392

(1) Unaudited data

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30th June 2017.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Changes in Equity at 30 June 2017
(Expressed in thousands of Euros)

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

	Capital	Issue premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2015	119,996	415,047	(6,007)	240	43,559	(709)	(1,560)	570,566
Total income and expenses recognised in the period	-	-	-	-	43,327	-	(3,269)	40,058
Distribution of profit	-	-	43,559	-	(43,559)	-	-	-
Transactions with equity holders and owners								
- Capital increases	1,258	4,040	(5,298)	-	-	-	-	-
- (-) Dividend distribution	-	(7,521)	(4,499)	-	-	-	-	(12,020)
Recognition of payments based on shares	-	-	332	-	-	-	-	332
Treasury shares	-	-	(298)	-	-	(434)	-	(732)
Other operations	-	-	333	-	-	-	-	333
Balance at 30 June 2016 (1)	121,254	411,566	28,122	240	43,327	(1,143)	(4,829)	598,537

(1) Unaudited data.

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30th June 2017.

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

Summarised Consolidated Statement of Cash Flows for the six-month period ended 30 June 2017

(Expressed in thousands of Euros)

	30 June 2017 (1)	30 June 2016 (1)
A) Cash flows from operating activities	8,573	(2,634)
Profit/(loss) before tax	64,997	43,327
Adjustments to the profit/(loss)	*(42,397)*	*(26,022)*
Changes to the fair value of investment property	(46,903)	(29,066)
Impairment adjustments	(9)	8
Financial income	(1,860)	(1,978)
Financial costs	6,772	9,776
Changes in the fair value of financial instruments	(456)	-
Share in income for the period of equity-accounted investees (Note 7)	712	1,773
Other income and expenses	-	443
Adjustments to the consideration given by business combinations (Note 3)	(653)	(6,978)
Changes in operating assets and liabilities	*(6,086)*	*(11,832)*
Trade and other receivables	(5,345)	(16,168)
Other current assets	1,756	508
Creditors and other payables	(2,462)	3,109
Other current liabilities	(35)	29
Other non-current assets and liabilities	-	690
Other cash flows from operating activities	*(7,941)*	*(8,107)*
Interest paid	(7,955)	(8,137)
Interest collected	14	30
B) Cash flows from investing activities	(99,885)	(67,654)
Payments for investments	*(119,885)*	*(79,034)*
Outflow of liquid in business acquisitions (Note 3)	(110,218)	(14,255)
Intangible assets	-	(1)
Investment property	(9,583)	(62,808)
Other financial assets	(84)	(2,000)
Proceeds from sales on investments	*20,000*	*11,380*
Associates	20,000	9,663
Other assets	-	179
Receipt of dividends	-	1,538
C) Cash flows from financing activities	84,751	74,138
Payments made and received for equity instruments	*543*	*(419)*
Acquisition / disposal of equity instruments	543	(419)
Receivables and payments for financial liability instruments	*114,190*	*86,577*
Issue of:		
Bank borrowings (Note 12)	136,319	95,078
Other financial liabilities	236	-
Refunds and amortization of:		
Bank borrowings	(22,365)	(6,111)
Other financial liabilities	-	(2,390)
Payments for dividends and remuneration from other equity instruments	*(29,982)*	*(12,020)*
Dividends paid	(29,982)	(12,020)
E) Net increase / decrease in cash or cash equivalents	(6,561)	3,850
F) Cash and cash equivalents at the beginning of the period	31,591	35,555
G) Cash and cash equivalents at the end of the period	25,030	39,405

(1) Unaudited data.

Notes 1 to 24, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of cash flows for the period of six months ended 30th June 2017.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

Lar España Real Estate SOCIMI, S.A. (hereinafter the Parent Company or Lar España) was incorporated with limited liability under Spanish law on 17 January 2014 for an indefinite duration as Lar España Real Estate, S.A. Its name was changed to the current name on 6 February 2014.

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

According to its articles of association, the Parent Company's statutory activity consists of the following:

- The acquisition and development of urban properties for lease.
- The holding of investments in the capital of other SOCIMIs (listed corporations for investment in the real estate market - Spanish "REITs") or in other entities not resident in Spain that have an identical statutory activity and are subject to a regime similar to that applicable to SOCIMIs, insofar as they have a legal or statutory obligation to distribute profits.
- The holding of investments in the capital of other resident or non-resident entities in Spain, the main activity of which is the acquisition of urban properties for lease. These entities must be subject to the same regime established for SOCIMIs insofar as they have a legal or statutory obligation to distribute profits and must also comply with the investment requirements stipulated in Article 3 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs.
- The holding of shares or investments in property collective investment undertakings governed by Law 35/2003 of 4 November 2003 on collective investment undertakings, amended by Royal Decree 83/2015 of 13 February 2015 on property collective investment undertakings.
- In addition to the economic activity derived from the principal statutory activity, SOCIMIs may carry out complementary activities. These are understood to be activities that do not amount to more than 20% of the total earnings of the Company in each tax period or those which can be considered complementary pursuant to prevailing legislation.

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and associates, LE Logistic Alovera I y II, S.A.U., LE Retail Hiper Albacenter, S.A.U, LE Retail Alisal, S.A.U., LE Offices Egeo, S.A.U., LE Offices Eloy Gonzalo 27, S.A.U., LE Retail As Termas, S.L.U., LE Retail Portal de la Marina, S.L.U., LE Logistic Alovera III y IV, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Hiper Ondara, S.L.U., LE Logistic Almussafes, S.L.U., LE Retail Sagunto S.L.U., LE Retail Megapark, S.L.U., LE Retail El Rosal, S.L.U., LE Retail Galaria, S.L.U., Lar España Shopping Centres VIII, S.L.U., LE Retail Vistahermosa, S.L.U., Lar España Offices VI, S.L.U., Lar España Inversión Logística IV, S.L.U., LE Offices Arturo Soria, S.L.U., LE Retail Villaverde, S.L.U., LE Retail Anec Blau, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Txingudi, S.L.U., LE Retail Las Huertas, S.L.U., LE Offices Marcelo Spínola 42, S.L.U., LE Retail Gran Vía de Vigo, S.A.U., LE Retail Abadia, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U., LE Retail Hipermercados III, S.L.U. and Inmobiliaria Juan Bravo 3, S.L. (hereinafter the "Group") which are listed in detail below, have as their principal activity the acquisition and management of shopping centres and offices. However, they may invest on a smaller scale in other assets for rent or for direct sale (commercial premises, industrial bays, logistics centres or residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and the Spanish automated quotation system since 5 March 2014.

The Parent Company is regulated by Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs. Note 1 on the consolidated annual accounts for the 2016 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2017 and its method of integration in the consolidated financial statements are as follows:

Corporate Name	Company Address	Activity	Company holding the stake	% stakes	Method of integration
LE Logistic Alovera I y II, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Albacenter, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Alisal, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Egeo, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Eloy Gonzalo 27, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail As Termas, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Portal de la Marina, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Inmobiliaria Juan Bravo 3, S.L.	Calle Rosario Pino, 14-16 28020 Madrid	Property leasing and development	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
LE Logistic Alovera III y IV, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Joan Miró 21, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Ondara, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Logistic Almussafes, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Sagunto, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Megapark, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail El Rosal, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Galaria, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

Corporate Name	Company Address	Activity	Company holding the stake	% stakes	Method of integration
Lar España Shopping Centres VIII, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Vistahermosa, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Offices VI, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Inversión Logística IV, S.L.U	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Arturo Soria, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Villaverde, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Anec Blau, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Albacenter, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Txingudi, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Las Huertas, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Marcelo Spínola 42, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Gran Vía de Vigo, S.A.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Abadia, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hipermercados I, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

Corporate Name	Company Address	Activity	Company holding the stake	% stakes	Method of integration
LE Retail Hipermercados II, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hipermercados III, S.L.U.	Calle Rosario Pino, 14-16 28020 Madrid	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

(2) BASES FOR PRESENTING THE SUMMARISED CONSOLIDATED INTERMEDIATE FINANCIAL STATEMENTS PREPARED UNDER THE IFRS CRITERIA ADOPTED BY THE EUROPEAN UNION

(a) Regulatory framework

The regulatory framework on financial information to which the Company is subject is that established in:

- The Spanish Code of Commerce and related mercantile legislation;
- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003 of 30 December, on tax, administrative and social measures, as well as the applicable standards and circulars issued by the Spanish Securities Market Commission;
- Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs;
- All other applicable Spanish accounting principles.

The consolidated annual accounts for 2016 were prepared in accordance with the regulatory framework on financial information listed in the previous paragraph, and thus present a true and fair view of the Group's consolidated equity and consolidated financial position as of 31 December 2016 and of the consolidated statements of income from its operating activities, of the changes in consolidated equity and consolidated cash flows for the Group during the financial year that ended on that date.

The Group's consolidated annual accounts for the 2016 financial year were approved by the Shareholders' General Meeting of Lar España Real Estate SOCIMI, S.A. which was held on 29 May 2017.

These summarised consolidated intermediate financial statements are presented in accordance with International Accounting Standards (IAS) 34, on Intermediate Financial Reporting, and have been authorised for issue by the Parent Company’s Directors, on 26 July 2017, fully in accordance with that provided in article 12 of Royal Decree 1362/2007, of 19 October, implementing Law 24/1988, of 18 July, on the Spanish Securities Market regarding the transparency requirements for the information on companies whose securities are listed on the official secondary market or another regulated market in the European Union.

In accordance with IAS 34, the Intermediate Financial Reporting is prepared with the sole intention of updating the content of the most recent consolidated annual accounts issued by the Group, emphasising the new activities, events and circumstances that took place during the period and not duplicating the information already published in the consolidated annual accounts for 2016. The summarised consolidated intermediate financial statements as of 30 June 2017 do not, therefore, include all the information that would be required in complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union. The summarised consolidated intermediate financial statements attached must therefore be read in conjunction with the Group's consolidated annual accounts for the financial year that ended on 31 December 2016.

The consolidated statements of income and the determination of the consolidated equity are subject to the accounting policies and principles, valuation and estimation criteria followed by the Parent Company's Directors in preparing the summarised consolidated intermediate financial statements. In this respect, the principal accounting policies and principles, valuation and estimation criteria used are those applied in the consolidated annual accounts for 2016, except for any standards/regulations or interpretations that came into force during the first semester of 2017.

During the first six months of 2017, the following standards/regulations, amendments to standards/regulations, and interpretations have come into force, and where applicable, have been used by the Group in preparing the summarised consolidated intermediate financial statements:

- Amendment to IAS 7 Disclosure initiative (published in January 2016). This amendment introduces requirements for additional disclosures in order to improve information provided to users. Effective for annual periods beginning on or after 1 January 2017.

- Amendment to IAS 12 Recognition of deferred tax assets for unrealised losses (published in January 2016). This amendment clarifies the principles established regarding the recognition of deferred tax losses for unrealised losses. Effective for annual periods beginning on or after 1 January 2017.

- Improvements to IFRS Cycle 2014-2016 (published in December 2016). Effective for annual periods beginning on or after 1 January 2017, depending on the improvement.

There is no accounting policy or valuation criterion that, having a significant effect on the summarised consolidated intermediate financial statements, has not been applied.

Similarly, the following published standards/regulations were not in force during the first six months of 2017, pending EU approval of their use:

- IFRS 15 Revenue from Contracts with Customers (published in May 2014). New revenue recognition standard (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31). Effective for annual periods beginning on or after 1 January 2018. (Improvements to IFRS 15 are pending adoption).

- IFRS 9 Financial instruments (published in July 2014). This replaces the requirements for classification, measurement and derecognition of financial assets and financial liabilities and hedge accounting under IAS 39. Effective for annual periods beginning on or after 1 January 2018.

- Improvements to IFRS 15 (published in April 2016). These improvements concentrate on identifying performance obligations, principal versus agent considerations, licensing, whether the licences are transferred at a point in time or over time, as well as some clarifications on transition requirements. Effective for annual periods beginning on or after 1 January 2018.

- IFRS 16 Leases (published in January 2016). New leasing regulation that substitutes IAS 17 and the associated interpretations. The main change is that the new regulation proposes a single accounting model for tenants that will include all leases on the balance sheet (with few exceptions) that have an impact similar to that of current financial leases. Effective for annual periods beginning on or after 1 January 2019.

- IFRS 17 Insurance contracts (published in May 2017). This will replace IFRS 4. It sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts. Effective for annual periods beginning on or after 1 January 2021.

- Amendment to IFRS 2 Classification and Measurement of Share-based Payments (published in June 2016). These are restricted amendments that clarify specific questions such as the effects of the accrual conditions on payments based on shares to be settled in cash, the classification of payments based on shares when there are settlement clauses regarding the net amount, and some aspects of the amendments on the rate of payment based on shares (cash or shares). Effective for annual periods beginning on or after 1 January 2018.

- Amendment to IFRS 4 Insurance Contracts (published in September 2016). This amendment provides entities falling under the scope of IFRS 4 with the option of applying IFRS 9 (Overlay approach) or a temporary exemption therefrom. Effective for annual periods beginning on or after 1 January 2018.

- Amendment to IAS 40 Reclassification of Investment Property (published in December 2016). This amendment clarifies that a reclassification of an investment from or to property investment is only allowed when there is evidence of a change in the use thereof. Effective for annual periods beginning on or after 1 January 2018.

- Improvements to IFRS Cycle 2014-2016. Effective for annual periods beginning on or after 1 January 2018, depending on the improvement.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (published in December 2016). This interpretation establishes the "date of the transaction" for the purposes of determining the applicable exchange rate in transactions with advance consideration in foreign currency. Effective for annual periods beginning on or after 1 January 2018.

- IFRIC 23 Uncertainty regarding tax treatment. This interpretation clarifies how the recognition and measurement standard under IAS 12 should be applied where there is uncertainty as to whether the tax authorities will accept a given tax treatment applied by the entity. Effective for annual periods beginning on or after 1 January 2019.

– Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (published in September 2014). This amendment makes clarifications regarding the result of these transactions when dealing with businesses or assets. There is no effective date; the adoption thereof by the European Union and the application thereof according to the IASB has been postponed indefinitely.

The Group is currently evaluating the impact that the future application of these standards could have on the summarised consolidated intermediate financial statements when they enter into force, a reasonable estimate of the effects not being possible until said analysis is complete. In the case of IFRS 16 (Leases), this regulation will substitute the current IAS 17 and will be applied as of 1 January 2019. Its main change is a sole accounting model for tenants that will include all leases in the balance sheet (with limited exceptions) as if they were financed purchases, that is with an impact similar to that of current financial leases. Otherwise, in the case of lessors, a dual model will continue to be used, similar to that which is currently used under IAS 17. With regard to IFRS 15, the Group estimates that the impact of the implementation thereof will not be significant given that this standard does not cover lease contracts, which are regulated by accounting standard (IAS 17/IFRS 16).

(b) Comparative information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these summarised consolidated intermediate financial statements corresponding to 30 June 2016 in the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and the information to 31 December 2016 in the summarised consolidated statement of financial position is presented for the purposes of comparison with the information related to the six-month period ended on 30 June 2017.

(c) Estimates made

Estimates made by the Parent Company’s Directors have occasionally been used in the summarised consolidated intermediate financial statements to quantify some of the assets, liabilities, income, expenses and commitments recorded therein. Basically, these refer to:

– Calculation of fair value of investment property by applying valuation models.

– Valuation allowances for bad debts and the review of individual balances based on customers’ credit ratings, market trends and the historical analysis of bad debts at an aggregated level all require a high degree of judgement by the Management.

– Determination of the fair value of certain financial instruments.

– Assessment of provisions and contingencies.

– Financial risk management.

– Calculation of fair value of payments based on shares or equity instruments.

– Compliance with the requirements that regulate SOCIMIs.

– Definition of the transactions carried out by the group as a business combination in accordance with IFRS 3 or as an asset acquisition.

These estimates have been calculated by the Parent Company's directors based on the best information about the events analysed that was available at the time. In any case, future events may require changes to these estimates in subsequent years, which would be made, if applicable, in accordance with the provisions of IAS 8.

During the six-month period ended on 30 June 2017 there were no significant changes in the estimates made at the close of the 2016 financial year.

(d) Contingent assets and liabilities

During the first six months of 2017 there were no significant changes in the Group's contingent assets and liabilities.

(e) Correction of errors

During the first six months of 2017 no errors have been brought to light with respect to the close of the previous financial year that would require correction.

(f) Seasonality of the Group's transactions

Given the activities in which the companies in the Group are involved, its transactions are not markedly cyclical or seasonal in nature. Specific breakdowns in this respect have therefore not been included in these explanatory notes to the summarised consolidated intermediate financial statements for the six-month period ended 30 June 2017.

(g) Relative importance

In determining the information to be broken down in the explanatory notes on the different items in the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account the relative importance in relationship to the summarised consolidated financial statements for the six-month period ended 30 June 2017.

(h) Summarised consolidated statement of cash flows

The summarised consolidated statement of cash flows uses the following expressions and definitions:

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

– Operating activities are the activities that constitute the main source of the Group's ordinary revenues, and any other activities that cannot be classified as investment or financing.

– Investing activities are the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.

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

For the purposes of preparing the summarised consolidated statement of cash flows, the following have been considered to be "cash and cash equivalents": cash on hand and demand bank deposits, and those short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(3) CHANGES TO THE COMPOSITION OF THE GROUP

In Note 4.e. and Appendix I of the consolidated annual accounts for the period ended 31 December 2016, relevant information is provided regarding the Group companies that were consolidated as of that date and those that were included using the equity method.

During the first six months of the 2017 financial year there have been the following changes to the scope of the consolidation:

– On 27 March 2017, the Parent Company has acquired 100% of the stakes in the company NPS European Property Toledo, S.L.U. (currently LE Retail Abadia, S.L.U.) from the company Rockspring NPS European Property Holding, B.V.

The information on the acquired company and the consideration transferred in the business combination is as follows:

Company	Principal Activity	Date of acquisition	Percentage of shareholding (voting rights) acquired	Transferred consideration (thousands of Euros)
LE Retail Abadia, S.L.U.	The acquisition and development of properties	27/03/2017	100%	65,285

	Thousands of Euros		
	Carrying amount	Value adjustment	Fair value
Investment property	49,868	17,785	67,653
Trade and other receivables	138	-	138
Other assets	740	-	740
Cash and other cash equivalent assets	2,725	(230)	2,495
Deferred tax liabilities	-	(4,446)	(4,446)
Other long-term loans and borrowings	(996)	-	(996)
Trade and other payables	(299)	-	(299)
Total net assets	**52,176**	**13,109**	**65,285**
Transferred consideration for the 100%			**65,285**

On 27 March 2017 a sales contract was signed, the total amount paid by the Parent Company being EUR 65,285 thousand, of which EUR 47,928 thousand was used to cancel the loan held by LE Retail Abadia, S.L.U. at the date of acquisition.

The assets attributed with the fair value are investment property. The main asset of the acquired company was the Abadia business park in Toledo, the fair value of which when purchased was EUR 67,653 thousand. Said asset is leased to several tenants, through lease contracts for the commercial premises that constitute the asset.

On the date of acquisition, based on IAS 12 on Income Tax, the line item "Deferred tax liabilities" includes 25% of the difference between the tax value and the fair value of the asset because of the capital gains that will be taxed in the future when the asset is sold.

The fair value of acquired receivables, mainly of a commercial nature, totalled EUR 138 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company's directors do not find any signs that these receivables will not be collected in their totality.

The profit and loss and income from leasing activities incorporated in the 2017 period since the date of acquisition and included in the consolidated income statement for the 2017 period amounted to EUR 684 thousand and EUR 1,027 thousand, respectively.

If the acquisition had taken place on 1 January 2017 (the beginning date of each accounting period of the acquired company), the profit and income contributed to the Group would have varied by EUR (167) thousand and EUR 912 thousand. The Directors have used the income received from 01 January 2017 when determining said amount.

In addition, on 27 March 2017, the Company changed its name to LE Retail Abadia, S.L.U.

The company expects to request the ability to avail of the special tax regime for SOCIMIs retroactively to 01 January 2017.

The net cash flow in the acquisition was:

	Thousands of Euros
Cash paid:	
- For stakes	17,357
- For the cancelled loan	47,928
Less: Cash and cash equivalents	(2,495)
Total	62,790

– On 27 March 2017, the Parent Company acquired 100% of the stocks in the companies NPS European Property Retail I, S.L.U., NPS European Property Retail II, S.L.U. and NPS European Property Retail III, S.L.U., (currently LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U.) from the company Rockspring NPS European Property Holding, B.V.

The information on the three acquired company and the consideration transferred in the business combination is presented broken down by group and is listed below:

Companies	Principal Activity	Date of acquisition	Percentage of shareholding (voting rights) acquired	Transferred consideration (thousands of Euros)
LE Retail Hipermercados I, S.L.U./ LE Retail Hipermercados II, S.L.U./ LE Retail Hipermercados III, S.L.U.	The acquisition and development of properties	27/03/2017	100%	49,723

	Thousands of Euros		
	Carrying amount	Value adjustment	Fair value
Investment property	43,319	6,491	49,810
Trade and other receivables	134	-	134
Other assets	605	-	605
Cash and other cash equivalent assets	2,295	-	2,295
Deferred tax liabilities	-	(1,623)	(1,623)
Other long-term loans and borrowings	(632)	-	(632)
Trade and other payables	(213)	-	(213)
Total net assets	**45,508**	**4,868**	**50,376**
Transferred consideration for the 100%			**49,723**
Income from the business combination			**653**

On 27 March 2017 a private sales contract was signed, the total amount paid by the Parent Company being EUR 49,723 thousand, of which EUR 37,425 thousand was used to cancel the loan held by the three companies at the date of acquisition.

The assets of the acquired companies correspond to a business dealing with supermarkets located in the Autonomous Communities of Islas Baleares, Cantabria, País Vasco, Navarra and La Rioja, the fair value of which was EUR 49,810 thousand when purchased. Said assets are leased to tenants by virtue of lease contracts.

On the date of acquisition, based on IAS 12 on Income Tax, the line item "Deferred tax liabilities" includes 25% of the difference between the tax value and the fair value of the asset because of the capital gains that will be taxed in the future when the asset is sold.

The fair value of acquired receivables, mainly of a commercial nature, totalled EUR 134 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company’s directors do not find any signs that these receivables will not be collected in their totality.

The profit and loss and income from leasing activities incorporated in the 2017 period since the date of acquisition and included in the consolidated income statement for the 2017 period amounted to EUR 756 thousand and EUR 988 thousand, respectively.

If the acquisition had taken place on 1 January 2017 (the beginning date of each accounting period of the acquired company), the profit and income contributed to the Group would have varied by EUR 314 thousand and EUR 887 thousand, respectively. The Directors have used the income received from 01 January 2017 when determining said amount.

In addition, on 27 March 2017, the companies changed their names to LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U.

The companies expect to request the ability to avail of the special tax regime for SOCIMIs retroactively to 1 January 2017.

The net cash flow in the acquisition was:

	Thousands of Euros
Cash paid:	
- For stakes	12,298
- For the cancelled loan	37,425
Less: Cash and cash equivalents	(2,295)
Total	47,428

Based on the directors' best estimate of the acquisitions mentioned in the paragraphs above, these have been recognised as business combinations.

(4) SEGMENT REPORTING

As of 30 June 2017, the Group is organised internally into operating segments, with four distinct lines of business: shopping centres (which comprises the rental of shopping centre and single-tenant commercial premises), offices (constituting the office rental business), logistics (the logistics bay rental business), and residential. These are the strategic business units. The breakdown into operating segments is as follows:

– Shopping centres: Txingudi, Las Huertas, Albacenter hypermarket, Anec Blau, Villaverde, Portal de la Marina, Albacenter, Nuevo Alisal, As Termas, Portal de la Marina hypermarket, El Rosal, Cruce de Caminos, As Termas petrol station, Megapark, Parque Galaria, Palmas Altas, Parque Vistahermosa, Gran Vía de Vigo, Abadía, Portfolio supermarkets.

– Office buildings: Arturo Soria, Marcelo Spínola, Egeo, Eloy Gonzalo and Joan Miró.

– Logistics: Alovera I, Alovera II, Alovera III, Alovera IV and Almussafes.

– Residential: Stakes in the associate Inmobiliaria Juan Bravo 3, S.L. (owner of a building under construction in Calle Juan Bravo de Madrid).

The profit generated by each segment and by each asset within each segment is used as a measure of its performance because the Group considers this to be the most relevant information with which to assess the profits generated by specific segments as compared with other groups that operate in these businesses.

The details of these activities by segment at 30 June 2017, and their comparison with the previous period (30 June 2016 for income and expenses, and 31 December 2016 for assets and liabilities), are shown below:

	Thousands of Euros					
	30 June 2017					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other (*)	Total
Revenue from leases	31,589	3,290	2,668	-	-	37,547
Total revenues	31,589	3,290	2,668	-	-	37,547
Other income	992	10	-	-	-	1,002
Other results	-	-	-	-	653 (a)	653
Staff expenses	-	-	-	-	(222)	(222)
Operating expenses	(5,191)	(819)	(293)	-	(9,415)	(15,718)
Changes to the fair value of investment property	33,297	6,851	6,755	-	-	46,903
Operating profit	60,687	9,332	9,130	-	(8,984)	70,165
Net finance cost	(3,485)	(469)	12	1,640	(2,154)	(4,456)
Equity-accounted investees	-	-	-	(712)	-	(712)
Profit	57,202	8,863	9,142	928	(11,138)	64,997

(*) The line item "Head Office and other" comprises the corporate income and expense that cannot be attributed to any segment.

(a) This category includes the amount of EUR 653 thousand for the business combination from NPS European Property Retail I, S.L.U., NPS European Property Retail II, S.L.U. and NPS European Property Retail III, S.L.U. (Note 3)

	Thousands of Euros					
	30 June 2016					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other (*)	Total
Revenue from leases	20,577	3,580	2,715	-	-	26,872
Total revenues	20,577	3,580	2,715	-	-	26,872
Other income	7,654 (a)	104	14	-	-	7,772
Staff expenses	-	-	-	-	(175)	(175)
Operating expenses	(3,904)	(705)	(357)	-	(5,700)	(10,666)
Changes to the fair value of investment property	20,309	6,867	1,890	-	-	29,066
Operating profit	44,636	9,846	4,262	-	(5,875)	52,869
Net finance cost	(6,625) (b)	(577)	-	1,525	(2,121)	(7,798)
Impairment and gains/(losses) on disposal of financial instruments	29	-	-	-	-	29
Equity-accounted investees	580	-	-	(2,353)	-	(1,773)
Profit	38,620	9,269	4,262	(828)	(7,996)	43,327

(*) The line item "Head Office and other" comprises the corporate income and expense that cannot be attributed to any segment.

(a) This category includes the amount of EUR 6,978 thousand, which corresponds to the negative consolidation difference resulting from the acquisition of 41.22 % of Portal de la Marina, S.L.U. (At 31 December the parent company held 58.78% of this company).

(b) This category includes the amount of EUR (4,105) thousand, which corresponds to the loss resulting from the decrease in the equity-accounted valuation the Parent Company had recorded at 31 December 2015 for its 58.78 % shareholding at said date.

	Thousands of Euros					
	30 June 2017					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	2	-	-	-	-	2
Investment property	1,107,877	178,640	85,670	-	-	1,372,187
Financial assets with associates	-	-	-	2,119	-	2,119
Equity-accounted investees	-	-	-	6,933	-	6,933
Non-current financial assets	10,491	1,060	1,083	-	-	12,634
Total non-current assets	1,118,370	179,700	86,753	9,052	-	1,393,875
Trade and other receivables	18,340	2,493	67	-	2,793	23,693
Financial assets with associates	-	-	-	27,285	-	27,285
Other current financial assets	3,348	2	-	-	102	3,452
Other current assets	309	19	69	-	405	802
Cash and cash equivalents	15,417	2,509	262	-	6,842	25,030
Total current assets	37,414	5,023	398	27,285	10,142	80,262
Total assets	1,155,784	184,723	87,151	36,337	10,142	1,474,137

	Thousands of Euros					
	31 December 2016					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	2	-	-	-	-	2
Investment property	943,604	171,010	76,475	-	-	1,191,089
Financial assets with associates	-	-	-	2,270	-	2,270
Equity-accounted investees	-	-	-	7,645	-	7,645
Non-current financial assets	9,030	1,093	1,082	-	-	11,205
Total non-current assets	952,636	172,103	77,557	9,915	-	1,212,211
Trade and other receivables	12,983	436	220	-	4,428	18,067
Financial assets with associates	-	-	-	45,288	-	45,288
Other current financial assets	3,348	2	-	-	2,043	5,393
Other current assets	258	2	54	-	303	617
Cash and cash equivalents	15,273	3,552	1,462	-	11,304	31,591
Total current assets	31,862	3,992	1,736	45,288	18,078	100,956
Total assets	984,498	176,095	79,293	55,203	18,078	1,313,167

	Thousands of Euros					
	30 June 2017					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	140,079	140,079
Loans and Borrowings	371,811	52,483	-	-	-	424,294
Deferred tax liabilities	14,605	-	-	-	-	14,605
Derivatives	3,921	198	-	-	-	4,119
Other non-current liabilities	14,328	1,301	1,114	-	39	16,782
Other financial liabilities	-	-	-	158	-	158
Trade and other payables	19,735	1,668	477	-	5,828	27,708
Total liabilities	424,400	55,650	1,591	158	145,946	627,745

	Thousands of Euros					
	31 December 2016					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in associates)	Head Office and other	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	141,988	141,988
Loans and Borrowings	237,268	52,427	-	19,920	-	309,615
Deferred tax liabilities	8,536	-	-	-	-	8,536
Derivatives	3,049	225	-	-	-	3,274
Other non-current liabilities	12,195	1,351	1,114	-	258	14,918
Trade and other payables	9,859	915	180	-	11,554	22,508
Other financial liabilities	-	-	-	-	193	193
Total liabilities	270,907	54,918	1,294	19,920	153,993	501,032

(a) <u>Geographical segments</u>

Revenues and assets per geographical segment are presented on the basis of the location of the assets.

(b) <u>Geographical information</u>

The table below summarises revenues and investment property for each of the assets owned by the Group in each geographical region at 30 June 2017:

	Thousands of Euros			
	30 June 2017			
	Revenue	%	Investment property	%
País Vasco	7,578	20%	256,756	19%
Galicia	7,297	19%	233,800	17%
Comunidad Valenciana	5,774	15%	193,520	14%
Castilla La Mancha	4,923	13%	189,292	14%
Castilla y León	3,878	10%	112,970	8%
Cataluña	3,543	10%	116,300	8%
Comunidad de Madrid	3,075	8%	168,435	12%
Cantabria	772	2%	24,979	2%
Navarra	437	1%	15,702	1%
Islas Baleares	222	1%	10,687	1%
La Rioja	48	1%	2,246	1%
Andalucía	-	-	47,500	3%
	37,547	100%	1,372,187	100%

	Thousands of Euros			
	30 June 2016			
	Revenue	%	Investment property	%
País Vasco	6,775	26%	210,000	22%
Galicia	2,627	10%	74,045	8%
Navarra	340	1%	9,800	1%
Cantabria	644	2%	17,502	2%
Cataluña	3,327	12%	108,460	11%
Castilla La Mancha	3,987	15%	109,603	11%
Comunidad Valenciana	2,242	8%	154,825	15%
Castilla y León	3,580	13%	105,290	11%
Comunidad de Madrid	3,350	13%	149,190	15%
Andalucía	-	-	36,200	4%
	26,872	100%	974,915	100%

The Group carries out its activity entirely in Spain.

(c) Main customers

This item presents details of the tenants that contributed the most rental revenues during the period ended 30 June 2017, as well as the main characteristics of each one:

Position	Trade name	Project	% of Total of Net Turnover	% accumulated	Expiry *	Sector
1	Carrefour	Alovera II/El Rosal/Gran Vía de Vigo	9.03%	9.03%	2017-2046	Distribution/Hypermarket
2	Inditex	Anec Blau/Albacenter/El Rosal/As Termas/Huertas/Portal de la Marina/Gran Vía de Vigo	7.60%	16.63%	2017-2034	Retail Fashion
3	Mediamarkt	Megapark/Villaverde/As Termas/Nuevo Alisal/Vistahermosa/Abadia	5.09%	21.72%	2023-2036	Technology
4	Eroski	Albacenter Hyper/Portal de la Marina Hyper/ As Termas petrol station/ Supermarket portfolio	3.48%	25.20%	2024-2051	Hypermarket
5	Decathlon	Megapark/Abadia	2.72%	27.92%	2036-2041	Distribution
6	H&M	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina/Gran Vía de Vigo/Txingudi	2.35%	30.27%	2022-2047	Retail Fashion
7	C&A Modas	Anec Blau/As Termas/Megapark/Portal de la Marina/Gran Vía de Vigo	2.35%	32.62%	2018-2026	Retail Fashion
8	El Corte Inglés	Megapark/Galaria/Gran Vía de Vigo	2.28%	34.90%	2027-2036	Distribution
9	Cortefiel	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina/Gran Vía de Vigo/Las Huertas/Megapark/Txingudi/ Vistahermosa	2.15%	37.05%	2019-2030	Retail Fashion
10	Conforama	Megapark/Abadia	1.69%	38.74%	2023-2032	Distribution

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

(5) INVESTMENT PROPERTY

At 30 June 2017 the investment property owned by the Group comprises 11 shopping centres, 2 hypermarkets (Ondara and Albacenter), the As Termas petrol station and 2 shopping centres under construction, 5 office buildings, 29 single-tenant commercial properties (14 from Megapark Barakaldo, 3 from Vistahermosa business park, 7 from Alisal business park, 1 from Alisal, 1 from Villaverde and 3 from Galaria), 5 logistics bays, 1 logistic bay under construction, 22 supermarkets and the land on which these are located, which are held to obtain rental income and are therefore not occupied by the Group.

The composition and movements that had occurred in the accounts included under the heading "Investment property" in the summarised consolidated financial statements at 30 June 2017 were as follows:

	Thousands of Euros
	Completed investment property
Fair value at 31 December 2016	1,191,089
Additions for the period	16,732
Change to the scope of the consolidation (Note 3)	117,463
Changes in fair value	46,903
Balance at 30 June 2017	1,372,187
Fair value at 30 June 2017	1,372,187

Investment property is presented at fair value.

The Group has recognised the following investment property at its fair value at 30 June 2017 and 31 December 2016:

	Thousands of Euros	
	Investment property held	
	30 June 2017	31 December 2016
Centres, single-tenant commercial properties and supermarkets	1,107,877	943,604
Office buildings	178,640	171,010
Logistics bays	85,670	76,475
	1,372,187	1,191,089

Registrations and additions from business combinations for the six-month period ended on 30 June 2017 are as follows:

		Thousands of Euros
Type of asset	Company	Cost of purchase
Shopping centre	Sagunto (a)	9,204
Logistics bay	Cheste (b)	2,271
Shopping centre	Abadía (Note 3)	67,653
Shopping centre	Supermarket Portfolio (Note 3)	49,810
Sundry assets	Improvements	5,257
		134,195

(a) This is in reference to the acquisition of two plots in Sagunto, Valencia, where construction of a shopping centre is planned. On 5 April 2017 the Company formalised the deed of purchase for the plots M2-1 and M3-1 for EUR 6,708 thousand and EUR 4,906 thousand, respectively. Furthermore costs totalling EUR 3,780 thousand have been capitalised. The Company had effected advanced payments in the amount of EUR 6,190 thousand to purchase this site on 31 December 2016.

(b) This is in reference to the acquisition of two plots in Cheste, Valencia, where construction of a logistic bay is planned. On 25 January 2017 and 23 February 2017, the Company formalised the deeds of purchase for the two sites for EUR 1,975 thousand and EUR 296 thousand, respectively.

On 30 June 2017, the amount of investment properties pending payment totalled EUR 7,417 thousand and was recorded under "Trade and other payables" in the summarised consolidated statement of financial position at 30 June 2017 (EUR 268 thousand at 31 December 2016).

At 30 June 2017, assets pledged as collateral for bonds and various loans had a fair value of EUR 1,199,780 thousand (EUR 923,582 thousand at 31 December 2016). The amount of said loans pending return at amortised cost at 30 June 2017 amounted to EUR 564,373 thousand (EUR 451,603 thousand at 31 December 2016). The Group has no agreements for the use of investment property, attachment orders thereon or analogous situations (see Note 12).

At 30 June 2017 all buildings comprising "Investment property" are insured. These policies are considered to provide sufficient coverage.

The details of the assets measured at fair value and the hierarchy in which they are classified are broken down in Note 16.a. The fair value of the assets totalled EUR 1,372,187 thousand (EUR 1,191,089 thousand at 31 December 2016) and are considered level 3 valuations, with there being no transfers between levels in the 2017 period.

At 30 June 2017 the details of the gross leasable area and occupancy rate by line of business are as follows:

	Square metres	
	Gross leasable area	Occupancy rate (%)
Shopping centres and single-tenant commercial property (*)	420,380	92.9%
Office buildings (**)	44,399	74.5%
Logistics bays (***)	161,840	100%

(*) The square meters of the VidaNova Parc and Palmas Altas sites have not been taken into account, since they are currently under construction.

(**) The square meters of the Eloy Gonzalo 27 office building have not been taken into account, since it is being remodelled.

(***) The square meters of the Cheste site have not been taken into account, since it is currently under construction.

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

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

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

Furthermore, when assessing the Joan Miro, Egeo and Arturo Soria offices to determine the market value, the amount taken into account is that which the company expects to recover through the lease of said offices and the current rent during the duration of the contract is capitalised, to which the capitalisation of the estimated rental value (ERV) is perpetually added.

The appraisal companies that performed the valuations of the Group's investment property at 30 June 2017 are listed below:

	Appraisal Company
Txingudi shopping centre	Cushman & Wakefield
Las Huertas shopping centre	Cushman & Wakefield
Arturo Soria office building	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Villaverde	Jones Lang Lasalle España, S.A.
Anec Blau shopping centre	Jones Lang Lasalle España, S.A.
Albacenter shopping centre	Jones Lang Lasalle España, S.A.
Cardenal Marcelo Spínola office building	Cushman & Wakefield
Albacenter hypermarket	Jones Lang Lasalle España, S.A.
Single-tenant commercial premises Nuevo Alisal	Jones Lang Lasalle España, S.A.
Egeo building	Jones Lang Lasalle España, S.A.
Eloy Gonzalo building	Cushman & Wakefield
Alovera I logistics bay	Cushman & Wakefield
Alovera II logistics bay	Jones Lang Lasalle España, S.A.
As Termas shopping centre	Cushman & Wakefield
As Termas Petrol Station	Cushman & Wakefield
Megapark shopping centre	Cushman & Wakefield
Galaria single-tenant commercial property	Cushman & Wakefield
Alovera III (C2) logistics bay	Cushman & Wakefield
Alovera IV (C5-C6) logistics bay	Cushman & Wakefield
Almussafes logistics bay	Cushman & Wakefield
Portal de la Marina hypermarket	Cushman & Wakefield
El Rosal shopping centre	Jones Lang Lasalle España, S.A.
Vidanova Parc shopping centre	Jones Lang Lasalle España, S.A.
Joan Miró building	Jones Lang Lasalle España, S.A.
Portal de la Marina shopping centre	Cushman & Wakefield
Palmas Altas shopping centre	Cushman & Wakefield
Vistahermosa business park	Jones Lang Lasalle España, S.A.
Gran Vía de Vigo shopping centre	Cushman & Wakefield
Abadia business park	Jones Lang Lasalle España, S.A.
Portfolio supermarkets	Cushman & Wakefield
Cheste plot	Cushman & Wakefield

Fees paid by the Group to the appraisal companies for valuations in the first half of 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Appraisal services	77	57
	77	57

The assumptions used to calculate the fair value of the real estate assets at 30 June 2017 are broken down in Note 16.

On 30 June 2017, the Group has an investment commitment regarding the renovation initiated in the second quarter of 2017 in the Eloy Gonzalo office building, formalised for EUR 2,810 thousand.

(6) FINANCIAL ASSETS WITH ASSOCIATES

The breakdown of this category as at 30 June 2017 and 31 December 2016 is the following:

	Thousands of Euros	
	30 June 2017	
	Short-term	Long-term
Loans with associates	27,285	2,119
Total financial assets with associates	27,285	2,119

	Thousands of Euros	
	31 December 2016	
	Short-term	Long-term
Loans with associates	45,288	2,270
Total financial assets with associates	45,288	2,270

At 30 June 2017 the Group had formalised the following loans with associates:

	Thousands of Euros							
Company	Date granted	Principal	31/12/2016	Cancellation	Capitalised accrued interest	Current	Non-current	Loan total at 30 June 2017
Inmobiliaria Juan Bravo 3, S.L.	29/05/2015	40,000	45,480	(20,000)	1,805	27,285	-	27,285
Inmobiliaria Juan Bravo 3, S.L.	11/01/2016	2,000	2,078	-	41	-	2,119	2,119
		42,000	47,558	(20,000)	1,846	27,285	2,119	29,404

In the 2015 period the Company acquired from the creditors of Inmobiliaria Juan Bravo 3, S.L. a loan totalling EUR 61,303 thousand for EUR 40,000 thousand.

As this participating loan establishes, accrued, unpaid interest will be capitalised on a quarterly basis and will become part of the principal of the loan and interest shall accrue at the fixed rate established in the contract from that moment on. In the 2017 period EUR 1,805 thousand in revenue was recognised for said loan. The maturity of the loan is stipulated to fall no later than 30 June 2018.

On 27 April 2017, the company Inmobiliaria Juan Bravo 3, S.L. assumed the loan that the Parent Company had formalised with Banco Santander, which at that time had an outstanding amount of EUR 20 million (Note 12).

In addition, on 11 January 2016, the Company made a loan to Inmobiliaria Juan Bravo 3, S.L. for the amount of EUR 2,000 thousand, with maturity 10 January 2019 and an interest rate of 12-month Euribor plus a 4% spread. Like the participating loan granted on 29 May 2015, accrued, unpaid interest on this loan will be capitalised on a quarterly basis and will become part of the principal of the loan. In the 2017 period EUR 41 thousand in revenue was recognised for said loan.

(7) EQUITY-ACCOUNTED INVESTEES

The details by company at 30 June 2017 and 31 December 2016 of equity-accounted companies as well as the result attributable to the Group is as follows:

	Thousands of Euros			
	30 June 2017		31 December 2016	
	Investments	Profits attributable to the Group (Appendix I)	Investments	Result attributable to the Group
LE Retail Portal de la Marina, S.L.U.	-	-	-	580
Inmobiliaria Juan Bravo 3, S.L.	6,933	(712)	7,645	(1,334)
Total	6,933	(712)	7,645	(754)

The main indicators for the Group's equity-accounted investment (standardized to the regulatory framework applicable to the Group) at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros	
	30 June 2017	31 December 2016
	Inmobiliaria Juan Bravo 3, S.L.	Inmobiliaria Juan Bravo 3, S.L.
Non-current assets	102	77
Current assets	147,215(*)	126,427 (*)(**)
Non-current liabilities	142,325	4,721
Current liabilities	29,976	142,328
Profits and (losses) for the period	(1,423) (**)	(2,667) (**)

(*) Mostly property inventories.
(**) In line with IAS 2, the results for the year attributable to the group do not include the value recovered regarding the property that on 30 June 2017 generated an impairment reversal in the company Inmobiliaria Juan Bravo, S.L. in the amount of EUR 12,326 thousand (EUR 80 thousand as at 31 December 2016).

(8) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The Group's financial assets at 30 June 2017 are security deposits placed with public bodies, trade receivables, receivables from public entities, fixed-term cash deposits and credits to associated companies. The following table shows a breakdown of these assets at 30 June 2017 and 31 December 2016:

	Thousands of Euros			
	30 June 2017		31 December 2016	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Loans to third-parties	56	-	67	-
Security deposits and guarantees	12,578	-	11,138	-
Financial assets with associates (Note 6)	2,119	27,285	2,270	45,288
Other financial assets	-	3,452	-	5,393
Clients receivables for sales and rendering of services	-	6,072	-	3,310
Advances to suppliers	-	9	-	10
Public entities, other	-	17,612	-	14,747
Total	14,753	54,430	13,475	68,748

The carrying amount of financial assets recognised at cost or amortised cost does not differ significantly from their fair value.

At 30 June 2017, “Security deposits and guarantees” mainly comprise the security deposits and guarantees received from the tenants of the property assets mentioned in Note 5, which the Group has deposited with the corresponding public bodies.

At 30 June 2017, "Public entities, other" mainly comprises the Value Added Tax pending return related to the purchase of the "Palmas Altas" site in Seville and the "Cheste" site in Valencia, described in Note 5.

(b) <u>Classification of financial assets by maturity</u>

The classification of financial assets by maturity as of 30 June 2017 and 31 December 2016 is as follows:

	2017			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Loans to third-parties	-	56	-	56
Security deposits and guarantees	-	-	12,578	12,578
Financial assets with associates	27,285	2,119	-	29,404
Other financial assets	3,452	-	-	3,452
Clients receivables for sales and rendering of services	6,072	-	-	6,072
Advances to suppliers	9	-	-	9
Public entities, other	17,612	-	-	17,612
	54,430	2,175	12,578	69,183

	2016			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Loans to third-parties	-	67	-	67
Security deposits and guarantees	-	-	11,138	11,138
Financial assets with associates	45,288	2,270	-	47,558
Other financial assets	5,393	-	-	5,393
Clients receivables for sales and rendering of services	3,310	-	-	3,310
Advances to suppliers	10	-	-	10
Public entities, other	14,747	-	-	14,747
	68,748	2,337	11,138	82,223

(c) Results by categories of financial assets

The amount of net losses and gains corresponds to the income obtained by the Group with respect to the loan given to Inmobiliaria Juan Bravo 3, S.L. in the amount of EUR 1,846 thousand (Note 6), and to the income obtained through security deposits effected in financial institutions that generated financial income that amounted to EUR 14 thousand and to the income from financial derivatives that totalled EUR 456 thousand. (EUR 1,978 thousand in the six-month period ended on 30 June 2016).

(9) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

The Group has restricted cash amounting to EUR 500 thousand, for the sale and purchase of treasury shares. (Note 10).

(10) EQUITY

(a) Capital

At 30 June 2017 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 185,248 thousand (EUR 181,081 thousand at 31 December 2016) represented by 92,624,097 registered shares (90,540,562 registered shares at 31 December 2016), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

The quoted price at 30 June 2017 is EUR 8.06 per share and the average price of the first six months of 2017 is EUR 7.43.

At 30 June 2017 the Parent Company's main shareholders were as follows:

	2017
LVS II Lux XII S.a.r.l	20.02%
Franklin Templeton Institutional, LLC	14.99%
Grupo Lar Inversiones Inmobiliarias, S.A.	5.68%
Brandes Investment Partners, L.P.	5.03%
Threadneedle Asset Management Limited	4.99%
Credit Suisse	4.56%
Blackrock INC.	3.68%
Other shareholders with an interest of less than 3%	41.05%
	100.0%

On 29 May 2017 the Shareholders' Meeting agreed to increase the company's capital by the nominal amount of EUR 4,167 thousand through a share issue (2,083,535 ordinary shares with a nominal value

of EUR 2) and an issue premium for the amount of EUR 15,001 thousand to be issued by the managing company Grupo Lar Inversiones Inmobiliarias, S.A. as a performance fee in compliance with the terms of the Investment Manager Agreement, with exclusion of pre-emptive subscription rights and appointments to the Board of Directors to execute the agreement.

(b) Issue premium

The Revised Spanish Companies Act expressly provides for the use of share premium to increase share capital and does not stipulate any specific restrictions as to its use.

This reserve is unrestricted provided that the Company's equity is not reduced to less than its share capital as a result of any distribution.

On 29 May 2017, the distribution of dividends from the 2016 financial year against the share premium was approved for the amount of EUR 26,566 thousand.

At 30 June 2017, the share premium of the Group totals EUR 487,349 thousand (EUR 498,914 thousand at 31 December 2016).

(c) Other reserves

The breakdown of this category as at 30 June 2017 is the following:

	Thousands of Euros	
	30 June 2017	31 December 2016
Legal reserve	1,047	667
Parent Company Reserves	(6,907)	12,196
Consolidated reserves	117,436	29,795
Other shareholder contributions	240	240
	111,816	42,898

(i) *Legal reserve*

At 30 June 2017 the legal reserve of the Parent Company totals EUR 1,047 thousand (EUR 667 thousand at 31 December 2016).

(ii) *Parent Company Reserves/Consolidated Reserves*

"Other reserves" mainly includes expenses related to the incorporation of the Parent Company and to the capital increases through share issues carried out on 5 March 2014, 7 August 2015, 29 April 2016 and 3 August 2016 and other non-distributed profits.

(d) Valuation adjustments

This entry in the consolidated statement of financial position includes the amount of changes to the value of financial derivatives designated as cash flow hedging instruments. The movement of the balance of this entry in the six-month period is presented below:

	Thousands of Euros
31 December 2016	(1,365)
Changes in fair value of hedges in the period recognised directly in equity	(1,673)
Other amounts transferred to the income statement	373
30 June 2017	(2,665)

(e) Treasury shares

At 30 June 2017 the Parent Company holds treasury shares amounting to EUR 353 thousand. Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2016	117,998	823
Additions	2,204,407	16,534
Disposals	(2,278,473)	(17,004)
30 June 2017	43,932	353

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. This authorisation was approved by the Shareholders' General Meeting of the Parent Company held on the 29 May 2017.

The average selling price of treasury shares has been EUR 7.5 per share. Profits for the six-month period ended 30 June 2017 amounted to EUR 93 thousand and are recognised under "Other Reserves" in the summarised consolidated statement of financial position.

The Parent Company has entered into a liquidity agreement with a financial intermediary per the provisions of Spanish National Securities Market Commission Circular 3/2007 of 19 December 2007 on liquidity contracts for the purposes of their acceptance as a market practice and other applicable legislation, and therefore has restricted cash amounting to EUR 500 thousand and a maximum of 63,000 shares for the sale and purchase of treasury shares.

(f) Dividends paid

On 29 May 2017 the Shareholders' General Meeting approved the distribution of the Parent Company’s results in accordance with the proposal formulated by the Parent Company’s Directors in their meeting held on 24 February 2017. The distribution is as follows:

	Thousands of Euros
Basis of allocation	
Profit for the period	3,800,047.55
Issue premium	26,584,414.41
Distribution:	
Legal reserve	380,004.76
Dividends	30,000,000.00
Voluntary reserve	4,457.20

On 29 May 2017, the Shareholders' General Meeting approved the distribution of a dividend of EUR 3,416 thousand, at EUR 0.038 per share (taking into account all the shares issued) and recognised in profit and loss for the 2016 period, and of EUR 26,566 thousand, at EUR 0.29 per share (taking into account all the shares issued), charged to the share premium. The amount distributed totalled EUR 29,982 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the Shareholders' Meeting held on 29 May 2017, and adjusting the difference for the greater number of treasury shares against the share premium. The distributed dividend was paid in full on 31 May 2017.

(11) EARNINGS PER SHARE

(a) Basic

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

The details of the calculation of basic earnings per share are as follows:

	Thousands of Euros	
	30 June 2017	30 June 2016
Profit for the period attributable to equity holders of the Parent Company	64,997	43,327
Weighted average number of ordinary shares in circulation (number of shares)	90,608,987	60,311,186
Diluted earnings per share	0.72	0.72

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

	30 June 2017	30 June 2016
Ordinary shares	92,634,097	60,627,083
Average effect of treasury shares and capital increase	(2,025,110)	(315,897)
Weighted average number of ordinary shares in circulation at 30 June (shares)	90,608,987	60,311,186

(b) Diluted

Diluted earnings per share are calculated by adjusting profit for the year attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted.

The Parent Company does not have different classes of potential ordinary shares treated as dilutive.

(12) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,644	1,435
Loans and borrowings	418,675	5,619
Carried at fair value:		
Derivatives	2,376	1,743
Other financial liabilities - security deposits	16,782	158
Deferred tax liabilities	14,605	-
Trade and other payables:		
Trade payables	-	25,927
Public entities, other	-	1,781
Total financial liabilities	591,082	36,663

	31 December 2016	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,506	3,482
Loans and borrowings	301,738	7,877
Carried at fair value:		
Derivatives	1,890	1,384
Other financial liabilities - security deposits	14,918	193
Deferred tax liabilities	8,536	-
Trade and other payables:		
Trade payables	-	17,798
Public entities, other	-	4,710
Total financial liabilities	465,588	35,444

At 30 June 2017 and 31 December 2016 the carrying amounts do not differ significantly from the fair value.

(b) Classification of financial liabilities by maturity

The details by maturity of financial liabilities at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (*)						
	Thousands of Euros						
	1 year	2 years	3 years	4 years	More than 5 years	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	1,435	-	-	-	138,644	-	140,079
Loans and borrowings *(a)*	5,619	5,377	94,469	30,446	288,383	-	424,294
Derivatives	1,743	1,412	1,254	977	(1,267)	-	4,119
Other financial liabilities - security deposits	158	-	-	-	-	16,782	16,940
Deferred tax liabilities	-	-	-	-	-	14,605	14,605
Trade and other payables	27,708	-	-	-	-	-	27,708
Total	36,663	6,789	95,723	31,423	425,760	31,387	627,745

(*) Considering the financial years by periods from June to June.

	31 December 2016						
	Thousands of Euros						
	1 year	2 years	3 years	4 years	More than 5 years	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	3,482	-	-	-	138,506	-	141,988
Loans and borrowings *(a)*	7,877	22,489	35,601	89,161	154,487	-	309,615
Derivatives	1,384	1,148	936	475	(669)	-	3,274
Other financial liabilities - security deposits	193	-	-	-	-	14,918	15,111
Deferred tax liabilities	-	-	-	-	-	8,536	8,536
Trade and other payables	22,508	-	-	-	-	-	22,508
Total	35,444	23,637	36,537	89,636	292,324	23,454	501,032

(a) The effect of valuing financial liabilities from bank bonds and borrowings at amortised cost amounts to EUR 1,356 thousand and EUR 6,448 thousand at 30 June 2017 (EUR 1,495 thousand and EUR 4,761 thousand at 31 December 2016).

(c) Main characteristics of loans and payables

The terms and conditions of loans and payables are as follows:

				Thousands of Euros		
Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2017	Guarantee
LE Offices Egeo, S.A.U.	Euro	EURIBOR 3M + 2.00%	15 December 2019	30,000	30,000	Egeo office building
LE Retail Alisal, S.A.U.	Euro	3.02% (until 16 December 2015). Subsequently EURIBOR 3M + 2.90%	16 June 2025	7,822	7,438	Single-tenant commercial premises Nuevo Alisal (ii)
LE Retail As Termas, S.L.U.	Euro	EURIBOR 3M + 1.80%	25 June 2020	37,345	36,729	As Termas shopping centre (ii)
LE Retail El Rosal, S.L.U.	Euro	EURIBOR 3M + 1.75%	7 July 2030	50,000	49,129	El Rosal shopping centre (ii)
LE Retail Villaverde, S.L.U.	Euro	1.75% (until 30 September 2018) Subsequently EURIBOR 12M + 1.75%	13 October 2020	4,550	4,493	Single-tenant commercial premises Villaverde (ii)
LE Offices Arturo Soria, S.L.U.	Euro	1.80% (until 30 September 2018) Subsequently EURIBOR 12M + 1.80%	9 November 2020	13,000	12,852	Arturo Soria office building (ii)
LE Retail Galaria, S.L.U.	Euro	1.75% (until 14 March 2016) Subsequently 3M + 1.75%	14 December 2029	4,200	4,114	Single-tenant commercial premises Galaria (i)(ii)
LE Offices Joan Miró 21, S.L.U.	Euro	1.62%. Subsequently EURIBOR 3M + 1.75%	23 December 2020	9,800	9,631	Joan Miró office building (i)(ii)
LE Retail Megapark, S.L.U. (a)	Euro	EURIBOR 3M + 1.7%	24 February 2023	97,000	95,785	Megapark shopping centre (i)(ii)(iii)
LE Retail Portal de la Marina, S.L.U. (b)	Euro	EURIBOR 3M + 0.88%	17 May 2020	66,000	37,589	Portal de la Marina shopping centre (ii)

				Thousands of Euros		
Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2017	Guarantee
LE Retail Gran Vía de Vigo, S.A.U.	Euro	EURIBOR 3M + 1.75%	14 March 2022	82,400	81,654	Gran Vía de Vigo shopping centre (i)(ii)(iii)
LE Retail Vistahermosa, S.L.U.	Euro	1.52% (until 2 June 2017) Subsequently EURIBOR 3 M + 1.85%	2 March 2022	21,550	21,058	Vistahermosa business park (i)(ii)
LE Retail Abadia, S.L.U.	Euro	1.80% (until 23 November 2020) Subsequently EURIBOR 3M + 1.75%	23 May 2024	34,750	33,822	Abadía business park (i)(ii)
					424,294	

(i) In addition to the mortgage security of the loan, the Company has pledged current accounts and credit accounts derived from the lease contract of the property on shares.

(ii) With respect to said mortgage loans, there are certain clauses linked to the keeping of the LTV "Loan To Value" ratio between 50%-70%. If the LTV is not kept between 50%-70%, all or part of the debt will mature early. Furthermore, the loans corresponding to the companies LE Retail Alisal, S.L.U., LE Retail As Termas, S.L.U., LE Retail El Rosal, S.L.U., LE Retail Galaria, S.L.U., LE Offices Joan Miró 21, S.L.U., LE Retail Megapark, S.L.U., LE Retail Portal de la Marina, S.L.U., LE Retail Villaverde, LE Retail Gran Vía de Vigo, S.A.U., LE Retail Vistahermosa, S.L.U. and LE Retail Abadia, S.L.U. have clauses on the maintenance of a minimum Debt Service Coverage Ratio between 1.1% and 2.65%. If the DSCR is not kept between said figures, all or part of the debt will mature early.

(iii) In addition to the previously mentioned ratios, there are clauses linked to keeping the shopping centre's occupancy rate above 80%-85%. If the occupancy rate does not meet this minimum, all or part of the debt will mature early.

The financial expenses accrued on these bonds in the six-month period ending 30 June 2017 totalled EUR 2,013 thousand and the effect of the amortised cost thereof totalled EUR 139 thousand. The accrued, unpaid interest at 30 June 2017 amounts to EUR 1,435 thousand.

The financial expenses accrued on these bonds in the six-month period ended 30 June 2017 totalled EUR 3,260 thousand and the effect of the amortised cost thereof totalled EUR 528 thousand. The accrued, unpaid interest at 30 June 2017 amounts to EUR 678 thousand.

The main changes that occurred in the six-month period ended 30 June 2017 are as follows:

(a) On 14 March 2017, the Group company LE Retail Gran Vía de Vigo, S.A.U. signed a loan agreement with ING Bank NV, Spanish branch, for a total amount of EUR 82,400 thousand and with a 5-year maturity. The loan accrues interest quarterly, at an interest rate of the 3-month Euribor plus a 1.75% spread, which will be paid on the last day of the Interest Period. The effect of posting at amortised cost as at the date the borrowing was formalised totalled EUR 746 thousand.

(b) On 2 March 2017, the Group company LE Retail Vistahermosa, S.L.U. signed a loan agreement with Banco Bilbao Vizcaya Argentaria, S.A., for a total amount of EUR 21,550 thousand and with a 5-year maturity. The loan accrues interest quarterly, at the rate of 1.52% in the first Interest Period and thereafter at an interest rate of the 3-month Euribor plus a 1.85% spread, which will be paid on the last day of the Interest Period. The effect of posting at amortised cost as at the date the borrowing was formalised totalled EUR 1,008 thousand.

(c) On 23 May 2017, the Group company LE Retail Abadia S.L.U. signed a loan agreement with Banco Santander, S.A. for a total amount of EUR 34,750 thousand and with a 7-year maturity. The loan accrues interest quarterly, at the rate of 1.80% until 23 November 2020 and thereafter at an interest rate of the 3-month Euribor plus a 1.75% spread, which will be paid on the last day of the Interest Period. The effect of posting at amortised cost as at the date the borrowing was formalised totalled EUR 561 thousand.

(d) On 27 April 2017, the loan that the Parent Company, Lar España Real Estate SOCIMI, S.A., had formalised with Banco Santander, which carried an outstanding balance of EUR 20 million, was cancelled. Said cancellation was effected through the replacement of the company Inmobiliaria Juan Bravo 3, S.L. as the borrowing entity and the cancellation of a loan for the same amount between same and the Parent Company (Note 6).

The financing agreements signed by the Group require compliance with certain financial ratios. The Directors believe that they are complied with at 30 June 2017 and expect them to be satisfactorily complied with while the agreements remain in force.

Derivative financial

Derivatives contracted by the Group at 30 June 2017 and 31 December 2016 and their fair values at said dates are as follows (in thousands of Euros):

	Thousands of Euros				
	Contracted interest rate	Fair value at 30/06/2017	Fair value at 31/12/2016	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	1,038	1,199	50,000	2020
LE Retail As Termas, S.L.U.	0.53%	207	945	37,345	2020
LE Offices Joan Miró 21, S.L.U.	0.41%	198	225	9,800	2020
LE Retail Megapark, S.L.U.	0.22%	1,287	905	97,000	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	1,264	(a)	82,400	2022
LE Retail Vistahermosa, S.L.U	0.117%	125	(b)	21,550	2022
		4,119	3,274		

The main changes that occurred in the six-month period ended 30 June 2017, in addition to the changes due to the oscillations in the fair prices of the derivative instruments are as follows:

(a) On 14 March 2017, the Group company LE Retail Gran Vía de Vigo, S.A.U. signed an IRS hedging instrument agreement with ING Bank NV, Spanish branch, for a nominal amount of EUR 82,400 thousand and with a 5-year maximum maturity. These IRS hedging instrument contracts will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.29% and a variable component based on the three-month Euribor. The fair value of this financial instrument is EUR 1,264 thousand as at 30 June 2017. The Group has applied hedge accounting, having recognised the said fair values in the equity.

(b) On 2 March 2017, the Group company LE Retail Vistahermosa, S.L.U. signed an IRS hedging instrument agreement with Banco Bilbao Vizcaya Argentaria, S.A. for a nominal amount of EUR 21,550 thousand and with a 5-year maximum maturity. These IRS hedging instrument contracts will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.117% and a variable component based on the three-month Euribor. The fair value of this financial instrument is EUR 125 thousand as at 30 June 2017. The Group has applied hedge accounting, having recognised the said fair values in the equity.

The hedging relationships of exchange rate hedging financial instruments contracted with Group companies LE Retail El Rosal, S.L.U, LE Retail As Termas, S.L.U. and LE Retail Megapark, S.L.U. were classified as ineffective. Therefore, the Group recognised the change in fair value of said instruments in the amount of EUR 613 thousand on the consolidated income statement. In addition, on 30 June 2017, the impact on the income statement of recycling equity of the financial instruments of LE Retail El Rosal, S.L.U. and LE Retail As Termas, S.L.U. totals EUR (157) thousand.

The amount of the quarterly settlements of the effective and ineffective hedging financial instruments total EUR 216 thousand and EUR 616 thousand, respectively.

The effect of the 50-basis-point change in the estimated interest rate on liabilities and on the income statement before taxes would be as follows:

	Thousands of Euros		
Scenario	Liabilities	Equity	Consolidated profit before tax
5% Interest rate increase	(2,404)	(19,694)	(710)
5% Interest rate decrease	10,837	4,967	5,869

(13) <u>OTHER NON-CURRENT FINANCIAL LIABILITIES</u>

Other non-current financial liabilities include EUR 16,782 thousand at 30 June 2017 (EUR 14,918 thousand at 31 December 2016) that comprise the security deposits and guarantees delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent and will be reimbursed at the end of the contract term.

(14) TRADE AND OTHER PAYABLES

The details of trade and other payables at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros	
	2017	2016
Trade payables (a)	21,256	10,477
Trade payables, associated companies (b)	4,625	7,213
Salaries payable	46	108
Public entities, other	1,781	4,710
	27,708	22,508

(a) At 30 June 2017, "Trade payables" includes EUR 7,417 thousand corresponding to amounts pending payment due to property investments made in 2017 (Note 5).

(b) "Trade payables, associates" includes EUR 4,071 thousand related to the fixed remuneration and the variable remuneration to be paid to the Manager and accrued in the period. (Note 21).

(15) RISK MANAGEMENT POLICY

(a) Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management programme focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the Group's profits.

The senior management of the Group manages risks in accordance with policies approved by the board of directors. Senior management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) *Market risk*

In light of current conditions in the property sector, the Group has established specific measures for minimising their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Group performs periodically. These analyses take the following factors into consideration:

– The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment property, etc.).

– The identification of variables that are interconnected and their degree of connection.

– The time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) *Credit risk*

Defined as the risk of financial loss for the Group if a customer or counterparty fails to discharge its contractual obligations.

The Group is not significantly exposed to credit risk. The Group has policies in place to limit customer credit risk and it manages its exposure to credit recovery risk as part of its normal activities.

The Group has formal procedures in place to detect impairment of trade receivables. By means of these procedures and the individual analysis by business area, delays in payment can be detected and methods for estimating the impairment loss can be established.

Cash and cash equivalents

The Group has cash and cash equivalents totalling EUR 25,030 thousand, which represent its maximum exposure to risk associated with these assets (see Note 9).

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

(iii) *Liquidity risk*

Defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group applies a prudent policy to cover its liquidity risks based on having sufficient liquidity to meet its obligations when they fall due in both normal and stressed conditions, without incurring unacceptable losses or placing the Group's reputation at risk.

(iv) *Cash flow and fair value interest rate risks*

The Group manages the interest rate risk by sharing the financing received at a fixed and variable rate. The Group policy is to maintain the non-current net financing from third parties at fixed rate. To achieve this objective, the Group performs interest rate swaps transactions that are designated as hedging transactions for the corresponding loans.

(16) BREAKDOWNS OF THE FAIR VALUE OF ASSETS AND LIABILITIES, BOTH FINANCIAL AND NON-FINANCIAL

(a) Assets and liabilities carried at fair value

The details of the assets and liabilities measured at fair value and the hierarchy in which they are classified at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros			
	2017			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres				
- Land	342,390	-	-	342,390
- Buildings	765,487	-	-	765,487
Office buildings				
- Land	72,413	-	-	72,413
- Buildings	106,227	-	-	106,227
Industrial bays				
- Land	14,236	-	-	14,236
- Buildings	71,434	-	-	71,434
Total assets measured recurrently at fair value	1,372,187	-	-	1,372,187

	Thousands of Euros			
	2016			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment property				
Shopping centres				
- Land	297,012	-	-	297,012
- Buildings	646,592	-	-	646,592
Office buildings				
- Land	72,412	-	-	72,412
- Buildings	98,598	-	-	98,598
Industrial bays				
- Land	11,995	-	-	11,995
- Buildings	64,480	-	-	64,480
Total assets measured recurrently at fair value	1,191,089	-	-	1,191,089

Regarding the liabilities measured at fair value, the only ones considered as such are the derivative instruments described in Note 12, which are classified as Level 2 in the hierarchy.

No assets or liabilities have been transferred between the different levels during the period.

The main assumptions used to calculate the fair value of the real estate assets at 30 June 2017 were as follows:

	Net Initial Yield	Net Exit Yield	Discount rate (*)
Shopping centres and single-tenant commercial properties	5.25% - 6.81%	5.35% - 6.75%	8.25% - 11.12%
Office buildings	0.79% - 5.40%	4.75% - 5.75%	8.66% - 9.39%
Logistics bays	3.86% - 7.71%	6.70% - 7.04%	8.58% - 10.83%

(*) Without taking into consideration the data on the assets under construction, Cheste and VidaNova Parc. Likewise, the Joan Miró 21, Egeo and Arturo Soria office buildings are not included, given that they are not valuated with the discounted cash flow method.

The effect of the required quarter-point change in the rates of return, calculated as income over the market value of assets, on the consolidated asset and the consolidated income statement, with respect to the investment property, would be as follows:

	Thousands of Euros	
	Assets	Consolidated profit
Increase in rate of return by a quarter point	(54,826)	(54,826)
Decrease in rate of return by a quarter point	48,582	48,582

The details of changes in "Fair value of investment property" in the income statement at 30 June 2017 are as follows:

	Thousands of Euros
Shopping centres and single-tenant commercial property	33,297
Office buildings	6,851
Logistics bays	6,755
	46,903

(17) BALANCES WITH PUBLIC ADMINISTRATIONS

	Thousands of Euros	
Receivables	30/06/2017	31/12/2016
Taxation authorities, VAT recoverable	15,908	12,902
Taxation authorities, other withholdings	1,704	1,845
	17,612	14,747

	Thousands of Euros	
Payables	30/06/2017	31/12/2016
Taxation authorities, VAT payable	926	3,145
Taxation authorities, personal income tax withholdings payable	71	107
Taxation authorities, corporation income tax payable	109	1,453
Social Security contributions payable	11	5
Deferred tax liabilities (Note 3)	14,605	8,536
Other	664	-
	16,386	13,246

On 30 June 2017, the Parent Company and its subsidiaries are included under the SOCIMI tax scheme, with the exception of the companies LE Retail Abadia, S.L.U., LE Retail Hipermercado I, S.L.U., LE Retail Hipermercado II, S.L.U., LE Retail Hipermercado III, S.L.U., acquired by the Group on 27 March 2017 (Note 3).

The companies expect to request the ability to avail of the special tax regime for SOCIMIs retroactively to 1 January 2017.

Furthermore, on 27 April 2017, the Tax Administration was requested to allow the company LE Retail Gran Vía de Vigo, S.A.U. to avail itself of the special SOCIMI tax scheme with retroactive effects to 01 January 2017.

(18) REVENUE

The details of revenue are presented in Note 4, in conjunction with segment reporting.

(19) OTHER INCOME

In 2017, the Group reflects other income in the amount of EUR 1,002 thousand, of which EUR 791 thousand correspond to temporary rentals of common areas in the shopping centres and EUR 211 thousand to other items.

Invoices issued to tenants include EUR 10,417 thousand for communal charges (owners association, services, etc.) passed on to them. This amount is presented, according to its nature, net of the corresponding expenses under "Other expenses" in the summarised consolidated statement of comprehensive income for the six-month period ended 30 June 2017.

(20) OTHER EXPENSES

The breakdown of other expenses as of 30 June 2017 and 30 June 2016 is as follows:

	Thousands of Euros	
	2017	2016
Independent professional services	10,286	6,425
Insurance premiums	184	290
Bank fees and commissions	129	159
PR and advertising	412	199
Supplies	217	399
Taxes other than corporate income tax	2,314	1,943
Change in allowances due to losses and uncollectibility of trade and other receivables	(9)	(37)
Remuneration of the Board of Directors(*)	217	212
Other results	1,968	1,076
	15,718	10,666

(*) Includes the non-executive secretary's remuneration.

(21) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Loans with associates and related parties

The details of the balances held with associates and related parties as at 30 June 2017 and 31 December 2016 are as follows:

	Thousands of Euros			
	30 June 2017			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Loans to associates	29,404	-	-	29,404
Trade and other payables	-	4,071	554	4,625
	29,404	4,071	554	34,029

	Thousands of Euros			
	31 December 2016			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Loans to associates	47,558	-	-	47,558
Trade and other payables	-	6,925	288	7,213
	47,558	6,925	288	54,771

(b) <u>Transactions with associates and related parties</u>

On 12 February 2014, the Parent Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Parent Company and financial management and accrues a fixed amount and an additional amount depending on the EPRA NAV of the Group.

The fixed amount accrued by the manager totalled EUR 4,482 thousand (net of expenses discounted on the basis of the management contract formalised between the parties, which totalled EUR 417 thousand) (EUR 3,114 thousand at 30 June 2016). At 30 June 2017 EUR 1,521 thousand was outstanding (EUR 535 thousands at 31 December 2016).

On the other hand, pursuant to Clause 7.2 of the Investment Management Contract, Grupo Lar Inversiones Inmobiliarias, S.A. will have the right to a Performance Fee that is paid to the manager depending on the profitability obtained by the Parent Company shareholders.

In this respect, the annual profitability of shareholders is defined in the contract as the sum of the change to EPRA NAV of the Parent Company during the period, less net funds obtained from the issue of shares during the period, plus the dividends distributed during said period.

On 30 June 2017, the shareholder's return as calculated by the Parent Company totalled 7.39%. Based on the estimates made by the directors, a performance fee in the amount of EUR 2,550 miles was provisioned on 30 June 2017.

The services received from the Manager are recognised as other operating expenses in the consolidated statement of comprehensive income.

The Group has also signed a contract with a related company, Gentalia 2006, S.L., for the provision of services related to the management and administration of the properties. At 30 June 2017, these expenses amounted to EUR 809 thousand.

As mentioned in Note 6, during the first six months of 2017, finance income corresponding to the loans signed between the Parent Company and Inmobiliaria Juan Bravo 3, S.L. has accrued in the amount of EUR 1,846 thousand.

(c) Information on the Parent Company's directors and senior management personnel of the Group

The remuneration received at 30 June 2017 and 30 June 2016 by the members of the Board of Directors and Senior Management personnel of the Company, classified by item, is as follows:

	Thousands of Euros							
	2017							
	Salaries	Allowances	Other items	Pension plans	Insurance premiums	Termination benefits	Payments based on equity instruments	Remuneration for individuals representing the company
Board of directors	-	217	-	-	42*	-	-	-
Senior management personnel	189	-	-	-	-	-	-	-

	Thousands of Euros							
	2016							
	Salaries	Allowances	Other items	Pension plans	Insurance premiums	Termination benefits	Payments based on equity instruments	Remuneration for individuals representing the company
Board of directors	-	212	-	-	49*	-	-	-
Senior management personnel	147	-	-	-	-	-	-	-

*The amount of insurance premiums corresponds to the company's Board of Directors and Senior Management.

Allowances for the board of directors include EUR 38 thousand for the non-executive secretary of the board of directors (EUR 38 thousand at 30 June 2016).

At 30 June 2017, the company has 7 Board members, 6 of whom were men and 1 of whom as a woman (at 31 December 2016, the company had 5 Board members, all of them men).

At 30 June 2017 and 31 December 2016 the Group has no pension or life insurance obligations with former or current members of the board of directors or senior management personnel of the Parent Company.

At 30 June 2017 and 31 December 2016 no advances or loans have been extended to members of the board or senior management.

(22) EMPLOYEE INFORMATION

The average headcount of the Group at 30 June 2017 and 31 December 2016, distributed by category, is as follows:

	2017	2016
Professional category		
Senior management personnel	4	4
Total	4	4

Of these, 3 employees are men and 1 is a woman (at 31 December 2016, of the 4 employees 3 were men and 1 was a woman).

(23) SUBSEQUENT EVENTS

There have been no significant post-closing events.

(24) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

Consolidated Management Report corresponding to the half-year ended on 30 June 2017

1 Situation of the Group

1.1 Situation of the real estate market

Office Market

- **Madrid**

Supply: As at 30 June 2017, the trend follows the path set by the previous quarters; demand remains high and the availability rate continues to decrease. In the second quarter, this rate declined by 58 basic points to 11.29%.

Take-up: According to the Regional Competitiveness Index and with respect to the European average, Madrid is the Autonomous Community with the best position and has had a major breakthrough with regard to the previous indicator, thanks partially to the advancement in labour market efficiency and a sophisticated business network. This activity is reflected in the growth of office space take-up in the capital during the second quarter of the year, which saw 165 transactions compared to the last quarter's 122. More than 156,000 m² were taken up in the second quarter of the year, which is the largest volume taken up since the beginning of the crisis. This figure represents more than 60% of the contracted m² over the previous quarter. During the first six months of the year, a total of 253,000 m² were signed, reaching figures recorded in 2008 for the first time.

Rental Income: Rent levels continue to increase. The prime CBD area has reached levels of EUR 30/m²/month, which represents a year-on-year change of 8.12%. The increases in the other areas were similar or higher, with the exception of the satellite area.

- **Barcelona**

Supply: As is the case in Madrid as at 30 June 2017, the trend follows the path set by the previous quarters; demand is high and the availability rate is low. In the second quarter, said rate declined by 43 basic points in comparison to the first quarter of 2017 and for the first time since the end of 2008 was under 8% (7.83%).

Take-up: In the second quarter transactions were carried out for 128,000 m², a 51% increase over the previous quarter, which places the figure for the first six months at 213,000 m². This is significantly greater than in the first six months of the previous year (+47%), which was defined by high-volume transactions, given that 52 operations contracting more than 1,000 m² were recorded. It has been 10 years since there was an equally active six-month period in terms of take-up. The figures in this period are similar to those prior to the financial crisis.

Rental Income: As in the case of Madrid, the level of rent has increased on all levels, mainly due to a lack of supply. On Paseo de Gracia/Diagonal rates reached EUR 22.50/m2/month.

Logistics market

The **volume invested** in the first six months of 2017 was around EUR 493 million, which is more than the amount recorded for the same period in 2016.
On the other hand, the **logistics take-up** in Madrid during the first six months of the year was more than 380,000 m², while in Barcelona it was 236,600 m².
Levels of **returns** continue to fall, where the yield prime is 5.75%.
The **availability rate** is at a historic low, both in Madrid and in Barcelona, and **rents** remain stable in both cities**.**

Shopping centres

The **volume invested** in the first six months of 2017, EUR 1,784 million, represented a significant increase over the same period the previous year.
Footfall levels continue their upward trend, with a 0.7% increase in May over the previous month, after having also increased in April over March by 0.5%. The data from Shoppertrak give retailers an encouraging outlook.
Retailers accumulate a 0.6% increase thus far this year, which supports positive evolution. According to the Spanish Statistics Institute (INE by its Spanish initials), sales increased by 2.4% in May over the same month of the previous year, which indicates an increase in consumption.

Residential market

The underlying factors of demand continue in 2017 and, therefore, the prospects of the residential sector are positive for the year at hand. In terms of transactions, by type of home, the number of **second-hand home transactions** continues to rise **with a 12% increase**, coming to represent 82% of the transactions carried out in the first four months of 2017. Conversely, **new home transactions are on the decline, already decreasing by 4% over the same period in 2016** (according to data from the INE).
As a result of the increased demand, the **home prices have increased** in the first quarter of 2017. During the first quarter, the **price of non-subsidised homes increased 0.9%** over the last three months of 2016 and **2.2% over one year prior.**
Conversely, the excess supply is decreasing and the conditions for advancement of **property development** are beginning to arise. We can see a growing number of launched residential developments and the emerging return of mortgage finance to the developer sector.

Investment market

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

- **Limited product availability** is the main cause behind the increase in competitiveness and the decrease in contracted volume in the first six months of 2017.
- **SOCIMIs** consolidate themselves as key players in the market.
- **International investors** seeking opportunities continue to enter the Spanish market.
- **Funding is improving** in terms of the Loan-to-value ratio (LTV) and cost.

Asset management capacities and market access will be key in the upcoming months.
These trends have not changed the original plans in terms of the investment schedule or the profitability expected from said investments.

1.2 Organisational structure and operations

The Group is a recently created a group of companies with an outsourced management structure. It has appointed Grupo Lar Inversiones Inmobiliarias, S.A. as its sole manager, said company having more than 40 years of experience in the real estate market and a lengthy track record of generating value through different real estate cycles over past decades, with alliances with some of the most distinguished international investors.

The core responsibilities of the Board of Directors of the Group include the management of strategy, the assignment of resources, risk management and corporate oversight, as well as accounting and financial reports.

The Group undertakes its operations with the following types of asset:

- Retail centres: premises and retail block rental business.

The Group focuses its strategy on the search for retail centres with considerable growth potential and with shortcomings in terms of asset management, mainly those where there is an opportunity for replacement or expansion.

The Group also intends to continue investing in retail blocks with a good location and connections.

In order to embark on these investments, the Group will consider the possibility of signing jointventure agreements, so as to limit the asset concentration risk and gain access to larger-sized retail complexes.

- Offices: office rental business.

The Group focuses mainly on the Madrid and Barcelona markets, which account for the main interest on the part of institutional investors, and where liquidity is greater. The Group strategy is to invest in properties that have already been built, refurbishing them and improving their facilities and occupancy.

- Logistics: logistical warehouse rental business.

The Group aims to invest in large warehouses located on logistical platforms with good landbased connections and major tenants. Also, assets and locations where rents are expected to rise.

- Residential.

The Group invests in the residential market by focusing above all on primary residences located in the most established districts of Spain's main cities, Madrid and Barcelona.

The Group investment policy focuses essentially on:

- Opportunities for investment in medium-scale assets that offer substantial management possibilities, avoiding those segments where competition could be greater.

- Risk diversification, expanding in Spain mainly through investments in commercial complexes, while with regard to offices and logistical warehouses, the focus is on the Madrid and Barcelona areas, and to a lesser extent a number of major cities such as Valencia.

Meanwhile, as regards the residential market (primary residence), the focus is on the main towns and market segments with a limited supply. This will serve to build up a diversified portfolio in terms both of asset type and location.

The company maintains a robust pipeline that offers it security as regards the achievement of its investment plans as forecast.

For more information about lines of business and geographical scope, see Note 4 of the consolidated report.

2 Evolution and result of the businesses

2.1 Introduction

As of 30 June of 2017, the Group's ordinary revenue amounted to 37,547 thousand euros, corresponding to the business in which the Group is engaged: the rental business.

During 2017 the Group incurred "Other expenses" amounting to 15,718 thousand euros, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (7,032 thousand euros) and professional services, accounting and legal advice, audit and property valuations (6,303 thousand euros).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at 23,262 thousand euros.

The appreciation in value during 2017 of the real estate investments held by the Group at 30 June 2017, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year is 46,903 thousand euros.

As of 30 June of 2017, the Group's rental business has been valued, by the same independent appraisers referred to in the previous paragraph, as 1,372,187 thousand euros. The values of the appraisals are updated every half-year, in accordance with best market practices.

The financial result was negative amount of 5,168 thousand euros.

The Group's profit for the period was 64,997 thousand euros.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail centres, accounting for 84% of total revenue, as opposed to 9% from offices and 7% from logistics.

- Around 44% of rental revenue is generated by the Megapark, Gran Vía de Vigo and El Rosal retail centres.

As of June 2017, the Group occupied across its whole business 93% the gross leasable area (GLA), the occupancy rate at retail centres being 93%, 75% for offices and 100% for logistics.

As of 30 June 2017, the Group has a portfolio of real estate rental projects covering retail centres (391,558 m^2), business premises (28,822 m^2), office buildings (44,399 m^2), and logistics warehouses (161,841 m^2). The overall total gross leasable area of 626,619 m^2.

The information in the previous two paragraphs does not take into account the Vidanova Parc, Palmas Altas and Cheste sites, since they have not been built to date. Nor does it include the Eloy Gonzalo office building, since it is being remodeled.

2.2 Other financial indicators

As of 30 June 2017, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 43,599 thousand (EUR 65,512 thousand as at 31 December 2016).

- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →2.2 (2.8 as of 31 December 2016).

- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.0 (1.1 as of 31 December 2016).

These ratios represent particularly high values, indicating that the Group enjoys a sufficient level of liquidity and a high degree of safety margin in order to meet its payments.

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 14.03% (13.40% as of 31 December 2016). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 8.29% (7.74% as of 31 December 2016), This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 3 and 6 of the "Fourth Quarter Earnings Statement for 2017", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA indicators are calculated and defined.

2.3 Environment and staff issues

Environment

The Group undertakes operations the main aim of which is to prevent, reduce or rectify any damage which it could cause to the environment as a result of its activities. However, given its nature, the Group's operations have no significant environmental impact.

Staff

As of 30 June, 2017 the Group has 4 employees. See Note 21 of the consolidated report.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

As of 30 June 2017, the Group's financial debt stands at EUR 564,373 thousand. The level of debt is related to the purchases of the Egeo, Arturo Soria and Joan Miró office buildings, the As Termas, el Rosal, Megapark, Portal de la Marina, Vistahermosa, Gran Vía de Vigo shopping centre, Park Abadía and the Villaverde, Nuevo Alisal and Galaria single-tenant commercial properties.

As of June 30, 2017, the Group's short-term financial debt stands at EUR 7,054 thousand.

The Group intends its debt's maturity profile to be in line with its ability to generate cash flow to cover the debt.

On 27 March 2017, the Company formalised and executed the acquisition of:

(i) 100% of the share capital of the company LE Retail Abadía, S.L.U. (formerly NPS European Property Toledo, S.L.) owner of the Parque Abadía retail complex in Toledo with a gross leasable area (GLA) of approximately 37,114 m², totally occupied;

(ii) 100% of the share capital of the companies LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U. (formerly NPS European Property (Retail) I, S.L.U, NPS European Property (Retail) II, S.L.U and NPS European Property (Retail) III, S.L.U., respectively) owners of a portfolio of 22 retail units in various places in Spain, a portfolio of 22 retail units with a total gross leasable area (GLA) of 28,822 m², totally occupied.

The acquisition was carried out for a total amount of EUR 110.2 million, subject to the subsequent customary price adjustments in this kind of transactions, and has been fully paid with the funds of the Company.

3.2 Analysis of contractual obligations and off-balance-sheet operations

At 30 June 2017 the Group has investment commitments relating to the refurbishment of the Eloy Gonzalo office building, commenced in the second half of 2017 and amounting to EUR 2,810 thousand.

As of 30 June 2017, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Group is exposed to a variety of risk factors arising from the nature of its business. The Group's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Group's main risks and supervising the internal oversight systems; it is informed by the Audit and Oversight Committee. The Group's Risk Management and Oversight System groups together the risks that could potentially affect the Group in the following spheres, which constitute the Group's corporate risk map.

5 Significant circumstances occurring after the close

There have been no significant developments since the end of the year.

6 Information on the foreseeable evolution of the Group

After the volume of investments made since March 2014, active property management capacity will be key in upcoming years.

This active management strategy will lead to an increase in current income and in profitability with respect to purchase price. All of this will be reflected in the increased value of the assets in our portfolio.

The Group will, however, continue to analyse any investment opportunities that may be attractive and thus continue to generate value for its shareholders.

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2017 and in subsequent years.

7 R&D&I activities

Due to the inherent characteristics of the companies that make up the Group, and their activities and structure, the Group does not usually conduct any research, development and innovation initiatives.

8 Acquisition and disposal of treasury stock

With respect to treasury share transactions, see Note 10 of the consolidated report.

The acquisitions were carried out within the framework of a discretionary treasury share management contract, of which the Spanish Securities Market Commission (CNMV) was notified in compliance with the recommendations published by said body on 18 July 2013.

As of 30 June 2017, the share price was EUR 8.06.

As of 30 June 2017, the Company holds a total of 43,932 shares, representing 0.05% of total issued shares.

9 Other relevant information

9.1 Stock exchange information

The initial share price at the start of the year was EUR 7.03 and the nominal value at the reporting date was EUR 8.06. During the period, the average price per share was EUR 7.43.

The Group does not currently have a credit rating from the principal international rating agencies.

9.2 Dividend policy

On 29 May 2017, the Shareholders' General Meeting approved the distribution of a dividend of EUR 3,416 thousand, at EUR 0.038 per share (taking into account all the shares issued) charged to the results for the financial year 2016, and of EUR 26,584 thousand, at EUR 0.294 per share (taking into account all the shares issued), charged to the share premium. The amount distributed totalled EUR 29,998 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the Shareholders' Meeting held on 29 May 2017, and adjusting the difference for the greater number of treasury shares against the share premium. The distributed dividend was paid in full in May 2017.

10 Events after the reporting period

There were no significant events subsequent to the period.

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Authorisation for issue of the Interim Condensed Consolidated Financial Statements for the period of six months ended 30 June 2017.

At their meeting held on 26 July 2017, pursuant to the requirements of Article 253 of the Revised Spanish Companies Act and Article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. authorised for issue the Consolidated Intermediate Financial Statements for the six-month period ended 30 June 2017. The Consolidated Intermediate Financial Statements comprise the documents that precede this certification.

Signatories:

Mr José Luis del Valle Doblado (Chairman)	Mr Alec Emmott
Mr José Luis del Valle Doblado (on behalf of Ms. Isabel Aguilera Navarro)	Mr Laurent Luccioni
Mr Roger Maxwell Cooke	Mr Pedro Luis Uriarte Santamarina
Mr Miguel Pereda Espeso	

Madrid, 26 July 2017

*The Director Ms. Isabel Aguilera Navarro attended the meeting represented by Mr. José Luis del Valle Doblado, having stated his approval to the accounts has drawn up them, expressly authorising Mr. Jose Luis del Valle to sign the accounts on her behalf.

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

Mr José Luis del Valle and Mr Juan Gómez-Acebo, as Chairman and Secretary of the Parent Company's Board of Directors, certify:

(i) That the Interim Condensed Consolidated Financial Statements for the period of six months ended 30 June 2017 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 26 July 2017.

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

Mr José Luis del Valle Doblado (Chairman)	Mr Juan Gómez-Acebo (Non-executive Secretary of the Board)