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 2018, 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 26). 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 226). 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 2018, 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 2018 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 2017. 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.
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Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2018 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 2018. 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 2018

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

Summarised Consolidated Intermediate Financial Statements for the six-month period ended 30 June 2018.

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

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for the six-month period ended 30 June 2018
(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 2018 (1)	31 December 2017
Intangible assets	5	8,637	8,673
Investment property	6	1,323,829	1,306,350
Financial assets with associates	8 and 10	-	2,161
Derivatives	14	239	-
Equity-accounted investees	9	5,076	5,526
Non-current financial assets	10	11,469	11,928
Non-current trade and other receivables	10	2,734	-
Total non-current assets		1,351,984	1,334,638
Non-current assets held for sale	7	153,306	124,295
Current trade and other receivables	10	16,562	14,413
Financial assets with associates	8 and 10	17,952	27,718
Other current financial assets	10	2,509	7,118
Other current assets		909	553
Cash and cash equivalents	11	28,703	45,617
Total current assets		219,941	219,714
Total assets		1,571,925	1,554,352

(1) Unaudited data

Notes 1 to 26, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position for the six-month period ended 30 June 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Intermediate Statement of the Comprehensive Income
for the six-month period ended 30 June 2018
(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 2018 (1)	31 December 2017
Capital	12a	189,527	185,248
Issue premium	12b	476,301	487,349
Other reserves	12c	229,980	111,614
Other contributions	12c	240	240
Profits for the period		43,855	135,606
Treasury shares	12e	(340)	(175)
Valuation adjustments	12d and 14	(1,492)	(1,663)
Total equity		938,071	918,219
Financial liabilities from issue of bonds and other marketable securities	14	138,929	138,787
Loans and borrowings	14	398,954	361,165
Deferred tax liabilities	19	17,201	14,613
Derivatives	14	853	831
Other non-current liabilities	14 and 15	16,930	16,221
Total non-current liabilities		572,867	531,617
Liabilities connected to non-current assets held for sale	7	7,988	47,618
Financial liabilities from issue of bonds and other marketable securities	14	1,435	3,482
Loans and borrowings	14	22,896	5,580
Derivatives	14	1,291	1,267
Debt with group companies and associates	14 and 23a	-	7,505
Other financial liabilities	14	-	147
Trade and other payables	14 and 16	27,377	38,917
Total current liabilities		60,987	104,516
Total equity and liabilities		1,571,925	1,554,352

(1) Unaudited data

Notes 1 to 26, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position for the six-month period ended 30 June 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Intermediate Statement of the Comprehensive Income
for the six-month period ended 30 June 2018
(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 2018 (1)	30 June 2017 (1)
Revenue	4 and 20	39,814	37,547
Other income	21	2,450	1,002
Other results	3	-	653
Employee benefits expense	4	(270)	(222)
Depreciation charges	5	(76)	-
Other expenses	22	(36,642)	(15,718)
Changes to the fair value of investment property	6 and 7	42,697	46,903
Profits and losses from the disposal of investment property	3, 6 and 7	3,301	-
Results from operating activities		51,274	70,165
Financial income	10	607	1,860
Financial costs	14	(7,600)	(6,772)
Changes in the fair value of financial instruments	14	24	456
Impairment and gains/(losses) on disposal of financial instruments		-	-
Share in income for the period of equity-accounted investees	9	(450)	(712)
Profit before tax from continuing operations		43,855	64,997
Income tax		-	-
Profit for the period		43,855	64,997
Basic earnings per share (in Euros)	13	0.47	0.72
Diluted earnings per share (in Euros)	13	0.47	0.72

Summarised Consolidated Statement of Comprehensive Income		30 June 2018 (1)	30 June 2017 (1)
Profit for the period (I)		43,855	64,997
Other Comprehensive Income Directly Recognised in Equity (II)	12d	(428)	(1,673)
Other Amounts Transferred to the Income Statement (III)	12d	599	373
Total Comprehensive Income (I+II+III)		44,026	63,697

(1) Unaudited data

Notes 1 to 26, described in the explanatory notes attached, form an integral part of the summarised consolidated intermediate statement of comprehensive income for the six-month period ended 30 June 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Changes in Equity at 30 June 2018
(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 2017	185,248	487,349	111,614	240	135,606	(175)	(1,663)	918,219
Total income and expenses recognised in the period	-	-	-	-	43,855	-	171	44,026
Distribution of profit	-	-	118,333	-	(118,333)	-	-	-
Transactions with equity holders and owners								
- Capital increase (Note 12)	4,279	16,645	-	-	-	-	-	20,924
- (-) Dividend distribution	-	(27,693)	-	-	(17,273)	-	-	(44,966)
Treasury shares	-	-	33	-	-	(165)	-	(132)
Balance at 30 June 2018 (1)	189,527	476,301	229,980	240	43,855	(340)	(1,492)	938,071

(1) Unaudited data

Notes 1 to 26, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30 June 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Cash Flows for the six-month period ended 30 June 2018
(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	-	-	88,014	-	(88,014)	-	-	-
Transactions with equity holders and owners								
- Capital increase	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 26, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30 June 2018.

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

Summarised Consolidated Statement of Cash Flows for the six-month period ended 30 June 2018

(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)

	30 June 2018 (1)	30 June 2017 (1)
A) Cash flows from operating activities	(12,870)	8,573
Profit/(loss) before tax	*43,855*	64,997
Adjustments to the profit/(loss)	*(38,532)*	*(42,397)*
Changes to the fair value of investment property	76	(46,903)
Impairment adjustments	(42,697)	(9)
Financial income	(29)	(1,860)
Financial costs	(607)	6,772
Changes in the fair value of financial instruments	7,600	(456)
Share in income for the period of equity-accounted investees (Note 8)	(24)	712
Other income and expenses	450	-
Adjustments to the consideration given by business combinations (Note 3)	(3,301)	(653)
Changes in operating assets and liabilities	-	*(6,086)*
Trade and other receivables	*(9,268)*	(5,345)
Other current assets	(5,108)	1,756
Creditors and other payables	5,052	(2,462)
Other current liabilities	(11,372)	(35)
Other non-current assets and liabilities	(148)	-
Other cash flows from operating activities	2,308	*(7,941)*
Interest paid	*(8,925)*	(7,955)
Interest collected	(8,925)	14
B) Cash flows from investing activities	4,815	(99,885)
Payments for investments	*(82,992)*	*(119,885)*
Outflow of liquid in business acquisitions (Note 3)	(33,331)	(110,218)
Intangible assets	-	-
Investment property	(49,661)	(9,583)
Other financial assets	-	(84)
Proceeds from sales on investments	*87,807*	*20,000*
Associates	5,000	20,000
Investment property	36,178	-
Equity instruments	46,629	-
C) Cash flows from financing activities	(8,859)	84,751
Payments made and received for equity instruments	*20,792*	*543*
Issue of equity instruments	20.924	-
Acquisition / disposal of equity instruments	(132)	543
Receivables and payments for financial liability instruments	15.315	*114.190*
Issue of:		
Bank borrowings (Note 13)	29,818	136,319
Other financial liabilities	-	236
Refunds and amortization of:		
Bank borrowings	(14,503)	(22,365)
Other financial liabilities	-	-
Payments for dividends and remuneration from other equity instruments	*(44,966)*	*(29,982)*
Dividends paid	(44,966)	(29,982)
E) Net increase / decrease in cash or cash equivalents	(16,914)	(6,561)
F) Cash and cash equivalents at the beginning of the period	45,617	31,591
G) Cash and cash equivalents at the end of the period	28,703	25,030

(1) Unaudited data

Notes 1 to 26, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of cash flows for the six-month period ended 30 June 2018.

(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 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 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 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., LE Retail Rivas, 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 2017 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2018 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 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	The acquisition and development of properties for lease	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	The acquisition and development of properties for lease	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	The acquisition and development of properties for lease	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
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

Corporate Name	Company Address	Activity	Company holding the stake	% stakes	Method of integration
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
LE Retail Rivas, 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 31 December, on tax, administrative and social measure;
- 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 2017 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 2017 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 2017 financial year were approved by the Shareholders' General Meeting of Lar España Real Estate SOCIMI, S.A. which was held on 19 April 2018.

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 2018, 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 2017. The summarised consolidated intermediate financial statements as of 30 June 2018 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 2017.

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 2017, except for any standards/regulations or interpretations that came into force during the first quarter of 2018.

During the first six months of 2018, 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:

– 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 01 January 2018.

– 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 and impairment accounting under IAS 39. Effective for annual periods beginning on or after 01 January 2018.

– 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. Effective for annual periods beginning on or after 01 January 2018.

– Amendment to IFRS 4 Insurance Contracts (published in June 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 01 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 01 January 2018.

- Amendment to IFRS 1 First-time Adoption of IFRS (published December 2016). Elimination of some short-term exemptions (improvements to IFRS Cycle 2014-2016). Effective for annual periods beginning on or after 01 January 2018.

- Amendment to IAS 28 Investments in associates and joint ventures (published December 2016). Clarification in relation to the option to measure at fair value (improvements to IFRS Cycle 2014-2016). Effective for annual periods beginning on or after 01 January 2018.

- Amendment to IFRIC 22 Foreign currency transactions and advances (published 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 01 January 2018.

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 2018, being approved for use in the EU:

- IFRS 16 Leases (Published in January 2016). This substitutes IAS 17 and the associated interpretations. Its main change is a sole accounting model for tenants that will include all leases in the balance sheet (with limited exceptions) with an impact similar to that of current financial leases (The asset will amortise due to the right of use and there will be a financial expense for the amortised cost of the liability). Effective for annual periods beginning on or after 01 January 2019.

Similarly, the following published standards/regulations were not in force during the first six months of 2018, pending EU approval of their use:

- Amendment to IFRS 9 Prepayment features with negative compensation. This amendment will permit the amortised cost of certain financial assets to be measured which can be cancelled in advance for an amount less than the outstanding amount of principal and interest on such principal. Effective for annual periods beginning on or after 01 January 2019.

- IFRIC 23 Uncertainty over income tax treatments. This interpretation clarifies how the registry and measurement criteria under IAS 12 are to be applied when there is uncertainty regarding the tax authority's acceptance of a given tax treatment used by the entity. Pending adoption in EU 1 January 2019.

- Amendment to IAS 28 Long-term interest in associates and joint ventures. This clarifies that IFRS 9 must be applied to long-term interest in an associate or joint venture if the equity method is not used. Effective for annual periods beginning on or after 01 January 2019.

- Improvements to IFRS Cycle 2015-2017. Amendments to a series of regulations. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IAS 19. Amendment, reduction or settlement of a plan. It clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan. Effective for annual periods beginning on or after 01 January 2019.

- IFRS 17 Insurance Contracts. This will replace IFRS 4. It includes the principles of registration, valuation, presentation and breakdown of insurance contracts. Effective for annual periods beginning on or after 01 January 2021.

Impact assessment of the adoption of IFRS 9, 15 and 16

- IFRS 9 - Financial Instruments

  IFRS 9 covers with the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 published in July 2014 and replaces the IAS 39 guide on the classification and measurement of financial instruments. IFRS 9 should be applied for financial years beginning on or after 1 January 2018. The Group's directors estimate that the impact of IFRS 9 is not material and will not have an effect on the financial statements upon its first-time application. The detail of the implication on the items comprising the financial statements is as follows.

  IFRS 9 establishes three main categories of measurement for financial assets: amortised cost, at fair value through profit or loss, and at fair value through profit or loss, and changes in other comprehensive income. The basis for classification depends on the entity's business model and the characteristics of the contractual cash flows of the financial asset. It has not been determined, based on the best estimate, that IFRS 9 modifies the method of measuring financial assets recognised at 31 December 2017 in the Group's financial statements.

  In relation to financial liabilities, there have been no changes with respect to the classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. In addition, for the exchange of debt instruments or amendments to contractual terms that do not result in the extinguishment of a financial liability. IFRS 9 establishes that the entity must recalculate the new amortised cost by discounting the new estimated cash flows at the effective interest rate of the original financial liability. Any difference between this amount and the carrying amount of the modified debt would be recorded as income or expense in the income statement. At present, the Group does not have any liabilities that have been part of exchanges or contractual modifications and that require an assessment of their impact.

  The new model of impairment requires the recognition of impairment provisions on the basis of expected credit losses rather than only credit losses incurred as is the case under IAS 39. It applies to the Group's financial assets classified at amortised cost, most of which are trade balances receivable under leases, and to certain financial guarantee contracts. Based on the evaluations carried out to date, given the nature of the financial assets subject to the impairment evaluation, the Directors have not determined, based on the best estimate, a significant impact on the impairment provision, as they consider the risk of default to be insignificant, taking into account that customers provide a guarantee to secure this credit.

With respect to hedge accounting, the new hedging model in IFRS 9 has as its main objective to align hedge accounting with the risk management activities of an entity. As in IAS 39, the application of hedge accounting remains optional. The directors have not determined, based on the best estimate, a significant impact on the accounting hedging relationships currently maintained.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the information disclosed by the group about its financial instruments in the presentation of the annual accounts in the year of adoption of the new standard.

– IFRS 15 - Income from Ordinary Activities Arising from Contracts with Customers

IFRS 15 sets out the principles for presenting useful information to users of financial statements about the nature, amount, timing and uncertainty of income from ordinary activities and cash flows arising from an entity’s contracts with its customers. This IFRS shall apply for annual periods beginning on or after 1 January 2018.

In accordance with the scope of this Standard, an entity shall apply this Standard to all contracts with customers except, inter alia, lease contracts within the scope of IFRS 16 on Leases. Therefore, the directors, based on the Group's main activity, have determined that its application has no impact on the consolidated financial statements.

– IFRS 16 - Leases

IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases. This standard supersedes the current IAS 17, and applies to annual periods beginning on or after 1 January 2019.

IFRS 16 introduces a single lease accounting model for lessees that requires the recording of assets and liabilities for all leases longer than 12 months, with a recording similar to that for current financial leases, In relation to the lessor’s accounting, the accounting requirements currently in force under IAS 17 are substantially maintained. Therefore, the directors consider that the application of this standard will not have a material impact on the Group’s consolidated financial statements. The other main new development relates to the amendment of IAS 40 as a result of the entry into force of IFRS 16, which requires that the rights of use operated by the Group under lease be classified and measured as with other investment property. The impact of this change will entail the classification of the concessions under investment property, resulting in an increase of approximately EUR 5 million.

(b) Comparative information

As required by international financial reporting standards adopted by the European Union, the information contained in these summarised consolidated intermediate financial statements for the six-month period ended 30 June 2018 (for the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, all of which are summarised and consolidated), together with the information for 31 December 2017 (for the consolidated summary statement of financial position and the statement of changes in equity) are presented for comparison with the information for the six-month period ended 30 June 2018.

The application of significant accounting policies in 2018 and 2017 was uniform and, therefore, there were no transactions or operations that were recognised under different accounting policies that could give rise to discrepancies in the interpretation of the comparative figures for the two periods.

(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 (see Note 6).
- Valuation adjustment for customer insolvencies.
- Determination of the fair value of certain financial instruments (see Note 14).
- Assessment of provisions and contingencies.
- Financial risk management (see Note 17).
- Compliance with the requirements that regulate SOCIMIs (see Note1 and 17).
- Definition of the transactions carried out by the group as a business combination in accordance with IFRS 3 or as an asset acquisition (see Note 3).
- Measurement of assets and liabilities held for sale (see Note 7).

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 2018 there were no significant changes in the estimates made at the close of the 2017 financial year.

(d) Contingent assets and liabilities

During the first six months of 2018 there were no significant changes in the Group's contingent assets and liabilities.

(e) Correction of errors

During the first six months of 2018 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 2018.

(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 2018.

(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 2017, 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 2018 financial year there have been the following changes to the scope of the consolidation:

– On 06 February 2018, the Parent Company has acquired 100% of the stakes in the company Legaro Spain, S.L.U. (now LE Retail Rivas, S.L.U.) from the company CSRE I Spain Holding, S.L.U.

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 Rivas, S.L.U.	The acquisition and development of properties	06/02/2018	100%	35,361

	Thousands of Euros		
	Carrying amount	Value adjustment	Fair value
Investment property	53,202	10,353	63,555
Trade and other receivables	156	-	156
Other assets	798	-	798
Cash and other cash equivalent assets	2,030	-	2,030
Deferred tax liabilities	-	(2,588)	(2,588)
Bank borrowings	(27,460)	-	(27,460)
Other long-term loans and borrowings	(730)	-	(730)
Trade and other payables	(400)	-	(400)
Total net assets	**27,596**	**7,765**	**35,361**
Transferred consideration for the 100%			**35,361**

On 6 February 2018, the sales agreement was signed and the total amount paid by the Parent Company amounted to EUR 35,361 thousand.

The assets attributed with the fair value are investment property. The main asset of the acquired company was the Rivas business park in Madrid, the fair value of which when purchased was EUR 63,555 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 156 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company's directors did 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 2018 period since the date of acquisition and included in the consolidated income statement for the 2018 period amounted to EUR 384 thousand and EUR 1,345 thousand, respectively.

If the acquisition had taken place on 01 January 2018 (the beginning date of each accounting period of the acquired company), the profit and loss and income contributed to the Group would have varied by EUR 93 thousand and EUR 551 thousand. The Directors have used the income received from 01 January 2018 when determining said amount.

In addition, on 06 February 2018, the Company changed its name to LE Retail Rivas, S.L.U.

The company expects to request the ability to avail of the special tax regime for SOCIMIs retroactively to 01 January 2018.

The net cash flow in the acquisition was:

	Thousands of Euros
Cash paid:	
- For stakes	35,361
Less: Cash and cash equivalents	(2,030)
Total	33,331

– On 16 January 2018, the Company sold 100% of the company shares in its subsidiary LE Offices Egeo, S.A.U. to Inmobiliaria Colonial, SOCIMI, S.A. for a base price of EUR 49,098 thousand. The amount of net assets of LE Offices Egeo, S.A.U. at the time of sale totalled EUR 48,316 thousand, where the sale therefore made for a profit of EUR 782 thousand recorded under “Profits and losses from the disposal of investment property” of the 2018 Consolidated Intermediate Statement of Comprehensive Income. The value of the investment property and the treasury at the time of sale totalled EUR 76,673 thousand and EUR 369 thousand, respectively.

  At 30 June 2018, EUR 2,000 thousand was outstanding.

  The sale of the holdings was made after the three years of maintenance of the property assets required by the Law on SOCIMIs (see Note 1).

(4) SEGMENT REPORTING

As of 30 June 2018, 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, Portal de la Marina, Albacenter, As Termas, Portal de la Marina hypermarket, El Rosal, VidaNova Parc (asset under development), Gasolinera As Termas, Megapark, Galaria single-tenant commercial property, Palmas Altas (asset under development), Vistahermosa business park, Gran Vía de Vigo, Abadía business park and shopping mall, Supermarkets commercial premises and Rivas business park.

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

- Logistic bays: Alovera I, Alovera II, Alovera III, Alovera IV, Almussafes and Cheste (under development).
- Residential: Stakes in the associate Inmobiliaria Juan Bravo 3, S.L. (owner of a building under construction in Calle Juan Bravo in 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 2018, and their comparison with the previous period (30 June 2017 for income and expenses, and 31 December 2017 for assets and liabilities), are shown below:

	Thousands of Euros					
	30 June 2018					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other (*)	Total
Revenue from leases	35,904	948	2,962	-	-	39,814
Total revenues	35,904	948	2,962	-	-	39,814
Other income	2,450	-	-	-	-	2,450
Staff expenses	-	-	-	-	(270)	(270)
Depreciation charges	(76)	-	-	-	-	(76)
Operating expenses (**)	(30,732)	(2,299)	(2,217)	-	(1,394)	(36,642)
Changes to the fair value of investment property	25,339	11,506	5,852	-	-	42,697
Profits and losses from the disposal of investment property	2,519	782	-	-	-	3,301
Operating profit	35,404	10,937	6,597	-	(1,664)	51,274
Net finance cost (**)	(6,089)	(886)	(470)	605	(129)	(6,969)
Equity-accounted investees	-	-	-	(450)	-	(450)
Profit from ongoing operations	29,315	10,051	6,127	155	(1,793)	43,855

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

(**) Taking into account that in 2018 the Parent Company re-invoiced the amount of operating expenses to the subsidiaries. At 30 June 2018, EUR 24,912 thousand is attributable to the shopping centres, EUR 1,780 thousand to office buildings, EUR 1,764 thousand to logistics bays and the remainder to head office. Moreover, the Parent Company re-invoiced the amount of finance costs accrued on bonds to the subsidiaries. EUR 1,207 thousand was attributable to shopping centres, EUR 481 thousand to office buildings and EUR 470 thousand to logistics bays.

	Thousands of Euros					
	30 June 2017					
	Shopping centres	Office buildings	Logistics bays	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	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.

(**) The table does not consider that during 2017 the Parent Company re-invoiced the amount of operating expenses to the subsidiaries. At 30 June 2017, EUR 7,078 thousand was attributable to the shopping centres, EUR 1,199 thousand to office buildings, EUR 571 thousand to logistics bays and the remainder to head office. Moreover, the Parent Company re-invoiced the amount of finance costs accrued on bonds to the subsidiaries. EUR 1,374 thousand was attributable to the shopping centres, EUR 362 thousand to office buildings and EUR 416 thousand to logistics bays.

	Thousands of Euros					
	30 June 2018					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	8,637	-	-	-	-	8,637
Investment property	1,263,839	59,990	-	-	-	1,323,829
Financial assets with associates	-	-	-	-	-	-
Derivatives	239	-	-	-	-	239
Equity-accounted investees	-	-	-	5,076	-	5,076
Non-current financial assets	11,214	255	-	-	-	11,469
Non-current trade and other receivables	2,637	-	97	-	-	2,734
Total non-current assets	1,286,566	60,245	97	5,076	-	1,351,984
Non-current assets held for sale	12,750	38,767	101,789	-	-	153,306
Current trade and other receivables	9,918	836	154	-	5,654	16,562
Financial assets with associates	-	-	-	17,952	-	17,952
Other current financial assets	402	2	-	-	2,105	2,509
Other current assets	340	5	58	-	506	909
Cash and cash equivalents	16,737	811	1,711	-	9,444	28,703
Total current assets	40,147	40,421	103,712	17,952	17,709	219,941
Total assets	1,326,713	100,666	103,809	23,028	17,709	1,571,925

	Thousands of Euros					
	31 December 2017					
	Shopping centres	Office Buildings Offices	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	8,673	-	-	-	-	8,673
Investment property	1,129,020	85,450	91,880	-	-	1,306,350
Financial assets with associates	-	-	-	2,161	-	2,161
Equity-accounted investees	-	-	-	5,526	-	5,526
Non-current financial assets	10,508	337	1,083	-	-	11,928
Total non-current assets	1,148,201	85,787	92,963	7,687	-	1,334,638
Non-current assets held for sale	44,746	79,549	-	-	-	124,295
Trade and other receivables	9,153	684	319	-	4,257	14,413
Financial assets with associates	-	-	-	27,718	-	27,718
Other current financial assets	2,915	4,199	-	-	4	7,118
Other current assets	153	2	44	-	354	553
Cash and cash equivalents	33,468	1,511	2,821	-	7,817	45,617
Total current assets	90,435	85,945	3,184	27,718	12,432	219,714
Total assets	1,238,636	171,732	96,147	35,405	12,432	1,554,352

	Thousands of Euros					
	30 June 2018					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Liabilities connected to non-current assets held for sale	6,010	897	1,081	-	-	7,988
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	140,364	140,364
Loans and Borrowings	395,032	9,735	-	-	17,083	421,850
Deferred tax liabilities	17,201	-	-	-	-	17,201
Derivatives	2,000	144	-	-	-	2,144
Other non-current liabilities	16,610	281	-	-	39	16,930
Trade and other payables	16,088	420	1,937	-	8,932	27,377
Total liabilities	452,941	11,477	3,018	-	166,418	633,854

	Thousands of Euros					
	31 December 2017					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Liabilities connected to non-current assets held for sale	18,852	28,766	-	-	-	47,618
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	142,269	142,269
Loans and Borrowings	357,097	9,648	-	-	-	366,745
Deferred tax liabilities	14,613	-	-	-	-	14,613
Derivatives	1,958	140	-	-	-	2,098
Other non-current liabilities	14,731	369	1,082	-	39	16,221
Short-term debts with group companies and associates	-	-	-	-	7,505	7,505
Trade and other payables	20,962	986	404	-	16,565	38,917
Other financial liabilities	-	-	-	-	147	147
Total liabilities	428,213	39,909	1,486	-	166,525	636,133

(a) Geographical segments

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

(b) Geographical information

The table below summarises revenues and investment property for each of the assets owned by the Group in each geographical region at 30 June 2018 and at 31 December 2017:

Thousands of Euros

	30 June 2018					
	Revenue	%	Investment property	Non-current assets held for sale (Inv, prop,)	Intangib le assets	%
Basque Country	8,739	22%	269,341	-	8,635	19%
Catalonia	3,489	9%	117,400	-	-	8%
Castile–La Mancha	7,014	18%	138,870	81,235	-	15%
Castile and León	3,856	10%	121,560	-	-	8%
Community of Madrid	1,885	5%	103,900	37,500	-	10%
Cantabria	370	1%	6,167	-	-	1%
Galicia	7,672	19%	250,575	-	-	17%
Navarre	532	1%	5,555	10,900	-	1%
Community of Valencia	5,741	14%	208,040	19,501	-	15%
Andalusia	-	-	88,500	-	-	6%
Balearic Islands	419	1%	11,510	-	-	1%
La Rioja	97	0%	2,411	-	-	0%
	39,814	100%	1,323,829	149,136	8,635	100%

Thousands of Euros

	31 December 2017					
	Revenue	%	Investment property	Non-current assets held for sale (Inv, prop,)	Intangible assets	%
Basque Country	15,903	20%	269,063	-	8,671	19%
Catalonia	7,044	9%	116,830	-	-	8%
Castile–La Mancha	11,494	15%	197,742	-	-	14%
Castile and León	7,725	10%	121,550	-	-	8%
Community of Madrid	5,708	7%	64,000	88,017	-	11%
Cantabria	1,668	2%	6,112	19,313	-	2%
Galicia	14,792	19%	247,225	-	1	17%
Navarre	964	1%	5,539	10,700	-	1%
Community of Valencia	11,524	15%	210,470	-	1	15%
Andalusia	-	-	54,000	-	-	4%
Balearic Islands	633	1%	11,426	-	-	1%
La Rioja	145	0%	2,393	-	-	0%
	77,600	100%	1,306,350	118,030	8,673	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 2018, 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/	9.33%	9.33%	2018-2060	Distribution/Hypermarket
2	Inditex	Anec Blau/Albacenter/El Rosal/As Termas/Huertas/Portal de la Marina/Gran Vía de Vigo	7.61%	16.94%	2025-2034	Textile/Fashion
3	Mediamarkt	Megapark/Vistahermosa/As Termas/Parque Abadía/Rivas/Villaverde/Nuevo Alisal	4.14%	21.08%	2023-2041	Technology
4	Eroski	Hiper Albacenter/Hiper Portal de la Marina/As Termas/Portfolio Supermercados	3.83%	24.91%	2024-2051	Hypermarket
5	Decathlon	Megapark/Abadia	2.90%	27.81%	2022-2041	Distribution
6	Cortefiel	Anec Blau/Albacenter/El Rosal/As Termas/Huertas/Portal de la Marina/Gran Vía de Vigo/Huertas/Megapark/Txingudi/Vistahermosa	2.34%	30.15%	2019-2030	Textile/Fashion
7	Conforama	Megapark/Abadia/Rivas	2.16%	32.31%	2023-2035	Distribution
8	Alcampo	Abadía/Vistahermosa	2.00%	34.31%	2055-2061	Hypermarket
9	H&M	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina/Gran Vía de Vigo/Txingudi	1.98%	36.29%	2022-2047	Textile/Fashion
10	C&A Modas	Anec Blau/As Termas/Megapark/Portal de la Marina/Gran Vía de Vigo	1.90%	38.19%	2023-2029	Textile/Fashion

* 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) INTANGIBLE ASSETS

At 30 June 2018 and 31 December 2017, intangible assets mainly comprise the right of use of the floor space where the Megapark Barakaldo leisure facilities are located. Said leisure facilities are currently operated by group company LE Retail Megapark, S.L.U. and earn leasing income.

The right of use, which matures in 2056, and its net carrying amount at 30 June 2018 amounts to EUR 8,635 thousand, having accrued amortisation expenses of EUR 76 thousand in the period. Once the right of use expires, the assets contained on leased floor space will be delivered to the Barakaldo City Council.

In addition, at 30 June 2018 and 31 December 2017, it holds industrial property under the "As Termas" and "Vistahermosa" brands for EUR 2 thousand.

(6) INVESTMENT PROPERTY

At 30 June 2018 the investment property owned by the Group comprises 14 shopping centres (2 under development), 2 hypermarkets (Ondara and Albacenter), the As Termas petrol station, 2 office buildings and 22 commercial premises 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 2018 were as follows:

	Thousands of Euros
	Completed investment property
Fair value at 31 December 2017	1,306,350
Additions for the period	49,661
Assets held for sale	(132,382)
Change to the scope of the consolidation (Note 3)	63,555
Changes to the fair value of investment property	36,645
Balance at 30 June 2018	1,323,829
Fair value at 30 June 2018	1,323,829

Investment property is presented at fair value.

The Group has recognised the following investment property at its fair value at 30 June 2018 and 31 December 2017:

	Thousands of Euros	
	Investment property held	
	30 June 2018	31 December 2017
Centres, single-tenant commercial properties and supermarkets	1,263,839	1,129,020
Office buildings	59,990	85,450
Logistics bays	-	91,880
	1,323,829	1,306,350

Registrations and additions from business combinations for the six-month period ended on 30 June 2018 are as follows:

		Thousands of Euros	
Type of asset	Company	Additions	Changes to the scope
Shopping centre	Abadía (a)	14,000	-
Shopping centre	Rivas (b)	-	63,555
Shopping centre	Palmas Altas (c)	20,013	-
Shopping centre	Sagunto (d)	9,356	-
Logistics bays	Cheste (e)	2,550	-
-	Improvements to other assets and fit-outs (f)	3,742	-
		49,661	63,555

(a) Corresponds to the acquisition of a shopping mall in Abadía business park, Toledo. On 20 February 2018, the Company formalised the purchase deed for the shopping mall for EUR 14,000 thousand.

(b) Corresponds to the acquisition of the Rivas Futura commercial park in Rivas-Vaciamadrid, Madrid. On 6 February 2018, the Company formalised the sales deed for the company owning approximately 36,724 square metres of the Rivas Futura business park, for EUR 63,555 thousand.

(c) Corresponds to the construction of a shopping centre in Palmas Altas, Seville, by the company Lar España Shopping Centres VIII, S.L.U. In the 2018 period EUR 15,513 thousand in construction costs were incurred. In addition, an adjacent plot of land of 12,000 m2 was purchased for EUR 4,500 thousand.

(d) Corresponds to the construction of a shopping centre in Sagunto, Valencia, by the company LE Retail Sagunto, S.L.U. In the 2018 period EUR 9,356 thousand in construction costs were incurred.

(e) Corresponds to the construction of a logistics warehouse by the company Lar España Inversión Logística IV, S.L.U. In the 2018 period EUR 2,550 thousand in construction costs were incurred.

(f) This amount refers to improvements and fit-outs effected in the period in the rest of the assets in the Group's portfolio.

On 30 June 2018, the additions of investment property pending payment amounted to EUR 4,595 thousand and were recognised under “Trade and other payables” in the summarised consolidated financial statements at 30 June 2018.

At 30 June 2018, the assets used to secure the bonds and various loans had a fair value of EUR 1,165,094 thousand. The amount outstanding for these debts at amortised cost at 30 June 2018 amounted to EUR 544,632 thousand. The Group has no agreements for the use of investment property, attachment orders thereon or analogous situations (see Note 14).

At 30 June 2018 all buildings comprising “Investment property” are insured. These policies are considered to provide sufficient coverage.

The fair value of the investment property amounted to EUR 1,323,829 thousand (31 December 2017 EUR 1,306,350 thousand) and considered level 3 valuations, with there being no transfers between levels in the 2018 period.

At 30 June 2018 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 (*)	470,198	93,2%
Office buildings	23,848	63%
Logistics bays (**)	161,841	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 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.

The appraisal companies that performed the valuations of the Group's investment property at 30 June 2018 are listed below:

	Appraisal Company
Txingudi shopping centre	Cushman & Wakefield
Las Huertas shopping centre	Cushman & Wakefield
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.
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 (under development)	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 (under development)	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.
Abadía shopping mall	Jones Lang Lasalle España, S.A.
Commercial premises	Cushman & Wakefield
Cheste logistics bay(under development)	Cushman & Wakefield
Rivas business park	Cushman & Wakefield

Fees paid by the Group to the appraisal companies for valuations in the first half of 2018 and 2017 are as follows:

	Thousands of Euros	
	2018	2017
Appraisal services	82	77
	82	77

The assumptions used to calculate the fair value of the real estate assets at 30 June 2018 are broken down in Note 18.

(7) NON-CURRENT ASSETS HELD FOR SALE AND LIABILITIES CONNECTED TO ASSETS HELD FOR SALE

As established in International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", these assets are being reclassified as they are in the process of being divested with committed sale plans, specifically, the logistics assets, the office building owned by LE Offices Eloy Gonzalo 27, S.L. and the medium-sized retail property of LE Retail Galaria, S.L.U.

In accordance with IAS 40, and the exception applicable under IFRS 5, investment property classified as assets held for sale was recognised at fair value, which led to the recognition of a revaluation income; the fair value was obtained from the valuations carried out by independent appraisers not related to the Group, amounting to EUR 6,052 thousand, which are recognised under "Changes to the Fair Value of Investment Property" in the attached summarised consolidated intermediate income statement.

The different assets and liabilities reclassified as held for sale are detailed below:

	Thousands of Euros			
	Assets		Liabilities	
	2018	2017	2018	2017
Logistics assets	101,789	-	1,082	-
LE Offices Eloy Gonzalo 27 , S.L.U.	38,767	-	896	-
LE Retail Villaverde, S.L.U. (b)	-	12,660	-	4,689
LE Retail Alisal, S.A.U. (c)	-	20,149	-	7,718
LE Retail Galaria, S.L.U.	12,750	11,937	6,010	4,281
LE Offices Egeo, S.A.U. (a)	-	79,549	-	30,930
	153,306	124,295	7,988	47,618

(a) As indicated in Note 3, in 2018 the office building was sold, resulting in a gain of EUR 782 thousand. At 30 June 2018, the value of EUR 2,000 thousand had not yet been collected and was expected to be collected in 2018.

(b) On 12 March 2018, the sale of the unencumbered medium-sized company Villaverde was signed with Pierre Plus Scpi, for an amount of EUR 7,653 thousand, and a net gain of EUR 912 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Intermediate Statement of Comprehensive Income, with the 3-year maintenance period required by the SOCIMI Regime having been completed. The financial liabilities associated with the real estate assets have been settled in full with the funds obtained from the sale.

(c) On 12 March 2018, the sale of the unencumbered medium-sized company Nuevo Alisal was signed with Pierre Plus Scpi, for an amount of EUR 13,517 thousand, and a net gain of EUR 1,607 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Intermediate Statement of Comprehensive Income, with the 3-year maintenance period required by the SOCIMI Regime having been completed. The financial liabilities associated with the real estate assets have been settled in full with the funds obtained from the sale.

The details, by item, of the assets and liabilities classified as held for sale at 30 June 2018 are as follows:

	Thousands of Euros						
	LE Retail Galaria, S.L.U.	LE Logistic Alovera I y II, S.L.U.	LE Logistic Alovera II y IV, S.L.U.	LE Logistic Almussafes, S.L.U.	LE Offices Eloy Gonzalo 27, S.L.U.	LAR España Inversión Logística IV, S.L.U.	Total
Non-current assets held for sale	**12,750**	**67,895**	**14,281**	**10,862**	**38,767**	**8,751**	**153,306**
Investment property	10,900	67,110	14,125	10,750	37,500	8,751	149,136
Non-current financial assets	-	785	156	112	65	-	1,118
Trade and other receivables	1,727	-	-	-	863	-	2,590
Cash and cash equivalents	123	-	-	-	339	-	462
Liabilities connected to non-current assets held for sale	**6,010**	**783**	**173**	**125**	**897**	**-**	**7,988**
Loans and borrowings (*)	4,241	-	-	-	-	-	4,241
Other current liabilities	1,725	783	173	125	299	-	3,105
Trade and other payables	44	-	-	-	598	-	642
Non-current assets held for sale	**6,740**	**67,112**	**14,108**	**10,737**	**37,870**	**8,751**	**145,318**

The effect of measuring the financial liabilities for bank borrowings, classified as non-current assets, at amortised cost amounted to EUR 135 thousand in 2017.

The details of the assets and liabilities classified as held for sale at 31 December 2017 are as follows:

	Thousands of Euros				
	LE Offices Egeo, S.A.U.	LE Retail Villaverde, S.L.U.	LE Retail Alisal, S.A.U.	LE Retail Galaria, S.L.U.	Total
Non-current assets held for sale	**79,549**	**12,660**	**20,149**	**11,937**	**124,295**
Investment property	76,674	11,343	19,313	10,700	118,030
Non-current financial assets	500	135	206	-	841
Trade and other receivables	1,828	2	129	-	1,959
Cash and cash equivalents	547	1,180	501	1,237	3,465
Liabilities connected to non-current assets held for sale	**30,930**	**4,689**	**7,718**	**4,281**	**47,618**
Loans and borrowings (*)	30,000	4,502	7,361	4,119	45,982
Other current liabilities	564	135	206	116	1,021
Trade and other payables	366	52	151	46	615
Non-current assets held for sale	**48,619**	**7,971**	**12,431**	**7,656**	**76,677**

The effect of measuring the financial liabilities for bank borrowings, classified as non-current assets, at amortised cost amounted to EUR 135 thousand in 2017.

(8) FINANCIAL ASSETS WITH ASSOCIATES

The breakdown of this category as at 30 June 2018 and 31 December 2017 is the following:

	Thousands of Euros	
	30 June 2018	
	Short-term	Long-term
Loans with associates	17,952	-
Total financial assets with associates	17,952	-

	Thousands of Euros	
	31 December 2017	
	Short-term	Long-term
Loans with associates	27,718	2,161
Total financial assets with associates	27,718	2,161

At 30 June 2018 the Group had formalised the following loans with associates:

	Thousands of Euros							
Company	Date granted	Principal	31/12/2017	Cancellation	Capitalised accrued interest	Current	Non-current	Loan total at 30 June 2018
Inmobiliaria Juan Bravo 3, S.L.	29/05/2015	40,000	27,718	(10,365)	599	17,952	-	17,952
Inmobiliaria Juan Bravo 3, S.L.	11/01/2016	2,000	2,161	(2,167)	6	-	-	-
		42,000	29,879	(12,532)	605	17,952	-	17,952

On 20 February 2018, Inmobiliaria Juan Bravo 3, S.L. paid EUR 5,000 thousand in accordance with the repayment schedule of the loan.

Additionally, on 31 January 2018 the Parent Company and Inmobiliaria Juan Bravo 3, S.L. agreed to offset positions and balances of EUR 7,465 thousand between the parties. In 2018, finance income amounting to EUR 605 thousand was recognised.

(9) EQUITY-ACCOUNTED INVESTEES

The details by company at 30 June 2018 and 31 December 2017 of equity-accounted companies as well as the result attributable to the Group is as follows:

	Thousands of Euros			
	30 June 2018		31 December 2017	
	Investments	Result attributable to the Group	Investments	Result attributable to the Group
Inmobiliaria Juan Bravo 3, S.L.	5,076	(450)	5,526	(2,119)
Total	5,076	(450)	5,526	(2,119)

The main indicators for the Group's equity-accounted investment (standardized to the regulatory framework applicable to the Group) at 30 June 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	30 June 2018	31 December 2017
	Inmobiliaria Juan Bravo 3, S.L.	Inmobiliaria Juan Bravo 3, S.L.
Non-current assets	102	102
Current assets	214,640 (*)(**)	210,583 (*)(**)
Non-current liabilities	166,652	4,332
Current liabilities	62,454	206,057
Profits and (losses) for the period	(900) (**)	(4,238) (**)

(*) 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 2018 generated an impairment reversal in the company Inmobiliaria Juan Bravo, S.L. in the amount of EUR 1,628 thousand (EUR 25,007 thousand as at 31 December 2017).

(10) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The Group's financial assets at 30 June 2018 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 2018 and 31 December 2017:

	Thousands of Euros			
	30 June 2018		31 December 2017	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Non-current financial assets	11,469	-	11,928	-
Derivatives (see Note 14)	239	-	-	-
Financial assets with associates (see Note 8)	-	17,952	2,161	27,718
Other financial assets	-	2,509	-	7,118
Client receivables for sales and rendering of services	2,734	3,699	-	6,442
Advances to suppliers	-	1,086	-	774
Public entities, other (see Note 19)	-	11,777	-	7,197
Total	14,442	37,023	14,089	49,249

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

At 30 June 2018, “Non-current financial assets” mainly comprise the security deposits and guarantees received from the tenants of the property assets mentioned in Note 6, which the Group has deposited with the corresponding public bodies.

At 30 June 2018, “Other financial assets” includes mainly the amount of EUR 2,000 thousand receivable on the sale of the stakes in LE Offices Egeo, S.A.U.

On 12 March 2018, the Group company Lar España Shopping Centres VIII, S.L.U. (Palmas Altas) cancelled its deposit, which had a carrying amount of EUR 2,250 thousand, after acquiring the 12,000m^2 plot of land from Inmobiliaria Viapol, S.A. (see Note 6).

At 30 June 2018, "Public entities, other" mainly comprises the Value Added Tax pending return related to the investments made in the promotion of “Palmas Altas” in Seville and “Vidanova Parc” in Valencia.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity as of 30 June 2018 and 31 December 2017 is as follows:

	2018			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	-	41	11,428	11,469
Derivatives		239		239
Financial assets with associates	17,952	-	-	17,952
Other financial assets	2,509	-	-	2,509
Client receivables for sales and rendering of services	3,699	2,734	-	6,433
Advances to suppliers	1,086	-	-	1,086
Public entities, other	11,777	-	-	11,777
	37,023	3,014	11,428	51,465

	2017			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Other non-current financial assets	-	48	11,880	11,928
Financial assets with associates	27,718	2,161	-	29,879
Other financial assets	7,118	-	-	7,118
Client receivables for sales and rendering of services	6,442	-	-	6,442
Advances to suppliers	774	-	-	774
Public entities, other	7,197	-	-	7,197
	49,249	2,209	11,880	63,338

(c) Results by categories of financial assets

The amount of the net gains and losses corresponds to the income obtained by the Group in relation to the loan granted to Inmobiliaria Juan Bravo 3, S.L., EUR 605 thousand (EUR 1,846 thousand in the six months ended 30 June 2017), to the income obtained from the deposits made in financial institutions that have generated financial income amounting to EUR 2 thousand (EUR 14 thousand in the six months ended 30 June 2017) and to the income from the valuation of financial derivatives amounting to EUR 24 thousand (EUR 456 thousand in the six months ended 30 June 2017).

(11) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and demand bank deposits in financial institutions. This category also includes 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.

(12) EQUITY

(a) Capital

At 30 June 2018 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 189,527 thousand (EUR 185,248 thousand at 31 December 2017) represented by 94,763,534 registered shares (92,624,097 registered shares at 31 December 2017), 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 2018 is EUR 9.56 per share and the average price of the first six months of 2018 is EUR 9.22.

At 30 June 2018 the Parent Company's main shareholders were as follows:

	2018
LVS II Lux XII S.A.r,l	19.60%
Grupo Lar Inversiones Inmobiliarias, S.A.	9.99%
Franklin Templeton Institutional, LLC	7.91%
Brandes Investment Partners, L,P,	5.03%
Threadneedle Asset Management Limited	5.02%
Blackrock INC,	3.68%
Santa Lucia S.A. Cía, de Seguros	3.11%
Other shareholders with an interest of less than 3%	45.66%
	100.0%

On 7 May 2018, the Board of Directors approved an increase in share capital of EUR 20,924 thousand in par value by issuing shares (2,139,437 ordinary shares of EUR 2 par value) and an issue premium of EUR 16,645 thousand. This capital increase has been subscribed by Grupo Lar Inversiones Inmobiliarias, S.A. in compliance with the provisions of the Investment Management Agreement, which establishes that the manager must invest the fees received, net of taxes, as a performance fee and divestment fee in the subscription of the capital increase carried out by the Parent Company in accordance with the terms of the aforementioned agreement. This capital increase was carried out with the exclusion of pre-emptive subscription rights and delegation to the Board of Directors for the execution of the resolution. At the date of preparation of these Summarised Consolidated Intermediate Financial Statements, the capital increase was recorded in the Commercial Registry of Madrid.

(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 19 April 2018, the distribution of dividends from the 2017 financial year against the share premium was approved for the amount of EUR 27,714 thousand. The effect on treasury shares totalled EUR 21 thousand.

At 30 June 2018, the Group's share premium amounted to EUR 476,301 thousand (31 December 2017: EUR 487,349 thousand).

(c) Other reserves

The breakdown of this category as at 30 June 2018 is the following:

	Thousands of Euros	
	30 June 2018	31 December 2017
Legal reserve	2,969	1,047
Parent Company Reserves	1,671	4,573
Consolidated reserves	225,340	105,994
Other shareholder contributions	240	240
	230,220	111,854

(i) *Legal reserve*

At 30 June 2018 the Parent Company's legal reserve amounted to EUR 2,969 thousand (31 December 2017: EUR 1,047 thousand).

(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 2017	(1,663)
Changes in fair value of hedges in the period recognised directly in equity	511
Other amounts transferred to the income statement	(340)
30 June 2018	(1,492)

(e) Treasury shares

At 30 June 2018 the Parent Company holds treasury shares amounting to EUR 340 thousand, Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2017	19,880	175
Additions	1,353,611	12,516
Disposals	(1,337,482)	(12,351)
30 June 2018	36,009	340

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 19 April 2018.

The average selling price of treasury shares has been EUR 9.26 per share. Profits for the six-month period ended 30 June 2018 amounted to EUR 33 thousand and are recognised under "Other Reserves" in the summarised consolidated statement of financial position.

The Parent Company has a formalised liquidity agreement with a financial intermediary pursuant to the terms of Circular 3/2007, of 19 December by the Spanish Securities Market Commission on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations, such that a restricted amount of EUR 500 thousand is held in the Treasury and there is a maximum of 63,000 shares for purchase/sale of treasury shares.

(f) Dividends paid

On 19 April 2018 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 23 February 2018. The distribution is as follows:

	Euros
Basis of allocation	
Profit for the period	19,211,128.53
Issue premium	27,713,695.30
Distribution:	
Legal reserve	1,921,112.85
Dividends	45,000,000.00
Voluntary reserve	3,710.98

On 19 April 2018, the Shareholders' General Meeting approved the distribution of a dividend of EUR 17,286 thousand, at EUR 0.187 per share (taking into account all the shares issued) and recognised in profit and loss for the 2017 period, and of EUR 27,714 thousand, at EUR 0.299 per share (taking into account all the shares issued), charged to the share premium. The amount distributed amounted to EUR 44,966 thousand (after deducting the amount relating to treasury shares, which does not come out of the Parent Company's equity, EUR 13 thousand relating to the distribution of profit and EUR 21 thousand relating to the distribution of share premium), taking into account the amount per share approved and the shares outstanding at the time of approval by the Shareholders' Meeting on 19 April 2018 and adjusting the difference for the greater number of treasury shares charged against the "Share premium". The distributed dividend was paid in full on 18 May 2018.

(13) 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 2018	30 June 2017
Profit for the period attributable to equity holders of the Parent Company	43,855	64,997
Weighted average number of ordinary shares in circulation (number of shares)	92,625,732	90,608,987
Diluted earnings per share (euros)	0.47	0.72

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

	30 June 2018	30 June 2017
Ordinary shares	94,763,534	92,624,097
Average effect of treasury shares and capital increases	(2,137,802)	(2,015,110)
Weighted average number of ordinary shares in circulation at 30 June (shares)	92,625,732	90,608,987

(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 ordinary shares that are potentially dilutive.

(14) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,929	1,435
Loans and borrowings	398,954	22,896
Carried at fair value:		
Derivatives	853	1,291
Liabilities connected to non-current assets held for sale (see Note 3)	-	7,988
Other non-current liabilities - security deposits	16,930	-
Trade and other payables:		
Trade payables	-	24,129
Public entities, other	-	3,248
Total financial liabilities	555,666	60,987

	31 December 2017	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,787	3,482
Loans and borrowings	361,165	5,580
Carried at fair value:		
Derivatives	831	1,267
Liabilities connected to non-current assets held for sale (see Note 3)	-	47,618
Short-term debts with group companies and associates	-	7,505
Other non-current liabilities - security deposits	16,221	147
Trade and other payables:		
Trade payables	-	36,967
Public entities, other	-	1,950
Total financial liabilities	517,004	104,516

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

The details by maturity of financial liabilities at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (*)						
	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	-	-	-	138,929	-	140,364
Loans and borrowings *(a)*	22,896	45,771	64,814	106,097	182,272	-	421,850
Derivatives	1,291	923	77	(191)	44	-	2,144
Liabilities connected to non-current assets held for sale (see Note 3)	7,988	-	-	-	-	-	7,988
Other non-current liabilities - security deposits	-	-	-	-	-	16,930	16,930
Trade and other payables	27,377	-	-	-	-	-	27,377
Total	60,987	46,694	64,891	105,906	321,245	16,930	616,653

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

	31 December 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)*	3,482	-	-	-	138,787	-	142,269
Loans and borrowings *(a)*	5,580	5,445	72,127	4,999	278,594	-	366,745
Derivatives	1,267	-	-	-	831	-	2,098
Liabilities connected to non-current assets held for sale (see Note 3)	47,618	-	-	-	-	-	47,618
Other financial liabilities - security deposits	147	-	-	-	-	16,211	16,368
Deferred tax liabilities	-	-	-	-	-	14,613	14,613
Trade and other payables	38,917	-	-	-	-	-	38,917
Debts with group companies	7,505	-	-	-	-	-	7,505
Total	104,516	5,445	72,127	4,999	418,212	30,834	636,133

(a) *The effect of valuing financial liabilities from bank bonds and borrowings at amortised cost amounts to EUR 1,070 thousand and EUR 5,794 thousand at 30 June 2018 (EUR 1,213 thousand and EUR 7,111 thousand at 31 December 2017).*

(c) Main characteristics of loans and payables

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

Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2018	Thousands of Euros Liabilities linked to non-current assets held for sale at 30/06/18	Guarantee
LE Retail As Termas, S.L.U.	Euro	EURIBOR 3M + 1.80%	25 June 2020	37,345	36,931	-	As Termas shopping centre (ii)
LE Retail El Rosal, S.L.U.	Euro	EURIBOR 3M + 1.75%	7 July 2030	50,000	49,243	-	El Rosal shopping centre (ii)
LE Retail Galaria, S.L.U.	Euro	1.75% (until 14 March 2016) Subsequently 3M + 1.75%	14 December 2029	4,200	-	4,124	Single-tenant commercial premises Galaria (i)(ii)

				Thousands of Euros			
Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2018	Liabilities linked to non-current assets held for sale at 30/06/18	Guarantee
LE Offices Joan Miró 21, S.L.U.	Euro	1.62%, Subsequently EURIBOR 3M + 1.75%	23 December 2020	9,800	9,735	-	Joan Miró office building (i)(ii)
LE Retail Megapark, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	97,000	95,911	-	Megapark shopping centre (i)(ii)(iii)
LE Retail Megapark, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	4,675	4,461	-	Megapark shopping centre (i)(ii)(iii)
LE Retail Megapark, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	3,575	-	-	Megapark shopping centre (i)(ii)(iii)
LE Retail Sagunto, S.L.U.	Euro	EURIBOR 3M + 2.10%	14 Sept 2020	24,000	5,436	-	Vidanova shopping centre
LE Retail Portal de la Marina, S.L.U.	Euro	EURIBOR 3M + 0.88%	17 May 2020	66,000	32,939	-	Portal de la Marina shopping centre (ii)
LE Retail Gran Vía de Vigo, S.A.U.	Euro	EURIBOR 3M + 1.75%	14 March 2022	82,400	80,548	-	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	21,165	-	Vistahermosa business park (i)(ii)
LE Retail Abadia, S.L.U.	Euro	1.80%/1.93% (until 23 November 2020) Subsequently EURIBOR 3M + 1,75%	23 May 2024	42,060	40,986	-	Abadía business park (i)(ii)
Lar España Real Estate SOCIMI, S.A.	Euro	EURIBOR 12M + 1.2%	16 May 2019	25,000	17,083	-	-

						Thousands of Euros	
Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2018	Liabilities linked to non-current assets held for sale at 30/06/18	Guarantee
Lar España Shopping Centres VIII, S.L.U.	Euro	EURIBOR 3M + 2.25% (under construction), then EURIBOR 3M +2.2%	29 June 2025	98,500	-	-	Palmas Altas Shopping Centre (i)(ii)
LE Retail Rivas, S.L.U. (a)	Euro	Fixed Rate 2.28%	30 June 2020	27,500	27,412	-	Parque Comercial Rivas (i)(ii)
					421,850	4,124	

(i) In addition to the mortgage security of the loan, the Parent 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., LE Retail Abadia, S.L.U. and LE Retail Rivas, 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 the bonds during the six months ended 30 June 2018 amounted to EUR 2,156 thousand. The effect of the amortised cost of these assets is EUR 143 thousand. The accrued, unpaid interest at 30 June 2018 amounts to EUR 1,435 thousand.

The financial expenses accrued on loans during the six months ended 30 June 2018 amounted to EUR 4,539 thousand, and the effect of the amortised cost of these was EUR 711 thousand. The accrued, unpaid interest at 30 June 2018 amounts to EUR 516 thousand.

The main changes that occurred in the six-month period ended 30 June 2018 are as follows:

(a) On 6 February 2018, the Group acquired LE Retail Rivas, S.L.U., which has a loan agreement with Banco Bilbao Vizcaya Argentaria, S.A. for a total amount of EUR 27,500 thousand with a maturity of five years. The loan accrues interest quarterly at a fixed interest rate of 2.28%, which will be paid on the last day of the Interest Period.

(b) On 7 May 2018, the Group company LE Retail Sagunto, S.L.U. drew down the amount of 5,423 thousand euros of the loan agreement signed with Caixabank, S.A. for a maximum total amount of EUR 24,000 thousand. The purpose of the loan is to partially fund the investment costs necessary for the development of the shopping centre owned by the company and not covered by share capital contributions and finance the payment of fees, taxes and expenses inherent to the granting of financing documents. The amount of the disbursed loan pending return at any given moment shall accrue interest on a daily basis, as of the date of the contract, 14 September 2017, until same is fully amortised, on the basis of a 360-year day. Interest is calculated using the number of calendar days elapsed in each interest period, including the first day and excluding the last, by applying the Euribor 3M calculation plus a 2.1% spread.

(c) On 16 May 2018, the Parent Company Lar España Real Estate SOCIMI, S.A. signed a credit facility with Bankinter for EUR 25,000 thousand, which may be drawn down up to the limit established at any time by means of cheques, transfer orders, debit orders or any other payment mandate accepted by Bankinter. The due date by which the amount must be fully reimbursed is 16 May 2019. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a spread of 1.20%. It has commissions for excess balance of 4.5%. In 2018, provisions amounting to EUR 17,083 thousand were made in this respect.

(d) On 29 June 2018, the Group company Lar España Shopping Centres VIII, S.L.U. entered into a syndicated loan agreement with Banco Santander, S.A. acting as the agent bank, for a maximum total amount of EUR 98,500 thousand. The purpose of the loan is to partially fund the investment costs necessary for the development of the shopping centre owned by the company and not covered by share capital contributions and finance the payment of fees, taxes and expenses inherent to the granting of financing documents. The amount of the disbursed loan pending return at any given moment shall accrue interest on a daily basis, as of the date of the contract until same is fully amortised, on the basis of a 360-year day. Interest shall be calculated per calendar day over each interest period, including the first day and excluding the last day, by applying the Euribor 3M calculation, plus a margin of 2.25% over the construction period, then a margin of 2.2%, At 30 June 2018 no sum has been used.

The financing agreements entered into and the corporate bonds issued by the Group require compliance with certain financial ratios. The Directors believe that they are complied with at 30 June 2018 and expect them to be satisfactorily complied with while the agreements remain in force.

Derivative financial

Derivatives contracted by the Group at 30 June 2018 and 31 December 2017 and their fair values at said dates are as follows (in thousands of Euros):

	Thousands of Euros				
	Type of interest contracted	Fair value at 30/06/2018	Fair value at 31/12/2017	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	710	833	50,000	2020
LE Retail As Termas, S.L.U.	0.53%	611	637	37,345	2020
LE Offices Joan Miró 21, S.L.U.	0.41%	143	141	9,800	2020
LE Retail Megapark, S.L.U.	0.22%	(239)	(125)	97,000	2023
LE Retail Megapark, S.L.U.	0.35%	19	25	4,675	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	650	582	82,400	2022
LE Retail Vistahermosa, S.L.U.	0.12%	11	5	21,550	2022
		1,905	2,098		

There have been no additional changes in the fair value of derivative instruments during the six-month period ended 30 June 2018.

The hedging relationships relating to the interest rate hedging financial instruments arranged by the 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. In this respect, the Group recognised the change in the fair value of these instruments in the consolidated income statement for an amount of EUR 181 thousand (EUR 613 thousand at 30 June 2017). In addition, at 30 June 2018 the impact on the income statement of the recycling of the amount in equity of the financial instruments of LE Retail El Rosal, S.L.U. and LE Retail As Termas, S.L.U. amounted to EUR 157 thousand of losses (EUR 157 thousand at 30 June 2017).

The amount of the quarterly settlements of the effective and ineffective hedging financial instruments total EUR 442 thousand and EUR 624 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	5,652	(2,220)	(3,432)
5% Interest rate decrease	(4,849)	1,890	2,959

(15) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities include EUR 16,930 thousand at 30 June 2018 (EUR 16,221 thousand at 31 December 2017) 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.

(16) TRADE AND OTHER PAYABLES

The details of trade and other payables at 30 June 2018 and 31 December 2017 are as follows:

	Thousands of Euros	
	2018	2017
Trade payables (a)	16,980	25,797
Trade payables, associated companies (b)	7,041	11,128
Customer advances	-	41
Salaries payable	108	136
Public entities, other	3,248	1,815
	27,377	38,917

(a) At 30 June 2018, "Trade payables" includes EUR 4,595 thousand corresponding to amounts pending payment due to property investments made in 2018 (see Note 6).

(b) "Trade payables, associates" includes EUR 6,667 thousand related to the fixed remuneration and the variable remuneration to be paid to the Manager and accrued in the period (see Note 23).

(17) 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, 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.

(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.

(v) *Tax risk*

As mentioned in Note 1 to the consolidated financial statements for 2017, the Parent Company and some of its subsidiaries are subject to the special tax regime for listed real estate investment companies (SOCIMI). In 2017, the transitional period ended and compliance with all the requirements established by the regime became obligatory. Among the obligations that the Parent Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, listing on a stock exchange, etc., and others that additionally require the preparation of estimates and the application of rulings by the Management (determination of tax income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and its development has been carried out, fundamentally, through the response of the General Directorate of Taxation to the queries raised by different companies, In this regard, the Group's Management considers that it will comply with the requirements established by the SOCIMI regime or will remedy any non-compliance in the periods contemplated by it.

(18) 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 2018 and 31 December 2017 are as follows:

	Thousands of Euros		
	2018		
	Investment property	Assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	343,642	5,163	348,805
- Buildings	920,197	5,737	925,934
Office buildings			
- Land	15,176	9,562	24,738
- Buildings	44,814	27,938	72,752
Industrial bays			
- Land	-	14,258	14,258
- Buildings	-	86,477	86,477
Total assets measured recurrently at fair value	1,323,829	149,135	1,472,964

	Thousands of Euros		
	2017		
	Investment property	Assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	325,989	16,362	342,351
- Buildings	803,031	24,994	828,025
Office buildings			
- Land	24,738	32,937	57,675
- Buildings	60,712	43,737	104,449
Industrial bays			
- Land	14,258	-	14,258
- Buildings	77,622	-	77,622
Total assets measured recurrently at fair value	1,306,350	118,030	1,424,380

Regarding the liabilities measured at fair value, the only ones considered as such are the derivative instruments described in Note 14, 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 2018 were as follows:

	Net Initial Yield	Net Exit Yield	Discount rate (*)
Shopping centres and single-tenant commercial properties	4.95% - 7.15%	5.35% - 7.29%	7.80% - 11.93%
Office buildings	0.56% - 4.06%	4.27% - 5.75%	5.36% - 7.75%
Logistics bays	6.31% - 7.40%	6.23% - 8.17%	8.17% - 9.51%

(*) Without taking into consideration the data on the assets under construction, Sagunto, Cheste and VidaNova Parc.

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	(56,848)	(56,848)
Decrease in rate of return by a quarter point	53,995	53,995

(19) BALANCES WITH PUBLIC ADMINISTRATIONS

	Thousands of Euros	
Receivables	30/06/2018	31/12/2017
Taxation authorities, VAT recoverable	10,637	5,277
Taxation authorities, other withholdings	1,140	1,920
	11,777	7,197

	Thousands of Euros	
Payables	30/06/2018	31/12/2017
Taxation authorities, VAT payable	1,266	1,709
Taxation authorities, personal income tax withholdings payable	1,784	66
Taxation authorities, corporation income tax payable	187	34
Social Security contributions payable	11	6
Deferred tax liabilities	17,201	14,613
	20,449	16,428

At 30 June 2018, the Parent Company and the subsidiaries were taxed under the SOCIMI tax regime, except for LE Retail Rivas, S.L.U., acquired by the Group on 6 February 2018 (see Note 3). LE Retail Rivas, S.L.U., plans to apply for the special SOCIMI tax regime before September 2018, so that its acceptance will be retroactive to 1 January 2018.

(20) REVENUE

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

(21) OTHER INCOME

In 2018, the Group reflects other income in the amount of EUR 2,450 thousand, of which EUR 814 thousand correspond to temporary rentals of common areas in the shopping centres and EUR 1,636 thousand to other items.

Invoices issued to tenants include EUR 11,340 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 2018.

(22) OTHER EXPENSES

The breakdown of other expenses as of 30 June 2018 and 30 June 2017 is as follows:

	Thousands of Euros	
	2018	2017
Independent professional services	31,716	10,286
Insurance premiums	309	184
Bank fees and commissions	31	129
PR and advertising	404	412
Supplies	204	217
Taxes other than corporate income tax	2,338	2,314
Change in allowances due to losses and uncollectibility of trade and other receivables	29	(9)
Remuneration of the Board of Directors (*)	295	217
Other results	1,316	1,968
	36,642	15,718

The "Independent professional services" caption includes mainly the amount relating to the remuneration of Grupo Lar Inversiones Inmobiliarias, S.L., the Group's asset manager (see Note 23-a).

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

(23) 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 2018 and 31 December 2017 are as follows:

	Thousands of Euros			
	30 June 2018			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Loans to associates	17,952	-	-	17,952
Trade and other payables	-	6,667	374	7,041

	Thousands of Euros			
	31 December 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	27,718	-	-	27,718
Debt with group companies and associates	7,505	-	-	7,505
Trade and other payables	-	10,749	434	11,183

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

On 19 February 2018, the Parent Company entered into an agreement with its management company, Grupo Lar Inversiones Inmobiliarias, S.A. (the “Management Company”), for the purpose of renewing the terms of the Investment Management Agreement (IMA). According to the aforementioned novation, the IMA will be effective for 4 years from 1 January 2018. In addition, the structure of the fees corresponding to the Management Company (fixed fee or base fee and variable fee or performance fee) has been modified. From 2018 onwards, the base fee payable to the Management Company shall be calculated on the basis of an annual amount equivalent to whichever is the higher between (i) EUR 2 million or (ii) the sum of (a) 1.00% of the value of the EPRA NAV (EPRA net asset value) (excluding net cash) at 31 December of the previous year up to an amount of EUR 1 billion or less, and (b) 0.75% of the value of the EPRA NAV (excluding net cash) at 31 December of the previous year in relation to the amount exceeding EUR 1 billion. Likewise, as from 2018 the performance fee payable to the Management Company will be calculated on the basis of the EPRA NAV and the Company's market capitalisation, and will be subject to a total limit equivalent to 3% of the Company's EPRA NAV at 31 December of the preceding year.

The fixed amount accrued by the manager amounted to EUR 4,328 thousand (net of the expenses discounted on the basis of the management contract entered into between the parties and amounting to EUR 428 thousand) (EUR 4,482 thousand at 30 June 2017), of which EUR 1,385 thousand were outstanding at 30 June 2018, (EUR 749 thousand at 31 December 2017).

In relation to the variable amount, at 30 June 2018, the directors of the Parent Company have made provision for a performance fee amounting to EUR 5,282 thousand, based on the annual shareholder return estimated in the Company’s business plan.

The manager was entitled, under the original Investment Management Agreement (IMA), to a fee linked to the sale of investment property, when the amount of the fee was equal to or greater than EUR 100 million, In this regard, the manager accrued in 2018 an amount of EUR 17,898 million derived from the sales that took place in the same year.

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 2018, this expense amounted to EUR 1,571 thousand (EUR 809 thousand at 30 June 2017).

As mentioned in Note 8, during the first six months of 2018, 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 605 thousand.

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

The remuneration received at 30 June 2018 and 30 June 2017 by the members of the Board of Directors and Senior Management personnel of the Company, classified by item, is as follows:

	Thousands of Euros							
	2018							
	Salaries	Allowances	Other items	Pension plans	Insurance premiums	Termination benefits	Payments based on equity instruments	Remuneration for individuals representing the company
Board of directors	-	295	-	-	135*	-	-	-
Senior management personnel	237	-	-	-	-	-	-	-

	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	-	-	-	-	-	-	-

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

Allowances for the board of directors include EUR 42 thousand for the non-executive secretary of the board of directors (EUR 38 thousand at 30 June 2017).

At 30 June 2018 the company had seven Board members, six of whom were men and one woman (at 31 December 2017 the company had seven Board members, six of whom were men and one woman).

At 30 June 2018 and 31 December 2017 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 2018 and 31 December 2017 no advances or loans have been extended to members of the board or senior management.

(24) EMPLOYEE INFORMATION

The average headcount of the Group at 30 June 2018 and 31 December 2017, distributed by category, is as follows:

	2018	2017
Professional category		
Senior management personnel	4	4
Total	4	4

Of these, three employees are men and one is a woman (at 31 December 2017, three were men and one was a woman).

(25) EVENTS AFTER THE REPORTING PERIOD

On 18 July 2018 the logistics assets classified as held for sale at 30 June 2018 (Alovera I and II, Alovera III and IV, Almussafes and Cheste) were sold to investment funds affiliated with The Blackstone Group LP for a total of EUR 119.7 million, subject to the typical adjustments in this type of transaction.

(26) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.b). 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

1 Situation of the Group

1.1 Organisational structure and operations

The Group is a group of companies that was created in 2014 with an externalised management structure. It has designated Grupo Lar Inversiones Inmobiliarias, S.A. as exclusive manager, a company that has more than forty years of experience in the property market and a long history of generating value through various property cycles in the last decades, and that has alliances with some of the most internationally renowned investors.

Strategic management, allocation of resources, risk management and corporate control, as well as accounting and financial reports are among the main responsibilities of the Group's Board of Directors.

The Group carries out its activity with the following types of assets:

- Shopping centres: the rental of shopping centre and single-tenant commercial premises.

  The Group focuses its strategy on searching for shopping centres with great potential for growth and with opportunities of improvement in asset management, mainly those where there is the possibility to replace or expand.

- Offices: the rental of offices.

  The Group has been and is currently implementing a plan to build up the value of assets in its portfolio in order to maximise shareholder returns from divesting in said assets.

- Logistics: the rental of logistics bays.

  The Group has been and is currently implementing a plan to build up the value of assets in its portfolio in order to maximise shareholder returns from divesting in said assets.

- Residential.

  The Group invests makes very limited investments in the residential market focusing mainly on first homes located in the most consolidated area of Madrid.

The Group's investment policy focuses mainly on the following:

- On assets the company considers to be strategic assets, mainly commercial parks and shopping centres.

- Investment opportunities in mid-sized assets that offer great management possibilities, avoiding those segments where competition may be greater.

- Risk diversification, expanding throughout Spain mainly in shopping centre investments.

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 corresponding Note of the consolidated report.

2 Evolution and result of the businesses

2.1 Introduction

As of 30 June of 2018, the Group's ordinary revenue amounted to 39,814 thousand euros, corresponding to the business in which the Group is engaged: the rental business.

During 2018 the Group incurred "Other expenses" amounting to 36,642 thousand euros, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (27,508 thousand euros) and professional services (accounting and legal advice, audit and property valuations (7,740 thousand euros).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at 8,653 thousand euros.

The appreciation in value during 2018 of the assets held by the Group at 30 June 2018, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year is 42,697 thousand euros.

The financial result was negative amount of 6,969 thousand euros.

The Group's profit for the period was 43,855 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 90.2% of total revenue, as opposed to 2.4% from offices and 7.4% from logistics.

- Around 42% of rental revenue is generated by the Megapark, Gran Vía de Vigo and Portal de la Marina.

As of 30 June of 2018, the Group occupied across its whole business 93.8% the gross leasable area (GLA), the occupancy rate at retail centres being 93.2%, 63.0% for offices and 100% for logistics.

As of 30 June of 2018, the Group has a portfolio of real estate rental projects covering retail centres (442,289 m^2), business premises (27,909 m^2), office buildings (23,848 m^2), and logistics warehouses (161,841 m^2). The overall total gross leasable area of 655,886 m^2.

The information in the previous two paragraphs does not take into account the Vidanova Parc, Cheste and Palmas Altas sites, since they have not been built to date.

2.2 Other financial indicators

As of 30 June of 2018, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 162,617 thousand (EUR 115,198 thousand as at 31 December 2017).

- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →3.7 (2.1 as of 31 December 2017).

- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.1 (1.1 as of 31 December 2017).

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 10.65% (15.77% as of 31 December 2017). 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 6.26% (9.15% as of 31 December 2017), 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 "Half yearly report 2018", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) 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 of 2018 the Group has 4 employees (3 men and 1 woman). See Note 24 of the consolidated report.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

At 30 June 2018, the Group's financial debt amounted to EUR 568,599 thousand, taking into account the debt classified as non-current assets held for sale (see Note 7 of the consolidated financial statements). The level of debt is related to the purchases of the Joan Miró office building, the As Termas, el Rosal, Megapark, Portal de la Marina, Vistahermosa, Gran Vía de Vigo, Rivas Futura, and Parque Abadía shopping centre, and the Parque Galaria single-tenant commercial property. This also includes the bonds issued by the Parent Company in 2015 and a credit line arranged by the Parent

Company.

As of 30 June of 2018, the Group's short-term financial debt stands at EUR 25,622 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 6 February 2018, the Company has acquired the 100% of the share capital of the company LE Retail Rivas, S.L.U. owner of the Rivas Futura retail complex in Madrid with a gross leasable area (GLA) of approximately 36,726 m², totally occupied. The acquisition has been carried out for a total amount of approximately €35.36 million, subject to the subsequent customary price adjustments in this kind of transactions, and has been fully paid with the funds of the Company.

On 20 February 2018, the Company acquired a shopping mall in Parque Abadía (Toledo) with a gross leasable area (GLA) of approximately 6,138 m2. The acquisition was carried out for a total amount of EUR 14 million, subject to the subsequent customary price adjustments for this kind of transaction.

On 17 January 2018, the sale of 100% of the shares in LE Offices Egeo, S.A.U., which owns the Egeo office building, was signed, resulting in a gain of EUR 782 thousand. At 30 June 2018, the value of EUR 2,000 thousand had not yet been collected and was expected to be collected in 2018.

On 12 March 2018, the sale of the unencumbered medium-sized company Villaverde was signed with Pierre Plus Scpi, for an amount of EUR 7,653 thousand, and a net gain of EUR 912 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Intermediate Statement of Comprehensive Income, with the 3-year maintenance period required by the SOCIMI Regime having been completed. The financial liabilities associated with the real estate assets have been settled in full with the funds obtained from the sale.

On 12 March 2018, the sale of the unencumbered medium-sized company Nuevo Alisal was signed with Pierre Plus Scpi, for an amount of EUR 13,517 thousand, and a net gain of EUR 1,607 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Intermediate Statement of Comprehensive Income, with the 3-year maintenance period required by the SOCIMI Regime having been completed. The financial liabilities associated with the real estate assets have been settled in full with the funds obtained from the sale.

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

At 30 June 2018, the Group has no contractual obligations that may require a future outflow of liquid resources, over and above those mentioned in point 3.1.

As of 30 June of 2018, 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.

5 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.

In turn, the Group has been and is currently implementing a plan to create value on the assets in its portfolio with the aim of maximising shareholder return from divesting in these assets for office and logistics assets (see Events after the reporting period).

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2018 and in subsequent years.

6 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. However, Lar España remains committed to becoming the leader of the transformation of the retail sector, by creating new, more efficient and digital methods of interacting with external and internal customers (Customer Journey Experience).

7 Acquisition and disposal of treasury stock

With respect to treasury share transactions, see Note 11 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 2018, the share price was EUR 9.56.

As of 30 June 2018, the Company holds a total of 36,009 shares, representing 0.04% of total issued shares.

8 Other relevant information

8.1 Stock exchange information

The initial share price at the start of the year was EUR 8.89 and the nominal value at the reporting date was EUR 9.56. During the period, the average price per share was EUR 9.22.

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

8.2 Dividend policy

On 19 April 2018, the Shareholders' General Meeting approved the distribution of a dividend of EUR 17,286 thousand, at EUR 0.187 per share (taking into account all the shares issued) and recognised in profit and loss for the 2017 period, and of EUR 27,714 thousand, at EUR 0.299 per share (taking into account all the shares issued), charged to the share premium. The amount distributed amounted to EUR 44,967 thousand (after deducting the amount relating to treasury shares, which does not come out of the Parent Company's equity), taking into account the amount per share approved and the shares outstanding at the time of approval by the Shareholders' Meeting on 19 April 2018 and adjusting the difference for the greater number of treasury shares charged against the "Share premium". The distributed dividend was paid in full on 18 May 2018.

9 Events after the reporting period

On 18 July 2018, the logistics assets classified as held for sale at 30 June 2018 (Alovera I and II, Alovera III and IV, Almussafes and Cheste) were sold to investment funds affiliated to The Blackstone Group LP for a total amount of EUR 119.7 million, subject to the usual adjustments for this type of transaction.

Authorisation for issue of the Summarised Consolidated Intermediate Financial Statements for the six-month period ended 30 June 2018

At their meeting held on 26 July 2018, 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 2018. The Consolidated Intermediate Financial Statements comprise the documents that precede this certification.

Signatories:

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

Madrid, on 26 July 2018

*The Directors Mr. Pedro Luis Uriarte, Mr. Alec Emmott and Mr. Laurent Luccioni attended the meeting by telephone, having stated their approval to the accounts have drawn up them, expressly authorising Mr. Jose Luis del Valle to sign the accounts on their 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 Summarised Consolidated Intermediate Financial Statements for the six -month period ended 30 June 2018 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 26 July 2018.

(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)