

Lar España Real Estate SOCIMI, S.A.

Financial Statements for the year
then ended on 31 December 2018
and Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2.b and 21). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of LAR ESPAÑA REAL ESTATE SOCIMI, S.A.:

Report on the Financial Statements

Opinion

We have audited the financial statements of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2018, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2018, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-b to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of the non-current and current investments in Group companies and associates and non-current assets held for sale

Description

The Company has ownership interests in the share capital of Group companies and associates, which engage in the ownership and lease of their investment property, as detailed in Notes 7, 10 and in the Appendix I to the accompanying financial statements. Those ownership interests are the main items in the Company's financial statements as at 31 December 2018.

As indicated in Notes 7 and 10 to the financial statements, the determination of the recoverable amount of those ownership interests requires the use of significant judgements and estimates by management, both in determining the valuation method (usually the underlying carrying amount of the investments plus the amount of the unrealised gains existing at each measurement date) and in considering the key assumptions used for determining the existing unrealised gains. In this regard, since investment property accounts for substantially all the assets of the Group companies and associates, small percentage changes in the measurements of the property assets owned by the Group companies and associates can give rise to significant changes that would affect the recoverable amount of the related financial asset.

Specifically, the valuation method generally used for determining the unrealised gains associated with the rental property assets is the discounted cash flow method, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the internal rate of return or opportunity cost used when discounting;
- the residual value of the assets at the end of the projection period; and
- the exit yield.

The measurement of those ownership interests was identified as a key matter in our audit due to, among other factors, the significant amount that those ownership interests represent in the context of the financial statements taken as a whole.

Procedures applied in the audit

Our audit procedures included, among others, the assessment of the conclusion reached by Company management regarding the recoverability of the investments in the Group companies.

In this connection, in view of the real estate nature of the investees, which means that their recoverable amount is closely linked to the valuation of the property assets owned by them, we obtained the valuation reports of the experts hired by the Company to value the entire real estate portfolio of the investees and assessed the competence, ability and objectivity of the experts and the suitability of their work for use as audit evidence. In this connection, with the cooperation of our internal valuation experts, we:

analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts hired by Company management;

performed an independent valuation of all the assets taking into consideration available industry information and transactions with property assets similar to those in the investees' real estate portfolio; and

assessed, in conjunction with our internal experts, the most significant assessed risks, including the occupancy rates and expected returns on the real estate assets.

In addition, we evaluated whether the disclosures provided in Notes 7, 10 and in the Appendix I to the accompanying financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Compliance with the special REIT tax regime

Description

The Company has availed itself of the special tax regime for Real Estate Investment Trusts (REITs). One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the income obtained each year, which require significant judgements and estimates to be made by management, since failure to comply with any of these requirements will result in the loss of entitlement to the special tax regime unless the cause of non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT tax regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the financial statements and shareholder returns, since the business model of the Company and its group of subsidiaries is based on continuing to qualify for taxation under the REIT tax regime.

Procedures applied in the audit

Our audit procedures included, among others, obtaining and reviewing the documentation prepared by Company management relating to compliance with the obligations associated with this special tax regime, including the documentation relating to the estimate made by the directors in relation to compliance with the income test in 2019 (see Notes 1 and 24 to the financial statements), and we involved our internal experts from the tax area, who assisted us in analysing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 6 and 15 to the financial statements for 2018 contain the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the Company's taxation.

Other Information: Directors' Report

The other information comprises only the directors' report for 2018, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the directors' report is defined in the audit regulations in force, which establish two distinct levels thereof:

- a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this part of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the directors' report and that the other information in the directors' report is consistent with that contained in the financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

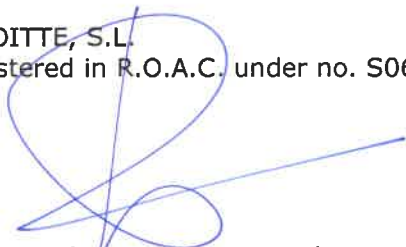
The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 26 February 2019.

Engagement Period

The Annual General Meeting held on 29 May 2017 appointed us as auditors for a period of two years from the year ended 31 December 2016.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of three years and have been auditing the financial statements uninterrupted since the year ended 31 December 2014.

DELOITTE, S.L.
Registered in R.O.A.C. under no. S0692



Antonio Sánchez-Covisa Martín-González
Registered in R.O.A.C. under no. 21251

26 February 2019

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

**Financial Statements and Management Report
31 December 2018**

Prepared in compliance with Royal Decree 1514/2007, of 16 November, which approved the General Chart of Accounts, taking into consideration the industry adaptations and amendments approved subsequently thereto.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

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

<u>Assets</u>	<u>Note</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
Investment property		98	99
Land	5	40	40
Buildings	5	58	59
Long-term investments in Group companies and associates		710,170	703,937
Equity instruments	7a	710,170	701,776
Loans to companies	7b, 9a and 16	-	2,161
Total non-current assets		710,268	704,036
Non-current assets held for sale	7 and 10	19,834	55,510
Trade and other receivables		50,889	28,610
Client receivables for sales and rendering of services	9a	76	106
Clients, Group companies and associates	9a, 16	48,732	25,962
Sundry debtors	9a	840	-
Current tax assets	9a, 15a	1,241	1,214
Public entities, other	9a, 15a	-	1,328
Short-term investments in Group companies and associates		-	41,194
Loans to companies	7b, 9 and 16	-	27,718
Other financial assets	9 and 16	-	13,476
Short-term financial investments	8	3,127	4,201
Other financial assets		3,127	4,201
Short-term accruals		481	353
Cash and other cash equivalent assets		133,562	7,816
Treasury	6	133,562	7,816
Total current assets		207,893	137,684
Total assets		918,161	841,720

The accompanying Notes 1 to 21 and Appendix I form an integral part of the balance sheet at 31 December 2018.

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

<u>Equity and liabilities</u>	<u>Note</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
Own shares			
Capital		186,438	185,248
Issued capital	11a	186,438	185,248
Issue premium	11b	476,301	487,349
Reserves	11c	(24,641)	(16,682)
Legal and statutory		2,968	1,047
Other reserves		(27,609)	(17,729)
Treasury stock	11d	(1,228)	(175)
Other shareholder contributions		240	240
Profit for the period	3	76,082	19,211
Total equity		713,192	675,191
Long-term borrowings		139,114	138,826
Bonds and other marketable securities	12	139,077	138,787
Other financial liabilities	12	37	39
Total non-current liabilities		139,114	138,826
Short-term borrowings		3,482	3,627
Bonds and other marketable securities	12	3,482	3,482
Other financial liabilities	12, 16	-	145
Short-term debts with Group companies and associates	12, 16	50,487	7,505
Trade and other payables		11,886	16,571
Short-term suppliers, related companies	13	9,303	10,756
Sundry creditors	13	328	1,622
Personnel (<i>salaries payable</i>)	13	116	136
Other Public Entity payables	13.15	2,139	57
Customer advances	13	-	4,000
Total current liabilities		65,855	27,703
Total equity and liabilities		918,161	841,720

The accompanying Notes 1 to 21 and Appendix I form an integral part of the balance sheet at 31 December 2018.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Income Statement for 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)

	Note	2018	2017
On-going transactions			
Net turnover		86,721	27,811
Income from dividends	16a, 17a	38,941	13,829
Income from investments in Group companies and associates	7b, 17a	27,921	2,072
Income from re-invoicing financial expenses within the Group	17a	4,352	4,341
Income from the sale of equity instruments	7a, 17a	15,507	7,569
Other operating income		1	-
Non-core and other current operating income		1	-
Staff expenses		(502)	(541)
Salaries and wages	17b	(447)	(477)
Benefits	17b	(55)	(64)
Other operating expenses		(2,783)	(3,491)
External services	17c	(2,776)	(3,486)
Taxes other than corporate income tax	17c	(7)	(5)
Amortisation of fixed assets	5	(1)	(1)
Operating results		83,436	23,778
Financial income		6	1
From negotiable securities and other financial instruments		6	1
From third parties		6	1
Financial costs	12c	(4,564)	(4,567)
Due to debts with Group companies and associates		(84)	-
From debts with third parties		(4,480)	(4,567)
Exchange rate differences		-	(1)
Impairment and profits/(losses) on disposal of financial instruments		(2,796)	-
Impairment and losses	7a	(2,796)	-
Finance profit		(7,354)	(4,567)
Profit before income tax		76,082	19,211
Income tax	15b	-	-
Profits/(losses) for the period from on-going transactions		76,082	19,211
Profit for the period		76,082	19,211

The accompanying Notes 1 to 21 and Appendix I form an integral part of the income statement for the 2018 period.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Statement of Changes in Equity for the 2018 period

A) Statement of recognised income and expenses for the 2018 period

(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)

	<u>2018</u>	<u>2017</u>
Income statement result	<u>76,082</u>	<u>19,211</u>
Total income and expense recognised directly in equity	-	-
Total transfers to the income statement	-	-
Total recognised income and expenses	<u>76,082</u>	<u>19,211</u>

The accompany Notes 1 to 21 and Appendix I form an integral part of the statement of changes in equity for the 2018 period.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Statement of Changes in Equity for the 2018 period

B) Statement of Total Changes in Equity
31 December 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 Issued capital	Issue premium	Reserves	Treasury stock	Other shareholder contributions	Profit for the period	Total
Balance at 31 December 2016	181,081	498,914	1,991	(823)	240	3,800	685,203
Recognised income and expenses	-	-	-	-	-	19,211	19,211
Transactions with shareholders or owners							
Capital increases	4,167	15,001	(19,168)	-	-	-	-
Distribution of profit							
To reserves	-	-	384	-	-	(384)	-
To dividends	-	(26,566)	3	-	-	(3,416)	(29,979)
Treasury shares	-	-	131	648	-	-	779
Other operations	-	-	(23)	-	-	-	(23)
Balance at 31 December 2017	185,248	487,349	(16,682)	(175)	240	19,211	675,191
Recognised income and expenses	-	-	-	-	-	76,082	76,082
Capital increases (Note 11a)	4,279	16,645	-	-	-	-	20,924
Capital decreases (Note 11a)	(3,089)		(9,865)	12,954	-	-	-
Distribution of profit							
To reserves	-	-	1,938	-	-	(1,938)	-
To Dividends (Note 11a)	-	(27,693)	-	-	-	(17,273)	(44,966)
Treasury shares (Note 11d)	-	-	(33)	(14,007)	-	-	(14,040)
Other operations	-	-	1	-	-	-	1
Balance at 31 December 2018	186,438	476,301	(24,641)	(1,228)	240	76,082	713,192

The accompanying Notes 1 to 21 and Appendix I form an integral part of the statement of changes in equity for the 2018 period.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Statement of Cash Flows for the 2018 period
(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)

	Note	2018	2017
Cash flows from operating activities			
Profits/(losses) before tax		76,082	19,211
Adjustments to profits/(losses)		(75,014)	(18,903)
Amortisation of fixed assets (+)	5	1	1
Measurement adjustments due to impairment (+/-)	7a	2,796	-
Income from stakes in equity instruments (-)	17a	(38,941)	(13,829)
Income from investments in Group companies and associates (-)	17a	(27,921)	(2,072)
Financial income (-)		(6)	(1)
Income from disposing of equity instruments (-)	17a	(15,507)	(7,569)
Financial expenses (+)	12	4,564	4,567
Expenses from payment based on shares (+)	11e	-	-
Changes in working capital		(27,363)	18,790
Debtors and other receivables (+/-)		(22,161)	11,831
Creditors and other payables (+/-)		(4,927)	7,212
Other current assets (+/-)		(128)	62
Other current and non-current liabilities (+/-)		(147)	(315)
Other cash flows from operating activities		48,357	(1,976)
Interest payments (-)		(4,060)	(4,185)
Proceeds from dividends (+)	16	52,417	2,209
Cash flows from operating activities		22,062	17,122
Cash flows from investing activities			
Payments for investments (-)		(155,379)	(210,754)
Group companies and associates	7a	(155,253)	(210,406)
Loans to Group companies and associates		-	(248)
Investment property	5	-	(100)
Other financial assets		(126)	-
Proceeds from divestments (+)		246,741	231,940
Group companies and associates	7a	143,162	196,500
Disposal of equity instruments	7a	53,284	15,440
Loans to Group companies and associates	7b	50,295	20,000
Cash flows from investing activities		91,362	21,186
Cash flows from financing activities			
Payments made and received for equity instruments		6,885	779
Issue of equity instruments (+)	11	20,924	-
Disposal of equity instruments (+/-)	11	(14,039)	779
Payments made and received for financial liability instruments		50,403	(12,500)
a) Issue of:			
Loans with associates (+)	16	-	7,500
Debts with Group companies	16	50,403	
b) Returns of:			
Bank borrowings (-)		-	(20,000)
Payments for dividends and remuneration from other equity instruments		(44,966)	(29,982)
Dividends (-)	11	(44,966)	(29,982)
Cash flows from financing activities		12,322	(41,703)
Net increase / decrease in cash and cash equivalents		125,746	(3,395)
Cash and cash equivalents at the beginning of the period		7,816	11,211
Cash or cash equivalents at the end of the period		133,562	7,816

The accompanying Notes 1 to 21 and Appendix I form an integral part of the statement of cash flows for the 2018 period.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.
Report on the financial statements
Period ended 31 December 2018
(Expressed in thousands of Euros)

(1) NATURE AND ACTIVITIES OF THE COMPANY

Lar España Real Estate SOCIMI, S.A. (hereinafter the 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 Company's statutory activity consists of the following:

1. The acquisition and development of urban properties for lease.
2. 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.
3. 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.
4. 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.
5. 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.

The principal activity of Lar España Real Estate SOCIMI, S.A. comprises the holding of investments in the capital of other resident or non-resident entities in Spain whose the main activity is the acquisition of urban properties for lease.

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 quoted price at 31 December 2018 was EUR 7.45 per share and the average quoted price for the 2018 period was EUR 8.91 per share.

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Lar España Real Estate SOCIMI, S.A., as a company included under the SOCIMI tax regime, is regulated by Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs. Article 3 establishes the investment requirements for this type of company, namely:

1. SOCIMIs must invest at least 80% of their assets in urban properties for lease, in land for the development of urban properties for lease, provided that development commences within three years after the acquisition, or in the capital or equity of other entities referred to in Article 2.1 of Law 11/2009.

Asset value will be based on the average of the asset values reflected in the consolidated quarterly balance sheets for the period. To calculate this value, the Company chose to replace the carrying amount of the items comprising those balance sheets with their market value, which would apply to all the balance sheets for the period. For these purposes, cash or receivables derived from transfers of these properties or investments, if any, carried out in the current period or previous periods shall not be included provided, in the latter case, that the period for reinvestment stipulated in Article 6 of the aforementioned Law has not expired.

2. Furthermore, at least 80% of income for the tax period and corresponding to each period, excluding that derived from the transfer of those equity investments and properties held for the purpose of carrying out the principal statutory activity, once the mandatory period mentioned in the following section has elapsed, must originate from property leases and dividends or shares in profits arising from those equity investments.

This will be calculated as a percentage of consolidated profit if the company is the parent of a group in accordance with the criteria established in Article 42 of the Spanish Code of Commerce, irrespective of domicile and of the obligation to draw up consolidated financial statements. This Group shall comprise solely the SOCIMIs and other entities to which Article 2.1 of the above Law refers.

3. The properties that constitute the SOCIMI's assets must be leased for at least three years. The period of time during which the properties have been available for lease, up to a maximum of one year, shall be included for the purposes of this calculation. The period shall be calculated as follows:
 - a) For properties included in the SOCIMI's holdings prior to availing of the regime, from the starting date of the first tax period in which the special tax regime established in the Law is applied, provided that on that date the asset was leased or available for lease. Otherwise, the provisions of the following point shall apply.
 - b) For properties developed or acquired subsequently by the Company, from the date on which they were leased or available for lease for the first time.

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For shares or investments in the entities referred to in Article 2.1 of the aforementioned Law, they should be maintained as assets on the SOCIMI's balance sheet for at least three years from their acquisition or, where applicable, from the start of the first tax period in which the special tax regime established in the above Law is applied.

Pursuant to the first transitional provision of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December 2012 governing SOCIMIs, such entities may opt to apply the special tax regime under the provisions of Article 8 of that Law, even if they do not meet the requirements set forth therein, provided these requirements are met within two years of the date on which they opt to apply the aforementioned regime.

Furthermore, Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December 2012, establishes the following specific modifications:

- Flexible criteria for acquiring and maintaining properties: there is no lower limit regarding the number of properties that may be contributed when constituting a SOCIMI, except for residential properties, whose minimum contribution shall be eight properties. Properties are no longer required to be kept on the SOCIMI's balance sheet for seven years, only for a minimum of three years.
- Reduced capital requirements and unlimited financial leverage: the minimum capital requirement has been reduced from EUR 15 million to EUR 5 million and the ceiling on borrowing by the property investment vehicle has been lifted.
- Reduced dividend distribution: until this Law entered into force, it was compulsory to distribute 90% of profits; this pay-out requirement has been reduced to 80%, applicable as of 1 January 2013.
- The tax rate for SOCIMIs for corporate income tax purposes is 0%. However, when a SOCIMI distributes dividends to shareholders with an interest greater than 5%, or that are exempt from tax or are subject to tax at less than 10%, a special tax which shall have the consideration of corporate income tax shall be levied on the SOCIMI at a rate of 19% of the dividend distributed to those shareholders. Where applicable, this special tax must be paid by the SOCIMI within two months of the dividend distribution date.

As detailed in Article 3 of the Law on SOCIMIs, the entity shall no longer be included in the special tax regime established in said Law, and shall begin paying taxes under the general Corporate Income Tax regime, in the same tax period in which any of the following circumstances arise:

- The exclusion from trading on regulated markets or in a multi-lateral trading system.
- The substantial breach of the information obligations referenced in Article 11 of said Law, unless the report for the following period corrects such breach.
- The failure to agree to the total or partial distribution or payment of the dividends under the terms and within the periods referenced in Article 6 of said Law. In this case, taxation under the general regime shall take place in the tax period referencing the reporting period in which the profits giving rise to said dividends were made.

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- The renouncement of the application of this special tax regime.

The failure to fulfil any other requirements stipulated in said Law in order for the entity to apply the special tax regime, except where the failure to fulfil said requirement is corrected within the following period. Nevertheless, the breach of the period referenced in Article 3.3 of said Law shall not lead to exclusion from the special tax regime.

The exclusion from the special tax regime will prevent the entity from choosing to apply the special tax regime established in said Law again, until at least three years since the end of the last tax period in which the entity was included under the special tax regime.

The transition period ended in the 2017 period, such that as of said period the Company must satisfy all the regime requirements on a mandatory basis. In this regard, the Directors believe that during the tax period corresponding to the period ended 31 December 2018 the Company has satisfied all the regime requirements except for the fact that income earned by the Group comprising Lar España Real Estate SOCIMI, S.A. and some of the subsidiaries thereof in said period (income test), which were earned through its principal statutory activity, i.e. leasing activities, is less than 80%. Under these circumstances, according to the terms of Article 13 of the Law on SOCIMIs that states that the failure to satisfy this requirement shall entail exclusion from the special tax regime except where said failure is corrected within the following period. The Directors have performed an income test for the 2019 period based on the most recently business plan of the company. They concluded that the aforesaid requirement will be satisfied for said period and therefore the breach regarding the income from the 2018 period shall be corrected within the deadline established in the relevant regulations in force for this situation. Therefore, the financial statements of the 2018 period have been drawn up under the assumption that the Company shall continue to avail of the SOCIMI regime (Note 6).

As mentioned in Note 7, the Company owns shares in subsidies and associates. Consequently, the Company is the parent of a Group of companies in accordance with current legislation. Presenting the consolidated financial statements is necessary, in accordance with generally accepted accounting principles and regulations, to fairly present the Group's financial condition, results from operating activities, changes in equity and cash flows. The information on investments in Group companies and associates is presented in Appendix I.

On 26 February 2019 the Company's Directors prepared the consolidated financial statements of Lar España Real Estate SOCIMI, S.A. and subsidiaries for 2018, which show consolidated profits of EUR 129,308 thousand, consolidated equity of EUR 1,008,498 thousand and total consolidated assets of EUR 1,681,603 thousand. The consolidated figures were obtained from the consolidated financial statements prepared by the Company based on International Financial Reporting Standards, adopted by the European Union, and other provisions of the framework regulations on financial information to which the Group is subject in Spain.

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(2) BASIS OF PRESENTATION

(a) Fair image

The financial statements for 2018 have been prepared from the accounting records of Lar España Real Estate SOCIMI, S.A. The financial statements for 2018 have been prepared according to current business legislation and with the standards established in the General Accounting Plan, with the purpose of showing the true and fair image of the equity and the financial situation at 31 December 2018 and of the gains and losses from its operations, the changes in the equity and the corresponding cash flows for the period ended on said date.

The Company's Directors expect the financial statements for 2018, which were prepared on 26 February 2019, will be approved by the General Shareholders' Meeting without any amendments thereto. The financial statements for the 2017 period were approved by the General Shareholders' Meeting held on 19 April 2018.

(b) Regulatory framework on financial information

These financial statements were prepared by the Directors in accordance with the framework regulations on financial information to which the Company is subject, which is that established in:

1. The Spanish Code of Commerce and related mercantile legislation.
2. General Chart of Accounts approved by R.D. 1514/2007, the subsequently approved amendments thereto and its industry adaptations.
3. Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs.
4. Any mandatory regulations approved by Spain's Accounting and Audit Institute to implement the General Chart of Accounts and its supplementary rules.
5. All other applicable Spanish accounting principles.

(c) Non-mandatory account principles applied

No non-mandatory accounting principles have been applied. Additionally, in preparing these financial statements, the Directors have taken into consideration all those mandatory accounting principles that have a significant effect on said financial statements. There is no mandatory accounting principle that has not been applied.

(d) Comparative information

The information contained in this report on the annual period ended in 2017 is presented for the purposes of comparison with the information related to the annual period ended in 2018.

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(e) Functional and presentation currency

The figures disclosed in the financial statements are expressed in thousands of Euros rounded to the nearest thousand, the Euro being the functional and presentation currency of the Company.

(f) Critical aspects of the measurement and estimation of uncertainty and judgements used when applying accounting principles

The information included in these financial statements is the responsibility of the Company's Directors. The preparation thereof requires that relevant accounting estimates and judgements, and other estimates and assumptions be made when applying the Company's accounting principles. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the financial statements, is as follows:

(i) *Relevant accounting estimates and assumptions*

1. The market value of certain financial instruments (Note 7).
2. Assessment of provisions and contingencies (Note 4g).
3. Financial risk management (Note 6).
4. Compliance with the requirements that regulate SOCIMIs (Note 1).

(ii) *Changes in accounting estimates*

Although estimates were calculated by the Company's directors based on the best information available at 31 December 2018, future events may require changes to these estimates in subsequent periods. The effect on the financial statements of any changes that, where appropriate, arise from the adjustments to be made in subsequent periods would be recognised prospectively.

(g) Grouping together of items

In order to facilitate the comprehension of the balance sheet, certain items of the balance sheet, the income statement and the statement of changes in equity and the statement of cash flows are presented as a group, though the disaggregated information is included in the corresponding Notes of the report, insofar as it is significant.

(h) Changes in accounting criteria

During the annual period ended on 31 December 2018 there were no changes in accounting criteria with respect to those applied when preparing the financial statements of 2017.

(i) Correction of errors

In preparing the attached financial statements, no significant error has been detected that has

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required that the amounts included in the financial statement for 2017 be re-stated.

(3) DISTRIBUTION OF PROFIT

The proposal for allocating the result for the 2018 period and other reserves of the Company to be presented to the General Shareholder's Meeting is the following:

	<u>Euros</u>
<u>Basis of allocation</u>	
Profit for the period	76,081,968.60
Issue premium	6,647,373.43
<u>Distribution</u>	
Legal reserve	7,608,196.86
Dividends	75,000,000.00
Voluntary reserve	<u>121,145.17</u>

(4) RECORD AND MEASUREMENT STANDARDS

These financial statements corresponding to 2018 were prepared in accordance with the recognition and measurement criteria established in the General Chart of Accounts approved by Royal Decree 1514/2007, industry adaptations and amendments approved subsequently thereto, and other applicable legislation.

(a) Financial instruments

(i) Classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments in the various categories based on the nature of the instruments and the Company's intentions on initial recognition.

(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Loans and receivables

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This item comprises non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They basically consist of receivables from Group companies. They are included in current assets, except for maturities greater than twelve months as of the date of the balance sheet which are classified as non-current assets. Loans and receivables generated in exchange for cash deliveries or commercial transactions are included under “Trade and other receivables” on the accompanying balance sheet.

These financial assets are initially measured at fair value, including directly attributable transaction costs, and subsequently carried at amortised cost, recognising accrued interest at the effective interest rate, which is the discount rate that matches the instrument’s carrying amount with all estimated cash flows to maturity. Nevertheless, trade receivables falling due in less than one period are carried at their nominal amount on both initial recognition and subsequent measurement, provided that the effect of not discounting the cash flows is immaterial.

At least at the end of the period, the necessary impairment losses are recognised when there is objective evidence that not all the amounts receivable will be collected.

(iv) Equity Instruments in Group companies, associates and jointly-controlled companies

Those companies related to the Company through a relationship of control are considered to be Group companies, and companies over which the Company holds significant influence are considered to be associates. Furthermore, the jointly-controlled category includes those companies over which control is held, by virtue of an agreement, together with one or more partners.

Investments in Group companies are generally recorded initially at the fair value of the consideration plus directly attributable transaction costs.

In the case of investments in equity in Group companies that hold control over the subsidiary, the fees paid to legal consultants and other professionals associated with the acquisition of the investment are directly reported in the income statement.

After the initial measurement, investments in Group companies, associates and jointly-controlled companies are measured at their cost, less, where appropriate, the accumulated amount of impairment adjustments. Said adjustments are calculated as the difference between the carrying amount adjusted by any implicit capital gains (market value - carried cost of the asset) as of the date of measurement and the book value of the stakes.

In this sense, because of the real estate nature of the subsidiaries that implies that the recovery value thereof is closely linked to the measurement of the owned property assets, in order to calculate the recoverable amount of said investments, the Company calculates the recoverable value as the fair value. This is best estimated as the carrying amount adjusted for implicit capital gains present at the date of measurement, as said implicit capital gains are supported by independent expert appraisals.

In this respect, in order to calculate the fair value of the investment property owned by Group companies and associates, Company Management entrusts independent appraisers unrelated to said Company with appraising all of its property assets at 30 June and 31 December of each period, and also requests assets under development be measured on a quarterly basis. The measurement of this investment is conducted in accordance with the

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statements of the RICS Valuation - Professional Standards published by The Royal Institution of Chartered Surveyors (“Red Book”), based in the United Kingdom.

Specifically, buildings are appraised individually, taking into consideration each of the lease contracts in force at the appraisal date. The methodology used to calculate the market value of properties being rented consists of preparing 10 years’ worth of income and expense projections for each type of asset, which will subsequently be updated on the date of the statement of financial condition for each review period using a market discount rate.

The residual amount at the end of year 11 is calculated applying a rate of return (“exit yield”) to the net income projections for year 11.

The market values thus obtained are analysed by calculating and analysing the yield capitalisation implicit in these values. Both the rate of return and the discount rate are defined in accordance with local property companies and considering the conditions prevailing in the institutional market, and the reasonableness of the market value thus obtained, which is tested in terms of initial gain.

In terms of buildings with areas that have not been rented out, they are measured on the basis of estimated future rent, minus a marketing period.

(v) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- Impairment of financial assets carried at amortised cost.

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. For floating-rate financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. If the asset is secured by collateral, this calculation will be carried out net of any sales allocation costs discounted at the effective interest rate.

The Company recognises the impairment loss and uncollectibility of loans and receivables and debt instruments by recognising an allowance account for financial assets, which is charged against profit and loss and is reversible in subsequent periods up to the amortised cost the assets would have had if the impairment loss had not been recognised.

(vi) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. Said effective interest rate is the discount

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rate that matches the instrument's carrying amount with the expected future flow of payments to the maturity date of the liability.

Nevertheless, trade payables falling due in less than one year that have no contractual interest rate are carried at all times at their nominal amount, since the effect of discounting the cash flows is immaterial.

(vii) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The derecognition of a financial asset in its entirety implies the recognition of results as the difference between the carrying amount and the total consideration received, less transaction expenses, including assets obtained or liabilities assumed and any deferred profit or loss in income and expenses recognised in equity.

(viii) Derecognition of financial assets

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Company and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, providing the instruments have substantially different terms.

The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised in the income statement as part of the result of the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. In the latter case, a new effective interest rate is calculated on the modification date which is that which makes the current value of the flows to be paid according to the new conditions equal to the carrying amount of the financial liability on said date.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to a third party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised by the Company in the income statement.

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If the Company delivers non-monetary assets as payment of debt, it recognises the difference between the fair value thereof and their carrying amount as operating profit and the difference between the value of the debt that is extinguished and the fair value of the assets as a financial result. If the company delivers inventories, the relevant sales transaction for same is recognised at the fair value and the change in inventories at the carrying amount.

(b) Own equity instruments held by the Company

The Company's acquisition of equity instruments is presented separately at the cost of acquisition in the balance sheet as a reduction in its own capital. For transactions carried out with own equity instruments no result is recognised in the income statement, rather it is directly recorded as reserve.

The subsequent redemption of the equity instruments entails a capital reduction equivalent to the par value of the shares. Any positive or negative difference between the purchase price and the par value of the shares is debited or credited to reserves.

Transaction costs related to own equity instruments, including issue costs associated with a business combination, are accounted for as a reduction in reserves, net of any tax effect.

Dividends associated with equity instruments are recognised as a reduction in equity when approved by the shareholders.

(c) Distributions to shareholders

Dividends are in cash and are recognised as a reduction in equity when approved by the General Shareholders' Meeting.

Pursuant to Article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December, SOCIMIs adopting the special tax regime are required to distribute profit for the period as dividends to shareholders, after settling all corresponding trading obligations. The dividend distribution must be agreed within six months after each period end and the dividend paid within one month from the date of the agreement.

Pursuant to Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December, the Company must distribute as dividends:

- (i) 100% of profits deriving from dividends or shares of profits distributed by the entities referred to in Article 2.1 of Law 11/2009.

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(ii) At least 50% of the profits derived from the transfer of the properties and shares or equity investments referred to in Article 2.1 of Law 11/2009, held for the purpose of complying with the principal statutory activity, realised once the periods mentioned in Article 3.2 of Law 11/2009 have elapsed. The remainder of these profits must be reinvested in other properties or equity investments to be held for the purpose of complying with the statutory activity, within three years after the transfer date. Otherwise, these profits must be distributed in full together with any profits obtained during the period in which the reinvestment period expires. If the items in which the investment is made are transferred in the period during which they must be held, the associated profits must be distributed in full together with any profits obtained during the period in which the items were transferred. The mandatory distribution of profits does not apply to any portion of profits attributable to periods in which the Company will not be taxed under the special regime provided for by that law.

(iii) At least 80% of the remaining profits obtained.

(d) Cash and other cash equivalent assets

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

(e) Short-term employee benefits

Short-term employee benefits comprise employee remuneration other than termination benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services.

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or implicit obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(f) Payments based on shares

The Company recognises, on one hand, goods and services received as an asset or an expense, according to the nature thereof, when same is received, and on the other, the corresponding liability if the transaction is settled with an amount that is based on the value of the equity instruments.

(g) Provisions

Provisions are recognised when the Company has a present obligation (legal, contractual, implicit or tacit) as a result of a past event; it is probable that an outflow of resources that incorporate future economic profits will be required to settle the obligation; and a reliable

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estimate can be made of the amount of the obligation.

The amounts recognised in the balance sheet are the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where material, the financial effect of discounting, provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

Single obligations are measured using the most likely outcome. When the provision involves a large population of identical items, the obligation is estimated by weighing all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used.

The financial effect of provisions is recognised as a finance cost in the income statement.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the income statement item under which the related expense was recognised, and any surplus, where appropriate, is accounted for in other income.

(h) Income recognition

Pursuant to the publication in September 2009 on the consultation included in Gazette N^{er} 79 of the Institute of Accounting and Account Auditing (ICAC), due to the Company's being a holding company, it presents income from dividends received from subsidiaries, financial income from financing granted thereto and income from disposing of equity instruments as net turnover.

Income from dividends

The amount of income from stakes in equity instruments resulting from subsidiary dividends is measured as the compensation received, once the dividend has been approved by the Sole Shareholder of the subsidiary company.

Income from investments in Group companies and associates

Income from investments in Group companies and associates is recognised on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned rather than the period in which the cash is actually received or disbursed. Said income is measured at the fair value of the consideration received.

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Income from the sale of shareholdings

Income from the sale of equity instruments is recognised when the risks and benefits inherent to the ownership of the sold asset are transferred to the purchaser and the day-to-day management and effective control over said asset are not retained. Said income is measured at the fair value of the consideration received.

Costs re-invoiced to Group companies

(i) Interests related to liabilities

Financial costs re-invoiced to Group companies whose investees are guarantors of the bond or otherwise own assets with a mortgage guarantee on said bond are considered by the Company to be income from service provisions. The distribution approach applied by the Company is established according to the relative weight of each asset's market value against the total market value (calculated on 30 June of the previous period) of the assets pledged at the beginning of the relevant period.

(ii) Costs from independent professional and service organisations

Costs passed on to subsidiary companies for services received from external independent professional and service organisations are not considered by the Company to be income from service provisions. The invoicing for these items is included under "External services" on the accompanying income statement, net of expenses paid by the Company for said items. Said re-invoiced costs total EUR 37,049 thousand in 2018 (EUR 21,335 thousand 2017).

(i) Income tax

The income tax expense or tax income includes the part related to the current income tax expense or tax income and the part corresponding to the deferred tax expense or income.

The current tax is the amount that the Company satisfies as a consequence of the fiscal settlements of the income tax related to a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carry-forwards applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax income or expenses derived from the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences, which are defined as the amounts expected to be paid or recovered in the future for differences between the carrying amount of assets and liabilities and their tax value, as well as tax loss carry-forwards and tax deductions pending fiscal application. These amounts are recognised by applying the temporary difference or deduction corresponding to the tax rate at which they are expected to be recovered or settled.

This special SOCIMI tax regime, following the amendment introduced by Law 16/2012 of 27 December, is based on paying a corporate income tax rate of 0%, provided certain requirements are met. Among these, it bears mentioning that at least 80% of their assets must comprise urban properties for rental under outright ownership or through shares in companies fulfilling these

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same investment and profit distribution criteria, whether Spanish or foreign and regardless of whether they are quoted in organised markets. Similarly, the main source of income for these companies must be the real estate market, through rentals, the subsequent sale of properties following a minimum rental period, or income from shareholdings in companies of a similar nature. Nevertheless, tax is accrued proportionately to the distributed dividends. Dividends received by shareholders are exempt from tax, unless the recipient is a legal entity subject to corporate income tax or a permanent establishment of a foreign entity, in which case a deduction is applied to the tax payable so that this income is taxed at the tax rate applicable to the shareholder. However, the remaining income is not subject to taxation provided it is not distributed to shareholders.

Pursuant to the ninth transitional provision of Law 11/2009 of 26 October, amended by Law 16/2012 of 27 December, governing SOCIMIs, the entity shall be subject to a special tax rate of 19% on the total amount of dividends or shares in profits distributed among shareholders with an interest in the entity exceeding 5%, when such dividends are tax-exempt or are taxed at a rate of less than 10% at the shareholders' seat of economic activity. The Company has established a procedure whereby shareholders confirm their tax status and, where applicable, 19% of the amount of the dividend distributed among the shareholders that do not meet the aforementioned tax requirements is withheld.

(j) Classification of assets and liabilities as current and non-current

The Company classifies assets and liabilities on the balance sheet as current and non-current. To this end, assets and liabilities are classified as current if they meet the following criteria:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or cash equivalent assets, unless the assets may not be exchanged or used to settle a liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are due to be settled within twelve months after the reporting date or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.
- Liabilities are classified as current when they must be settled within twelve months of the reporting date, even if the original period is for greater than twelve months and there is a refinancing agreement or a long-term agreement to restructure payments that has been concluded after the reporting date and before the preparation of the financial statements.

(k) Insurance contracts

The Company has taken out insurance in connection with the members of the Board of Directors and Senior Management. At 31 December 2018 the expense for amount of the premiums related to the Board of Directors and Senior Management totalled EUR 194 thousand (EUR 49 thousand at 31 December 2017).

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(l) Environmental information

The Company takes measures to prevent, reduce and repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as “Other operating expenses” in the period in which they are incurred. However, due to its nature, the Company’s activity does not have a significant impact on the environment.

(m) Transactions between Group companies

Transactions between Group companies, except those associated with mergers, divisions and non-monetary contributions of businesses, are recognised at the fair value of the delivered or received compensation. The difference between said value and the agreed amount is recorded according to the underlying economic substance.

(n) Statement of cash flows

The statement of cash flows has been prepared using the indirect method and the following expressions and definitions:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments not subject to significant risk of changes in value.
- Operating activities: the usual activity of the Company and other activities that cannot be classified as investing or financing activities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of liabilities that do not form part of operating activities.

(o) Non-current assets held for sale

The Company classifies a non-current asset or a disposal group as being held for sale when a decision has been made to sell same and such sale is expected to happen within the next twelve months.

These assets or disposal groups are measured at their carrying amount or fair value after deducting the necessary sales costs, whichever is less.

Assets classified as non-current and held for sale are not amortised, but at the date of each balance sheet the appropriate value adjustments are made so the carrying value does not exceed the fair value minus sales costs.

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Income and expenses generated by non-current assets and disposal groups comprising elements held for sale that do not meet the requirements to be classified as discontinued operations are recognised in the income statement under the item line that corresponds to the nature of said asset or disposal group.

(5) INVESTMENT PROPERTY

The composition and movements occurred in the accounts included under Investment Property were as follows:

	Thousands of Euros		
	2018		
	Land	Buildings	Total
Cost at 1 January 2018	40	60	100
Additions	-	-	-
Cost at 31 December 2018	40	60	100
Accumulated amortisation at 1 January 2018	-	(1)	(1)
Allocations	-	(1)	(1)
Accumulated amortisation at 31 December 2018	-	(2)	(2)
Carrying amount at 31 December 2018	40	58	98

	Thousands of Euros		
	2017		
	Land	Buildings	Total
Cost at 1 January 2017	-	-	-
Additions	40	60	100
Cost at 31 December 2017	40	60	100
Accumulated amortisation at 1 January 2017	-	-	-
Allocations	-	(1)	(1)
Accumulated amortisation at 31 December 2017	-	(1)	(1)
Carrying amount at 31 December 2017	40	59	99

On 27 March 2017, for EUR 100 thousand the Company acquired a property comprising a building used as the office and permanent safety post, providing management services for the entire Abadía Retail Park located in Toledo. Said retail park is owned by LE Retail Abadía, S.L.U., a company that is 100% owned by Lar España Real Estate SOCIMI, S.A.

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(6) RISK MANAGEMENT POLICY

(a) Financial risk factors

The Company's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and interest rate risk in cash flows and the risk associated with the special SOCIMI tax regime. The Company's global risk management plan focuses on the uncertainty of the financial markets and tries to minimise the possible adverse effects on the Company's financial profitability.

The senior management of the Company 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 Company's operational units. The board of directors issues global risk management policies in writing, as well as policies for specific issues such as market risk, interest rate risk, liquidity risk and investments of cash surpluses.

(i) Market risk

In light of current conditions in the property sector, the Company has established specific measures that it plans to adopt to minimise their impact on its financial position.

The application of these measures is dependent on the outcome of the sensitivity analyses that the Company 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 companies of 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.

Cash and cash equivalents

At 31 December 2018 the Company has cash and cash equivalents totalling EUR 133,562 thousand, which represents its maximum exposure to risk associated with these assets (EUR 7,816 thousand at 31 December 2017). This balance includes EUR 22,505 thousand, the availability of which is restricted.

Cash and cash equivalents are held at banks and financial institutions with a high credit rating.

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The Directors of the Company, by virtue of the agreement by the General Shareholders' Meeting held on 29 May 2017, formalised a stock buy-back programme with a financial intermediary. By virtue of said contract, the Company has EUR 16,606 thousand in an unrestricted account and the financial intermediary is able to use said amount to purchase the company's own shares.

Said contract suspends the liquidity agreement formalised 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, dated 5 July 2017.

(ii) Liquidity risk

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

The Company 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 Company's reputation at risk.

The Company's exposure to liquidity risk at 31 December 2018 and 2017 is detailed below. The following tables show the analysis of financial liabilities by remaining contractual maturity dates.

	2018					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	-	3,482	-	140,000	-	143,482
Other non-current liabilities - security deposits and guarantees	-	-	-	-	37	37
Debt with Group companies and associates (a)	-	-	50,487	-	-	50,487
Trade and other payables	2,583	9,185	-	-	-	11,768
Total	2,583	12,667	50,487	140,000	37	205,774

(a) This amount corresponds to the current accounts with subsidiaries that, despite maturing 31 December 2019, are tacitly renewed on a yearly basis.

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	2017					
	Thousands of Euros					
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Indefinite	Total
Financial liabilities from issue of bonds (*)	-	3,482	-	140,000	-	143,482
Bank borrowings	-	-	-	-	39	39
Other non-current liabilities - security deposits and guarantees	7,505	-	145	-	-	7,650
Trade and other payables	4,136	12,378	57	-	-	16,571
Total	11,641	15,860	202	140,000	39	167,742

**The effect of measuring financial liabilities from bonds at amortised cost, to mature in 2022, decreases the nominal value of these liabilities by EUR 923 thousand (EUR 1,213 thousand in the 2017 period).*

(iii) Cash flow and fair value interest rate risks

At 31 December 2018 the Company held no short-term fixed-rate deposits.

At the reporting date, income and cash flows from the Company's operating activities are not significantly affected by fluctuations in market interest rates.

At 31 December 2018, the Company holds a financial liability for simple, fixed-rate bonds issued for a nominal amount of EUR 140,000 thousand (Note 12).

(iv) Tax risk

As mentioned in Note 1, the Company and part of the subsidiaries thereof have availed themselves of the special tax regime for SOCIMIs. In the 2017 period, the transitional period ended and compliance with all the requirements established by the regime became obligatory as of the previous year (Notes 1 and 4i). Among the obligations that the 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, being listed 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 General Directorate of Taxation's response to queries raised by different companies.

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In this sense, Group Management, with the support of its tax advisors, has carried out an evaluation regarding the satisfaction of the requirements of the regime, conducting that at 31 December de 2018 all the requirements are satisfied except that of the income test. The Directors believe this breach to be an extraordinary situation caused by the positive results obtained after returning the loan granted to Inmobiliaria Juan Bravo 3, S.L. (Note 7b). In this sense, as established in Article 13 of the Law on SOCIMIs, which allows this breach to be corrected in the following period, the Directors believe pursuant to the company 2019 business plan, that in 2019 the Group will satisfy the level required by said Law in terms of the income test. Consequently the Company will continue to be taxed under the SOCIMI Regime, and such assumption was used when preparing the financial statements.

Conversely, and for the purposes of also taking the financial effect of the Regime into account, it is important to point out that pursuant to Article 6 of Law 11/2009 of 26 October 2009, amended by Law 16/2012 of 27 December, SOCIMIs, companies choosing to adopt the special tax regime, are required to distribute profit for the period as dividends to shareholders, after settling all appropriate trading obligations. Such distribution must be agreed within six months after each period end and the dividend must be paid within one month from the date of the agreement (Note 4c).

Should the Group not satisfy the requirements established by the Regime or should the Shareholders' Meeting of the Company, not approve of the distribution of dividends proposed by the Board of Directors, which was calculated in accordance with the requirements set forth in the aforementioned law, the companies would be in breach of said law and, consequently, would have to file their tax returns under the general tax regime rather than that applicable to SOCIMIs.

(7) INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

(a) Investments in equity instruments

Details of investments in equity instruments in Group companies and associates at 31 December 2018 and 2017 are as follows (see Appendix I for further information):

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Stocks in Group Companies (all at 100%)

Company	Thousands of Euros						
	2018						
	Opening balance	Acquisitions	Voluntary contributions	Returns	Transfers	Disposals	Closing balance
LE Logistic Alovera I y II, S.A.U.	42,594	-	2,242	(44,776)	-	-	60
LE Retail Hiper Albacenter, S.L.U.	11,909	-	1,071	(500)	-	-	12,480
LE Retail Alisal, S.A.U.	-	-	2,508	(9,379)	9,081	-	2,210
LE Offices Eloy Gonzalo 27, S.A.U.	15,260	-	4,574	-	(19,834)	-	-
LE Retail As Termas, S.L.U.	30,125	-	1,607	(3,200)	-	-	28,532
LE Offices Joan Miró, S.L.U.	10,392	-	3,906	(500)	-	-	13,798
LE Logistic Alovera III y IV, S.L.U.	9,838	-	263	(10,000)	-	-	101
LE Logistic Almussafes, S.L.U.	8,092	-	2,437	(8,000)	-	-	2,529
LE Retail Hiper Ondara, S.L.U.	6,778	-	465	(7,239)	113,725	-	113,729
LE Retail Vidanova Parc, S.L.U. (formerly LE Retail Sagunto, S.L.U.)	21,426	-	4,956	(2,314)	-	-	24,068
LE Retail Megapark, S.L.U.	77,182	-	3,671	(8,200)	(72,653)	-	-
LE Retail Galaria, S.L.U.	-	-	198	(5,007)	4,813	-	4
LE Retail El Rosal, S.L.U.	33,059	-	2,008	(3,000)	-	-	32,067
Lar España Shopping Centres VIII, S.L.U.	46,292	-	51,022	(460)	-	-	96,854
LE Retail Vistahermosa, S.L.U.	21,949	-	896	(2,500)	-	-	20,345
LE Retail Sagunto II, S.L.U. (formerly Lar España Offices Arturo Soria VI, S.L.U.)	3	-	1,533	-	-	-	1,536
Lar España Inversión Logística IV, S.L.U.	2,423	-	3,988	(6,300)	-	-	111
LE Retail Villaverde, S.L.U.	-	-	1,861	(5,397)	5,189	-	1,653
LE Offices Marcelo Spínola, S.L.U.	30,314	-	1,250	-	-	-	31,564
LE Retail Albacenter, S.L.U.	29,376	-	2,558	(1,200)	-	-	30,734
LE Retail Anec Blau, S.L.U.	78,579	-	3,505	(3,300)	-	-	78,785
LE Retail Gran Vía de Vigo, S.L.U.	57,040	-	2,992	(6,100)	-	-	53,932
LE Retail Las Huertas, S.L.U.	12,439	-	457	(700)	-	-	12,196
LE Retail Portal de la Marina, S.L.U.	39,318	-	3,754	(2,000)	(41,072)	-	-
LE Retail Txingudi, S.L.U.	30,280	-	1,380	(900)	-	-	30,761
LE Retail Abadía, S.L.U.	29,059	-	13,920	(8,200)	-	-	34,780
LE Retail Hipermercados I, S.L.U.	15,146	-	240	(650)	-	-	14,735
LE Retail Hipermercados II, S.L.U.	16,416	-	240	(700)	-	-	15,955
LE Retail Hipermercados III, S.L.U.	15,044	-	240	(640)	-	-	14,643
LE Retail Rivas, S.L.U.	-	35,361	-	(2,000)	-	-	33,361
	690,333	35,361	119,742	(143,162)	(751)	-	701,523

Stocks in Associates

Company	Thousands of Euros					
	2018					
	Opening balance	Additions	Impairment recorded	Impairment reversal	Returns	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	11,443	-	(2,796)	-	-	8,647
	11,443	-	(2,796)	-	-	8,647

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Stocks in Group Companies (all at 100%)

Company	Thousands of Euros						
	2017						
	Opening balance	Acquisitions	Voluntary contributions	Returns	Transfers	Disposals	Closing balance
LE Logistic Alovera I y II, S.A.U.	41,759	-	4,615	(3,780)	-	-	42,594
LE Retail Hiper Albacenter, S.L.U.	11,360	-	1,349	(800)	-	-	11,909
LE Offices Egeo, S.A.U.	32,660	-	4,267	(500)	(36,427)	-	-
LE Retail Alisal, S.A.U.	9,613	-	2,098	(2,630)	(9,081)	-	-
LE Offices Eloy Gonzalo 27, S.A.U.	12,553	-	3,007	(300)	-	-	15,260
LE Retail As Termas, S.L.U.	29,204	-	3,021	(2,100)	-	-	30,125
LE Offices Joan Miró, S.L.U.	10,514	-	878	(1,000)	-	-	10,392
LE Logistic Alovera III y IV, S.L.U.	9,915	-	523	(600)	-	-	9,838
LE Logistic Almussafes, S.L.U.	8,134	-	408	(450)	-	-	8,092
LE Retail Hiper Ondara, S.L.U.	6,954	-	324	(500)	-	-	6,778
LE Retail Vidanova Parc, S.L.U. (formerly LE Retail Sagunto, S.L.U.)	8,793	-	14,133	(1,500)	-	-	21,426
LE Retail Megapark, S.L.U.	65,917	-	16,265	(5,000)	-	-	77,182
LE Retail Galaria, S.L.U.	4,473	-	410	(70)	(4,813)	-	-
LE Retail El Rosal, S.L.U.	33,055	-	3,904	(3,900)	-	-	33,059
Lar España Shopping Centres VIII, S.L.U.	47,436	-	5,856	(7,000)	-	-	46,292
LE Retail Vistahermosa, S.L.U.	43,333	-	1,116	(22,500)	-	-	21,949
LE Retail Sagunto II, S.L.U. (formerly Lar España Offices Arturo Soria VI, S.L.U.)	3	-	-	-	-	-	3
Lar España Inversión Logística IV, S.L.U.	2,096	-	2,315	(1,988)	-	-	2,423
LE Retail Villaverde, S.L.U.	5,141	-	429	(381)	(5,189)	-	-
LE Retail Arturo Soria, S.L.U.	11,496	-	1,335	(760)	-	(12,071)	-
LE Offices Marcelo Spínola, S.L.U.	28,507	-	1,957	(150)	-	-	30,314
LE Retail Albacenter, S.L.U.	28,980	-	1,646	(1,250)	-	-	29,376
LE Retail Anec Blau, S.L.U.	78,577	-	3,592	(3,590)	-	-	78,579
LE Retail Gran Vía de Vigo, S.L.U.	137,970	-	3,202	(84,132)	-	-	57,040
LE Retail Las Huertas, S.L.U.	12,200	-	492	(253)	-	-	12,439
LE Retail Portal de la Marina, S.L.U.	35,889	-	4,529	(1,100)	-	-	39,318
LE Retail Txingudi, S.L.U.	27,476	-	3,154	(350)	-	-	30,280
LE Retail Abadía, S.L.U.	65,285	65,285	1,004	(37,230)	-	-	29,059
LE Retail Hipermercados I, S.L.U.	-	16,198	9,045	(10,097)	-	-	15,146
LE Retail Hipermercados II, S.L.U.	-	17,464	144	(1,192)	-	-	16,416
LE Retail Hipermercados III, S.L.U.	-	16,061	380	(1,397)	-	-	15,044
	744,008	115,008	95,398	(196,500)	(55,510)	(12,071)	690,333

Stocks in Associates

Company	Thousands of Euros					
	2017					
	Opening balance	Additions	Share losses	Impairment reversal	Returns	Closing balance
Inmobiliaria Juan Bravo 3, S.L.	11,443	-	-	-	-	11,443
	11,443	-	-	-	-	11,443

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In the 2018 period the Company carried out contributions and returns for EUR 119,742 thousand and EUR 143,162 thousand respectively, (EUR 95,398 thousand of contributions and EUR 196,500 thousand of returns in 2017, respectively).

In addition, the following specific transactions were carried out in the 2018 period:

- On 31 December 2018, the Company classified 100% of the company shares held in LE Offices Eloy Gonzalo 27, S.A.U. as non-current assets held for sale, based on the decision to sell same and the expectation to do so in the short-term (Note 10).
- On 31 December 2018, the Company impaired the shareholding it held in the associate Inmobiliaria Juan Bravo 3, S.L. by EUR 2,796 thousand based on the Directors' best estimate of the recoverable value thereof. Inmobiliaria Juan Bravo 3, S.L. owns a residential development in the centre of Madrid that has been delivered virtually in full as of the date these financial statements were drawn up.
- On 19 September 2018 a merger took place, in which the subsidiaries LE Retail Megapark, S.L.U. and LE Retail Portal de la Marina, S.L.U. were absorbed by LE Retail Hiper Ondara, S.L.U. As a result of the merger, the absorbed companies will be dissolved without being liquidated and all of the assets and liabilities thereof will be transferred en bloc and through universal succession to the absorbing company, in conformity with the terms of Articles 22 and 23 of Act 3/2009 of 4 April, on structural changes in trading companies. Therefore, the amount of the shareholding in the absorbed companies has been transferred to the absorbing company.
- On 6 February 2018 the Company acquired 100% of the shares in Legaro Spain, S.L. (currently LE Retail Rivas, S.L.U.) from CSRE I Spanish Holding, S.L.U. for a total amount of EUR 35,361 thousand, of which EUR 3,519 thousand was used to cancel the intragroup loan held by the company at the date of acquisition. Furthermore, EUR 2,000 thousand in contributions were returned.
- On 16 January 2018, after executing the purchase option signed on 27 September 2017, Lar España Real Estate SOCIMI, S.A. transferred all of its company shares in its subsidiary LE Offices Egeo, S.A.U., a company owned 100% and owner of the Egeo office building located in Madrid, to Inmobiliaria Colonial Socimi, S.A. for a total amount comprising a base price of EUR 49,098 thousand and a variable price of EUR 2,124 thousand linked to the measurement of the asset at 31 December 2018, which has been fully accrued. The result of the operation, after the price was adjusted by EUR 14 thousand, was a profit of EUR 14,631 thousand recognised under "Income from disposing of equity instruments" on the adjoined income statement (Note 17a). The value of the shareholding at the time of the sale totalled EUR 36,577 thousand and was classified under "Non-current assets held for sale" (Note 10).

At 31 December 2018, EUR 2,124 thousand was outstanding, which amount corresponding to the variable price.

The sale of the holdings was effected after the property assets were held for three years as leases as required by the Law on SOCIMIs (Note 1).

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- On 31 December 2017, the Company classified 100% of the company shares held in LE Retail Villaverde, S.L.U., LE Retail Galaria, S.L.U. and LE Retail Alisal, S.A.U. as non-current assets held for sale, based on the established plan to sell same and the expectation to do so in the short-term (Note 10). The disposal of assets came into effect in the 2018 period, where only the ownership of the investment property of said companies was transferred. Therefore in the 2018 period, the shareholdings in LE Retail Villaverde, S.L.U., LE Retail Galaria, S.L.U. and LE Retail Alisal, S.A.U. were transferred to “Equity instruments” on the accompanying balance sheet.
- On 27 September 2017, the Company sold 100% of the company shares in its subsidiary LE Offices Arturo Soria, S.A.U. to Inmobiliaria Colonial, SOCIMI, S.A. for a base price of EUR 19,640 thousand and for a variable price of EUR 876 thousand linked to the measurement of the asset at 31 December 2018, which has fully accrued in the current period. The result of the operation was a profit of EUR 2,842 thousand in the 2017 period and EUR 876 thousand, in terms of the variable price, in the 2018 period, both being recorded under “Income from the sale of equity instruments” on the accompanying income statement (Note 17a).

At 31 December 2017 EUR 4,200 thousand were outstanding, which were collected in full in the 2018 period. At 31 December 2018 EUR 876 thousand are outstanding, corresponding to the variable price.

The sale of the holdings was effected after the property assets were held as leases for three years as required by the Law on SOCIMIs (Note 1).

- On 27 March 2017, the Company acquired 100% of the stakes in the company NPS European Property Toledo, S.L.U. (currently LE Retail Abadía, S.L.U.) from the company Rockspring NPS European Property Holding, B.V. The total amount paid by the Company was EUR 65,285 thousand, of which EUR 47,928 thousand was used to cancel the loan held by LE Retail Abadía, S.L.U. at the date of acquisition. Furthermore, in 2017 EUR 1,004 thousand in contributions were made and EUR 37,230 thousand in returns were received after LE Retail Abadía, S.L.U. obtained bank financing.
- On 27 March 2017, the Company acquired 100% of the stocks in the companies NPS European Property Retail I, S.L.U., NPS European Property Retail II, S.L.U. and NPS European Property Retail III, S.L.U., (currently LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U.) from the company Rockspring NPS European Property Holding, B.V. The total amount paid by the Company was EUR 49,723 thousand, of which EUR 37,425 thousand was used to cancel the loan held by the three companies at the date of acquisition. Furthermore, in 2017 contributions were made in the amount of EUR 9,569 thousand and returns were made in the amount of EUR 12,686 thousand.

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(b) Loans to Group companies and associates

These categories included two loans granted to Inmobiliaria Juan Bravo 3, S.L. (associate) in order to provide said company with the funds necessary to develop the building project in Madrid called “Lagasca99”, which said company has developed over the last three financial years and whose construction ended in December 2018. Both loans were repaid in full to the Company in 2018 with the cash flows generated by said building project.

The main characteristics of the both contracts were as follows:

- A first loan acquired by the Company in 2015 from the previous financial creditors of Inmobiliaria Juan Bravo 3, S.L. for the amount of EUR 40,000 thousand. The nominal value of said loan totalled EUR 61,303 thousand and accrued fixed and variable interest due to its being a participating loan. The purchase price was lower than its nominal value because of the insolvency of said company.
- A second loan in the amount of EUR 2,000 thousand granted on 11 January 2016 that accrued interest tied to the Euribor plus a 4% spread.

Movements in the balance under “Long- and short-term loans” throughout the 2018 period are as follows:

Thousands of Euros								
2018								
Company	Date granted	Loan total	Balance at 31/12/2017	Amortisations	Capitalised accrued interest	Current	Non-current	Loan total at 31 December 2018
Inmobiliaria Juan Bravo 3, S.L.	29/05/2015	40,000	27,718	(55,633)(*)	6,612	-	-	-
Inmobiliaria Juan Bravo 3, S.L.	11/01/2016	2,000	2,161	(2,167)	6	-	-	-
		42,000	29,879	(57,800)	6,618	-	-	-

(*) See final amortisation explanations below

Thousands of Euros								
2017								
Company	Date granted	Loan total	Contributions	Amortisations	Capitalised accrued interest	Current	Non-current	Loan total at 31 December 2017
Inmobiliaria Juan Bravo 3, S.L.	29/05/2015	40,000	1,184	(20,000)	6,534	27,718	-	27,718
Inmobiliaria Juan Bravo 3, S.L.	11/01/2016	2,000	28	-	133	-	2,161	2,161
		42,000	1,212	(20,000)	6,667	27,718	2,161	29,879

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On 20 February 2018, Inmobiliaria Juan Bravo 3, S.L. paid EUR 5,000 thousand in accordance with the repayment schedule of the loan. Similarly, on 31 January 2018 the Company and Inmobiliaria Juan Bravo 3, S.L. agreed to offset positions and balances between the parties in the amount of EUR 7,505 thousand. Thus, the loan was cancelled in full as was part of the granted participating loan.

Finally, on 28 December 2018, the participating loan was cancelled in full by Inmobiliaria Juan Bravo 3, S.L., both the principal and accrued interests. Thus, Inmobiliaria Juan Bravo 3, S.L. proceeded to return the nominal amount of the loan granted. Said return was possible thanks to the funds obtained by IJB in the sale of the property development it owned to third parties. Consequently, the Company earned a positive financial result in the amount of EUR 21,303 thousand, corresponding to the difference between the price at which it purchased the participating loan from a financial institution and the nominal value thereof. Said result is included under "Income from loans to Group companies and associates" on the accompanying Income Statement for the 2018 period.

In the 2018 period the financial income from the participating loan totalled EUR 6,612 thousand, corresponding to the fixed and variable interest, calculated using the estimated free cash flow form Inmobiliaria Juan Bravo 3, S.L.

(8) OTHER FINANCIAL ASSETS

"Other financial assets" mainly includes the amounts of EUR 876 thousand and EUR 2,124 thousand, outstanding as at 31 December 2018, that respectively relate to the variable price of the sales operation of the stakes in the companies LE Offices Arturo Soria, S.L.U. and LE Offices Egeo, S.A.U. (Note 7a).

In addition, the category includes EUR 127 thousand in amounts pending collection for various items.

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(9) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category.

The classification of financial assets held by the Company at 31 December 2018 and 2017 by category is as follows:

	Thousands of Euros	
	2018	
	Non-current	Current
	Carrying amount	Carrying amount
Total financial assets (Note 8)	-	3,127
Trade and other receivables		
Client receivables for sales and rendering of services	-	76
Clients, Group companies and associates (Note 16a)	-	48,732
Sundry debtors	-	840
Current tax assets (Note 15)	-	1,241
Total financial assets	-	54,016

	Thousands of Euros	
	2017	
	Non-current	Current
	Carrying amount	Carrying amount
Loans and receivables		
Financial assets with Group companies and associates	2,161	27,718
Other financial assets with Group companies	-	13,476
Other financial assets	-	4,201
Trade and other receivables		
Client receivables for sales and rendering of services	-	106
Clients, Group companies and associates	-	25,962
Current tax assets	-	1,214
Public entities, other	-	1,328
Total financial assets	2,161	74,005

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

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(b) Classification of financial assets by maturity

The classification of financial assets by maturity at December 2018 and 2017 is as follows:

	Thousands of Euros				
	2018				
	Less than 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Other financial assets	3,127	-	-	-	3,127
Client receivables for sales and rendering of services	76	-	-	-	76
Clients, Group companies and associates	48,732	-	-	-	48,732
Sundry debtors	840	-	-	-	840
Current tax assets	1,241	-	-	-	1,241
	<u>54,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,016</u>

	Thousands of Euros				
	2017				
	Less than 1 year	1 to 5 years	More than 5 years	Indefinite	Total
Financial assets with Group companies and associates	27,718	2,161	-	-	29,879
Other financial assets with Group companies	13,476	-	-	-	13,476
Other financial assets	4,201	-	-	-	4,201
Client receivables for sales and rendering of services	106	-	-	-	106
Clients, Group companies and associates	25,962	-	-	-	25,962
Current tax assets	1,214	-	-	-	1,214
Public entities, other	1,328	-	-	-	1,328
	<u>74,005</u>	<u>2,161</u>	<u>-</u>	<u>-</u>	<u>76,166</u>

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(10) NON-CURRENT ASSETS HELD FOR SALE

In accordance with the business plan of the Group in which the Company is the Parent Company, the Group is in the process of divesting itself of non-core assets, including the company LE Offices Eloy Gonzalo 27, S.A.U., which owns an office building. Therefore, given that the requirements established in the General Chart of Accounts are met for said assets to be classified as non-current assets held for sale, at 31 December 2018 the appropriate reclassifications were effected (Note 7a).

On 31 December 2017, the Company classified 100% of the company shares held in LE Retail Villaverde, S.L.U., LE Retail Galaria, S.L.U. and LE Retail Alisal, S.A.U. as non-current assets held for sale, based on the established plan to sell same and the expectation to do so in the short-term. The disposal of assets came into effect in the 2018 period, where only the ownership of the investment property was transferred. Therefore in the 2018 period, the shareholdings in LE Retail Villaverde, S.L.U., LE Retail Galaria, S.L.U. and LE Retail Alisal, S.A.U. were transferred to “Equity instruments” on the accompanying balance sheet (Note 7a).

Furthermore, on 16 January 2018 the Company transferred the stakes in LE Offices Egeo, S.A.U. to Inmobiliaria Colonial SOCIMI, S.A. (Note 7a). Prior to the disposal, shareholder contributions were made for a net amount of EUR 150 thousand in the 2018 period.

The details and movements in stakes classified under this category for the 2018 and 2017 periods are as follows:

	2017	Transfers	Additions	Disposals	2018
	Thousands of Euros	Note 7a			Thousands of Euros
LE Retail Villaverde, S.L.U.	5,189	(5,189)	-	-	-
LE Retail Alisal, S.A.U.	9,081	(9,081)	-	-	-
LE Retail Galaria, S.L.U.	4,813	(4,813)	-	-	-
LE Offices Egeo, S.A.U.	36,427	-	150	(36,577)	-
LE Offices Eloy Gonzalo 27, S.A.U.	-	19,834	-	-	19,834
	55,510	751	150	(36,577)	19,834

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(11) EQUITY

The composition and movements in equity are presented in the statement of changes in equity.

(a) Capital

At 31 December 2018 the share capital of Lar España Real Estate SOCIMI, S.A. amounted to EUR 186,438 thousand (EUR 185,248 thousand at 31 December 2017) represented by 93,219,044 nominative shares (92,624,097 nominative 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.

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 in the amount of EUR 4,279 thousand (2,139,437 ordinary shares with a par value of EUR 2) and an issue premium in the amount 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 post-tax performance fee and divestment fee in the subscription of the capital increase carried out by the 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.

On 28 December 2018, by virtue of the agreement by the General Shareholders' Meeting held 29 May 2017, the Company decreased share capital by EUR 3,089 thousand, corresponding to 1,544,490 shares with a nominal value of EUR 2 each, representing 1.63% of the share capital. The capital decrease was charged against the unrestricted reserves by virtue of the provision of an amortised capital reserve in an amount equal to the nominal value of the amortised shares, where said reserve shall be restricted in nature. The shares were amortised through the use of own shares, the value of which at the time of the capital decrease totalled EUR 12,954 thousand.

All of the shares of the company, Lar España Real Estate SOCIMI, S.A., are quoted on the official Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. These shares are freely transferable.

The quoted price at 31 December 2018 was EUR 7.45 per share and the average price per share in the 2018 period was EUR 8.91 (In the 2017 period the average price per share was EUR 8.89 and the quoted price was EUR 7.87 per share).

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At 31 December 2018 and 2017 the Company's main shareholders are as follows:

	2018
LVS II Lux XII S.a.r.l.	19.9%
Grupo Lar Inversiones Inmobiliarias, S.A.	10.2%
Franklin Templeton Institutional, LLC	8.0%
Brandes Investment Partners, L.P.	5.1%
Threadneedle Asset Management	5.1%
Blackrock Inc.	3.7%
Santa Lucía S.A. Cia de Seguros	3.2%
Other shareholders with an interest of less than 3%	44.8%
Total	100.0%

	2017
LVS II Lux XII S.a.r.l.	19.6%
Franklin Templeton Institutional, LLC	15.0%
Grupo Lar Inversiones Inmobiliarias, S.A.	5.7%
Brandes Investment Partners, L.P.	5.0%
Threadneedle Asset Management	5.0%
Blackrock Inc.	3.7%
Santa Lucia S.A. Cia de Seguros	3.1%
Other shareholders with an interest of less than 3%	42.9%
Total	100.0%

(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 period against the share premium was approved for the amount of EUR 27,714 thousand, where the effect of having the treasury shares was EUR 21 thousand.

At 31 December 2018, the Company's share premium amounted to EUR 476,301 thousand (EUR 487,349 thousand at 31 December 2017).

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(c) Reserves

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

	Thousands of Euros	
	31/12/2018	31/12/2017
Legal reserve	2,968	1,047
Amortised capital reserve	3,089	-
Other reserves	(30,698)	(17,729)
Total	(24,641)	(16,682)

Reserve movements that took place during the 2018 and 2017 periods were as follows:

	Thousands of Euros 2018	Thousands of Euros 2017
	Reserves	Reserves
Opening balance	(16,682)	1,991
Profit for the period	19,211	3,800
Distribution of dividends for the period	(17,273)	(3,413)
Capital decrease	(9,865)	(19,168)
Result from treasury shares	(33)	131
Other changes	1	(23)
Closing balance	(24,641)	(16,682)

(i) Legal reserve

The legal reserve is to be provided for in compliance with Article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the period to a legal reserve until this reserve reaches an amount equal to 20% of the share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

At 31 December 2018 the legal reserve of the Company totals EUR 2,968 thousand (EUR 1,047 thousand at 31 December 2017). Therefore, the legal reserve at 31 December 2018 is not fully provided for.

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Pursuant to Law 11/2009 which governs SOCIMIs, the legal reserve of companies that have opted to avail themselves of the special tax regime provided by this Law may not exceed 20% of their share capital. The articles of association of these companies cannot stipulate any restricted reserve other than the legal reserve.

(ii) Amortised capital reserve

This reserve includes the nominal amount of treasury shares amortised in the share capital decrease effected on 28 December 2018 for a total amount of EUR 3,089 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the redacted text of which was approved by Royal Legislative Decree 1/2010, of 2 July (Spanish Companies Act).

(iii) Other reserves

These reserves mainly comprise expenses related to the incorporation and capital increases through share issues, capital decreases against unrestricted reserves and other non-distributed profits.

(d) Treasury shares

At 31 December 2018 the Company holds treasury shares amounting to EUR 1,228 thousand (EUR 175 thousand at 31 December 2017).

Movement during the 2018 and 2017 periods was as follows:

	Number of shares	Thousands of Euros
31 December 2017	19,880	175
Additions	3,456,153	30,300
Disposals	(3,311,108)	(29,247)
31 December 2018	164,925	1,228
	Number of shares	Thousands of Euros
31 December 2016	117,998	823
Additions	3,993,001	31,371
Disposals	(4,091,119)	(32,019)
31 December 2017	19,880	175

The average selling price of treasury shares in 2018 was EUR 8.33 per share (EUR 7.87 in 2017). The proceeds for the period ended 31 December 2018 amounted to EUR 33 thousand (EUR 131 thousand in profits at 31 December 2017) and have been recognised under “Other reserves” in the statement of position.

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The Company formalised a share buy-back programme with a liquidity provider, aimed at a maximum of 3,160,000 shares, representing 3.33% of the share capital, which may be acquired at a price no greater than (a) the price of the last independent transaction or (b) the highest independent offer at that time in the business centre where the purchase is made. The maximum deadline for this programme is 28 February 2019.

The aforesaid programme temporarily suspends the 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 available for purchase/sale as treasury shares.

(e) Dividends paid

On 19 April 2018 the General Shareholders' Meeting approved the distribution of the Company's profits in accordance with the proposal formulated by the Company's Directors in their meeting held on 23 February 2018. The distribution is as follows:

	<u>Thousands of Euros</u>
<u>Basis of allocation</u>	
Profit for the period	19,211,128.53
Partial return of the issue premium	27,713,695.30
<u>Distribution:</u>	
Legal reserve	1,921,112.85
Dividends	45,000,000.00
Voluntary reserve	3,710.98

On 19 April 2018, the General Shareholders' 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 totalled EUR 44,966 thousand. (this is after deducting the amount relating to treasury shares, which does not come out of the Company's equity. Of said deduction, EUR 13 thousand corresponds to the distribution of dividends against profit and loss and EUR 21 thousand corresponds to the distribution of dividends against the share premium). The EUR 44,966 takes into account the approved amount per share and the shares in circulation at the time of approval by the Shareholders' Meeting on 19 April 2018 and the difference is adjusted by the greater number of treasury shares charged against the "Share premium". The distributed dividend was paid in full on 18 May 2018.

(f) Capital management

The Company is essentially financed with its own capital and financial debt. The Company resorted to market financing through mortgage-backed loans or other means of funding to fund

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the acquisition of new investments. In addition, the Company issued bonds in 2015 (Note 12).

The Company manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Company can adjust the amount of dividends payable to shareholders (within the limits established by the SOCIMI regime), reimburse capital, issue shares or dispose of assets to reduce debt.

(12) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

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

		Thousands of Euros	
		2018	
		Non-current	Current
		Carrying amount	Carrying amount
Debts and payables			
Financial liabilities from issue of bonds	139,077		3,482
Other financial liabilities with third parties	37		-
Short-term debts with Group companies and associates	-		50,487
Trade and other payables (Note 13)	-		11,886
Total financial liabilities	139,114		65,855
		Thousands of Euros	
		2017	
		Non-current	Current
		Carrying amount	Carrying amount
Debts and payables			
Financial liabilities from issue of bonds	138,787		3,482
Other financial liabilities with third parties	39		-
Other financial liabilities with the Group	-		145
Short-term debts with Group companies and associates	-		7,505
Trade and other payables	-		16,571
Total financial liabilities	138,826		27,703

At 31 December 2018 and 2017 the carrying amounts of the financial liabilities recorded at amortised cost do not differ from the fair value.

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(b) Classification of financial liabilities by maturity

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

	2018						
	Thousands of Euros						
	2019	2020	2021	2022	2023 and remaining years	Indefinite	Total
Debt from issue of bonds (a)	3,482	-	-	140,000	-	-	143,482
Other financial liabilities - security deposits and other	-	-	-	-	-	37	37
Short-term debts with Group companies and associates (*)	50,487	-	-	-	-	-	50,487
Trade and other payables	11,886	-	-	-	-	-	11,886
Total	65,855	-	-	140,000	-	37	205,855

(*) This amount corresponds to the current accounts with subsidiaries that, despite maturing 31 December 2019, are tacitly renewed on a yearly basis.

	2017						
	Thousands of Euros						
	2018	2019	2020	2021	2022 and remaining years	Indefinite	Total
Debt from issue of bonds (a)	3,482	-	-	-	140,000	-	143,482
Other financial liabilities - security deposits and other	145	-	-	-	-	39	184
Short-term debts with Group companies and associates	7,505	-	-	-	-	-	7,505
Trade and other payables	16,571	-	-	-	-	-	16,571
Total	27,703	-	-	-	140,000	39	167,742

(a) The effect of measuring financial liabilities from bonds held with credit institutions at amortised cost decreases the nominal value of these liabilities by EUR 923 thousand (EUR 1,213 thousand in bonds in 2017).

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(c) Financial liabilities from borrowings

i) Main characteristics of debt from bonds

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

In this respect, on 19 February 2015 the Company carried out an improved bond issue amounting to a total of EUR 140 million, each with a nominal value of EUR 100 thousand.

On 8 March 2018, the investment properties pledged as collateral for bonds were amended once more. Said amendment comprised the cancellation of the mortgage on the Alovera I, Alovera II, Alovera C2, Alovera C5/C6 and Almussafes logistics bays, the Marcelo Spínola and Eloy Gonzalo office buildings, and the pledging of the Anec Blau Shopping Centre and the stakes in LE Retail Anec Blau, S.L.U.

The main characteristics of the issue are therefore as follows:

- Issuer: Lar España Real Estate SOCIMI, S.A.
- Amount of the issue: EUR 140,000 thousand.
- Nominal value of each bond: EUR 100 thousand.
- Maturity: 7 years. In certain circumstances the early amortisation of this instrument is possible.
- Interest rate: 2.9%.
- Nature of the issue: Simple bonds.
- Guarantees: Guarantees, which appear below, were established up to a maximum amount of 20% of the placement: The mortgaged assets are as follows: the Txingudi, Albacenter, Las Huertas, Albacenter Hypermarket, Anec Blau shopping centres and the Eroski hypermarkets. An ordinary pledge has also been established on the shares in LE Retail Txingudi, S.L.U., LE Retail Huertas, S.L.U., LE Retail Albacenter, S.L.U., LE Retail Anec Blau, S.L.U., LE Retail Hipermercados I, S.L.U., LE Retail Hipermercados II, S.L.U. and LE Retail Hipermercados III, S.L.U.

The issuance expenses associated with this issue amounted to EUR 1,995 thousand, which were recorded by reducing the debt. In the 2018 period, EUR 289 thousand of these expenses (EUR 281 thousand in 2017) were posted under "Financial costs" on the income statement for the period. The interest accrued at 31 December 2018 totalled EUR 4,060 thousand (EUR 4,060 thousand at 31 December 2017). Of said total, the amount of EUR 3,482 thousand was outstanding at 31 December 2018, to be paid in February of 2019.

At 31 December 2018, the investment assets that had been pledged as collateral for bonds have a fair value of EUR 260,534 thousand and correspond to the aforesaid assets, all of which comprise investment property that belongs 100% to the subsidiaries of the Company.

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Covenants

With respect to the bonds, the issue includes the fulfilment of certain ratios by the Group, calculated using the consolidated financial statements.

- The Interest Hedging Ratio must be 1.25% or more, calculated by dividing EBITDA by the financial expenses for the reporting period.
- The Loan-to-Value Ratio must be 65% or less, calculated by dividing the consolidated financial debt by the total consolidated value of the asset.

In addition the Group undertook to establish new guarantees in those cases in which the Interest Hedging Ratio is less than 1.75% and the Loan-to-Value Ratio is less than 60%.

The Directors believe the ratios are met at 31 December 2018 without the need for additional guarantees and they believe these ratios will be met in 2019.

ii) Short-term debts with Group companies and associates

At 31 December 2017 this category included the amount corresponding to the credit line formalised with the associate Inmobiliaria Juan Bravo 3, S.L., which was compensated on 26 February 2018 (Note 7b).

In addition, in the 2018 period current accounts were formalised with subsidiaries, whose amount at 31 December 2018 totals EUR 50,487 thousand and accrue interest at a fixed rate of 0.21%, to be paid annually. Said current accounts with partners mature 31 December 2019, however, the contract will be implicitly renewed for yearly period unless express notice is given to the contrary.

The financial interest accrued in the 2018 period totalled an expense of EUR 84 thousand and such interest were recorded under "Financial expenses due to loans with Group companies and associates" (Note 16a).

iii) Bank borrowings

On 16 May 2018, the Company 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%. At 31 December 2018 no amount of said credit line had been drawn down. The financial expenses accrued in the 2018 period in terms of said credit line totalled EUR 131 thousand.

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(13) TRADE AND OTHER PAYABLES

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

	Thousands of Euros
	2018
Trade payables	328
Suppliers, related companies (Note 16)	9,303
Personnel	116
Public entities, other (Note 15)	2,139
Customer advances	-
Total	11,886

	Thousands of Euros
	2017
Trade payables	1,622
Suppliers, associates	10,756
Personnel	136
Public entities, other	57
Customer advances	4,000
Total	16,571

(14) INFORMATION ON THE AVERAGE NUMBER OF DAYS PAYABLE OUTSTANDING

Below appears the information required by the third additional Provision of Law 15/2010, of 5 July (amended by the second final Provision of Law 31/2014, of 3 December), which was prepared pursuant to the Resolution of 29 January 2016 by Spain’s Accounting and Audit Institute on the information to be included in the report on the financial statements in terms of the average number of days payable outstanding to suppliers in commercial transactions:

	2018	2017
	Days	Days
Average number of days payable outstanding to suppliers	13	29
Ratio of paid operations	13	29
Ratio of operations pending payment	136	5

	Thousands of Euros	Thousands of Euros
Total effected payments	51,709	48,184
Total pending payments	93	32

Pursuant to the Resolution by Spain’s Accounting and Audit Institute on the calculation of the average number of days payable outstanding to suppliers, commercial transactions

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corresponding to the delivery of goods or rendering of services accrued since the date Law 31/2014 of 3 December entered into force were taken into consideration.

Trade payables as they relate to goods and services included in “Short-term suppliers, related companies” and “Sundry creditors” of the current liability of the balance sheet are considered suppliers, for the exclusive purpose of providing the information established in this Resolution.

“Average number of days payable outstanding to suppliers” is understood to mean the time passed between the delivery of goods or the rendering of services by the supplier and the material payment of the transaction.

The maximum legal payment period applicable to the Company in the 2014/15 period according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days until the publication of Law 11/2013 of 26 July and 30 days as of the publication of said Law and as of today’s date (unless the conditions established in same are met, which would allow said maximum payment period to be extended to 60 days).

(15) PUBLIC ENTITIES AND TAXATION

(a) Current balances with public entities

Details on balances with public entities at 31 December 2018 and 2017 are as follows:

Receivables

	2018	2017
	Thousands of Euros	Thousands of Euros
Taxation authorities, VAT recoverable	-	1,328
Taxation authorities, other withholdings	1,241	1,214
	<u>1,241</u>	<u>2,542</u>

Payables

	2018	2017
	Thousands of Euros	Thousands of Euros
Taxation authorities, VAT payable	2,076	-
Taxation authorities, personal income tax withholdings payable	59	52
Social Security contributions payable	4	5
	<u>2,139</u>	<u>57</u>

The amount recorded under “Taxation authorities, other withholdings” corresponds to the withholdings effected with respect to income from the loans granted to associates in the 2018 period (Note 7b). The Company subsequently requests the return of said effected withholdings.

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(b) Reconciliation of accounting profits and losses and taxable income

At 31 December 2018 and 2017, the taxable fiscal base comprises the following items:

	Thousands of Euros	
	31/12/2018	31/12/2017
Profit before taxes	76,082	19,211
Permanent differences	(5,164)	38
Temporary differences	-	(95)
Taxable income (tax loss)	70,918	19,154
Tax payable (0%)	-	-
Corporate income tax expense/income	-	-

As of the 2014 period the Company is included under the SOCIMI tax regime. Pursuant to what is established therein, the tax rate applicable to the tax base is 0%, such that no expense has been recorded for Corporate Income Tax.

Deferred tax assets and liabilities

The Company has not recorded deferred tax assets for the temporary differences because the applicable rate is calculated at 0%.

(c) Periods pending verification and inspections

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At the 2018 reporting date, the Company has open to inspection by the taxation authorities all the main applicable taxes since its incorporation. The Company's directors consider that the aforementioned taxes have been adequately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of operations, the accompanying financial statements would not be significantly affected by any resulting liabilities.

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(d) Reporting requirements for SOCIMIs pursuant to Law 11/2009 amended by Law 16/2012

	2018 Period
a) Reserves from periods prior to the application of the tax regime provided in Law 11/2009, amended by Law 16/2012 of 27 December.	-
b) Reserves for each period in which the special tax regime provided by that Law is applicable	2018 profits proposed to be distributed to reserves: EUR 7,608 thousand to legal reserve and EUR 121 thousand to voluntary reserve. 2017 profits proposed to be distributed to reserves: EUR 1,921 thousand to legal reserve and EUR 4 thousand to voluntary reserve. 2016 profits proposed to be distributed to reserves: EUR 380 thousand to legal reserve and EUR 4 thousand to voluntary reserve. 2015 profits to be distributed to reserves: EUR 501 thousand to the legal reserve and EUR 6 thousand to voluntary reserves. 2014 profits to be distributed to reserves: EUR 166 thousand to the legal reserve and EUR 167 thousand to voluntary reserves.
a. Profits from income subject to the general income tax rate	2018 profits: EUR 5,165 thousand.
b. Profits from income subject to a tax rate of 19%	-
c. Profits from income subject to a tax rate of 0%	2018 profits: EUR 70,917 thousand. 2017 profits: EUR 19,211 thousand. 2016 profits: EUR 3,800 thousand. 2015 profits: EUR 5,006 thousand. 2014 profits: EUR 1,664 thousand.
c) Dividends distributed against profits for each period in which the tax regime provided by this Law is applicable	Proposed dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
a. Dividends from income subject to the general income tax rate	Proposed dividend distribution for 2018: EUR 5,165 thousand.
b. Dividends from income subject to a tax rate of 18% (2009) and 19% (2010 to 2012)	-
c. Dividends from income subject to a tax rate of 0%	Proposed dividend distribution for 2018: EUR 68,353 thousand. Dividend distribution for 2017: EUR 17,286 thousand. Dividend distribution for 2016: EUR 3,416 thousand. Dividend distribution for 2015: EUR 4,499 thousand. Dividend distribution for 2014: EUR 1,331 thousand.
d) Distributed dividends charged against reserves,	-
a. Distribution charged against reserves subject to the general income tax rate	-

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	2018 Period
b. Distribution charged against reserves subject to a tax rate of 19%	-
c. Distribution charged against reserves subject to a tax rate of 0%	<ul style="list-style-type: none"> - Distribution of dividends from 2018 against the issue premium: EUR 6,647 thousand. - Distribution of dividends from 2017 against the issue premium: EUR 27,714 thousand. - Distribution of dividends from 2016 against the issue premium: EUR 26,565 thousand. - Distribution of dividends from 2015 against the issue premium: EUR 7,521 thousand.
e) Date of the agreement on the distribution of the dividends referenced in c) and d) above	2018 dividends: Pending approval by the General Shareholders' Meeting 2017 dividends: 19/04/2018 2016 dividends: 29/05/2017 2015 dividends: 21/04/2016 2014 dividends: 27/04/2015
f) Date of acquisition of properties for lease that generate income subject to this special regime	2016 Period: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014 2015 Period: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014 2014 Period: Txingudi Shopping Centre: 24 March 2014 Las Huertas Shopping Centre: 24 March 2014 Albacenter Shopping Centre: 30 July 2014 Anec Blau Shopping Centre: 31 July 2014 Marcelo Spínola Office Building: 31 July 2014
g) Date of acquisition of shares in the capital of the entities referenced in Article 2.1 of this Law.	<ul style="list-style-type: none"> • LE Logistic Alovera I y II, S.A.U.: 23 July 2014 • LE Retail Hiper Albacenter, S.A.U. 4 November 2014 • LE Retail Alisal, S.A.U.: 4 November 2014 • LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 • LE Retail As Termas, S.L.U.: 18 December 2014 • LE Logistic Almussafes, S.L.U.: 4 March 2015 • LE Logistic Alovera III y IV, S.L.U.: 4 March 2015

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	2018 Period
	<ul style="list-style-type: none"> • LE Retail Hiper Ondara, S.L.U.: 9 June 2015 • LE Offices Joan Miró 21, S.L.U.: 4 March 2015 • LE Retail El Rosal, S.L.U.: 7 July 2015 • LE Retail Vidanova Parc, S.L.U.: 26 March 2015 • LE Retail Megapark, S.L.U.: 29 May 2015 • LE Retail Galaria, S.L.U.: 20 July 2015 • Lar España Shopping Centres VIII, S.L.U.: 4 August 2015 • LE Retail Vistahermosa, S.L.U.: 4 August 2015 • LE Retail Sagunto II, S.L.U.: 4 August 2015 • LE Retail Villaverde, S.L.U.: 21 September 2015 • LE Retail Anec Blau, S.L.U.: 29 April 2016 • LE Retail Albacenter, S.L.U.: 29 April 2016 • LE Retail Txingudi, S.L.U.: 29 April 2016 • LE Retail Las Huertas, S.L.U.: 29 April 2016 • LE Retail Portal de la Marina, S.L.U.: 41.22% on 30 March 2016 and 58.78% on 10 October 2014. • LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 • LE Retail Abadía, S.L.U.: 27 March 2017 • LE Retail Hipermercados I, S.L.U.: 27 March 2017 • LE Retail Hipermercados II, S.L.U.: 27 March 2017 • LE Retail Hipermercados III, S.L.U.: 27 March 2017 • LE Retail Rivas, S.L.U.: 6 February 2018
h) Identification of the asset included in the 80% mentioned in Article 3.1 of this Law	<p>- Investment property:</p> <p> Txingudi Shopping Centre Las Huertas Shopping Centre Albacenter Hypermarket Anec Blau Shopping Centre Albacenter Hypermarket Eloy Gonzalo 27 Office Building As Termas Shopping Centre Portal de la Marina Hypermarket El Rosal Shopping Centre Portal de la Marina Shopping Centre As Termas Petrol Station Lagoh Shopping Centre Vidanova Parc Shopping Centre Vistahermosa Retail Park Gran Vía de Vigo Shopping Centre Abadía Business Park and Shopping Centre Eroski Hypermarkets Megapark Leisure Area Rivas Retail Park </p>

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	2018 Period
	<p>- Capital investments:</p> <ul style="list-style-type: none"> • LE Logistic Alovera I y II, S.A.U.: 23 July 2014 • LE Retail Hiper Albacenter, S.A.U.: 4 November 2014 • LE Retail Alisal, S.A.U.: 4 November 2014 • LE Offices Eloy Gonzalo 27, S.A.U.: 18 December 2014 • LE Retail As Termas, S.L.U.: 18 December 2014 • LE Logistic Almussafes, S.L.U.: 4 March 2015 • LE Logistic Alovera III y IV, S.L.U.: 4 March 2015 • LE Retail Hiper Ondara, S.L.U. : 9 June 2015 • LE Offices Joan Miró 21, S.L.U. : 4 March 2015 • LE Retail El Rosal, S.L.U. : 7 July 2015 • LE Retail Vidanova Parc, S.L.U. : 26 March 2015 • LE Retail Galaria, S.L.U. : 20 July 2015 • Lar España Shopping Centres VIII, S.L.: 4 August 2015 • LE Retail Vistahermosa, S.L.U. : 4 August 2015 • LE Retail Sagunto II, S.L.: 4 August 2015 • LE Retail Villaverde, S.L.U. : 21 September 2015 • LE Retail Anec Blau, S.L.U.: 29 April 2016 • LE Retail Albacenter, S.L.U.: 29 April 2016 • LE Retail Txingudi, S.L.U.: 29 April 2016 • LE Retail Las Huertas, S.L.U.: 29 April 2016 • LE Retail Gran Vía de Vigo, S.A.U.: 15 September 2016 • LE Retail Abadía, S.L.U.: 27 March 2017 • LE Retail Hipermercados I, S.L.U: 27 March 2017 • LE Retail Hipermercados II, S.L.U: 27 March 2017 • LE Retail Hipermercados III, S.L.U: 27 March 2017 • LE Retail Rivas, S.L.U.: 6 February 2018
i) Reserves from periods in which the special tax regime provided in this Law was applicable that have been applied in the tax period other than for the distribution thereof or to offset losses. The period from which these reserves have been taken must be specified.	-

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(16) RELATED PARTY BALANCES AND TRANSACTIONS

(a) The Company's balances and transactions with related parties

On 12 February 2014, the Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the Manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Company and the financial management thereof.

On 19 February 2018, the Company entered into a new agreement with its manager, for the purpose of renewing the terms of the Investment Management Agreement. 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 totalled EUR 8,740 thousand (net of expenses discounted on the basis of the management contract formalised between the parties, which totalled EUR 775 thousand). At 31 December 2018 EUR 737 thousand of this amount was outstanding. At 31 December 2017 the base fee expense totalled EUR 9,023 thousand of which EUR 756 thousand was outstanding at 31 December 2017.

Additionally, pursuant to Clause 7.2 of the Investment Management Contract, Grupo Lar Inversiones Inmobiliarias, S.A. had the right to a Performance Fee that was paid to the manager depending on the profitability obtained by the Company shareholders, increased EPRA NAV and the market capitalisation of the company.

At 31 December 2018 no variable amount has accrued with respect to the increase of market capitalisation.

In relation to the increase in EPRA NAV and taking into account that the shareholders' returns calculated by the Company amounted to EUR 148,688 thousand in 2018, a Performance Fee was earned in the amount of EUR 8,566 thousand (EUR 10,000 thousand in 2017), which was recorded as a liability.

Pursuant to Clause 7.2.2 of the management contract, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Company may issue, or at the Company election, to acquire same's treasury shares.

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The manager was entitled, under the original Investment Management Agreement (IMA), to receive a fee linked to the sale of investment property when the amount of said sales 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. Said amount has been liquidated as at 31 December 2018.

Re-invoicing among Group companies

In the 2018 period the Company formalised management and service provision contracts with Group companies, with expenses of this nature incurred by the Company to be passed on to Group companies.

In this respect, in the 2018 period, the Company invoiced EUR 37,049 thousand, net of VAT, for management support services (EUR 21,335 thousand in the 2017 period). This amount is distributed among the subsidiaries in accordance with the weighted average of the market value of their assets at 30 June of the relevant period.

In addition, the Company subscribed to agreements with certain Group companies to pass on the financial cost of the bonds. The amount passed on at 31 December 2018 in this respect totalled EUR 4,352 thousand (EUR 4,341 thousand in 2017), and is recorded under “Net turnover”.

Income from loans and stakes in Group, associate and multi-group companies

The amount of income obtained by the Company with respect to the credit delivered to Inmobiliaria Juan Bravo 3, S.L. (Note 7) and to the income obtained through dividends received from subsidiaries amounted to EUR 27,921 thousand and EUR 38,941 thousand in the 2018 period, respectively (EUR 2,072 thousand and EUR 13,829 thousand in the 2017 period).

The aforesaid amounts were recorded in the 2018 period as net turnover in accordance with the Company’s standing as a holding company.

Transactions and balances with related parties in the 2018 and 2017 periods are as follows:

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2018					
Thousands of Euros					
	Balances			Transactions	
	Loans and receivables		Trade payables	Current account	
	Income (*)	Expense			
Balances with Group and related companies	Long-term	Short-term	Short-term	Short-term	
Balances with Group companies					
LE Retail Txingudi, S.L.U.	-	1,819	-	-	1,543
LE Retail Las Huertas, S.L.U.	-	611	-	-	518
LE Retail Anec Blau, S.L.U.	-	2,974	-	-	2,534
LE Retail Albacenter, S.L.U.	-	2,368	-	-	1,770
LE Offices Marcelo Spínola, S.L.U.	-	1,871	-	-	1,587
LE Logistic Alovera I y II, S.A.U.	-	1,778	-	17,152	1,508
LE Offices Eloy Gonzalo 27, S.A.U.	-	1,874	-	-	1,588
LE Retail As Termas, S.L.U.	-	2,552	-	-	2,172
LE Logistic Alovera III y IV, S.L.U.	-	380	-	3,002	322
LE Logistic Almussafes, S.L.U.	-	287	-	4,801	244
LE Retail Hiper Ondara, S.L.U.	-	10,270	-	15,701	8,817
LE Offices Joan Miró 21, S.L.U.	-	652	-	-	561
LE Retail Vidanova Parc, S.L.U.	-	1,084	-	-	931
LE Retail Galaria, S.L.U.	-	193	-	293	166
Lar España Shopping Centres VIII, S.L.U.	-	2,669	-	-	2,299
LE Retail Vistahermosa, S.L.U.	-	1,499	-	-	1,291
LE Retail Gran Vía de Vigo, S.A.U.	-	5,058	-	-	4,328
LE Retail Hiper Albacenter, S.A.U.	-	724	-	-	614
LE Retail Alisal, S.A.U.	-	112	-	4,228	96
LE Retail El Rosal, S.L.U.	-	3,368	-	-	2,873
LE Retail Villaverde, S.L.U.	-	117	-	3,108	99
LE Retail Abadía, S.L.U.	-	1,986	-	-	1,711
LE Retail Hipermercados I, S.L.U.	-	858	-	-	727
LE Retail Hipermercados II, S.L.U.	-	849	-	-	720
LE Retail Hipermercados III, S.L.U.	-	858	-	-	728
Lar España Inversion Logística IV, S.L.U.	-	144	-	2,202	124
LE Retail Rivas, S.L.U.	-	1,777	-	-	1,530
Inmobiliaria Juan Bravo 3, S.L.	-	-	-	-	27,921
Dividends receivable (a)	-	-	-	-	38,941
Grupo Lar Inversiones Inmobiliarias, S.A.	-	-	(9,185)	-	-
	-	48,732	(9,185)	50,487	108,263
					(35,170)

(*) Income from re-invoicing appears net of external service expenses, which according to Note 4h totals EUR 41,282 thousand at 31 December 2018.

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(a) The details of the dividends by company at 31 December 2018 are as follows:

Company	Interim dividends over profit and loss at 31/12/2018	Dividend over profit and loss at 31/12/2017	Total
LE Retail Alisal, S.A.U	2,098	54	2,152
LE Logistic Almussafes, S.L.U.	2,185	76	2,261
LE Logistic Alovera I y II, S.A.U.	16,050	437	16,487
LE Logistic Alovera III y IV, S.L.U.	2,936	245	3,181
LE Retail As Termas, S.L.U.	-	183	183
LE Retail Galaria, S.L.U.	1,664	30	1,694
LE Retail Hiper Albacenter, S.A.U.	111	24	135
LE Retail Hiper Ondara, S.L.U.	-	28	28
LE Offices Joan Miró 21, S.L.U.	-	-	-
LE Retail Megapark, S.L.U.	-	553	553
LE Retail Villaverde, S.L.U.	1,597	47	1,644
LE Retail Vistahermosa, S.L.U.	-	125	125
LE Retail Portal de la Marina, S.L.U.	-	595	595
LE Retail Gran Vía de Vigo, S.A.U.	-	1,002	1,002
LE Retail Abadía, S.L.U.	827	38	865
LE Retail Hipermercados I, S.L.U.	343	264	607
LE Retail Hipermercados II, S.L.U.	317	192	509
LE Retail Hipermercados III, S.L.U.	215	128	343
LE Retail Anec Blau, S.L.U.	554	360	914
LE Retail Txingudi, S.L.U.	-	106	106
LE Retail Albacenter, S.L.U.	274	-	274
LE Retail Las Huertas, S.L.U.	56	-	56
LAR España Inversión Logística IV, S.L.U.	5,165	-	5,165
Total	34,392	4,549	38,941

Interim dividends over profit and loss at 31 December 2018 were approved on 27 December 2018 and were paid the same day they were approved.

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2017					
Thousands of Euros					
	Balances			Transactions	
	Loans and receivables		Trade payables	Current account	
	Income (*)	Expense			
	Long-term	Short-term	Short-term	Short-term	
Balances with Group and related companies					
Balances with Group companies					
LE Retail Txingudi, S.L.U.	-	1,265	-	-	1,141
LE Retail Las Huertas, S.L.U.	-	419	-	-	378
LE Retail Anec Blau, S.L.U.	-	3,237	-	-	2,897
LE Retail Albacenter, S.L.U.	-	1,361	-	-	1,205
LE Offices Marcelo Spínola, S.L.U.	-	1,099	-	-	992
LE Logistic Alovera I y II, S.A.U.	-	1,966	-	-	1,774
LE Offices Egeo, S.A.U.	-	248	-	-	1,180
LE Offices Eloy Gonzalo 27, S.A.U.	-	618	-	-	557
LE Retail As Termas, S.L.U.	-	1,387	-	-	1,328
LE Logistic Alovera III y IV, S.L.U.	-	222	-	-	217
LE Logistic Almussafes, S.L.U.	-	158	-	-	155
LE Retail Hiper Ondara, S.L.U.	-	138	-	-	136
LE Offices Joan Miró 21, S.L.U.	-	342	-	-	336
LE Retail Megapark, S.L.U.	-	3,085	-	-	3,034
LE Retail Vidanova Parc, S.L.U.	-	308	-	-	303
LE Retail Galaria, S.L.U.	-	166	-	-	164
Lar España Shopping Centres VIII, S.L.U.	-	746	-	-	734
LE Retail Vistahermosa, S.L.U.	-	754	-	-	740
LE Retail Gran Vía de Vigo, S.A.U.	-	2,549	-	-	2,473
LE Retail Hiper de Albacenter, S.A.U.	-	478	-	-	430
LE Retail Alisal, S.A.U.	-	300	-	-	296
LE Retail El Rosal, S.L.U.	-	1,725	-	-	1,660
LE Retail Portal de la Marina, S.L.U.	-	1,806	-	-	1,739
LE Retail Villaverde, S.L.U.	-	176	-	-	174
LE Retail Abadía, S.L.U.	-	774	-	-	761
LE Retail Hipermercados I, S.L.U.	-	201	-	-	198
LE Retail Hipermercados II, S.L.U.	-	201	-	-	198
LE Retail Hipermercados III, S.L.U.	-	201	-	-	198
LE Retail Sagunto II, S.L.U.	-	32	-	-	31
LE Offices Arturo Soria, S.L.U.	-	-	-	-	247
Inmobiliaria Juan Bravo 3, S.L.	2,161	27,718	-	(7,505)	2,072
Dividends receivable (a)	-	13,476	-	-	13,829

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Balances with related companies

Grupo Lar Inversiones Inmobiliarias, S.A.	-	-	(10,756)	-	-	(19,023)
	2,161	67,156	(10,756)	(7,505)	41,577	(19,023)

(a) Receivable dividends

Company	Interim dividends over profit and loss at 31/12/2017	Dividend over profit and loss at 31/12/2016	Total
LE Retail Alisal, S.A.U	398	34	432
LE Logistic Almussafes, S.L.U.	387	24	411
LE Logistic Alovera I y II, S.A.U.	529	150	679
LE Logistic Alovera III y IV, S.L.U.	374	16	390
LE Retail As Termas, S.L.U.	956	-	956
LE Offices Egeo, S.A.U.	406	-	406
LE Offices Eloy Gonzalo 27, S.A.U	-	-	-
LE Retail Galaria, S.L.U.	307	8	315
LE Retail Hiper Albacenter, S.A.U.	251	20	271
LE Retail Hiper Ondara, S.L.U.	270	3	273
LE Offices Joan Miró 21, S.L.U.	166	-	166
LE Retail Megapark, S.L.U.	2,179	-	2,179
LE Retail Villaverde, S.L.U.	278	25	303
LE Retail Vistahermosa, S.L.U	473	-	473
LE Retail Portal de la Marina, S.L.U.	1,786	72	1,858
LE Retail Gran Vía de Vigo, S.A.U.	1,139	-	1,139
LE Retail Abadía, S.L.U.	905	-	905
LE Retail Hipermercados I, S.L.U.	478	-	478
LE Retail Hipermercados II, S.L.U.	529	-	529
LE Retail Hipermercados III, S.L.U	520	-	520
LE Retail Anec Blau, S.L.U.	622	-	622
LE Retail Txingudi, S.L.U.	342	-	342
LE Retail Albacenter, S.L.U.	111	-	111
LE Retail Las Huertas, S.L.U.	70	-	70
Total	13,476	352	13,828

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(b) Information on the Company's Board of Directors and senior management personnel

The remuneration received by the members of the board of directors and senior management personnel of the Group during 2018 and 2017, 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	-	590	-	-	194*	-	-	-
Senior management personnel	437	-	-	-	-	-	-	-
	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	-	464	-	-	49*	-	-	-
Senior management personnel	447	-	-	-	-	-	-	-

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

At 31 December 2018, allowances for the Board of Directors include EUR 85 thousand for the non-director Secretary of the Board of Directors (EUR 75 thousand at 31 December 2017).

At 31 December 2018 the company had 7 Board members, 5 men and 2 woman (at 31 December 2017 the company had 7 Board members, 6 men and 1 woman).

At 31 December 2018 and 2017 the Company has no pension or life insurance obligations with former or current members of the Board of Directors or Senior Management personnel of the Company.

At 31 December 2018 and 2017 no advances or loans have been extended to Members of the Board or Senior Management.

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(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors

Apart from the transactions with related parties listed above, in 2018 the Directors and the members have not carried out any transactions other than ordinary business or with conditions other than market conditions with related parties or with Group companies.

(d) Investments and positions held by the Directors and their related parties in other companies

The Directors of the Company and their related parties have had no conflicts of interest requiring disclosure in accordance with Article 229 of the Revised Spanish Companies Act.

Notwithstanding the above, it is informed that the board member Mr Miguel Pereda Espeso holds the following positions in other companies:

- i. Board Member of Grupo Lar Inversiones Inmobiliarias S.A. (managing company of the Company). This situation of potential conflict of interest was expressly saved by the then sole shareholder of the Company, Grupo Lar Inversiones Inmobiliarias, S.A., by the appointment of Miguel Pereda as board member of Lar España Real Estate SOCIMI, S.A. on 5 February 2014 and by the General Shareholders' Meeting on 29 May 2017.
- ii. President of the Board of Villamagna, S.A.
- iii. Sole Administrator of Fomento del Entorno Natural, S.A. in which he is also a shareholder (holding property of 13.85% of the shares).
- iv. Mr Miguel Pereda Espeso holds positions in affiliated companies of Grupo Lar Inversiones Inmobiliarias S.A. as indicated below:

Company	Position/Role	Number of Shares	% of Participation
Grupo Lar Inversiones Inmobiliarias, S.A.	Executive Committee Director and Secretary	5,605	24.95%
Grupo Lar Europa del Este, S.L.U.	Director	N/A	N/A
Grupo Lar Holding Iberia, S.A.U. (formerly Grupo Lar Holding Residencial, S.A.U.)	President and Chief Executive Officer	N/A	N/A
Inmobérica de Gestión, S.L.U.	Sole Administrator	N/A	N/A
Grupo Lar Terciario, S.L.U.	President of the Board of Directors	N/A	N/A
Grupo Lar Unidad Terciario, S.L.U. (formerly Desarrollo Residencial Padre Piquer, S.L.U)	Sole Administrator	N/A	N/A
Global Caronte, S.L.U.	Joint and Several Administrator	N/A	N/A
Global Byzas, S.L.U.	Sole Administrator	N/A	N/A
Oficinas Calle Albarracín, S.L.U.	Sole Administrator	N/A	N/A
Desarrollos Ibéricos Lar, S.L.U.	Joint and Several Administrator	N/A	N/A
Grupo Lar Desarrollo Suelo, S.L.U. (formerly Parque Comercial Cruce de Caminos, S.L.U.)	Joint and Several Administrator	N/A	N/A
Proactivo Servicios Generales, S.L.U.	Sole Administrator	N/A	N/A

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Company	Position/Role	Number of Shares	% of Participation
Parque Castilleja, S.L.	President and Joint and Several Chief Executive Officer	N/A	N/A
Grupo Lar Grosvenor Dos Servicios, S.L.	Individual representing the Sole Administrator of Grupo Lar Terciario, S.L.	N/A	N/A
Inversiones Yarmuk, S.A.	Individual representing the sole administrator of Global Byzas, S.L.	N/A	N/A
Grupo Lar Oficinas Europeas, S.A.U.	Sole Administrator	N/A	N/A
Acacia Inmuebles, S.L.	President of the Board of Directors	N/A	N/A
Inmuebles Logísticos Iberia, S.L.	President of the Board of Directors	N/A	N/A
Logistic Assets Real Estate, S.L.U.	Individual representing the Sole Administrator of Inmuebles Logísticos Iberia, S.L.	N/A	N/A
Naves Logísticas Quart, S.L.U.	Individual representing the Sole Administrator of Logistic Assets Real Estate, S.L.U.	N/A	N/A

Notwithstanding the above, the board member Mr Miguel abstained from participating in those decisions that might have created a conflict of interest.

(17) INCOME AND EXPENSES

a) Net turnover

The distribution of the net turnover corresponding to the 2018 and 2017 periods, by activity category and geographic market, is as follows:

	2018	2017
	Thousands of Euros	Thousands of Euros
Income from dividends (Note 16a)	38,941	13,829
Income from investments in Group companies and associates (Note 7b)	27,921	2,072
Income from invoicing financial expenses within the Group (Note 16a)	4,352	4,341
Income from disposing of equity instruments (Note 7a)	15,507	7,569
	<u>86,721</u>	<u>27,811</u>
	2018	2017
	Thousands of Euros	Thousands of Euros
Spain	86,721	27,811
	<u>86,721</u>	<u>27,811</u>

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b) Personnel expenses

The details of employee benefits expense at 31 December 2018 and 2017 are as follows:

	Thousands of Euros
	2018
Salaries and wages	447
Other benefits and taxes	55
	<u>502</u>
	Thousands of Euros
	2017
Salaries and wages	477
Other benefits and taxes	64
	<u>541</u>

c) Other operating expenses

	Thousands of Euros
	2018
Independent professional services	1,417
Insurance premiums	250
Bank fees and commissions	8
PR and advertising	97
Supplies	2
Other expenses	1,002
Taxes other than corporate income tax	7
	<u>2,783</u>
	Thousands of Euros
	2017
Independent professional services	2,284
Insurance premiums	90
Bank fees and commissions	62
PR and advertising	51
Supplies	2
Other expenses	997
Taxes other than corporate income tax	5
	<u>3,491</u>

On 31 December 2018 Lar España Real Estate SOCIMI, S.A. invoiced each subsidiary of which it controlled 100% the total amount of EUR 37,049 thousand for support services for the management of these companies (EUR 21,335 thousand in 2017), which services having been rendered by the Company throughout the period and the values of which were calculated using

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the fair value, at 30 June 2018, of the properties owned by each company of the Group. This amount appears net of the expenses included under “Independent professional services” (Note 16a).

(18) EMPLOYEE INFORMATION

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

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

The gender distribution in the Company at the end of the 2018 and 2017 periods is as follows:

	Number	
	2018	
	Female	Male
Senior management personnel	1	2
Total	1	2
	Number	
	2017	
	Female	Male
Senior management personnel	1	3
Total	1	3

The expense from salaries and wages associated with these employees at 31 December 2018 is EUR 447 thousand (EUR 477 thousand at 31 December 2017).

In the 2018 and 2017 periods the Company had no employees with a 33% or greater disability.

(19) AUDIT FEES

During 2018 and 2017, fees for audit and other related services charged to the Group by the auditor of the Company, Deloitte, S.L., and by a company related to the auditor through control, shared property or management were as follows (in thousands of Euros):

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	Thousands of Euros
	2018
Audit and related services	
Audit services 2018	148.5
Other verification services	12.0
Professional services	
Other services	250.0
Total	410.5

	Thousands of Euros
	2017
Audit and related services	
Audit services 2017	148.5
Other verification services	12.0
Professional services	
Other services	170.0
Total	330.5

(20) EVENTS AFTER THE REPORTING PERIOD

On 15 January 2019 the Company acquired 100% of the stakes in Global Pergamo, S.L.U from Latorre & Asociados Consultoría, S.L. for a total of EUR 4 thousand.

On 31 January 2019 the office building owned by LE Offices Marcelo Spínola, S.L.U. was sold to the Ivesco company called IRE-RE Spínola, S.L.U. for EUR 37 million, subject to price adjustments that are typical in this type of operation. The operation had a positive equity impact on the equity of LE Offices Marcelo Spínola, S.L.U.

(21) 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.

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a) Subsidiaries

Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Logistic Alovera I y II, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	(457)	31,670	(16,050)	169	15,849	-	-	-	60
LE Retail Hiper Albacenter, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	200	200	(111)	12,432	12,581	15,390	12,758	2,632	12,480
LE Retail Alisal, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	(52)	4,110	(2,098)	2,162	4,234	-	-	-	2,210
LE Offices Eloy Gonzalo 27, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	(1,783)	(1,783)	-	19,314	17,591	39,400	18,547	20,853	19,834
LE Retail As Termas, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	1,815	630	-	28,227	28,861	85,500	67,931	17,569	28,531

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Logistic Alovera III y IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(59)	5,725	(2,935)	97	2,891	-	-	-	101
LE Logistic Almussafes, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	(46)	4,239	(2,185)	2,525	4,583	-	-	-	2,529
LE Retail Hiper Ondara, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	5,559	657	-	122,115	122,776	339,735	275,034	64,701	113,729
LE Offices Joan Miró 21, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	(712)	5,496	-	13,794	19,294	-	-	-	13,799
LE Retail Vidanova Parc, S.L.U. *	The acquisition and development of properties for lease	Subsidiary	100	100	4	(866)	(236)	-	22,796	22,564	59,910	47,209	12,701	24,068

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Retail El Rosal, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	(438)	(1,805)	-	23,246	21,444	110,210	71,761	38,449	32,067
LE Retail Galaria, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	166	3,261	(1,665)	(1)	1,599	-	-	-	4
Lar España Shopping Centres VIII, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(3,036)	(3,184)	-	94,344	91,163	132,000	104,262	27,738	96,854
LE Retail Sagunto II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	4	4	-	1,532	1,539	-	1,223	(1,223)	1,536
LE Retail Vistahermosa, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	413	(167)	-	20,169	20,005	50,540	42,903	7,637	20,345

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(2,840)	5,575	(5,165)	(9)	404	-	307	(307)	111
LE Retail Villaverde, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(34)	3,054	(1,598)	1,651	3,110	-	-	-	1,653
LE Retail Anec Blau, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	1,025	1,025	(554)	77,989	78,463	97,060	78,745	18,315	78,785
LE Retail Albacenter, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	220	220	-	30,638	30,861	44,960	31,993	12,967	30,734
LE Retail Txingudi, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(21)	(21)	-	30,637	30,619	37,500	30,640	6,860	30,761

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Retail Las Huertas, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	1	1	-	11,960	11,964	12,600	11,842	758	12,196
LE Offices Marcelo Spínola, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(2,158)	(2,158)	-	28,590	26,435	37,000	27,629	9,371	31,564
LE Retail Gran Vía de Vigo, S.A.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	502	2,430	226	-	21,831	22,559	173,000	106,947	66,053	53,932
LE Retail Abadía, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	7,204	2,151	1,199	(827)	14,617	22,193	83,410	63,110	20,300	34,780
LE Retail Hipermercados I, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	346	346	(343)	13,929	13,935	17,734	14,427	3,307	14,735

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Retail Hipermercados II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	370	370	(317)	14,064	14,120	17,541	14,647	2,894	15,955
LE Retail Hipermercados III, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	262	262	(215)	12,803	12,853	17,749	13,284	4,465	14,643
LE Retail Rivas, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	422	(185)	-	25,593	25,411	67,500	52,586	14,914	33,361
					8,019	74,132	58,731	(34,063)	647,214	679,901	1,440,046	1,087,785	352,261	721,357

* Company audited by Deloitte, S.L.

All the companies are domiciled at Calle Rosario Pino 14-16, Madrid.

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b) Joint venture

Company	Registered office	Activity	Auditor	Type of entity	% of Participation		Share capital	Operating results	Thousands of Euros			Carrying amount of investment
					Direct	Total			Profits/(losses)	Dividends	Other equity	
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property leasing and development	Deloitte	Associate	50	50	3,483	26,067	17,513	-	(3,151)	8,647

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a) Subsidiaries

Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Logistic Alovera I y II, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	966	966	(529)	42,704	43,201	62,480	43,531	18,949	42,594
LE Retail Hiper Albacenter, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	296	275	(251)	11,861	11,945	15,013	12,029	2,948	11,909
LE Retail Alisal, S.A.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	60	669	452	(398)	9,033	9,147	19,313	16,655	2,658	9,081
LE Offices Egeo, S.A.U.	The acquisition and development of properties for lease	Subsidiary	100	100	60	1,054	447	(406)	35,881	35,982	76,674	64,443	12,231	36,427

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Offices Eloy Gonzalo 27, S.A.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	60	(330)	(330)	-	15,070	14,800	26,500	15,231	11,269	15,260
LE Retail As Termas, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	2,487	1,424	(956)	29,382	29,854	82,250	67,806	14,444	30,125
LE Logistic Alovera III y IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	620	620	(374)	9,833	10,083	13,900	10,293	3,607	9,839
LE Logistic Almussafes, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	463	463	(387)	8,087	8,167	10,300	8,296	2,004	8,092
LE Retail Hiper Ondara, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	4	297	297	(270)	6,773	6,804	9,300	6,903	2,397	6,778

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Offices Joan Miró 21, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	409	228	(166)	10,387	10,453	21,450	19,546	1,904	10,392
LE Retail Megapark, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	4,849	3,415	(2,179)	76,266	77,506	204,975	166,797	38,178	77,182
LE Retail Sagunto, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	(369)	(368)	-	20,522	20,158	24,780	11,788	12,992	21,426
LE Retail El Rosal, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	675	(512)	-	24,588	24,079	108,950	73,807	35,143	33,059
LE Retail Galaria, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	4	422	337	(307)	4,808	4,842	10,700	8,356	22,344	4,813

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
Lar España Shopping Centres VIII, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(930)	(930)	-	44,711	43,784	54,000	36,000	18,000	46,292
Lar España Offices VI, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	-	-	-	(1)	2	-	-	-	3
LE Retail Vistahermosa, S.L.U. *	The acquisition and development of properties for lease	Subsidiary	100	100	3	1,116	717	(473)	21,820	22,067	50,390	43,607	6,783	21,949
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(104)	(92)	-	2,395	2,306	5,200	2,262	2,938	2,423
LE Retail Villaverde, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	3	422	324	(278)	5,188	5,237	11,343	9,060	2,283	5,189

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Retail Anec Blau, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	982	982	(622)	77,784	78,147	95,380	78,706	16,674	78,579
LE Retail Albacenter, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	387	387	(112)	29,279	29,557	41,309	29,813	11,496	29,376
LE Retail Txingudi, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	449	449	(342)	30,155	30,265	39,000	31,244	7,756	30,280
LE Retail Las Huertas, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	126	126	(70)	12,203	12,262	12,600	12,044	556	12,439
LE Offices Marcelo Spínola, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	(1,736)	(1,736)	-	29,076	27,343	37,500	27,945	9,555	30,314

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Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
LE Retail Gran Vía de Vigo, S.A.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	502	3,983	2,242	(1,139)	25,344	26,949	163,000	107,018	55,982	57,040
LE Retail Portal de la Marina, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	27,240	3,012	2,645	(1,786)	12,343	40,442	110,500	79,090	31,410	39,318
LE Retail Abadía, S.L.U.*	The acquisition and development of properties for lease	Subsidiary	100	100	7,204	2,237	1,179	(905)	8,660	16,138	65,040	42,248	22,792	29,059
LE Retail Hipermercados I, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	850	742	(478)	14,339	14,606	17,538	14,613	2,925	15,146
LE Retail Hipermercados II, S.L.U.	The acquisition and development of properties for lease	Subsidiary	100	100	3	829	721	(529)	14,524	14,719	17,424	14,837	2,587	16,416
LE Retail	The	Subsidiary	100	100	3	752	648	(520)	13,203	13,334	17,570	13,456	4,114	15,044

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2017

Company	Activity	Type of entity	% of Participation		Thousands of Euros									
			Direct	Total	Share capital	Operating results	Profits/(losses)	Dividends	Other equity	Total equity (a)	Market value (b)	Carrying amount (c)	Implicit capital gains (d=b-c)	Carrying amount of investment (e)
Hipermercados III, S.L.U.	acquisition and development of properties for lease	ary												
					35,320	24,883	16,118	(13,477)	646,218	684,179	1,411,779	1,025,176	376,919	745,844

* Company audited by Deloitte, S.L.

All the companies are domiciled at Calle Rosario Pino 14-16, Madrid.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Information on Group Companies
31 December 2017

b) Joint venture

Company	Registered office	Activity	Auditor	Type of entity	% of Participation		Share capital	Operating results	Profits/(losses)	Thousands of Euros		
					Direct	Total				Dividends	Other equity	Carrying amount of investment
Inmobiliaria Juan Bravo 3, S.L.	Rosario Pino 14-16, Madrid	Property leasing and development	Deloitte	Associate	50	50	3,483	22,438	20,769	-	(23,946)	11,443

1 Position of the Company

1.1 Organisational structure and functional operation

The Company is a recent establishment 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 Company's Board of Directors.

Group companies, most of which are 100% owned by the Company, with the exception of IJB (50%), carry out their activity with the following types of assets:

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

The Company focuses its strategy on searching for shopping centres with great potential for growth and with shortcomings 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 made an exception investment in the luxury residential market in Madrid, through the joint development (50%) of the Lagasca99 project with PIMCO. The development, most of which has already been delivered, is not in response to a strategic line in envisaged in the future business plans.

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

- In accordance with the Group investment strategy, said Group shall focus 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.

2 Development and business results

2.1 Introduction

At the 2018 reporting date, the Company's revenue amounted to 86,721 thousand euros, which corresponded to returns from dividends received from investee companies, financial income from financing granted to same and returns from the disposal of equity instruments in accordance with their standing as holding companies.

The operating result before amortisations, provisions and interest (EBITDA, is calculated as the result of the operations, net of amortisation expenses) presents a positive result of 83,436 thousand euros.

The negative financial result was 7,354 thousand euros.

The Company's profit for the period amounts to 76,082 thousand euros.

2.2 Other financial indicators

At 31 December 2018, the Company presents the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 142,038 thousand (EUR 110,981 thousand at 31 December 2017).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) → 3.16 (5.16 at 31 December 2017).
- Solvency ratio (calculated as non-current liabilities and equity divided by non-current assets → 1.20 (1.16 at 31 December 2017).

These ratios represent particularly high values, indicating that the Company 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 Company's rate of return divided by its equity, is 10.67% (it was 2.85% 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 at 31 December 2018.

The ROA ("Return on Assets"), which measures the efficiency of the Company's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 8.29% (2.28% 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 at 31 December 2018.

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 "Full 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 Matters regarding the environment and personnel

Environment

The Company takes measures to prevent, reduce and repair the damage caused to the environment by its activities. However, due to its nature, the Company's activity does not have a significant impact on the environment.

Personnel

At 31 December 2018 the Company has 3 employees. Said employees are classified as Senior Management. In the 2018 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

In this fifth year of activity, the Company obtained liquidity mainly through:

- Credit and funding lines with Bankinter (EUR 25,000 thousand, EURIBOR 12M + 1.20% with maturity 05/16/2019) and the European Investment Bank (EUR 70,000 thousands, 1.20% with maturity 25/10/2025), respectively.
- Divestments of assets and current accounts with Group companies.

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

The Company does not have any contractual obligations that imply an outflow of liquid resources at 31 December 2018 beyond those mentioned in point 3.1.

At 31 December 2018, the Company does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Company, the expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

The Company is exposed to a variety of risk factors arising from the nature of its business. The Company's Board of Directors is responsible for approving the risk management and control policy, and it assumes responsibility for identifying the Company's main risks and supervising the internal oversight systems; it is informed by the Audit and Oversight Committee. The Group's Risk Management and Control System identifies, groups, manages and control risks that could potentially affects said Group.

5 Significant circumstances occurring after the close

No important circumstances arose after the reporting period other than those mentioned under post-closing events.

6 Information on the foreseeable evolution of the Company

After the investment volume carried out 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 the profitability with respect to the purchase price. All of this will be reflected in the greater value of the assets in our portfolio.

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

Based on available information and the current business plans, we believe that the Company will be in a position to continue making progress in 2019 and in subsequent years.

7 R&D+i activities

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

8 Acquisition and disposal of treasury stock

The Parent Company formalised a share buy-back programme between Lar España and its liquidity provider, aimed at a maximum of 3,160,000 shares, representing 3.33% of the share capital, which may be acquired at a price no greater than (a) the price of the last independent transaction or (b) the highest independent offer at that time in the business centre where the purchase is made. The maximum deadline for this programme is 28 February 2019.

The aforesaid programme suspends the 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 available for purchase/sale as treasury shares.

The average selling price of treasury shares was EUR 8.33 per share in 2018 (EUR 7.88 in 2017). The result at 31 December 2018 amounted to 33 thousand euros (131 thousand euros at 31 December 2017) was recorded under Other Reserves on the balance sheet.

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.

At 31 December 2018 the share price was EUR 7.45.

As of 31 December 2018, the Parent Company holds a total of 164,925 shares, representing 0.2% of total issued shares.

On 28 December 2018 the Board of Directors approved a decrease in share capital by amortising all of the Company's treasury shares as at said date. Said capital decrease was executed through the amortisation of 1,544,490 treasury shares with a nominal value of EUR 2 (EUR 3,089

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Management report for the period ended 31 December 2018

thousand). The share capital of the Company after the decrease shall be set at EUR 186,438 thousand, corresponding to the 93,219,044 shares with a nominal value of EUR 2.

9 Other relevant information

9.1 Stock exchange information

The initial share price at the start of the year was EUR 8.89 and the nominal value at year end was EUR 7.45. During 2018, the average price per share was EUR 8.91.

It is important to take into consideration that in May 2018, the following capital increase was effected, where same was fully subscribed by Grupo Lar Inversiones Inmobiliarias by virtue of the formalised management contract.

- The issue of 2,139,437 shares with a nominal value of EUR 2 plus an issue premium of EUR 7.78 per share.

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

9.2 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 44,966 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.

9.3 Average number of days payable outstanding to suppliers

The average number of days payable outstanding to suppliers is 13, complying with the maximum legal payment period applicable to the Company in the year 2018 according to Law 3/2004, of 29 December containing measures to combat late payments in commercial transactions and in accordance with the transitory provisions established in Law 15/2010, of 5 July.

10 Annual Corporate Governance Report

To the effects of Article 538 of the Spanish Companies Act, it is stated for the record that the 2018 Annual Corporate Governance Report forms part of this Management Report.

11 Events after the reporting period

On 15 January 2019 the Parent Company acquired 100% of the stakes in Global Pergamo, S.L.U from Latorre & Asociados Consultoría, S.L. for a total of EUR 4 thousand.

On 31 January 2018 the office building located at Calle Cardenal Marcelo Spínola 42, which was classified as held for sale at 31 December 2018, was sold to the Invesco company called IRE-RE

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Management report for the period ended
31 December 2018

Spínola, S.L.U. for EUR 37 million, subject to price adjustments that are typical in this type of operation.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Preparation of accounts and management report
for the 2018 period and statement of compliance by
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

At their meeting held on 26 February 2019, 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. (hereinafter the Company or Lar España) authorised for issue the financial statements for the period ended 31 December 2018. The financial statements comprise the attached documents that precede this certification issued on the accompanying pages of ordinary paper, all of which have been initialized by the Deputy-secretary of the Board of Directors, with all the members of the Board of Directors signing the last page.

According to the provisions of Royal Decree 1362/2007, of 19 October, (Article 8.1 b) the undersigning directors of Lar España, hereby declare that:

To the best of their knowledge, the financial statements for the annual period ended 31 December 2018, prepared in accordance with applicable accounting principles, present fairly the equity, financial position and profits/(losses) of the Company and the management report accompanying the financial statements includes a reliable analysis of the development and business results and position of Lar España together with a description of the principal risks and uncertainties that it faces.

Signatories:

Mr José Luis del Valle Doblado (Chairman)

Mr Alec Emmott

Mr Roger Maxwell Cooke

D^a. Leticia Iglesias Herraiz

Mr Miguel Pereda Espeso

Mr Laurent Luccioni

Ms Isabel Aguilera Navarro

Madrid, 26 February 2019

Appendix I

ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLICLY- LISTED COMPANIES

DATA IDENTIFYING THE ISSUER

Financial year end:

31/12/2018

Tax ID no. (CIF):

A-86918307

Registered business name:

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Registered office:

Rosario Pino 14-16, Madrid.

English loose translation for information purposes. In case of discrepancy Spanish version shall prevail.

ANNUAL CORPORATE GOVERNANCE REPORT FORM <small>FORM 17-SEP</small> FOR PUBLICLY LISTED COMPANIES
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A	OWNERSHIP STRUCTURE
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A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
28/12/2018	186,438,088.00	93,219,044	93,219,044

State whether there are different classes of shares with different rights attaching to them:

Yes ☐ No ☒ X

Class	Number of shares	Unit par value	Unit no. of voting rights	Different rights

A.2 List the company's significant direct and indirect shareholders at year-end, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Name or company name of the direct shareholder	Number of voting rights	
BLACKROCK INC.	0		2,778,497	3.679%
BRANDES INVESTMENT PARTNERS, L.P.	0		4,555,489	5.031%
FRANKLIN INTERNATIONAL SMALL CAP GROWTH FUND	4,570,501		0	4.934%
FRANKLIN TEMPLETON INSTITUTIONAL, LLC	0		7,322,773	7.905 %
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	9,476,400		0	10%
PIMCO BRAVO II FUND, L.P.	0		18,157,459	19.603%
SANTA LUCIA S.A. CIA DE SEGUROS	1,839,025		1,046,029	3.115%
THREADNEEDLE ASSET MANAGEMENT LIMITED	0		4,548,507	5.024%

Indicate the most significant movements in the shareholder structure during the financial year:

In 2018, Lar España has carried out an expansion and a reduction of capital: The first on May 7, 2018, which has been fully subscribed and paid by its management company, Grupo Lar Inversiones Inmobiliarias, S.A. ("Grupo Lar"), by disbursing the amount received as performance fee and divestment fee, net of taxes, which left the share capital set at € 189,527,068, which was divided into 94,763,534 ordinary shares with a par value of €2 each. a. The second was carried out on December 28, 2018 and left a share capital of €186,438,088 represented by 93,219,044 shares with a par value of two euros each.

Name or company name of shareholder	Transaction date	Transaction background
GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.	07/05/2018	Increased its shareholding by capital increase

A.3 Complete the following tables detailing the directors who have voting shares in the company:

Name or company name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Number of direct voting rights	Number of direct voting rights	
José Luis del Valle Doblado	0	Eugemor, SICAV, S.A.	22,425	0.025%
Isabel Aguilera Navarro	1,200		1,200	0.001%
Alec Emmott	1,155		1,155	0.001%
Roger Maxwell Cooke	2,500		2,500	0.003%
Miguel Pereda Espeso	20,905		20,905	0.023%

% of total voting rights held by the board of directors	0.053%
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Complete the following table detailing the directors who have stock options in the company:

Name or company name of director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Name of the direct shareholder	Number of voting rights	

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- A.4** Where applicable, list family, commercial, contractual or corporate relationships between significant shareholders, to the extent that the company is aware of them, unless they are scanty material or derive from the company's ordinary course of business:

Name or company name of related party	Type of relationship	Brief description
Miguel Pereda y Grupo Lar Inversiones Inmobiliarias, S.A.		Miguel Pereda is part of the Pereda family, owner of Grupo Lar Inversiones Inmobiliarias, S.A.

- A.5** Where applicable, list commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are scanty material or derive from the company's ordinary course of business:

Name or company name of related party	Type of relationship	Brief description
LVS II LUX XII, S.A.R.L (PIMCO)	Contractual "Subscription Agreement"	Right of first refusal in relation to certain opportunities to jointly invest in service and residential properties.
Grupo Lar Inversiones Inmobiliarias, S.A	Contractual "Investment Management Agreement"	Company management agreement

- A.6** Indicate whether the company has been notified of any agreements between shareholders within the meaning of articles 530 and 531 of the Spanish Corporate Enterprises Act Provide a brief description and list the shareholders bound by them, as applicable:

Yes ☐ No ☒

Shareholders bound by agreement	% of share capital affected	Brief description of agreement

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, describe briefly.

Yes ☐ No ☒

Parties to the concerted actions	% of share capital affected	Brief description of the concerted action

Expressly indicate any change in, or break-up of, said concerted actions or agreements during the year.

A.7 Indicate whether any natural or legal persons currently exercise or may exercise control over the company pursuant to article 5 of the Spanish Securities Market Act. If so, identify them.

Yes ☐ No ☒

Name or company name
Observations

A.8 Complete the following tables on the company's treasury stock:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
164,925	0	0.177%

(*) Held through:

Name or company name of the direct shareholder	Number of shares held directly
N/A	N/A
TOTAL	

Explain any significant variations arising during the financial year, pursuant to Spanish Royal Decree 1362/2007:

A.9 Detail the terms and conditions of the authorisation conferred at the general meeting to the board of directors to issue, buy back or sell treasury stock.

As stipulated in article 5.n of the Shareholder Meeting Regulations, it is the remit of the shareholders in general meeting to authorize the derivative acquisition of own shares.

At the Annual General Meeting held in May, 2017, the Company's shareholders resolved to delegate in the Board of Directors, or any of its members, for a five-year term:

- The grant of authorization to the Board of Directors to carry out the derivative acquisition of own shares, pursuant to the limits and requirements stipulated in the Corporate Enterprises Act, expressly including the power to reduce share capital, as warranted, on one or more occasions, in order to cancel own shares bought back. Delegation of powers in the Board to execute this resolution.

A.9 bis Estimated free float:

Estimated free float	70%
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- A.10** Itemise any restrictions on the ability to transfer securities and/or exercise voting rights. Specifically indicate the existence of any restrictions intended to impede the company's takeover by means of share purchases on the open market.

Indicate whether there are any legal restrictions on the exercise of voting rights:

Yes ☒ No ☐

Description of the restrictions
Pursuant to section 7.2.2 of the management agreement entered into between Lar España Real Estate and Grupo Lar, the shares acquired by the Management Company in relation to the performance fee are subject to a three-year lock-up.

- A.11** Indicate whether any measures have been adopted at the general meeting with the aim of neutralising a hypothetical takeover bid within the meaning of Spanish Law 6/2007.

Yes ☐ No ☒

If so, explain the measures approved and the terms under which they could be rendered unenforceable:

- A.12** Indicate whether the company has issued any securities that are not traded on a regulated European Union exchange.

Yes ☐ No ☒

If so, indicate the various classes of shares, listing the rights and obligations conferred in respect of each class.

B

GENERAL MEETING

- B.1** Indicate the quorum for validly calling the shareholders' meeting to order and detail any differences with respect to the minimum quorums stipulated in the Spanish Corporate Enterprises Act.

Yes ☐ No ☒

	% quorum different to art. 193 of the Spanish Corporate Enterprises Act for voting on general resolutions	% quorum different to art. 194 of the Spanish Corporate Enterprises Act for voting on special matters included in art. 194
Quorum required at first call		
Quorum required at second call		

- B.2** Indicate and detail any differences between the rules governing the adoption of corporate resolutions and the regime set forth in the Spanish Corporate Enterprises Act:

Yes ☐ No ☒

Describe any differences from the provisions set forth in the Spanish Corporate Enterprises Act:

	Qualified majority other than that stipulated in article 201.2 of the Spanish Corporate Enterprises Act for the matters provided for in article 194.1 thereof	Other situations requiring qualified majority
% stipulated for resolution ratification		
Describe the differences		

- B.3** Indicate the rules governing the amendment of the company's bylaws. Specifically, indicate the majorities required to amend the bylaws and any rules in place for protecting shareholders' rights in these instances.

There are no specific rules governing the amendment of the company's Articles of Association.

- B.4** **Indicate the attendance figures for the shareholder meetings held during the year to which this report relates and during the prior year:**

	Attendance data				
General meeting date	% attending in person	% attending by proxy	% correspondence voting		Total
			Votes cast electronically	Other	
19/04/2018	5.893	68.518	0.005	0	74.415

- B.5** **Indicate whether the bylaws impose any minimum requirement on the number of shares required to attend the general meeting.**

Yes ☐ No ☒

- B.6** **Section repealed**

- B.7** **Indicate the address and mode of accessing corporate governance content on your company's website as well as other general meeting related disclosures which must be provided to shareholders on the corporate website.**

<http://larespana.com/gobierno-corporativo/>
<http://larespana.com/gobierno-corporativo/junta-general-ordinaria-2017/>

C.1 Board of Directors

C.1.1. State the maximum and minimum number of directors stipulated in the company's bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2. Fill in the following table with the board members' details:

Name or company name of director	Representative	Director class	Position on the board	Date of first appointment	Date of last appointment	Election procedure
José Luis del Valle		Independent	Chairman	05/02/2014	29/05/2017	Not applicable
Alec Emmott		Independent	Director	05/02/2014	29/05/2017	Not applicable
Roger Cooke		Independent	Director	05/02/2014	29/05/2017	Not applicable
Miguel Pereda		Proprietary	Director	05/02/2014	29/05/2017	Not applicable
Laurent Luccioni		Proprietary	Director	29/05/2017	29/05/2017	Not applicable
Isabel Aguilera		Independent	Director	29/05/2017	19/04/2018	Cooptation ratified by the Board
Leticia Iglesias Herraiz		Independent	Director	16/10/2018	16/10/2018	Cooptation

Total number of directors	7
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Indicate any members who stepped down during the reporting period:

Name or company name of director	Class of director upon resignation	Date of departure
Pedro Luís Uriarte Santamarina	Independent director	16/10/2018

C.1.3. Fill in the following tables on the various classes of directorships:

EXECUTIVE DIRECTORS

Name or company name of director	Position at the company

Total number of executive directors	
% of total board members	

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented or proposing the appointment
Miguel Pereda Espeso	Grupo Lar Inversiones Inmobiliarias, S.A.
D. Laurent Luccioni	LVS II LUX XII, S.A.R.L.(PIMCO)

Total number of proprietary directors	2
% of total board members	28.57%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Background
José Luis, del Valle	<p>Mr. José Luis del Valle Doblado is an Independent External Director of Lar España and Chairman of the Board. He was appointed Director of Lar España by Grupo Lar Inversiones Inmobiliarias, SA, by then the sole shareholder of the Company, on February 5, 2014, and re-elected as an Independent External Director, at the proposal of the Appointments and Remuneration Committee and after receiving a favourable report of the Board of Directors, by the Annual General Meeting held on May 29, 2017. On February 6, 2014 the Board of Directors of the Company appointed Mr. del Valle Doblado its Chairman and President of the Audit and Control Committee, the position he held until May 29, 2017, when he tendered his resignation to the Board as President of the Committee. Since then Mr. del Valle Doblado is a Member of the Committee.</p> <p>Mr. del Valle has extensive experience in the banking and energy sector. From 1988 to 2002 he held various positions with Banco Santander, one of the most relevant financial entities in Spain. In 1999 he was appointed General Manager and Financial Manager of the bank (1999-2002). Subsequently he was Development and Strategy Manager of Iberdrola, one of the main Spanish energy companies (2002-2008), Managing Director of Scottish Power (2007-2008), Strategy and Research Manager of Iberdrola (2008-2010) and Advisor to the Chairman of the aerogenerator manufacturer Gamesa (2011-2012). Currently, Mr. del Valle is Director of the insurance group Ocaso; Director of Abengoa, S.A., which provides innovative technological solutions for sustainable development; Director of Verditek Plc, an investor in clean technologies; and Director of the Instituto de Consejeros-Administradores. He is also President of the Mining and Minerals Hall (MMH) Scientific Committee.</p> <p>Mr. del Valle is a Mining Engineer from Universidad Politécnica (Madrid, Spain), number one of his class, Master of Science and Nuclear Engineer from the Massachusetts Institute of Technology (Boston, USA). Furthermore, Mr. del Valle holds an MBA with high honours from Harvard Business School (Boston, USA).</p>
Leticia Iglesias	<p>Mrs. Leticia Iglesias is an independent external Director of Lar España. She was appointed by cooption by the Board of Directors, on the proposal of the Appointments and Remuneration</p>

	<p>Committee, on October 16, 2018. Likewise, on that date, the Board of Directors of the Company appointed him a member and Chair of the Committee of Audit and Control.</p> <p>Mrs. Iglesias has a wide experience in both the regulation and supervision of securities markets and in financial services. She started her professional career in 1987, in the audit division of Arthur Andersen. Then from 1989 to 2007 she further developed her career in the Securities Exchange Commission of Spain (the “CNMV”). From 2007 to 2013 she was CEO of the Spanish Institute of Chartered Accountants (ICJCE). Additionally from 2013 to 2017 she was an independent member of the Board of Directors at BMN, member of the Executive Committee, Chair of the Global Risk Committee and member of the Audit Committee. From 2017 to 2018, she was an independent member of Board of Directors at Abanca Services and Chair of the Audit and Risk Committee. Since May 2018, she has been an independent member of the Board of Directors of Abanca Bank, Chair of the Audit and Compliance Committee, member of the Global Risk Committee and member of the Comprehensive Risk Committee.</p> <p>Ms. Leticia has a degree in Economics and Business Studies from Universidad Pontificia Comillas (ICADE) and is member of the Official Registry of Auditors of Spain (ROAC).</p>
Alec Emmott	<p>Mr. Alec Emmott is an independent non-executive director of Lar España. He was appointed as a director of Lar España by Grupo Lar Inversiones Inmobiliarias S.A., the then sole shareholder of the Company, on 5 February 2014 and re-elected as external independent director, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. The Board of Directors of the Company appointed him as a member of the Appointments and Remuneration Committee on 6 February 2014. Mr. Emmott has a wide career in the listed and unlisted real estate sector in Europe, and is based in Paris. He served as CEO of Société Foncière Lyonnaise (SFL) from 1997 to 2007 and subsequently as senior advisor to SFL until 2012.</p> <p>He is currently the Principal of Europroperty Consulting, and since 2011, is a Director of CeGeREAL S.A. (representing Europroperty Consulting). He is also member of the advisory committee of Weinberg Real Estate Partners (WREP I and II). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. Mr. Emmott holds an MA from Trinity College (Cambridge UK).</p>
Roger Cooke MBE	<p>Mr. Roger Maxwell Cooke MBE is an independent non-executive director of Lar España. He was appointed as a director of Lar España by Grupo Lar Inversiones Inmobiliarias S.A., the then sole shareholder of the Company on 5 February 2014 and re-elected as external independent director, at the prior proposal of the Appointments and Remuneration Committee and following the favourable report from the Board of Directors, by the Ordinary General Shareholders' Meeting held on 29 May 2017. The Board of Directors of the Company appointed him as a member and Chairman of the Appointments and Remuneration Committee on 6 February 2014. Mr. Cooke is an experienced professional with more than 35 years of experience in the real estate sector. Mr.</p>

	<p>Cooke joined Cushman & Wakefield in 1980 in London where he had a role in drafting valuation standards (Red Book). Since 1995 until the end of 2013, he served as Chief Executive Officer of Cushman & Wakefield Spain, leading the company to attain a leading position in the sector and between 2014 and 2018 he was Senior Advisor at EY.</p> <p>In the 2017 New Year's honours' list, Mr. Cooke was awarded an MBE for his services to British businesses in Spain and to Anglo-Spanish trade and investment</p> <p>Mr. Cooke holds an Urban Estate Surveying degree from Trent Polytechnic University (Nottingham, UK) and is currently a Fellow of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he was the President of the British Chamber of Commerce in Spain. Since September 2017, he is Chairman of the Editorial Council of Iberian Property.</p>
Isabel Aguilera	<p>Mrs. Isabel Aguilera Navarro is an independent external director of Lar España. She was appointed as a director of Lar España by the Board of Directors through the co-option system, at its meeting held on 29 May 2017, date on which the Board of Directors also appointed her as member of the Audit and Control Committee, being her appointment ratified by the general meeting of shareholders held on 19 April 2018. Mrs. Isabel Aguilera Navarro developed her professional career at various companies across several sectors. She served as President for Spain and Portugal at General Electric, General Manager for Spain and Portugal at Google, General Operations Director at NH Hoteles Group, CEO for Spain, Italy and Portugal at Dell Computer Corporation and director of Indra Sistemas, BMN bank, Aegon España and Laureate, Inc.. Mrs. Isabel is currently a member of the Board of Directors at Grupo Cemex, Banca Farmafactoring, Oryzon Genomics and Grupo Egasa.</p> <p>Mrs. Isabel has a degree in Architecture and Urbanism from the ETSA of Seville, a master's degree in Commercial and Marketing Management from IE, and completed the General Management Programme at IESE and the Executive Management of Leading Companies and Institutions Programme at San Telmo Institute. Mrs. Isabel is currently Associate Professor at ESADE.</p>

Total number of independent directors	5
% of total board members	71.43%

List any independent directors who receive from the company or any of its group companies any amount or benefit other than their remuneration as directors, along with those that currently have or have had during the reporting period a business relationship with the company or any company within its group, either directly or in their capacity as significant shareholder, director or senior executive of an entity party to such an arrangement.

If so, include a substantiated statement from the board arguing the reasons for which it believes the director in question can carry on its duties as an independent director.

Name or company name of director	Description of the relationship	Substantiated statement

OTHER EXTERNAL DIRECTORS

Identify the other external directors and list the reasons why they cannot be considered proprietary or independent and the links they maintain with either the company, its senior officers or its shareholders:

Name or company name of director	Reasons	Related company, officer or shareholder

Total number of other external directors	
% of total members	

List any changes in director classification during the reporting period:

Name or company name of director	Date of change	Previous class of directorship	Current class of directorship

C.1.4 Fill in the following table detailing the number of female directors serving on the board during the last four years and their classification:

	Number of female directors				% of each directorship category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	2	1	0	0	40%	20%	0	0
Other external	0	0	0	0	0	0	0	0
Total:	2	1	0	0	29%	14%	0	0

C.1.5 Outline the measures taken, if any, to endeavour to include enough women on the board to achieve balanced gender representation.

Article 34.4 of the Articles of Association state that the shareholders in general meeting and the Board of Directors should attempt to foster balanced gender representation on the Board.

On December 27, 2017, article 8.6 of the Regulations of the Board of Directors were amended to specify that the Board will ensure that the selection of its members favors boardroom diversity in terms of experience, knowledge, training, age, disability and gender and that no implicit bias leads to any form of discrimination. In particular, the Board is to facilitate the selection of female board members by establishing the relevant diversity policy and guidelines.

In addition, Lar España drew up a director selection and appointment policy, approved by the Board of Directors on January 20, 2016, which fosters boardroom diversity in terms of knowledge, skills, experience, and gender. The policy, reviewed and approved again by the Board of Directors on December 20, 2018, emphasises the provisions that would foster diversity in the Board and

pursues the target of having at least 30% of all Board members be female by 2020.

C.1.6 Indicate whether the nomination committee has taken any measures to ensure the process of filling board vacancies is not implicitly biased against female candidates, and whether the company makes a conscious effort to seek out female candidates that match the required profile:

Lar España has a director selection and appointment policy (which was approved by the Appointments and Remuneration Committee and the Board of Directors on 20 January 2016). That policy is designed to foster boardroom diversity in terms of knowledge and skills, experience and gender. This policy, reviewed and approved again by the Board of Directors on December 20, 2018, emphasises the provisions that would foster diversity in the Board and pursues the target of having at least 30% of all board members be female by 2020.

Following the appointment of a new female director in 2018, the Company is very close to delivering that target. Indeed, female directors currently account for 29% of all board membership.

The Appointments and Remuneration Committee verifies compliance with this policy annually and reports on its findings in the Annual Corporate Governance Report. Moreover, that Committee strives to make sure the candidates put forward are sufficiently honourable, suitable, solvent, competent, experienced, qualified, trained, available and committed to their duties, that the candidate selection process results in adequate balance in the boardroom as a whole, enriches the decision-making process and helps prevent conflicts of interest such that the common interest always prevails over individual interests.

C.1.6.bis Explain the results of the nomination committee's annual check on compliance with the director selection policy. In particular, describe how the policy pursues the goal of having at least 30% of total board places occupied by women directors before the year 2020:

The director selection policy was drawn up in 2015 and approved by the Appointments and Remuneration Committee and the Board of Directors on January 20, 2016. It specifically states the target of having 30% of its membership occupied by women by 2020. The selection policy was also reviewed in 2018 with the aim of emphasising the provisions that would foster the diversity in the Board, among others.

In 2018, a female independent director was appointed to the board with a view to delivering the target set by the Appointments and Remuneration Committee. Female boardroom representation is currently at 29%, compared to the targeted 30%.

C.1.7 Explain how shareholders with significant holdings are represented on the board:

Article 8.3 of the Board Regulations stipulates that the Board must endeavour that among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the Company's capital.

Further, article 8.4 of the Regulations stipulates that the Board must prevent discrimination among shareholders in terms of boardroom access via proprietary directorships.

C.1.8 Explain any reasons why proprietary directors have been appointed at the urging of shareholders controlling less than 3% of capital:

Name or company name of shareholder	Reasons

Indicate whether any formal requests for a board seat from shareholders whose equity interest is equal to or greater than that of others applying successfully for a proprietary directorship have been rejected. If so, explain why these requests have not been entertained.

Yes ☐ No ☒

Name or company name of shareholder	Explanation

C.1.9 Indicate whether a director has resigned from office before their term of office expired, whether any such director has stated their reasons to the board and how, and, if in writing to the entire board, explain the reasons given:

Yes ☒ No ☐

Name of director	Reasons for resignation
Pedro Luis Uriarte	Pedro Luis Uriarte informed the Board in writing about his decision to resign from his position of Director. His resignation was due to personal and family reasons only. The communication was made through a letter addressed to the members of the board sent on June 15, 2018 and ratified on October 16, 2018.

C.1.10 Indicate, if appropriate, any powers delegated to the chief executive officer(s):

Yes ☐ No ☒

Name or company name of shareholder	Brief description

C.1.11 Name any directors who are also executives or directors of other companies that form part of the listed company group:

Name or company name of director	Registered name of the group company	Position	Do they have executive duties?
Miguel Pereda Espeso	LE LOGISTIC ALOVERA I Y II, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ALISAL, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPER ALBACENTER, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES EGEO, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES ELOY GONZALO 27, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL AS TERMAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE LOGISTIC ALOVERA III Y IV, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE LOGISTIC ALMUSSAFES, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPER ONDARA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES JOAN MIRÓ 21, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL VIDANOVA PARC, S.L.U. (before LE RETAIL SAGUNTO, S.L.U.)	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL EL ROSAL, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL GALARIA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LAR ESPAÑA INVERSIÓN LOGÍSTICA IV, S.L.U.	Director (acting joint and severally)	No
Miguel Pereda Espeso	LE RETAIL VISTAHERMOSA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LAR ESPAÑA SHOPPING CENTRES VIII, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL SAGUNTO II, S.L.U. (before LAR ESPAÑA OFFICES VI, S.L.U.)	Joint and Several Director	No
Miguel Pereda Espeso	LE RETAIL VILLAYERDE, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ALBACENTER, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE OFFICES MARCELO SPINOLA 42, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL LAS HUERTAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL TXINGUDI, S.L.U.	Chairman of the Board of Directors	No

Miguel Pereda Espeso	LE RETAIL ANEC BLAU, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL GRAN VÍA DE VIGO, S.A.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL ABADÍA, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS I, S.L.U	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS II, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL HIPERMERCADOS III, S.L.U	Chairman of the Board of Directors	No
Miguel Pereda Espeso	LE RETAIL RIVAS, S.L.U.	Chairman of the Board of Directors	No
Miguel Pereda Espeso	INMOBILIARIA JUAN BRAVO 3 S.L.	Director of the Board of Directors	No
Roger Maxwell Cooke	INMOBILIARIA JUAN BRAVO 3 S.L.	Chairman of the Board of Directors	No

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets, other than your own group, insofar as these have been reported to the company:

Name or company name of director	Registered name of the group company	Position
Jose Luis del Valle	Abengoa, S.A.	Independent Director
	Wizink bank	Chairman and Independent Director
Leticia Iglesias	Abanca Corporación Bancaria	Member of the Board, President of the Audit and Control Committee and Member of the Integral Risk Committee
Isabel Aguilera	Oryzon Genomics	Independent Director

C.1.13 Indicate whether the company has any rules about the number of directorships its board members can hold and if so explain them:

Yes ☒ No ☐

Explanation of the rules
The Company's directors may sit on the boards of up to four other listed companies (in addition to that of the Company). Article 19.4 of the Board Regulations.

C.1.14 Section repealed

C.1.15 Itemise total remuneration paid to the members of the board of directors as a whole:

Board remuneration (thousands of euros)	504
Amount accrued by serving directors in respect of pension entitlements (thousands of euros)	
Amount accrued by former directors in respect of pension entitlements (thousands of euros)	

C.1.16 Identify the members of senior management who are not executive directors and indicate total remuneration accruing to them during the reporting period:

Name or company name	Position(s)
Jon Armentia Mendaza	Corporate Director and CFO
Susana Guerrero Trevijano	Legal Director
Hernán San Pedro López de Uribe	Director of Investor Relations
Sergio Criado Cirujeda (*)	CFO
Total senior management remuneration (in thousands of euros)	437

(*) January – October 2018

C.1.17 Indicate the identity of any board members who likewise sit on the boards of directors of companies having significant shareholdings and/or their group companies:

Name or company name of director	Company name of significant shareholder	Position
Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A	Director
Laurent Luccioni	Pimco Europe, Ltd	Director

Describe any relevant relationships other than those indicated under the previous heading that link members of the board with significant shareholders and/or their group companies:

Name or company name of related director	Name or company name of related significant shareholder	Description of relationship
Miguel Pereda	Grupo Lar Inversiones Inmobiliarias, S.A	Director Miguel Pereda is part of the Pereda family, owner of Grupo Lar Inversiones Inmobiliarias, S.A.

C.1.18 Indicate whether the board regulations were amended during the year:

Yes ☐ No ☒

Description of the amendments

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing directors. List the competent bodies and the processes and criteria used for each of these procedures.

Lar España has a director selection policy, which was approved by the Appointments and Remuneration Committee on 20 January 2016. It was designed with the following objectives in mind:

- a. Being concrete and verifiable.
- b. Assuring that resolutions to appoint or re-elect directors are underpinned by prior analysis of the Board's needs.
- c. Duly fostering diversity in terms of skills, backgrounds and gender.
- d. Making a concerted effort to ensure that by 2020 at least 30% of all members of the Board of Directors are female.

The criteria set down in that policy are the following:

1. Director aptitudes

Directors must *(i) Be persons of good repute and professional standing.*

They combine professional and commercial honourability, having shown a personal, commercial and professional conduct that casts no doubt on their ability to perform a sound and prudent management of the company.

On the other hand, a candidate shall be understood to lack these attributes when:

- i. They have been declared bankrupt or are party to an insolvency agreement, whether in Spain or abroad, without have been discharged or the terms of the agreement fully complied with;
- ii. They are being prosecuted or, in the case of the proceedings referred to in titles II and III of book IV of Spain's Criminal Prosecution Act, have been indicted;
- iii. They have a criminal record for any of the following crimes: fraud, tax evasion, criminal bankruptcy, disloyal custody of documents, theft of trade secrets, money laundering, embezzlement of public funds, the discovery and disclosure of trade secrets, property-related crime; or
- iv. They have been banned or suspended, under criminal or administrative law, from holding public office or from administering or managing financial institutions.

In the case of legal-person directors, the above requirements must be met by both the natural person representing the latter and the legal-person director itself.

(ii) Have adequate expertise and experience to carry out their duties

The Board of Directors must comprise professionals with adequate expertise and experience. However, it is not necessary for all directors to possess the same level of expertise and experience so long as the board as a whole has the right combination of both.

(iii) Be in a position to govern the company well

The directors must be in a position to discharge their duties and comply with their legally-imposed and bylaw-stipulated duties with due diligence, bearing in mind the nature of the position and the duties associated with each. To this end they must:

- i. Devote sufficient time to the Company and adopt appropriate measures for ensuring its correct management and control.
- ii. Get from the Company the level of information they need to correctly fulfil their obligations.
- iii. Devote sufficient time to becoming informed, to familiarising themselves with the Company's paradigm and business performance and to participating in the meetings of the board and any of the committees on which they sit.
- iv. Inform the other members of the Board of Directors of any direct or indirect conflicts they or their related parties may have vis-à-vis the Company's interests.

2. Fostering the diversity in the Board of Directors

The composition of the Board and its Committees must also be taken into account during the selection process, being necessary to consider Directors with sufficient diversity in education, experience and knowledge, gender, age or disability in order to comply with the legal requirements as well as the good governance recommendations in relation to the composition.

In this regard, the Board of Directors will ensure that procedures are in line with the above and will promote the 2020 goal of being at least 30% of the Board female, ensuring at the same time the cultural diversity and international experience.

3. Director selection and appointment procedure

The process of selecting and appointing directors is articulated around four key steps:

3.1. Proposal

The Appointments and Remuneration Committee must first analyse the Board of Director's needs, setting out its findings in an explanatory report which it will publish on the occasion of the call to the Annual General Meeting at which the shareholders will be asked to ratify the appointment or re-election of each director, to which end:

- i. It will evaluate the universe of skills, knowledge and experience needed on the Board of Directors. Against this backdrop, it will define the duties and aptitudes required of the candidates to fill each vacancy and assess the time and dedication needed so that they can duly perform their remit.

ii. It will establish a targeted level of representation for the gender in minority on the Board of Directors and will establish guidelines for how to achieve this target.

3.2. Candidacy presentation

Candidates must present the information itemised below at Lar España's head office. The documents must be either original or certified copies and the information package should be addressed to the Appointments and Remuneration Committee.

- i. Natural persons: a photocopy of their national identity card or passport and information about their effective place of residence, e-mail address and contact telephone number(s).
- ii. Legal persons: a photocopy of the corresponding deeds of incorporation, the consolidated text of the prevailing bylaws, e-mail address and contact telephone number(s).
- iii. Certification of familiarity with the company's Articles of Association and other internal rules and regulations and acceptance of their terms and conditions.
- iv. Certification of possession of adequate expertise and experience.
- v. Certification of readiness and ability to govern the company well.
- vi. Certification of the reputation and professional standing required in this policy.

3.3. Evaluation of the candidacy

Having verified the documentation received and once the seven working day period for correcting or clarifying the information furnished has elapsed, if required, the Appointments and Remuneration Committee has seven working days at most to issue its explanatory report and follow the procedure described next:

- i. In the event that the Appointments and Remuneration Committee believes that the candidate presents the required aptitudes, it will submit a proposal for his/her appointment/re-election accompanied by a copy of the information received to the Board of Directors.
- ii. If the Appointments and Remuneration Committee: (a) has reasonable doubts about whether the proposed candidate meets all of the requirements envisaged in this policy or in applicable legislation; (b) feels that the appointment of the proposed candidate could imply substantial impairment of the expertise and experience of the members of the Board of Directors appraised as a whole; or (c) believes that the proposed candidate does not meet one or more of the requirements established in this policy or applicable legislation for qualification as apt for the post, it shall send the Board of Directors a report substantiating the circumstances which in its opinion cast doubt over the candidate's suitability or give rise to its negative assessment, accompanied by a copy of the information received.

3.4. Appointment

The Board of Directors then has 30 working days to analyse the director appointment proposals made by the Appointments and Remuneration Committee after which it must submit the corresponding resolutions to the shareholders for approval in general meeting.

In the event of director appointments by means of co-option, the procedure described above must be followed and the appointment must be ratified at the Annual General Meeting. The corresponding motion must be accompanied by an explanatory report issued by the Appointments and Remuneration Committee, which must be put in the public domain in conjunction with the General Meeting call notice.

4. Director evaluation and removal

Director evaluation shall take two forms:

i. Annual assessment of director qualifications

Every year, in the month of January, the Appointments and Remuneration Committee will send all the directors a questionnaire, the purpose of which is to verify that they continue to meet the aptitudes required of the post. The directors have 15 calendar days to fill out, sign and return the form. The Appointments and Remuneration Committee will then analyse the answers received and proceed as follows in the event it detects an incident in this respect.

ii. Ad-hoc assessment in the event of special circumstances

Each director is individually responsible for notifying the Appointments and Remuneration Committee immediately, in writing and in detail of any event or circumstances that could have a significant impact on the assessment of his or her suitability for the post in terms of the aptitude requirements defined in this policy and in prevailing legislation. The directors are liable for any damages to the company caused by any failure to report or delay in reporting any circumstances affecting his or her suitability.

Whenever the Appointments and Remuneration Committee is notified of circumstances which adversely affect a director's suitability assessment or it learns of their existence as part of an annual review, it will decide whether or not it is necessary to temporarily or permanently suspend the affected party.

C.1.20 Explain the extent to which the annual review of the board's performance has led to important changes in terms of its internal organization and the procedures applicable to its activities:

Description of changes:

C.1.20. bis Describe the evaluation process and the areas evaluated by the board, with the assistance of an external facilitator as the case may be, with respect to the diversity of its membership and competences, the performance and membership of its committees, the performance of the chairman of the board of directors and the company's chief executive and the performance and contribution of each individual director.

Article 18 of the Board Regulations states that the board should conduct an annual evaluation of its performance, adopting, where necessary, an action plan to correct weakness detected in:

- The quality and efficiency of the board's operation;
- The diversity of board membership and competences;
- The performance of the board's chairman;
- The performance and contribution of each individual director, with particular attention to the chairs of various board committees; and
- The performance and composition of the board committees.

Item 3 of that same article stipulates that every three years the board must engage an external facilitator to aid in the evaluation process.

The following assessment of the activity of the Board in 2017 was carried out in 2018:

- The evaluation carried out in 2018 focused on the following areas: (i) quality and efficiency of the work carried out by the Board of Directors of Lar España; (ii) diversity of experience and skills represented in the Board; (iii) performance of the Chairman of the Board of Directors; (iv) performance and contribution of each member of the Board; (v) composition, quality and efficiency of the operation of the Audit and Control Committee; and (vi) the composition, quality and efficiency of the operation of the Appointments and Remuneration Committee.
- Regarding the methodology used in the evaluation, the Chairman of the Board directed the evaluation process of the Board, its members and its Commissions, with the collaboration of the Secretary of the Board and the Deputy Secretary in a part of the process in order to guarantee its objectivity and confidentiality. In the first place, each member of the Board, as well as the Secretary, completed some questionnaires - prepared with the support of EY as external consultants - with questions related to the different areas mentioned above; then the Secretary of the Board and the Deputy Secretary systematized the information extracted from the questionnaires along with the information coming from the minutes of the Board and its Committees for the year 2017, the experience gained by attending the meetings of these bodies and the review of the conclusions of the 2016 evaluation and its action plan. Based on this process of analysis, the Secretary of the Board and the Deputy Secretary made their conclusions, gathering all this in the "Evaluation Report on the Functioning of the Board and its Commissions in 2017", which includes recommendations and the action plan foreseen in view of the results.
- It was found that, generally speaking, the Board and the Commissions had been efficient in 2017. In particular, the composition (diversity, knowledge and experience of the members of the Board and its Commissions and, in particular, of its Chairman, dedication and critical attitude) as well as the functioning of the Board and the Commissions (frequency, duration and efficiency of their meetings, attendance at meetings of the members, meeting agenda, exercise of their competences, and advice, including external advice if necessary) were valued very positively. There were several areas of improvement detected within: succession plans, managers training plans, gender diversity, shareholders engagement strategy, implementation of the new technical guidelines of the CNMV concerning the Commissions, and a goal to reach a

50% of the Appointments and remuneration Committee Members to be independent in 2018.

C.1.20.ter Give a breakdown, as the case may be, of the business dealings that the facilitator or any company in its corporate group maintains with the company or any company in its corporate group.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

Article 23 of the Board Regulations stipulates:

1. Directors shall cease to hold office at the end of the tenure for which they were appointed or when so determined by the shareholders at the General Meeting by exercising their legally-conferred or bylaw-stipulated powers.
2. Directors shall tender their resignation to the Board of Directors and the latter shall accept their resignation if deemed appropriate in the following situations:
 - a. When they resign from the executive position associated with their directorship.
 - b. When they are in breach of any of the legally-mandated or bylaw-stipulated conflicts of duty or interest.
 - c. When they are seriously reprimanded by the Board of Directors for having infringed any of their fiduciary obligations as directors.
 - d. When their continuity on the Board of Directors jeopardises the Company's interests or adversely affects its credibility or reputation or when the reasons for which they were appointed cease to exist (e.g. when proprietary directors dispose of or significantly reduce their ownership interests in the Company, as outlined in section e. below).
 - e. When they become members of more than four boards of directors of other companies (other than the Company).
 - f. In the case of proprietary directors: (i) when the shareholder they represent sells or significantly reduces its shareholding; and (ii) proportionately, when the shareholder they represent reduces its shareholding to such a level as to lose some of its entitlement to proprietary director representation.
3. Directors who resign or otherwise stand down from the Board of Directors before the end of their mandate must state their reasons in a letter addressed to all its members.
4. The Board of Directors may only propose the removal of an independent director before the end of his or her mandate when it ascertains just cause. Specifically, just cause shall be deemed to exist when a director has failed to uphold his or her fiduciary duties or breaches any of the safeguards itemised in the prevailing legal definition of independent director or, in absence thereof, the then-prevailing corporate governance recommendations applicable to the Company.

C.1.22 Section repealed

C.1.23 Are qualified majorities other than those prescribed by law required for any decisions?

Yes ☐ No ☒

Describe the differences, if any:

C.1.24 Explain if there are other specific requirements, other than those established for directors, for being appointed chairman of the board.

Yes ☐ No ☒

Description of the requirements

C.1.25 Indicate whether the chairman has the casting vote:

Yes ☒ No ☐

Matters for which the chairman has the casting vote
Board resolutions are carried with the favourable vote of the straight majority of attending directors, whether physically present or duly represented, except where the law, the Articles of Association or Board Regulations provide for other quorums. In the event of a draw, the Chairman has the casting vote (Article 39.2 of the Articles of Association).
The quorum for validly calling Audit and Control Committee meetings to order shall be half plus one of the directors who sit on this Committee and resolutions shall be carried by majority vote. In the event of a draw, the Chairman has the casting vote (Article 42.2 of the Articles of Association, Article 14.5 of Board Regulation and article 8.2 of Audit and Control Committee's Regulation).
Likewise, the Chairman of the Appointments and Remuneration Committee, which is independent, has a casting vote in the event of a draw (Article 15.7 of the Regulations of the Board)

C.1.26 Indicate whether the bylaws or the board regulations set any age limit for directors:

Yes ☐ No ☒

Age limit for chairman ☐

Age limit for CEO ☐

Age limit for directors ☐

C.1.27 Indicate whether the bylaws or board regulations set any limit on the term of office of independent directors different from that stipulated by law:

Yes ☐ No ☒

Maximum term of office (years)	
--------------------------------	--

C.1.28 Indicate whether the bylaws or board regulations stipulate specific rules governing the appointment of proxies for board voting purposes, the manner for so doing and, specifically, the maximum number of proxy appointments a director may hold; state whether any limit has been imposed on the matters which can be delegated beyond the limits laid down in legislation. If so, describe such rules briefly.

In accordance with article 17.2 of the Board Regulations, directors are required to do everything in their power to attend Board meetings. When they absolutely cannot avoid doing so in person, they may grant proxy to another Board member, in writing and on the occasion of each meeting, indicating the opportune voting instructions and notifying the Chairman of the Board of the proxy.

C.1.29 Indicate the number of board meetings held during the year, indicating the number of times, if any, the board met without its chairman in attendance. This calculation should include proxies appointed with specific voting instructions as attendances:

Number of board meetings	16
Number of board meetings held without the chairman in attendance	0

If the chairman is an executive director, indicate the number of meetings held without the attendance of any executive director in person or by proxy and chaired by the lead independent director.

Number of meetings	
---------------------------	--

Indicate the number of meetings the various board committees held during the year:

Number of executive committee meetings	N/A
Number of audit & control committee meetings	7
Number of appointments and remuneration committee meetings	9
Number of nomination committee meetings	N/A
Number of remuneration committee meetings	N/A
Number of sustainability committee meetings	N/A

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. This calculation should include proxies appointed with specific voting instructions as attendances:

In 2018 11 board meetings were held and during 5 meetings resolutions were adopted following the procedure of vote in writing without holding a meeting.

Out of these 11 meetings, all the members attended 9 meetings in person. In the meetings on March 15 and November 7, Mr. Jose Luis del Valle (in accordance with the

proxy containing specific voting instructions he was granted with) represented Mr. Laurent Luccioni and Ms. Isabel Aguilera respectively (even though Ms. Aguilera joined the meeting via teleconference to discuss some of the points of the agenda).

Number of meetings held with all members in attendance	11
% attendance over total votes cast in the year	100%

C.1.31 Indicate whether the separate and consolidated annual financial statements are certified prior to their presentation to the board of directors for approval:

Yes ☐ No ☒

Identify, if appropriate, the person(s) certifying the separate and consolidated financial statements before submission to the board for approval:

Name	Position

C.1.32 Explain the mechanisms, if any, established by the board of directors to prevent the separate and consolidated financial statements from being presented at the general shareholders' meeting with a qualified audit report.

In keeping with article 41.3 of the Board Regulations, the Board of Directors must endeavour to authorise the annual financial statements such that they do not give rise to reservations or qualifications in the auditor's report. In the unlikely instance that they were to arise, both the Chairman of the Audit and Control Committee and the external auditor must provide shareholders with a clear account of the content of such reservations or qualifications. Nonetheless, when the Board considers that its criteria should prevail, it shall publicly disclose the content and scope of the discrepancy.

The Audit and Control Committee's Regulation indicates in article 5.1.iii that the Audit and Control Committee will ensure that the Board of Directors submits the financial statements to the General Shareholders' Meeting without any limitations or reservations in the auditing report and that, in the exceptional cases in which there are reservations, both the President of the Audit and Control Committee and the auditors will clearly explain to the shareholders the content and scope of these limitations or reservations.

C.1.33 Is the secretary of the board also a director?

Yes ☐ No ☒

If the secretary is not a director, please fill out the following table:

Name or company name of the secretary	Representative
Juan Gómez-Acebo	

C.1.34 Section repealed

C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Article 14.3 of the Board Regulations stipulates, notwithstanding any other duties that may be vested in it from time to time by the Board of Directors, that the Audit and Control Committee, among other, shall have the following basic duties:

- f. Proposing to the Board of Directors, for submission at the Annual General Meeting, the appointment, re-election or replacement of the auditor, in keeping with applicable legislation, and the terms and conditions of its engagement; obtaining from the auditor regular feedback on execution of the audit plan; and ensuring that the auditor acts independently in carrying out its duties.
- h. Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence, for the purpose of analysis by the Audit and Control Committee, and on any other matters related to the auditing process, and to channel the other communications provided for in prevailing audit legislation and other audit standards. Regardless, at least once a year, the auditor must provide the Committee with written confirmation of its independence vis-à-vis the Company and its direct and indirect related parties, including disclosures regarding non-audit services of any kind provided to these entities by the auditor or any parties related thereto, as stipulated in prevailing audit legislation.
- i. Issuing annually, prior to issuance of the audit report, a report expressing an opinion on the independence of the auditor. This report and opinion must extend to the provision of the additional services referred to above, considered individually and as a whole, other than the legally-stipulated financial statement audit service, in relation to the independence regime and/or audit regulations.

Further, article 14.3.point C of the Board Regulations states that the Audit and Control Committee's duties include that of safeguarding the independence of the external auditor, specifically undertaking the duties of: (i) notifying the securities market regulator of any change in auditor, accompanied by a statement of the fact of disagreement with the outgoing auditor, if any, and the nature of such disagreement, in the form of a price-sensitive filing; (ii) ensuring that the Company and the auditor uphold prevailing rules governing the provision of non-audit services and, in general, the other rules in place to safeguard auditor independence; (iii) should the auditor resign, investigating the circumstances giving rise to such decision; and (iv) in the case of groups, urging the group auditor to take on the auditing of all constituent companies.

The Audit and Control Committee is governed by a set of specific regulations that was approved by the Board of Directors on 27 December 2017. In addition to detailing that committee's composition, member duties and *modus operandi*, they expound on the relationship with the external auditor in detail (article 5.1.C.).

Regarding financial analysts, investment banks and rating agencies, any contracting is subject to controls to avoid any problem of independence and/or

conflicts of interest. Especially relevant is the procedure followed for the hiring of asset appraisers, which requires the approval of these contracts from the Audit and Control Committee.

C.1.36 Indicate whether the company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

Yes ☐ No ☒

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, explain the substance thereof:

Yes ☐ No ☒

Explanation of the disagreements

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the fees it receives for such work and the percentage they represent of total fees invoiced to the company and/or its group.

Yes ☒ No ☐

	Company	Group	Total
Fees for non-audit work (thousands of euros)	250*	4	254
Fees for non-audit work / total amount invoiced by the audit firm (%)	61%	2%	38%

(*) All of these fees correspond to non-recurring services provided by Deloitte Digital exceptionally in 2018 in the context of the strategy of differentiation of the commercial centers of the Company.

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the account given to shareholders by the chairman of the audit committee of their scope and content.

Yes ☐ No ☒

Explanation of the reasons

C.1.39 State the number of consecutive years the current audit firm has been auditing the annual financial statements of the company and/or its group. Likewise, indicate how many years the current audit firm has been

auditing the annual financial statements as a percentage of the total number of years for which the financial statements have been audited:

	Company	Group
Number of consecutive years	5	5

	Company	Group
Number of years audited by the current audit firm / number of years the company's financial statements have been audited (%)	100	100

C.1.4. Indicate whether there are procedures in place for directors to receive external advice:

Yes ☒ No ☐

Details of the procedure:

Article 26 of the Board Regulations stipulates:

1. In order to help them fulfil their duties, any of the directors may seek the assistance they need from the Company. To this end, the Company will enable the appropriate channels, which, in special circumstances, may include external advisory services whose cost would be borne by the Company. Any such engagement must necessarily relate to specific problems of a certain scale and complexity arising in the performance of their duties.

2. The decision to hire external advisers at a cost to the Company must be notified to the Chairman and may be vetoed by the Board of Directors if it can certify that:
 - a. It is not necessary to due performance of the duties incumbent upon the external directors;
 - b. Its cost is not reasonable in light of the scale of the issue or in relation to the Company's assets or revenues; or
 - c. The expertise sought can be adequately furnished by the Company's own experts and specialists.

C.1.41 Indicate whether there are procedures for providing directors with the information they need to prepare for the meetings of the governing bodies sufficiently in advance:

Yes ☒ No ☐

Details of the procedure:

Article 16 of the Board Regulations establishes the following under headings 3 and 4:

3. Board meetings must be called by the Secretary of the Board of Directors or whoever substitutes him in this task, as duly authorised by its Chairman, using any method that ensures notice delivery. Meetings must be called with at least three days' notice. The call notice must always include the meeting agenda and be accompanied by the relevant information, duly summarized and documented.

4. The Chairman of the Board of Directors has the power to call extraordinary Board meetings whenever he believes the circumstances so warrant, waiving the minimum

notice period and other requirements set out above for ordinary meetings. Notwithstanding the foregoing, an effort must be made to provide the directors with any required documentation sufficiently in advance of the extraordinary meeting.

In addition, article 25 of the Board Regulations stipulates:

1. Directors may request information about any matter falling within the purview of the Board of Directors, to which end they may examine the Company's books, accounting records and other documentation. This right to information applies to all subsidiaries and, wherever practicable, investees.
2. Information requests should be addressed to the Secretary of the Board of Directors, who will let the Chairman of the Board and appropriate contact person within the Company know.
3. The Secretary shall warn the director in question of the confidential nature of the information requested and provided and of his/her confidentiality duty under these Board Regulations.
4. The Chairman may deny the information requested if he considers: (i) it is not required for due performance of the duties incumbent upon the director; or (ii) its cost is not reasonable in light of the scale of the issue or in relation to the Company's assets or revenues.

C.1.42 Indicate whether the company has any rules obliging directors to inform the board of any circumstance that might harm the organisation's good name or reputation and tendering their resignation as the case may be:

Yes ☒ No ☐

Details of the rules

Article 36 of the Board Regulations stipulates:

1. Directors must inform the Company of the shares they hold in it either directly or via the persons indicated in article 31 of the Board Regulations, all of which in keeping with the provisions of the Company's Internal Code of Conduct in Securities Markets.
2. Directors must also inform the Company of directorships held at other listed companies and, in general, of facts, circumstances or situations of potential significance with respect to their performance as directors of the Company, as provided for in these Regulations.
3. Directors must similarly inform the Company of any circumstance that could harm the Company's name or reputation, with particular mention of any criminal charges brought against them and the progress of any subsequent proceedings. If a director is indicted or tried for any of the crimes itemised in article 213 of the Corporate Enterprises Act, the Board must investigate the matter as quickly as possible and, in view of the specific circumstances, decide whether or not to call on that director to resign.

Article 23 of the Board Regulations establishes as well the circumstances under which directors are obliged to resign. See section 1.21.

C.1.43 Indicate whether any member of the board of directors has notified the company that he or she has been indicted or tried for any of the offences listed in article 213 of the Spanish Corporate Enterprises Act:

Yes ☐ No ☒

Name of director	Offence	Observations

Indicate whether the board has analysed the case. If so, give a substantiated explanation of the decision taken as to whether or not the director in question should remain in office and, as warranted, outline the actions taken or planned by the board of directors as of the date of this report.

Yes ☐ No ☐

Decision/action taken	Substantiated explanation

C.1.44 List any significant agreements entered into by the company which take effect, alter or terminate upon a change of control of the company following a takeover bid and the effects thereof.

C.1.45 Indicate (individually and on aggregate) the agreements between the company and its directors, officers or employees that provide for termination benefits or guarantee or golden parachute clauses upon their resignation or unfair dismissal or termination of the employment relationship as a result of a takeover bid or other kind of transaction.

Number of beneficiaries	
Type of beneficiary	Description of the agreement

Indicate whether these agreements must be reported to and/or approved by the governing bodies of the company or its group:

	Board of directors	General meeting
Body authorising the clauses		

	Yes	No
Are shareholders informed of these clauses in general meeting?		

C.2. Board committees

C.2.1 List all the board committees, their members and their make-up in terms of proprietary and independent directors:

EXECUTIVE OR STEERING COMMITTEE

Name	Position	Job category

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

Without prejudice to the powers that may be granted to any party, the Board of Directors may set up a permanent Executive Committee. The rules governing the make-up and operation of the Executive or Steering Committee are set forth in article 41 of the Articles of Association and article 13 of the Board Regulations.

Organisation and operation

The Executive Committee shall comprise at least three and at most seven members, and it may also appoint a Chief Executive Officer at the proposal of the Chairman of the Board of Directors; the Board of Directors may delegate in them, on a temporary or permanent basis, any and all powers that are not reserved to the Board under law. Valid delegation and the designation of the members of the Board of Directors to such positions shall require the favourable vote of two-thirds of the members of the Board of Directors and shall not take effect until the resolution has been duly registered in the Companies Register.

The Company shall endeavour, to the extent possible, to have the composition of the Executive Committee mirror that of the Board of Directors in terms of the mix of director types. The Secretary of the Board of Directors shall also serve as the Secretary of the Executive Committee.

The Chairman of the Executive Committee shall report to the Board of Directors on the matters debated and resolutions taken at its meetings; it shall record the minutes of all its meetings and submit copies thereof to all of the Board members.

Activities

Note that Lar España did not avail of this power to set up an Executive Committee in 2018.

Indicate whether the composition of the executive or steering committee reflects the representation on the board of the different classes of directors:

Yes ☐ No ☐

If not, describe the composition of the executive or steering committee

AUDIT COMMITTEE

Name	Position	Job category
Leticia Iglesias Herraiz	Chairman	Independent
José Luis del Valle	Member	Independent
Isabel Aguilera	Member	Independent
Juan Gómez-Acebo	Secretary	Non-board member

% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

As outlined in article 42.2 of Lar España's Articles of Association, article 14.3 of its Board Regulations and article 5.1 of the Audit and Control Committee's Regulation, and notwithstanding any other duties vested in it by law or entrusted to it by the Board of Directors, the Audit and Control Committee shall have, at least, the following responsibilities: a) supervising calculation of the fees received by the Management Company in the course of performing its duties; b) reporting at the General Meeting on those matters raised by shareholders concerning the areas falling under its remit; c) supervising effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems; d) analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process; e) monitoring the process of drawing up and disclosing regulated financial information; f) proposing the appointment, re-election or replacement of the account auditor to the Board of Directors for submission at the general meeting, in keeping with prevailing regulations; g) supervising the work of the Company's internal audit service; h) establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence and on any other matters related to the auditing process. Regardless, at least once a year, the auditor must provide the Committee with written confirmation of its independence vis-à-vis the Company and its direct and indirect related parties, including disclosures regarding non-audit services of any kind provided to these entities by the auditor or any parties related thereto, as stipulated in prevailing audit legislation; i) issuing annually, prior to issuance of the audit report, a report expressing an opinion on the independence of the auditor. This report should refer specifically to the provision of the non-audit services referred to above; j) naming and supervising the external asset appraisers commissioned to value the Company's assets; and k) reporting, before resolutions have to be taken, to the Board of Directors on all matters contemplated in prevailing law, the Articles of Association and the Board Regulations, particularly with respect to: (i) the financial information the Company must disclose periodically; (ii) monitoring of the information and internal control systems; (iii) the supervision of the management and risk control; (iv) the supervision of the fulfilment of the legal requirements and internal regulations of corporate governance of the Company; (v) and the transmission of the information to the Board of Directors, prior to the adoption by the Board of relevant decisions on related transactions.

Organisation and operation

The Audit and Control Committee shall comprise at least three and at most five directors appointed by the Board of Directors from amongst its external or non-executive members. The Board shall determine who shall serve as Committee chair, an appointment made with regard to the members' knowledge and experience in accounting, auditing and risk management matters; a majority of committee places shall be held by independent directors. The Chairman of the Committee must be replaced every three years, although he or she may be reappointed one year after stepping down from the post. The Secretary of the Board shall also serve as the Secretary of the Audit and Control Committee.

The Audit and Control Committee shall meet ordinarily on a quarterly basis and, at any rate, whenever deemed necessary to ensure due performance of its duties.

The quorum for validly calling Audit and Control Committee meetings to order shall be the majority of its members, present or duly represented. Resolutions shall be ratified by means of the majority of votes of attending members, present or duly represented.

The Committee may oblige any member of the Company's management team or staff to attend its meetings and to collaborate with it and provide with any information requested. The Committee may also require the auditor to attend its meetings.

In 2017, matters falling under the remit of the Audit and Control Committee were reorganized to align them with CNMV Technical Guide 3/2017.

In addition, in order to incorporate the basic principles and criteria set out in CNMV Technical Guide 3/2017 regarding the Committee's composition, responsibilities, and functioning, new Audit and Control Committee Regulations were developed in 2017.

On December 27, 2017, a Regulation on the Audit and Control Committee operations was approved. In this Regulation, in addition to the foregoing matters, it was established that the members of the Audit and Control Committee shall exercise their office for a maximum period of three years, with the possibility of being re-elected one or more times for periods of equal maximum duration and, in any case, members of the Commission shall cease to hold their office when they cease in their condition of Directors or when the Board of Directors so agrees.

Activities

The Audit and Control Committee met 7 times during 2018.

The main activities carried out by the Audit and Control Committee during the financial year 2018 were the following:

- Review of the periodic financial information
- Review of the annual statements:
 - Review of the statements of the Company and the Group.
 - Monitor compliance with legal requirements and the correct application of generally accepted accounting principles.
 - Review of the periodic financial information that the Board must provide to the markets and its supervisory bodies.
- Supervision of the internal audit, control and risk system
- Supervision of the relationships and independence of the External Audit
- Appointment of a new member and President due to the cease of the previous one and of the President.

Identify the member of the audit committee who has been appointed with regard to his or her knowledge and experience in accounting and/or auditing and state how many years the chair of this committee has held this post.

Name of the director with specialist expertise	Leticia Iglesias
No. of years the committee chair has held the post	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Class of director
Roger Maxwell Cooke	Chairman	Independent
Alec Emmott	Member	Independent
Miguel Pereda	Member	Proprietary
Laurent Luccioni	Member	Proprietary
Juan Gómez-Acebo	Secretary	Non-board member

% of proprietary directors	50
% of independent directors	50
% of other external directors	0

The Board Regulations establish, in line with the Recommendation 47, that the majority of the members should be independent. The Company seeks to comply with this requirement as soon as there are vacancies in the Board, and therefore has not amended the Board Regulation in this regard. In that respect, the Company has pursued a different composition of the Appointments and Remuneration Committee and of the Audit and Control Committee (composed of the other three independent directors) in order to achieve the independence of the two bodies and a higher participation of all the external directors in different Committees. Notwithstanding, the independence of the decisions made by the Commission is guaranteed as long as there are no executive directors and the President of the Appointments and Remunerations Committee, who is independent, has a casting vote in the event of a draw.

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

Duties

Pursuant to article 43.2 of the Articles of Association and article 15.4 of the Board Regulations, and notwithstanding any other duties vested in it by law or assigned to it by the Board of Directors, the Appointments and Remuneration Committee shall have, at least, the following basic duties: a) evaluating the universe of skills, knowledge and experience needed on the Board of Directors; b) establishing a targeted level of representation for the gender in minority on the Board of Directors and establishing guidelines for how to achieve this target; c) raising to the Board of Directors: (i) proposals for the appointment of independent directors for designation; and (ii) proposals for the re-election or removal of such directors for submission to the shareholders in general meeting; d) reporting on: (i) proposals for the appointment of all other classes of directors; and (ii) proposals for their re-election or removal for submission to the shareholders in general meeting; e) reporting on proposals to appoint or remove senior officers and the basic terms and conditions of their contracts; f) analyzing and organizing the succession of the chairman of the Board of Directors and the Company's chief executive officer and making recommendations, as warranted, to the Board of Directors so that succession planning is executed in a planned and orderly manner; and g) making proposals to the Board of Directors with respect to remuneration policy applicable to the Company's directors and its senior officers or those who carry out senior management duties and report directly to the Board or its executive or delegated committees and the individual remuneration and other contractual terms of any executive directors, overseeing observance with such policies.

In 2017, the new responsibilities of the Appointments and Remuneration Committee relating to compliance with boardroom diversity criteria were included, as well as new responsibilities related to corporate social responsibility.

Organisation and operation

The Board Regulations stipulate the Committee's remit and its rules of organisation and operation. The Appointments and Remuneration Committee shall comprise at least three and at most five directors appointed by the Board from amongst its external members, at the proposal of the Chairman of the Board.

The Board shall appoint a Committee chair from among the independent directors comprising the Committee. The Secretary of the Board shall also serve as the Secretary of the Appointments and Remuneration Committee.

The directors sitting on the Committee, who must be mostly independent and possess the right balance of knowledge, skills and experience for the functions they are called on to discharge, shall hold their offices as long as their appointments as Company directors remain valid, unless the Board resolves otherwise. The renewal, re-election and dismissal of the members of the Committee shall be governed by the terms and conditions agreed by the Board of Directors.

The Appointments and Remuneration Committee shall meet, ordinarily, at least once a year. Similarly, the Committee shall meet when called on to do so by any of its members and whenever convened by its Chairman, who in turn is obliged to do so whenever the Board or its Chairman requests it to issue a report or adopt a resolution, and, in any event, whenever a meeting is considered advisable to correctly fulfilling its duties.

The quorum for validly calling Appointments and Remuneration Committee meetings to order shall be the majority of its members, present or duly represented, and its resolutions shall be ratified by means of majority vote. In the event of a draw, the Committee Chairman shall have the casting vote. Committee meetings shall be minuted and a copy sent to all Board members.

The Committee shall consult with the Chairman, especially on matters relating to executive directors and senior officers.

Activities

During 2018 the Appointments and Remuneration Committee has held 9 meetings and completed the following assignments:

- Analysis of the possible incompatibilities of one of its Directors before being appointed Member of the Board of another entity, concluding that there was no impediment in view of the absence of conflict of interest and not reaching the Director the maximum number of Boards of which he can be a part, according to the Articles of Association. The Committee paid special attention to the fact that the selection of female directors was not impeded and that the criteria of diversity in the composition of the Board of Directors were met, with the collaboration of the consulting firm Korn Ferry.
- Attendance to the event by several members of the Board of Directors and members of the Committee of "Challenges of the Appointments and Remuneration Committee", commenting on issues such as gender diversity, the succession plan of the President or the relationship with proxy advisors and investors.
- Preparation of a succession plan of the Chairman of the Board where the Commission analysed the Chairman's Succession Policy proposal prepared with the support of Uría Menéndez for its final approval by the Board and the suitability of appointing Vice President in the medium term to be assessed.
- Review and approval of the Commission's Report on the appointment of Mrs. Isabel Aguilera as independent Director of the Company, with its referral to the Board of

Directors for final approval and subsequently the report was presented at the Annual General Meeting.

- The selection process of a new Director was carried out within the framework of the resignation of Mr. Pedro Luis Uriarte as a Director of the Company and member and Chairman of the Audit and Control Committee. Various interviews were carried out following the criteria and procedures set forth in the Company's Selection Policy for Directors, as well as the recommendations given by the firm Korn Ferry, hired for the process. After that, the Commission agreed to propose to the Board the appointment by co-optation of Mrs. Leticia Iglesias as new independent Director, member and Chairman of the Audit and Control Committee.
- A report was made and issued to the Board of Directors on the proposal to modify the procedure for the evaluation of the Board of Directors, its members and its Committees and on the Policy for the selection, appointment, re-election and evaluation of directors and diversity of the Board of administration
- During the evaluation of the financial year 2017, the following areas were focused on: (i) quality and efficiency of the work carried out by the Board of Directors of Lar España; (ii) diversity of experience and skills represented in the Board; (iii) performance of the Chairman of the Board of Directors; (iv) performance and contribution of each member of the Board; (v) composition, quality and efficiency of the operation of the Audit and Control Committee; and (vi) the composition, quality and efficiency of the operation of the Appointments and Remuneration Committee.
- The Board of Directors was proposed to review the remuneration of the Directors of the Company for the year 2018 and following years. Eventually it was agreed to approve a new remuneration policy for Directors that was submitted to the Board for approval and subsequent disposal to the shareholders at the Annual General Meeting as well as the report of the Committee on the Policy.
- The Committee also carried out a review and approval of the Annual Report on Remuneration of Directors for the year 2017 that was prepared at the Annual General Meeting.
- Approved the submission to the Board of the proposal on (i) the pay rise of the Company's executives for 2018, (ii) the degree of compliance with the goals set for 2017 and the corresponding variable compensation, as well as (iii) the goals applicable to the remuneration for 2018.
- As the result of the changes produced after the departure of the Chief Financial Officer, a biannual evaluation of the executives was performed and the conclusion was made of reviewing the remuneration packages and the establishment of an incentive plan: fixed, annual variable and supplements.
- In terms of Corporate Social Responsibility, in 2018 the Commission supervised and dealt with various issues that the Corporate Social Responsibility Policy is related to and the approved action plan, promoting the development of it. In addition, new initiatives have been carried out in this respect, among others:
 - Evaluation of the CSR indices in which the Company should participate and the cost of adhering to them. In 2018 it was agreed that the Company would adhere to GRESB.
 - The BREEAM certifications obtained during the year were analysed.

• **COMMITTEE**

Name	Position	Class of director

% of executive directors	
% of proprietary directors	
% of independent directors	
% of other external directors	

Explain the duties vested in this committee, describe its procedures and rules of organisation and operation and summarise the most important activities undertaken by it during the reporting period.

C.2.2 Fill out the following table indicating the number of female directors represented on the board committees over the last four years:

	Number of female directors			
	2018 Number %	2017 Number %	2016 Number %	2015 Number %
Executive committee	N/A	N/A	N/A	N/A
Audit committee	2-67%	1-33%	0	N/A
Appointments and remuneration committee	0	0	0	N/A
Nomination committee	N/A	N/A	N/A	N/A
Remuneration committee	N/A	N/A	N/A	N/A
____ committee	N/A	N/A	N/A	N/A

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5 Indicate, as appropriate, whether there are any regulations governing the board committees, where they are available for consultation and any amendments to the same during the financial year. State whether any annual report has been drawn up voluntarily on the activities of each committee.

The Board Regulations rule on the operation of the Appointments and Remuneration Committee (article 15) and the Audit and Control Committee (article 14). Furthermore, the Audit and Control Committee has its own operating regulations approved on December 27, 2017. The Board Regulations and the Audit and Control Committee's Regulation are available on the corporate website under the following link:

<http://larespana.com/gobierno-corporativo/normas-internas-de-gobierno/>

In 2018, the remuneration policy was rounded out with a document on the Company's "Director Remuneration Policy" which is similarly available from the corporate website using the following link:

<http://larespana.com/gobierno-corporativo/normas-internas-de-gobierno/>

Each year Lar España draws up reports on the performance, composition and activities of the various board committees and makes them available to shareholders on the General Meeting.

C.2.6 Section repealed

D**RELATED PARTY AND INTRA-GROUP TRANSACTIONS****D.1. Outline the procedure, if any, in place for approving related-party and intra-group transactions.**

The Board's powers include approving, subject to a prior report by the Audit and Control Committee, related-party transactions, as defined under prevailing applicable legislation (article 5.4.o of the Board Regulations).

The Audit and Control Committee's duties include reporting to the Board of Directors before the latter takes the corresponding decisions regarding related-party transactions, as defined under prevailing applicable legislation (article 14.3.d.iii of the Board Regulations).

However, Board authorisation shall not be required for related-party transactions that simultaneously meet the following three conditions: (i) they are governed by standard-form agreements applied on an across-the-board basis to a large number of customers; (ii) they go through at market rates, generally set by the person supplying the goods or services; and (iii) their amount is no more than 1% of the Company's annual revenues (article 37.3 of the Board Regulations).

The Investment Management Agreement in force between Grupo Lar Inversiones Inmobiliarias, S.A. as Management Company and Lar España Real Estate SOCIMI, S.A. as the Company Managed, entered into on 12 February 2014, and its renewal and modification carried out on January 19, 2018, and made effective January 1, 2018, specifies that, without prejudice to the prerogatives and powers that the Manager has to act on behalf of the Company in the framework of said contract, will require prior express approval in writing by the Board of Directors of Lar España, among others, "*transactions and situations with related parties that may give rise to a conflict of interest situation in relation to the Manager and the Management Team, including any transaction with third parties under which the Manager is entitled to receive any compensation, commission or retribution*"(clause 5 (ix))

D.2. List any transactions considered significant by virtue of their amount or substance between the company or its group companies and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or its group company	Nature of the relationship	Nature of the transaction	Amount (thousands of euros)
Grupo Lar Inversiones Inmobiliarias S.A.	Grupo Lar Inversiones Inmobiliarias S.A.	Contract	Management contract	35,204
Grupo Lar Inversiones Inmobiliarias S.A	Gentalia 2006, S.L	Contract	Management contract	2,516

D.3. List transactions considered significant by virtue of their amount or substance between the company or its group companies and the company's directors and/or officers:

Name or company name of the directors and/or officers	Name or company name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)

D.4. Report any significant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose purpose or terms fall outside the company's ordinary course of business:

Regardless of their materiality, report any intragroup transactions performed with entities domiciled in countries or territories considered tax havens:

Name of the group company	Brief description of the transaction	Amount (thousands of euros)

D.5. Indicate the amounts of related-party transactions carried out.

Grupo Lar Inversiones Inmobiliarias, S.A. – 19,023 thousand euros

Gentalia 2006, S.L. - 2,136 thousand euros

D.6. List the mechanisms established to detect, analyse and resolve any possible conflicts of interest between the company and/or its group, and its directors, officers or significant shareholders.

Article 31 of the Board Regulations

A conflict of interest is deemed to exist in situations in which the interests of the Company or its group companies and the personal interests of the director clash, directly or indirectly. The director shall be deemed to have a personal interest in a matter when that matter affects him or a person related to him or, in the case of a proprietary director, the shareholder(s) that proposed his appointment or persons related directly or indirectly to them.

For Board regulation purposes, the following definitions apply:

- a. Persons related to natural person directors:
 - i. Their spouses or significant others.
 - ii. The ancestors, descendants and siblings of the director and of the spouse (or significant other) of the director.
 - iii. The spouses of the ancestors, descendants and siblings of the director.
 - iv. The companies or entities at which the director or any of his related parties, directly or through a representative, fulfils any of the circumstances contemplated in article 42 of Spain's Code of Commerce.
 - v. The companies or entities at which the director or any of his related parties, directly or through a representative, holds a directorship or management position or from which he receives any compensation for any reason.

vi. In the case of proprietary directors, additionally, the shareholders appointing him as their representative.

b. Persons related to legal person directors:

i. The shareholders of these legal entities that fulfil any of the circumstances contemplated in article 42 of Spain's Code of Commerce.

ii. The companies in the same group, as group is defined in article 42 of Spain's Code of Commerce, and their owners.

iii. These legal entities' natural person representatives, directors, de facto or by law, liquidators and legal representatives with general power of attorney.

iv. The persons who are considered related parties of the representative of the legal person director in keeping with the above provisions with respect to natural person directors.

Directors are obliged to report the existence of conflicts of interest to the Board of Directors and abstain from intervening as Company representative in the transaction underlying the conflict in question, except as carved out in applicable legislation.

Internal Securities Markets Code of Conduct

A conflict of interest is deemed to exist when the Bound Parties meet any of the following conditions in relation to the entities referred to in this article:

1. Serves as a director or senior executive.
2. Owns a significant interest (understood in the case of a company listed on any official Spanish or foreign stock exchange as the shareholdings referred to in article 53 of the Spanish Securities Markets Act and enacting regulations, and in the case of unlisted Spanish or foreign companies, any direct or indirect shareholding of over twenty per cent of issued share capital).
3. Has kinship within the second degree by affinity or third degree of consanguinity with the Company's directors, owners of significant shareholdings or senior executives.
4. Has significant contractual relationships, direct or indirect.

Conflicted Bound Parties must observe the following general codes of conduct:

Independence: Bound Parties must act in good faith in what they consider to be the interests of the Company and its shareholders, irrespective of their own or other interests. Accordingly they must refrain from placing their own interests over those of the Company, and from placing the interests of one shareholder over those of others.

Abstention: Bound Parties must abstain from participating in or influencing decisions that may affect conflicted persons or entities and from obtaining confidential information concerning the conflict in question.

Disclosure: Bound Parties must notify the head of compliance of potential conflicts of interest deriving from their activities outside of the Company, their family relationships, their personal finances or arising on any other grounds with:

- a. The Company or any of the companies comprising Grupo Lar España.
- b. Significant suppliers or customers of the Company or the companies comprising Grupo Lar España.

c. Entities devoted to the same business as or that compete with the Company or any of its subsidiaries.

Any questions regarding a potential conflict of interest must be addressed to the head of compliance. The final decision is ultimately the responsibility of the Audit and Control Committee.

Code of Conduct

A conflict of interest is understood to arise whenever any of the Bound Parties who must decide, perform or omit an action, in the course of his or her job duties, faces the option of choosing between the interests of the Company and his/her own interests or those of a third party, such that choosing those of either of the latter two would benefit a third party, giving rise to a gain that would otherwise not accrue.

D.7. Is more than one group company listed in Spain?

Yes ☐ No ☒

Identify the subsidiaries listed in Spain:

Listed subsidiaries

Indicate whether the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies, have been publicly and accurately defined:

Yes ☐ No ☐

Define any business dealings between the parent company and the listed subsidiary, as well as between the listed subsidiary and other group companies:

E.1. Explain the scope of the company's risk management system, including the fiscal risk management system.

The enterprise risk management (ERM) system of de Lar España Real Estate SOCIMI, S.A. and subsidiaries (hereinafter, Lar España) has been implemented at the corporate level and is designed to mitigate the risks (including fiscal risks) to which the organisation is exposed on account of its business activities. This system establishes the policy for identifying, assessing, prioritising and managing risks effectively and efficiently, factoring in the Company's specific circumstances and the economic and regulatory environments in its operating markets. The system's overriding goal is to guarantee reasonable assurance that the Company will be able to achieve its strategic, operating, reporting and compliance objectives. The system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report (hereinafter, COSO).

As set out in its ERM system, Lar España views risk management as a continuous and dynamic process which encompasses the following steps:

- Identification and assessment of the risks that may affect the organisation, evaluating their probability of occurrence and potential impact.
- Identification of the controls in place for mitigating these risks.
- Identification of the processes in which these risks are generated and controls performed, determining the relationship between the organisation's key risks and processes.
- Evaluation of the effectiveness of the controls in place to mitigate these risks.
- Design of action plans in response to the risks identified.
- Risk monitoring and reporting.
- Ongoing evaluation of the suitability and effectiveness of the system in use and benchmarking of best practices and recommendations in risk management.

Ultimately, having identified the risks and analysed the suitability and effectiveness of the decisions taken to mitigate them, management, under the supervision of the internal audit function, establishes risk management priorities and the measures to be implemented, ensuring that the Company's processes are performed and working as intended.

E.2. Identify the bodies responsible for designing and implementing the enterprise system for managing risks, including fiscal risks.

The enterprise risk management (ERM) system affects and involves all of the organisation's staff. Due to the specific characteristics of Lar España, certain risk management activities are performed by specialist service providers which assist with significant processes such as:

- Investment and asset management, performed primarily by Grupo Lar
- Preparation of the organisation's financial, accounting and tax information
- Regular asset valuations/appraisals

However, Lar España follows detailed processes for supervising the third parties responsible for these outsourced services to ensure that these suppliers perform the activities contemplated in the ERM model.

The main participants in the ERM model are:

Process manager or owner or of the business unit

These people are directly responsible for managing risk in its everyday manifestations; their work encompasses the identification, analysis, assessment and management of the risks which are crucial to delivery of the objectives set for each area, under the scope of current business plans.

Risk officer

The risk officer's job is to analyse and consolidate the risk information prepared by the process owners, which is gradually crystallising in the form of 'risk files'. He or she is also tasked with identifying new events, gathering and assessing information regarding the key risk indicators intrinsic to the Company's processes and proposing any monitoring action plans, as required. Once the priority risk factors have been identified, the 'risk files' are allocated to the parties responsible for their management and control.

Audit and Control Committee

Article 14 of the Board Regulations specifically attributes the following duties to the Audit and Control Committee:

- Supervising the effectiveness of the internal control and risk management systems and, in particular, reviewing them to make sure the main risks are properly identified, managed and disclosed.
- Supervising the internal risk control and management function.
- *“Identifying the different types of risk (operational, technological, financial/reporting, legal, reputational) to which the Company is exposed”.*
- *“Identifying the risk levels the Company deems acceptable”.*
- *“Identifying measures for mitigating the identified risks”.*
- *“Identifying the internal reporting and control systems to be used to control and manage the said risks”.*

In light of the above, the Audit and Control Committee is tasked with monitoring application of the Risk Control and Management Policy defined by the Board of Directors. This Policy includes the various classes of risk to which the organisation is exposed (strategic, operational, compliance and financial), including fiscal risks (paying close attention to oversight of the requirements associated with the REIT regime). Lastly, the Audit and Control Committee has to report to the Board on its activities throughout the course of the year.

Board of Directors

The Board of Directors is the body tasked with approving the Group's Risk Control and Management Policy.

It assumes, among other powers, the duty of identifying the Company's main risks and supervising the internal control systems, to which end it is kept informed by its Audit and Control Committee.

E.3. State the main risks that could prevent the company from achieving its business targets.

Lar España has identified the risks that could jeopardise its ability to achieve its objectives and successfully execute its strategies. In order to identify these risks, management's experience in

the real estate sector and the Company's specific circumstances were factored in, as were the medium-term strategic initiatives contemplated by the firm.

Lar España has an updated risk map depicting the universe of risks that could affect the organisation. The risks listed below are the risks that have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2017, it managed and monitored these risks adequately, a process which will be ongoing in the years to come:

- Management of REIT regime-related requirements
- The sale-purchase of real estate assets: Planning, information and execution.
- Property valuations
- Socio-economic and political changes. Factors such as: changes in the behaviour of consumers, increasing digitization and changes in sales channels, legal and regulatory impacts derived from political changes, etc.
- Dependence on the investment/asset manager
- Internal talent retention
- Financing activities
- Investor and media relation
- Reputation
- Cybersecurity and privacy management of the business assets
- Security and access control of commercial assets

The risk monitoring process consists of tracking all internal and external variables that could help anticipate or foresee the materialisation of these or other risks of relevance to the Lar España.

E.4. State whether the company has a defined risk tolerance threshold, including with respect fiscal risk

The risk map is the tool used by Lar España to identify and assess its risks. All the risks contemplated, including tax risks, are evaluated considering various indicators of impact and likelihood.

Lar España's ERM system defines risk tolerance as “*the acceptable level of variation in outcomes relative to the achievement of objectives*”. The proposed risk tolerance criteria are used to prioritise and itemise the level of management and monitoring assigned to each risk category. Accordingly, the more critical the objective with which an identified risk is associated, the lower the level of tolerance accepted by Lar España.

Against this backdrop, three levels of risk have been defined: high, medium and low, depending on how critical the objective with which the risk is associated is deemed. The risk tolerance determination system is reviewed at least annually by the Audit and Control Committee.

E.5. State the risks, including fiscal risks, that materialised during the reporting period.

As far as the Company is aware, no material risks of any kind, including fiscal risks, materialised in 2018.

E.6. Outline the response and monitoring plans for the company's key risk factors, including fiscal risk factors

The specific characteristics of Lar España, coupled with those of the business sector in which it operates, make it of tantamount importance to correctly monitor and update the various risks to which the organisation is exposed, including tax risks.

The level and frequency with which it monitors the risks identified varies as a function of the perceived importance or criticality of these risk factors and the level of effectiveness of the controls currently in place. Accordingly, Lar España has defined different scenarios for managing its risks: a) exhaustive analysis of the risks deemed highly critical to achieving an adequate level of control; b) assessment and surveillance of risks deemed of medium importance to achieving adequate control as a function of the real level of risk; and c) rationalisation and optimisation of the controls applied to risks of relatively less importance. Based on these levels, Lar España has established four kinds of strategies in relation to the level of risk assumed in each instance:

- Reduction: this implies undertaking response activities designed to reduce the probability of occurrence or impact of the risk, or both simultaneously. This may entail the introduction of new controls or the improvement of existing ones.
- Sharing: a risk's probability of occurrence or impact can be reduced by transferring or sharing a portion of that risk (e.g., via insurance policies).
- Avoidance: this implies withdrawal from the risk-generating activities. In this instance, the risk response may be to get out of a given business unit or line and/or decide not to pursue new business activities associated with such risks.
- Acceptance: in this instance no action is taken to modify the risk's probability or impact; risk is assumed at its inherent level as this is deemed appropriate for the activity and established objectives.

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, the organisation's most significant risks have been identified; work has begun on documenting these risks in individual risk files in order to enable enhanced monitoring. These files specify the controls in place and the key indicators (KRIs) that enable anticipation and/or monitoring of the associated risks. The plan is to further advance this risk management and monitoring process in the years to come.

Note that the Audit and Control Committee will periodically analyse the effectiveness of the organisation's risk map at least annually and will add, modify or disregard risks as warranted as a result of changes in the Company's strategic objectives, organisational structure, new risks, legislative environment, etc.

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk control and management systems as they affect your company's internal control over financial reporting (ICFR) system

F.1. The entity's control environment

Indicate the existence of at least the following components, describing their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR system; (ii) its implementation; and (iii) its monitoring.

The internal control over financial reporting (hereinafter, ICFR) system has been designed and configured to provide reasonable assurance as to the reliability of the financial information disclosed to the markets.

The bodies responsible for the existence and/or oversight of Lar España's ICFR model are:

Board of Directors

The Board of Directors is ultimately responsible for the existence and maintenance of a suitable and effective ICFR system.

To this end, article 5 of the Board Regulations reserves the following power to the Board in plenary session:

- “Approving the financial information which the Company must report periodically in its capacity as a listed entity”.
- “Approving the risk control and management policy and the periodic monitoring of the internal information and control systems”.

To achieve these objectives, the Board is assisted by its Audit and Control Committee, which is tasked with supervision of the ICFR system (with the help of the internal audit function). It is additionally supported by the work performed by the process owners and/or the responsible of the business units tasked with implementation of the ICFR system and the firm's Corporate Management, which is ultimately responsible for ensuring the system is adequate and effective.

Each time the Board of Directors authorises annual financial statements for issue, in conjunction with approval of the annual corporate governance report, it approves and validates the existence of an effective ICFR system and its description.

Audit and Control Committee

Article 14 of the Board Regulations specifically attributes the following duties and powers to the Audit and Control Committee:

- *“Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems”.*
- *“Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process”.*
- *“Monitoring the process of drawing up and disclosing regulated financial information”.*

As a result, the Audit and Control Committee's work is articulated and focused around four main areas:

- The risk identification and internal control system
- The review and approval of financial information
- The external audit of the annual financial statements
- Compliance with the law and the Company's body of internal rules and regulations

The Audit and Control Committee supervises effectiveness of the ICFR system by verifying that it addresses all the issues itemised in the securities market regulator's recommendations and reporting on its findings to the Board of Directors.

Corporate Management

The Corporate Management team is responsible for the design, implementation and workings of the ICFR system, which effort includes:

- *“Defining, proposing and implementing a model for generating financial information”.*
- *“Defining, implementing and documenting the ICFR system”.*
- *“Assisting the Audit and Control Committee in preparing the financial statements and other financial information and in selecting the criteria used in the process”.*
- *“Verifying, at least annually, the comprehensiveness and suitability of ICFR documentation and performance”.*
- *“Reporting on developments in terms of ICFR documentation to the Audit and Control Committee and to the Internal Audit Service so they are familiar with and can appraise such developments”.*

Internal Audit Service

The Audit and Control Committee has tasked the Internal Audit Service with assisting it with supervision of the ICFR system, which remit specifically includes:

- *“Supervising the operation of the ICFR system and its general controls and processes”.*
- *“Collaborating on the definition and classification of incidents and on the design of any required action plans, and monitoring the latter”.*
- *“Reporting to the Audit and Control Committee on the incidents detected during the evaluation and oversight process”.*
- *“Assisting Corporate Management to prepare reports on the status and description of the ICFR system”.*

Process owners involved in the financial reporting process

The parties responsible for the various processes related to the generation of financial information, whether internal or external, must perform specific activities, as dictated by Corporate Management guidelines, with a view to:

- *“Defining, documenting, and updating the internal processes and procedures”.*

- *“Executing the control activities as designed and intended and documenting evidence of their performance for traceability purposes”.*
- *“Reporting to Corporate Management on any change to their modus operandi or transactions that could trigger the need to update how their processes and controls are defined and documented and on any control shortcomings they may detect”.*
- *“Defining and implementing action plans in response to incidents observed within their sphere of responsibility”.*

Lar España has outsourced the performance of certain material financial reporting activities to specialist third parties (including investment and asset management, preparation of its financial, accounting and tax information and periodic appraisal of its assets). In respect of the ICFR function, Corporate Management ensures that these service providers perform the controls that, despite being executed by the latter, have been identified as key controls for the ICFR system. As part of this model, supervision of the Internal Audit Service is tasked to the Audit and Control Committee.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of duties and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company:**

Corporate Management, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director can call on the resources, whether internal or external, he or she needs to manage the different activities of the Company, for assistance and advice. Against this backdrop, Lar España has entered into a Management Agreement with Grupo Lar under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its financial reporting related duties.

Lar España's ICFR Manual provides that whenever the services provided by a “service organisation” are part of the Company's IT system, they must be encompassed by the IFRS evaluation process either by means of specific and direct assessment of the controls applied by the service organisation or by obtaining an internationally recognised SSAE certificate (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization) or by carrying out alternative procedures. At the moment the second option is being carried out, through a third party confirmation, who provides accounting services.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

On 24 February 2015, the Board of Directors approved the Company's Code of Conduct, the purpose of which is to establish the guidelines governing the conduct of any and all people acting in the name of Lar España and its subsidiaries. This Code's scope of application extends to the members of the management team of Grupo Lar, in its capacity as Lar España's Management Company, and any other person which could be related to Lar España even if they are not employees.

The body responsible for ensuring due compliance with, updating of and dissemination of the Code is the Audit and Control Committee.

Principle 4, regarding the recording of transactions and the financial reporting process specifies that *“Lar España pledges to ensure that the Company's financial information, most particularly its annual financial statements, reflects its financial reality, in keeping with applicable generally accepted accounting principles and international financial reporting standards. To this end, no professional may conceal or distort the information contained in the Company's accounting registers and reports, which must be complete, accurate and precise.*

The failure to honestly report the Company's financial information, whether internally - to employees, subsidiaries, departments, internal bodies, governing bodies, etc. - or externally - to auditors, shareholders/investors, regulatory bodies, media, etc. - violates this Code. The delivery of incorrect information, its incorrect configuration or any attempt to confuse its recipients are similarly deemed to constitute financial reporting misconduct”.

- **‘Whistle-blowing’ channel, for the purpose of reporting any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation to the audit committee, stating whether reports made through this channel are kept confidential.**

Article 14.3.b.iv of the Board Regulations empowers the Audit and Control Committee to establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the Company.

On 24 February 2015, the Board of Directors of Lar España approved the set of rules governing the operation of this Whistle-blowing Channel, by virtue of which any party bound by Lar España's Code of Conduct or by any prevailing legislation or other body of internal rules who believes they are being breached can present a complaint or claim with the aim of making the issue known and having it resolved.

The Whistle-blowing Channel applies to Lar España and other professionals bound by the Code of Conduct and may be used by the Company's internal or external stakeholders.

Lar España has the following channels for lodging complaints/claims:

- Corporate website: <http://larespana.com>
- Dedicated e-mail inbox: canaldenuncia@larespana.com
- A confidential explanatory letter

All of these channels for presenting complaints are available 24/7 in order to ensure optimal effectiveness and round-the-clock availability for Lar España's employees and stakeholders.

In order to ensure effective management of the Whistle-blowing Channel, Lar España has set up an Ethics Committee whose main duties are the following:

- Receipt and classification of the complaints received
- Coordination of the investigative effort required to follow up on each complaint
- Imposition of the corresponding disciplinary measures
- Preparation of periodic reports on the channel's activities and workings

The Ethics Committee of Lar España is made up of the person who heads up the internal audit function, the Secretary of the Board of Directors and the Chairman of the Audit and Control Committee.

The Code of Conduct and the Operating Rules Governing the Whistle-blowing Channel are available on Lar España's corporate website. These documents outline the procedures to be followed in handling any incidents reported.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Corporate Management, in its capacity as the party responsible for the design, implementation and operation of the ICFR system, is obliged to make sure that all staff involved in preparing the Group's financial statements have received sufficient and up-to-date training on the International Financial Reporting Standards (IFRS) and the internal control over financial reporting principles. Corporate Management directly checks with the accounting expert engaged to prepare the Company's financial and accounting information that the teams assigned to these activities have the required ICFR-related skills and knowledge.

The Corporate Director, who is responsible for ICFR, boasts an extensive background in accounting and financial reporting, acquired during his years in auditing and financial management work. He is in frequent contact with the financial statement auditor and the firm tasked with the accounting function during the year, addressing any issues that may arise and receiving updates from them on any developments with an impact on ICFR.

Lar España has a relatively small staff which is, however, bolstered by the assistance provided by external advisers in certain areas, specifically including, as detailed in other sections, some of the activities related to the financial statement preparation process and the implementation and rollout of the ICFR system.

Lar España selects the service organisations to which it outsources these activities rigorously so that it works with specialist firms of renowned prestige that are chosen for their quality and expertise. Corporate Management ensures that these advisors indeed have the expertise required and continuous learning policies in respect of these areas of expertise.

In addition, the Internal Audit Plan prepared by the Internal Audit Service and approved by the Audit and Control Committee of Lar España contemplates the training needed by the people involved in these matters.

F.2. Financial reporting risk assessment

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented.**

The process of identifying financial reporting risks, including risks of error or fraud, is one of the most important aspects of Lar España's ICFR methodology. This process is documented in an internal methodology guide explaining the ICFR management and assessment process: "Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI".

Lar España has assessed the risk associated with its financial accounts. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information. The purpose of this mapping exercise is to identify the processes or business units within the Group of greatest importance in terms of financial information generation.

- Lar España has documented the most significant processes. In 2018, it reviewed the documentation prepared in prior years, updating it and complementing it with new processes deemed significant in relation to the Group's consolidated financial information. This documentation identifies and analyses, among other things, transaction flows, potential financial reporting error and fraud risks and the controls established by the Company to mitigate the risks associated with each process. Having documented the majority of the most significant processes in prior years, the information for these and other processes related with the financial reporting function has been rounded out and fine-tuned.
- **The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

As stipulated in the ICFR Manual, the significant processes documentation covers existing risks and defines controls related with different financial reporting objectives: existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations. The documentation is updated whenever significant changes occur and is additionally subjected to an annual review.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.**

Article 5 of the Board Regulations states that the Board of Directors “reserves the power to define the structure of the corporate group”.

Against this backdrop, each year, Corporate Management takes responsibility for continually analysing the companies added to the scope of consolidation and notifying any such additions to the Audit and Control Committee, enabling knowledge of the companies included at all times.

One of the Audit and Control Committee's duties is to supervise the process of drawing up and presenting the financial information the Company has to disclose. Specifically, the Audit and Control Committee reviews the Group's consolidated financial information on the occasion of each quarterly close.

- **The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The process of identifying the risk of financial reporting error takes into consideration the impact of all classes of risks, whether operational, technological, financial, legal, reputational, environmental, or tax-related, insofar as they could affect the quality and reliability of the Company's financial information.

The Company has a Risk Control and Management Policy which:

- Describes and analyses the components and activities of the risk management process *per se*:

- Defines the organisational approach and the roles and duties needed from an enterprise risk management (ERM) standpoint.
 - Defines the model for monitoring (information and reporting) ERM activities.
 - Outlines the criteria for updating the ERM system.
- **Which of the company's governing bodies is responsible for overseeing the process.**

The Audit and Control Committee is in charge of overseeing the effectiveness of the Company's internal controls and enterprise risk management systems, including its fiscal risk management controls, which remit specifically includes oversight of the ICFR system.

As stipulated in article 42 of the Articles of Association of Lar España and article 14 of the Board Regulations, the Audit and Control Committee is tasked with the duty of *“identifying the different types of risk (operational, technological, financial/reporting, legal, reputational, etc.) to which the Company is exposed, including within financial risks contingent liabilities and other off-balance-sheet risks”*.

F.3. Control activities

Indicate the existence of at least the following components and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising financial information and the description of the ICFR to be disclosed to the market, indicating the corresponding lines of responsibility, as well as documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, valuations and projections.

As stipulated in article 40.3 of the Board Regulations, the Board of Directors establishes *“the precise measures needed to ensure that the half-yearly and quarterly financial information, and any other information that warrants public disclosure in keeping with prudent strategy, is prepared applying the same principles, criteria and professional practices as are used to draw up the annual financial statements so that the interim information is as reliable as the annual disclosures”*.

The Board of Directors is ultimately responsible for the existence and maintenance of an appropriate and effective ICFR system and has authority over the financial reporting function. It also approves the Risk Control and Management Policy and the periodic monitoring of the internal information and control systems established by Lar España. In order to perform these duties, it is assisted by the Audit and Control Committee, which, in conjunction with the Internal Audit Service, supervises the Company's ICFR system. The Board is also supported in this task by the process owners and Corporate Management, which is responsible for ensuring the ICFR system is appropriate and effective.

Lar España publicly discloses financial information quarterly. This information is prepared by a specialist external firm and reviewed by Corporate Management. The information is subsequently sent to the Audit and Control Committee for review.

This process is documented in an internal methodology guide explaining the ICFR management and assessment process: *“Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI”*.

The Company's ICFR principles, definitions and management criteria are documented in its ICFR Manual.

In recent years, Lar España has documented the organisation's General Controls and the most significant processes, specifically those itemised below:

- Period-end closings and consolidation, including a specific review of critical judgements and estimates
- Asset valuations
- Revenue recognition (rental income)
- Acquisition of properties
- Cash management
- Financing
- Management of accounts payable (including the development of new centres)
- Management and registration of Manager fees
- Disposals

In addition to the ICFR oversight process (tasked to the Audit and Control Committee with the assistance of the Internal Audit Service), the ICFR Manual of Lar España contemplates the performance of an annual internal evaluation intended to ensure that the ICFR controls remain valid, well-designed and capable of delivering the intended objectives. In 2018, Corporate Management continued the process of gradually implementing the policies and procedures itemised in the ICFR Manual.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Lar España has outsourced its accounting services to a specialist firm. As a result, the Company does not have proprietary IT systems of significance to the preparation and publication of its financial information. However, Corporate Management does continually monitor and supervise both the outsourcing agreement and the financial information reported by this third party to ensure that it does not contain errors.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Since it has outsourced some of its financial reporting activities to a third party that is not part of Grupo Lar, Lar España has identified all of the organisations that provide it with services in the various business processes, determining the impact of their activities on the financial reporting system.

Specifically, the Company has identified certain services provided by third parties which are considered part of its financial reporting system. These services include the analysis performed to document and assess the ICFR system, with the outsourcing of the accounting function and the half-yearly asset appraisals to accredited and independent entities standing out in this respect.

As for the policies and procedures in place for evaluating and overseeing the management of outsourced activities, the Company has exhaustive external advisor engagement procedures that are designed to ensure the providers' competence, independence, expertise and legal know-how with respect to the services provided.

All of the information prepared by independent experts deemed material in respect of the financial statements is reviewed and validated by Lar España's Corporate Management.

F.4. Information and communication

Indicate the existence of at least the following components and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations.

Corporate Management is responsible for informing and communicating, internally and externally, the main accounting policies applied and for resolving any queries about their application.

Lar España has an effective and duly-approved Accounting Policy Manual encompassing, in a structured manner, the accounting rules, policies and criteria being applied in general at all of the organisation's companies.

The book-keeping process *per se* is handled at present by an outsourced, prestigious, specialist firm which is working with Lar España on the definition and application of accounting criteria, in keeping with prevailing legislation. This process is supervised continually by Corporate Management, which reports to the Audit and Control Committee on the progress made on a regular basis. In addition, the external auditor or other advisors are contacted as required to confirm certain stances taken in order to resolve any questions and avoid any potential conflicts arising from the interpretation of any given accounting standard.

Lastly, the Board of Directors approves the financial information which the Company must report periodically in its capacity as a listed entity.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

As already noted in section F.4.1 above, the book-keeping process and the preparation of the Company's individual and consolidated financial statements have been outsourced to a prestigious, specialist firm.

Nevertheless, Lar España and the external firm that provides the accounting services have mechanisms for the capture and preparation of financial information, configured with adequate formats and applications, which are used on an across-the-board basis at all Group units and companies. In addition, the Company has established adequate controls over the financial preparation and reporting process. Lastly, Corporate Management supervises and reviews the financial information before presenting it to the Audit and Control Committee.

F.5. System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. Describe the ICFR monitoring activities performed by the audit committee, including an indication of whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Also describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee is the advisory body through which the Board of Directors supervises the ICFR system. Against this backdrop, article 14 of the Board Regulations attributes multiple duties to the Audit and Control Committee, specifically including the following:

- *“Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems”.*
- *“Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process”.*
- *“Monitoring the process of drawing up and disclosing regulated financial information”.*

The Audit and Control Committee is assisted by the Internal Audit Service in overseeing the ICFR system, to which end the latter function's work includes the following tasks:

- Supervising the operation of the ICFR system and its general controls and processes.
- Including supervision of the critical ICFR-related processes within the Business Plan and the Annual Internal Audit Plan.
- Collaborating on the definition and classification of incidents and on the design of any required action plans, and monitoring the latter.
- Reporting to the Audit and Control Committee on the incidents detected during the evaluation and oversight process.
- Assisting Corporate Management with preparation of reports on the status and description of the ICFR system.

The Internal Audit Plan is approved annually by the Audit and Control Committee at the end of each year or in the early months of the following year. This Plan defines a works by processes schedule which customarily includes supervision of implementation of the ICFR function. The Internal Audit Service periodically reports to the Audit and Control Committee on progress on executing the Plan and its results.

The gradual rollout of the ICFR system continued in 2018, identifying the most critical accounts and processes and working to document them in detail. Lar España reviewed the asset valuation, revenue recognition, period-end closing and consolidation processes, among others, without detecting any significant incidents. Management and the Audit and Control Committee were kept abreast of related developments and the progress made on implementing the system.

In addition, Corporate Management and the Audit and Control Committee reviewed the financial information submitted to the securities market regulator (and its timeliness) quarterly.

The ICFR Manual contemplates the annual assessment and oversight of the system's various components.

F.5.2. Indicate whether there is a discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

As already noted, Lar España is implementing its ICFR system and documenting the most critical processes gradually. It is worth noting in this respect that Corporate Management meets regularly with the external auditor or other advisors to discuss its proposed financial reporting criteria and the level of progress made on developing the ICFR system.

In addition, all required steps were taken to enable the provisions of the Board Regulations with respect to its mandate to the Audit and Control Committee, specifically that of:

- Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process and adopting the opportune measures for addressing them, as required.
- Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence, for the purpose of analysis by the Audit and Control Committee or for any other purpose related to the auditing process, and to channel the other communications provided for in prevailing audit legislation and other audit standards.

F.6. Other relevant disclosures

Not applicable.

F.7. External auditor report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The external auditor's report on the ICFR information supplied by Lar España to the market is attached to this document as an appendix.

Indicate the degree to which the company is in compliance with the recommendations of the Good Governance Code for listed companies.

If the company does not comply or only partially complies with any of the recommendations, provide a detailed explanation for so doing such that shareholders, investors and the market in general have sufficient information to assess the company's course of action in this respect. **General explanations are not acceptable.**

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant ☒ Explain ☐

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant ☒ Partially compliant ☐ Explain ☐

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant ☒ Partially compliant ☐ Explain ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant ☒ Partially compliant ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.**
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.**
- c) Audit committee report on third-party transactions.**
- d) Report on corporate social responsibility policy.**

Compliant ☒ Partially compliant ☐ Explain ☐

7. The company should broadcast its general meetings live on the corporate website.

Compliant ☒ Explain ☐

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant ☒ Partially compliant ☐ Explain ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant ☒ Partially compliant ☐ Explain ☐

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant ☒ Partially compliant ☐ Explain ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant ☒ Explain ☐

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant ☒ Partially compliant ☐ Explain ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Compliant ☒ Explain ☐

17. Independent directors should be at least half of all board members. However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Compliant ☒ Explain ☐

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Background and professional experience.**
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) The dates of their first appointment and subsequent re-election as board members, and;**
- e) Shares held in the company and any options on the same.**

Compliant ☒ Partially compliant ☐ Explain ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant ☒ Explain ☐

22. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐

23. Directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and

other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant ☒ Partially compliant ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant ☒ Partially compliant ☐ Explain ☐

27. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant ☒ Partially compliant ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved in the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant ☒ Partially compliant ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant ☒ Partially compliant ☐ Explain ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant ☒ Partially compliant ☐ Explain ☐

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant ☒ Partially compliant ☐ Explain ☐

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant X Explain ☐

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.**
- b) The performance and membership of its committees.**
- c) The diversity of board membership and competences.**
- d) The performance of the chairman of the board of directors and the company's chief executive.**
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant X Partially compliant ☐ Explain ☐

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable X

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant ☒ Partially compliant ☐ Explain ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant ☒ Partially compliant ☐ Explain ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

42. The audit committee should have the following functions over and above those legally assigned.

1. With respect to internal control and reporting systems:

a) Monitoring the preparation and the integrity of the financial information concerning the company and, where appropriate, the group, checking for compliance with legal provisions, the adequate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With respect to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant ☒ Partially compliant ☐ Explain ☐

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant ☒ Partially compliant ☐ Explain ☐

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant ☒ Partially compliant ☐ Explain ☐ Not applicable ☐

45. Risk control and management policy should specify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant ☒ Partially compliant ☐ Explain ☐

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant ☒ Partially compliant ☐ Explain ☐

47. Appointees to the appointments and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant ☐ Partially compliant ☒ Explain ☐

The Company fully complies with the first part of the recommendation, given that the members of the Appointments and Remuneration Committee are designated making sure that they have appropriate knowledge, skills and experience to the functions they are called upon to carry out. When it comes to if the majority of these members are independent directors, the Board Regulations establishes that the majority of the members should be independent. The Company seeks to comply with this requirement as soon as there are vacancies in the Board, and therefore has not amended the Board Regulation in this regard. In that respect, the Company has pursued a different composition of the Appointments and Remuneration Committee and of the Audit and Control Committee (composed of the other three independent directors) in order to achieve the independence of the two bodies and a higher participation of all the external directors in different Committees. Notwithstanding, the independence of the decisions made by the Commission is guaranteed as long as there are no executive directors and the President of the Appointments and Remunerations Committee, who is independent, has a casting vote in the event of a draw.

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant ☐ Explain ☐ Not applicable ☒

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Compliant ☒ Partially compliant ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.**
- b) Monitor compliance with the remuneration policy set by the company.**
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant ☒ Partially compliant ☐ Explain ☐

51. The remuneration committee should consult with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant ☒ Partially compliant ☐ Explain ☐

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.**
- b) They should be chaired by independent directors.**
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.**
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.**
- e) Meeting proceedings should be minuted and a copy made available to all board members.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established *ad hoc* by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.**
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.**

- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant ☒ Partially compliant ☐ Explain ☐

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant ☒ Partially compliant ☐ Explain ☐

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant ☒ Partially compliant ☐ Explain ☐

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant ☒ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☒ Partially compliant ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant ☐ Partially compliant ☐ Explain ☐ Not applicable ☒

1. If you consider that there is any material corporate governance related matter relating to your company or its group that has not been addressed anywhere else in this report that is necessary to provide a more comprehensive and substantiated picture of corporate governance structure or practices at your company or its group, outline them briefly here.
2. You may include in this section other relevant, but not reiterative, information, clarification or qualification related to the earlier sections of this report.

The breakdown of the indirect and direct holders of significant interests in Lar España reported in section A.2 corresponds with the breakdown gleaned from the CNMV's shareholder records as of year-end.

This annual corporate governance report was approved by the Company's Board of Directors on February 26th 2018.

Specifically, indicate whether the company is subject to the corporate governance legislation of any country other than Spain and, if so, include any mandatory disclosures that are different from those required for this report.

3. State also whether the company voluntarily subscribes to other business ethics or corporate governance codes, whether international, sector-specific or other. If so, identify the codes applied and the date of adhesion. State specifically whether the company subscribes to the Good Tax Practice Code (of 20 July 2010).

Indicate whether any directors voted against or abstained from voting on the approval of this report:

Yes ☐ No ☒

Name or company name of any directors who did not vote in favour of authorising this report for issue.	Reason (vote cast against abstention non-attendance)	Explanation for the reason given

LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

Assurance' report on the 2018
"Information Relating to the system
of internal control over financial
reporting (ICFR)".

*Translation of a report originally issued in Spanish
based on our work performed in accordance with the
assurance regulations in force in Spain and prepared in
accordance with the regulatory reporting framework
applicable to the Group in Spain. In the event of a
discrepancy, the Spanish-language version prevails*

ASSURANCE' REPORT ON THE 2018 "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF LAR ESPAÑA REAL ESTATE SOCIMI, S.A. FOR 2018

To the Directors of
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.:

As requested by the Board of Directors of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. ("the Entity") and in accordance with our engagement letter of January 28th 2019, we have applied certain procedures to the accompanying "Information relating to the ICFR" of LAR ESPAÑA REAL ESTATE SOCIMI, S.A. for fiscal year finished on December 31st 2018, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

In this regard it should be noted, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2018 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

In addition, since this special engagement does not constitute an audit of financial statements and is not subject to current Spanish Audit Law, we do not express an audit opinion in the terms provided in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, of the ACGR form, relating to the description of the ICFR system as established in CNMV Circular 5/2013 of June 12th 2013, subsequently modified by CNMV Circular 7/2015 of December 22nd 2015 and CNMV Circular 2/2018 of June 12th 2018.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the meetings minutes of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by Circulars published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Antonio Sánchez-Covisa Martín-González
Partner
February 26th, 2019