LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2016, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 23). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Lar España Real Estate SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated statement of financial position as at 30 June 2016, and the condensed consolidated statement of income, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2016 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2 to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2016 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2016. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Lar España Real Estate SOCIMI, S.A. and Subsidiaries.

Other Matters

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

DELOITTE, S.L.

Antonio Sánchez-Covisa Martín-González

9 September 2016

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

Interim Condensed Consolidated Financial Statements corresponding to the period of six months ended 30th June 2016.

(Prepared in accordance with the International Financial Reporting Standards as adopted by the European Union)

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

Condensed Consolidated Statement of Financial Position as at 30th June 2016

(Stated in thousands of Euros)

Assets	Note	30th June 2016 (1)	31st December 2015
Intangible assets		2	1
Investment properties	5	974,915	776,375
Financial assets with investees	6 and 8	20,351	16,774
Equity-accounted investees	7	6,711	43,217
Non-current financial assets	8	9,866	8,475
Total non-current assets		1,011,845	844,842
Trade and other receivables	8	21,913	4,647
Financial assets with associates	6 and 8	25,000	26,717
Other current financial assets	8	1,717	1,676
Other current assets		776	601
Cash and cash equivalents	9	39,405	35,555
Total current assets		88,811	69,196
Total assets		1,100,656	914,038

(1) Data not yet audited

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of financial position corresponding to the period of six months ended 30th June 2016.

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

Condensed Consolidated Statement of Financial Position as at 30th June 2016

(Stated in thousands of Euros)

Equity and Liabilities	Note	30th June 2016 (1)	31st December 2015
Capital	10	121,254	119,996
Share premium	10	411,566	415,047
Other reserves	10	28,122	(6,007)
Other contributions		240	240
Retained earnings		43,327	43,559
Treasury shares	10	(1,143)	(709)
Valuation adjustments	12	(4,829)	(1,560)
Total equity		598,537	570,566
Financial liabilities from issuance of bonds and other marketable securities	12	138,367	138,233
Loans and borrowings	12	303,467	173,354
Derivatives	12	4,829	1,560
Other non-current liabilities	12 and 13	13,193	10,774
Total non-current liabilities		459,856	323,921
Financial liabilities from issuance of bonds and other marketable securities	12	1,435	3,504
Loans and borrowings	12	7,692	5,593
Other financial liabilities	12	122	2,651
Trade and other payables	12 and 14	33,014	7,803
Total current liabilities		42,263	19,551
Total equity and liabilities		1,100,656	914,038

(1) Data not yet audited

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of financial position corresponding to the period of six months ended 30th June 2016.

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

Condensed Consolidated Statement of Financial Position as at 30th June 2016

(Stated in thousands of Euros)

Condensed Consolidated Statement of Income	Note	30th June 2016 (1)	30th June 2015 (1)
Revenue	4 and 17	26,872	14,166
Other income	18	7,772	400
Employee benefits expense		(175)	(160)
Other expenses	19	(10,666)	(6,055)
Changes to the fair value of investment properties	5	29,066	12,470
Results from operating activities		52,869	20,771
Finance income	8	1,978	615
Financial costs		(9,776)	(2,330)
Impairment and profit/(loss) from disposal of financial instruments		29	(257)
Share in profit/(loss) for the period of equity-accounted companies	7	(1,773)	547
Finance profit		(9,542)	(1,425)
Profit before tax from continuing operations		43,327	19,346
Income tax expense		-	-
Profit for the period		43,327	19,346
Basic earnings per share (Euros)	11	0.72	0.49
Diluted earnings per share (Euros)	11	0.72	0.49

Interim Condensed Consolidated Statement of Comprehensive Income		30 June 2016 (1)	30 June 2015 (1)
Result of the income statement (I)		43,327	19,346
Other Comprehensive Income Directly Attributed to the Net Equity (II)	10	(4,016)	(249)
Other Transfers to the Income Statement (III)		747	-
Total Comprehensive Income (I+II+III)		40,058	19,097

(1) Data not yet audited.

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of comprehensive income corresponding to the period of six months ended 30th June 2016.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Net Equity for the Period ended at 30th June 2016
(Stated in thousands of Euros)

	Capital	Share premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments	Total Net equity
Balance at 31st December 2015	119,996	415,047	(6,007)	240	43,559	(709)	(1,560)	570,566
Total income and expenses recognised in the period	-	-	-	-	43,327	-	(3,269)	40,058
Distribution of profit	-	-	43,559	-	(43,559)	-	-	-
Operations with investees and owners								
- Capital increases	1,258	4,040	(5,298)	-	-	-	-	-
- (-) Dividend distribution	-	(7,521)	(4,499)	-	-	-	-	(12,020)
Recognition of share-based payments (Note 10g)	-	-	332	-	-	-	-	332
Treasury shares	-	-	(298)	-	-	(434)	-	(732)
Other operations	-	-	333	-	-	-	-	333
Balance at 30th June 2016 (1)	121,254	411,566	28,122	240	43,327	(1,143)	(4,829)	598,537

(1) Data not yet audited

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of changes in net equity at 30th June 2016.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Net Equity for the Period ended at 30th June 2015
(Stated in thousands of Euros)

	Capital	Share premium	Other reserves	Other contributions	Retained earnings	Valuation adjustments	Treasury shares	Total Net equity
Balance at 31st December 2014	80,060	320,000	(9,425)	240	3,456	-	(4,838)	389,493
Total income and expenses recognised in the period	-	-	-	-	19,346	(249)	-	19,097
Distribution of profit	-	-	2,125	-	(3,456)	-	-	(1,331)
Distributions to reserves	-	-	-	-	(2,125)	-	-	(2,125)
(-) Dividend distribution	-			-	(1,331)	-	-	(1,331)
Treasury shares	-	-	803	-	-	-	4,838	5,641
Balance at 30th June 2015 (1)	80,060	320,000	(6,497)	240	19,346	(249)	-	412,900

(1) Data not yet audited.

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of changes in net equity at 30th June 2016.

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

Condensed Consolidated Statement of Cash Flows for the Period of six months ending on 30th June 2016

(Stated in thousands of Euros)

	30th June 2016 (1)	30th June 2015 (1)
A) Cash flows from operating activities	(2,634)	8,369
Profit/(loss) before tax	43,327	19,346
Adjustments to the result	*(26,022)*	*(11,081)*
Profit / (loss) from adjustments to fair value of investment properties	(29,066)	(12,470)
Impairment	8	221
Finance income	(1,978)	(615)
Financial costs	9,776	2,330
Share in profit for the period of equity-accounted investees (Note 7)	1,773	(547)
Other results (Note 3)	443	-
Adjustments to the consideration given against profit and loss from business combinations	(6,978)	-
Changes in working capital	*(11,832)*	*447*
Trade and other accounts receivables	(16,168)	(251)
Other current assets	508	(375)
Creditors and other accounts payables	3,109	1,073
Other current liabilities	29	-
Other non-current assets and liabilities	690	-
Other cash flows from operating activities	*(8,107)*	*(343)*
Interest paid	(8.137)	(624)
Interest received	30	281
B) Cash flows from investing activities	(67,654)	(149,971)
Payments for investments	*(79,034)*	(175,143)
Net cash outflow from acquisitions of businesses (Note 3)	(14,255)	-
Associates	-	(57,989)
Intangible assets	(1)	(1)
Investment properties (Note 5)	(62,808)	(115,452)
Other financial assets	(2,000)	(1,701)
Proceeds from sales on investments	*(11,380)*	*25,172*
Other financial assets	9,663	25,172
Other assets	179	-
Dividends received	1,538	-
C) Cash flows from financing activities	74,138	207,784
Payments made and received for equity instruments	*(419)*	*5,641*
Acquisition / disposal of equity instruments	(419)	5,641
Receivables and payments for financial liability instruments	*86,577*	*203,552*
Issue of:		
Bonds and other marketable securities	-	138,005
Bank borrowings (Note 12)	95,078	61,986
Other financial liabilities	-	3,561
Refunds and amortization of:		
Bank borrowings	(6,111)	(78)
Bonds and other marketable securities	-	-
Other financial liabilities	(2,390)	-
Dividends paid	(12,020)	(1,331)
E) Net increase / decrease in cash or cash equivalents	3,850	66,182
F) Cash and cash equivalents at the beginning of the period	35,555	20,252
G) Cash and cash equivalents at the end of the period	39,405	86,434

(1) Data not yet audited.

Notes 1 to 23, described in the explanatory notes attached, form an integral part of the condensed consolidated statement of cash flows for period of six months ended 30th June 2016.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

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

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

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

The Parent Company is regulated by Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs. Note 1 on the consolidated annual accounts for the 2015 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2016 and its method of integration in the consolidated financial statements are as follows:

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

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

(2) BASES FOR PRESENTATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTED BY THE EUROPEAN UNION.

(a) Regulatory framework

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

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

The consolidated annual accounts for 2015 were prepared in accordance with the regulatory framework on financial information listed in the previous paragraph, and thus present a true and fair view of the Group's consolidated net equity and consolidated financial position as of 31 December 2015 and of the consolidated statements of income from its operating activities, of the changes in consolidated net equity and consolidated cash flows for the Group during the financial year that ended on that date.

The Group's consolidated annual accounts for the 2015 financial year were approved by the Shareholders' General Meeting of Lar España Real Estate SOCIMI, S.A. which was held on 21 April 2016.

These interim condensed consolidated financial statements are presented in accordance with International Accounting Standards (IAS) 34, on Intermediate Financial Reporting, and have been authorised for issue by the Parent Company’s Directors, on 9 September 2016, fully in accordance with that provided in article 12 of Royal Decree 1362/2007, of 19 October, implementing Law 24/1988, of 18 July, on the Spanish Securities Market regarding the transparency requirements for the information on companies whose securities are listed on the official secondary market or another regulated market in the European Union.

In accordance with IAS 34, the Intermediate Financial Reporting is prepared with the sole intention of updating the content of the most recent consolidated annual accounts issued by the Group, emphasising the new activities, events and circumstances that took place during the period and not duplicating the information already published in the consolidated annual accounts for 2015. The interim condensed consolidated financial statements as of 30 June 2016 do not, therefore, include all the information that would be required in complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union. The interim condensed consolidated financial statements attached must therefore be read in conjunction with the Group's consolidated annual accounts for the financial year that ended on 31 December 2015.

The consolidated statements of income and the determination of the consolidated net equity are subject to the accounting policies and principles, valuation and estimation criteria followed by the Parent Company's Directors in preparing the interim condensed consolidated financial statements. In this respect, the principal accounting policies and principles, valuation and estimation criteria used are those applied in the consolidated annual accounts for 2015, except for any standards/regulations or interpretations that came into force during the first semester of 2016.

During the first six months of 2016, the following standards/regulations, amendments to standards/regulations, and interpretations have come into force, and where applicable, have been used by the Group in preparing the interim condensed consolidated financial statements:

- Amendment of IAS 16 and IAS 38 - Acceptable methods of depreciation and amortisation methods (published in May 2014). It clarifies the acceptable methods of tangible and intangible assets, not including those based on income. Effective for annual periods beginning on or after 1 January 2016.

- Amendment to IFRS 11 Accounting for acquisitions of interests in joint operations (published in May 2014). The amendment specifies how to account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business. Effective for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 16 and IAS 41 Production plants (published in June 2014). Production plants will be carried at cost instead of fair value. Effective for annual periods beginning on or after 1 January 2016.

- Improvements to IFRS Cycle 2012-2014 (published in September 2014). Minor amendments to a series of regulations. Effective for annual periods beginning on or after 1 January 2016.

- Amendment to IAS 27 Application of the equity method in Separate Financial Statements (published in August 2014). The equity method will be allowed in the individual financial statements of an investor. Effective for annual periods beginning on or after 1 January 2016.

- Amendments IAS 1 Breakdown initiative (December 2014). Various clarifications on breakdowns (materiality, bundling, order of notes, etc.) Effective for annual periods beginning on or after 1 January 2016.

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

Similarly, the following published standards/regulations were not in force during the first six months of 2016, pending EU approval of their use:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Companies (December 2014). Clarifications on the exclusion from consolidation of investment companies. Effective for annual periods beginning on or after 1 January 2016.

- Amendments IAS 7 Breakdown initiative, introducing additional breakdown requirements regarding the reconciliation between the movement of financial liabilities and the cash flows from financing activities. Effective for annual periods beginning on or after 1 January 2017.

- Amendments IAS 12 Clarification of the principles established regarding the recognition of deferred tax losses for unrealised losses. Effective for annual periods beginning on or after 1 January 2017.

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

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

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

- IFRS 16 Leases (Published in January 2016). New leasing regulation that substitutes IAS 17. Tenants will include all leases on the balance sheet as if they were financed purchases. Effective for annual periods beginning on or after 1 January 2019.

- Amendments to IFRS 10 and IAS 28. Clarifies how to record the result from sales or contributions of assets between an investor and its associate or joint venture. Currently, the adoption thereof by the European Union and the application according to the IASB has been delayed indefinitely.

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

(b) Comparative information

In accordance with the international financial reporting standards adopted by the European Union, the information contained in these interim condensed consolidated financial statements corresponding to 30 June 2016, is presented for the purposes of comparison with the information related to the six-month period ended on 30 June 2015 for the interim condensed consolidated statements, of comprehensive income, of changes in net equity and of cash flows, and with the financial year ended on 31 December 2015 for the interim condensed consolidated of the financial position.

(c) Estimates made

In the interim condensed consolidated financial statements, estimates made by the Parent Company's Directors have occasionally been used to quantify some of the assets, liabilities, income, expenses and commitments that are recorded in them. Basically, these refer to:

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

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

– Determination of the fair value of certain financial instruments.

– Assessment of provisions and contingencies.

– Financial risk management.

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

– Compliance with the requirements that regulate SOCIMIs.

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

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

During the six-month period ended on 30 June 2016 there were no significant changes in the estimates made at the close of the 2015 financial year.

(d) Contingent assets and liabilities

During the first six months of 2016 there were no significant changes in the Group's contingent assets and liabilities.

(e) Correction of errors

During the first six months of 2016 no errors have been brought to light with respect to the close of the previous financial year that would require correction.

(f) Seasonality of the Group's transactions

Given the activities in which the companies in the Group are involved, its transactions are not markedly cyclical or seasonal in nature. Specific breakdowns in this respect have therefore not been included in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2016.

(g) Relative importance

In determining the information to be broken down in the explanatory notes on the different items in the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account the relative importance in relationship to the interim condensed consolidated statements for the six-month period ended 30 June 2016.

(h) Consolidated condensed cash flow statement

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

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

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

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

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

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

(3) CHANGES TO THE COMPOSITION OF THE GROUP

In Note 4.e. and Appendix I of the consolidated annual accounts for the period ended 31 December 2015, relevant information is provided regarding the Group companies that were consolidated as of that date and those that were included using the equity method.

During the first six months of the 2016 financial year there have been the following changes to the scope of the consolidation:

– On 30 March 2016, the Parent Company has acquired 41.22% of the stakes in LE Retail Portal de la Marina, S.L.U. (formerly called Puerta Marítima Ondara, S.L.U.) from the company Grupo Lar Actividad de Arrendamiento, S.A.U., a company wholly-owned by Grupo Lar Inversiones Inmobiliarias, S.A. (as of 31 December 2015, the Parent Company already owned the remaining 58.78% of the share capital and consolidated it by the equity method).

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

Company	Principal Activity	Date of acquisition	Percentage of shareholding (voting rights) acquired	Transferred consideration (thousands of Euros)
LE Retail Portal de la Marina, S.L.U.	The acquisition and development of properties	30/03/2016	41.22%	14,588

	Thousands of Euros		
	Carrying amount	Value adjustment	Fair value
Investment properties	80,602	6,198	86,800
Long-term financial investments	982	-	982
Suppliers' advances	57	-	57
Trade and other receivables	707	-	707
Other assets	616	-	616
Cash and other cash equivalent assets	478	-	478
Long-term financial debt with credit institutions	(39,183)	-	(39,183)
Other long-term loans and borrowings	(1,350)	-	(1,350)
Long-term derivatives	(321)	-	(321)
Short-term financial debt with credit institutions	(4,292)	-	(4,292)
Trade and other payables	(2,126)	-	(2,126)
Total net assets	**36,170**	**6,198**	**42,368**
Transferred consideration for the 41.22%			**14,588**
58.78% of the fair value of shares prior to acquisition			24,904
58.78% of the fair value of shares at 30/03/2016			20,799
Losses from decreases in equity-accounted investments			**(4,105)**
100% of the fair value of shares prior to acquisition			42,368
100% of the fair value of shares at 30/03/2016			35,390
Profit from the business combination			**6,978**
Net profit from the business combination			2,873

As stated in IFRS 3, on business combinations carried out in steps, each exchange transaction will be processed separately by the acquiring entity, using the information on the cost of the transaction and the fair value, on the date of each exchange.

On 30 March 2016, the Group recorded a decrease in the investment prior to the take-over (58.78%), calculating the fair value thereof to be equal to the price paid for 41.22% of the shares of the company at said date, i.e. EUR 20,799 thousand. Said decrease led to the registry of a result of EUR (4,105) thousand which was recorded under "Impairment and result from loss of significant influence in equity- accounted shares" on the attached interim condensed consolidated statement of comprehensive Income. The amount of consideration transferred for the acquired shares was established on the date of the sale contract, i.e. 30 September 2015, according to the appraisals of the property investment held by LE Retail Portal de la Marina, S.L.U. that were available on said date. Said appraisals were carried out by independent third parties not belonging to the Group.

In turn, and simultaneously, after taking control of the subsidiary on 30 March 2016, the Group fully consolidated the Company's assets. The fair value of the assets of LE Retail Portal de la Marina, S.L.U. at 31 March 2016 was calculated to total EUR 42,368 thousand, which was calculated using the last available appraisal for the property investment held by the company (on 31 December 2015) which was carried out by third parties not belonging to the Group. As a result, the first consolidation in the business combination resulted in a negative difference of EUR 6,978 thousand, which was recorded under "Other results" in the attached interim condensed consolidated statement of comprehensive income.

The assets attributed with the fair value are investment properties. The only asset of the acquired company is the Portal de la Marina shopping centre located in Alicante (Valencia). Said asset is leased to several tenants, through lease contracts for the commercial premises that constitute the asset. Said rentals make up the sole source of income.

The fair value of acquired receivables, mainly of a commercial nature, totalled EUR 707 thousand and do not differ from their gross contractual amounts. At the acquisition date the Parent Company’s directors do not find any signs that these receivables will not be collected in their totality.

The income obtained by the Parent Company from stakes in equity instruments due to the 58.78% of the share capital of the acquired company held in the first three months of 2016 has amounted to EUR 580 thousand.

If the acquisition had taken place on 1 January 2016, the income contributed to the Group would have increased by EUR 1,631 thousand in comparison with these intermediate financial statements. The Directors have used the income received from 1 January 2016 when determining said amount.

The net cash flow in the acquisition would be:

	Thousands of Euros
Cash paid	14,588
Less: Cash and cash equivalents	(478)
Total	14,110

- On 29 April 2016, the Parent Company incorporated LE Retail Anec Blau, S.L.U. The share capital is divided among 3,000 shares of EUR 1 nominal value each, totalling EUR 3,000. The company shares were created with a business establishment bonus of EUR 26,527.95 per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.
- On 29 April 2016, the Parent Company incorporated LE Retail Albacenter, S.L.U. The share capital is divided among 3,000 shares of EUR 1 nominal value each, totalling EUR 3,000. The company shares were created with a business establishment bonus of EUR 9,542.23 per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.
- On 29 April 2016, the Parent Company incorporated LE Retail Txingudi, S.L.U. The share capital is divided among 3,000 shares of EUR 1 nominal value each, totalling EUR 3,000. The company shares were created with a business establishment bonus of EUR 9,074.29 per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.
- On 29 April 2016, the Parent Company incorporated LE Retail Las Huertas, S.L.U. The share capital is divided among 3,000 shares of EUR 1 nominal value each, totalling EUR 3,000. The company shares were created with a business establishment bonus of EUR 3,981.01 per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.
- On 29 April 2016, the Parent Company incorporated LE Offices Marcelo Spínola 42, S.L.U. The share capital is divided among 3,000 shares of EUR 1 nominal value each, totalling EUR 3,000. The company shares were created with a business establishment bonus of EUR 7,851.48 per share. The company shares and the business establishment bonus were fully paid by the Parent Company through a non-monetary contribution.

The incorporation of all these companies did not have an impact on said consolidated intermediate financial statements.

(4) FINANCIAL INFORMATION BY SEGMENTS

As of 30 June 2016, the Group is organised internally into operating segments, with four distinct lines of business: shopping centres (which comprises the rental of shopping centre and single-tenant commercial premises), offices (constituting the office rental business), logistics (the logistics bay rental business), and residential. These are the strategic business units. The breakdown into operating segments is as follows:

- Shopping centres: Txingudi, Las Huertas, Albacenter hypermarket, Anec Blau, Villaverde, Portal de la Marina, Albacenter, Nuevo Alisal, As Termas, Portal de la Marina hypermarket, El Rosal, Cruce de Caminos, As Termas petrol station, Megapark, Parque Galaria, Palmas Altas and Parque Vistahermosa.
- Office buildings: Arturo Soria, Marcelo Spínola, Egeo, Eloy Gonzalo and Joan Miró.
- Logistics: Alovera I, Alovera II, Alovera III, Alovera IV and Almussafes.
- Residential: Stakes in the affiliated companies Inmobiliaria Juan Bravo 3, S.L. (owner of a site in Calle Juan Bravo in Madrid) and Lavernia Investments, S.L. (with no assets on the balance sheet after the sale, in January 2016, of the building it owned in Calle Claudio Coello in Madrid).

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

Details of these activities by segment at 30 June 2016, and their comparison with the previous period (30 June 2015 for income and expenses, and 31 December 2015 for assets and liabilities), are shown below:

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

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

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

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

	Thousands of Euros					
	30 June 2015					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and other (*)	Total
Revenue from leases	8,617	3,167	2,332	-	-	14,116
Total revenues	8,617	3,167	2,332	-	-	14,116
Other income	333	47	20	-	-	400
Personnel expenses	-	-	-	-	(160)	(160)
Operating expenses	(1,377)	(933)	(336)	(22)	(3,387)	(6,055)
Changes to the fair value of investment properties	4,574	4,336	3,560	-	-	12,470
Net finance cost	(108)	(307)	-	(339)	(961)	(1,715)
Impairment and gains/(losses) on disposal of financial instruments	-	-	-	(257)	-	(257)
Equity-accounted investees	1,525	-	-	(978)	-	547
Profit	13,564	6,310	5,576	(1,596)	(4,508)	19,346

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

	Thousands of Euros					
	30 June 2016					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and other (*)	Total
Intangible assets	2	-	-	-	-	2
Investment properties	742,805	159,830	72,280	-	-	974,915
Financial assets with associates	-	-	-	20,351	-	20,351
Equity-accounted investees	-	-	-	6,711	-	6,711
Non-current financial assets	7,691	1,092	1,083	-	-	9,866
Total non-current assets	750,498	160,922	73,363	27,062	-	1,011,845
Trade and other receivables	9,795	767	94	-	11,257	21,913
Financial assets with associates	-	-	-	25,000	-	25,000
Other current financial assets	1,667	2	-	-	48	1,717
Other current assets	281	25	92	-	378	776
Cash and cash equivalents	-	-	-	-	39,405	39,405
Total current assets	11,743	794	186	25,000	51,088	88,811
Total assets	762,241	161,716	73,549	52,062	51,088	1,100,656

* The Group includes assets held with public entities under the line item "Head Office and other".

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Explanatory Notes of the Interim Condensed Consolidated
Financial Statements corresponding to the period of
six months ended 30 June 2016

	Thousands of Euros					
	31 December 2015					
	Shopping centres	Office Buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and other	Total
Intangible assets	1	-	-	-	-	1
Investment properties	556,235	149,750	70,390	-	-	776,375
Financial assets with associates	-	-	-	16,774	-	16,774
Equity-accounted investees	24,324	-	-	18,893	-	43,217
Non-current financial assets	6,162	1,230	1,083	-	-	8,475
Total non-current assets	586,722	150,980	71,473	35,667	-	844,842
Trade and other receivables	4,429	195	23	-	-	4,647
Financial assets with associates	-	-	-	25,179	1,538	26,717
Other current financial assets	1,670	-	-	-	6	1,676
Other current assets	529	-	72	-	-	601
Cash and cash equivalents	-	-	-	-	35,555	35,555
Total current assets	6,628	195	95	25,179	37,099	69,196
Total assets	593,350	151,175	71,568	60,846	37,099	914,038

	Thousands of Euros					
	30 June 2016					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and other (*)	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	139,802	139,802
Loans and Borrowings	238,980	52,375	-	19,804	-	311,159
Derivatives	4,523	306	-	-	-	4,829
Other non-current liabilities	10,416	1,667	1,110	-	-	13,193
Other financial liabilities	-	-	-	-	122	122
Trade and other payables	28,399	2,364	268	-	1,983	33,014
Total liabilities	282,318	56,712	1,378	19,804	141,907	502,119

* The Group includes liabilities held with public entities under the line item "Head Office and other".

	Thousands of Euros					
	31 December 2015					
	Shopping centres	Office buildings	Logistics	Residential (Stakes in affiliated companies)	Head Office and other	Total
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	141,737	141,737
Loans and Borrowings	101,666	52,323	-	24,958	-	178,947
Derivatives	1,560	-	-	-	-	1,560
Other non-current liabilities	8,089	1,575	1,110	-	-	10,774
Trade and other payables	3,255	1,579	471	-	2,498	7,803
Other financial liabilities	1,558	-	-	1,093	-	2,651
Total liabilities	116,128	55,477	1,581	26,051	144,235	343,472

(a) Geographical segments

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

(b) Geographical information

The table below summarises revenues and investment properties for each of the assets owned by the Group in each geographical region at 30 June 2016:

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

The Group carries out its activity entirely in Spain.

(c) Main customers

This item presents details of the tenants that contributed the most rental revenues during the period ended 30 June 2016, as well as the main characteristics of each one:

Ranking	Trade name	Project	% of Total Rental Income	% accumulated	Expiry *	Sector
1	Carrefour	Alovera II/El Rosal	8.15%	8.15%	2017-2042	Distribution
2	Inditex	Anec Blau/Albacenter/El Rosal/As Termas/Huertas/Portal de la Marina	6.05%	14.19%	2025-2033	RM Modas
3	Mediamarkt	Megapark/Villaverde/As Termas/Nuevo Alisal	5.32%	19.52%	2030-2036	Technology
4	Ineco	Egeo	5.11%	24.63%	2021	Engineering
5	Decathlon	Megapark	3.57%	28.20%	2036	Distribution
6	El Corte Inglés	Megapark/Parque Galaria	3.02%	31.22%	2027-2036	Distribution
7	C&A Modas	Anec Blau/El Rosal/As Termas/Megapark/Portal de la Marina	2.70%	33.92%	2016-2026	RM Modas
8	H&M	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina	2.21%	36.12%	2022-2040	RM Modas
9	Toys R Us	Megapark/Nuevo Alisal	2.08%	38.21%	2024-2036	Distribution
10	Eroski	Albacenter hypermarket/Portal de la Marina hypermarket/As Termas	2.01%	40.22%	2024-2036	Distribution

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

(5) INVESTMENT PROPERTIES

At 30 June 2016 the investment properties owned by the Group were made up of 10 shopping centres, 2 shopping centres pending construction, 5 office buildings, 22 single-tenant commercial properties (14 from Megapark Barakaldo, 3 from Vistahermosa business park, 1 from Alisal business park, 1 from Villaverde business park and 3 from Galaria business park) and 5 logistics bays, and the land on which these are located, which are held to obtain rental income and are therefore not occupied by the Group.

The composition and movements that had occurred in the accounts included under the heading "Investment properties" in the interim condensed consolidated financial statements at 30 June 2016 were as follows:

	Thousands of Euros
	Completed investment properties
Fair value at 31 December 2015	776,375
Additions for the period	82,674
Change to the scope of the consolidation (Note 3)	86,800
Changes in fair value	29,066
Balance at 30 June 2016	974,915
Fair value at 30 June 2016	974,915

Investment properties are shown at their fair value.

The Group has recognised the following investment properties at its fair value at 30 June 2016 and 31 December 2015:

	Thousands of Euros	
	Investment properties held	
	30 June 2016	31 December 2015
Shopping centres and single-tenant commercial properties	742,805	556,235
Office buildings	159,830	149,750
Logistics bays	72,280	70,390
	974,915	776,375

Additions and registrations from business combinations for the six-month period ended on 30 June 2016 are as follows:

		Thousands of Euros
Type of asset	Company	Cost of purchase
Shopping centre	Portal de la Marina (Note 3)	86,800
Office building	Marcelo Spínola	3,178
Shopping centre	Palmas Altas (a)	31,039
Shopping centre	Sagunto	3,087
Shopping centre	Parque Vistahermosa (b)	43,349
Shopping centre	Improvements	2,021
		169,474

(a) This is in reference to the acquisition of a site in Palmas Altas, Seville, where construction of a Shopping Centre is planned. On 1 March 2016, the Company formalised the deed of purchase of the site for EUR 36,000 thousand (without taking into account the costs incurred since its purchase and costs of formalisation). At 30 June 2016 an amount of EUR 18,000 thousand of the total purchase price is pending payment.

(b) On 16 June 2016, the Company, through its subsidiary Lar Retail Vistahermosa, S.L.U. acquired the Parque Vistahermosa Shopping Complex in Alicante, with a gross lettable area of 33,550 square meters.

The effect of valuing Investment Properties at fair value at 30 June 2016 amounted to EUR 29,066 thousand, of which EUR 27,867 thousand correspond to Investment Properties owned by the Company at the 2015 reporting date.

At 30 June 2016, assets pledged as collateral for bonds and various loans had a fair value of EUR 848,445 thousand (EUR 554,602 thousand at 31 December 2015). The amount of said loans pending return at amortised cost at 30 June 2016 amounted to EUR 450,961 thousand (EUR 395,246 thousand at 31 December 2015). The Group has no agreements for the use of investment properties, attachment orders thereon or analogous situations (see Note 12).

At 30 June 2016 all buildings comprising "Investment properties" are insured. These policies are considered to be sufficiently covered.

Details of the assets measured at fair value and the hierarchy in which they are classified is broken down in Note 16.a. The fair value of the assets totalled EUR 974,915 thousand (EUR 776,375 thousand at 31 December 2015) and are considered level 3 valuations, with there being no transfers between levels in the 2016 financial year.

At 30 June 2016 details of the gross lettable area and occupancy rate by line of business are as follows:

	Square metres	
	Gross lettable area	Occupancy rate
Shopping centres and single-tenant commercial properties (*)	312,321	91.23%
Office buildings (**)	41,758	90.08%
Logistics bays	161,840	100%

(*) The square meters of the Cruce de Caminos and Palmas Altas sites have not been taken into account, since they have not been built to date.

(**) The information for Marcelo Spínola has not been taken into account as it is being renovated.

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

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

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

The appraisal companies that performed the valuations of the Group's investment properties at 30 June 2016 are listed below:

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

Fees paid by the Group to the appraisal companies for valuations in the first half of 2016 and 2015 are as follows:

	Thousands of Euros	
	2016	2015
Appraisal services	57	60
	57	60

The assumptions used to calculate the fair value of the real estate assets at 30 June 2016 are broken down in Note 16.

(6) FINANCIAL ASSETS WITH ASSOCIATES

The breakdown of this category as at 30 June 2016 and 31 December 2015 is the following:

	Thousands of Euros	
	30 June 2016	
	Short-term	Long-term
Loans with associates	25,000	20,351
Total financial assets with associates	25,000	20,351

	Thousands of Euros	
	31 December 2015	
	Short-term	Long-term
Loans with associates	25,102	16,774
Other assets	1,615	-
Total financial assets with associates	26,717	16,774

At 30 June 2016 the Group had formalised the following loans with associates:

	Thousands of Euros						
Company	Date granted	Loan principal	Previous periods accrued interest	Capitalised accrued interest	Current	Non-current	Loan total at 30 June 2016
Inmobiliaria Juan Bravo 3, S.L.	29/05/2015	40,000	1,774	1,546	25,000	18,320	43,320
Inmobiliaria Juan Bravo 3, S.L.	11/01/2016	2,000	-	31	-	2,031	2,031
		42,000	1,774	1,577	25,000	20,351	45,351

During the first six months of the 2016 financial year, the Company has collected EUR 179 thousand due to the credits granted in previous financial years to Lavernia Investments, S.L. with maturity in 2016.

On 11 January 2016, Lar España Real Estate SOCIMI, S.A. made a loan to Inmobiliaria Juan Bravo 3, S.L. for the amount of EUR 2,000 thousand, with maturity 10 January 2019 and an interest rate of 12-month Euribor plus 4% margin. Like the participating loan granted on 29 May 2015, accrued, unpaid interest on this loan will be capitalised on a quarterly basis and will become part of the principal of the loan.

At 30 June 2016 the amount of accrued and capitalised interest in the first six months of the 2016 financial year total EUR 1,577 thousand.

Additionally, on 8 January 2016, LE Retail Portal de la Marina (formerly called Puerta Marítima Ondara, S.L.U.) paid the amount corresponding to the interim dividend approved on 31 December 2015, prior to the acquisition of the remaining 41.22% of the holding (Note 3) and pending payment to the Group, as of 31 December 2015, in the amount of EUR 1,538 thousand.

(7) EQUITY-ACCOUNTED INVESTEES

Details by company at 30 June 2016 and 31 December 2015 of equity-accounted companies as well as the result attributable to the Group is as follows:

	Thousands of Euros			
	30 June 2016		31 December 2015	
	Investments	Result attributable to the Group	Investments	Result attributable to the Group
LE Retail Portal de la Marina, S.L.U.	- (*)	580(*)	24,324	5,515
Lavernia Investments, S.L.	70(**)	(16)	9,748	(456)
Inmobiliaria Juan Bravo 3, S.L.	6,641(***)	(2,337)	9,145	(2,465)
Total	6,711	(1,773)	43,217	2,594

(*) The Parent Company has acquired the remaining 41.22% of the stakes in LE Retail Portal de la Marina, S.L.U. (formerly called Puerta Marítima Ondara, S.L.U.) as of 30 March 2016, so the result for the first quarter has been included by using the equity method (Note 3).

(**) With the sale of the building at Calle Claudio Coello, 108, in January 2016, Lavernia Investments, S.L. distributed the share premium to its shareholders for a total amount of EUR 19,325 thousand; since the Group owns 50%, it has received returns of contributions in the amount of EUR 9,662 thousand.

(***) In the purchase of 50% of the stake in Inmobiliaria Juan Bravo 3, S.L., Lar España Real Estate, S.A. (Parent Company), held back EUR 1,000 thousand as guarantee, which has finally been settled in the 2016 financial year for an amount of EUR 833 thousand. The difference between these amounts has been recognised as a lesser amount of the initial investment in the stake.

The main indicators for joint ventures (standardized to the regulatory framework applicable to the Group) at 30 June 2016 and 31 December 2015 are as follows:

	Thousands of Euros					
	30 June 2016			31 December 2015		
	LE Retail Portal de la Marina, S.L.U. (Note 3)	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.	LE Retail Portal de la Marina, S.L.	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.
Non-current assets	-	-	72	81,960	-	72
Current assets	-	139	118,665(*)	3,625	20,003	109,918(*)
Non-current liabilities	-	-	83,309	41,372	-	76,153
Current liabilities	-	1	52,790	88,647	509	51,713
Revenues	-	-	-	6,103	1	-
Profits and (losses) for the financial year	-	(32)	(4,673) (**)	9,381	(913)	(4,930)

(*) Mostly property inventories.
(**) The profits and losses of the financial year attributable to the group, based on IAS 2, do not include the revaluation of inventories that at 30 June 2016 generated an impairment reversal in Inmobiliaria Juan Bravo, S.L. for the amount of EUR 5,188 thousand.

(8) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The Group's financial assets at 30 June 2016 are security deposits placed with public bodies, trade receivables, receivables from public entities, fixed-term cash deposits and credits to associated companies. The following table shows a breakdown of these assets at 30 June 2016 and 31 December 2015:

	Thousands of Euros			
	30 June 2016		31 December 2015	
	Non-current	Current	Non-current	Current
	Carrying amount	Carrying amount	Carrying amount	Carrying amount
Loans to third-parties	85	-	63	-
Security deposits and guarantees	9,781	-	8,412	-
Financial assets with associates (Note 6)	20,351	25,000	16,774	26,717
Other financial assets	-	1,717	-	1,676
Clients receivables for sales and rendering of services	-	3,155	-	1,894
Advances to suppliers	-	7,500	-	30
Public entities, other	-	11,258	-	2,723
Total	30,217	48,630	25,249	33,040

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

At 30 June 2016, security deposits and guarantees mainly comprise the security deposits and guarantees received from the tenants of the property assets mentioned in Note 5, which the Group has deposited with the corresponding public bodies.

At 30 June 2016, "Public entities, other" mainly comprises the Value Added Tax pending return related to the purchase of the “Palmas Altas” site in Seville that is described in Note 5.

At 30 June 2016, the line entry "Advances to suppliers" includes the amount paid for new investments planned for 2016.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity as of 30 June 2016 and 31 December 2015 is as follows:

	2016			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Loans to third-parties	-	85	-	85
Security deposits and guarantees	-	-	9,781	9,781
Financial assets with associates	25,000	20,351	-	45,351
Other financial assets	1,717	-	-	1,717
Clients receivables for sales and rendering of services	3,155	-	-	3,155
Advances to suppliers	7,500	-	-	7,500
Public entities, other	11,258	-	-	11,258
	48,630	20,436	9,781	78,847

	2015			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Loans to third-parties	-	63	-	63
Security deposits and guarantees	-	-	8,412	8,412
Financial assets with associates	26,717	16,774	-	43,491
Other financial assets	1,676	-	-	1,676
Clients receivables for sales and rendering of services	1,894	-	-	1,894
Advances to suppliers	30	-	-	30
Public entities, other	2,723	-	-	2,723
	33,040	16,837	8,412	58,289

(c) Results by categories of financial assets

The amount of net losses and gains corresponds to the income obtained by the Group with respect to the credits delivered to Inmobiliaria Juan Bravo 3, S.L. and Lavernia Investments, S.L. (Note 6), and to the income obtained through security deposits effected in financial institutions. In the six-month period ended on 30 June 2016, the income has amounted to EUR 1,978 thousand and wholly corresponds to credits delivered to Companies in the Group (EUR 615 thousand in the six-month period ended on 30 June 2015).

(9) CASH AND CASH EQUIVALENTS

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

(10) NET EQUITY

(a) Capital

At 30 June 2016 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 121,254 thousand (EUR 119,996 thousand at 31 December 2015) represented by 60,627,083 registered shares (59,997,756 registered shares at 31 December 2015), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

On 29 April 2016 the Parent Company carried out a capital increase with exclusion of pre-emptive subscription rights in the amount of EUR 1,258 thousand, by issuing 629,327 shares with a nominal value of EUR 2 each plus an issue premium of EUR 4,040 thousand.

The shares issued have been delivered to Grupo Lar Inversiones Inmobiliarias, S.A. to settle the “Performance Fee” accrued by Grupo Lar Inversiones Inmobiliarias, S.A. in 2015 pursuant to the management and investment agreement signed by the parties.

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

The quoted price on 30 June 2016 was EUR 8.05 per share.

At 30 June 2016 the Parent Company's main shareholders were as follows:

	2016
Franklin Templeton Institutional, LLC	14.9%
LVS II Lux XII S.a.r.l	12.4%
Threadneedle Asset Management Limited	5.1%
Other shareholders with an interest of less than 5%	67.6%
	100.0%

In addition, on 6 July 2016, the Company made the decision to increase the share capital to EUR 59,826,958 (see Note 22).

(b) Share premium

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

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

On 29 April 2016 the Parent Company carried out a capital increase with exclusion of pre-emptive subscription rights in the amount of EUR 1,258 thousand, by issuing 629,327 shares with a nominal value of EUR 2 each plus an issue premium of EUR 4,040 thousand.

On 21 April 2016, the distribution of dividends from the 2015 financial year against the share premium was approved for the amount of EUR 7,521 thousand.

At 30 June 2016, the share premium of the Group totals EUR 411,566 thousand (EUR 415,047 thousand at 31 December 2015).

(c) Other reserves

The breakdown of this category as at 30 June 2016 is the following:

	Thousands of Euros	
	30 June 2016	31 December 2015
Legal reserve	667	166
Parent Company Reserves	(9,836)	(5,349)
Consolidated reserves	37,291	(824)
Other shareholder contributions	240	240
	28,362	(5,767)

(i) *Legal reserve*

At 30 June 2016 the legal reserve of the Parent Company totals EUR 667 thousand (EUR 166 thousand at 31 December 2015).

(ii) *Parent Company Reserves/Consolidated Reserves*

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

Additionally, the impact on reserves of received services that will be liquidated in shares of the Parent Company is also included (Note 10g).

(d) Valuation adjustments

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

	Thousands of Euros
31 December 2015	(1,560)
Changes in fair value of hedges in the financial year recognised directly in equity	(4,016)
Other amounts transferred to the income statement	747
30 June 2016	(4,829)

(e) Treasury shares

At 30 June 2016 the Parent Company holds treasury shares amounting to EUR 1,143 thousand. Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2015	74,250	709
Additions	1,086,711	9,301
Disposals	(1,025,580)	(8,867)
30 June 2016	135,381	1,143

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital. This authorisation was approved by the Shareholders' General Meeting of the Parent Company held on the 28 April 2015.

The average selling price of treasury shares has been EUR 8.36 per share. Profits from the sale of treasury shares for the six-month period ended 30 June 2016 amounted to EUR (732) thousand and are recognised under Other Reserves in the interim condensed consolidated statement of financial position.

(f) Dividends paid

On 21 April 2016 the Shareholders' General Meeting approved the distribution of the Parent Company's results in accordance with the proposal formulated by the Parent Company's Directors in their meeting held on 25 February 2016. The distribution is as follows:

	Thousands of Euros
Basis of allocation	
Profit for the year	5,006
Share premium	7,538
Distribution	
Legal reserve	501
Dividends	12,037
Voluntary reserve	6

On 21 April 2016, the Shareholders' General Meeting approved the distribution of a dividend of EUR 4,499 thousand, at EUR 0.075 per share (taking into account all the shares issued) and recognised in profit and loss for the 2015 financial year, and of EUR 7,538 thousand, at EUR 0.125 per share (taking into account all the shares issued), charged to the share premium. The amount distributed totalled EUR 12,020 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's net equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the Shareholders' Meeting held on 21 April 2016, and adjusting the difference for the greater number of treasury shares against the share premium. The distributed dividend was paid in full in 2016.

(g) Share-based payments

On 12 February 2014, the Parent Company signed an Investment Management Agreement with Grupo Lar Inversiones Inmobiliarias, S.A. (hereinafter "the Manager") for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, the acquisition and management of property assets on behalf of the Parent Company and financial management. For said services the Manager will accrue fixed fees based on a percentage of the fair value (EPRA NAV) of the investments made. The amount accrued by the set fee at 30 June 2016 amounted to EUR 3,145 thousand (EUR 1,936 thousand at 30 June 2015).

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

On 30 June 2016, the return of the shareholder calculated by the Parent Company totalled 7.75%. According to the estimates made by the company, a Performance Fee was accrued at 30 June 2016 in the amount of EUR 443 thousand. The net amount of corporation income tax applicable to the recipient (25%), which totals EUR 332 thousand, was recorded pursuant to IFRS 2 "Share-based payments" with payment in the reserves. The remaining amount, which totals EUR 111 thousand, was recorded as a liability.

The services received from the Manager are recognised as other operating expenses in the consolidated statement of comprehensive income. At 30 June 2016, the Group has a balance payable for this item totalling EUR 2,077 thousand (EUR 2,379 thousand at 31 December 2015).

(11) EARNINGS PER SHARE

(a) Basic

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

Details of the calculation of basic earnings per share are as follows:

	Thousands of Euros	
	30 June 2016	30 June 2015
Profit for the period attributable to equity holders of the Parent Company	43,327	19,346
Weighted average number of ordinary shares in circulation (number of shares)	60,311,186	39,604,369
Diluted earnings per share	0.72	0.49

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

	30 June 2016	30 June 2015
Ordinary shares	60,627,083	40,030,000
Average effect of treasury shares	(315,897)	(425,631)
Weighted average number of ordinary shares in circulation at 30 June (shares)	60,311,186	39,604,369

(b) Diluted

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

The Parent Company does not have different classes of ordinary shares that are potentially dilutive.

(12) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 30 June 2016 and 31 December 2015 is as follows:

	2016	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,367	1,435
Loans and borrowings	303,467	7,692
Other financial liabilities - security deposits	13,193	122
Trade and other payables		
Trade payables	-	31,031
Public entities, other	-	1,983
Carried at fair value:		
Derivatives	4,829	-
Total financial liabilities	459,856	42,263

	2015	
	Non-current	Current
	Carrying amount	Carrying amount
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	138,233	3,504
Loans and borrowings	173,354	5,593
Other financial liabilities - security deposits	10,774	2,651
Trade and other payables		
Trade payables	-	5,761
Public entities, other	-	2,042
Carried at fair value:		
Derivatives	1,560	-
Total financial liabilities	323,921	19,551

At 30 June 2016 and 31 December 2015 the carrying amounts do not differ significantly from the fair value. The derivative financial instruments explained in section c of this note are the only financial liabilities recognised at fair value.

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

Details by maturity of financial liabilities at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (*) Thousands of Euros						
	1 year	2 years	3 years	4 years	More than 5 years	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	1,435	-	-	-	138,367	-	139,802
Loans and borrowings *(a)*	7,692	22,151	5,377	94,116	181,823	-	311,159
Derivatives	-	-	-	-	4,829	-	4,829
Other financial liabilities - security deposits	122	-	-	-	-	13,193	13,315
Trade and other payables	33,014	-	-	-	-	-	33,014
Total	42,263	22,151	5,377	94,116	325,019	13,193	502,119

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

	31 December 2015 Thousands of Euros						
	1 year	2 years	3 years	4 years	More than 5 years	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	3,504	-	-	-	138,233	-	141,737
Loans and borrowings *(a)*	5,593	2,657	17,656	30,156	122,885	-	178,947
Derivatives	-	-	-	-	1,560	-	1,560
Other financial liabilities - security deposits	2,651	-	-	-	-	10,774	13,425
Trade and other payables	7,803	-	-	-	-	-	7,803
Total	19,551	2,657	17,656	30,156	262,678	10,774	343,472

(a) The effect of valuing financial liabilities from bank bonds and borrowings at amortised cost amounts to EUR 1,636 thousand and EUR 5,398 thousand at 30 June 2016 (EUR 1,767 thousand and EUR 3,049 thousand at 31 December 2015).

(c) Main characteristics of loans and payables

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

				Thousands of Euros		
Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2016	Guarantee
Lar España Real Estate SOCIMI, S.A.	Euros	EURIBOR 3M + 2.83%	30 January 2018	25,000	19,803	(i)
LE Offices Egeo, S.A.U.	Euros	EURIBOR 3M + 2.00%	15 December 2019	30,000	30,000	Egeo building
LE Retail Alisal, S.A.U.	Euros	3.02% (until 16 March 2015). Subsequently EURIBOR 3M + 2.90%	16 June 2025	7,822	7,595	Single-tenant commercial premises Nuevo Alisal (iii)
LE Retail As Termas, S.L.U.	Euros	EURIBOR 3M + 1.80%	25 June 2020	37,345	36,520	As Termas shopping centre (iii)
LE Retail El Rosal, S.L.U.	Euros	EURIBOR 3M + 1.75%	7 July 2030	50,000	49,005	El Rosal shopping centre (iii)
LE Retail Villaverde, S.L.U.	Euros	1.75% (until 30 September 2018) Subsequently EURIBOR 12M + 1.75%	13 October 2020	4,550	4,475	Single-tenant commercial premises Villaverde (iii)
LE Offices Arturo Soria, S.L.U.	Euros	1.80% (until 30 September 2018) Subsequently EURIBOR 12M + 1.80%	09 November 2020	13,000	12,802	Arturo Soria office building (iii)
LE Retail Galaria, S.L.U.	Euros	1.75% (until 14 March 2016) Subsequently 3M + 1.75%	14 December 2029	4,200	4,105	Single-tenant commercial premises Galaria (ii)(iii)
LE Offices Joan Miró 21, S.L.U.	Euros	1.62%. Subsequently EURIBOR 3M + 1.75%	23 December 2020	9,800	9,573	Joan Miró office building (ii)(iii)

				Thousands of Euros		
Institution	Currency	Effective rate	Maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2016	Guarantee
LE Retail Megapark, S.L.U. (a)	Euros	EURIBOR 3M + 1.7%	24 February 2023	97,000	95,450	Megapark shopping centre (ii)(iii)
LE Retail Portal de la Marina, S.L.U. (b)	Euros	EURIBOR 3M + 0.88%	17 May 2020	66,000	41,831	Portal de la Marina shopping centre (iii)
					311,159	

(i) This loan has mortgage guarantees on the building owned by the associate Inmobiliaria Juan Bravo 3, S.L.
(ii) In addition to the mortgage security on the loan, the Company has pledged shares, current accounts and credit accounts derived from the lease contracts for the property.
(iii) With respect to said mortgage loans, there are certain clauses linked to the keeping of the LTV "Loan To Value" ratio below percentages between 50%+70%. If the LTV is not kept below 50%+70%, additional guarantees will be necessary.

The financial expenses accrued on these loans in the six-month period ended 30 June 2016, total EUR 3,477 thousand. The accrued, unpaid interest at 30 June 2016 amounts to EUR 650 thousand.

The main changes that occurred in the six-month period ended 30 June 2016 are as follows:

(a) On 24 February 2016, LE Retail Megapark, S.L.U., a company in the Group, signed a syndicated loan agreement with Natixis, S.A., as agent and financing institution, Credit Agricole Corporate and Investment Bank, S.A. and Banco Santander, S.A., financing institutions, for a total amount of EUR 97,000 thousand and maturity at 7 years. The loan accrues interest quarterly, at an interest rate of the 3-month Euribor plus a 1.7% margin, which will be paid on the last day of the Interest Period.

(b) After the acquisition of the remaining 41.22% of the stakes in LE Retail Portal de la Marina, S.L.U. (formerly called Puerta Marítima Ondara, S.L.U.), the syndicated loan signed by LE Retail Portal de la Marina, S.L.U. with Caixabank, S.A., as agent and financing institution, Banco Bilbao Vizcaya Argentaria, S.A and Banco de Sabadell, S.A., as financing institutions, in the amount of EUR 43,474 thousand is included under "Bank borrowings". The loan accrues interest quarterly, at an interest rate of the 3-month Euribor plus a 0.88% margin, which will be paid on the last day of the Interest Period.

The financing agreements signed by the Group require compliance with certain financial ratios. The Directors believe that they are complied with at 30 June 2016 and expect them to be satisfactorily complied with while the agreement remains in force.

Derivative financial

Derivatives contracted by the Group at 30 June 2016 and 31 December 2015 and their fair values at said dates are as follows (in thousands of Euros):

	Thousands of Euros				
	Contracted interest rate	Fair value at 30/06/2016	Fair value at 31/12/2015	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	1,519	768	50,000	2020
LE Retail As Termas, S.L.U.	0.53%	1,280	686	37,345	2020
LE Offices Joan Miró 21, S.L.U.	0.41%	306	106	9,800	2020
LE Retail Megapark, S.L.U.	0.22%	1,724	(a)	97,000	2023
		4,829	1,560		

The main changes that occurred in the six-month period ended 30 June 2016, additional to the changes due to the oscillations in the fair prices of the derivative instruments are as follows:

(a) On 24 February 2016, the Group company LE Retail Megapark, S.L signed IRS hedging instrument contracts for nominal amounts of EUR 40,500 thousand, EUR 32,250 thousand and EUR 24,250 thousand with Natixis, S.A., Credit Agricole Corporate and Investment Bank, S.A. and Banco Santander, S.A, with a maximum maturity of 7 years. These IRS hedging instrument contracts will accrue interest on a quarterly basis, which shall be paid on the last day of each Interest Period. The interest rate applied is made up of a fixed component of 0.22% and a variable component based on the three month Euribor. The fair value of these financial instruments has been recognised under liabilities for amounts of EUR 720 thousand, EUR 573 thousand and EUR 431 thousand at 30 June 2015. The Group has applied hedge accounting, having recognised the said reasonable values in the net equity.

(b) After the acquisition of the remaining 41.22% of the stakes in LE Retail Portal de la Marina, S.L.U. (formerly called Puerta Marítima Ondara, S.L.U.), three IRS hedging instruments, contracted by LE Retail Portal de la Marina, S.L.U. with Caixabank, S.A., Banco Bilbao Vizcaya Argentaria, S.A and Banco de Sabadell, S.A. for a fair value of EUR 107 thousand each have been recognised under "Derivatives". At 30 June 2016, these IRS hedging instruments have matured.

(13) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities include EUR 13,193 thousand at 30 June 2016 (EUR 10,774 thousand at 31 December 2015) that comprise the security deposits and guarantees delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent, which is reimbursed at the end of the contract term.

(14) TRADE AND OTHER PAYABLES

Details of trade and other payables at 30 June 2016 and 31 December 2015 are as follows:

	Thousands of Euros	
	2016	2015
Trade payables (Note 5) (a)	28,544	3,184
Trade payables, associated companies (b)	2,442	2,462
Salaries payable	45	115
Public entities, other	1,983	2,042
	33,014	7,803

(a) At 30 June 2016, "Trade payables" includes EUR 18,000 thousand corresponding to amounts pending payment due to property investments made in 2016 (see Note 5).

(b) "Trade payables, associated companies" includes EUR 546 thousand related to the variable remuneration to be paid to the Manager depending on compliance with certain ratios included in the contract and accrued in the financial year (see Note 10).

(15) RISK MANAGEMENT POLICY

(a) Financial risk factors

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

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

(i) *Market risk*

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

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

- The economic environment in which the Group performs its activity: The design of various economic scenarios with different key variables that can affect the Group (interest rates, share price, occupancy rates of investment properties, etc.).
- The identification of variables that are interconnected and their degree of connection.
- Time frame within which the assessment is made: The time frame for the analysis and the potential deviations should be taken into account.

(ii) *Credit risk*

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

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

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

Cash and cash equivalents

The Group has cash and cash equivalents totalling EUR 39,405 thousand, which represent its maximum exposure to risk associated with these assets (see Note 9).

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

(iii) *Liquidity risk*

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

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

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

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

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

(a) Assets and liabilities valued at their fair value

Details of the assets and liabilities measured at fair value and the hierarchy in which they are classified at 30 June 2016 and 31 December 2015 are as follows:

	Thousands of Euros			
	2016			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment properties				
Shopping centres				
- Land	245,442	-	-	245,442
- Buildings	497,363	-	-	497,363
Office buildings				
- Land	72,413	-	-	72,413
- Buildings	87,417	-	-	87,417
Industrial bays				
- Land	11,996	-	-	11,996
- Buildings	60,284	-	-	60,284
Total assets measured recurrently at fair value	974,915	-	-	974,915

	Thousands of Euros			
	2015			
	Total	Level 1	Level 2	Level 3
Recurrent fair value measurements				
Investment properties				
Shopping centres				
- Land	187,333	-	-	187,333
- Buildings	368,902	-	-	368,902
Office buildings				
- Land	72,412	-	-	72,412
- Buildings	77,338	-	-	77,338
Industrial bays				
- Land	11,995	-	-	11,995
- Buildings	58,395	-	-	58,395
Total assets measured recurrently at fair value	776,375	-	-	776,375

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

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

The main assumptions used to calculate the fair value of the real estate assets at 30 June 2016 were as follows:

	Net Initial Yield	Discount rate
Shopping centres and single-tenant commercial properties	5.25% - 6.70%	8.11% - 11.56%
Office buildings	3.58% - 5.10% (*)	8.83%
Logistics bays	6.28% - 9.09%	9.08% - 10.03%

(*) The information for Marcelo Spínola has not been taken into account as it is being renovated.

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

	Thousands of Euros	
	Assets	Consolidated profit
Increase in rate of return by a quarter point	(32,576)	(32,576)
Decrease in rate of return by a quarter point	35,262	35,262

Details of changes in fair value of investment properties in the income statement at 30 June 2016 are as follows:

	Thousands of Euros
Shopping centres and single-tenant commercial properties	20,309
Office buildings	6,867
Logistics bays	1,890
	29,066

(17) REVENUE

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

(18) OTHER INCOME

In 2016, the Group reflects other income of EUR 7,772 thousand, of which EUR 515 thousand correspond to temporary rentals of common areas in the shopping centres, EUR 6,978 thousand to profit from the business combination described in Note 3, and EUR 279 thousand to other items.

Invoices issued to tenants include EUR 8,138 thousand for communal charges (owners association, services, etc.) passed on to them. This amount is presented, according to its nature, net of the corresponding expenses under "Other expenses" in the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2016.

(19) OTHER EXPENSES

The breakdown of other expenses as of 30 June 2016 and 30 June 2015 is as follows:

	Thousands of Euros	
	2016	2015
Repairs and maintenance	450	202
Independent professional services	6,425	3,329
Insurance premiums	290	86
Bank fees and commissions	159	15
PR and advertising	199	67
Supplies	399	332
Taxes	1,943	1,243
Change in allowances due to losses and uncollectibility of trade and other receivables	(37)	(36)
Remuneration of the Board of Directors	212	211
Other results	626	606
	10,666	6,055

(20) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Loans with associates and affiliates

	Thousands of Euros 30 June 2016				
	Associated companies		Other related or affiliated parties		Total
	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	
Loans to associates		45,351	-	-	45,351
Other current assets	-	-	-	-	-
Trade and other payables	-	-	2,077	365	2,442

	Thousands of Euros 31 December 2015					
	Associated companies			Other related or affiliated parties		Total
	Lavernia Investments, S.L.	Inmobiliaria Juan Bravo 3, S.L.	LE Retail Portal de la Marina, S.L.U.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	
Loans to associates	102	41,774	-	-	-	41,876
Other current financial assets	-	-	1,538	-	-	1,538
Other financial liabilities	-	-	1,558	-	-	1,558
Trade and other payables	-	-	-	2,379	54	2,462

(b) Transactions with associates and affiliates

On 12 February 2014, Grupo Lar Inversiones Inmobiliarias, S.A. (being at that time the sole shareholder of the Company) and Lar España Real Estate SOCIMI, S.A. signed an Investment Management Agreement for the rendering of management services by Grupo Lar Inversiones Inmobiliarias, S.A., including, among others, advice on the acquisition and management of property assets on behalf of the Company and financial management. Under this agreement fees are accrued based on a percentage of the fair value (EPRA NAV) of the investments made plus variable fees based on the profitability of the management services.

These services are recognised as other operating expenses in the consolidated statement of income. At 30 June 2016, these expenses amounted to EUR 3,557 thousand (see Note 10g).

The Group has also signed a contract with a related company, Gentalia 2006, S.L., for the provision of services related to the management and administration of the properties. At 30 June 2016, these expenses amounted to EUR 818 thousand.

As mentioned in Note 6, during the first six months of 2016, Finance income corresponding to the loans signed between the Parent Company and Inmobiliaria Juan Bravo 3, S.L. has accrued in the amount of EUR 1,948 thousand, having capitalised EUR 1,577 thousand (amount net of the withholding).

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

The remuneration received at 30 June 2016 and 30 June 2015 by the members of the Board of Directors and Senior Management personnel of the Company, classified by item, is as follows:

	Thousands of Euros	
	2016	
	Salaries	Allowances
Board of directors	-	212
Senior management personnel	147	-

	Thousands of Euros	
	2015	
	Salaries	Allowances
Board of directors	-	211
Senior management personnel	140	-

Allowances for the board of directors include EUR 38 thousand for the non-executive secretary of the board of directors (EUR 38 thousand at 30 June 2015).

At 30 June 2016, the company has 5 Board members, all of them men (at 31 March 2015, the company had 5 Board members, all of them men).

At 30 June 2016 and 31 December 2015 the Group has no pension or life insurance obligations with former or current members of the board of directors or senior management personnel of the Parent Company.

At 30 June 2016 and 31 December 2015 no advances or loans have been extended to members of the board or senior management.

(21) INFORMATION REGARDING EMPLOYEES

The average headcount of the Group at 30 June 2016 and 31 December 2015, distributed by category, is as follows:

	2016	2015
Professional category		
Senior management personnel	4	3
Total	4	3

Of these, 3 employees are men and one is a woman (at 31 December 2015, of the 3 employees two were men and one was a woman).

(22) SUBSEQUENT EVENTS

On 6 July 2016, as authorised by the shareholders at their Annual General Meeting held on 21 April 2016, the board of directors of the Parent Company agreed to increase the share capital of the Lar España through the issue of 29,913,479 new ordinary shares, with a par value of EUR 2 each plus a share premium of EUR 2.92 per share, for a total issue price of EUR 4.92 per new share. As a result, the effective amount of the share capital increase will total EUR 147,174,316.88.

On 7 July 2016, the Spanish National Securities Market Commission approved the prospectus for the capital increase, and the pre-emptive subscription period is therefore expected to commence on 9 July 2016.

On 7 July 2016, Lar España entered into an agreement for the acquisition of the Gran Vía de Vigo shopping centre, subject to fulfilment of certain conditions, and the agreement is expected to be executed shortly.

On 8 August 2016, the Madrid, Barcelona, Bilbao and Valencia stock exchange management companies agreed to admit the New Shares for trading via the Stock Exchange Interlinking System.

(23) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

Consolidated Management Report corresponding to the half-year ended on 30 June 2016

1 Position of the Group

1.1 Property market situation

Office Market

- **Madrid**

Supply: As of 30 June 2016, the trend continues that of the previous quarters - demand continues to be strong and the availability rate low. In the second quarter, it dropped by 23 basis points to 10.25%.

Contracts signed: The 100,000 m2 level has been passed for contracts signed in the second quarter, an increase of 4.8% with respect to the previous quarter, giving a figure for the first half-year of 2016 of 201,000 m2.

Rental Income: Levels of rental income continue to rise in all areas. In the prime CBD areas, rents have reached 27.75 €/m2/month, an interannual change of 7%. In other areas – with the exception of the satellite area – the increases have been similar or greater.

- **Barcelona**

Supply: As in Madrid, as of 30 June 2016 the trend continues that of the previous quarters, i.e. demand continues to be strong and the availability rate is dropping; in the second quarter, it fell by 62 basis points from the level of the first quarter of 2016, and for the first time since 2009, it is below 10% (9.91%).

Contracts signed: Transactions for 77,000 m2 have been made in the second quarter, an increase of 13% with respect to the previous quarter, giving a figure for the first half-year of 2016 of 145,000 m2. This level is considerably lower than that of the previous year (-18%), although the volume of transactions has been somewhat higher this year (225 vs. 220).

Rental Income: As in Madrid, the levels of rents have gone up in all cases; it should be pointed out that, given the lack of supply in the CBD, the growth in rental income has been greater in other areas. In the CBD, rents reached 21 €/m2/month.

Logistics market

The **volume of investment** in the first half-year of 2016 has been around EUR 454 million, which is higher than the volume in the same period of 2015.

Additionally, **logistics contracts signed** in Madrid during the first half-year reached 180,294 m², while in Barcelona the figure exceeded 250,000 m².

Profitability levels continue to fall, giving a prime yield of 6.10%.

The **availability rate** has dropped by over half since previous years, and a slight **uptick in rental income** has been observed.

Shopping centres

The **volume of transactions has fallen** from that of the previous year, principally due to the lack of supply.

Footfall levels have continued the trend of recent quarters and **have increased** by 1.5% in this half-year with respect to 2015, according to Footfall Index Spain.

This change was facilitated by a 4.9% **increase in Spanish retail sales** in 2016. Data from the INE or Spanish Statistical Office (adjusted for inflation and seasonally adjusted).

Consumption in Spain is experiencing a positive surge, having improved compared to 2015.

Residential market

The fundamentals of demand remain the same in 2016, and therefore the current year's prospects for the residential sector are positive. In terms of transactions by dwelling type, the number of **second hand transactions** continues to rise, **with an increase of 37%**, and these represent 89% of the transactions completed in 2015. **New-build transactions**, however, **are on the decline, and have already fallen by 33% with respect to 2015**.

As a consequence of the increased demand, **house prices have gone up** in the first two quarters of 2016. According to the Second-hand House Price Index (Índice de Precio de la Vivienda de Ventas Repetidas), the **price of apartments and houses grew by 2.2%** during the second quarter in comparison with the first three months of the year, and by **7.5% year-on-year.**

Additionally, the excess supply is falling and suitable conditions for **property development** are beginning to be seen. A growing number of residential developments have been started and mortgage financing has begun to return to the development sector.

Investment market

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

- The **lack of product** is the principal cause of increased competition and the reduction in transaction volumes in these first six months of 2016.
- **SOCIMIs** are consolidating themselves as key players in the market.
- **International investors** seeking opportunities continue to enter the Spanish market.
- **Funding** is improving in terms of the Loan-to-value ratio (LTV) and cost.

Asset management capacities and market access will be key in the upcoming months.

These trends have not changed the original plans in terms of the investment schedule or the profitability expected from said investments.

1.2 Organisational and functional structure

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

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

The Group's business involves the following types of assets:

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

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

  Furthermore, the Group intends to continue investing in single-tenant commercial premises that are well located and with good communication links.

  In order to make these investments, the Group shall evaluate the possibility of signing joint venture agreements in order to limit asset concentration risk and to be able to access larger shopping centres.

- Offices: the office rental business.

  The Group mainly focuses on the markets in Madrid and Barcelona, where institutional investors focus most of their interest, and where there is more liquidity. The Group's strategy is to invest in property that has already been constructed, in refurbishing such properties and improving the facilities and occupancy.

- Logistics: the logistics premises rental business.

  The Group seeks to invest in large premises (warehouses) located in logistical platforms with good land connections and important tenants. It also seeks to invest in assets and locations where income is expected to increase.

- Residential.

  The Group invests in the residential market focusing mainly on first homes located in the best established areas of the major Spanish cities – Madrid and Barcelona.

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

- 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 through shopping centre investments, while focusing, with respect to offices and logistics premises, on the areas of Madrid, Barcelona, and to a lesser extent, some important cities such as Valencia. And in terms of the residential market (first homes), in key communities and areas of the market with limited supply. This allows the Group to have a diversified portfolio in terms of both type of asset and locations.

The Group has a robust pipeline that allows it to be confident that the investment plans will be achieved as expected.

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

2 Development and business results

2.1 Introduction

As of 30 June 2016, the Group's revenue amounted to EUR 26,872 thousand, corresponding to the Group's core rental business.

In 2016, the Group has incurred Other Expenses in the amount of EUR 10,666 thousand that mainly correspond to fees for management provided to the Group by Grupo Lar Inversiones Inmobiliarias, S.A. (EUR 3,557 thousand) and to recurrent services that are directly linked to the everyday management of the assets (EUR 4,966 thousand).

The operating result before revaluations, provisions and interest (EBITDA) is EUR 23,803 thousand (EUR 8,301 thousand in the six-month period ended on 30 June 2015).

The revaluation during the financial year of the investment properties held by the Group as of 30 June 2016, according to the independent appraisal by Cushman & Wakefield and Jones Lang Lasalle at the end of the financial year, was EUR 29,066 thousand.

As of 30 June 2016, the Group's rental business has been valued, by the same independent appraisers referred to in the previous paragraphs, as EUR 974,915 thousand. The values of the appraisals are updated every half-year, in accordance with best market practices.

The financial result was negative, in the amount of EUR 7,798 thousand.

The Group's profit for the financial year was EUR 43,327 thousand.

By area of activity, we should point out:

- A significant percentage of the Group's income derives from shopping centre rentals, which represent 77% of the total income. In comparison, income from offices represents 13% and logistics rentals contribute 10%.

- Around 56% of the rental income from shopping centres comes from the Megapark, As Termas and El Rosal centres.

As of 30 June 2016, the Group has an occupancy rate of 93.0% of the gross leasable area (GLA) throughout its business, with occupancy rates of 93.3% in shopping centres, 84.8% in offices and 100.0% in logistics.

As of 30 June 2016, the Group has a portfolio of property projects to rent that includes fifteen shopping centres (312,321 m^2), five office buildings (41,758 m^2), and five logistics warehouses (161,840 m^2). Together, this adds up to a gross leasable area of 515,919 m^2.

The data in the previous two paragraphs does not take into account the Cruce de Caminos and Palmas Altas sites, since they have not been built to date, nor the Marcelo Spínola offices because they are currently being remodelled.

2.2 Other financial indicators

As of 30 June 2016, the Group presents the following financial indicators:

- Working capital balance, defined as the total current assets minus the total current liabilities, of EUR 46,548 thousand (EUR 49,645 thousand at 31 December 2015).
- Liquidity ratio of 2.0 (3.5 at 31 December 2015).
- Capital adequacy ratio of 1.0 (1.1 at 31 December 2015).

These ratios are notably high, and this indicates that the Group has a sufficient level of liquidity and a high margin of security to meet its payments.

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 11.80% (9.05% at 31 December 2015); and is calculated as a coefficient between income over the last 12 months and the weighted average net equity of the company.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 6.85% (5.72% at 31 December 2015); and is calculated as the coefficient between the income over the past 12 months and the average weighted total assets of the company.

2.3 Matters regarding the environment and personnel

Environment

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

Personnel

As of 30 June, 2016 the Group has 4 employees. See Note 21 of the consolidated report.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

In this, its third year of activity, the Group has obtained liquidity mainly through:

- The issue of 629,327 shares with a nominal value of EUR 2 plus an issue premium of EUR 6.4189 per share.

As of 30 June 2016, the Group's financial debt with credit institutions (excluding derivatives) stands at EUR 311,159 thousand. The level of debt is related to the purchases of the Egeo, Arturo Soria and Joan Miró office buildings, the holding in Inmobiliaria Juan Bravo 3 S.L., the As Termas, el Rosal, Megapark and Portal de la Marina shopping centres and the Villaverde, Nuevo Alisal and Galaria single-tenant commercial properties.

On 29 June 2016, the Company entered into an agreement to acquire the Gran Vía de Vigo shopping centre, a large centre in northern Spain that is very important in the region. This agreement is, however, subject to compliance with the conditions that are usual for this type of operation. Once these conditions have been met, the asset will be purchased by the Company.

On the date the acquisition agreement was signed, the Company delivered an earnest money deposit to the counterparty in the amount of EUR 7,500 thousand. This deposit was made in order to guarantee the terms and conditions of said agreement and shall be subtracted from the total amount of the purchase in the event that it takes place. It is hoped that the purchase will be executed at the end of October.

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

See section 5 of this report regarding how it is planned to finance the Group's future investments.

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

As of 30 June 2016, the Group has no contractual obligations that may require a future outflow of liquid resources, over and above those mentioned in point 3.1.

As of 30 June 2016, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Principal risks and uncertainties

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

See Note 15 of the consolidated report.

5 Important developments occurring after the reporting date

On 6 July 2016, as authorised by the shareholders at their Annual General Meeting held on 21 April 2016, the board of directors of the Parent Company agreed to increase the share capital of the Lar España through the issue of 29,913,479 new ordinary shares, with a par value of EUR 2 each plus a share premium of EUR 2.92 per share, for a total issue price of EUR 4.92 per new share. As a result, the effective amount of the share capital increase will total EUR 147,174,316.88.

On 7 July 2016, the Spanish National Securities Market Commission approved the prospectus for the capital increase, and the pre-emptive subscription period is therefore expected to commence on 9 July 2016.

On 7 July 2016, Lar España entered into an agreement for the acquisition of the Gran Vía de Vigo shopping centre, subject to fulfilment of certain conditions, and the agreement is expected to be executed shortly.

On 8 August 2016, the Madrid, Barcelona, Bilbao and Valencia stock exchange management companies agreed to admit the New Shares for trading via the Stock Exchange Interlinking System.

6 Information on foreseeable Group development

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

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

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

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2016 and in subsequent years.

7 R&D&I activities

Due to the characteristics of the companies making up the Group, as well as its activities and its structure, the Group does not normally perform research, development or innovation activities.

8 Acquisition and transfer of treasury shares

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

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

As of 30 June 2016, the share price was EUR 8.05.

As of 30 June 2016, the Parent Company holds a total of 135,381 shares, representing 0.2% of total issued shares.

9 Other relevant information

9.1 Stock information

The initial price of the shares was EUR 10 and their nominal value at the reporting date was EUR 8.05. In 2016, the average price per share over this semester was EUR 8.68.

On 29 April 2016 the Parent Company carried out a capital increase with exclusion of pre-emptive subscription rights in the amount of EUR 1,258 thousand, by issuing 629,327 shares with a nominal value of EUR 2 each plus an issue premium of EUR 4,040 thousand.

The shares issued have been delivered to Grupo Lar Inversiones Inmobiliarias, S.A. to settle the "Performance Fee" accrued by Grupo Lar Inversiones Inmobiliarias, S.A. in 2015 pursuant to the management and investment agreement signed by the parties.

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

9.2 Dividend policy

On 21 April 2016, the Shareholders' General Meeting approved the distribution of a dividend of EUR 4,499 thousand, at EUR 0.075 per share (taking into account all the shares issued) and recognised in profit and loss for the 2015 financial year, and of EUR 7,538 thousand, at EUR 0.125 per share (taking into account all the shares issued), charged to the share premium. The amount distributed totalled EUR 12,020 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's net equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the Shareholders' Meeting held on 21 April 2016, and adjusting the difference for the greater number of treasury shares against the share premium. The distributed dividend was paid in full in 2016.

Authorisation for issue of the Interim Condensed Consolidated Financial Statements for the period of six months ended 30 June 2016.

At their meeting held on 9 September 2016, pursuant to the requirements of article 253 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. authorised for issue the Consolidated Intermediate Financial Statements for the six-month period ended 30 June 2016. The Consolidated Intermediate Financial Statements comprise the documents that precede this certification.

Signatories:

Mr José Luis del Valle Doblado
(Chairman)

Mr Alec Emmott

Mr Roger Maxwell Cooke

Mr Pedro Luis Uriarte Santamarina

Mr Miguel Pereda Espeso

Madrid, 9 September 2016

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

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

(i) That the Interim Condensed Consolidated Financial Statements for the period of six months ended 30 June 2016 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 9 September 2016.

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

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