





Lar España in 2016 p. 4

1.1

Letter from the
Chairman
p. 4

1.2

Key figures
p. 8

1.3

Quick View
p. 10

Market Context p. 12

2.1

Economy
p. 14

2.2

Investment market
in Spain
p. 15

2.3

Office
market
p. 16

2.4

Retail market
p. 22

2.5

Logistics
market
p. 24

2.6

Residential market
p. 26

Our Business p. 28

3.1

Business model
p. 30

3.2

Corporate strategy
and positioning
p. 32

3.3

Company chart
31.12.2016
p. 40

3.4

Main Milestones
p. 42

3.5

Grupo Lar,
Lar España's
Manager
p. 46

3.6

Innovation and
technology
p. 52

Corporate Governance p. 64

4.1

Corporate Governance
at Lar España
p. 66

4.2

Lar España and
Corporate Governance
p. 72

4.3

Ethics and compliance
p. 80

4.4

Risk control and
management system
p. 82



Corporate Social Responsibility

p. 86

5.1

Lar España's
approach to CSR
p. 88

5.2

Our Stakeholders
p. 92

5.3

Responsible asset
management
p. 98

5.4

Accessibility
p. 118

5.5

Supplier and
customer relations
p. 120

5.6

Society-based
initiatives
p. 122

Portfolio

p. 128

6.1

Portfolio location
and description
p. 130

6.2

Real estate
valuation
p. 162

6.3

Additional Portfolio
Information
p. 174

Financial Information

p. 194

7.1

ICFR
p. 196

7.2

Key Indicators
p. 202

7.3

Consolidated
Financial Statements
p. 204

7.4

Financial Debt
p. 208

7.5

Proposed Shareholder
Remuneration
p. 210

7.6

Share Price
Performance
p. 212

EPRA Information

p. 214

8.1

EPRA Key
Performance
Measures
p. 216

Annex:

About this
Annual Report
p. 224

GRI & EPRA SBPR Index

p. 228

Glossary

p. 236



In 2016, Lar España further consolidated its position as Spain's benchmark Retail SOCIMI, renowned for its management strategy that provides long-term value add investment options for all its shareholders.

In Lar España's second fully operational year, the company obtained excellent results, posting a net profit of over EUR91 million, up 110% y-o-y and generating gross rental income from its assets of more than EUR60 million, 69% more than in 2015.

These results allowed us to propose shareholder dividends that totalled EUR30 million, the most paid by any company in the Spanish real estate sector. The Lar España Board of Directors aims to keep a similar highly appealing dividend policy in place for all shareholders over the coming years. This policy is sustainable, benefits all parties concerned and fully adheres to the spirit and content of our legal framework.

According to the most recent valuation of our assets at 31 December, their gross value rose 12.3% to EUR1,275 million in 2016. Following this latest valuation, the NAV stands at EUR9.20 per share.

In terms of operating performance, we have largely outperformed the real estate market: on the one hand due to improved levels of consumption and other macroeconomic indicators that are key for our business, and on the other, as a result of the active management initiatives implemented by our team and our manager, Grupo Lar. For example, the sales figures booked by the tenants in our shopping centres, retail parks and retail schemes grew above the retail business' average in Spain, climbing 8.8% versus 2.9%.

As for financing, I would particularly like to highlight the fact that in 2016, we obtained EUR97 million of financing for the Megapark retail scheme under excellent terms and conditions. And in July 2016, we completed a EUR 141 million share capital raising that enabled us to acquire the landmark shopping centre, Gran Vía de Vigo. Over the year, a total of EUR259 million was invested in excellent assets that further underpin our standing as a benchmark in the retail sector.

Regarding development, I would like to draw your attention to the magnificent Palmas Altas project in Seville. In 2016, Lar España acquired an outstanding

plot of land for the development of a state-of-the-art shopping centre that is billed to become the landmark scheme in Andalucía. Both this project and the VidaNova Parc project in Sagunto have generated interest among many national and international retailers, who have already signed pre-let agreements to take space in these centres.

Another milestone reached in 2016, was the completion of the refurbishment works of our office building in Marcelo Spínola, in Madrid. This state-of-the-art building, together with the other four office buildings in our property portfolio, will become a real source of value for our shareholders.

The Lagasca99 residential development is progressing better than initially anticipated, thanks to both its impressive sales-marketing and construction rates. Lagasca99 has undoubtedly already become a world-renowned icon for high-end luxury residential developments, and it will be another asset that will greatly please our shareholders.

As regards financial and operational information, we are once again proud to have achieved a high degree of transparency and consistency. Lar España was presented with the Gold Award 2016 by the European Public Real Estate Association (EPRA), in recognition of the quality financial information that it provides, making it the first SOCIMI to receive this award two years running.



In 2016, Lar España has also worked extremely hard to create a closer relationship with our investors. In fact our biggest Investor Relations event was the company's first "Investor Day". We invited investors and analysts from all over the world to come together so that we could present them our assets first-hand and meet the faces behind Lar España and Grupo Lar.

2016 was marred by several geopolitical and economic events that negatively impacted properties with variable rents throughout a large part of the year. The refugee crisis in Europe was compounded by fears of an economic downturn in China and the ongoing Islamic state terrorist threat. To a certain degree, the refugee crisis gave rise to a debate that threw the very identity of Europe into question,

a debate that culminated in the Brexit vote. A result which the pro-European camp fear may mark the start of a downhill process that could jeopardise the future of the European Union. Throughout this process, Lar España has remained highly attentive to the requests received from its shareholders and investors.

We are aware that in the context we currently find ourselves, ensuring good governance through transparency, ethics, corporate social responsibility and regulatory compliance is essential if we want to create a sustainable business model that will generate value, not only for our shareholders but also for all of our stakeholders as a whole.

Our sustainable outlook for the business helps us to create shared value in the regions where we operate, by offering more competitive real estate products that provide higher returns; improve people's quality of life; optimise the use of natural resources and that enhance the productivity levels of our business activities, in line with the United Nations Sustainable Development Objectives (SDO).

In 2016, Lar España created over 17,500 direct jobs, reduced the real estate portfolio's CO₂ emissions by 56% and invested over EUR300,000 in social, cultural, sporting and charity initiatives at the national level.

Since the Investor Day held in October 2016, our share price has performed very positively. Without a doubt, the good operational and business performance, our transparency as a company and

the appeal of our business plan, have been key to achieving these positive results.

I would like to end this letter by thanking the magnificent team that we are privileged to have here at Lar España for all their exceptionally hard work.

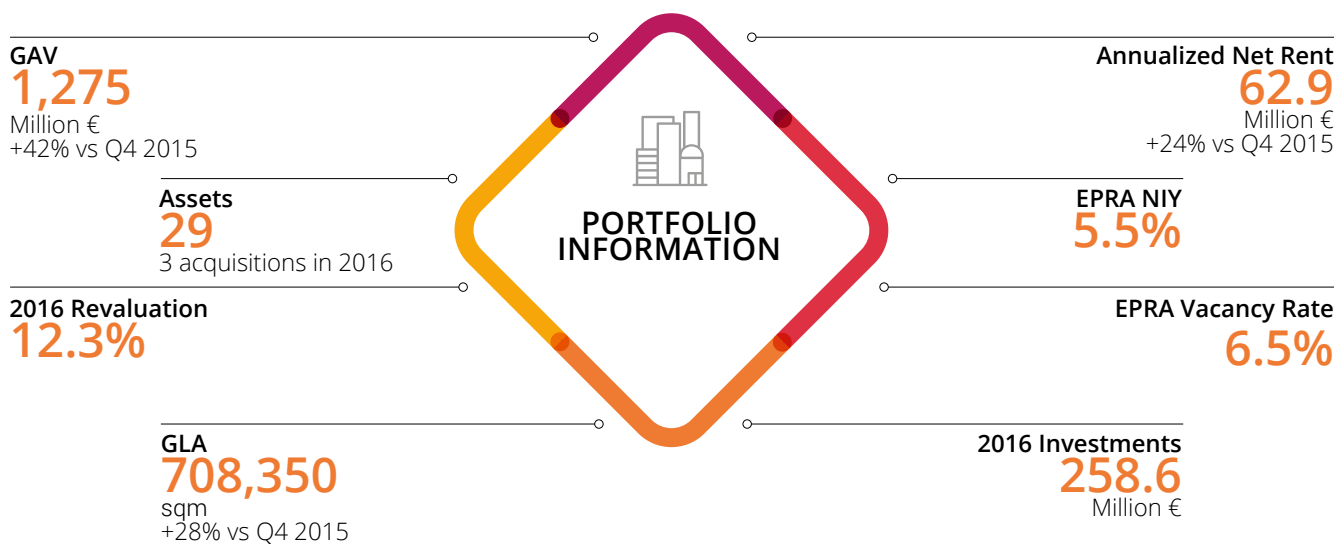
And of course, I would like to extend a very special thank you to the people who provide the very inspiration for our great project; our shareholders. My heartfelt thanks for investing and believing in our project.

With you, Lar España is embarking on a 2017 brimming with optimism.

Mr. José Luis del Valle Doblado

Chairman

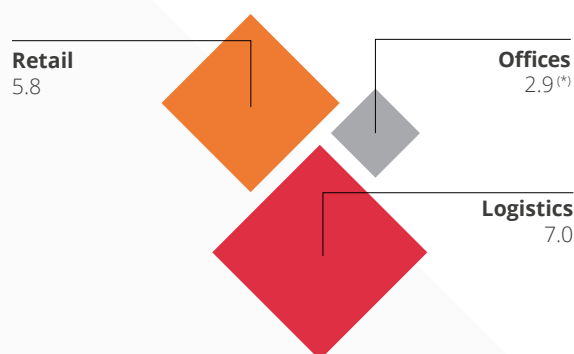
May 2017



GAV by asset class (%)

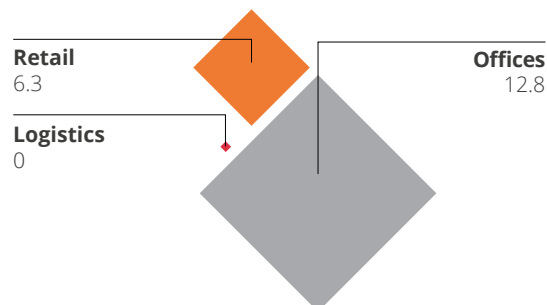


EPRA Net Initial Yield by asset class (%)



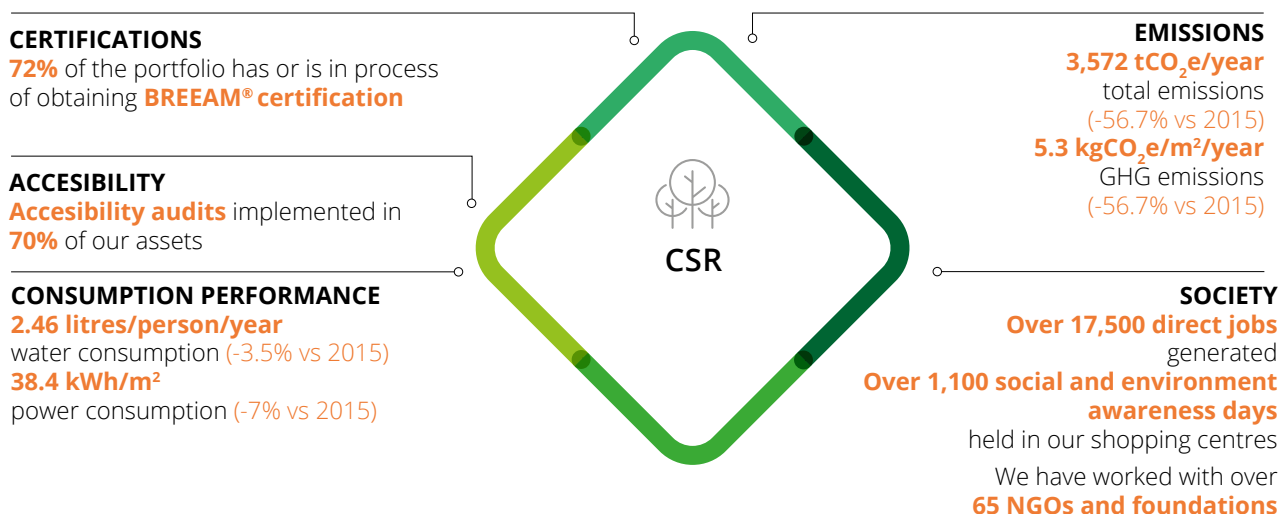
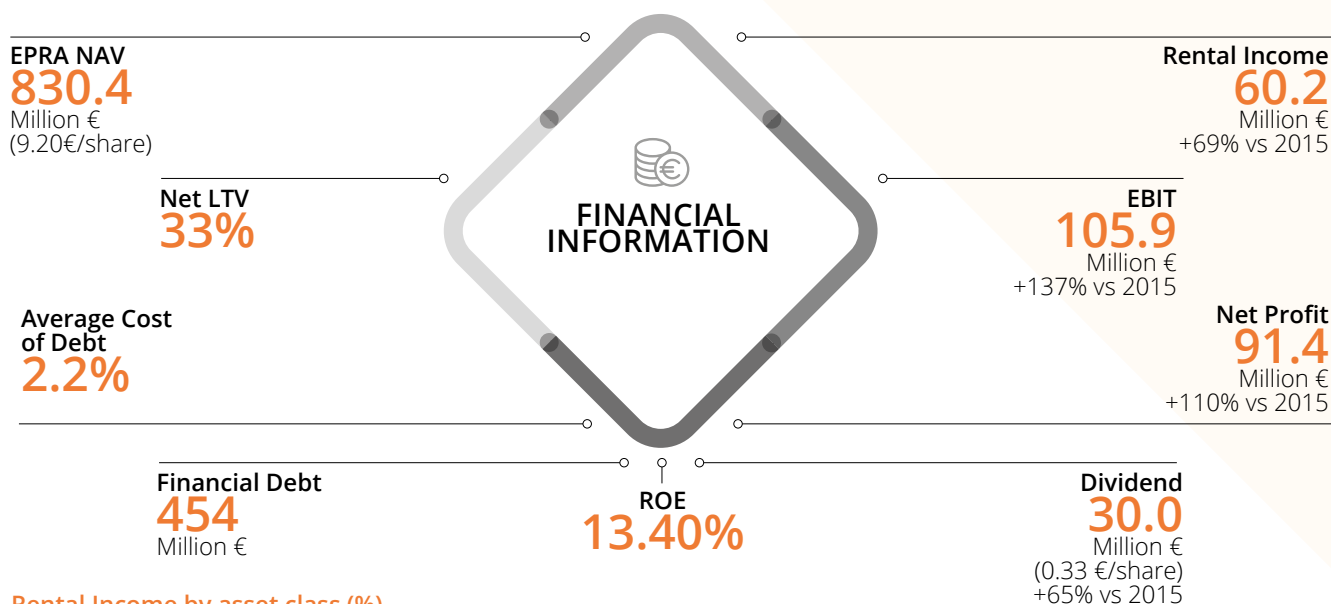
Total Lar España 5.5%

EPRA Vacancy Rate breakdown by asset class (%)



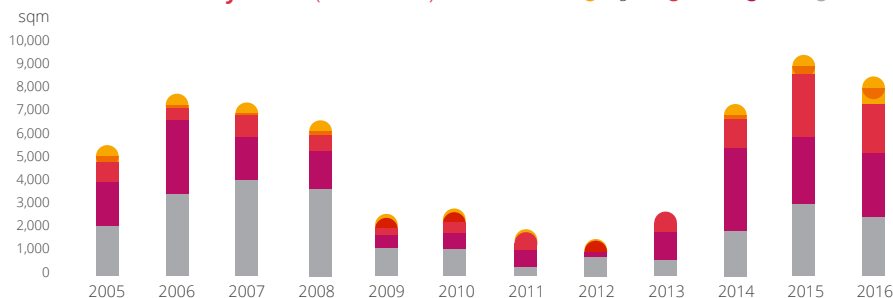
Total Lar España 6.5%

(*) For further information see point 8 "EPRA Information"



MARKET ENVIRONMENT

Investment volume by sector (EUR million)



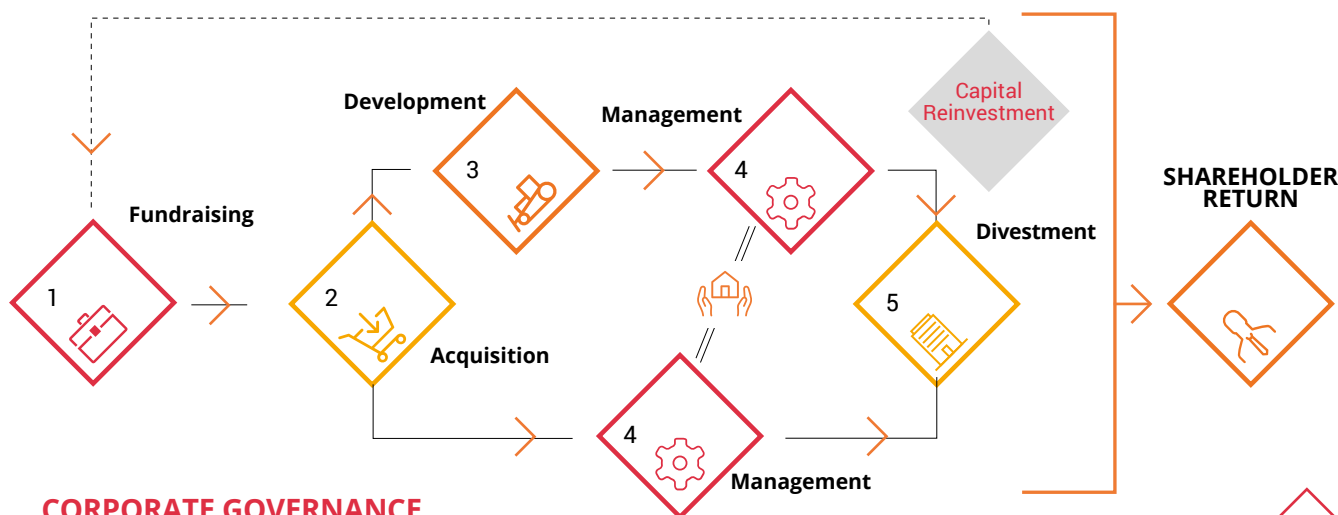
€8.71bn

invested at year-end 2016

BUSINESS MODEL

Investment in established commercial properties in Spain - assets in excellent locations presenting management upside - with a view to boosting cash flows and value generation:

- Retail
- Offices
- Logistics
- Residential



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

- Update of the Articles of Association, Board Regulations and AGM Rules
- Approval of the Corporate Governance, CSR and Director Selection Policies
- Evaluation of the Board, its members and its committees
- Officer evaluation
- Director training

ETHICS AND COMPLIANCE

- Implementation of the behaviour guidelines emanating from the Code of Conduct
- Oversight of the Whistle-blowing Channel by the Ethics Committee
- Implementation of the Crime Prevention Model

CORPORATE SOCIAL RESPONSIBILITY

- Establishment of the CSR principles
- End-to-end sustainability strategy for the asset portfolio
- Formulation of the Corporate Social Responsibility Master

RISKS & OPPORTUNITIES

- Risk Control and Management Policy as dynamic framework
- Update of the Enterprise Risk Management (ERM) system
- Review of the risk tolerance thresholds by the Audit and Control Committee
- Monitoring strategy and Action Plan

PORTFOLIO RISK MANAGEMENT

Portfolio diversification by asset classes and investment volumes. **Maximum investment of up to 20%** of capital in a single asset

STRATEGY

2016 RESULTS

Asset valuation: €1,275 billion

100% delivery of investment strategy

Highest average **yield on cost** in the listed sector

€259 million invested in new assets

- REIT specialised in medium-sized commercial property managed exclusively by Grupo Lar
- Property acquisitions: carefully selected; proprietary dealflow
- Generation of compelling shareholder returns: annualised net rental income of €62.9 million
- Competitive profit-sharing policy. DPS: €0.33
- Active and diversified management - annual asset revaluation: 12.3%

INNOVATION

- Innovation designed to deliver enhanced energy and water management across the commercial property portfolio
- Management systems underpinned by the ISO 9001 standard and BREEAM® certification
- Innovation in online shopping – Digital Lar España Project
- Innovation in the pursuit of entrepreneurship – Project Wonderful

Projects related to:

- Energy efficiency
- Water management
- Solar power
- Air quality
- Sustainability certifications
- Digitalisation
- Entrepreneurship
- Differentiation

OUTLOOK

- Enhancing cash flows from portfolio properties and value creation in order to maximise shareholder returns
- Continuing the process of consolidating the company as one of the most active REITs in Europe and a benchmark in the Spanish real estate sector

2





MARKET CONTEXT

2.1

Economy
p. 14

2.2

Investment market
in Spain
p. 15

2.3

Office
market
p. 17

2.4

Retail market
p. 24

2.5

Logistics
market
p. 25

2.6

Residential market
p. 26

2.1 Economy

The upbeat economic outlook and the political stability that Spain offers now that it has formed a Government, makes **Spain a highly attractive market**, in an otherwise uncertain international setting, including the latest events, such as Brexit and the upcoming elections in 2017 in France and Germany.



Tourism

Along with the recovery of domestic demand, Spain is also benefitting from a flourishing tourism sector that registered its fourth record year in 2016, with over **70 million tourists**. Factors which helped **economic growth** exceed expectations.

Consumer Confidence Index

The **Consumer Confidence Index** for December stood at **100.7 points**, 1.3 points up on the previous month and the highest figure registered in 2016, although still a far cry from the all-time high recorded in 2015 (107.4 points).



Inflation

Since September, **inflation** has remained positive, with the **annual rate coming in at 1.5%** in December, according to data published by The *Instituto Nacional de Estadística* (INE)

Labour market

The economic recovery boosted **job creation by 2.7%** during 2016, taking the estimated **unemployment rate** for year-end 2016 to **19.7%**, the lowest figure for the last six years.

Job creation in 2017 is expected to remain at circa 2.4%, with Spain generating one of the highest number of jobs in Europe.



GDP

Despite the lack of government during the first ten months of the year, Spain's robust economic expansion in 2015 continued to prevail during 2016. **GDP** growth rose over the year, overcoming the political uncertainty to increase from 2.7% at the start of the year to the current **3.2%**, virtually **doubling the Eurozone average of 1.8%**.

Private consumption

Rising employment, more favourable financing terms and conditions for companies and households, as well as an expansive monetary policy and low oil prices, have bolstered domestic demand, the main driving force for Spanish economy's recovery, and thereby favoured **consumption**, which grew at a rate of **3.1%** in 2016.



2.2 Investment market in Spain

The commercial investment (offices, retail, logistics) volume reached circa **EUR6,552 million** in Spain during 2016, 2% down on 2015 when the deals closed totalled **EUR6,668 million**. Hotel investment is set to book a total volume EUR8,706 million in 2016, topping the pre-crisis high of EUR7.882 million reached in 2006.

Retail

The retail sector (accounting for 45% of total commercial investment) registered the highest investment volume in 2016, with **EUR2,977 million, shopping centres** accounted for EUR1,650 million of this, which in turn equates to 56% of the total investment volume. EUR575 million were invested in **retail units** (19%) and EUR752 million in other **retail assets** (25%). Thus, the total investment volume for the retail sector dipped 3% y-o-y (EUR3,060 million in 2015).

Offices

The office sector accounted for 42% of commercial investment in Spain, booking a total **investment volume of EUR2,755 million**, 13% down on 2015.

In **Madrid**, the total accumulated investment volume stood at circa **EUR2,234 million**, remaining above the EUR2,000 million mark since 2015.

In **Barcelona**, the accumulated volume came in at over **EUR521 million**, 2% less than in 2015.

By investor type, more than 80% of office investment volume related to **rental property portfolio funds** (30%), which increased their investment volumes by 122% y-o-y. **Investment funds** accounted for 27%, on par with the year before (just a 2% increase), whilst **SOCIMIS** (24%) raised investment by 28% compared to 2015.

Logistics

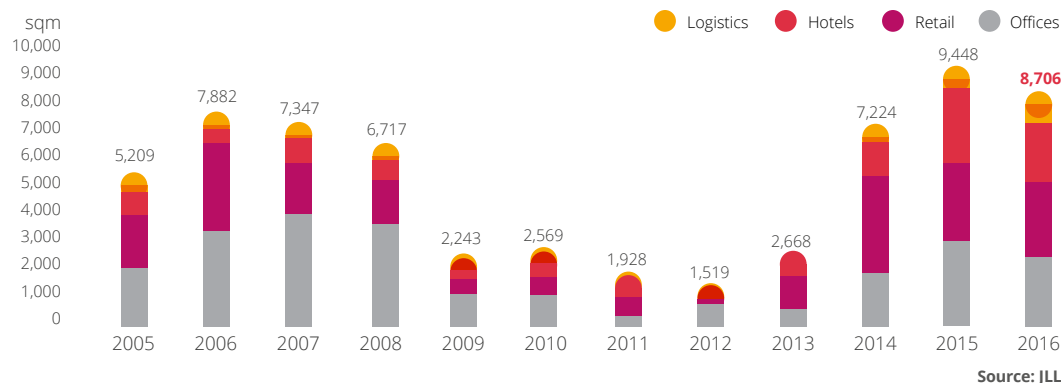
In 2016, **logistics investment (accounting for 13% of total commercial investment)** in Spain reached **EUR819 million**, 89% up on 2015. In total, **24 investment deals** were closed, with 29% of these corresponding to logistics portfolios, which booked a total volume of EUR234.08 million.

In terms of investor origin, 32% of logistics investment related to domestic investors, whilst **68%** were deals signed by **overseas investors**. Along with Madrid and Barcelona, the locations preferred by investors are Valencia, Zaragoza, Bilbao and Vitoria.

New **international investment funds** have joined the already existing funds and **SOCIMIS** in search of opportunities in the sector in Spain.

Yields continue to tighten, with the **prime yield** standing at around **6%**.

Investment volume by sector (EUR million)



2.3 Office market

Madrid

15,312,378

Supply
(sqm)

10.13

Vacancy rate
(%)

430,000

Take-up
(sqm)

29.00

Prime rent
(€/sqm/month)

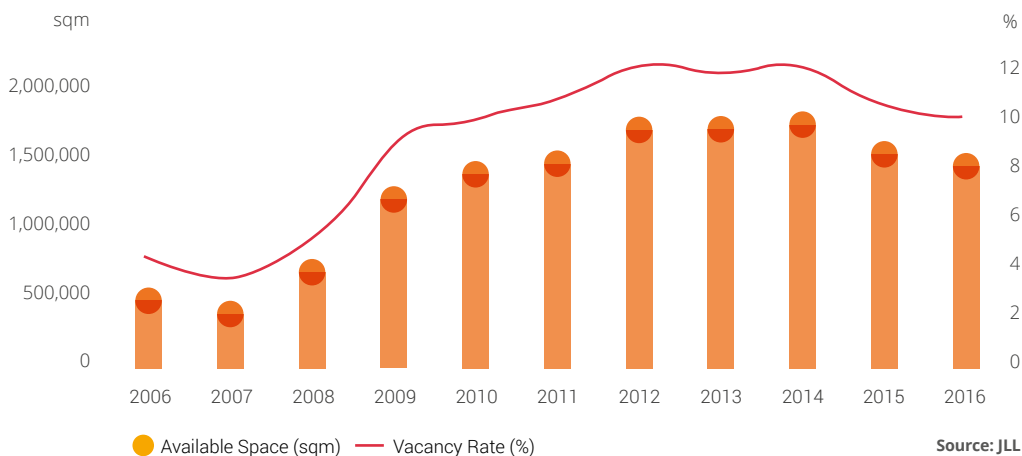
Supply

Vacancy rates in Madrid are falling gradually, with the amount of **available office space standing at 1.56 million sqm**. More specifically, the office vacancy rate dropped from 10.6% recorded at the end of 2015 to 10.13% at year-end 2016, thanks to the slight increase in net take-up.

A considerable amount of vacant space is of an average quality and comprises largely small and medium spaces.

This lack of **supply will gradually start to wane** thanks to the **refurbishments** being completed in landmark buildings in prime CBD areas.

Change in vacancy

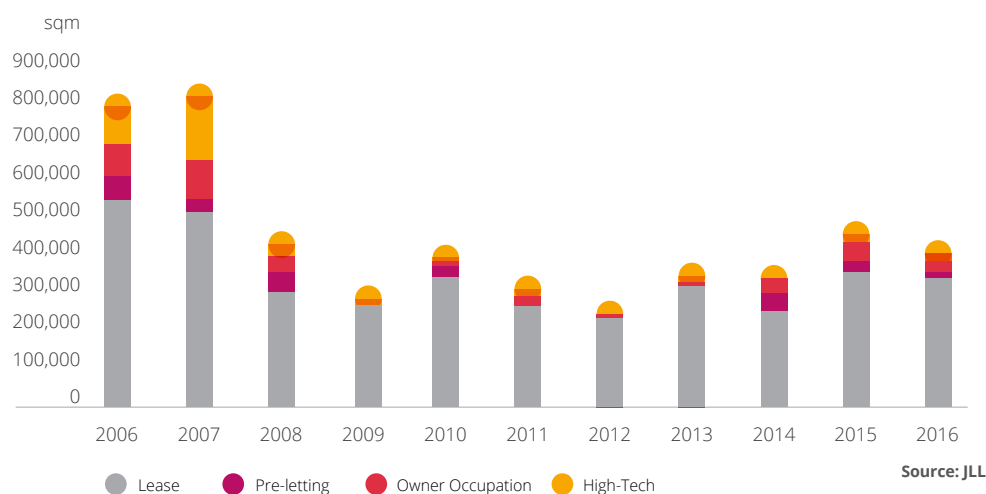


Take-Up

Take-up remains relatively stable, with the total figure **for 2016 coming in at over 430,000 sqm**, thanks to the **growing number** of medium-sized lettings, between 1,000 and 5,000 sqm, and small lettings, spaces with less than 1,000 sqm, **which accounted for 23% and 12% of all lettings respectively**.

In contrast, the number of large lettings has declined as a result of an insufficient amount of quality, well-located large spaces that meet prospective tenants' demands: only 3 deals for spaces exceeding 10,000 sqm were signed in 2016, compared to 7 in 2015.

Take-Up

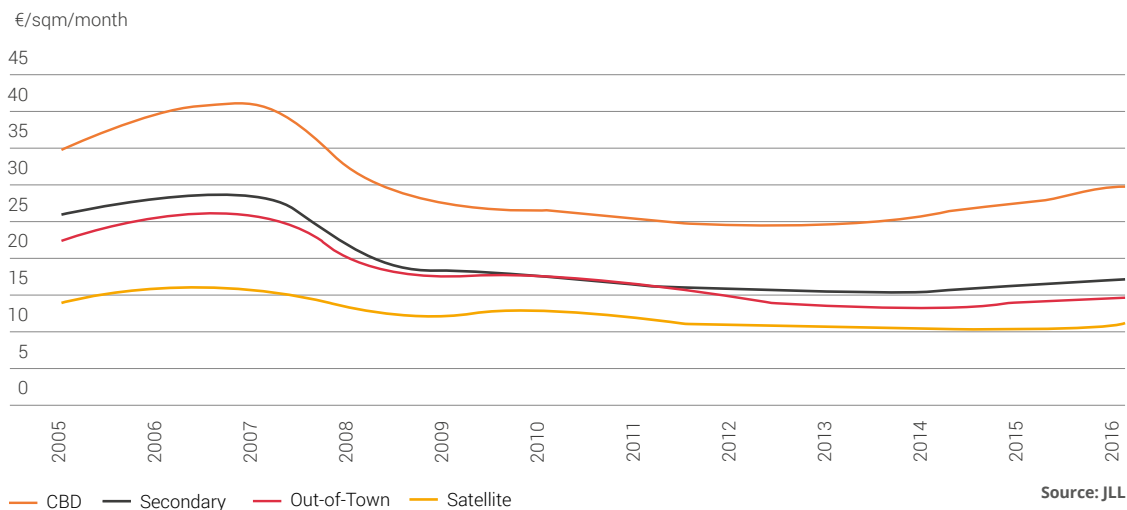


Rents

In 2016 the office market continued on the **road to recovery and consolidation**, which started back in 2013. During the last four quarters, rents for the best offices in Madrid have **climbed 6.4% to EUR29 per sqm/month**.

In other areas, minimum rents have been affected by take-up and are rising both in Secondary and Out-of-Town areas. Rents remain stable in further afield areas thanks to the large amount of quality space on the market.

Rental levels by submarket



29.00



CBD
(€/sqm/month)

16.50



Secondary
(€/sqm/month)

14.25



Out-of-Town
(€/sqm/month)

10.50



Satellite
(€/sqm/month)

Barcelona

5,915,722

Supply
(sqm)

9.02

Vacancy rate
(%)

305,000

Take-up
(sqm)

21.50

Prime rent
(€/sqm/month)

Supply

Over the last year, the **average vacancy** rate for immediately available space in Barcelona declined from 10.5% to the current **9%**. Forecasts suggest that this downward trend will remain in place due to the **lack of available supply and solid take-up levels**.

The vacancy rate stands at circa **6%** for both the Paseo de Gracia/Diagonal and Central City areas, with

prospective tenants finding it increasingly difficult to find immediately available quality spaces of over 800 sqm, that are all located on one floor.

For the first time, the vacancy rate for **New Business Areas** has dipped below the **10%** mark.

Change in vacancy



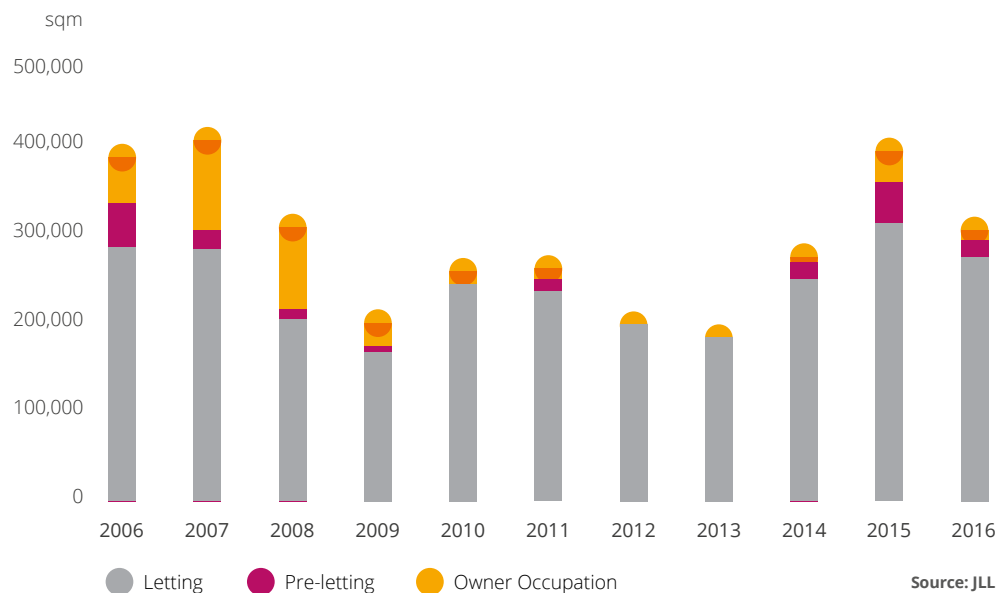
Take-Up

At year-end 2016, **take-up stood at 305,000 sqm, 23% down on the figure reached in 2015.**

These take-up figures are not a result of a decline in activity or in the number of companies wanting to extend their spaces, but rather a result of the **lack of supply on the market.**

Almost **50%** of the lettings signed in 2016 were for space in the **City Centre**, whilst the **New Business Areas** accounted for **30%**. 15% of the transactions were also for spaces of over 1,000 sqm (just 5 deals were above 5,000 sqm).

Take-up



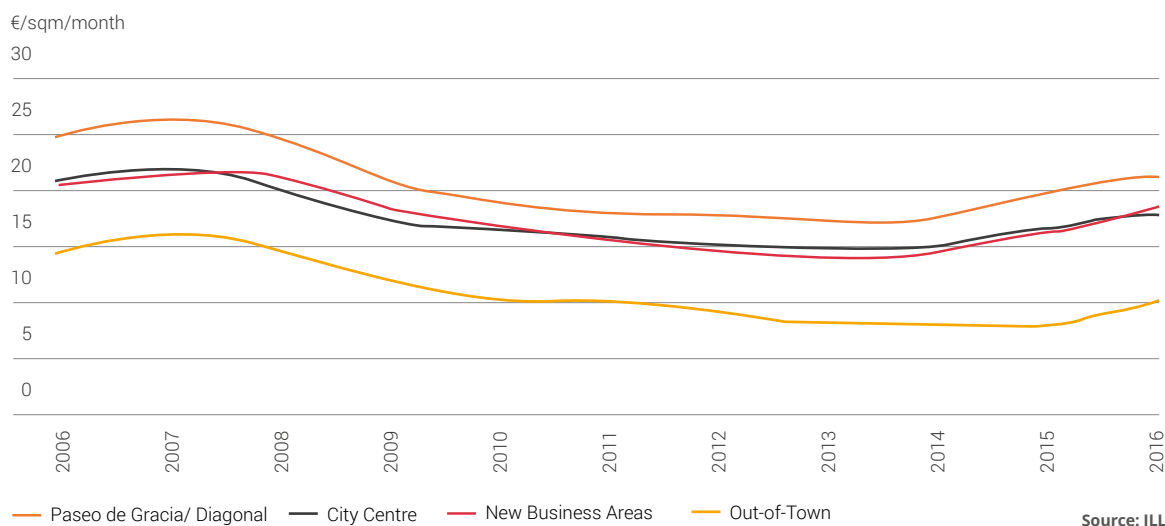
Rents

The **maximum rent** in the CBD stands at **EUR21.5 per sqm/month**, equalling the levels reached in 2009. Rents in the New Business Areas topped those of the City Centre for first time, standing at EUR18.5 per sqm/month.

Out-of-Town areas rents stand at EUR9.75 per sqm/month.

We would highlight that Barcelona was the European city to see the third sharpest rental growth in 2016.

Rental levels by submarket



21.50 	18.50 	18.25 	9.75 
Pº de Gracia-Diagonal (€/sqm/month)	New Business Areas (€/sqm/month)	City Centre (€/sqm/month)	Out-of-Town (€/sqm/month)

2.4 Retail market

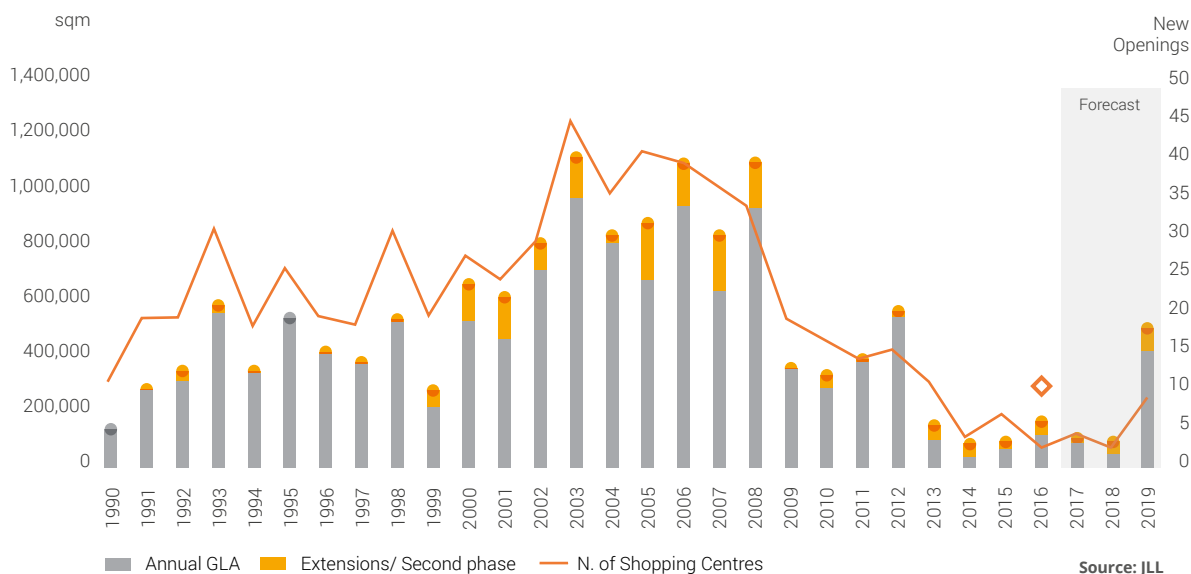
Shopping Centres

Prime rents in the Spanish shopping centre market edged up slightly in 2016 compared with 2015, registering EUR1,080 per sqm/year. **200,000 sqm** of new **GLA was opened** in 2016, of which 161,000 sqm related to new shopping centres, and 39,000 sqm to extensions and second phases.

Overall **shopping centre stock** stands at **559**, with a total **GLA of 13,676,850 sqm**. Hence, the average in shopping centre retail density in Spain remains at 256 sqm per 1,000 inhabitants.

Álava, Las Palmas, La Coruña, Zaragoza and Valladolid are the provinces that have the highest Shopping Centre density, exceeding 400 sqm per inhabitant. In contrast, Jaén, Gerona and Lérida feature the lowest densities, below 100 sqm per inhabitant.

Madrid is the Autonomous Region with the largest retail GLA, featuring a total volume of 2.5 million sqm, followed by Andalusia with 2.2 million sqm. The Community of Valencia ranks third with 1.7 million sqm, ahead of fourth-placed Catalonia, with 1.4 million sqm.





Portal de la Marina Shopping Centre
(Alicante)

2.5 Logistics market

Madrid

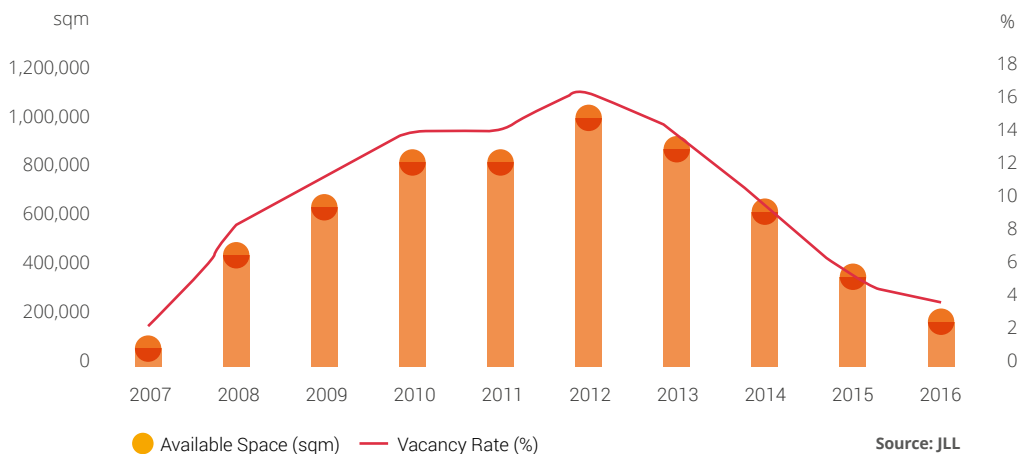
At year-end 2016, logistics **take-up** stood at **470,000 sqm**, 23% up on 2015's figure. This was a very active year in terms of logistics take-up, which even equalled the levels seen in 2010.

7 deals of over 20,000 sqm were closed.

The **vacancy rate** has been virtually halved, dropping from 6.10% in 2015 to **3.41%** in 2016. The vacancy rate in Madrid's Tier 2 currently stands at a record low of 2.63%.

Meanwhile, the vacancy rate in Madrid's Tier 3 currently stands at 3.91%. Forecasts suggest that this trend will remain in place due to the lack of available supply and solid take-up levels.

Change in vacancy



Prime logistics rents have remained stable at **EUR5.0 per sqm/month**, while rents in Tier 2 have risen to EUR4.5 per sqm/month.

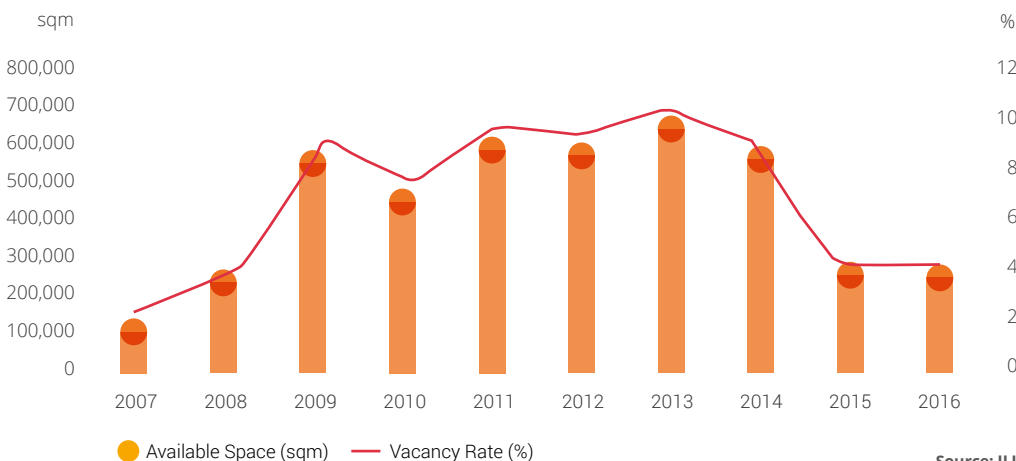
Barcelona

At year-end 2016, **logistics take-up** reached a record **659,000 sqm**, 17% up on 2015.

By tiers, Tier 1 accounted for 45% of the take-up, whilst 34% and 20% of take-up related to Tiers 2 and 3 respectively.

The average **vacancy rate** in Catalonia stands at **4.24%**, remaining almost unchanged versus 2015. The vacancy rate in Tier 1 has dropped considerably, 2.96% being the lowest level ever recorded, driven by rising take-up in this area and the lack of supply. With vacancy rates in Tiers 2 and 3 standing at 4.28% and 5.13% respectively.

Change in vacancy



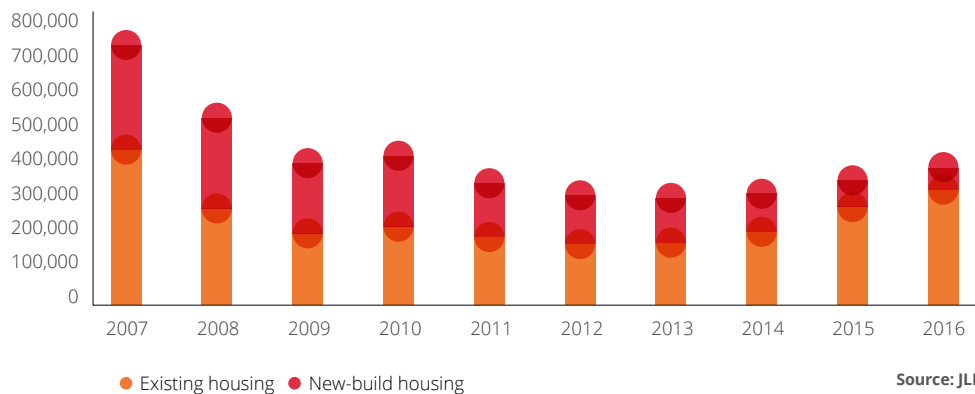
Logistics rents remained stable across all Tiers, with the **prime logistics rent** holding firm at **EUR6.75 per sqm/month**. Rents in Tiers 2 and 3 remained at EUR5.25 per sqm/month and EUR3.5 per sqm/month respectively.

2.6 The residential market

The housing market recovery is gaining traction. The number of transactions closed in 2016 continued to **trend upwards** as in previous years, with housing sales jumping **14%**.

In absolute terms, **404,018 deals were closed during the year**, the highest number of houses sold since 2010.

Volume of transactions



In terms of **financing**, the number of mortgage loans granted for new-build housing in 2016 climbed 15% y-o-y, reaching **281,328** according to data released by INE.

Regarding the **key players in the residential market**, overseas buyers accounted for 13.25%, edging slightly above last year's figure (13.18%).


British buyers continue to lead the way in terms of overseas buyers, accounting for 19%, followed by French, German, Swedish, Belgian and Italian buyers.

Following the arrival of overseas investors, attracted by the yields and value uplift potential offered by the sector, the residential market is now starting to consolidate and see the formation of major corporations, from large developers to **large rental portfolio companies**.


This is all happening at the same time that the investment market is recovering and continuing to **drive up prices**. According to figures released by the Ministry of Development, average housing prices rose 1.5% y-o-y, to **EUR1,512 per sqm**.

Source: JLL



 Lagasca 99 residential
(Madrid)



 Lagasca 99 residential
(Madrid)

3





OUR BUSINESS

3.1

Business model
p. 30

3.2

Corporate strategy
and positioning
p. 32

3.3

Company chart
31.12.2016
p. 40

3.4

Main milestones
p. 42

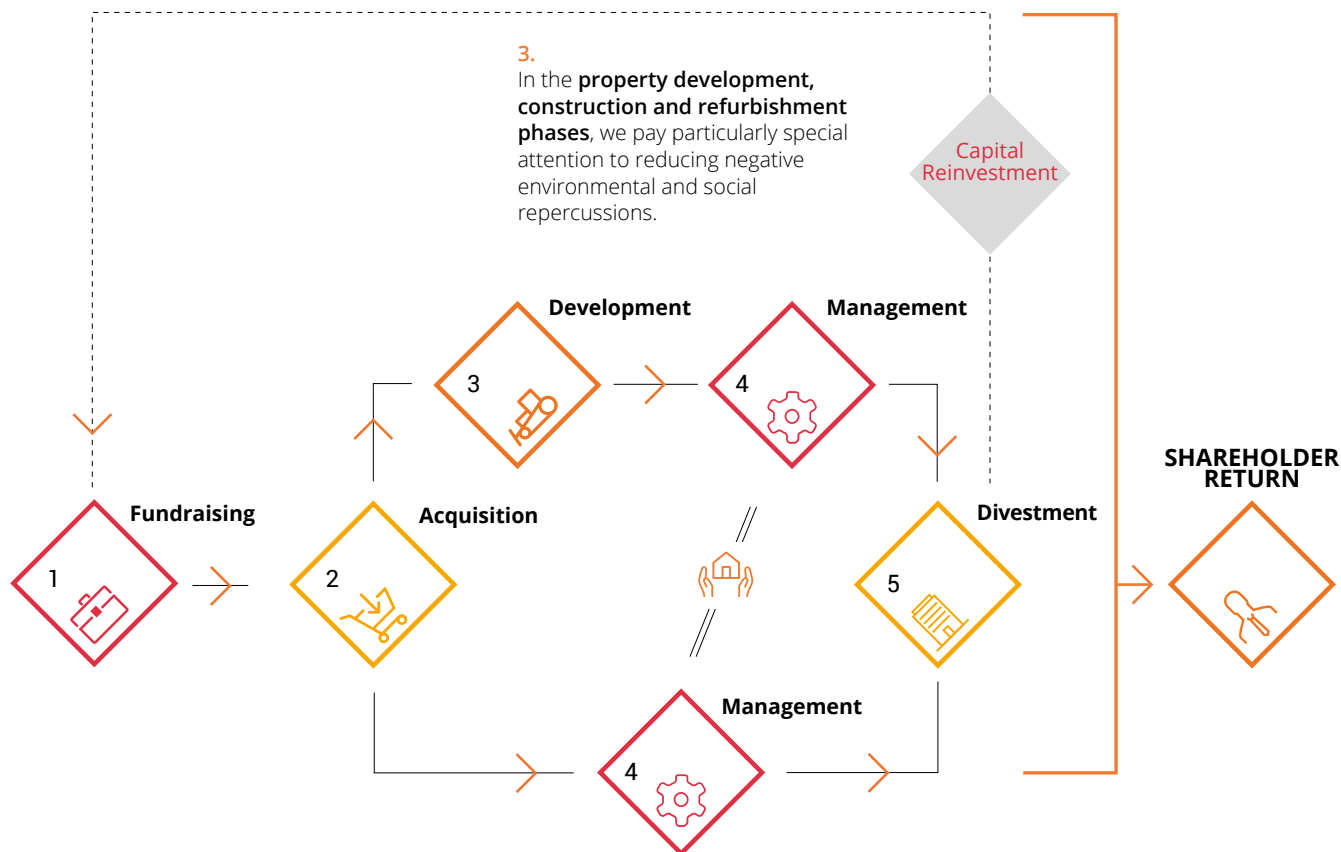
3.5

Grupo Lar, Lar
España's Manager
p. 46

3.6

Innovation and
technology
p. 52

3.1 Business model



1. The **investment** and real estate management process begins at corporate level, where investment decisions are made and **financing** is acquired via:

- Financial Markets (IPO and share capital increases).
- Bank Financing.
- Alternative Financing (Bonds).

2. Once and in-depth analysis of the investment opportunity and its future returns has been carried out, a **decision to purchase** is then made.

4. We look at the deal from an **active management** point of view, analysing the most efficient way to conserve the properties, paying particular attention to aspects such as, sustainability, innovation, accessibility, ensuring value creation for all of our stakeholders.

5. We sell our properties at the optimal moment, after **maximising their value creation**, and ensuring that returns have been achieved in line with those approved in the acquisition process.



Marcelo Spinola Office Building
(Madrid)



3.2 Corporate Strategy and Positioning

Who are we?

Lar España Real Estate SOCIMI, S.A., (hereinafter Lar España) is a SOCIMI (Listed Real Estate Investment Company) that has been listed on the Madrid Stock Exchange since 5 March 2014.

It was founded at an **ideal juncture in the Spanish property cycle**, when real estate prices had just bottomed out at record lows and the real estate market was entering a new cycle. Lar España also ushered in a change of trend for the Stock Market, as it was not only the first **Spanish SOCIMI to be floated**, but it was also the very first listing to take place following a three-year dearth, and the first listing of a real estate company in seven years.

Lar España is exclusively managed by **Grupo Lar**, a real estate company whose extensive experience in the sector is of particular note. It boasts a large team of professionals that actively manage and

work to diversify the portfolio in order to maximise its operational efficiency, as well as each asset's yield.

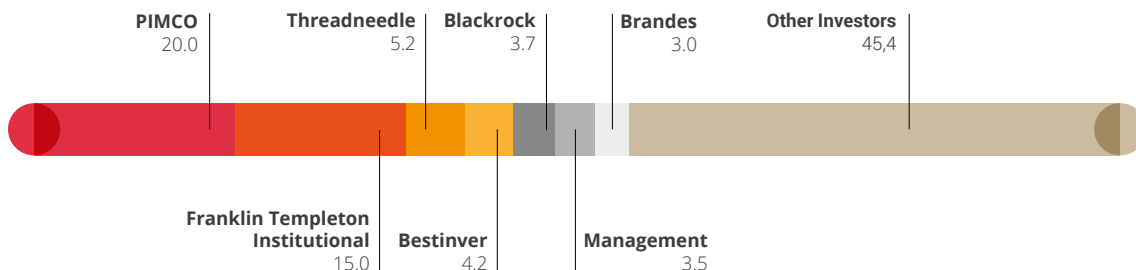
The company's business activity centres on investment in **real estate assets throughout Spain** in the retail, offices, logistics warehouses and prime residential sectors, seeking assets that are well-located and under-managed.

The objective set out for the company when it was first created was to invest in the Spanish real estate market under a long-term asset management plan. A plan, aimed at generating **high returns for its shareholders**, via the payment of considerable annual dividends, and creating value by increasing the company's EPRA NAV.

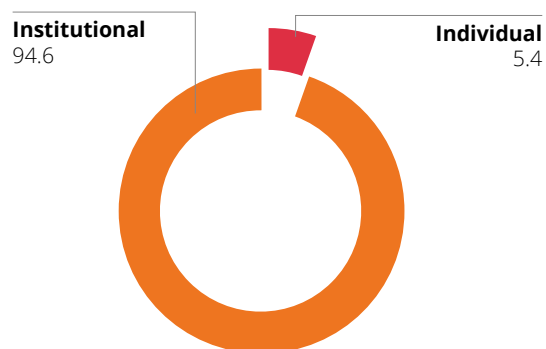
Shareholder structure

Lar España's shareholders include some of the most important investment and financial groups in the world, such as **PIMCO** and **Franklin Templeton**.

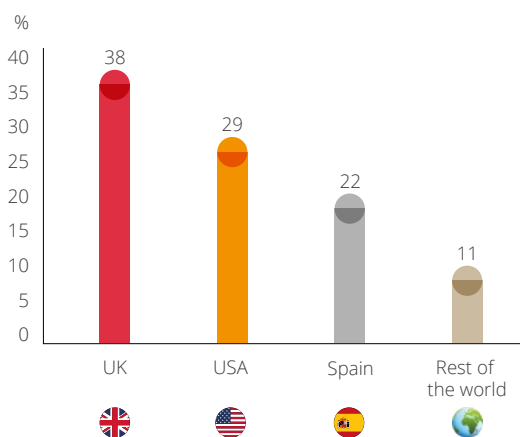
Shareholder structure 31.12.2016 (%)



Shareholder structure by profile (%)



Institutional shareholders by geographic area (%)

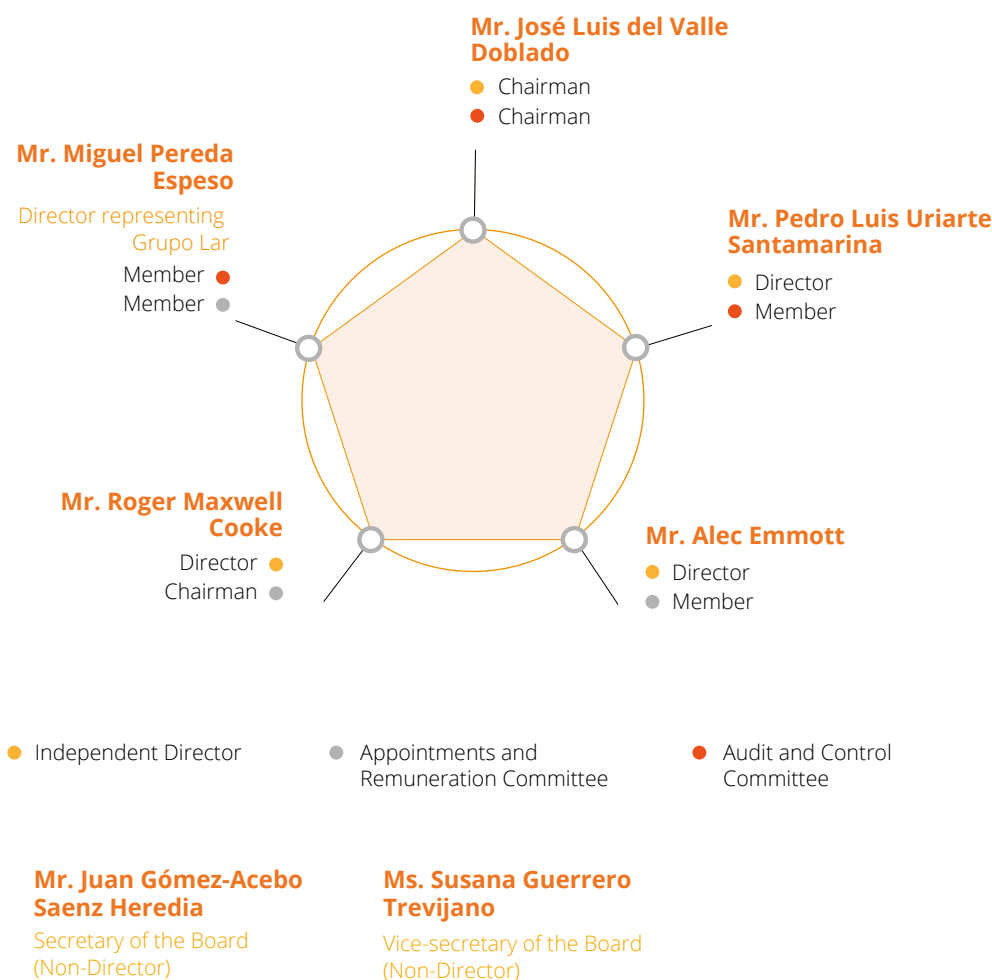


Organisational structure

The **Board of Directors** is Lar España's main governing body, the role of which is to supervise the management of the Company with the common aim of championing social interest.

It is also Lar España's management system and possesses the most far-reaching powers in terms of the running of the company, except for matters that require approval from the Annual General Shareholders Meeting.

It is comprised of **4 independent members and one Grupo Lar Proprietary Director**. All of the members of the Board of Directors hold or have held senior executive positions in listed companies in the financial and real estate sectors. (See the information provided in section 4 – Good Governance).



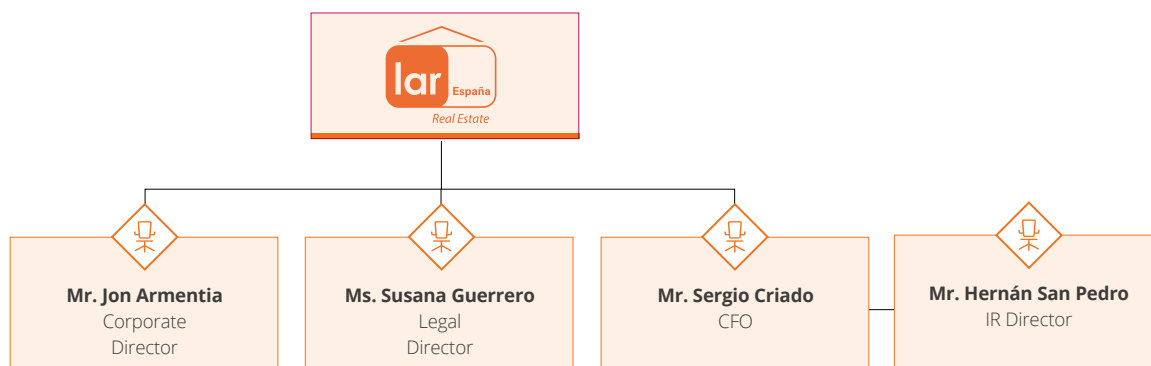


Above, left to right: Mr. Pedro Luis Uriarte Santamaria, Mr. Roger Maxwell Cooke, Ms. Susana Guerrero Trevijano, Mr. Alec Emmot.
Below, left to right: Mr. Miguel Pereda Espeso, Mr. José Luis del Valle Doblado, Mr. Juan Gómez-Acebo Saenz Heredia.

Lar España also features a **Management Team** that runs Lar España and is comprised of four people (three men and one women) that benefit from extensive experience in the real estate sector, as well as an expert knowledge of the market.

100% is covered by a Collective Agreement, and the absenteeism rate in 2016 stood at 0%.

Its structure is detailed below:





Mr. Jon Armentia

Mr. Jon Armentia is the Corporate Director of the Company. He joined Lar España in 2014.

Mr. Jon Armentia was appointed Financial Director of Grupo Lar in 2006, covering the area of retail properties. Previously he worked in Deloitte (formerly Arthur Andersen) for four years.

Mr. Jon Armentia has a Bachelor Degree in Business Management and Administration from Universidad de Navarra and has over 15 years of experience in audit, finance and real estate, in which he has participated in several Committees and Boards of Directors.



Ms. Susana Guerrero

Ms. Susana Guerrero is the Legal Manager and Vice-secretary to the Board of Directors of the Company. She joined Lar España in November 2014.

Previously she worked as a corporate and M&A lawyer at Uría Menéndez for 10 years.

Ms. Susana Guerrero studied law at the Complutense University in Madrid and has an LLM in business law from Instituto de Empresa (IE).



Mr. Sergio Criado

Mr. Sergio Criado is the Chief Financial Officer of the Company since 2014.

He started his career in the technology and distribution sector. From 2006 he is working in the real estate sector within the financial department through different roles – from Treasury & Financing Director to CFO - of Grupo Lar for Spain and Portugal.

Graduated in Business Administration and Executive MBA, has more than 17 years of experience in different positions in the financial and real estate sectors in which he has participated in several local and international Committees and Boards of Directors.



Mr. Hernán San Pedro

Mr. Hernán San Pedro is the Head of IR of the Company. He joined Lar España in January 2016.

Previously he worked at Grupo Sacyr Vallehermoso as Head of IR, Skandia-Old Mutual Group and Banco Santander.

Mr. Hernán San Pedro studied Law at Universidad San Pablo - CEU (Madrid), holds an MTA from Escuela Europea de Negocios and has over 25 years of experience in different positions in the financial, construction and real estate sectors.



International Standards

Lar España aims to comply with the highest international standards of transparency, comparability and commitment. Hence, it is a member of the **European Public Real Estate Association (EPRA)**, the leading international association in the sector, which aims to provide comparable financial information between publicly listed Real Estate companies.

On June 4 2015 the SOCIMI joined the **FTSA EPRA/NAREIT** index, a select global index designed to showcase general trends, which includes some of the biggest real estate companies in the world.

In September 2015, Lar España received the **GOLD AWARD** from the **European Public Real Estate**

Association (EPRA) in recognition of the quality of the information provided within the Index standards framework.

In September 2016, Lar España has been awarded with the most prestigious recognition from EPRA, the **GOLD AWARD**. Once again our effort in providing quality information within the Index standards framework has been recognized.

Lar España therefore became the first Spanish SOCIMI to receive this award, two years in a row, the most prestigious in the real estate sector.

The companies awarded were selected from among 117 real estate companies (97 of which are European listed companies on the FTSE EPRA/NAREIT index).



Lar España also collaborates with MSCI-IPD and forms part of its annual real estate index, **IPD Spain Annual Property Index**, which provides additional information and visibility of the real estate sector.

According to the latest IPD report published by MSCI in April 2017, Lar España obtained a **total return in 2016 of 15.5%**, higher than the benchmark index (14.4%). This difference in return is due to the strong

capital return of 10.1% compared to 9.2% for the benchmark index, and to a lesser extent, due to the 4.9% rental return obtained by the company, also higher than the benchmark.

Spain's 2016 IPD Index includes 28 companies, 511 real estate investments in Spain, valued at EUR20,500 million in December 2016, equivalent to 35% of the Spanish investment market.

Mission



- Identification of the best investment opportunities in the Spanish market
- Income-producing vehicle for our shareholders
- Active management of the portfolio aimed at creating asset value

Vision



- Continue to consolidate as one of the most active SOCIMIs in Europe and remain a benchmark company in the Spanish real estate sector
- Improve the cash flows of the portfolio's properties and generate value to maximise shareholder returns

Values



- Experience
- Transparency
- Commitment
- Meticulous investment strategy
- Quality
- Sustainability

Experience

Grupo Lar's **extensive experience**, with over **45 years** as a developer, investor and asset manager in the real estate business. It boasts an **experienced team of professionals** that are exclusively dedicated to Lar España, and that are fully aligned with the interests of the company's investors and geared to achieve the objective of increasing shareholder returns via active and value-add management.

Transparency

Lar España aims **to comply with the highest international standards of transparency**, comparability and commitment. Hence, it is a member of **EPRA (European Public Real Estate Association)**, the sector's leading association that aims to provide comparable financial information between publicly-listed real estate companies.

The company also boasts a well-defined communications policy for our shareholders, in order to **align our interests** and establish a relationship based on trust and transparency.

Commitment

The **exceptional talent of Lar España management team**, in addition to the **extensive experience of the professionals at Grupo Lar**, their exclusive dedication and expertise in decision-making throughout every single phases of the value chain, all provide a **solid guarantee for our shareholders**.

Meticulous investment strategy

Comprehensive and in-depth individual analysis of each potential acquisition in order to fully assess how **high yields** can be achieved in each asset. Strong resolution to identify **potential investment opportunities** in a competitive environment.

Quality

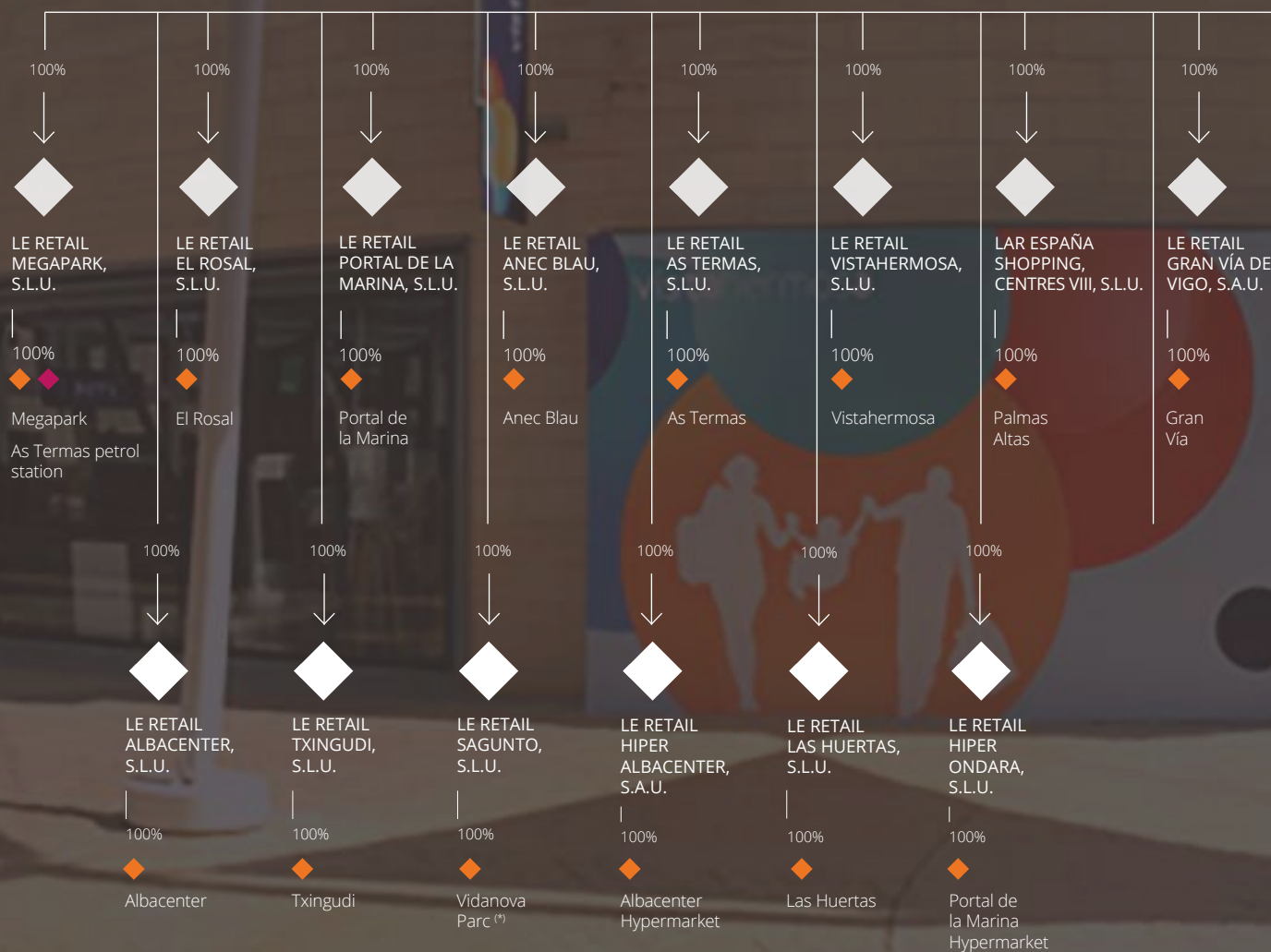
We will continue to consolidate our position as one of the **most active SOCIMI in Europe** and a **highly-renowned company in the sector**, both in terms of the quality of our portfolio and our extremely effective asset management.

Sustainability

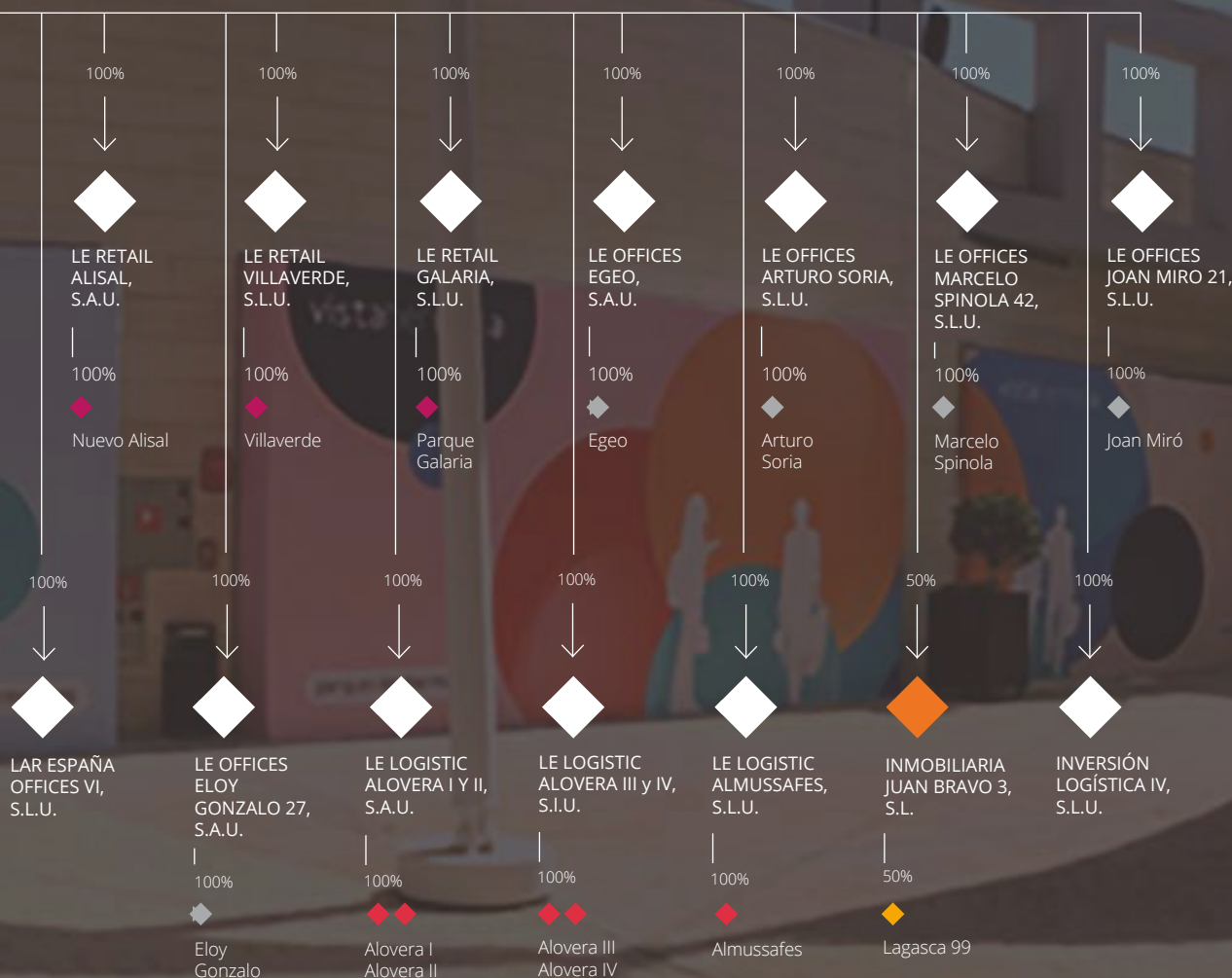
Our objective will continue to be **value creation** that can be sustained both over time and within the business environment, always in compliance with ethical, social, environmental and corporate governance standards.

3.3 Company chart 31.12.2016

The **scope of the Group's consolidation** is as follows:



(*) Previously named Cruce de Caminos



Company



Assets



3.4 Main milestones

42

2016



JANUARY

+5.4% value uplift versus acquisition price

Lar España received its assets' valuation reports on 31.12.2015. A total value of EUR899 million was assigned to the portfolio, equating to a 5.4% rise in value on the acquisition price.

MARCH

Palmas Altas Acquisition

The company acquired a plot of land classified for retail use in Palmas Altas Norte, Seville, for the future development of a large retail and family leisure-entertainment scheme.

Acquisition of 41.22% of Portal de la Marina

Lar España acquired the remaining 41.22% of the company Puerta Marítima Ondara, S.L

MAY

Dividend

Shareholder dividend payment made, following approval at the Annual General Shareholders Meeting. The total dividend was fixed at EUR0.20 per share.



FEBRUARY

Megapark Financing

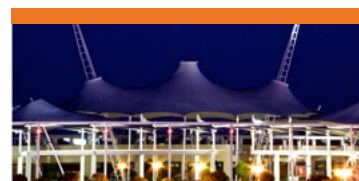
The company signed bank financing linked to the Megapark shopping centre for EUR97 million.



APRIL

Annual General Shareholders Meeting

The Lar España Annual General Shareholders Meeting was held on 21 April 2016 at the Madrid Stock Exchange.



JUNE

Acquisition of Vistahermosa retail scheme

Lar España acquired the Parque Vistahermosa retail scheme in Alicante for EUR42.5 million.

JULY

Share Capital Increase

Lar España raised EUR147 million via a share capital increase, an operation which included the subscription of pre-emptive rights.

+9.3% value uplift versus acquisition price

Lar España received its assets' valuation reports on 30.06.2016. A total value of EUR1,050 million was assigned to the portfolio, equating to a 9.3% rise in value versus the acquisition price.



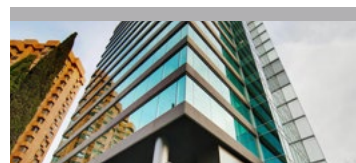
SEPTEMBER

Acquisition of Gran Vía de Vigo Shopping Centre

The Gran Vía de Vigo shopping centre was acquired for a total of circa EUR141 million.

EPRA Gold Award

Lar España received the EPRA Gold Award once again, in recognition of the quality financial information that it provides.



NOVEMBER

Marcelo Spínola

Launch of the letting campaign for the Marcelo Spinola building following the extensive refurbishment completed since 2015.



OCTOBER

Investor Day

The company held its first Investor Day in the recently renovated offices of Marcelo Spínola.

Digital Lar España

The company announced its plans to implement the first online sales platform for multi-channel shopping centres, a pioneering initiative in Europe.

DECEMBER

+15.8% value uplift versus acquisition price

Lar España received its assets' valuation reports on 31.12.2016. A total value of EUR1,275 million was assigned to the portfolio, equating to a 15.8% rise in value versus the acquisition price.

2017

The objective for 2017 continues to be acquiring the best assets on the market in order to **add value to the portfolio** and deliver **high returns** to our shareholders.

As proof of the company's commitment to achieving this goal, between year-end 2016 and the date of publication of this report, Lar España has signed two **financing agreements** linked to two retail assets acquired in 2016 (Parque Vistahermosa and Gran Vía de Vigo) for circa **EUR104million**.

In addition, two deals adding considerable value to the company's retail portfolio were signed on 27 March 2017.

Firstly, the acquisition of the **Abadía retail scheme**, located in Toledo and fully occupied by top-tier retailers such as Media Markt, Decathlon, Alcampo and Leroy Merlin.

Secondly, the company acquired **22 retail units** with medium and long term contracts located across Spain.

MARCH

Financing of Vistahermosa and Gran Vía de Vigo

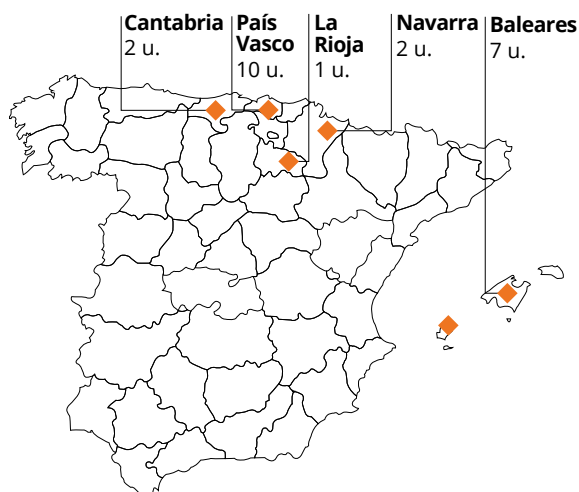
Lar España signs two bank financing agreements linked to the Vistahermosa and Gran Vía de Vigo shopping centres for a total of EUR103.9 million.

Acquisition of Parque Abadía retail scheme

Acquisition of the Parque Abadía retail scheme located in Toledo for EUR63.1 million.


Acquisition of 22 retail units

Lar España acquired a portfolio comprising 22 supermarkets located across Spain for EUR 47.6 million.



Geographical distribution of the 22 retail units.



 Abadía Shopping Centre
(Toledo)



 Vistahermosa
Shopping Centre (Alicante)

3.5 Grupo Lar, Lar España's Manager

Lar España Real State SOCIMI, S.A., is exclusively managed, for an initial term of 5 years (since 2014), by **Grupo Lar**, a seasoned, family owned, Spanish

private Real Estate developer, investor and asset manager with over 45 years of experience, working both national and internationally.



Investment Management Agreement



Grupo Lar's competitive advantages

1. Stable ownership & governance

- **The Pereda Family owns 83%** and the **Special Situations Fund** managed by Proprium holds 17%.
- Strong **Corporate Governance** regulations. 4 out of 10 Independent Directors. Grupo Lar has highly regarded individuals in the Real Estate and/or Financial landscape.

2. Strong management team

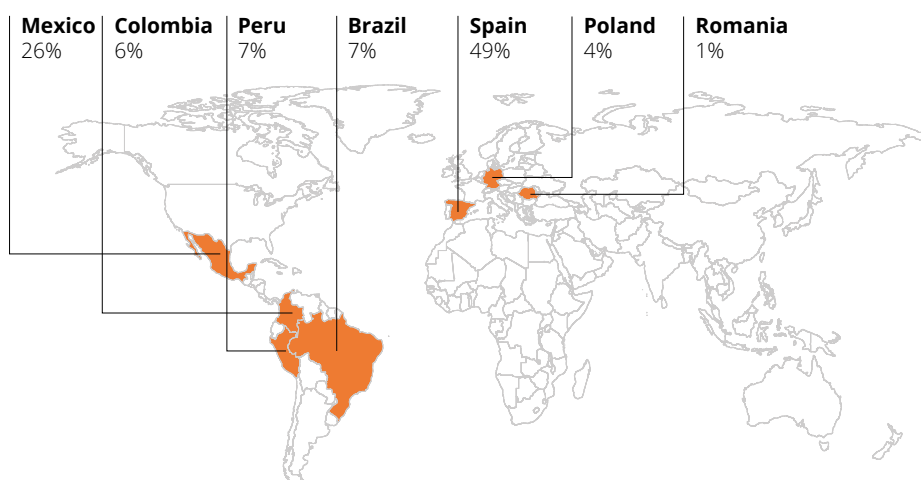
- **278 employees in 7 countries** with on-going training programmes in each country and talent selection processes in order to build on middle management capabilities.



3. Geographical diversification

- **Internacional presence:** the Company portfolio is spread across **7 countries** in Europe and the Americas.

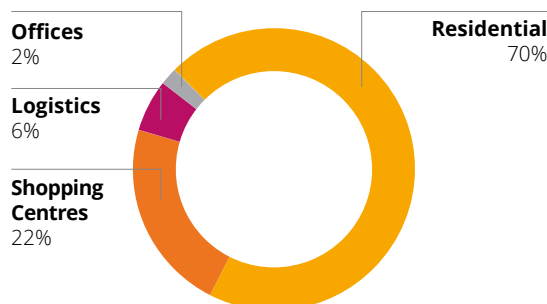
Weighting of each country in the portfolio



4. Product diversification

- Grupo Lar is a developer, investor and asset manager in **shopping centres, offices, residential, industrial and logistics.**

% GAV managed by Grupo Lar



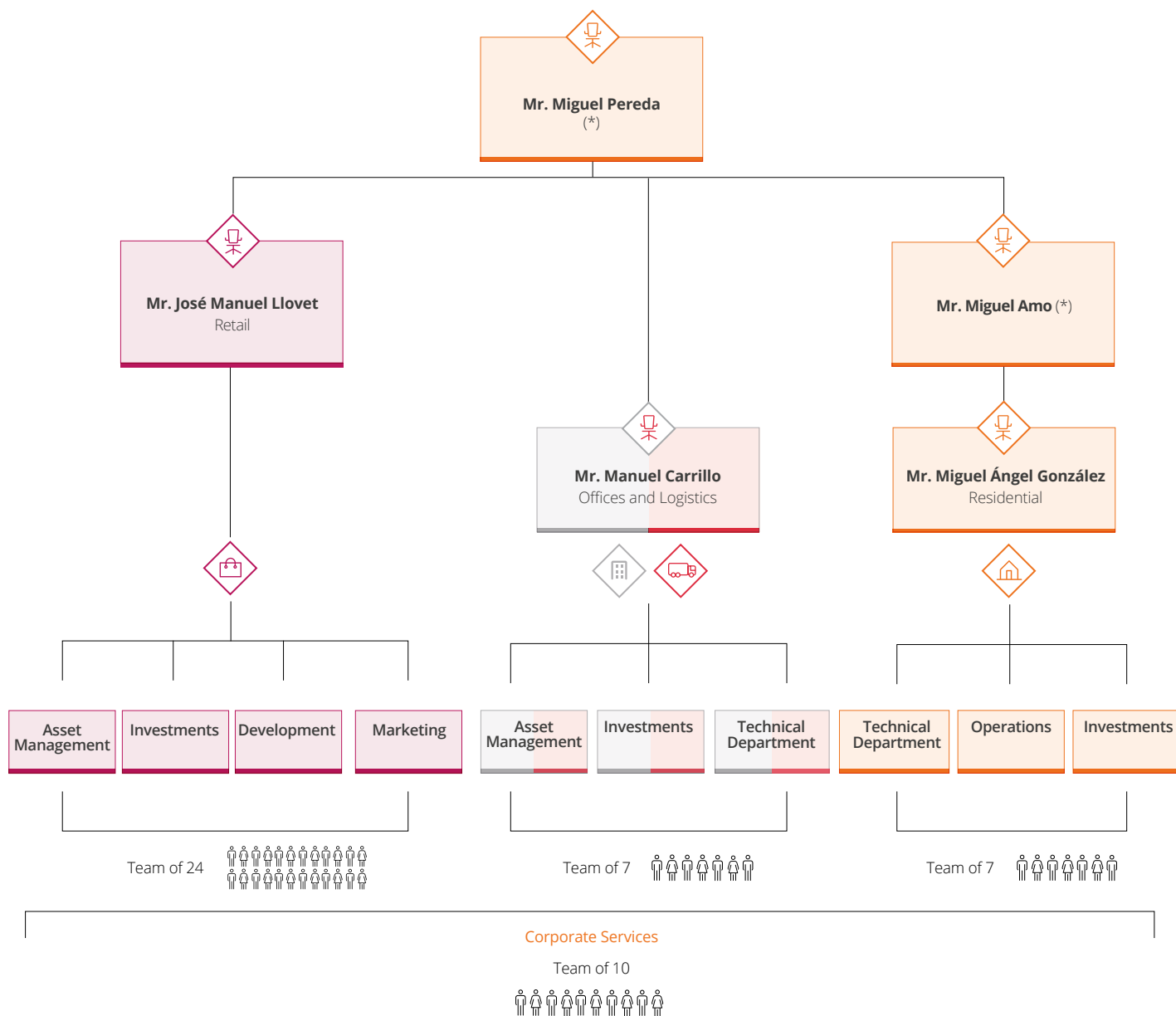
5. Reliable manager and partner of third party funds

- **Co-investor and operational partner** for Institutional Investors and Hedge-Funds.
- Grupo Lar has a unique track record of successfully leveraging on **JVs and Alliances with tier 1 Investor and Corporates** in order to maximise the return on investment for its partners.

6. Strong balance sheet

- It boasts a **solid financial footing** and the ability to adapt to different property cycles thanks to the **diversity of its assets and their location.**

Below we detail the **management team**, which is heavily involved in the day-to-day running of Lar España:



(*) Grupo Lar Inversiones Inmobiliarias Board member

Proven partner in Alliances/JVs

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



THE BAUPOST GROUP



GREENOAK

Long term successful Joint Ventures:

- Grupo Lar has successfully partnered with the **Real Estate funds of highly regarded international institutions**.
- **50-50% JV With Grosvenor**, from 2000 to 2008, to develop, invest and manage office, shopping and business centres in Spain (6 industrial parks, 6 office buildings and 13 shopping centres).
- Grupo Lar and **Whitehall (Goldman Sachs)** set up an alliance (1998-02) to invest in shopping Centres and offices.

Alliances and JVs to invest in different assets and locations:

- **Germany:** In 2007, Grupo Lar invested in Office and residential business for La Caixa Private Banking Clients.

Spain:

Shopping Centres: JVs with Invanhoé Cambridge, Eroski, Vastned Retail, Acciona Inmobiliaria, GreenOak, Sonae Inmobiliaria, Morgan Stanley, GE Capital, Henderson and Rockspring.

Residential: More than 3,850 dwellings under alliances with Banco Sabadell, Bankia, AXA RE and Catalunya Caixa, and Real Estate developers.

- **LatAm:** Strategic Alliances and JVs with Grupo Acción in Mexico; RB Capital, Mero do Brasil and Concima in Brazil; and Cosapi in Peru.

Grupo Lar's extensive experience and in-depth knowledge are clearly emulated in **Gentalia**, the largest retail property manager in Spain and in which Grupo Lar is the majority shareholder (66%).

Gentalia's business covers the areas of **consultancy, asset management, letting and shopping centre management**.

Gentalia carries out these activities for the vast majority of Lar España's retail portfolio.

As well as exemplary management, having its own team enables it to win the loyalty of a large number of retailers. It also optimises the operating costs of the shopping centres via the establishment of economies of scale.

Gentalia's portfolio currently comprises **50 shopping centres** and 4 projects of varying types, operating throughout Spain. This equates to a **gross lettable area of 1,502,924 sqm**, providing the company with access to up-to-date knowledge and constant contact with the tenants of over 3,228 retail units, including all the **prestigious retailers on the market**.

Gentalia

Fees received by Grupo Lar as Lar España's Manager in 2016

1) Base fee (Fixed fees)

The **base fee**, in accordance with the Investment Manager Agreement (IMA) agreed between Lar España and its Manager, Grupo Lar, is paid monthly to the Manager and will amount **to the figure proportional to 1.25% of the EPRA NAV figure (excluding cash) as at 31 December of the previous year**, in this case, 31 December 2015.

On 6 October 2016, Lar España informs that, after reaching a GAV (gross asset value) of more than one billion euros, the investment manager (Grupo Lar) has proposed a **reduction of its management fees**. Therefore, as from this date, the base fee will be as follows: 1.25% NAV (net asset value) up to 600 million euros + 1% NAV over 600 million euros.

The fixed fees received by Grupo Lar in 2016 for its management of the Lar España portfolio amounted to 6,403 thousand Euros.

BASE FEE

	(Thousands of euros)
EPRA NAV 31/12/2015	577,970
Gross fee = 1,25% x EPRA NAV 31/12/2015	7,225
Grupo Lar expenses incurred by Lar España	(255)
Fees indirectly paid in subsidiary companies ^(*)	(567)
BASE FEE ^(**)	6,403

^(*) Lagasca 99 and Portal de la Marina (in this case, until 30.03.2016, when Lar España acquires the 100% of Portal de la Marina stake)

^(**) Data audited by Deloitte

2) Performance fee (Variable fees)

A performance fee is also included in the IMA, as an incentive to our Manager, which depends on the annual return generated to our shareholders.

The performance fee becomes payable when the annual increase in Lar España's EPRA NAV (net of share capital increases and dividend distributions), exceeds 10% and is calculated as follows:

- **Promote fee:** 20% of the shareholders annual return over 10%.
- **Catch-up fee:** an additional 20% of the portion of the excess return between 12% and 22%.

Performance fee calculation for 2016 is shown below:

PERFORMANCE FEE

	(Thousands of euros)
EPRA NAV 31/12/15	577,970
EPRA NAV 31/12/16	836,788
Difference	258,818
Capital increase	(147,174)
Capital increase expenses	4,136
2015 Dividend paid in 2016	12,009
Net annual increase	127,789
INCREASE % 31/12/15 - 31/12/16	22.11%
Above 10%	12.11%
Promote fee	13,999
Between 12%-22%	10.00%
Catch-up fee	11,559
PROMOTE+CATCH-UP = PERFORMANCE FEE ^(**)	25,558

^(**) Data audited by Deloitte

Hence, the variable fees received by Grupo Lar in 2016 due to it achieving excellent returns for our shareholders amounted to 25,558 thousand Euros.

The amount of 31,961 thousand Euros resulting from the base fee and performance fee are entered in the Consolidated Income Statement as at 31 December 2016 under the entry "Other Expenses". See section 7.3 "Consolidated Financial Statements".

Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation. See section 8 "EPRA Information".

In order to pay the performance fee, the following process will be followed as detailed in the IMA:

- Approval by Lar España.
- Payment of the amount corresponding to the performance fee (25,558 thousand Euros) to Grupo Lar.
- Reinvestment of this amount by Grupo Lar (after tax deductions) via the subscription of new Lar España shares.

The 19,168 thousand Euros will be used to acquire

	%	(Thousands of euros)
Performance fee	100	25,558
Taxes	25	(6,390)
GRUPO LAR REINVESTMENT	75	19,168

new shares issued by Lar España via a share capital increase after obtaining the General Shareholders Meeting approval (expected to be held in April 2017).

Grupo Lar has proposed subscribing new **Lar España shares at the company's 2016's EPRA NAV closing price**, in other words, at **EUR9.20 per share** instead of the average trading price of the last 20 days as stipulated in the IMA.



3.6 Innovation and technology

Innovation at Lar España

Lar España commitment to **innovation and emerging technology** as drivers of a **sustainable business model**. Such a model is necessary in order to create value for its stakeholders, to which end the Company is striving to embed it into the everyday management of all of its business activities and assets.

All over the world, there is a growing sector awareness of the need to commit strategically to innovation and technology in order to adapt to new externalities, especially those emanating from climate change, population growth and new social behaviour derived from disruptive technology.

It is against this backdrop that Lar España is beginning to gradually integrate into its business model certain strategic positions and initiatives that affect both its **financial and non-financial performance**. The use of new technology for smart town planning will pave the way for offering society new and more sustainable and appropriate building methods in terms of the needs and trends challenging the sector over the short, medium and long term.

Lar España's commitment to innovation is intrinsic to its principles and values and is embodied in the general principles of its **Corporate Social Responsibility (CSR) Policy** in relation to environmental management and shared value creation and in its short- and long-term strategic targets, as follows:

1. Mainstreaming of environmental criteria into the due diligence work performed when acquiring new properties.
2. Promoting the construction and certification of sustainable buildings.
3. Ensuring continuous improvement by fine-tuning the management of environmental risks, increasing awareness of these risks and minimising their impact.
4. Create experiences and place the user at the very heart of the business model.

Lar España is unwaveringly committed to innovation in every aspect of the Company. It is similarly committed to embracing emerging technologies and making its properties more energy-efficient and sustainable. Not to mention attracting the finest talent in order to adapt to its customers, shareholders and other stakeholders' needs.

At the sector level, Lar España collaborates actively on transforming the real estate sector by fostering awareness and sharing its extensive experience in order to ensure sustainability in a sector prone to cyclical swings. To this end, it strives to exchange experiences and search for new and innovative solutions that boost sector credibility and **held add value for stakeholders**.

Key lines of initiative in the innovation area:



Environmental innovation



Digital Lar España



Other innovations

1

Environmental innovation

Lar España is committed to addressing the problems that could affect the communities in which it does business by being socially responsible, which means actively trying to mitigate or remedy such issues. As a result, Lar España is taking action **to preserve the environment**, looking inwards by setting strategic targets and issuing corporate policies and looking outside the firm by educating society about its values and searching tirelessly for **smarter and more efficient ways to develop and operate its real estate** assets in order to reduce their environmental impact.

At the heart of Lar España's innovation on the environmental front is its commercial property portfolio. This strategic focus translates into the following initiatives:

- a) Energy efficiency
- b) Water management
- c) Air quality
- d) Solar power
- e) Sustainability certification
- f) Other lines of initiative

a) Energy efficiency

Lar España is working actively to make the properties it operates for commercial purposes more **energy efficient** with two aims: (i) **reducing its energy expenditure** and (ii) becoming more **environmentally friendly** in its business communities.

By making its businesses and communities more energy efficient it not only reduces the attendant environmental footprint but lowers its operating expenses, thereby generating tangible benefits for the business.

Whether developing new commercial properties or refurbishing existing ones, the company is embracing and innovating with new technologies and processes involving alternative energy sources designed to deliver a sustainable and low-carbon future. In 2016, it focused specifically on:

- **Lighting:** By installing light sensors, sub-dividing circuits, embedding movement detectors into light switches and replacing bulbs with more efficient systems.
- **Climate control:** By installing free-cooling in temperature control systems, variable-frequency drives and air curtains.
- **Building systems:** By installing variable speed drivers in access ramps, platforms and lifts, fitting presence detectors in vertical displacement systems and continuous improvement of building management systems.

b) Water management

Lar España is firmly committed to **improving water management and quality** at all its commercial assets by means of practical innovations that **enable more rational water usage**. Indeed, ensuring an efficient water management system in order to minimise consumption and administer water quality is a top priority, delivering lower operating expenses and reducing the Company's environmental footprint in tandem, by means of the following initiatives in 2016:

- **Smart meters and taps fitted with presence detectors:** These devices enable efficient control of consumption and immediate detection of possible leaks.
- **Watering systems:** Timed watering systems fitted with the latest technology in order to regulate consumption as a function of evolving needs.
- **Cooling towers:** Installation of smart meters in order to control consumption more efficiently.

c) Air quality

One of the areas that requires closer attention and that is a clear area where improvement and innovation can help to make our properties more accommodating for anyone using them is the indoor **air quality** produced by the HVAC systems.

Lar España is currently studying two aspects in this field:

- More complex **control systems that are able to continually adjust the ventilation and air quality to the occupiers' requirements** at any given time, and that are also able to analyse, not only everyday control of CO2 levels in the air they produce, but also other parameters such as relative humidity and heat content (dew point), essential measurements to ensure a pleasant environment for anyone in the property.
- **Photocatalytic air filter systems** that are more efficient at eliminating all forms of contaminants and filtration systems that operate via active polarisation and considerably reduce energy consumption: the air resistance is significantly lower than in comparable conventional filters, meaning that the ventilators use a lot less power.

d) Solar power

Lar España's approach to the use of **alternative energy sources** is concentrated, above all, on the use of photovoltaic solar power. It installs solar panels in its commercial properties. Highlights:

- Its positioning in the development of Eco-Friendly shopping centres.
- Three assets in the Lar España portfolio have this type of installation.



e) Sustainability certification

Lar España is committed to the use of **tools for rating** and certifying its assets in order **to vouch for their sustainability**. The continuous management and innovation effort being undertaken by the Lar

España team is improving the energy performance certificates at the assets where action has been taken. The most important certifications obtained are:

- ✓ ISO 9001-certified quality management systems.



- ✓ Health and safety management system endorsed by the OHSAS 18000 regulation.

- ✓ The certificate guaranteeing the renewable origin of the power used (issued by the CNMC, Spain's anti-trust authority and energy sector watchdog)

- ✓ Lar España is in the process of obtaining BREEAM® certification for in-use sustainability for the majority of its properties.



f) Other lines of initiative

In addition to the foregoing aspects, Lar España also applies innovation and technology to other areas, such as:

- **Tri-generation:** Taking co-generation one step further, tri-generation is the production of electricity, heat and cooling in the one process. This technology is particularly effective for commercial properties as the heat generated is used to heat the buildings in winter, while the cooling function is availed of in the summer.
- **Eco-friendly transportation** by setting up electric vehicle charging stations and reserving parking spaces for this purpose.
- **Guided parking** using lights to signal free and occupied parking spaces, thereby facilitating mobility within car parks and preventing unnecessary displacement, helping to reduce carbon emissions.

2 Digital Lar España

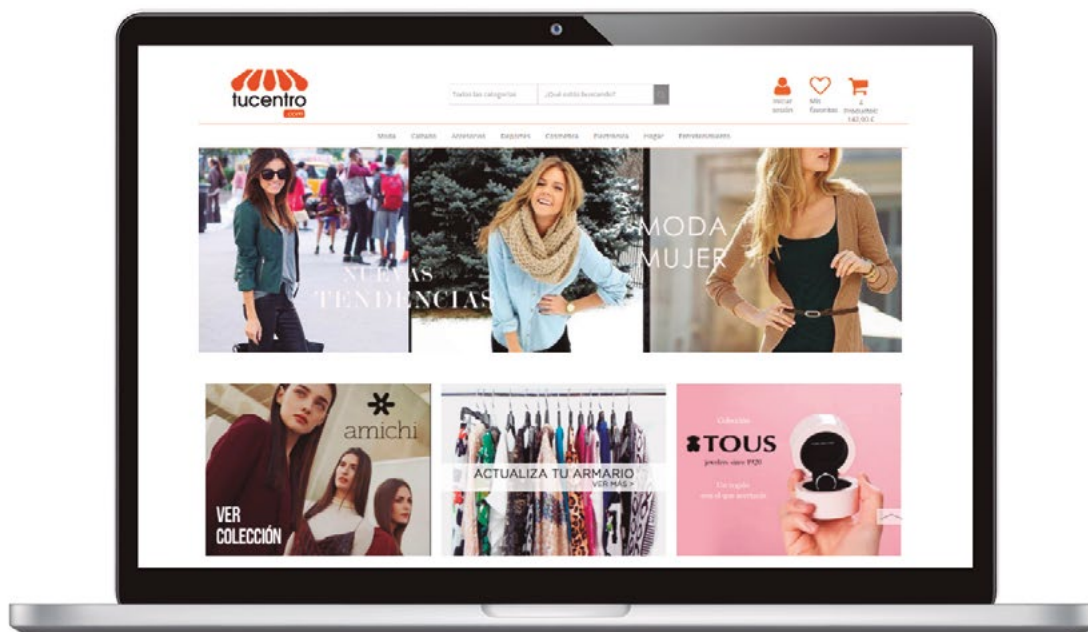
The Digital Lar España project is designed to **differentiate Lar España's shopping centres** via the provision of a new online shopping channel.

This **pioneering initiative in Europe** forms part of our growth and value creation strategy for our shopping centre portfolio.

This will be genuinely **revolutionary for the sector**, as it will allow all stores to sell their products via digital channels, a move which is likely to push up sales considerably; combining bricks-and-mortar store sales with the potential of online sales as well.

The main goals of the innovative **Digital Lar España** project include:

1. Providing a multi-channel shopping platform, enhancing its customers' shopping experience.
2. Generating additional revenue via the new online platform.
3. Adding value to the Company's properties and setting them apart from the competition.
4. Transforming the perceived risk posed by e-commerce into a new business opportunity, creating a new business line.
5. Providing retailers with a new e-commerce outlet.



Advantages

- **1 Marketplace**, which brings the 6 shopping centres' products together in one platform for direct purchase.
- **6 transactional websites** from which products can be purchased directly
- **Breadth of range** by offering a multitude of products from the various stores populating the Company's shopping centres
- **Extended shopping hours:** 24/7/365
- The choice of arranging for purchases to be **home delivered or picked up at the various shopping centres using the Click & Collect** option
- **Promotions tailored** for customer needs and preferences for both in-person and on-line shopping
- **Personalised customer care** throughout the shopping process

3 Other innovations

a) Differentiation

Lar España is working on an innovative project related with **brand differentiation**. This project reflects Lar España's wish to become the sector leader by differentiating itself from its main competitors. More specifically, Lar España is looking to build a brand promise, a unique value proposition, for its customer, one that will also add value for investors, articulated around three phases:

1. **Inspiration** - This phase is complete: This phase consisted of segment identification, sector benchmarking and the formulation of new proposals.
2. **Design** – This phase is complete: This phase consisted of creating an inventory of experiences, creating and designing spaces and identifying core content and services.

3. **Implementation** – Ongoing: Three opportunities for communication have been identified and a universe of actions designed for each one. Three actions have been selected for execution in the short term, along with a final report for the purpose of subsequently implementing longer-term initiatives.

b) Entrepreneurship

Lar España has a project called **Wonderful** with which it is looking to stimulate shopping centre innovation by tapping the entrepreneurial spirit. Project Wonderful is a cycle of events conducted simultaneously across Lar España's shopping centres with the aim of fostering and promoting the **most enterprising and innovative ideas for solutions that create tangible benefits for shopping centres and society as a whole.**

These projects are classified into two categories:

- Innovation in Shopping Centres and Retail
- Innovation in the city in which the shopping centre is located



What it is?

- **8 shopping centres:** Albacenter, Anecblau, As Termas, El Rosal, Gran Vía de Vigo, Megapark Barakaldo, Portal de la Marina and Vistahermosa
- **2 categories:** (i) Innovation in shopping centre and Retail; (ii) Innovation in the city in which the shopping centre is located
- **Jury:** The shopping centre managers and owners, city councillors and collaborating institutions
- **Prize:** Presentation of the project to the investor network in search of local investors
- **Wonderful Summit Final Event,** a day devoted to innovation, marked by presentations and an exhibition showcasing the contenders short-listed for access to private investment



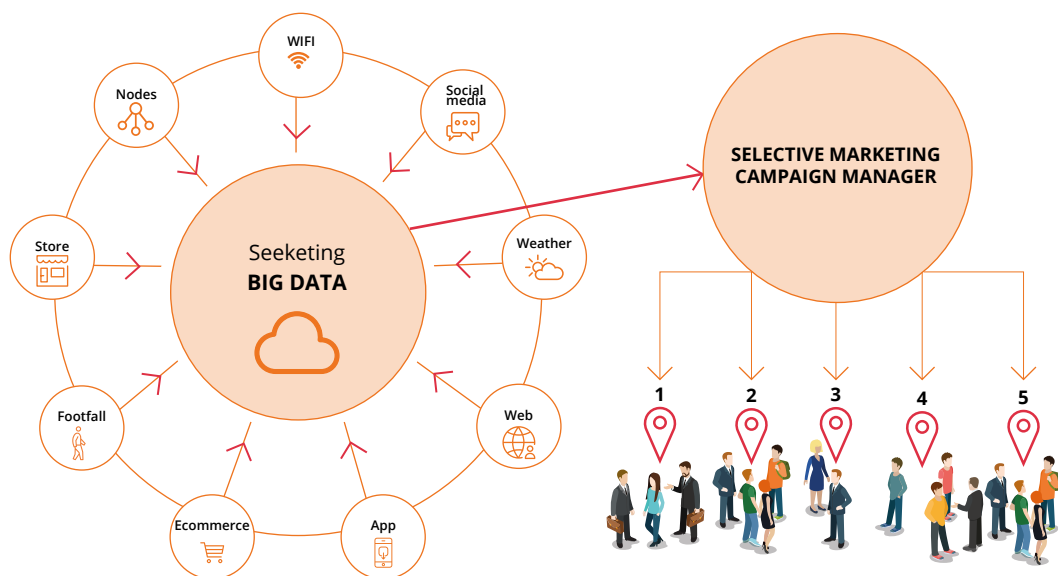
c) Seeketing

Lar España is developing a multi-channel solution that will **integrate the information generated via all its shopping centre channels**, enabling it to then cross reference and analyse the data for value generation purposes. The seeketing system uses **nodes or beacons** (antennae) that are installed in the shopping centre (hardware) combined with powerful **business intelligence** software. The main goals of this development include:

1. Enhancing shopping centre management by means of advanced data analytics
2. Developing proximity marketing initiatives to drive footfall and customer satisfaction
3. Identifying unique visitors
4. Better understanding traffic by store and region and visit frequency and length patterns
5. Analysing events and their conversion ratios

What it is?

- | | |
|---|--|
| <p>a) Installation of seeketing nodes read by mobile devices via Wi-Fi and Bluetooth</p> <p>b) Identification of visitors anonymously without having to install apps, registering 100% of users with a mobile handset</p> | <p>c) Data storage on the cloud and subsequent processing fully complying with the applicable data protection regulations.</p> <p>d) Customised metrics in the control panel</p> |
|---|--|



Marketing benefits

- Enhancing the **shopping experience** and **customer loyalty**
- **Identifying ways to enhance** the shopping route
- Maximising **remarketing** opportunities, boosting conversion and sales rates
- **Activating off- and online visits and sales** at optimal shopping times
- **Measuring the effectiveness and ROI** of online and social network advertising in terms of drawing people to a given shopping centre
- Improving **conversion ratios** by identifying the driving forces

Sales management benefits

- Identifying the most **profitable areas** (hot and cold areas)
- **Enhancing the location of stores**, screens and signage and identifying imbalances in the mix
- **Understanding customer profiles** and loyalty patterns in detail
- **Measuring the impact of specific events** on traffic and time spent in the centre
- **Identifying the times** of the day of greatest impact in terms of organising store openings, events, promotions, etc.

d) SEO positioning

SEO positioning refers to the visibility of a website in search results across the various search engines. Lar España is working specifically to **improve its SEO positioning by designing and adapting elements of its websites** to be smarter and more effective. The main goals of improving SEO positioning include:

1. Improving our shopping centre websites' positioning in search engine results
2. Improving on-page SEO elements
3. Creating corporate websites (to provide information) that are compatible with the transactional websites (e-commerce) and are enhanced for on-page SEO positioning purposes
4. Analysing and selecting the best keywords for positioning purposes
5. Defining and tracking the right KPIs

On-page positioning

Direct control: website **content and elements are designed with search engine friendliness in mind**. The key factors to be tackled in order to improve positioning are the URLs, website content and maps, among others.

Off-page positioning

This encompasses all the **external factors** that influence positioning beyond the website, essentially consisting of link-building activities.

e) Web Re-styling

Lar España aims to be the leading company in the retail sector, adding value to its assets and its shopping centre websites. These must have a modern look and feel and incorporate the latest trends in website design and provide a **user-friendly website experience**, with the following objectives:

1. Standardisation of website design and content.
2. Compatibility with Prestashop (the e-commerce platform CMS).
3. Enhanced user-friendliness and accessibility
4. Improved SEO positioning.
5. Projection of a contemporary image of the company.

INNOVATION





Palmas Altas
Shopping Centre (Sevilla)



Palmas Altas
Shopping Centre (Sevilla)



4





CORPORATE GOVERNANCE

4.1

Corporate Governance at Lar España
p. 66

4.2

Lar España and Corporate Governance
p. 72

4.3

Ethics and compliance
p. 80

4.4

Risk control and management system
p. 82

4.1 Corporate Governance at Lar España

Annual General Meeting

The General Meeting is Lar España's **highest decision-making and control body**; it is the vehicle around which shareholders' right to intervene in the company's essential decisions, within their purview, is articulated. Its powers include those of **determining the number of members of the Board of Direc-**

tors within a minimum and maximum stipulated in the Articles of Association and **appointing or removing directors**, without prejudice to the Board of Directors' power to appoint directors by co-option in the interim. The company's shareholders met on one occasion in 2016. The key agenda items are summarised below:

Annual General Meeting. 21 April 2016

1. Ratification of the separate and consolidated annual financial statements for 2015.
2. Ratification of the 2015 management reports.
3. Grant of discharge to the Board of Directors for its management and performance.
4. Approval of the proposed appropriation of profit and dividend distribution in respect of 2015.
5. Renewal of the authorisation granted to Miguel Pereda Espeso to discharge his responsibilities as member of the Board of Directors of Grupo Lar Inversiones Inmobiliarias S.A.
6. Empowerment of the Board of Directors to issue equity on one or more occasions and at any time, within the five-year term beginning on the date of ratification of the resolution, by an amount of up to half of then-current share capital.
7. Delegation in the Board of Directors of the power to issue marketable securities.
8. Authorisation of the Board of Directors to issue marketable securities.
9. Authorisation of the Board of Directors to carry out the derivative acquisition of shares of Lar España Real Estate SOCIMI, S.A.
10. Amendment of the Articles of Association.
11. Amendment of the General Meeting Rules.
12. Approval of the 2015 Annual Report on Director Remuneration by means of a favourable advisory vote.
13. Empowerment of the Board of Directors, the Chairman and the Secretary of the Board Directors so that any of these parties may execute the resolutions ratified at the Annual General Meeting.
14. Acknowledgement of the amendments made to the company's Board Regulations at the proposal of the Board of Directors in a meeting held on 14 March 2016.

Board of Directors

The **Board of Directors** is Lar España's management body with the broadest powers to manage the company, except in relation to the matters reserved to the shareholders in **general meeting**. In its capacity as the **highest governance body**, the Board's duties include that of supervising the company's management with the goal of upholding the organisation's corporate interest. The board met 15 times in 2016.

The Board of Directors has two **delegated or supervisory and control committees**: the Audit and Control Committee and the Appointments and Remuneration Committee, each of which is made up of three members, two of whom are independent directors. In 2016, the Audit and Control Committee met 10 times and the Appointments and Remuneration Committee met on six occasions. (See section 3.2 Corporate strategy and positioning – Organisational structure).

Below is a description of the profiles of the members of the Board of Directors:



José Luis del Valle Doblado

Chairman of the Board and Independent Director

Mr. del Valle has a wide professional career in banking and energy sector.

From 1988 to 2002, Mr. del Valle held different positions in Banco Santander, one of the largest financial entities in Spain. In 1999 he was appointed General Director and Chief Financial Officer of the bank (1999-2002). Subsequently, he was appointed Strategy and Corporate Development Director of Iberdrola, one of the major Spanish energy companies (2002-2008), CEO of Scottish Power (2007-2008), Strategy and Studies Director of Iberdrola (2008-2010) and advisor to the Chairman of the wind turbine's manufacturer of Gamesa (2011-2012).

At present he is non-executive Chairman of the Board of GES – Global Energy Services, supplier of construction, transaction and maintenance services for renewable energies industry; he is director of the insurance group Ocaso; of Abengoa, S.A., supplier of innovative technological solutions for sustainable development; of Verditek Plc, an investor in clean technologies; and of Instituto de Consejeros-Administradores.

Mr. del Valle holds a mining engineering degree from Politécnica University (Madrid, Spain), ranking first in his class, and Master of Science and Nuclear Engineer degrees from Massachusetts Institute of Technology (Cambridge, EE. UU.). He also holds an MBA with high distinction from Harvard Business School (Boston, EE. UU.).

**Pedro Luis Uriarte Santamarina***Independent Director*

After nine years of experience in the industry sector, from 1975 to 2001, Mr. Uriarte held different professional positions, first in BBV and subsequently in BBVA, one of the largest banks in Spain. In 1994, he was appointed CEO of BBV. Simultaneously to that position, he served as Deputy President of the Board of Directors of BBV and subsequently of BBVA. He also served as Deputy Chairman of the board of Telefonica and director of various companies. In the area of public administration, Mr. Uriarte served as Regional Minister of Economy and Finance of the Basque Government from 1980 to 1984. In 2007 he founded Innobasque, the Basque Innovation Agency, which he headed until 2009. Ever since, he collaborates in different I+D+i initiatives. He is currently Executive Chairman of Economía, Empresa, Estrategia, S.L., a strategic consultancy firm, and sits on several boards of directors or advisory boards of various companies, Spanish and international. He also was a member of the board of UNICEF Spain.

Mr. Uriarte holds a Business and Law degree from Deusto University (Bilbao, Spain) and is a member of the Board and Executive Committee of Deusto Business School and has been honoured with many relevant accolades such as the “Gran Cruz al Mérito Civil” (granted by the Spanish Government) in 2002, the “medalla de Oro de Guipuzkoa” in 2005 and the appointment as “Manager of the Year” (by the Spanish Confederation of Managers & Executives – CEDE) in 2011.

**Alec Emmott***Independent Director*

Mr. Emmott has a wide career in the listed and unlisted real estate sector in Europe, and is based in Paris. He served as CEO of Société Foncière Lyonnaise (SFL) from 1997 to 2007 and subsequently as senior advisor to SFL until 2012.

He is currently the Principal of Europroperty Consulting, and since 2011 he is a Director of CeGeREAL S.A. (representing Europroperty Consulting). He is also member of the advisory committee of Weinberg Real Estate Partners (WREP I and II).

He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. Mr. Emmott holds an MA from Trinity College (Cambridge UK).



Roger Maxwell Cooke

Independent Director

Mr. Cooke is an experienced professional with more than 30 years of experience in the real estate sector. Mr. Cooke joined Cushman & Wakefield in 1980 in London where he had a role in drafting valuation standards (Red Book). Since 1995 until the end of 2013, he served as Chief Executive Officer of Cushman & Wakefield Spain, heading the company to attain a leading position in the sector.

In the 2017 New Year's honours' list, Mr. Cooke was awarded an MBE for his services to British businesses in Spain and to Anglo-Spanish trade and investment.

Mr. Cooke holds an Urban Estate Surveying degree from Trent Polytechnic University (Nottingham, UK) and is a Fellow of the Royal Institution of Chartered Surveyors (FRICS). Until May 2016, he was the President of the British Chamber of Commerce in Spain. Since May 2014, Mr. Cooke has been a Senior Advisor at Ernst & Young.



Miguel Pereda Espeso

Proprietary Director

Mr. Pereda has more than 25 years of experience in the real estate sector. He has been a director of Grupo Lar Inversiones Inmobiliarias, S.A. for more than 10 years, and previously, for a period of 6 years, was Chief Executive Officer of Lar Grosvenor. In 2015, he was appointed Eminent Member of the Royal Institution of Chartered Surveyors (RICS) in London.

Currently, he is the chairman of Villamagna, S.A., a company belonging to the Grosvenor Group, and of Altamira Lar foundation.

Mr. Pereda has a degree in business administration from Universidad Complutense (Madrid, Spain), an MBA from the Instituto de Empresa (IE), participated in the Breakthrough program for Senior Executives of the IMD, has a Masters in tax from ICADE and participated in the Real Estate Management Program of Harvard University.

Remuneration Policy

The Director remuneration Policy determines how much the Directors are paid in their capacity as such under the scope of the remuneration regime provided for in the company's Articles of Association, was approved by the Board of Directors and the General Meeting in 2015.

This policy is based on the principles of **transparency, moderation, compensation for dedication and correlation with performance**. Thus, remuneration must be in line with the company's importance, the evolving economic situation and market standards for comparable companies. The remuneration regime is designed to foster the company's long-term profitability and sustainability and inject the safeguards needed to prevent the assumption of too much risk or the reward of adverse results.

More detailed information about Lar España's governance system can be found in the 2016 Annual Corporate Governance Report, which is available on the company's corporate website (www.larespana.com).

Fixed remuneration

Chairman of the Board:
€90,000 per annum

Independent Directors
€60,000 per annum

Proprietary Directors
€0 per annum

Directors on participated subsidiaries:
Up to €15,000 per annum

Board members on either of its committees:
€15,000 per annum

See 2016 Annual report on Directors' remunerations on the company's corporate website (www.larespana.com)



Gran Vía
Shopping Centre (Vigo)

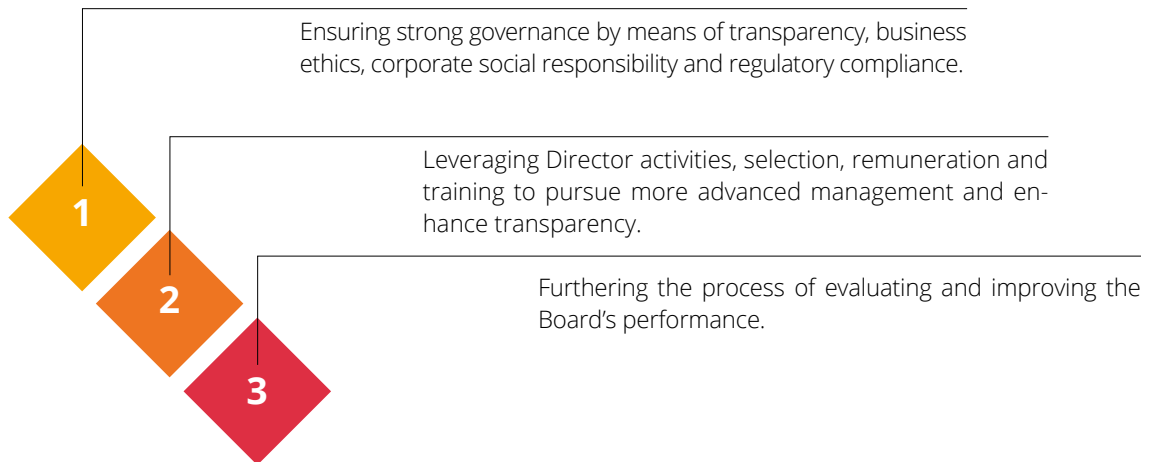


4.2 Lar España and Corporate Governance

Lar España has prioritised corporate governance since it was incorporated in 2014, thereby addressing a **key concern** for companies, regulators, investors and shareholders insofar as it has pledged to guarantee that the company's **governing bodies** are adequately integrated and functioning as intended.

In response to the growing demand for disclosures about corporate governance practices, Lar España has rolled out an **Action Plan** covering which is designed to enable the organisation comply with prevailing regulations and position it in line with best practice in this field.

More specifically, the Action Plan is articulated around the following **objectives**:



Key milestones in 2016

Progress was made on the following fronts in 2016:

Updating of the Articles of Association and Board Rules

As part of Lar España's efforts to continually review and update its universe of internal governance rules, on 21 April 2016, the company's shareholders ratified certain amendments to the **Articles of Association at the Annual General Meeting**. In addition, on 14 March 2016, **the Board approved changes to the Board Regulations**, shaped by the following developments:

- The need to adapt the regulations to reflect the latest developments in corporate law, particularly in respect of listed companies, and, more specifically, Spanish Laws 22/2015, the Audit Act, 15/2015, on Voluntary Jurisdiction and 9/2015 on urgent bankruptcy measures.
- The desire to incorporate the corporate governance recommendations enshrined in the Good Governance Code of Listed Companies ("Corporate Governance Code") approved by Spain's securities market regulator (the "CNMV" for its acronym in Spanish) on 18 February 2015.
- Incorporation into the Board Regulations of the amendments to the Articles of Association ratified at the Annual General Meeting held on 21 April 2016.
- A review of the Regulations in order to simplify their content, fix certain errors and make certain technical improvements.

Amendments to the Articles of Association

- Art. 3.- Registered address and corporate website
- Art. 22.- Call of General Meetings of Shareholders
- Art. 35.- Term of office
- Art. 42.- Audit and Control Committee. Composition, authority and functioning

Amendments to the Board Regulations

- Board duties
- Board structure
- Board functioning
- Director appointment and removal

Corporate Governance Policy

On 20 January 2016, the Board of Directors of Lar España approved the **Corporate Governance Policy** formulated in 2015. This policy ensures that the company's practices are in line with the best practices pursued by listed companies.

This policy articulates the company's **corporate governance framework**, factoring in, on the one hand, its binding obligations under Spanish company law (the Corporate Enterprises Act) and the recommendations issued in the latest version of

the CNMV's Corporate Governance Code, approved on 18 February 2015.

The aim of the policy is to help Lar España maximise its competitiveness, **foster transparency and thereby build the confidence of Spanish and international shareholders and investors**, improve internal control and corporate responsibility and ensure due segregation of functions, duties and responsibilities, all from the standpoint of maximum professionalism and rigour.

1

To **maximise**, on a sustained basis, **the company's economic value**, in keeping with the legitimate public and/or private interests that come into play in the pursuit of any economic activity.

2

To establish **the mechanisms and instruments needed** to ensure that the company identifies, analyses and adopts, as required, the best prevailing practices, standards and recommendations in the **corporate governance field**.

3

To guarantee **equal treatment of all shareholders**, duly protecting and facilitating the exercise of their rights.

4

To promote **adequate transparency and disclosure vis-a-vis the market**, so that the company reports in a clear, comprehensive, simple, orderly and comprehensible manner to its various stakeholders.

5

To oversee the safeguards in place to ensure the **honourability, suitability, solvency, skills, experience, qualification, training, availability and commitment** to their duties of the Directors and senior officers.

6

To ensure the existence of appropriate director selection procedures so as to guarantee **reasonable boardroom balance and diversity**.

7

To establish the appropriate mechanisms for circumscribing the duties and responsibilities of the directors and enabling the discovery and resolution of **potential conflicts of interest** between the Directors and the company.

8

To ensure a Director **remuneration policy** based on the principles of transparency, moderation, compensation for dedication and correlation with the company's performance.

9

To ensure the **quality and effectiveness of the work performed by the Board of Directors**, its members and its committees by means of an annual evaluation, attempting to this end to rely on the support and assistance of independent external advisors.

10

To facilitate **the Directors' ongoing learning** so as to ensure familiarity with the company's business and its corporate governance rules by means of an annual training and education program.

Corporate Social Responsibility Policy

Lar España drew up its **Corporate Social Responsibility** (CSR) Policy in 2015 and the Board of Directors approved it on 20 January 2016. The Appointments and Remuneration Committee is responsible for supervision and enforcement of the CSR Policy, monitoring corporate responsibility strategy and practices and evaluating the level of policy compliance before reporting to the Board of Directors.

The policy is framed by Lar España's commitment to **sustainable business development and the creation of shared value over the long term**. Against this backdrop, it establishes the fundamental principles and values underpinning the running and management of Lar España and its investees with a view to generating a business model capable of contributing to long-term value creation, satisfying the needs and expectations of its stakeholders and generating socially-responsible externalities.

In 2016, the Appointments and Remuneration Committee periodically reviewed the design and implementation of the CSR Policy, emphasising what it deemed the most material aspects, namely building **accessibility for persons with reduced mobility, environmental protection** in the course of development of the company's business activities and the need to duly engage tenants in the task of delivering these objectives.

As part of the process of fleshing out its CSR Policy, in 2016, Lar España drew up a **Corporate Social Responsibility** Master Plan with the aim of identifying and managing material sustainability aspects and linking them with the company's business objectives, thereby helping to identify strategic priorities and the initiatives needed to achieve them. (See section 5. Corporate Social Responsibility).

Director Selection Policy

At its meeting on 20 January 2016, the Board of Directors also approved the Director Selection Policy. This policy is a **crucial element of the company's governance** as it shapes its effectiveness and influences decision-making quality and the ability to effectively champion the company's interests.

The policy defines the procedure for selecting and appointing directors, which is based on **analysis of the suitability of the candidates**. The procedure is triggered as a function of the needs detected by the Appointments and Remuneration Committee and concludes when the Board submits its director appointment proposals to the General Meeting for ratification.

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

The policy tasks the Board of Directors with ensuring that its director selection procedures foster **diversity in terms of gender, professional backgrounds and skills and are unbiased** so as to prevent discrimination on any grounds; in particular, it must work to facilitate the selection of female directors.

In parallel, the policy serves to establish the internal requirements and procedures needed to ensure the selection of the best directors for Lar España by means of pursuit of the following specific **objectives**:

Being concrete and verifiable.

Duly fostering diversity in terms of skills, backgrounds and gender.

Assuring that resolutions to appoint or re-elect directors are underpinned by prior analysis of the Board's needs.

Making a concerted effort to ensure that by 2020 at least 30% of all members of the Board of Directors are female.

The policy also includes an **annual appraisal for all Directors**, in order to ensure that they continue to meet the company's requirements.

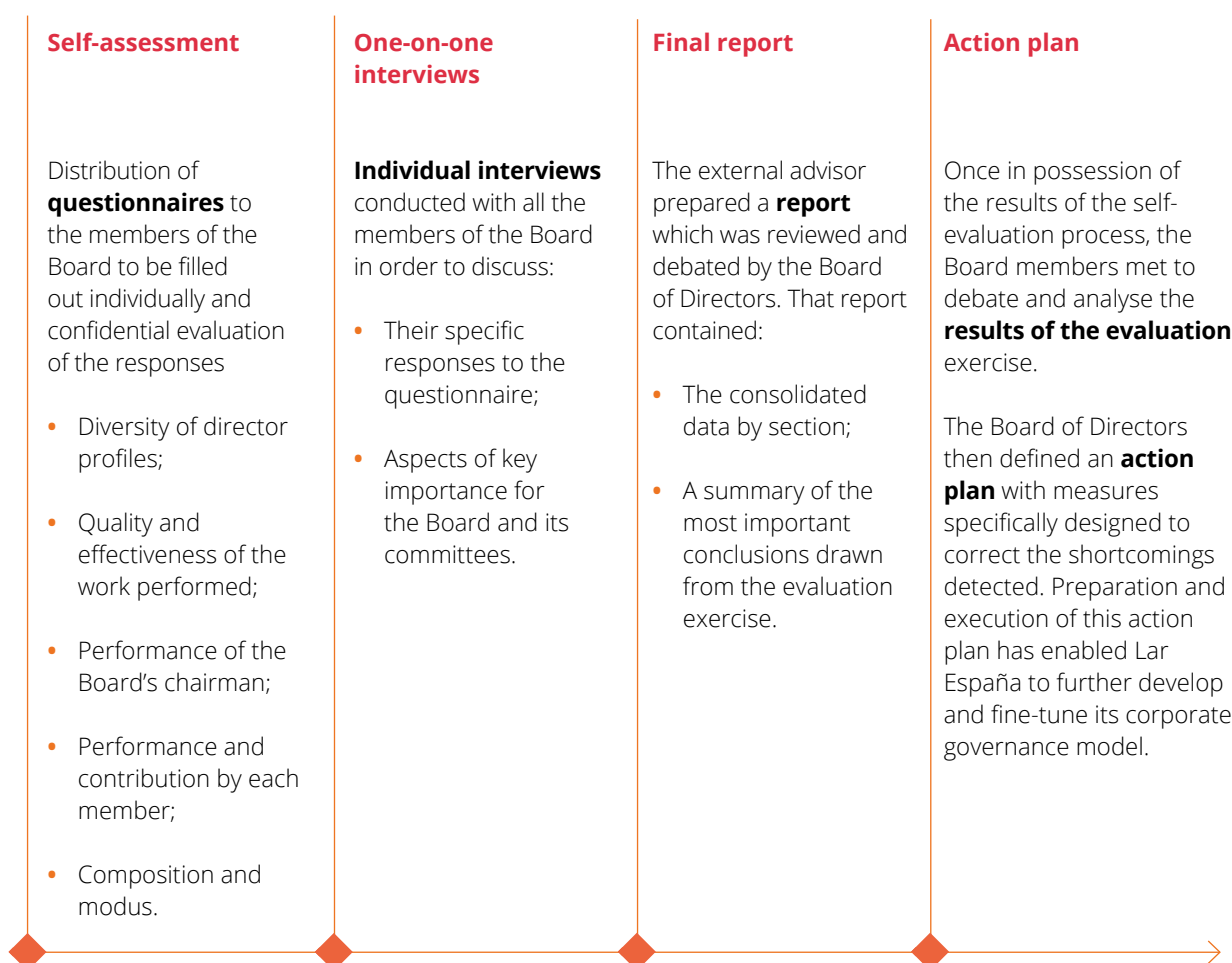
Evaluation of the Board of Directors, its members and its Committees

Both the CNMV's new Corporate Governance Code and article 529 nonies of the Corporate Enterprises Act echo the **growing importance ascribed to evaluation of the Board, its members and its Committees**.

Against this backdrop, in 2015, Lar España drew up a specific procedure for carrying out these assessments, which was approved by the Board of Directors on 20 January 2016. In performing the procedure in 2016 the following **specific areas were assessed**:

- The quality and efficiency of the work performed by the Board of Directors of Lar España.
- The diversity of the backgrounds and skills represented on the Board of Directors of Lar España.
- The performance of the Chairman of the Board of Directors of Lar España.
- The performance and contribution of individual Directors, with particular attention to the chairmen of various Board committees.
- The operations and composition of the Board committees.

Lar España hired an external advisor to assist it with the Board evaluation process in order to render it more objective. The **phases comprising the evaluation process** were the following:



Officer evaluation

The significant influence exerted by senior officers over strategic decision-making, strategy implementation and, ultimately, the company's results, highlights the importance of senior management evaluation and remuneration as a tool for ensuring that the Board of Directors has the best management team for executing its strategy. Senior officer evaluation permits enhanced individual and collective performance and establishment of the foundations of the remuneration system which in turn exerts a crucial influence on their behaviour.

To this end, on 20 January 2016, the Board of Directors of Lar España approved the **senior officer evaluation procedure** formulated in 2015. This system accordingly stipulates the formal process for evaluating senior officer performance in terms of the criteria established and approved by the Board of Directors, as well in relation to internal efficiency in fulfilling their duties and in managing people and teams. The re-

sults of this procedure have provided feedback for fine-tuning the remuneration scheme and the executive development program.

The Appointments and Remuneration Committee spearheaded this process. Having reviewed the conclusions drawn from the assessment exercise and the level of delivery of the targets for 2015, it proceeded to approve the **payment of the % bonuses established for each of the officers depending on their level of compliance.**

In addition, the Committee reviewed and approved the proposed targets for the company's employees for 2016, agreeing a structure articulated around 75% of shared objectives applicable to all professionals and 25% of individually-personalised objectives.

Looking forward

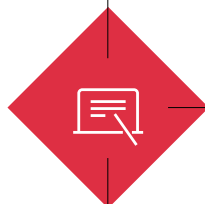
Director training

Training Directors to optimally **fulfil their duty** to provide leadership and take decisions about group strategy is crucial in an increasingly demanding and changing corporate environment. **Regular review** of the training and briefing programmes addressing **corporate governance** and **relevant sector aspects** constitutes a clear competitive advantage when it comes to **informed decision-making** by the Board of Directors.

To this end, Lar España has developed a **Director training programme** encompassing several **skills and knowledge refresher initiatives**. This process encompassed the following lines of initiative:

Analysis of the Board's **training and education needs**.

Preparation of an **annual training programme** for directors adapted to prevailing/emerging market trends.



Preparation of a **training programme for new members** of the Board of Directors covering topics related to the company's business and CSR and corporate governance issues.

4.3 Ethics and compliance

On principle, all the people and entities related to Lar España must conduct their corporate activities in keeping with prevailing legislation, steering clear of unethical or unprofessional conduct which could harm the company's image.

In order to **guarantee ethical conduct and enforce regulatory compliance**, Lar España has established a number of **control and supervision mechanisms** to ensure that all employees and members of the company's governing bodies behave in accordance with its **ethics principles** and uphold moral standards which enable every individual to behave with honesty, truthfulness and transparency, with the ultimate aim of preventing any form of legal breach or professional misconduct.

Code of Conduct and Whistle-blowing Channel

The Code of Conduct, approved by the Board of Directors in 2014 to **complement the Internal Securities Markets Code of Conduct**, applies and is binding upon all the members of the Board of Directors, the senior officers and management team (Grupo Lar), to all the executives and employees of the investees and to third parties who have professional dealings with Lar España. It establishes the **rules of conduct** to be followed by all those who act in the name of Lar España and its subsidiaries.

Framed by a commitment to analyse and respond to queries and complaints arising in relation to the company's in-house governance rules, Lar España has set up a **Whistle-blowing channel**, which has its own Operating Rules and is governed by the principles of good faith, confidentiality and protection. The company has also set up an **Ethics Committee** which is tasked with the duties deriving from implementation of this channel. Failure to comply with the Code's provisions constitutes an infraction and may derive in the application of disciplinary measures.

Crime Prevention Model

Framed by its commitment to stringent compliance with prevailing legislation and the prevention of illicit practices which could harm the company's reputation, Lar España has defined and adopted an **Organizational and Management Model for the Prevention of Crime** (hereinafter, the Crime Prevention Model or CPM) with the following characteristics:

1. It is articulated around the various processes and activities of Lar España.
2. For each process and activity, it identifies the criminal risk to which it is most exposed.
3. For each risk factor identified, it associates one or more internal controls that mitigate or in some way eliminate or diminish the probability that each criminal risk will materialise.
4. It includes controls which belong to the Internal Control over Financial Reporting (ICFR) system which are deemed preventive in terms of mitigating the probability of the commission of crime. These controls notably include those associated with the management of Lar España's financial resources.
5. The internal controls that mitigate or in some way eliminate or diminish the probability that each criminal risk will materialise are, for the large part, officially enshrined in internal policies and rules.

Anti-Money Laundering Manual

The Board of Directors is the body ultimately responsible for the CPM's implementation and effective execution. In addition, the Audit and Control Committee and the person responsible for oversight of the CPM have been tasked with its correct functioning and enforcement.

In turn, because it has delegated a large part of its management, Lar España requires the companies it has contractual relationships with to comply with prevailing legislation. To this end, Lar España requires those companies to have crime **prevention models which mirror the company's own CPM** and reserves the right to ask for information evidencing its existence. Meanwhile, the **Whistle-blowing Channel** can be used to report any perceived model breaches.

The real estate sector is subject to strict regulations designed to prevent money laundering and establish the rules of engagement with the Executive Branch of the Commission for the Prevention of Money Laundering and Monetary Infractions ("SEP-BLAC" for its acronym in Spanish). Against this backdrop, Lar España is working to develop an **Anti-Money Laundering Manual**, which will be submitted to the Board for approval in 2017, as required under Spanish Law 10/2010, of 28 April 2010, on anti-money laundering and counter-terrorist financing measures.

The company is striving to uphold best prevailing practices in this effort, prioritising ethical and transparent conduct and the abolishment of any form of fraudulent or illicit activity. In addition, information will be exchanged with all parties related to Lar España and its management company (Grupo Lar) to detect potentially-suspicious transactions.



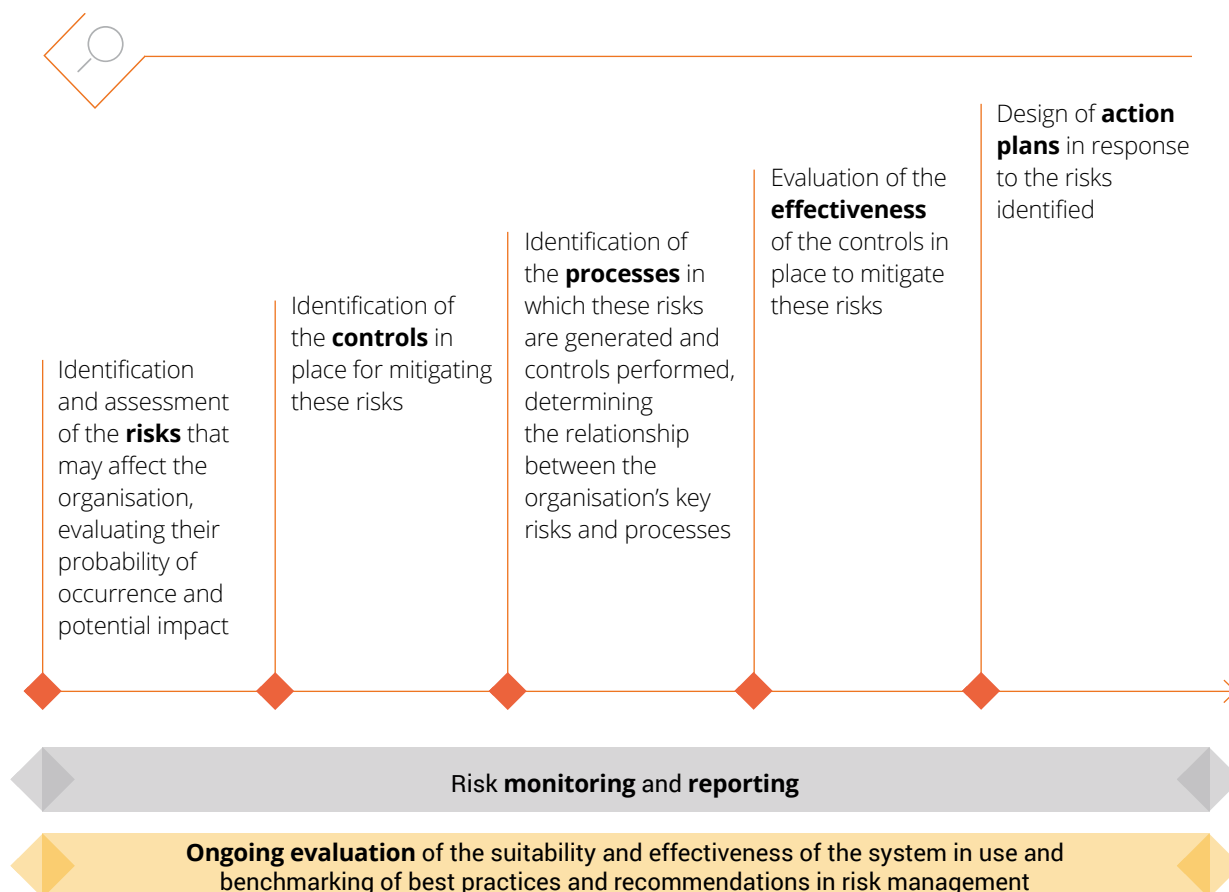
4.4 Risk control and management system

As stipulated in the **Risk Control and Management Policy** approved in February 2015, the Company approaches risk management as a continuous and dynamic process encompassing the identification, assessment, prioritisation and management of risks effectively and efficiently, factoring in the organisation's specific circumstances and the economic and regulatory environments prevailing in its operating markets.

The integrated **enterprise risk management (ERM) system** of Lar España and its subsidiaries, implemented at the highest level of the corporation, has been designed to mitigate the risks (including tax risks) to which the organisation is exposed by virtue of its business activities.

The system's overriding goal is to guarantee reasonable assurance that it will be able to achieve its strategic, operating, reporting and compliance objectives. Accordingly, the ERM system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report (hereinafter, COSO).

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



Risk ownership

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

- **Investment and asset management**, performed primarily by Grupo Lar
- Preparation of the organisation's **financial, accounting and tax information**
- Half-yearly **asset appraisals**

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

The main participants in the ERM model are:

Body/Party	Responsibility	Duties
Process Manager or Owner	Direct management via everyday operations	<ul style="list-style-type: none"> • Risk identification, analysis, assessment and mitigation
Risk Officer	Analysing and consolidating the risk information compiled by the process owners	<ul style="list-style-type: none"> • Compiling risk files, identifying new events, gathering information and preparing action and monitoring plans as required
Audit and Control Committee	Monitoring application of the Risk Control and Management Policy defined by the Board of Directors	<ul style="list-style-type: none"> • Identifying risks, establishing risk tolerance thresholds and identifying adequate risk mitigation measures, IT systems and controls • Reporting to the Board of Directors on its activities over the course of the year and monitoring application of the Risk Control and Management Policy • Analysing, at least once a year, the continued validity of the risk map and adding, modifying or eliminating risks as a result of changes at the organisation or in its business environment
Board of Directors	Approval of the Risk Control and Management Policy	<ul style="list-style-type: none"> • Ultimate responsibility for identification of the main risks facing the Company and for supervision of its internal control systems

Lar España has identified the risks that could jeopardise its ability to achieve its objectives and successfully execute its strategies. In order to identify these risks, management's experience in the real estate sector and the Company's specific circumstances were factored in, as were the medium-term strategic initiatives contemplated by the firm.

The Company has an updated **risk map** depicting the universe of risks that could affect the organisation. The risks listed below are the risks that have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2016, it managed and monitored these risks adequately, a process which will be ongoing in the years to come:

Main risks

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

The organisation's most significant risks have been duly identified:

- Management of REIT regime-related requirements
- Accounting and financial reporting
- Real estate asset sale-purchases: planning, information and implementation.
- Property values
- Dependence on the Asset/Investment Manager

- Financing
- Investor and media relations
- Board functioning
- Impact of socio-economic and political changes
- Competitors
- Reputation
- Retaining talent
- Confidentiality

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

The **ERM system categorises risk** into one of three levels for management purposes - high, medium and low - depending on how critical the objective with which the risk is associated is deemed. The risk tolerance determination system is reviewed at least annually by the **Audit and Control Committee**.

Response and monitoring plans

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

The level and frequency with which it monitors the risks identified varies as a function of the perceived importance or criticality of these risk factors and the level of effectiveness of the controls currently in place. Accordingly, Lar España has defined different scenarios for **managing its risks**:

Exhaustive analysis

Risks deemed highly critical

Assesment and surveillance

Risks assessed to be of medium importance

Rationalisation and optimisation

Less critical risks



Based on these levels, Lar España has established four kinds of strategies in relation to the level of risk assumed in each instance:

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

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, identified risks are documented in the form of **individual risk files** in order to enable enhanced monitoring.

These files specify the controls in place and the key indicators (KRIs) that enable anticipation and/or monitoring of the associated risks. The plan is to **further advance this risk management** and monitoring process in the years to come.

5





CORPORATE SOCIAL RESPONSIBILITY

5.1

Lar España's approach to CSR
p. 88

5.2

Our Stakeholders
p. 92

5.3

Responsible asset management
p. 98

5.4

Accessibility
p. 118

5.5

Supplier and customer relations
p. 120

5.6

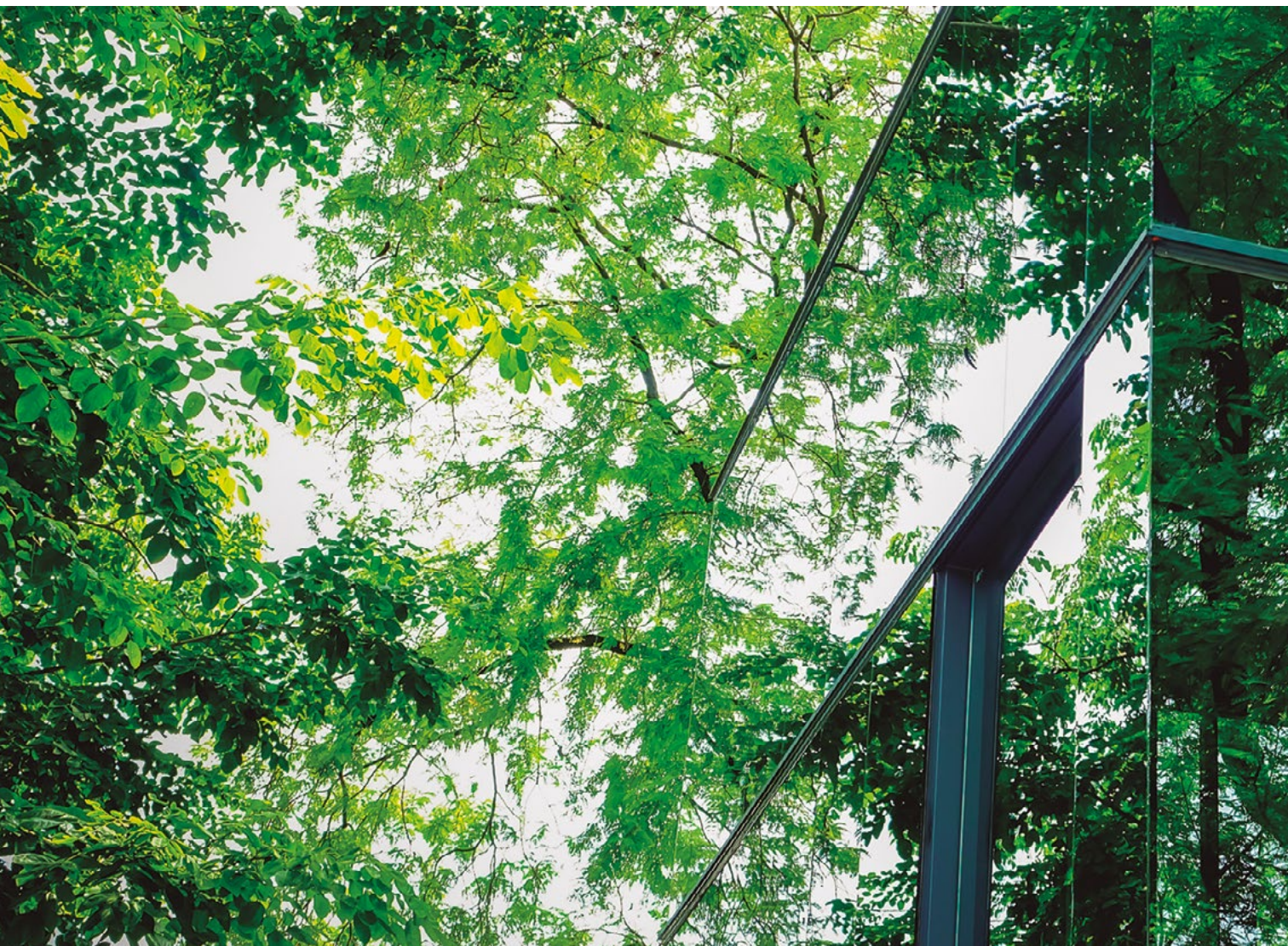
Society-based initiatives
p. 122

5.1 Lar España's approach to CSR

What CSR means for Lar España

Creating shared value. Lar España recognises its ability to have an impact on the world we live in and has therefore set itself the objective of improving people's quality of life, bolstering socio-economic progress in Spain and generating a financial return for investors.

Lar España is currently in the process of preparing a CSR Master Plan that will meet the most demanding sustainability standards, both in sector specific and general terms; the recommendations of the National Securities Market Commission (CNMV); its stakeholders' expectations; the Sustainable Development Goals (SDGs) and the company's business targets for the coming years.



Lar España's CSR principles

The four core principles of Lar España's Corporate Social Responsibility policy are:

a) Environment



Understood as both the physical and active environment that directly impacts corporate financial returns, generating value for the company:

- **Positive effect on the community.** Creating employment and competitiveness: **Over 17,500 direct jobs.**
- **Promoting responsible investment.** Investing in sustainable assets: **+72% of the portfolio** has or is in the process of obtaining **BREEAM® certification.**
- **Fighting and reducing the effect of Climate Change.** Since December 2015 Lar España has **reduced CO₂ emissions by 56%** across the whole of its property portfolio.

b) Corporate Governance



Lar España's business model that aims to have a positive effect on the environment and society, as well as generate financial returns; easing environmental and social pressures generated by the business activity.

- **Good Governance.** Drive to increase management's awareness of social and environmental considerations, as well as what measures have been implemented to address said issues.
- **Ethics/Integrity.** Resolutions and responses to the complaints and claims presented in 2016, including work-related legal disputes.
- **Transparency.** Reporting of non-financial issues in Lar España's 2016 annual report.
- **Risk Management:** Completion of an ESDD (Environmental and Social Due Diligence) across the various stages of the business model. Moreover, the number of material risks and their potential consequences have been identified, including those caused by climate change.

c) Social Capital



People's talent forms the cornerstone of the economic model and the company's value.

- **Partners.** Completing several background checks: financial, references and cross-checks with the office for foreign asset control for all partners and potential vendors.
- **Supply chain.** Via fair, objective, transparent and CSR compliant job selection processes.
- **Clients.** A communication channel designed to enhance collaboration on the Corporate Social Responsibility Master Plan. Completion of annual surveys in order to confirm service quality and user satisfaction.
- **Employees.** Policies to encourage a healthy work-life balance, equal opportunities, training courses and retaining talent amongst others.

d) Assets (portfolio)



Properties that have a positive effect on their urban surroundings and generate a high return for our shareholders and investors.

- **Sustainability strategy.** All of the properties that Lar España manages outright implemented environmental and/or social activities. In 2016, accessibility audits were carried out at 6 properties, **23%** of the whole portfolio. As at April 2017, 18 of Lar España's 26 properties have been audited, **69%** of the portfolio.
- **Sustainability certification.** More than 72% of Lar España's current properties are in the process of gaining BREEAM® certification, and all of the properties (100%) have energy certification.
- **Innovation at the forefront of the environmental agenda.** Investing in innovation. We collaborate with Training and research centres. Use ICTs, management programmes, innovative filters, among other activities.

Via four core principles, Lar España creates shared value that leads to economic and social progress, and also generates financial returns for our shareholders and investors.



Environment

Understood as both the physical and active environment that directly impacts our financial returns and generates value for the company.



Corporate Governance

Business model that aims to have a positive effect on the environment and society, as well as generate financial returns; easing environmental and social pressures generated by the business activity.



Social Capital

People's talent forms the cornerstone of the economic model and the company's value.



Assets

Properties that have a positive effect on their urban surroundings and generate a high return for our shareholders and investors.



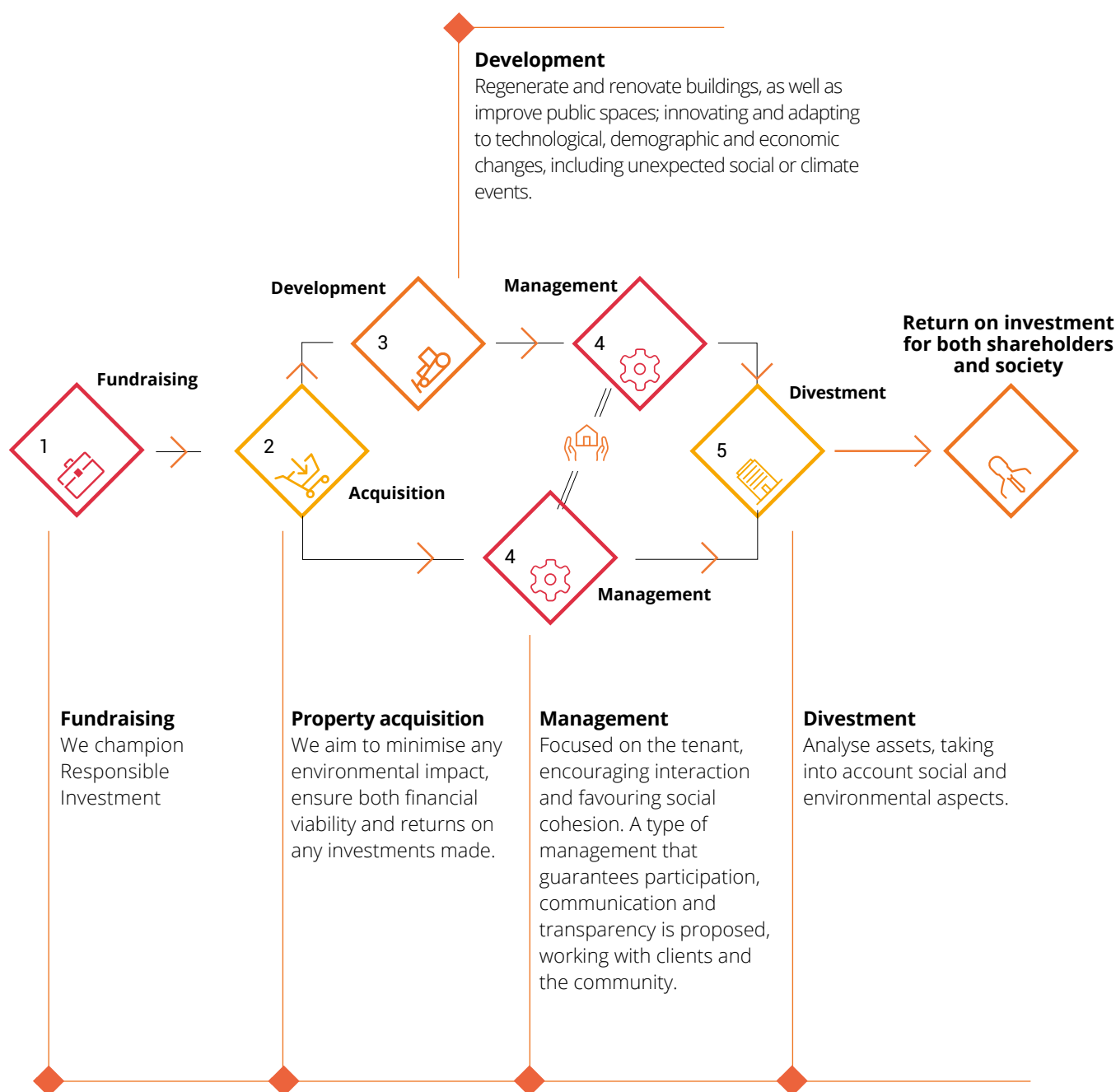
In addition, building shared value is fundamentally based on:

- **Environmental and social innovation** applied across all of the stages of the business model.
- Maintaining **an open and on-going dialogue** with the main **stakeholders**.

Responsible business model

Lar España's business model, as well as its business activity, is to help tackle social and environmental challenges. **"Doing business better"** not only produces better returns for investors, but also adds tangible value to the society in which it operates.

Creating Shared Value across all stages of the business model



5.2 Our Stakeholders

Lar España aims to achieve a stable and ongoing relationship with all of its Stakeholders and proposes establishing an open and effective dialogue with them

As players involved in the development of the SO-CIMI's Corporate Social Responsibility, Lar España has identified and analysed its **main stakeholders**, both internal and external, to provide a solution that meets their requirements and expectations.

Thus, the company has examined in what ways its business activity can negatively affect the objectives of its stakeholders. Lar España can therefore identify the areas that are most relevant in terms of the company's **Corporate Social Responsibility** initiatives.

Stakeholders can be defined as any group that is either directly or indirectly implicated in the business activity, and that therefore has the ability to affect said activity.

In response to the sector's expectations, and with transparency and including stakeholders in decision-making processes at the forefront of these expectations, Lar España considers the following to be key:

- **Communicate** the company's business activities, as well as the environmental and social impact derived from its business.
- Promote a **two-way dialogue** based on international standards to optimise the management of its impact on all phases of the business model, including the whistle-blower channel.
- Complete a **materiality analysis** to identify and prioritise the key issues relating to sustainability, in order to subsequently incorporate them into the company's strategy, vision and objectives.



Analyse the main environmental and social aspects of each identified stakeholder

In 2016, in a bid to adapt, insofar as is possible, the sustainability strategy to the expectations of its stakeholders, Lar España completed a specific analysis of the **environmental and social needs of each group**. To identify and classify its stakeholders, two determinants were established:

- Internal; directly affecting Lar España employees.
- External; shown below and sub-divided into three categories: economic, environmental and social.



Economic

- Investment Manager
- Suppliers
- Investors
- Competitors
- Co-owners/Partners



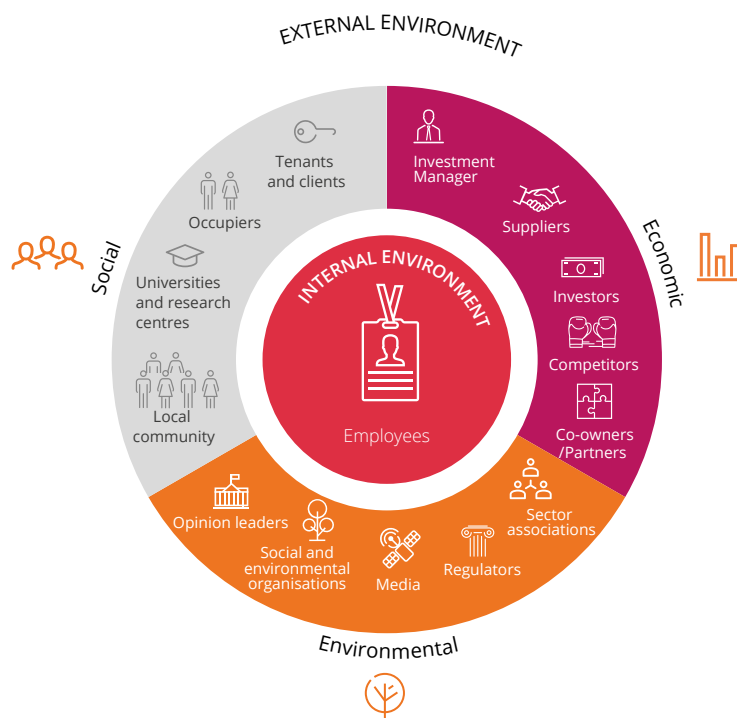
Environmental

- Opinion leaders
- Social and environmental organisations
- Media
- Regulators
- Sector associations



Social

- Universities and research centres
- Local community
- Occupiers
- Tenants and clients



The **expectations and requirements**, both in terms of social and environmental issues for each stakeholder are identified below.

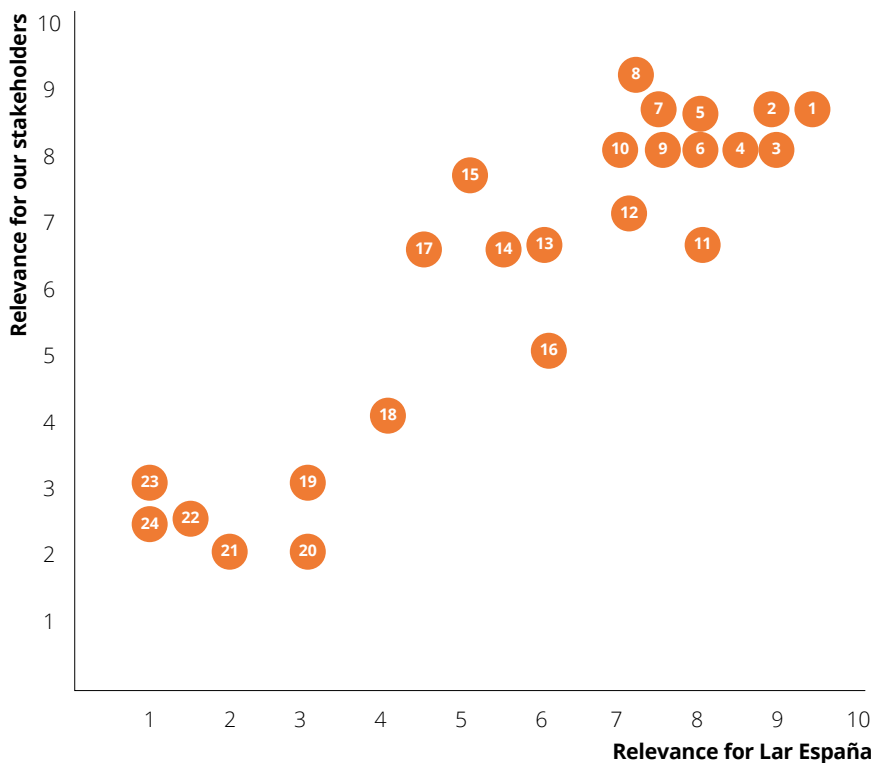
ECONOMIC	Investment Manager	<ul style="list-style-type: none"> • Good governance and transparency • Ethics and compliance • Risk management
	Suppliers	<ul style="list-style-type: none"> • Transparency in business relations • Risk management
	Investors (including shareholders, banks and investment analysts)	<ul style="list-style-type: none"> • Good governance and transparency • Ethics and compliance • Anticorruption and anti-money laundering policies • Risk management • CSR investment • Responsible investment
	Competitors	<ul style="list-style-type: none"> • Good governance and transparency • Building certifications • Accessibility and transport links • Interaction with the local community and job creation • Employment: retaining talent and training
	Co-owners and Partners	<ul style="list-style-type: none"> • Transparency and business relations • Risk management • Interaction with the local community and job creation • CSR investment
ENVIRONMENTAL	Opinion Leaders	<ul style="list-style-type: none"> • Good governance and transparency • Anticorruption and anti-money laundering policies • Impact management • CSR investment • Responsible investment
	Social and Environmental Organisations	<ul style="list-style-type: none"> • Cooperation with other entities and companies to promote knowledge sharing • Building certification
	Media	<ul style="list-style-type: none"> • Interaction with the local community and job creation • Sustainability of products, slogans and campaigns • Transparency in business relations
	Regulators	<ul style="list-style-type: none"> • Standard CSR information reporting • Good governance and transparency • Ethical practices and Integrity • Impact management • Interaction with tenants and associations • Accessibility and transport links • Urban resilience • Refurbishments and property conservation
	Sector Associations	<ul style="list-style-type: none"> • Standard CSR reporting • Cooperation with other entities and companies to promote knowledge sharing

SOCIAL	Universities and Research Centres	<ul style="list-style-type: none"> • Standard CSR information reporting • Cooperation with other entities and companies to promote knowledge sharing.
	Local community	<ul style="list-style-type: none"> • Impact management • Two-way communication channels • Interaction with the local community and job creation • Creating shared value
	Occupiers	<ul style="list-style-type: none"> • Accessibility and transport links • Management of eco-friendly properties • Safe and healthy environment • Modern in both specifications and design • New experiences and services
	Tenants and Clients	<ul style="list-style-type: none"> • Transparency in business relations • Safe and healthy environment • Accessibility and transport links • Management of eco-friendly properties • Modern in both specifications and design • New experiences and services: innovative technology
INTERNAL ENVIRONMENT	Employees	<ul style="list-style-type: none"> • Retain talent and training • Equal opportunities and no discrimination • Safe and healthy environment • Work-life balance • Transparent remuneration policy • Ethics, integrity and compliance

By analysing the relevant issues identified by the stakeholders and in light of the importance given to each one of them, a **Materiality Matrix has been drawn up for Lar España**.

This clearly identifies the environmental and social issues that are being prioritised and included in the sustainability strategy that is currently being implemented as part of the **Corporate Social Responsibility Master Plan**.

Materiality matrix



- | | | | |
|--|--|--|--|
| 1 Good Governance | 7 Responsible Investment | 13 Safe and healthy environment | 19 Urban resilience |
| 2 Ethics and compliance | 8 Environmental and social management | 14 Modern in both specifications and design | 20 Refurbishments and conservation |
| 3 ESG Risk Management | 9 Interaction with local community and job creation | 15 New experiences and services | 21 Standard CSR reporting |
| 4 Transparency in business relations | 10 Retain talent and training | 16 Cooperation with other entities | 22 Equal opportunities and non-discrimination |
| 5 Anti-corruption and anti-money laundering | 11 Sustainable product marketing | 17 Two-way dialogue with tenants | 23 Work-life balance |
| 6 CSR investment | 12 Communication channels with the local community | 18 Accessibility and transport links | 24 Transparent remuneration policy |

The priority of each issue in the **materiality matrix** can be determined by its position.

Following the GRI4 methodology, the relevant aspects are those that are located in the upper right section of the matrix, obtaining 6 or more points in both variables analysed:

- The level of importance for each stakeholder.
- Relevance for the company.

The most relevant environmental and social issues for Lar España for each stage of its business model are shown below. All these issues are included and developed in the **Corporate Social Responsibility Master Plan**, which establishes measures and objectives to be implemented in the short, medium and long term to address said issues.



(*) Business support refers to tasks relating to the coordination and development of the various phases of the business model by the company, in other words, by the employees.

Note: The relevant issues presented in this report have been placed in descending order according to the Importance Variable for Lar España. In cases where more than one issue has obtained the same value, the Importance Variable of the issue has been taken into account for the stakeholders.

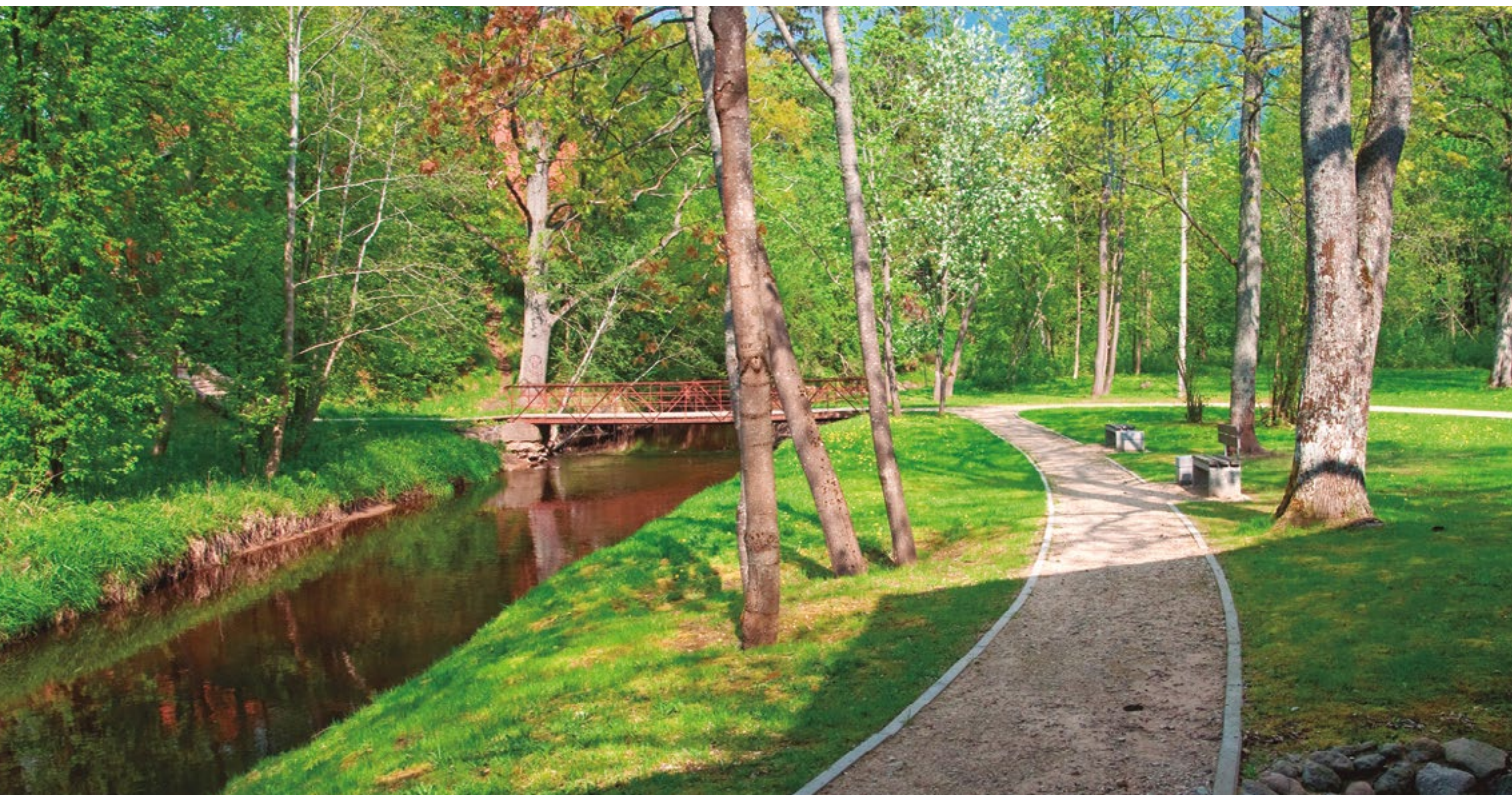
5.3 Responsible asset management

Building projects have a significant impact on the environment. All the certification processes in which Lar España is involved carve out a way to minimise this impact in the short, medium and long term. In doing so, the economic viability and profitability of the investments are also guaranteed, as well as always looking to strengthen aspects that benefit society.

In 2016, Lar España made great progress in this regard, taking on all the commitments established in its **CSR policies**, particularly in the field of **sustainability**.

With the aim of being a leading light in environmentally friendly initiatives and increasing the positive impact on the stakeholders linked to its business, the **CSR Master Plan** will set out many of the measures to be put in place in accordance with how the company views its role in society and in line with Environmental Sustainability Principles for the Real Estate Industry published in January 2016 at the World Economic Forum.

The CSR Master Plan will define the goals and methods that will allow Lar España to continually improve its real estate business; it will outline that the best real estate standards must be followed, that the measures planned and implemented to improve sustainability must be reported and that the environmental performance of all the assets must be monitored in order to assess their environmental footprint and exposure to natural risks, regulation and to the economic consequences of climate change across all stages of the business model.



Environmental measures

Among its solid and diverse base of tenants, Lar España promotes **sustainability certification** measures, encouraging the use of **new technology to improve its assets' environmental quality and management**.

Lar España applies this approach to its portfolio depending on the specifications of each asset type.

a) Environmental measures in retail

Lar España is acting in many ways to improve the environmental performance of its shopping centres and increase the environmental awareness of its tenants, so that they too will take an active part in the improvements. The following measures have been implemented in its assets:



Water

- Irrigation: efficient systems which reuse purified waste water
- WCs and communal areas: low energy-consumption installations
- HVAC: automated installation fill



Additional environmental measures

- Trigeneration for DHW, heating and air-conditioning
- Accessible location: public transport and public bicycles
- Parking and recharging points for electric cars
- Waste management



Electricity

- Tariff negotiation
- Lighting: light sensors
- HVAC: free-cooling systems
- Automation of processes: BMS and Scada
- Production: installation of photovoltaic solar panels



Gas/Diesel

- Electronic regulators in gas boilers
- Make use of residual heat and use eco-friendly fuels
- First phase of solar panel installation for Domestic Hot Water (DHW)



Electricity

- **Electricity Tariffs:** Depending on the type of consumption: Fixed or Pool Tariff. 100% of electricity from renewable energy.
- **Lighting:** Installation of light sensors, split electrical circuits to ensure higher energy efficiency, replacement of lighting fixtures with more efficient systems, installation of motion sensors for lighting, increased use of natural light
- **Air-conditioning:** Installation of free-cooling in HVAC units, installation of variable frequency drives in pumps, opening of aerators, installation of air curtains, thermostats raised to 26°C.
- **Systems:** Installation of variable frequency drives in electric ramps, service and passenger lifts, presence detectors in vertical systems and improvement of management systems.

Water

- **Irrigation systems:** Monitoring of water consumption in garden areas, efficient irrigation systems, use of native plants (they have fewer needs), reuse of purified waste water, etc.
- **WCs and Communal Areas:** Reduction of working pressure of the pumps, replacement of flush valves, sensor taps, installation of meters in different areas, etc.

Gas/ Diesel

- **Boilers:** Replacement of burners, use of residual heat from other facilities, use of solar thermal panels, use of ecological fuels, etc
- **Solar thermal panels:** Installation of solar thermal panels to produce hot water (hot water for both domestic and heating purposes).

Environmental Measures

- **Public transport:** public bicycles and parking: There are plans to encourage the use of public transport; as yet no measures have been agreed.
- **Trigeneration:** incorporation of an absorption system (heat) that allows cold air to be obtained from a heat source (heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.



Electricity

- **Electricity tariff:** a fixed tariff throughout the whole year. Electricity produced 100% by renewable energy.
- **Lighting:** Installation of motion sensors in emergency escape routes, split electrical circuits to ensure higher energy efficiency, replacement of lighting fixtures with more efficient technology (LED), opening times adjusted to make better use of natural light, etc.
- **Air-conditioning:** Installation of air curtains, thermostat modifications (minimum of 26° in summer and maximum of 22° in winter), improved efficiency of refrigeration towers, cooler replaced with a more efficient model in July 2016, etc.
- **Systems:** Reprogramming of the Building Management System's (BMS) free-cooling system, and increase in valves and operating hours. Repair and adjustments to Capacitor Reactive Power Banks. Installation of air-jet hand dryers.

Water

- **Irrigation systems:** There is no irrigation system in the centre.
- **WCs and Communal Areas:** Reduction of working pressure of the pumps, replacement of self-closing taps with other more efficient taps, readjustment of flush valve discharge rate, etc.

Gas/ Diesel

- **Boilers:** Although boilers are installed for the towers' condensation water, they are virtually not in use.
- **Electric Generator and FPS Pumps:** Precautionary measures modified to reduce diesel expenditure.

Environmental Measures

- Agreement due to be signed in 2017 with the authorities to provide Public **Transport**.
- **Bicycle parking:** Portal de la Marina already features a bicycle parking area both in the outdoor and below-ground car parks.
- **Eco-friendly parking:** A study on electric cars is set to be completed in the La Marina area with a view to creating parking spaces for eco-friendly vehicles.
- **Trigeneration:** incorporation of an absorption system (heat), which allows cold air to be obtained from a heat source (heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.



Electricity

- **Electricity Tariffs:** In 2015, a lower tariff was negotiated with Gas Natural, resulting in a monthly saving of circa 30 %.
- **Lighting:**
 - New suspended ceilings fitted and lighting fixtures replaced with LED lighting.
 - The lighting in the different areas of the centre is split into different circuits, meaning that they light up in blocks as and when needed.
 - The activation and deactivation of the lighting is automated via a BMS that turns the lights on and off depending on the time of day and the level of natural light detected.
 - Lighting in specific areas of the car park, without the need for lighting up the entire car park.
 - All cleaning and maintenance tasks are completed during hours of natural daylight.
 - The windows and lighting fixtures are cleaned regularly so as to ensure optimum efficiency.
- **Systems:**
 - Installation of variable frequency drives in electric ramps, service lifts and lifts, presence detectors in vertical systems, improvement of management systems (BMS).
 - Daily control of meters to detect potential increases of unwanted consumption.
 - Efficient high-speed hand dryers with presence detectors in the WCs.
- **HVAC:**
 - Free-cooling is used, and machinery is switched off during specific periods when it is not required.
 - Air curtains are installed at the centre's entrances to prevent outdoor air from entering.
 - The thermostats are reviewed daily (26°C in summer and 21°C in winter) to avoid any unnecessary expenditure.

Water

- Daily monitoring of consumption to detect any leaks
- The irrigation system in the garden areas is programmed for different periods of the year and to adjust to the requirements of any given time.
- Self-closing push-button taps
- Capacity of the toilets' cisterns adjusted so as to reduce water consumption
- Daily checks carried out in the WCs by the security and maintenance department to detect any possible leakages or malfunctioning taps or push buttons

Gas/ Diesel

- N/A (there are no gas or diesel installations)

Environmental Measures

- **Public Transport:** The bus stops are located within a 5-minute walk. The buses stop every 5-10 min. The regional train station (RENFE) is located within a 10-minute walk of the shopping centre.
- **Public bicycles:** Currently looking to reach an agreement with the Town Council to provide racks for parking public bicycles.
- **Parking for bicycles and electric cars:** There is a parking area especially reserved for bicycles in the shopping centre's gardens and also parking spaces especially reserved for electric vehicles, complete with recharging point.
- **Trigeneration:** incorporation of an absorption system which (heat) allows cold air to be obtained from a heat source (heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.
- **Other Measures:**
 - Recycling bins (plastic/cardboard) for customers
 - Earth Day: Participated by turning off the lights on the façade
 - 5.11% saving in Kw consumption
 - Cardboard recycling (110tn) plastic, wood and others (36tn)
 - Recycling of light bulbs, plastic and wood
 - Battery recycling for customers



Electricity

- **Electricity Tariff:** 7.2% saving in the total electricity bill, also managing to make 100% of this energy green.
- **Lighting:**
 - Fluorescent lighting in the car park on ground floor was replaced by LED lighting in July 2016.
 - The lighting in the different areas is split into three circuits, meaning that they light up in blocks as and when needed.
 - In some areas where there is excessive lighting, not all the lighting fixtures in the area are in use.
 - Permanent emergency lighting in the car park to avoid using normal lighting during the rounds.
 - All cleaning and maintenance tasks are completed during hours of natural daylight.
 - Lights switch off automatically when a lack of activity is detected in passenger and service lift cabs.
- **HVAC:**
 - Continual monitoring of the shopping centre's ambient temperature, free cooling
 - Air curtains are installed at the centre's entrances to prevent outside air from entering.
 - Daily review and adjustments of the thermostat settings and timers to ensure the most comfortable temperatures for customers and the minimum energy expenditure.
- **Systems:**
 - The HVAC and domestic water pumps are fitted with variable frequency drives, meaning that the electricity expenditure corresponds to the demand and also avoids peaks when they are turned on.
 - BMS that switches lighting on and off depending on the time of day and the level of natural light.
 - The passenger and service lifts, electrical ramps and escalators are fitted with variable frequency drives and use detectors.
 - One of the 3 CTs in the transformer centre is shut off and this is rotated each year.
 - In periods of inactivity, the service lifts are programmed so that one is located on the top floor and the other on the lowest floor, thereby avoiding unnecessary journeys.
 - The cleaning equipment is tailored to the dimensions of the areas requiring cleaning, thus minimising the amount of equipment that must be used, the time spent cleaning by staff and the amount of energy needed to recharge equipment.
 - Daily monitoring of meters to detect potential increases of unwanted consumption.
 - The Scada system measures each electrical panel's consumption, detecting malfunctions and helping to minimise consumption.
 - The agreed tariff is regularly reviewed in order to gradually reduce it as the shopping centre's consumption decreases.
 - High-speed hand dryers in the WCs with presence detectors, meaning that they only work when required.
- **Electricity production:** electricity is produced without self-consumption. 100% is fed back into the grid.

Water

- **HVAC:** The cooling towers are fitted with automatic drain valves so that only the exact amount of water required is discharged.
- **Irrigation systems:** The garden's irrigation system is controlled to release water when the soil is at its most absorbent and to only release the required amount. The system has a rain sensor that suspends the watering process in the event of rain.
- **WCs and Communal Areas:** The WCs are fitted with sensor taps, meaning that water is only released when required.
- **Tap diffusers** increase the speed of the water flow and create the impression that more water is being released, when in fact they reduce water consumption.
 - Smaller toilet cisterns now used in order to reduce water consumption.
 - Daily checks carried out in the WCs by security to detect any possible leakages or malfunctioning taps or push buttons

Gas/ Diesel

- 19.7% saving in the total electricity bill last year thanks to an agreement reached with the electricity provider
- There are two natural gas boilers that have an efficiency level of 93.8% and are fitted with modular burners that are able to provide the exact level of power required via an electronic regulator
- Currently analysing, along with the Castilla y Leon regional government, the possibility of connecting to the Ponferrada biomass grid.



Environmental Measures

- **Public Transport:** bus station located with a 5-minute walk, with buses that cover the centre's secondary and tertiary catchment areas. Buses stopping every 15min
- **Public Bicycles:** public bicycle rack in the shopping centre's garden
- **Priority parking:** The car park features priority spaces for vehicles that have been used by two or more people and priority parking for bicycles in the car park, garden and inside the shopping centre itself.
- **Trigeneration:** incorporation of an absorption system which (heat) allows cold air to be obtained from a heat source (said heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.
- **The Earth Hour.** The centre participates once every year.



Electricity

- **Electricity Tariffs:** In 2016 the electricity tariffs were renegotiated, achieving a 1.9% improvement in the energy, and saving 7.05% versus 2015. For 2017, an improvement of 10.1% in the energy cost is forecast. 100% of electricity consumed by Albacenter comes from renewable energy sources.
- **Lighting:** Installation of light sensors, split electrical circuits to ensure higher energy efficiency, replacement of lighting fixtures with more efficient systems, installation of motion sensors for lighting, increased use of natural light
- **HVAC:** Installation of free-cooling in HVAC units, installation of variable frequency drives in pumps, opening of aerators and exterior doors, installation of air curtains, thermostats raised to 26°C, repositioning of the air return grilles.
- **Systems:** Installation of variable frequency drives in electric ramps, service lifts and lifts, presence detectors in vertical systems, improvement of management systems (BMS).
- **Electricity production:** electricity is produced without self-consumption. 100% is fed back into the grid.

Water

- **WCs and Communal Areas:** sensor taps
- **Refrigeration towers:** meters installed in different areas to meticulously control consumption.

Gas/ Diesel

- **Boilers:** The boilers are subjected to rigorous maintenance so as to maintain maximum efficiency levels; they are also integrated into the management system to achieve a more efficient consumption. Currently in the process of completing a study to assess more efficient technology that could be used.

Environmental Measures

- **Public transport:** There are five bus stops in the surrounding area
- **Public bicycle hire:** Currently in talks with the city council to introduce a bicycle hire point to encourage our customers to use this mode of transport.
- **Parking for eco-friendly vehicles:** There is a parking area for bicycles in the outdoor car park and another for electric vehicles in the below-ground car park, complete with vehicle recharging point.
- **Trigeneration:** incorporation of an absorption system (heat) which allows cold air to be obtained from a heat source (said heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.
- **Guarantee of Origin:** this is a certificate awarded by the CNMC (National Commission of Markets and Competition) to certify that all the energy consumed by one particular supply point has come solely from renewable energy.
- **Guidance parking:** Guidance parking is a lighting system for showing free and occupied parking spaces via the Vehicle Guidance System (VGS), this makes it easier to navigate the car park, avoiding unnecessary journeys and helping to reduce CO2 emissions.



Electricity

- **Electricity Tariff:** In 2016, the reduction of the electricity tariff led to a saving of EUR15,000 and the adjustments estimated for 2017 should allow for an additional saving of EUR4,100. Since 2016, 100% of electricity consumed by GV de Vigo is produced via renewable energy sources.
- **Lighting:** Installation of sensors (light and presence), restructuring of lighting circuits on floors, replacement of existing lighting fixtures with more efficient options (LED), better use of natural light, management of time in operation, programming of action to be taken as part of preventative maintenance, etc.
- **HVAC:** Optimisation of the % of water cooler ignition, management of output (hot and cold) hours of operation, revision and follow-up of temperature set points, free-cooling in HVAC, air curtains in exterior doors, proposal for air distribution in HVAC system, etc.
- **Systems:** Replacement of current thermal energy control system, proposal for improvement based on metrology and management of secondary energy consumption connected to BMS, HVAC control, etc.

Water

- **Irrigation systems:** Daily monitoring of consumption Review of condition of sprinklers and new proposal to install humidity sensors to reduce the time that the sprinklers are activated by areas.
- **WCs and Communal Areas:** Reduction of the water flow in WC taps, trial of installing dry urinals in the fashion sector and implementation of independent meters to monitor consumption by circuit.
- **HVAC water:** To control the unnecessary consumption of water in the heat circuit, the installation's automated fill is checked manually.

Gas/ Diesel

- **Boilers:** In order to ensure that the boilers are fully functioning, monthly analyses of the emissions are completed when they are in operation. The fashion floor's heating ring will remain shut as there is no demand from the stores throughout the entire year.

Environmental Measures

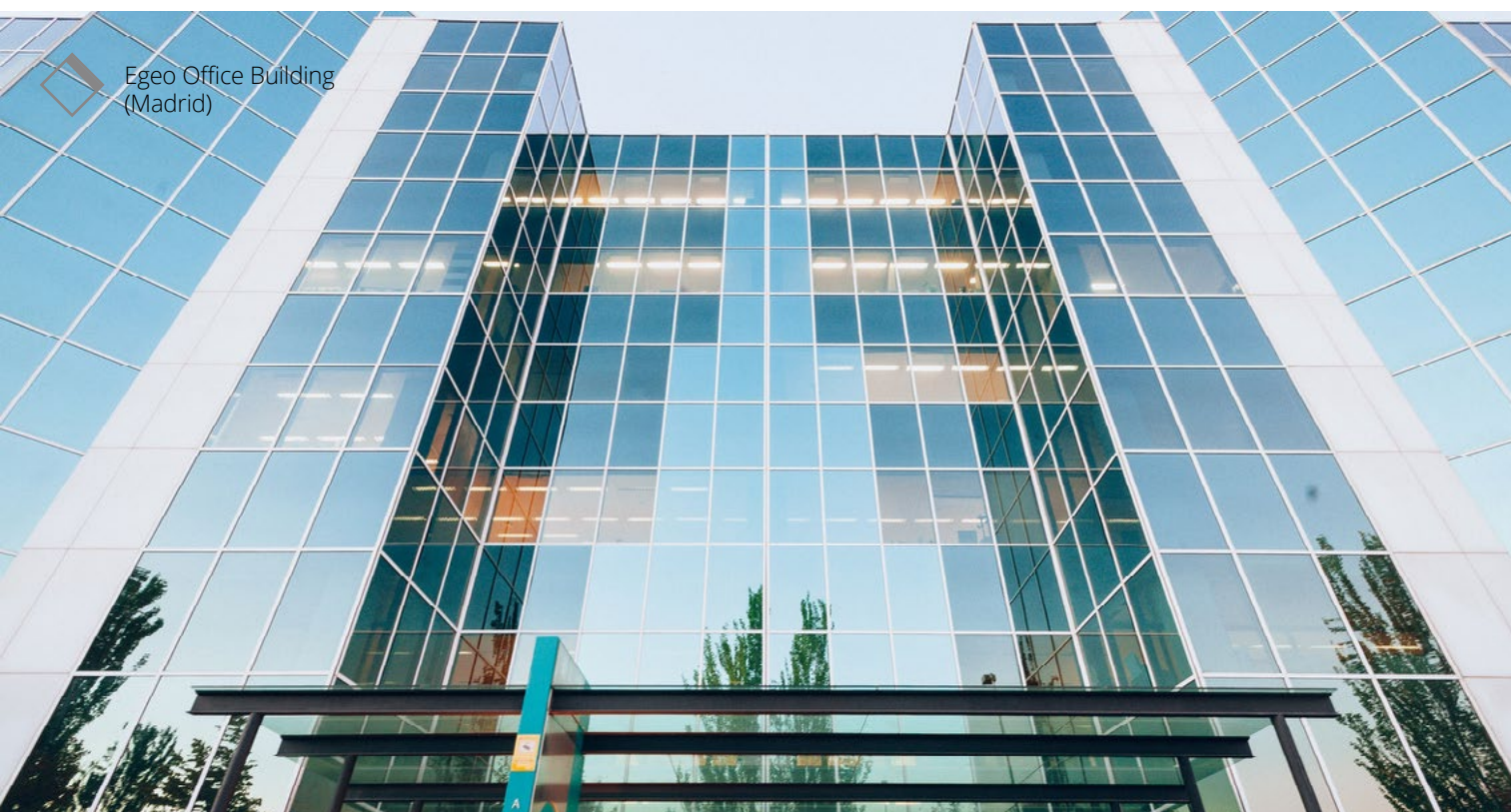
- **Public transport:** There is a bus stop located at the entrance of the Gran Vía shopping centre to encourage its customers to use this form of transport.
- **Bicycle parking:** Two areas designated for bicycle parking are located at the main entrances of the gardened rooftop.
- **Eco-friendly parking:** There are proposals to assign some parking spaces with recharging points for electric vehicles.
- **Trigeneration:** incorporation of an absorption system (heat), which allows cold air to be obtained from a heat source (said heat produced by cogeneration). During the winter, the heat produced is used for DHW and heating and in the summer it generates cold air for air-conditioning.
- **Sustainability policy** with contracts formulated as per the procedures stipulated in the UNE-EN ISO 14001 regulation.

b) Environmental measures in offices:

In 2016, primarily in Lar España's office properties, measures were implemented to reduce electricity consumption and optimise energy efficiency.

Below is a description of the main measures implemented in each property:

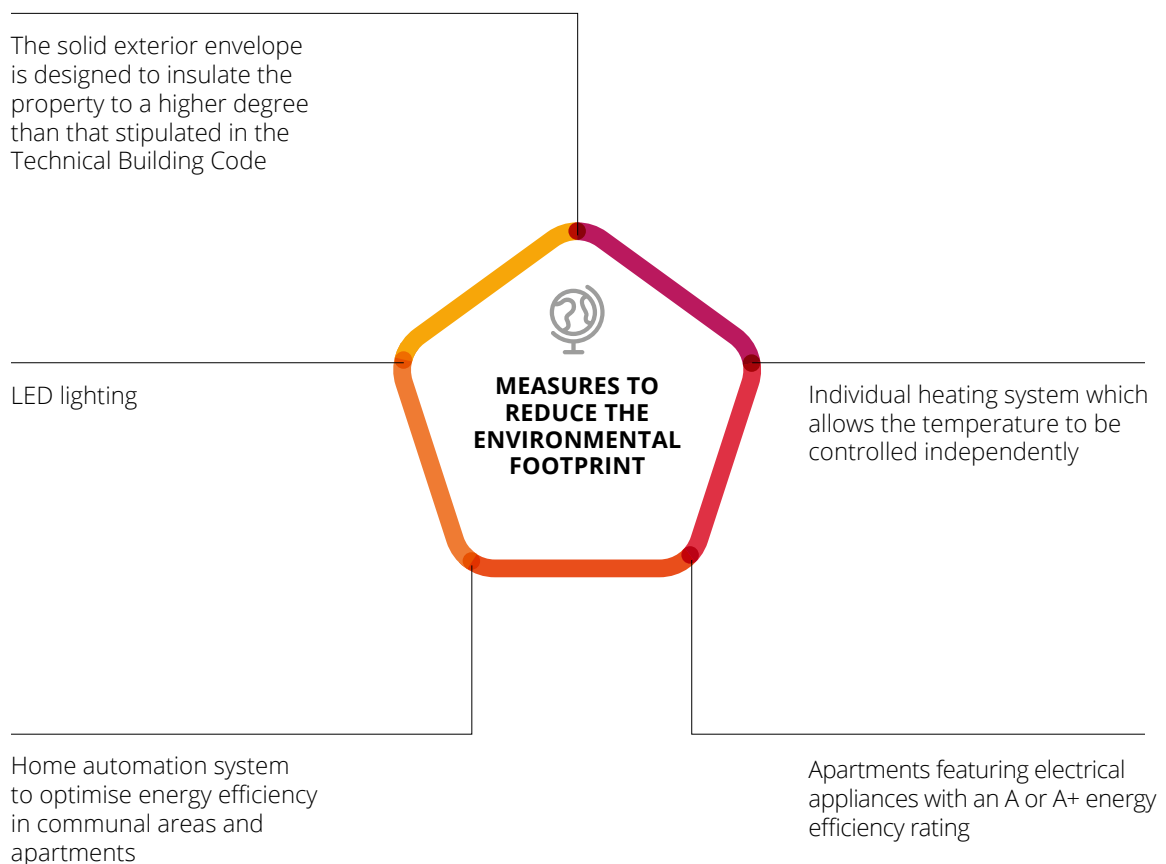
Egeo	Electricity	<ul style="list-style-type: none"> • Lighting: lighting fixtures were replaced with more efficient options (LED) in communal areas • HVAC: HVAC system's pipes cleaned .
	Environmental measures	<ul style="list-style-type: none"> • BREEAM® certification process initiated
Eloy Gonzalo	Electricity	<ul style="list-style-type: none"> • HVAC: Renovation of the HVAC installations and insulation has been started. It will be completed in 2017
Arturo Soria	Electricity	<ul style="list-style-type: none"> • Lighting: lighting fixtures replaced with more efficient options (LED) in car parks and communal areas • HVAC: HVAC system audited and the system's pipes cleaned
Marcelo Spinola	Electricity	<ul style="list-style-type: none"> • HVAC: Renovation of solid exterior envelope and HVAC installations
Joan Miró	Electricity	<ul style="list-style-type: none"> • Lighting: installation of presence detectors in indoor emergency and secondary stairwell lighting



c) Environmental measures in residential buildings

The Lagasca99 property, the construction of which began in 2016, is **BREEAM® certified**, thereby guaranteeing a high level of sustainability in terms of the construction process, and the asset's future operation and maintenance, as well as a reduction of its environmental footprint.

The measures taken to **reduce its environmental footprint** are as follows:



2016 environmental performance

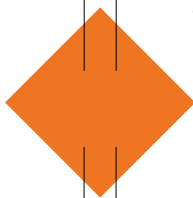
Operating limits and coverage

a) Assets 100% owned by Lar España

In four office buildings and ten shopping centres, as the owner, Lar España is able to gather information regarding the **energy and water consumption** that it has contracted and how much it pays, although it is currently lacking information regarding its tenants' direct consumption.

b) Assets co-owned by Lar España

Regarding the four shopping centres that Lar España co-owns, the company does not have the authority to introduce and apply its sustainability policies in the areas that are co-owned. However, depending on the weighting of its stake, it can influence the **sustainability and energy efficiency measures that are adopted** in the assets and reports their performance.



c) Lar España assets in the design or construction phase

Lar España excludes the **retail developments** that are in the design phase from the CSR Master Plan: Palmas Altas Shopping Centre (Seville) and the Sagunto Retail and Leisure Scheme (Valencia), the **residential development** Lagasca99 (Madrid) which is currently under construction and Cardenal Marcelo Spínola office building, recently fully refurbished and not in use.

d) Lar España assets managed by the tenants

The tenants in the five logistics complexes and the three retail parks manage their **own energy and water supply agreements and also directly manage the properties' waste collection and recycling**.

At this moment, Lar España is not able to report about their environmental performance.

The Master Plan outlines that two-way communication channels must be established in order to gather information that will allow strategies to improve energy and efficiency to be drawn up.

At the corporate level, Lar España currently **lets two floors of an office building, which does not form part of its portfolio** (it shares the office with the employees of its Manager). Thus, the environmental policies can only be applied to a limited extent. This data is accounted for as corporate spending, and is excluded from the company's environmental performance calculation.

Methodology (information gathering)

In order for Lar España to identify and gather information and thus comply with **EPRA sustainability indicators**, the following information sources have been considered and the following assumptions and hypothesis have been made.

- **Offices:** The owner provides the HVAC system to the tenants.

$$\text{Water consumption intensity} = \frac{\text{Total building consumption}}{\text{Floor space occupied by communal areas (CAB)}}$$

To calculate the intensity of energy consumption and CO₂ emissions, the total energy consumption paid by the owner (numerator) is divided by the total space occupied by communal areas

- **All assets:** The invoices paid by Lar España provide information regarding energy and water consumption, barring any electricity, gas or other fuel consumption that is managed directly by the tenants.

in the building (CAB) and the tenant's private space, measured as per the AEO standards (Spanish Offices Association -2014).

$$\text{Energy intensity} = \frac{\text{Consumption paid by the owner}}{\text{Floor space occupied by communal areas (CAB) + tenants private space}}$$

$$\text{CO}_2 \text{ emissions intensity} = \frac{\text{Emissions generated by the consumption paid by the owner}}{\text{Floor space occupied by communal areas (CAB) + tenants private space}}$$

The GHG emissions ratio, as well as energy and water consumption per workstation and per year is also calculated.

- **Retail:** The owner does not provide the HVAC service, however, in some cases it provides cool water to be used in the tenants' HVAC systems.

To calculate the intensity of energy consumption and CO₂ emissions, the total energy consumption paid by the owner (numerator)

is divided by the total space occupied by communal areas in the shopping centre.

Futhermore, the GHG emissions ratio, as well as energy and water consumption intensity per visitor and year.

$$\text{Water consumption intensity} = \frac{\text{Consumption paid by the owner}}{\text{Communal areas}}$$

$$\text{Energy intensity} = \frac{\text{Consumption paid by the owner}}{\text{Communal areas}}$$

$$\text{CO}_2 \text{ emissions intensity} = \frac{\text{Emissions generated by the consumption paid by the owner}}{\text{Communal areas}}$$



Performance calculations

Lar España's environmental performance for 2016 has been calculated in accordance with EPRA standards, taking into account the operating limits and coverage, as well as the methodology for information gathering previously defined in this section.

At an asset level:

Detailed below are the performance calculations for:

a) Energy consumption:

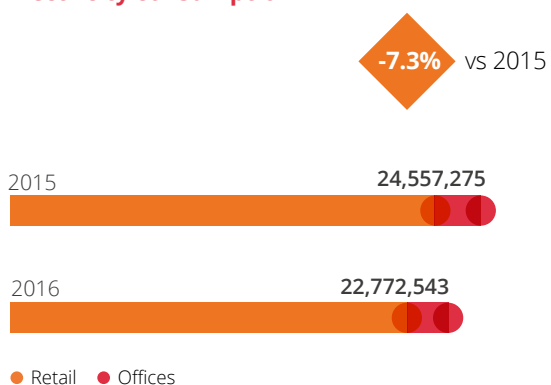
In 2016, the overall consumption of Lar España's shopping centres (Retail) and offices decreased by **7.3%** for **electricity** and by **4.4%** for **gas** compared to 2015.

EPRA Sustainability Measures				LAR España Assets								
EPRA code	Unit of mea- surement	Indicator		LAR TOTAL			TOTAL LAR RETAIL			TOTAL LAR OFFICES		
				2015	2016	Like for like com- parison	2015	2016	Like for like com- parison	2015	2016	Like for like comparison
"Elec-Abs, Elec-LfL"	kWh	Electricity	Electricity con- sumption from non-renewable sources	20,198,671	7,708,187	-61.8%	18,079,925	5,794,417	-68.0%	2,118,746	1,913,770	-9.7%
			Electricity con- sumption from renewable sources	4,613,410	15,294,502	231.5%	4,613,410	15,294,502	231.5%	No data	No data	No data
			(Sub)metered consumption exclusively to tenants	Not apply			Not apply			Not apply		
			Electricity production fed into the electricity grid	254,806	230,146	-9.7%	254,806	230,146	-9.7%	0	0	0.0%
			Total electricity consumption owner	24,557,275	22,772,543	-7.3%	22,438,529	20,858,773	-7.0%	2,118,746	1,913,770	-9.7%
Fuel-Abs, Fuel-LfL	kWh	Fuel	Total fuel con- sumption owner	2,924,441	2,795,432	-4.4%	1,817,338	1,535,551	-15.5%	1,107,103	1,259,881	13.8%
Energy-Int	kWh/sqm/ year	Energy intensity in buildings per sqm		41.2	38.4	-7.0%	38.9	35.9	-7.7%	74.9	73.6	-1.6%
		Applicable assets		14 of 18			10 of 13			4 of 5		

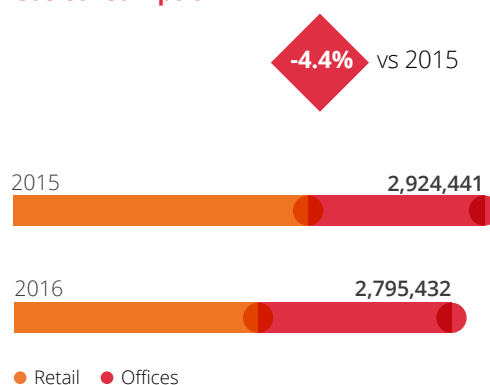
NB: to calculate the energy intensity indicator, the floor space occupied by communal areas was used for the shopping centres and the floor space occupied by both communal and private areas was used for the offices.

The **energy intensity** consumed per sqm also dropped by **7%** in 2016, as a result of the effort made by Lar España in 2016 to decrease the total energy consumption of its portfolio.

Electricity consumption in kWh



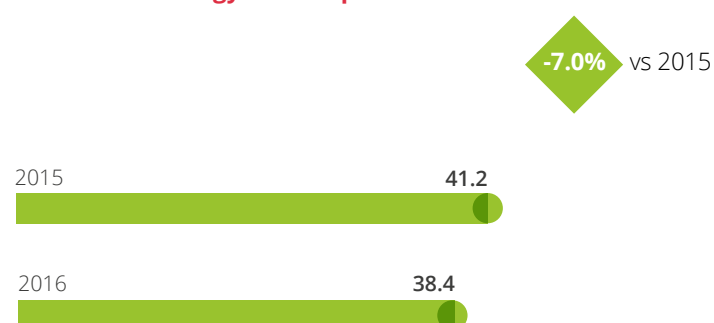
Gas consumption in kWh



The **reduced gas consumption** in the shopping centres offsets the rise in consumption registered by the offices. This rise in offices can be explained by the fact that the winter was colder in 2016 than it was in 2015

According to the Madrid City Council, which is where four of our five office properties are located; the average temperature in 2016 was almost one degree lower than in 2015.

Variation in energy consumption in kWh/m²



b) GHG emissions

Greenhouse gas emissions are calculated by multiplying energy consumption by the corresponding emissions conversion factor issued by the Ministry of Industry, Energy and Tourism in 2014. The factors used to calculate Lar España's GHG emissions are as follows:

- 0.372 kg CO₂e / kWh for electricity
- 0.252 kg CO₂e / kWh for gas

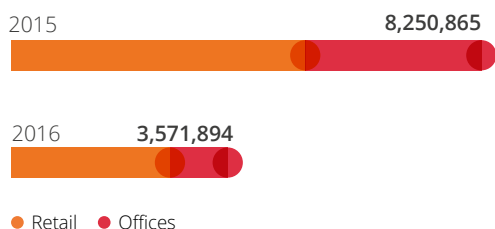
In 2016, Lar España consumed **electricity produced by renewable energy** in six of its shopping centres (in four more assets than in 2015). This increase had the positive impact of reducing the GHG emissions produced by Lar España's portfolio compared to 2015.

EPRA Sustainability Measures				LAR España Assets								
EPRA code	Unit of measurement	Indicator		LAR TOTAL			TOTAL LAR RETAIL			TOTAL LAR OFFICES		
				2015	2016	Like for like comparison	2015	2016	Like for like comparison	2015	2016	Like for like comparison
"GHG-Dir-Abs, GHG-Dir-LfL"	kg eq CO ₂	Direct emissions	Scope 1 (fuel)	736,959	704,449	-4.4%	457,969	386,959	-15.5%	278,990	317,490	13.8%
"GHG-Indir-Abs, GHG-Indir-LfL"		Indirect emissions	Scope 2 (electricity)	7,513,906	2,867,446	-61.8%	6,725,732	2,155,523	-68.0%	788,174	711,923	-9.7%
		Total	Scope 1 + 2	8,250,865	3,571,895	-56.7%	7,183,701	2,542,482	-64.6%	1,067,164	1,029,413	-3.5%
GHG-Int	Kg CO ₂ e per sqm/year	Emissions intensity per sqm		12.4	5.4	-56.7%	11.3	4.0	-64.6%	1.7	1.6	-3.5%
		Applicable assets		14 of 18			10 of 13			4 of 5		

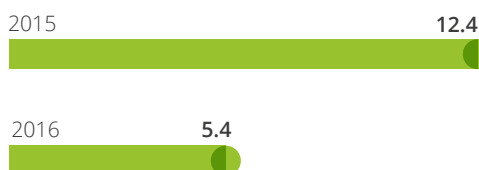
NB: to calculate the GHG intensity indicator, the floor space occupied by communal areas was used for the shopping centres and the floor space occupied by both communal and private areas was used for the offices.

Thus, the **total emissions released by Lar España's assets dropped** from 8,251 tonnes of CO₂ equivalent in 2015 to 3,572 tonnes of CO₂ equivalent in 2016, meaning they were cut by over half (**56.7%**). The intensity of emissions generated by asset sqm decreased by the same percentage.

GHG emissions in kg CO₂e



Variation in GHG emissions in kg CO₂e per sqm



-56.7% vs 2015



c) Water Consumption

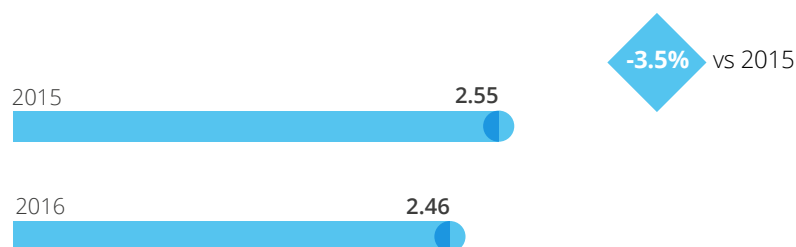
The total water consumption of Lar España's properties in 2016 rose 2% compared to 2015's consumption levels, equating to an increase of 5.7 litres per sqm of assets. This increase can be explained by the fact that the number of visits registered by the

shopping centre climbed by 3 million in 2016 versus 2015. However, the water consumption per person dropped by 3.5%, reflecting an overall improvement in water usage for all the assets in Lar España's portfolio.

EPRA Sustainability Measures			LAR España Assets								
EPRA code	Unit of measurement	Indicator	LAR TOTAL			TOTAL LAR RETAIL			TOTAL LAR OFFICES		
			2015	2016	Like for like comparison	2015	2016	Like for like comparison	2015	2016	Like for like comparison
Water-Abs, Water-LfL	m³	Water consumption in communal areas	127,818	130,394	2.0%	99,330	102,472	3.2%	28,488	27,922	-2.0%
Water-Int	Litres/sqm/year	Water consumption intensity per sqm	201.3	205.4	2.0%	159.4	164.4	3.2%	2,445	2,396	-2.0%
	Litres/person/year	Water consumption intensity per visitor for retail and per employee for offices	2.55	2.46	-3.5%	1.98	1.93	-2.4%	12,225	11,833	-6.9%
		Applicable assets	14 of 18			10 of 13			4 of 5		

NB:

- To calculate the water intensity indicator per sqm, the floor space occupied by communal areas was used for the shopping centres and the offices.
- The number of people working in the offices in 2015 was estimated to be 95% of those working in the offices in 2016, equating to a rise in the number of employees.

Water consumption in m³**Variation in water consumption in litres/m³****Variation in water consumption in litres/person****d) Waste performance**

A large part of the **waste currently generated by Lar España is recycled**. According to available data, **45%** of the waste generated in 2016 was recycled.

EPRA Sustainability Measures			LAR España Assets								
EPRA code	Unit of measurement	Indicator	LAR TOTAL			TOTAL LAR RETAIL			TOTAL LAR OFFICES		
			2015	2016	Like for like comparison	2015	2016	Like for like comparison	2015	2016	Like for like comparison
Waste-Abs, Waste-LfL	Kg	Generation of waste	237,500	961,077	-	237,500	961,077	-	No data	No data	-
		Recycled waste	70%	45%	-	70%	45%	-	No data	No data	-
		Number of assets	1 of 18	3 of 18	-	1 of 13	3 of 13	-	0 of 5	0 of 5	-

Due to a data shortage, a like for like comparison cannot be made for 2015 versus 2016, given that in 2016 there was data for 3 centres, whereas for 2015 there was only data for one. However, we can compile a y-o-y variation for Megapark, where there was data for both 2015 and 2016. The **like for like comparison for the Megapark shopping centre** shows that the **centre's level of waste dropped by 33%** in 2016, highlighting a considerable increase.

At a corporate level:

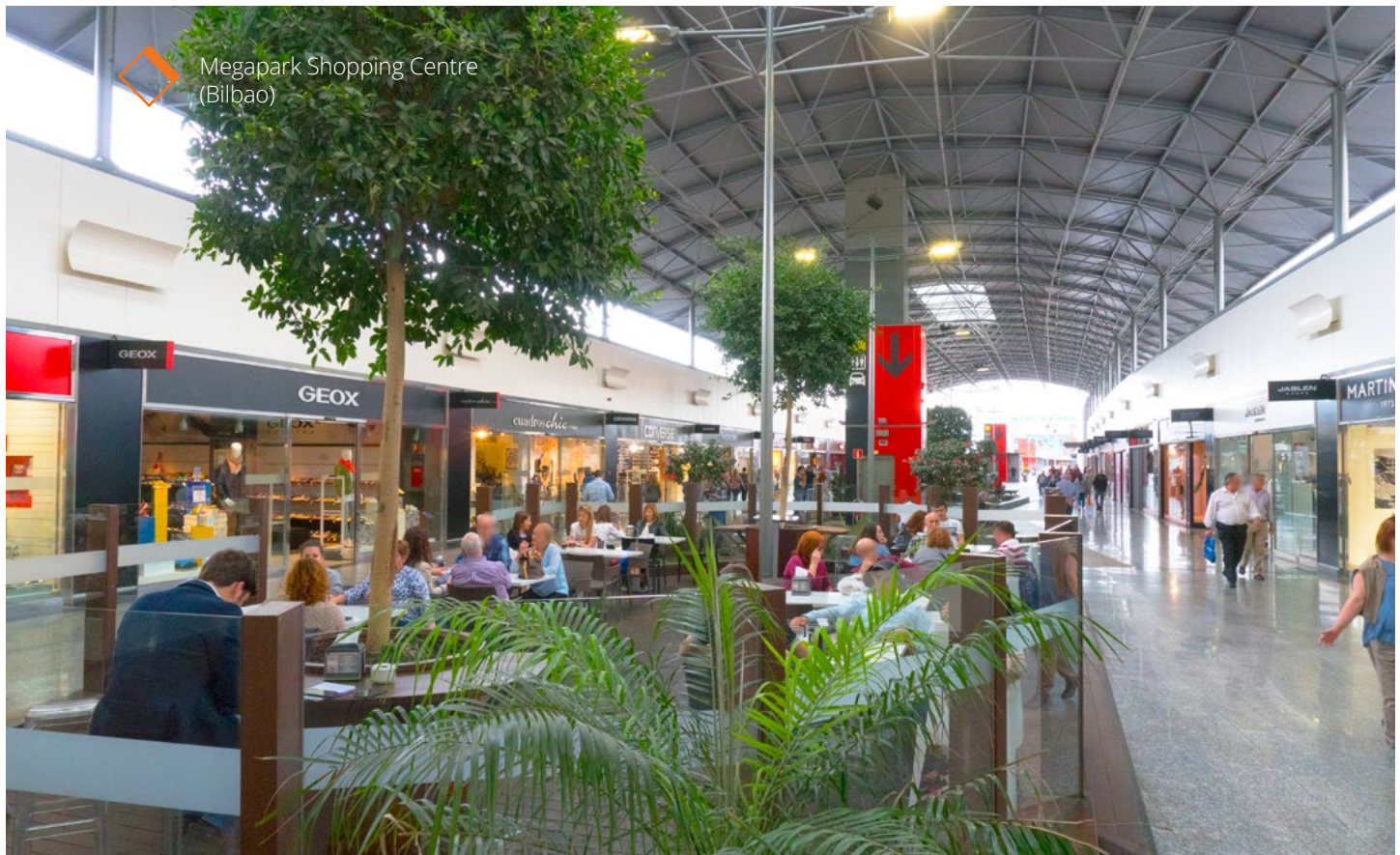
Detailed below are the performance calculations for energy, GHG emissions, water and waste at a corporate level:

Impact area	EPRA Sustainability Measures				LAR CORPORATE OFFICES		
	EPRA code	Unit of measurement	Indicator		2015 ⁽¹⁾	2016 ^{(2) (*)}	Like for like comparison
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Electricity consumption from non-renewable sources	2,077	3,020	45.4%
				Electricity consumption from renewable sources	No data	No data	No data
				(Sub)metered consumption exclusively to tenants	Not apply		
				Electricity production fed into the electricity grid	0	0	0.0%
				Total electricity consumption owner	2,077	3,020	45.4%
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total fuel consumption owner	0	0	0.0%
	Energy-Int	kWh/sqm / year	Energy intensity in buildings per sqm		41.8	39.2	-6.0%
GHG emissions	GHG-Dir-Abs, GHG-Dir-LfL	kg eq CO ₂	Direct emissions	Scope 1 (fuel)	0	0	0.0%
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions	Scope 2 (electricity)	772	1,123	45.4%
			Indirect emissions	Scope 3	No data	No data	No data
				Total	Scope 1 + 2	772	1,123
	GHG-Int	kg eq CO ₂ / per sqm / year	Emissions intensity per sqm		15.5	14.6	-6.0%
Water	Water-Abs, Water-LfL	m³	Water consumption in comunal areas		20.4	38.4	88.7%
	Water-Int	Litres/sqm/year	Water consumption intensity per sqm		0.4	0.5	22.0%
		Litres/person/year	Water consumption intensity per visitor for retail and per employee for offices		7	10	41.6%
Waste	Waste-Abs, Waste-LfL	Kg	Generation of waste		No data	No data	-
			Recycled waste		No data	No data	

(*) Includes water and energy consumption during 2016 refurbishment.

(1) Data for 3 employees.

(2) Data for 4 employees.



5.4 Accessibility

Via a design that is conceived by and for people, Lar España is working to achieve and maintain high accessibility standards that will allow everyone to be able to access its properties correctly and comfortably, taking into account existing problems.

Lar España aims to gain ISO 21542 certification (Accessibility of the Built Environment), and comply with the UNE-EN 17000 standard for Universal Accessibility, thereby demonstrating its **commitment to promoting social integration.**

In order to achieve this objective, in 2016 the conditions of the assets were analysed to establish priorities and determine what actions were required for each building. By carrying out this process, measures can be taken to improve accessibility, along with other designed to **ensure the properties are more profitable, healthier, safer and more efficient.**

This analysis was completed in collaboration with **ILUNION Tecnología y Accesibilidad**, a company that forms part of the ONCE Group and **AENOR** (Asociación Española de Normalización y Certificación), whose **accessibility audits** detail to what degree the buildings comply with the existing regulations and propose the measures that need to be put in place in order to obtain the **Universal Accessibility certifications**. These audits will provide us with information regarding three levels of action:



1

Lowering risks for tenants where there are existing accessibility deficiencies in the buildings.

2

Compliance with current regulations in the buildings under construction and in the buildings in use by adopting reasonable adjustments that allow these regulations to be met (TBC and other regulations).

3

Evaluate the possibilities and costs of being certified via the Universal Accessibility regulations a step that would require reaching excellence in this regard.

During 2017, a cost analysis for each one of the assets will be completed in order to evaluate the possibilities and the costs involved in reaching each of these three accessibility levels.

The current accessibility status for each one of the business units is as follows:

- **Offices:** During 2016, **four out of the five office properties (80%) were audited** (three underwent accessibility audits in their current state of use: Arturo Soria, Joan Miró and Egeo and one of them, Eloy Gonzalo, under refurbishment). Finally, Cardenal Marcelo Spínola was audited upon completion of the refurbishment works in 2017, meaning that 100% of the office portfolio has been audited.

- **Retail:** Out of all of the properties in the retail portfolio, **two of the shopping centres were audited in 2016**, 13%. In 2017 eleven properties have been analysed (nine of which are operational and two are under construction), meaning that 87% of all retail assets have now been audited.

- **Residential:** The Lagasca99 residential building boasts excellent accessibility, in compliance with the **Technical Building Code (TBC)** and other local and regional requirements.

Of all the assets in Lar España's property portfolio, the accessibility of 6 were audited in 2016. **As at April 2017, 18 of Lar España's 26 properties have been audited, almost 70% of the portfolio.**



5.5 Supplier and customer relations

Lar España and its Sole Manager only work with **suppliers** of known reputation, ensuring that they have **internal monitoring mechanisms and rules of conduct** in place that guarantee due diligence.

Insofar as clients and tenants are concerned, the company aims to anticipate their needs and requirements, to provide them with a better quality product

and an improved level of services. **The health and safety of the assets' tenants is key for the company.** Thus, special care is taken to comply with the basic health and safety regulations, via an efficient coordination of all businesses activities and information on risks in the workplace, as well as ensuring that all concerned parties are correctly informed of the emergency procedures.

In order to ensure an effective dialogue with suppliers and clients, the following communication channels have been established:



Direct relationship

between the Asset Manager of each property and its tenants.



Specific meetings

with the Property Manager upon request by any of the parties.



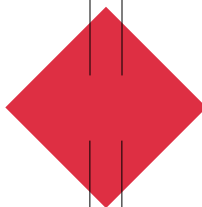
Communication protocol

to inform the Property Manager of any incidents via a specific email account "LAR Project Incident Report".



Satisfaction surveys

by our office tenants.



In a bid to promote good sustainability practices among tenants, the following initiatives have also been rolled out:

- Provide **information relating to energy consumption and efficiency.**
- **Health and Safety training.**
- Provide tenant **sustainability guides and manuals:** a trial is expected to be carried out at the Cardenal Marcelo Spínola office building, as soon as it becomes operational following its full renovation.



5.6 Society-based initiatives

When it comes to adding value to our assets, for us cities and their people are inextricably entwined. Paying special care and attention to the local communities we operate in forms an integral part of our mission to refurbish the portfolio and make it fully operational.

The assets in Lar España's portfolio have a major social impact, transforming and **Creating Shared Value** in the areas where they are located:

- Creating new business opportunities and jobs;
- Transforming the social backdrop;
- Driving social activity;
- Encouraging health and well-being.

Lar España is fully aware of the fact that it forms part of a sector that simultaneously produces income and an economy, thousands of direct and indirect jobs, business and social profits that, depending on the stage of activity that the property is in, impacts the economy and employment of the regions in which the portfolio's assets are located. **In 2016, it is estimated that the assets in Lar España's portfolio generated 17,500 direct jobs.**

In 2016, as part of Lar España's solid social framework, which aims to strengthen the social and economic vitality of the areas where the SOCIMI operates, **a wide range of activities, initiatives and collaboration projects were completed with local communities:**

Over 1,100 social and environment awareness days held in our shopping centres

We have worked with over 65 NGOs and foundations

Over EUR300,000 has been invested in social initiatives and collaboration projects

Over 35,500kg of clothing has been donated




Over 16,000kg of food has been collected



a) Activities implemented in Lar España's assets

Shopping Centre	Activity Type	Activity description
	Charity	<ul style="list-style-type: none"> Retail unit made available to the Association for Rural Women (<i>Asociación de Mujeres Rurales</i>). Spaces in centre made available to 15 NGOs for 60 days. Christmas toy-collection campaign in partnership with the Red Cross (900 toys collected). The centre was made available free of charge for events with local associations, involving flash mobbing and magicians.
	Social	<ul style="list-style-type: none"> Sponsorship of the Lugo town festival "ArdeLucus". Collaboration on the marketing of the "I'm from Lugo" campaign. The Council's Health Department: Space made available free of charge for the blood donation bus.
	Cultural	<ul style="list-style-type: none"> Lugo Province school network: An environment drawing competition was held and the awards ceremony took place on "World Environment Day" at As Termas.
	Sports	<ul style="list-style-type: none"> Sponsorship of the San Froilán Rally.
	Charity	<ul style="list-style-type: none"> Space made available in the Centre to Red Cross, AAI and UNHCR.
	Social	<ul style="list-style-type: none"> Collaboration with the Town Council: The Ondara Town Council's Jobs Bank used for job selection processes Agreement with JOVEMPA (The Federation of Youth Employment Associations in the Alicante Province): Marina Alta young entrepreneurs. MASCOTETES event in participation with the Town Council and JOVEMPA, outdoor car park made available free of charge for a dog competition, as well as for a Spinning Master Class in collaboration with MAXIMA BIKES.
	Sports	<ul style="list-style-type: none"> Sporting sponsorships: <ul style="list-style-type: none"> The Jávea Cycling Team. The La Marina Running Event "Volta a Peu La Marina". The Tour de La Marina "Volta ciclista La Marina".
	Charity	<ul style="list-style-type: none"> Toy and food collections in participation with the Red Cross (a retail unit made available). Food collection in aid of the animal sanctuary. Animal awareness and adoption sessions. Second-hand clothing collection in collaboration with Humana (32 tonnes). "Lit the centre up blue" to participate in World Autism Awareness Day. Spaces in centre made available to 7 NGOs. First aid workshop (Red Cross). A "Summer workshop" was set up with Red Cross on the centre's terrace. Publicity of centre's collaboration with NGOs in local newspapers and on social media.
	Social	<ul style="list-style-type: none"> Sponsorship of "the big jump" project with the UPC (Polytechnic University of Catalonia). Collaboration in the region's Carnival Sponsorship of the BaixLlobregat Business Association. Sponsorship of the city's running events. Collaboration with institutions in the area, offering workshops announced in the shopping centre Installation of water fountains in the Olympic Channel <i>Canal Olímpico</i>.
	Cultural	<ul style="list-style-type: none"> A reading room available for visitors in the shopping centre throughout the year. Photography room installed in the centre during several months.
	Sports	<ul style="list-style-type: none"> Sponsorship of Istea (The Association for the Social Inclusion of People on the Autism Spectrum) with a charity fun run. Sponsorship of the local football team.

Shopping Centre	Activity Type	Activity description
	Charity	<ul style="list-style-type: none"> Spaces in centre made available to 12 NGOs, 1 Association, and the Ponferrada Firefighters. Retail units made available to local associations and artists. "Donating your books, changes lives" campaign, in collaboration with Cáritas. Sponsorship of the Bierzo San Silvestre race, in collaboration with the Council's Department for Sports and the Red Cross. Charity collection for Red Cross.
	Social	<ul style="list-style-type: none"> The Department for Social Action: "Grow With Me" campaign. Videowall made available to televise a video. Ponferrada Firefighters: Hosting of the Fire Prevention Week. AECC (Spanish Association to Fight Cancer): unveiling of the book "You Can Do It Too" (<i>"Tú también puedes"</i>). The Blood Donors Association: The Campaign Donate Blood and Feel Wonderful in El Rosal (February and September).
	Cultural	<ul style="list-style-type: none"> Department for Culture: "From Crib to Crib" Christmas nativity route.
	Sports	<ul style="list-style-type: none"> Sponsorship of the football team.
	Charity	<ul style="list-style-type: none"> Collaboration with the AECC (Spanish Association to Fight Cancer): charity tables. Collaboration with volunteers belonging to the Spanish Parkinson's Federation. Awareness and fundraising campaign for children with leukaemia. The Festival of Colour organised in aid of AFANION (Association for Families with children suffering from cancer) and the Association for the Development of Autism. Collaboration with UNHCR. Workshop to inform and fundraise for AMAC (Association for Women Affected by Breast and Gynaecologic Cancers). Spaces in centre made available to 10 NGOs/Associations, and 1 Foundation. 8,000kg of food collected
	Social	<ul style="list-style-type: none"> Collaboration with the AECC (Spanish Association to Fight Cancer): workshop. Albacenter contributed to Albacete's Christmas lights.
	Sports	<ul style="list-style-type: none"> Cultural sponsorship Albacete: Sponsorship of children's shows, Installation of an online ticket sales collection point. Collaboration with Play Fitness Collaboration with Gimnasio Centro
	Charity	<ul style="list-style-type: none"> Spaces in the centre made available to Aspanaex (Association for people with Intellectual Disabilities in Pontevedra) to provide the public with information about the association, to distribute bibs for the 33rd Aspanaex charity walk and to hold a badge workshop. Space in the centre made available to Fegerec (the Galician Federation for Rare and Chronic Diseases) to provide the public with information about the Federation and to give out candy canes to raise funds for the charity. Collected 700kg of food for the Vigo Food Bank.
	Social	<ul style="list-style-type: none"> Contributed to Vigo's Christmas lights. Department for Youth: written information about employment, education and leisure, amongst other issues that are of interest to young people.
	Sports	<ul style="list-style-type: none"> Sponsorship of the X Rally Ciudad de Vigo classic car event, 2 spaces made available to display classic cars and 1 space made available to put up an information stand.

Shopping Centre	Activity Type	Activity description
	Charity	<ul style="list-style-type: none"> • Space made available in the shopping gallery to advertise for new members: <ul style="list-style-type: none"> - The Josep Carreras Foundation (4th to 9th January). - Red Cross (5 sessions). - UNHCR (from 10th to 13th February). - ADEMGI (The Multiple Sclerosis Association Guipúzkoa - 20 May). - PROVIDA (The Spanish Federation of Pro-life Associations), collection of products for mothers and children (16 January). - TADAMUN association, food collection in aid of the Sahara (22nd and 23rd January). - AAEC, charity collection to help fight cancer (7th May). - SAPOREAK NGO, food collection (9th June). • Ikastola Toki-Alai School, food collection for the Guipuzkoa Food Bank organised as a school activity • Financial contribution to DYA (Stop and Help), an Association founded to provide assistance to people on the road. • Collaboration with Irún Council's Department for Consumption, donating shopping vouchers.
	Charity	<ul style="list-style-type: none"> • Space made available for: Food Bank. • Space made available to: The AECC (Spanish Association to Fight Cancer). • Space made available to: Red Cross. • Space made available for: Blood donors. • Space made available to: Doctors Without Borders.
	Sports	<ul style="list-style-type: none"> • The Avenida de Madrid Neighbours Association: Sponsorship of the running event • The Palencia Women's Handball Club: help with their children's team. Billboard in sports centre. • DANISA cycle club: signage for the barriers and magazine publicity.
	Charity	<ul style="list-style-type: none"> • Cáritas: Charity collection. A memo was sent to all service companies (security, cleaning and maintenance) and to the tenants encouraging them to participate. For their ease, two collection points were made available (the customer services office and the Management office). • EMAÚS: second-hand clothing collection. Fashion Outlet worked in partnership with the Vizcaya social foundation Emaús to collect second-hand clothing in our centre.

b) Activities implemented by the Company

In addition, at corporate level, Lar España has collaborated on the following:



Fundación Norte Joven

- Holding monthly charity lunches
- Lar España employees working together with the foundation's pupils to help them prepare for job interviews
- Regular monetary donations



Fundación Créate

- Providing support as mentors in defining and preparing a professional entrepreneurial and innovative project together with the Foundation's pupils



Fundación Aladina

- Christmas charity prize draw to raise funds for the Foundation



6



PORTFOLIO

6.1

Portfolio location
and description
p. 130

6.2

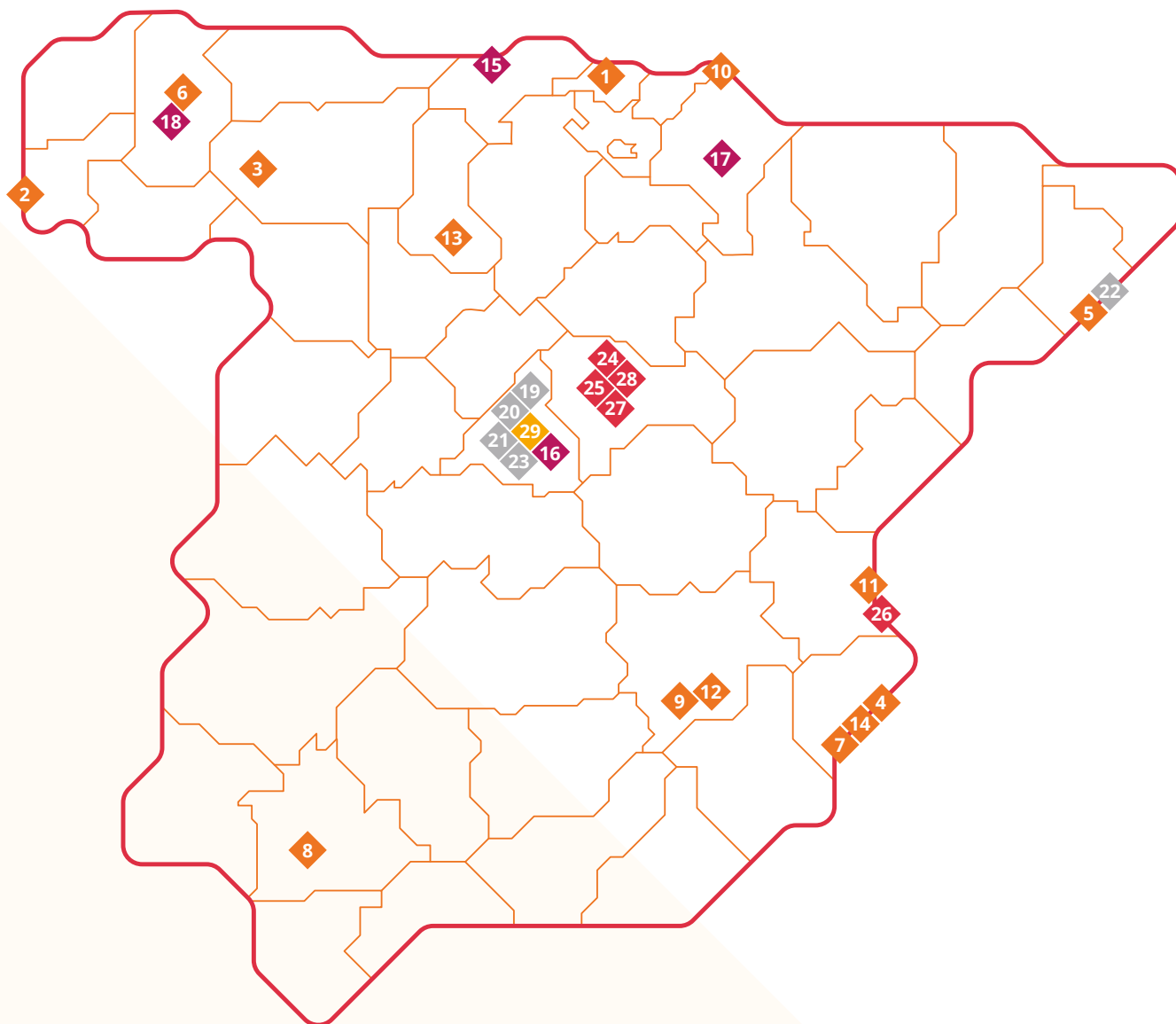
Real estate
valuation
p. 162

6.3

Additional Portfolio
Information
p. 174



6.1 Portfolio location and description



GAV=1.3
billion euros



SHOPPING CENTRES

- 1 Megapark (Bilbao)
- 2 Gran Vía (Vigo)
- 3 El Rosal (León)
- 4 Portal de la Marina (Alicante)
- 5 Anec Blau (Barcelona)
- 6 As Termas (Lugo)
- 7 Vistahermosa (Alicante)
- 8 Palmas Altas (Sevilla)
- 9 Albacenter (Albacete)
- 10 Txingudi (Guipúzcoa)
- 11 Vidanova Parc (Valencia)
- 12 Albacenter Hypermarket and Retail Units (Albacete)
- 13 Las Huertas (Palencia)
- 14 Portal de la Marina Hypermarket (Alicante)



RETAIL WAREHOUSES

- 15 Nuevo Alisal (Santander)
- 16 Villaverde (Madrid)
- 17 Parque Galaria (Navarra)
- 18 As Termas Petrol Station (Lugo)



OFFICES

- 19 Egeo (Madrid)
- 20 Marcelo Spinola (Madrid)
- 21 Arturo Soria (Madrid)
- 22 Joan Miró (Barcelona)
- 23 Eloy Gonzalo (Madrid)



LOGISTICS

- 24 Alovera II (Guadalajara)
- 25 Alovera I (Guadalajara)
- 26 Almussafes (Valencia)
- 27 Alovera IV (C5-C6) (Guadalajara)
- 28 Alovera III (C2) (Guadalajara)



RESIDENTIAL

- 29 Lagasca 99 (Madrid)



MEGAPARK, BILBAO

Shopping Centre



MegaPark®
BARAKALDO

Location & Profile



The centre is located in the largest retail area in the País Vasco.

Primary catchment area of more than 965,334 people.

Excellent location and access via the A-8 motorway.

Total sales at the end of the year reached €102,019,558.

Footfall 2016: 10,576,728 visitors (8% y-o-y increase).

Investment Rationale



Features some of the top international retail warehouse operators, such as Decathlon, Ikea, Mediamarkt or Leroy Merlin.

The retail arcade has excellent tenants such as Mango, Zara and Mercadona (Spain's leading distributor).

It is the only Outlet Centre in a 400 km radius and benefits from the cinema with the highest box office turnover in the País Vasco.

Asset Characteristics



Property Name	Megapark
Property Type	Shopping Centre
Location	Bilbao
Ownership (%)(*)	100%
Year of Construction	2007
GLA	63,576 sqm
Purchase Date	19 October 2015
Acquisition Price	€170.0 million
Market Value(**)	€190.0 million
Price/sqm	€2,674 per sqm
Value/sqm	€2,989 per sqm
No. of Tenants	Multi-tenant
WAULT	2.7 years

Key Performance Indicators



EPRA Vacancy Rate	6.0%
EPRA Net Initial Yield	5.2%

(*) Lar España owns 100% of the shopping arcade.

(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



GRAN VÍA, VIGO

Shopping Centre



Location & Profile



Shopping centre located in Vigo, the largest city in Pontevedra and the most populated city in the autonomous region of Galicia.

It boasts an urban location that can be accessed on foot from any point of the city. It can also be very easily reached by car and public transport, and features 1,740 parking spaces.

Its main catchment area is home to almost 300,000 people, who all live within 30-minutes or less from the centre.

Footfall 2016: EUR7,166,578 (+0.1% vs 2015).

Total sales 2016: EUR98,285,151 euros (+4.8% vs 2015).

Investment Rationale



Dominant shopping centre in its region thanks to its retail mix, premium quality and large size. There is major potential to generate value by rebranding the centre and raising occupancy on the second floor.

Rich retail offering, boasting a total of 132 stores, which are home to key retailers such as Zara, Massimo Dutti, H&M, Bimba y Lola, Tous, Pepe Jeans, C&A and Carrefour, with high occupancy levels.

Asset Characteristics

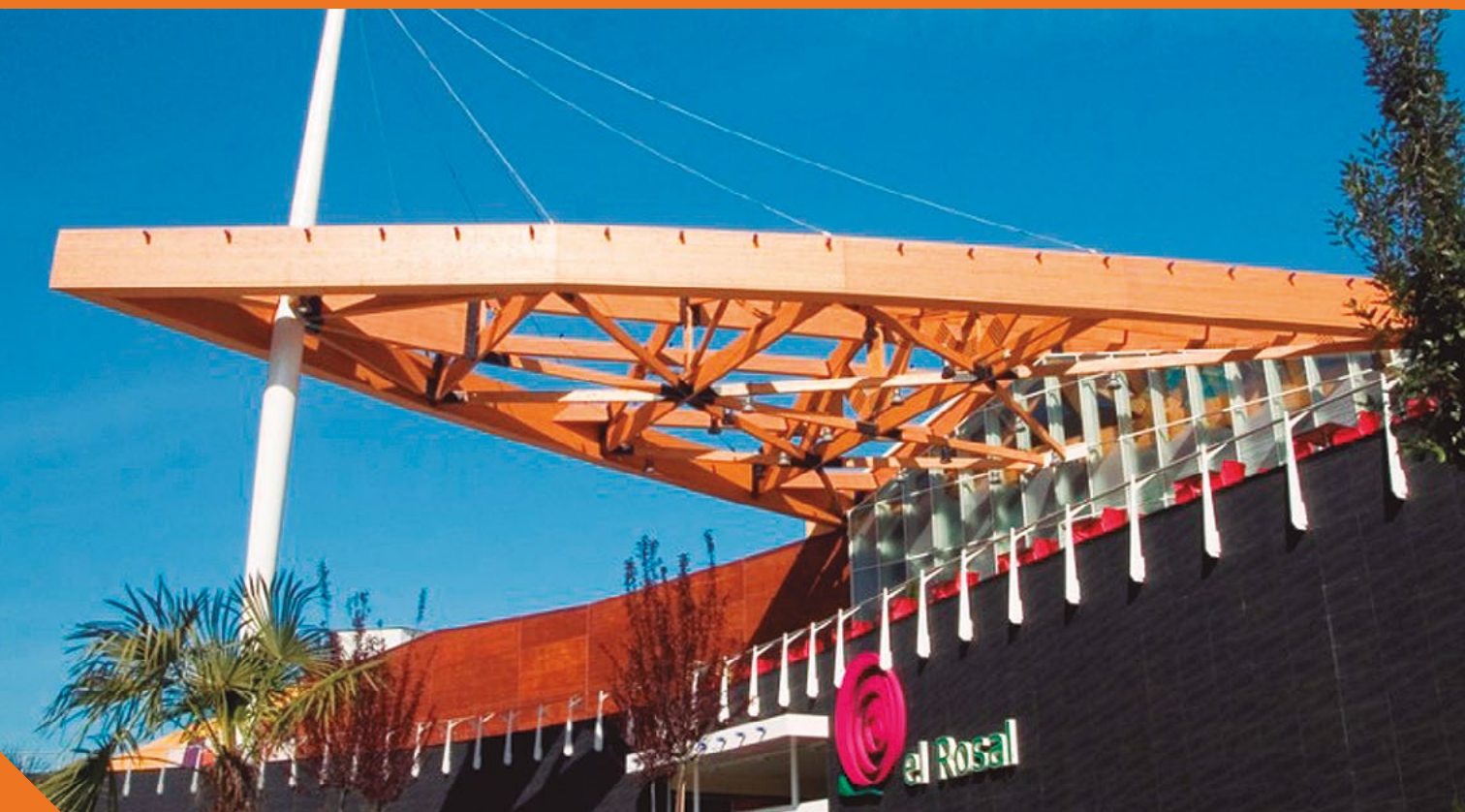


Property Name	Gran Vía de Vigo
Property Type	Shopping Centre
Location	Vigo
Ownership (%)	100%
Year of Construction	2006
GLA	41,462 sqm
Purchase Date	15 September 2016
Acquisition Price	€141.0 million
Market Value (*)	€144.5 million
Price/sqm	3,401 per sqm
Value/sqm	3,485 sqm
No. Of Tenants	Multi-tenant
WAULT	3.1 years

Key Performance Indicators

EPRA Vacancy Rate	4.5%
EPRA Net Initial Yield	5.9%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



EL ROSAL, LEÓN

Shopping Centre



Location & Profile



Shopping centre located in the centre of Ponferrada, León.

El Rosal is the dominant shopping centre in the Bierzo region and the largest in the province of León, with a catchment area over 200,000 people.

It has excellent transport links and direct access to the A6 motorway.

Total sales at the end of the year reached €95,351,937 (2,11% y-o-y increase).

Footfall 2016: 5,435,359 visitors.

Investment Rationale



Main tenants include, among others, leading top-tier brands such as Carrefour, Grupo Inditex, H&M, Grupo Cortefiel, Worten, La Dehesa Cinema o Burguer King.

Comprises over 50,000 sqm of lettable space in an area with no competition boasting a 90.1% market share.

Asset Characteristics



Property Name	El Rosal
Property Type	Shopping Centre
Location	León
Ownership (%)	100%
Year of Construction	2007
GLA	51,022 sqm
Purchase Date	7 July 2015
Acquisition Price	€87.5 million
Market Value ^(*)	€99.8 million
Price/sqm	€1,715 per sqm
Value/sqm	€1,956 per sqm
No. of Tenants	Multi-tenant
WAULT	2.7 years

Key Performance Indicators



EPRA Vacancy Rate	6.2%
EPRA Net Initial Yield	5.9%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



PORTAL DE LA MARINA, ALICANTE

Shopping Centre



Location & Profile



Dominant shopping centre in the area comprised of Gandía, Denia and Calpe, three of Spain's main tourist destinations.

Located 100 km from Valencia beside the AP-7 Motorway, with a catchment area of 79,000 inhabitants.

Main tenants: H&M, Zara, C&A, Cortefiel, Massimo Dutti, Pull & Bear, y IMF Cinema.

Total sales at the end of the year reached €66,728,812.

Footfall 2016: 3,793,028 visitors (1% y-o-y increase).

Investment Rationale



High footfall due both to its high population density and the volume of tourists who visit.

Offering targets local customers and the large number of tourists.

This is a stable property with potential for growth and refurbishment plans underway.

Annexed to this asset is the hypermarket currently occupied by Carrefour who replaced Eroski after signing an assignment agreement for the let space on 7 February 2017.

Asset Characteristics



Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Ondara (Alicante)
% Property ^(*)	100%
Year of Construction	2008
GLA	30,234 sqm
Purchase Date	30 October 2014 / 31 March 2016
Acquisition Price	€82.2 million ⁽¹⁾
Market Value ^(**)	€98.5 million
Price/sqm	€2,719 per sqm
Value/sqm	€3,258 per sqm
No. of Tenants	Multi-tenant
WAULT	1.5 years

Key Performance Indicators

EPRA Vacancy Rate	7.2%
EPRA Net Initial Yield	6.4%

(*) As at 31/03/16 Lar España has purchased 100% of the shopping centre property.

(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.

(1) Weighted average price of both acquisitions.



ANEC BLAU, BARCELONA

Shopping Centre



Location & Profile



Centre located in the best Catalan tourist destination, Castedefells. Located 18 km south of Barcelona, with access via the C-32.

Situated in a prized location 10 minutes from El Prat airport.

Its primary catchment area comprises 400,000 inhabitants.

Total sales at end of year reached €61,556,441 (4% y-o-y increase).

Footfall 2016: 5,444,298 visitors (1.2% y-o-y increase).

Investment Rationale



Medium sized shopping centre, which is the leading centre in its catchment area.

Excellent tenants such as Zara, Massimo Dutti, Pull & Bear, C&A, H&M and Mercadona (leading distribution company in Spain, which has a 3,156 sqm retail unit).

Asset Characteristics



Property Name	Anec Blau
Property Type	Shopping Centre
Location	Barcelona
Ownership (%)	100%
Year of Construction	2006
GLA	28,598 sqm
Purchase Date	31 July 2014
Acquisition Price	€80.0 million
Market Value ^(*)	€93.3 million
Price / sqm	€2,797 per sqm
Value/sqm	€3,262 per sqm
No. of Tenants	Multi-tenant
WAULT	3.0 years

Key Performance Indicators



EPRA Vacancy Rate	7.0%
EPRA Net Initial Yield	5.4%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



AS TERMAS, LUGO

Shopping Centre



Location & Profile



As Termas is located in the northern outskirts of Lugo, the capital city in a province of 350,000 inhabitants in the North West of Spain.

It is the dominant centre in the area, with a large primary catchment area (over 200,000 people).

The shopping centre has excellent visibility and is easily accessible from the N-VI, N-640 and A-6.

It also features 2,200 parking spaces.

Total sales at the end of the year reached €52,907,655 (2% y-o-y increase).

Footfall 2016: 3,694,616 visitors.

Investment Rationale



Medium size dominant shopping centre in its catchment area.

The property provides the right mix of interesting current yields and upside potential.

Asset Characteristics



Property Name	As Termas
Property Type	Shopping Centre
Location	Lugo
Ownership (%) ^(*)	100%
Year of Construction	2005
GLA	33,127 sqm
Purchase Date	15 April 2015
Acquisition Price	€67.0 million
Market Value ^(**)	€78.1 million
Price/sqm	€2,023 per sqm
Value/sqm	€2,357 per sqm
No. of Tenants	Multi-tenant
WAULT	1.8 years

Key Performance Indicators

EPRA Vacancy Rate	5.3%
EPRA Net Initial Yield	6.4%

^(*) Lar España owns 100% of the shopping arcade.

^(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



VISTAHERMOSA, ALICANTE

Shopping Centre



Location & Profile



Located along one of the three main roads in Alicante.

It boasts a large catchment area, reaching 450,000 people.

Parque Vistahermosa features unique retailers that cannot be found in other shopping centres in Alicante.

Total sales at year-end 2016 came in at EUR65,429,846.

Footfall growth 2016 vs. 2015, up 60.6%.

Investment Rationale



Some of its main tenants include major anchors such as Leroy Merlin and Media Markt.

Considerable repositioning potential.

Only urban retail park in Alicante.

Asset Characteristics



Property Name	Vistahermosa
Property Type	Shopping Centre
Location	Alicante
Ownership (%)	100%
Year of Construction	2002
GLA	33,550 sqm
Purchase Date	16 June 2016
Acquisition Price	€42.5 million
Market Value (*)	€45.6 million
Price/sqm	1,267 per sqm
Value/sqm	1,359 per sqm
No. Of Tenants	Multi-tenant
WAULT	6.3 years

Key Performance Indicators



EPRA Vacancy Rate	3.4%
EPRA Net Initial Yield	5.8%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



PALMAS ALTAS, SEVILLA

Shopping Centre



Location & Profile



Plot of land classified with retail use in Palmas Altas Norte, Seville, acquired in March 2016, where a family retail and leisure-entertainment complex is planned.

Excellent location 4 kilometres from the centre of Seville.

100,000 sqm of retail and family leisure space.

High footfall in area: 1.5 million inhabitants.

Shopping centre scheduled to open in H1 2019.

Currently in the process of obtaining the BREEAM ES® certification.

Investment Rationale



In advanced negotiations with many future tenants following the major interest received from the main restaurant, leisure and fashion brands (25% pre-let).

A potential yearly revenue of EUR14 million is forecast.

Asset Characteristics



Property Name	Palmas Altas
Property Type	Shopping Centre
Location	Sevilla
Ownership (%)	100%
Year of Construction	2016
Estimated year of opening	2019
Status	WIP
Retail and family leisure space	100,000 sqm
Purchase Date	1 March 2016
Acquisition Price	€40.5 million
Market Value (*)	€46.0 million ⁽¹⁾
No. Of Tenants	Multi-tenant

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W

(1) Includes a potential extra building rights.



ALBACENTER, ALBACETE Shopping Centre



Location & Profile



Located in the heart of Albacete, it is the dominant shopping centre in the province.

The centre was opened in 1996, extended in 2004 and refurbished in 2008.

Catchment area: more than 278,000 inhabitants.

Urban shopping centre, with easy access via A31 Motorway, with 1,223 parking spaces.

Total sales at the end of the year reached €27,639,345 (11% y-o-y increase).

Footfall 2016: 4,872,096 visitors.

Investment Rationale



Medium size dominant shopping centre in its catchment area.

The centre features renowned fashion retailers, such as Primark, H&M, Stradivarius and Bershka, among others.

Asset Characteristics



Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	15,428 sqm
Purchase Date	30 July 2014
Acquisition Price	€28.4 million
Market Value (*)	€35.5 million
Price/sqm	€1,841 per sqm
Value/sqm	€2,301 per sqm
No. of Tenants	Multi-tenant
WAULT	2.9 years

Key Performance Indicators



EPRA Vacancy Rate	12.6%
EPRA Net Initial Yield	5.3%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



TXINGUDI, GUIPÚZCOA

Shopping Centre



Location & Profile



Highly consolidated shopping centre in its catchment area, with limited current and future competition.

Closest primary catchment area comprises of 100,000 inhabitants.

Consolidated industrial and retail area with excellent access to the national motorway and the city.

Total sales at the end of the year reached €16,751,103 (1% y-o-y increase).

Footfall 2016: 3,638,894 visitors.

Investment Rationale



Its location near the border attracts a significant amount of traffic from France drawn by the Centre's offerings and prices.

The anchor tenants are: H&M, Kiabi, Mango, Springflid, Punto Roma y Promod.

Strong asset management opportunities based on reduction in non-recoverable costs and improving vacancy and tenant mix. Reducing leisure and improving the offering of fashion brands will help to achieve a better balance of Spanish and French customers.

Asset Characteristics



Property Name	Txingudi
Property Type	Shopping Centre
Location	Guipúzcoa
Ownership (%) ^(*)	100%
Year of Construction	1997
GLA	10,127 sqm
Purchase Date	24 March 2014
Acquisition Price	€27.7 million
Market Value ^(**)	€35.5 million
Price/sqm	€2,735 per sqm
Value/sqm	€3,505 per sqm
No. of Tenants	Multi-tenant
WAULT	2.7 years

Key Performance Indicators



EPRA Vacancy Rate	14.8%
EPRA Net Initial Yield	6.1%

(*) Lar España owns 100% of the shopping arcade.

(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



VIDANOVA PARC, VALENCIA

Shopping Centre



Location & Profile



120,000 sqm in Sagunto (Valencia), acquired for the future development of a shopping centre.

Urban location, in an area with high tourist footfall, Sagunto (Valencia).

Over 60% of GLA already pre-let to renowned retailers.

Catchment area: 250,000 inhabitants.

Estimated opening: H1 2018.

Investment Rationale



The property will comprise a shopping centre, featuring a hypermarket and a retail arcade with fashion, accessories and service stores. It will also include a retail park, offering stores that specialise in sports, DIY, decoration, homewares, toys, fashion and accessories.

Some of our main tenants will include Leroy Merlin, Decathlon, Yelmo Cines, Urban Planet and Worten.

A yearly revenue of EUR4 million is forecast.

Asset Characteristics



Property Name	Vidanova Parc
Property Type	Retail Complex
Location	Valencia
Ownership (%)	100%
Year of Construction	2016
Estimated year of opening	2018
Status	WIP
GLA	44,252 sqm
Purchase Date	3 August 2015
Acquisition Price	€14.0 million
Market Value (*)	€17.3 million
No. Of Tenants	Multi-tenant

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



ALBACENTER HYPERMARKET AND RETAIL UNITS, ALBACETE

Shopping Centre



Location & Profile



Hypermarket that complements the Albacenter shopping centre, also owned by Lar España.

Albacete's dominant shopping centre which provides a wide offering of top-tier fashion retailers.

Its anchors tenants are Eroski hypermarket.

Asset Characteristics



Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	12,462 sqm
Purchase Date	19 December 2014
Acquisition Price	€11.5 million
Market Value ^(*)	€14.3 million
Price/sqm	€923 per sqm
Value/sqm	€1,147 per sqm
No. of Tenants	Multi-tenant
WAULT	0.7 years

Investment Rationale



Strategic acquisition in order to guarantee full control of the Albacenter shopping centre.

Eroski and Primark provide security in terms of income stream, size, quality and lease term.

This acquisition reinforces our leading position in Albacete and helps the implementation of our action plan for value creation.

Key Performance Indicators



EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	6.6%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W

Las Huertas



LAS HUERTAS, PALENCIA Shopping Centre



Location & Profile



Located in Palencia, within the Castilla y León Region in North West Spain.

Direct catchment area of more than 81,000 inhabitants.

The immediate surrounding area comprises a mixed residential and retail area, therefore 35% are pedestrians. Well located, connecting the city centre with the A-67 highway (main connection between Palencia and Valladolid).

Total sales at the end of the year reached €8,721,592.

Footfall 2016: 2,219,030 visitors.

In 2016 the property was refurbished and given a "new look".

Investment Rationale



Only shopping centre in Palencia in where we would particularly note the presence of the Carrefour Hypermarket.

The Centre has a good offering centred on professional retailers, with well-renowned international and national brands: Springfield, Deichman, Pull & Bear and Sprinter.

Asset Characteristics



Property Name	Las Huertas
Property Type	Shopping Centre
Location	Palencia
Ownership (%) ^(*)	100%
Year of Construction	1989
GLA	6,267 sqm
Purchase Date	24 March 2014
Acquisition Price	€11.7 million
Market Value ^(**)	€13.3 million
Price/sqm	€1,867 per sqm
Value/sqm	€2,122 per sqm
No. of Tenants	Multi-tenant
WAULT	2.3 years

Key Performance Indicators



EPRA Vacancy Rate	15.1%
EPRA Net Initial Yield	6.2%

(*) Lar España owns 100% of the shopping arcade.

(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



PORTAL DE LaMarina

PORTAL DE LA MARINA HYPERMARKET, ALICANTE

Shopping Centre

Location & Profile



Located in Ondara, Alicante and the hypermarket complements the Puerta Marítima Ondara shopping centre, the benchmark centre in its catchment area on the Alicante Costa Blanca.

On 7 February 2017, Eroski assigned its let space to Carrefour, the tenant that occupies the entire asset.

Investment Rationale



Strategic acquisition to guarantee full control of the shopping centre to which is connected.

The acquisition of the hypermarket, allows Lar España to improve the management of the Shopping Centre.



Asset Characteristics



Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Ondara (Alicante)
Ownership (%)	100%
Year of Construction	2008
GLA	9,924 sqm
Purchase Date	9 June 2015
Acquisition Price	€7.0 million
Market Value (*)	€8.6 million
Price/sqm	€705 per sqm
Value/sqm	€866 per sqm
No. of Tenants	Single-tenant
WAULT	13.3 years

Key Performance Indicators



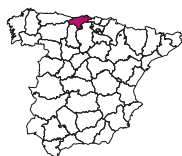
EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	5.9%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



NUEVO ALISAL, SANTANDER

Retail Warehouse



Location & Profile

Free standing retail warehouses located next to the consolidated retail park, Nuevo Alisal, which has been operational since 2004.

Located in Santander, capital city of Cantabria in the north of Spain, which has a strong and stable economy and good growth potential.

Investment Rationale

Media Markt and Toys R Us are two well-renowned international retailers.

It is a recently built retail warehouse and is in an excellent state of repair.

Forms part of the most successful retail park in the region.

Highly liquid property due to the size of investment, prime location, prestigious tenants and lease term.

Asset Characteristics

Property Name	Nuevo Alisal
Property Type	Retail Warehouse
Location	Santander
Ownership (%)	100%
Year of Construction	2010
GLA	7,649 sqm
Purchase Date	17 December 2014
Acquisition Price	€17.0 million
Market Value ^(*)	€18.3 million
Price / sqm	€2,223 per sqm
Value/sqm	€2,392 per sqm
No. of Tenants	Multi-tenant
WAULT	3.1 years

Key Performance Indicators

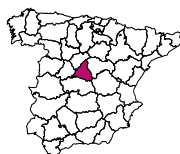
EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	6.2%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



VILLAVERDE, MADRID

Retail Warehouse



Location & Profile



Property located in a well established and populated area of southern Madrid, Villaverde, with more than 142,000 inhabitants.

Excellent visibility: fronts on to Avenida de Andalucía, the main urban link to the South of Madrid, with connections to the M-30, M-40 and M-45 ring roads.

The building has been let to Media Markt since 2003, a European electronics retail chain, on a long term lease.

Highly liquid property due to the size of investment, prime location, prestigious tenants and lease term.

During 2016 has been remodeled.

Investment Rationale



Media Markt (part of the Metro Group) is the leading electronics retailer in Spain and one of the largest in Europe.

The retailer has increased its market share over the crisis, benefiting from the closure of a number of competitors and bolstering its position in Spain.

The rent was renegotiated prior to the acquisition, generating strong cash flow with mid-term potential.

Asset Characteristics



Property Name	Villaverde
Property Type	Retail Warehouse
Location	Madrid
Ownership (%)	100%
Year of Construction	2002
GLA	4,391 sqm
Purchase Date	29 July 2014
Acquisition Price	€9.1 million
Market Value ^(*)	€10.8 million
Price/sqm	€2,072 per sqm
Value/sqm	€2,459 per sqm
No. of Tenants	Single-tenant
WAULT	5.8 years

Key Performance Indicators



EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	6.2%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



PARQUE GALARIA, NAVARRA

Retail Warehouse



Location & Profile



Retail warehouse located in the most important retail area in Navarra, with a very large catchment area (600,000 inhabitants).

Parque Galaria has excellent transport links to the city centre via the PA-31 highway and the AP-15 and PA-30 radial roads, which allow the inhabitants of a large metropolitan area to easily access the retail park. Pamplona features circa 200,000 inhabitants and one of the highest per capita income levels in Spain.

Investment Rationale



Currently occupied by top-tier tenants such as El Corte Inglés Oportunidades, Aldi and Feuvert.

Highly liquid property due to the size of investment, prime location, prestigious tenants and lease term.

Asset Characteristics



Property Name	Parque Galaria
Property Type	Retail Warehouse
Location	Pamplona
Ownership (%)	100%
Year of Construction	2003
GLA	4,108 sqm
Purchase Date	23 July 2015
Acquisition Price	€8.4 million
Market Value (*)	€10.4 million
Price/sqm	€2,045 per sqm
Value/sqm	€2,532 per sqm
No. of Tenants	Multi-tenant
WAULT	4.9 years

Key Performance Indicators



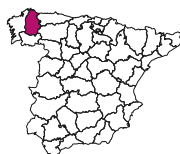
EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	6.3%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



AS TERMAS PETROL STATION, LUGO

Retail Warehouse



Location & Profile



Petrol station located to the north of Lugo with a catchment area of over 200,000 people.

Located next to the As Termas shopping centre, the dominant centre in the province, with a stable number of visitors and sales.

Asset Characteristics



Property Name	As Termas Petrol Station
Property Type	Retail Warehouse
Location	Lugo
Ownership (%)	100%
Year of Construction	2002
GLA	2,000 sqm
Purchase Date	28 July 2015
Acquisition Price	€1.8 million
Market Value ^(*)	€1.9 million
Price/sqm	€900 per sqm
Value/sqm	€950 per sqm
No. of Tenants	Single-tenant
WAULT	14.4 years

Key Performance Indicators



EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	5.8%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



EGEO, MADRID

Offices



Location & Profile



Located at Avenida Partenón 4-6, in front of the Campo de las Naciones Exhibition Centre and just a few minutes from the Adolfo Suárez-Madrid Barajas (T4) International Airport.

Excellent public transport links. The "Campo de las Naciones" metro stop is on Line 8 and is located just 150 m from the property.

The property comprises 18,254 sqm, arranged over six above-ground floors, as well as 350 parking spaces.

Offers two independent wings with symmetrical floors, with an appealing central lobby crowned with a large skylight which bathes the internal areas in natural light.

The size and (standard floor space of 3,000 sqm) flexibility of its floors, which can be divided up into as many as eight modules, allows it to be highly marketable to many different potential occupiers.

Investment Rationale



Established office location.

High occupancy level with market rents and potential for rental growth.

In a good state of repair, has a large investment lot size, which would be highly attractive to future institutional investors.

Stable medium term occupancy. The main tenant (77% GLA) has a term certain until December 2021.

Asset Characteristics



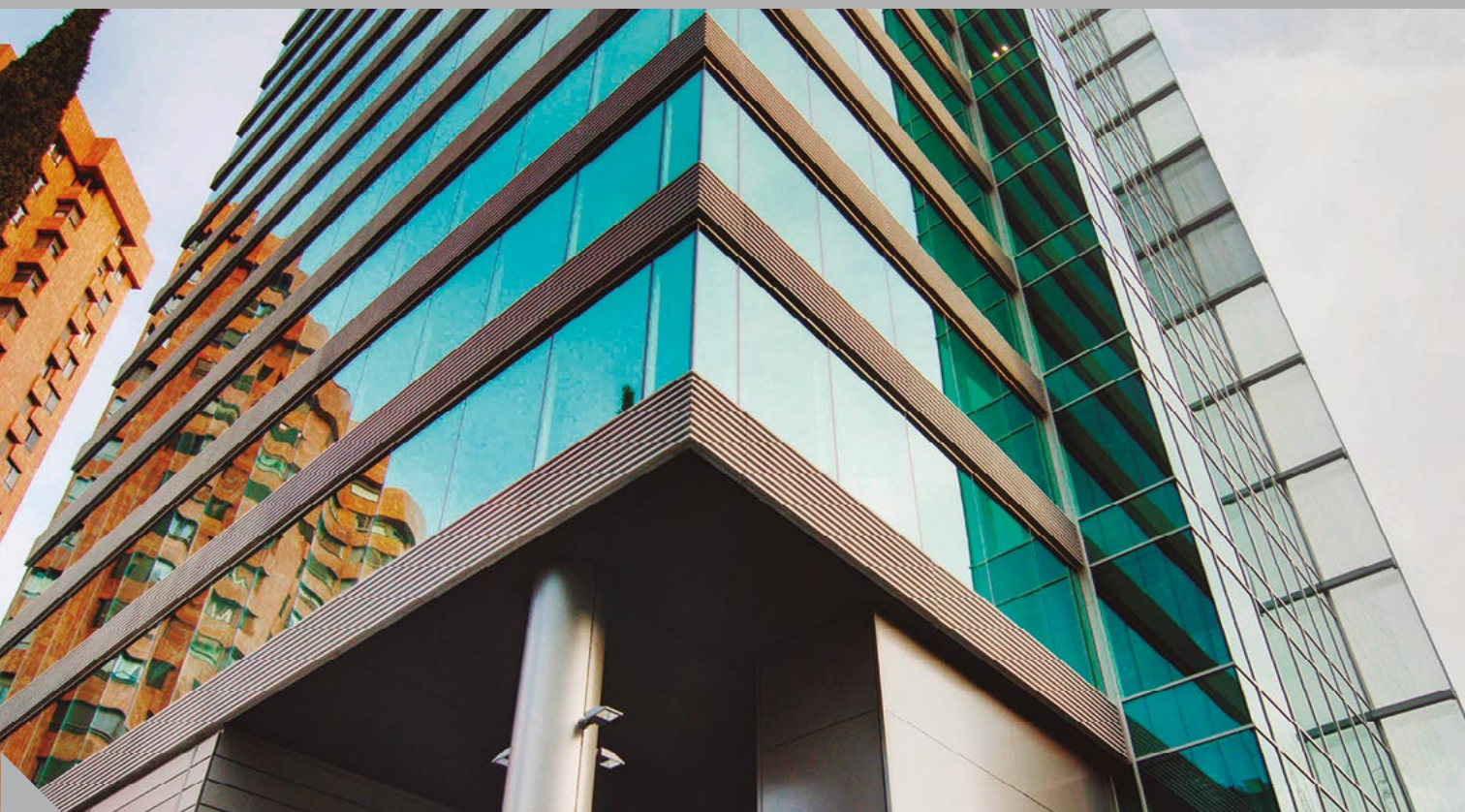
Property Name	Egeo
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1993
GLA	18,254 sqm
Purchase Date	16 December, 2014
Acquisition Price	€64.9 million
Market Value (*)	€73.9 million
Price/sqm	€3,555 per sqm
Value/sqm	€4,048 per sqm
No. of Tenants	Multi-tenant
WAULT	4.4 years

Key Performance Indicators



EPRA Vacancy Rate	11.0%
EPRA Net Initial Yield	1.6%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



MARCELO SPINOLA, MADRID

Offices



BREEAM® ES

Location & Profile



Office building located in Madrid inside the M-30 ring road.

The total lettable area is 8,875 sqm, improving the AEO efficiency ratio.

The building comprises a ground floor, 12 above-ground floors, an attic floor and 3 below-ground floors (semi-basement is currently let and car park).

The location, design and visibility of the property, make it an undeniably attractive property.

The property is currently undergoing a full refurbishment, which will provide a flexible and The property is currently undergoing a full refurbishment, which will provide a flexible and changing rooms with showers, bicycle parking, CCTV.

BREEAM® certification will provide significant savings for its tenants (energy consumption will decrease by between 50-70%, water consumption by 40%, and operating and maintenance costs will fall by between 7-8%).

Investment Rationale



Consolidated location with excellent visibility from the M30 ring road.

The investment strategy was to reposition the property via a full refurbishment.

Asset Characteristics



Property Name	Marcelo Spinola
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1991
GLA	8,875 sqm
Land	12,412 sqm
Purchase Date	31 July, 2014
Acquisition Price	€19.0 million
Market Value (*)	€33.5 million
Price/sqm	€2,141 per sqm
Value/sqm	€3,775 per sqm
No. of Tenants	Single-tenant
WAULT	N/A

Key Performance Indicators



EPRA Vacancy Rate	N/A (**)
EPRA Net Initial Yield	N/A (**)

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.

(**) Recently refurbished and in commercialization



ARTURO SORIA, MADRID

Offices



Location & Profile



Located in the north-east of Madrid. Quick access to the M-11 (Airport) and the M30 and M40 ring roads, and the A-1/A-2 motorways.

Good access to public transport: Pinar de Chamartín metro station located just 200 m from the property and the Renfe Fuente de la Mora train station just 450 m away.

Top-tier tenants such as Clear Channel, Banco Santander and Segurcaixa Adeslas.

It comprises a total of 8,663 sqm. Is arranged over nine floors and has 193 parking spaces.

The property is set around a large internal patio, which provides plenty of natural light to inner areas and it stands out for the design, size and flexibility of its floors.

The surrounding area has a wide range of amenities.

Investment Rationale



Consolidated urban area with good transport links.

High occupancy level and rents at market.

Town planning regulations permit residential use for the property.

In the past, the property has reached rental levels of €23 per sqm, which is slightly over 40% more than the current average rent.

Proposed capex will allow for the common areas to be modernised and to improve energy efficiency.

Asset Characteristics



Property Name	Arturo Soria
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1994
GLA	8,663 sqm
Purchase Date	29 July, 2014
Acquisition Price	€24.2 million
Market Value ^(*)	€27.2 million
Price/sqm	€2,793 per sqm
Value/sqm	€3,140 per sqm
No. of Tenants	Multi-tenant
WAULT	2.3 years

Key Performance Indicators



EPRA Vacancy Rate	21.2%
EPRA Net Initial Yield	4.8%

^(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



JOAN MIRÓ, BARCELONA

Offices



Location & Profile



Located at Calle Joan Miró, 21, in an excellent location within the Olympic Village, close to the 22@ technological district and just 350 m from the Ronda Litoral and prestigious properties such as the Hotel Arts.

The “Ciutadella/Vila Olímpica” metro station (Line 4) is located 350 m from the property.

Arranged over seven above ground floors. The ground floor features two retail units.

The town planning regulations allow for potential residential use.

The property is horizontally divided into independent properties, and is managed via a Property Owner's Association, in which Lar España represents 85% of the total. The other co-owner of the property (15%) is the Spanish Land and Mercantile Registrars Association.

The Pompeu Fabra University, which heads up the ranking of Spanish universities, has various of its main properties on the “Ciutadella Campus” just 300 m from the property.

Investment Rationale



Established office location.

Attractive purchase price (€/sqm) and potential rental growth.

The standard floor area (2,100 sqm), makes it flexible for multiple tenants.

The main tenants are the Land Registry (Registro de la Propiedad), Mutua Pelayo and BBVA

The property features a spectacular terrace on the 5th floor.

Asset Characteristics



Property Name	Joan Miró
Property Type	Office building
Location	Barcelona
Ownership (%)	85%
Year of Construction	1992
GLA	8,611 sqm
Purchase Date	11 June, 2015
Acquisition Price	€19.7 million
Market Value ^(*)	€21.4 million
Price/sqm	€2,288 per sqm
Value/sqm	€2,485 per sqm
No. of Tenants	Multi-tenant
WAULT	1.1 years

Key Performance Indicators



EPRA Vacancy Rate	2.7%
EPRA Net Initial Yield	5.3%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



ELOY GONZALO, MADRID

Offices



Location & Profile



Located on Eloy Gonzalo, 27, is in an excellent location, just one kilometre from the central Paseo de la Castellana, very close to the city's central business district.

The "Iglesia" metro station (Line 1) is situated just 100 m from the property. "Quevedo" station, line 2 is situated 350 m from the building.

The property comprises 6,231 sqm (GLA), arranged over eight above ground floors. 23% of its GLA is currently occupied by five retail units.

The property's operating licence permits Office use, and Retail use on the ground and lower ground floors. Town planning regulations also permits Residential use.

The property is rectangular in shape, and has facades that front on to Calle Eloy Gonzalo (22.50 m) and Santísima Trinidad street (32.20 m).

Investment Rationale



The average rent in the property is clearly below market rent.

Its flexible design and abundance of natural light provide a flexible space for a wide variety of office occupiers.

The proposed strategy involves repositioning the property via a partial refurbishment, with the aim of resolving the current fragmentation of the rented space, in order to attract better quality tenants.

The property features a wrap around terrace on the top floor (7th).

Asset Characteristics



Property Name	Eloy Gonzalo
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1962
GLA	6,231 sqm
Purchase Date	23 December, 2014
Acquisition Price	€12.7 million
Market Value (*)	€15.0 million
Price/sqm	€2,038 per sqm
Value/sqm	€2,407 per sqm
No. of Tenants	Multi-tenant
WAULT	1.9 years

Key Performance Indicators



EPRA Vacancy Rate (**)	17.1%
EPRA Net Initial Yield (**)	2.7%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W

(**) The building is being partially refurbished.



ALOVERA II, GUADALAJARA

Logistics Warehouse



Location & Profile

The property is located at Km. 48 on the A2 highway, in the town of Alovera (Guadalajara), in the very heart of the Henares Corridor, the country's main industrial and logistics hub.

Set on a 142,144 sqm plot of land, is divided up in to 6 warehouses and comprises a total built area of 83,952 sqm, as well as parking area.

Warehouses 1.A and 1.B, and 2.A and 2.B were constructed in 2000 (Phase 1). Warehouse 3 was constructed in 2006 and warehouse 4 in 2007 (Phase 2).

The complex is currently 100% occupied by Carrefour (the leading international distribution Company in Europe and third in the world).

Investment Rationale

Tenant: Carrefour (100%), a core tenant.

Purchase price below replacement cost.

The GLA of this complex is a distinguishing feature compared to other warehouses in the surrounding area and particularly due to the lack of logistics development in the area.

The complex is highly flexible, allowing the complex to house 3 separate tenants.

Very solid logistics location.

Asset Characteristics

Property Name	Alovera II
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2000 / 2006 & 2007
GLA	83,952 sqm
Plot Size	142,144 sqm
Purchase Date	13 October, 2014
Acquisition Price	€32.1 million
Market Value (*)	€37.5 million
Price/sqm	€382 per sqm
Value/sqm	€447 per sqm
No. of Tenants	Single-tenant
WAULT	0.7 years

Key Performance Indicators

EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	7.0%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



ALOVERA I, GUADALAJARA

Logistics Warehouse



Location & Profile



Logistics warehouse located at Km. 48 on the A2 highway, in the town of Alovera (Guadalajara), right on the Henares Corridor, the country's main industrial and logistics hub.

Comprises two logistics warehouses constructed between 2000 and 2004, set on a 57,982 sqm plot.

Currently occupied by Tech Data (leading wholesaler of IT products and services in the Iberian Peninsula).

Comprises a total built area of 35,196 sqm, 33 metre turning circle on both façades, as well as 42 loading bays on both sides of the warehouse.

Investment Rationale



Main tenant: TechData. Well established tenant with a lease agreement since 2009.

Highly consolidated logistics location.

Purchase price below replacement cost.

The logistics operator has invested heavily in technological facilities related to its business needs.

Direct access to the A2 highway and highly visible.

Asset Characteristics



Rent is at market with potential for growth.

Alovera I

Property Type Logistics warehouse

Location Guadalajara

Ownership (%) 100%

Year of Construction 2000 - 2004

GLA 35,196 sqm

Plot Size 57,982 sqm

Purchase Date 7 August, 2014

Acquisition Price €12.7 million

Market Value (*) €17.4 million

Price/sqm €361 per sqm

Value/sqm €494 per sqm

No. of Tenants Single-tenant

WAULT 1.8 years

Key Performance Indicators



EPRA Vacancy Rate 0.0%

EPRA Net Initial Yield 6.0%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



ALMUSSAFES, VALENCIA

Logistics Warehouse



Location & Profile



Logistics warehouse located in the Juan Carlos I Industrial Park in Almuassafes, 17 Km from Valencia, next to the Ford Spain factory, with excellent access from the AP7 motorway.

This area has become one of the most sought after logistics areas in Valencia due to the presence of the automobile company, whose most technologically advanced factory in the world is located in Almuassafes.

The property comprises 19,211 sqm of constructed area, set on a 22,887 sqm plot of land.

The property is currently 100% let to Grupo Valautomoción (a car parts and accessories supplier for Ford Spain, which was recently acquired by Ferrostaal).

Investment Rationale



Almuassafes has become one of the most expensive and sought after logistics areas in Valencia, due to the presence of the Ford factory, which generally requires that its suppliers are located no less than 6 km from its facilities.

Stable lease and 100% let.

Rent is at market with potential for growth.

Asset Characteristics



Property Name	Almuassafes
Property Type	Logistics warehouse
Location	Valencia
Ownership (%)	100%
Year of Construction	2005
GLA	19,211 sqm
Plot Size	22,887 sqm
Purchase Date	26 May, 2015
Acquisition Price	€8.4 million
Market Value (*)	€9.5 million
Price/sqm	€437 per sqm
Value/sqm	€495 per sqm
No. of Tenants	Single-tenant
WAULT	2.9 years

Key Performance Indicators



EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	7.3%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W



ALOVERA IV (C5-C6), GUADALAJARA

Logistics Warehouse



Location & Profile

Located in a consolidated industrial area, Alovera (Guadalajara). Next to the main logistics hubs linked to the national and international distribution sector, including companies such as Volvo and Mahou.

Its location allows for direct access to the R-2 motorway (Madrid- Guadalajara) and the A-2 (Madrid- Zaragoza- Barcelona), as well as the potential of accessing the Azuqueca de Henares Dry Port services due to its proximity.

The warehouse is occupied by Saint Gobain Isover Ibérica (worldwide leader in the design, manufacturing and distribution of construction materials).

Investment Rationale

Strategic and consolidated location.

Possibility of putting a logistics sub-portfolio on the market along with the other warehouses belonging to the portfolio in Alovera.

High quality and established tenant (Saint Gobain has been the sole tenant in the warehouse since 2008 - the warehouse was constructed as a turn-key project for Saint Gobain).

Semi-industrial activity (involving manufacturing) retains tenants for longer than the pure logistics business.

Asset Characteristics

Property Name	Alovera IV (C5-C6)
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2008
GLA	14,891 sqm
Plot Size	22,530 sqm
Purchase Date	26 May, 2015
Acquisition Price	€7.2 million
Market Value (*)	€8.5 million
Price/sqm	€484 per sqm
Value/sqm	€571 per sqm
No. of Tenants	Single-tenant
WAULT	2.2 years

Key Performance Indicators

EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	8.3%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



ALOVERA III (C2), GUADALAJARA

Logistics Warehouse



Location & Profile



Located in a consolidated industrial area, Alovera (Guadalajara). Next to the main logistics hubs linked to the national and international distribution sector, including companies such as Nestle.

Its location allows for direct access to the R-2 motorway (Madrid- Guadalajara) and the A-2 (Madrid- Zaragoza- Barcelona) with the potential of accessing the Azuqueca de Henares Dry Port services due to its proximity.

The warehouse comprises a total built area of 8,591 sqm, and the existing tenant is Factor 5 (a logistics company that operates in the following sectors: industry, mass consumption, food, cosmetics, e-commerce and retail).

Investment Rationale



Strategic location.

Possibility of putting a logistics sub-portfolio on the market along with the other warehouses belonging to the portfolio in Alovera.

Purchase price similar to or below replacement cost.

Current rent in line with market rent.

Asset Characteristics



Property Name	Alovera III (C2)
Property Type	Logistics warehouse
Location	Guadalajara
Ownership (%)	100%
Year of Construction	2007
GLA	8,591 sqm
Plot Size	13,251 sqm
Purchase Date	26 May, 2015
Acquisition Price	€3.0 million
Market Value (*)	€3.6 million
Price/sqm	€349 per sqm
Value/sqm	€419 per sqm
No. of Tenants	Single-tenant
WAULT	1.0 year

Key Performance Indicators



EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	6.7%

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



LAGASCA 99, MADRID

Residential



Location & Profile



Urban plot of land under construction in the very heart of the Salamanca Neighbourhood, one of Madrid's most exclusive areas and set to become a landmark property in the luxury residential sector

It will occupy most of the block between Calles Juan Bravo, Maldonado, Claudio Coello and Lagasca, an exceptional location in the heart of Madrid's Salamanca neighbourhood.

This is a prime location within the city, close to the Serrano and Ortega y Gasset retail high streets, known as the "Golden Mile" due to the presence of top-tier brands and international designers.

Plot with 4 facades that will feature 42 apartments with an average floor area of 400-450 sqm.

Project carried out by the world renowned Rafael de la Hoz architectural studio and actually in the process of gaining BREEAM® certification.

Access: Located 300 metres from Paseo de la Castellana and 10 minutes from the M-30 ring-road. Metro, Nuñez de Balboa, lines 5 and 9. Buses 9, 19, 51 and N4.

Investment Rationale



Its development potential makes this a unique property, due to the lack of available high quality new-build homes in the city centre.

Considerable interest from national and international investors. As at 31 December 2016, 44.5% of apartments pre-sold.

Asset Characteristics



Property Name	Lagasca 99
Property Type	Residential
Location	Madrid
Ownership (%)	50%
Year of Construction	2016
GLA	26,203 sqm
Purchase Date	30 January 2015
Acquisition Price ^(*)	€50.1 million
Market Value ^(**)	€65.8 million
Price/sqm	€1,912 sqm
Value/sqm	€2,511 sqm
No. of Tenants	Multi-tenant
WAULT	N/A

Key Performance Indicators



EPRA Vacancy Rate	N/A
EPRA Net Initial Yield	N/A

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

^(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.



6.2 Real estate valuations

Introduction

Lar España bases its business activity on the investment in, and management of real estate assets. Hence, the regular monitoring and valuation of its assets is a key process in order to provide correct financial information to all stakeholders. Hence, Lar España has drawn up a **Property Valuation Policy**, which was approved by the Board of Directors in 2015.

Lar España recognises that the valuation of the property portfolio is inherently subjective, and may be based on assumptions that may not prove to be accurate, particularly in periods of volatility or low transaction flow in the property market. The company's policy on this subject is designed to **mitigate such risks and increase confidence in the prevalence and credibility of external valuations**, and will be reviewed by the Board on a regular basis.

In accordance with Lar España's IPO prospectus, the Company will **publish an estimate of the Fair Value all of its real estate assets every six months** (at 30 June and 31 December of each year). The valuation will be undertaken by an independent, external, qualified valuer (Valuer) and who is a Registered Valuer, accredited by the RICS (Royal Institution of Chartered Surveyors).

The valuations are in **accordance with RICS standards** (Valuation – Professional Standards 2012) and are arrived at by reference to market evidence of transactions for similar properties.

The valuations carried out as at 31 December must be full valuations, including a physical inspection of each one of the assets. A physical inspection of each one of the properties may not need to be made (at the Valuer's discretion) when carrying out the valuations at 30 June in the absence of material changes to the asset.

Selection and appointment of the external valuer

Lar España's **Audit and Control Committee** (A&C Committee) is tasked with appointing and overseeing the external Valuers/regulated Valuers (*tasadores*) instructed to carry out the valuation of the Company's real estate assets.

In order to qualify for selection the Valuers must comply with the following:

- Be a qualified Registered Valuer accredited by RICS (Royal Institution of Chartered surveyors).
- Be able to demonstrate independence and to declare that there is no conflict of interests.
- Be a firm that has a previous track record of valuing properties for companies similar to Lar España.
- Be affiliated to a reputable international firm.

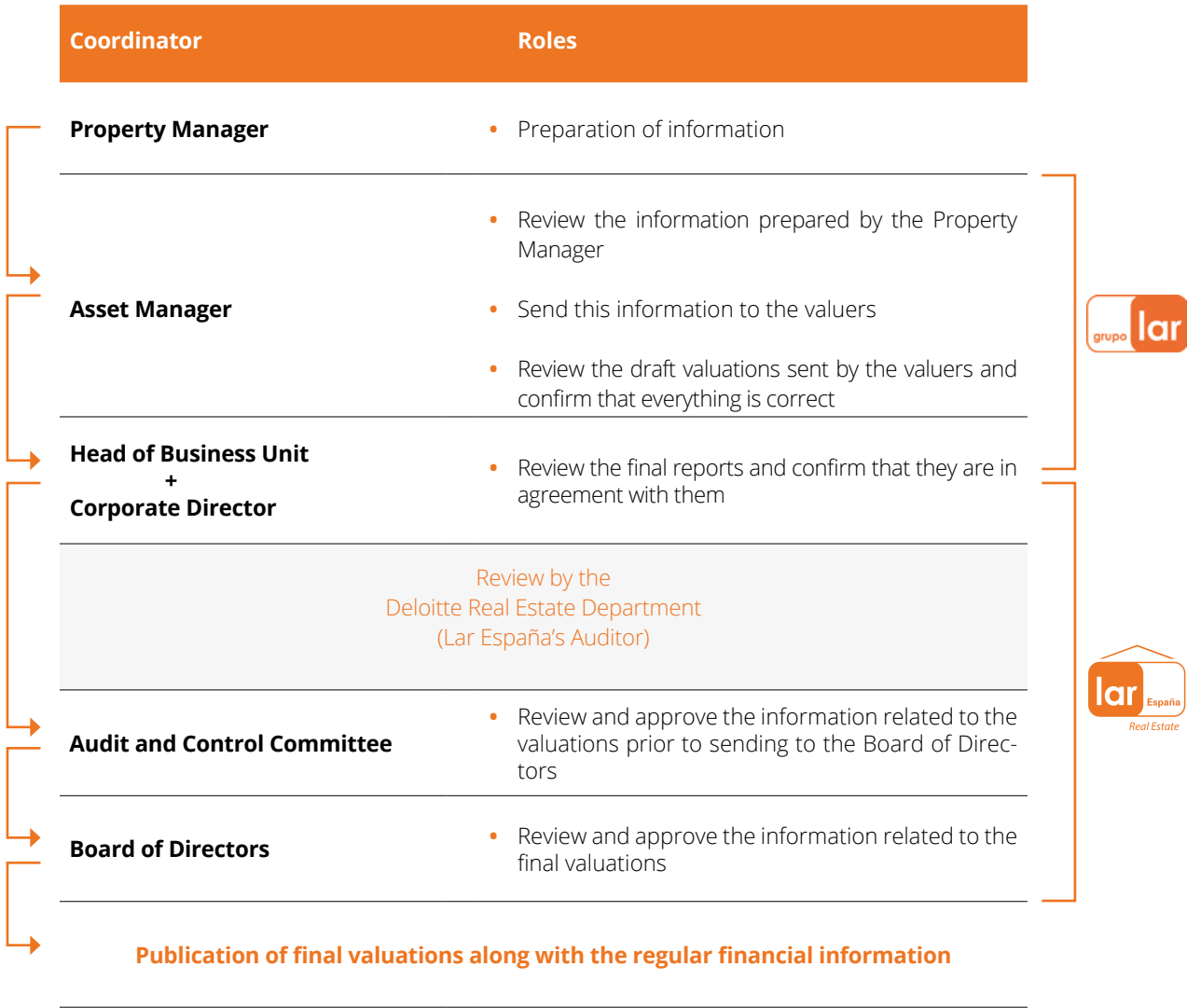
When deciding on the selection and appointment of the Valuer, the European Public Real Estate Association (EPRA)'s Best Practice Recommendations will be adopted, ensuring that there is no form of conflict of interest in relation to the firms that value the real estate assets. In order to manage potential conflicts of interest that could arise in relation to any of the real estate assets, Lar España will work with at least two different Valuers.

The **A&C Committee** will also decide on two important points related to the valuation of the assets:

- Frequency with which each of the assets should rotate between Valuer (currently 3 years).
- Minimum level of professional indemnity insurance to be requested from the Valuers.

Implementation of the valuation process

The process of completing, approving and publishing Lar España’s property valuations is carried out as follows:



We also include the valuation **certificates issued by the independent external valuers** (C&W and JLL) relating to the valuations of the Lar España portfolio as at 31 December 2016:



◆ Gran Vía Shopping Centre (Vigo)



◆ Eloy Gonzalo Office Building (Madrid)



◆ Almussafes Logistic Warehouse (Valencia)



◆ Lagasca 99 Residential (Madrid)



◆ Vidanova Parc Development (Valencia)



LAR ESPAÑA REAL ESTATE SOCIMI, S.A
C/ Rosario Pino, 14-16
28020 Madrid

JLL Valoraciones, S.A.
Paseo de la Castellana, 130 – 1ª planta, 28046 Madrid
Tel. +34 91-789 11 00 Fax. +34 91-789 12 00

Evan Lester, MRICS
Teresa Martínez, MRICS
Valuation Advisory, Spain
E-mail: evan.lester@eu.jll.com
E-mail: teresa.martinez@eu.jll.com

Mr. Jon Armentia

31st December 2016

Dear Sirs,

According to your instructions, we include the **Valuation Certificate** of the freehold interest of various assets located in Spain belonging to the portfolio of properties of **LAR ESPAÑA REAL ESTATE SOCIMI** as at **31st December 2016**. This letter should be considered as an annex of the Valuation Report issued by JLL Valoraciones S.A. for accounting purposes and dated 24th January 2017

Considering the characteristics of the assets at valuation date, we are of the opinion that the Net Market Value of the 100% freehold interest of the subject properties as at 31st December 2016 is:

Asset	Use	Location	Area (sqm)	Net Market Value (€)	Existing Use Value (€)
Albacenter	Shopping Centre & Eroski/Primark	Albacete	27,890	49,777,000	53,961,000
Albacenter	Shopping Centre	Albacete	15,427	35,464,000	38,474,000
Albacenter	Eroski&Primark	Albacete	12,463	14,313,000	15,487,000
L'Anec Blau	Shopping Centre	Castelldefels (Barcelona)	28,648	93,250,000	100,640,000
El Rosal	Shopping Centre	Ponferrada (León)	51,422	99,790,000	107,460,000
Media Markt	Retail Warehouse	Villaverde (Madrid)	4,391	10,771,000	11,547,000
El Alisal	Retail Warehouses	Santander	8,106	18,334,000	19,658,000
Vistahermosa	Retail Park	Alicante	33,550	45,580,000	49,020,000
Sagunto Plot (*)	Plot of Land	Sagunto (Valencia)	44,252	17,320,000	17,320,000
Alovera II	Industrial	Alovera (Guadalajara)	83,952	37,450,000	40,350,000
Arturo Soria 366	Office	Madrid	8,663	27,160,000	29,000,000
Edificio Egeo	Office	Madrid	18,254	73,930,000	79,650,000
Joan Miró 21	Office	Madrid	8,611	21,420,000	23,130,000



Therefore, in accordance with your instructions, we are of the opinion that the Net Market Value of the 100% freehold interest in the above indicated properties, subject to the comments, qualification and financial data contained within our report dated 24th January 2017, and assuming that the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect the value, as of the 31st of December 2016 is:

Net Market Value of LAR ESPAÑA REAL ESTATE SOCIMI S.A. Portfolio

494.782.000 Euros

(Four Hundred Ninety Four Million Seven Hundred Eighty Two Thousand Euros)

Evan Lester, MRICS
National Director
Head of Valuations
Corporates/Investors

Teresa Martínez, MRICS
Associate Director
Head of Retail Valuations
Corporates/Investors

For and on behalf of
JLL Valoraciones, S.A.



C/ José Ortega y Gasset, 29 – 6ª planta
28006 Madrid
Tel + 34 (91) 781 00 10
Fax + 34 (91) 781 80 50
cushmanwakefield.es

Jon Armentia
LAR ESPAÑA REAL ESTATE SOCIMI, S.A.

C/Rosario Pino, 14-16 8ª planta
28020 Madrid

Our Ref: ctg2155

23 March 2017

Dear Jon,

As requested, we set out below the summary table from our valuation report dated 1 January 2017, undertaken for financial reporting purposes as at 31 December 2016 in accordance with our Engagement Letter and Standard Terms and Conditions dated 18 November 2014 and the amendment letter dated 14 November 2016.

PROPERTY	MARKET VALUE (Net of Acquisition Costs) AS AT 31 DECEMBER 2016	Ownership Lar España %	% Market Value as at 31 December 2016 ⁽¹⁾
Portal de la Marina ⁽²⁾	98,500,000	100%	98,500,000
Hypermarket at Portal de la Marina ⁽²⁾	8,600,000	100%	8,600,000
Txingudi	35,500,000	100%	35,500,000
Las Huertas	13,300,000	100%	13,300,000
As Termas ⁽²⁾	78,100,000	100%	78,100,000
Petrol Station at As Termas ⁽²⁾	1,900,000	100%	1,900,000
Gran Vía de Vigo	144,500,000	100%	144,500,000
Megapark Retail Park and Factory Outlet	190,000,000	100%	190,000,000
3 retail warehouses at Galaria RP	10,400,000	100%	10,400,000
Alovera I	17,400,000	100%	17,400,000
Alovera C2	3,625,000	100%	3,625,000
Alovera C5-C6	8,500,000	100%	8,500,000
Almussafes	9,500,000	100%	9,500,000
Cardenal Marcelo Spinola 42	33,500,000	100%	33,500,000
Eloy Gonzalo 27	15,000,000	100%	15,000,000
Juan Bravo 3	131,500,000	50%	65,750,000
Palmas Altas	46,000,000	100%	46,000,000
TOTAL	€ 845,825,000		€ 780,075,000



(1) We assume a sale of 100% of the asset in which the proceeds are shared between the joint venture partners in accordance with their percentage ownership share.

(2) Portal de la Marina comprises a Shopping Centre and Hypermarket that we assume is sold together, with our valuation of each element being an apportionment. The same principal applies to As Termas Shopping Centre and petrol filling station.

The opinion stated above totalling €845,825,000 represents the aggregate of the values attributable to the individual properties and should not be regarded as an opinion of value of the portfolio as a whole in the context of a sale as a single lot.

We point out that the above table of values should be read in conjunction with our full valuation report (of 1 January 2017) and Engagement Letter with its Terms and Conditions, as referred to above, given that our full Basis of Valuation, extent of our enquiries and the assumptions we have made is fully explained therein.

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

Yours faithfully

Signed for and on behalf of Cushman & Wakefield Sucursal en España.

A handwritten signature in black ink, appearing to read 'A. Loughran'.

Tony Loughran MRICS

Partner

+34 91 781 38 36

tony.loughran@eur.cushwake.com

A handwritten signature in black ink, appearing to read 'R. Cardiff'.



Reno Cardiff MRICS

Partner

+34 93 272 16 68

reno.cardiff@eur.cushwake.com

The gross value of Lar España's assets stood at **EUR1,275 million** at year-end 2016. The breakdown by asset and the y-o-y comparison with 2015 is detailed below. The **like for like (LfL) value uplift** compared with year-end 2015 stands at **12.3%**. Thus, the portfolio's value has climbed **15.8%** versus the **acquisition price**.

Asset	Valuer	Acquisition price (thousands of euros)	Market Value 31.12.2016 (thousands of euros)
Megapark	 CUSHMAN & WAKEFIELD	170,000	190,000
Gran Vía de Vigo	 CUSHMAN & WAKEFIELD	141,000	144,500
El Rosal	 JLL	87,500	99,790
Portal de la Marina (*)	 CUSHMAN & WAKEFIELD	82,181	98,500
Anec Blau	 JLL	80,000	93,250
As Termas	 CUSHMAN & WAKEFIELD	67,000	78,100
Vistahermosa	 JLL	42,500	45,580
Txingudi	 CUSHMAN & WAKEFIELD	27,673	35,500
Albacenter	 JLL	28,400	35,464
Nuevo Alisal	 JLL	17,000	18,334
Albacenter hypermarket	 JLL	11,513	14,313
Las Huertas	 CUSHMAN & WAKEFIELD	11,708	13,300
Villaverde	 JLL	9,100	10,771
Parque Galaria	 CUSHMAN & WAKEFIELD	8,442	10,400
Portal de la Marina hypermarket	 CUSHMAN & WAKEFIELD	7,000	8,600
As Termas petrol station	 CUSHMAN & WAKEFIELD	1,800	1,900
TOTAL RETAIL		792,817	898,302
Egeo	 JLL	64,900	73,930
Marcelo Spinola	 CUSHMAN & WAKEFIELD	19,000	33,500
Arturo Soria	 JLL	24,200	27,160
Joan Miró	 JLL	19,700	21,420
Eloy Gonzalo	 CUSHMAN & WAKEFIELD	12,730	15,000
TOTAL OFFICES		140,530	171,010
Alovera II	 JLL	32,150	37,450
Alovera I	 CUSHMAN & WAKEFIELD	12,675	17,400
Almussafes	 CUSHMAN & WAKEFIELD	8,350	9,500
Alovera IV (C5-C6)	 CUSHMAN & WAKEFIELD	7,180	8,500
Alovera III (C2)	 CUSHMAN & WAKEFIELD	3,000	3,625
TOTAL LOGISTICS		63,355	76,475
Vidanova Parc (Retail)	 JLL	14,000	17,320
Palmas Altas (Retail)	 CUSHMAN & WAKEFIELD	40,500	46,000
Lagasca 99 (Residential)	 CUSHMAN & WAKEFIELD	50,100	65,750
TOTAL DEVELOPMENT		104,600	129,070
TOTAL LAR ESPAÑA		1,101,302	1,274,857

(*) In 2015, Lar España owned 58.78% of the asset. In 2016, it acquired the remaining 41.22%, thus becoming the sole owner of Portal de la Marina.

Market Value 31.12.2015 (thousands of euros)	% Like for Like revaluation (2016 vs 2015)	% 2016 revaluation vs acquisition price	EPRA NIY 31.12.2016
171,400	10.9%	11.8%	5.2%
N/A	N/A	2.5%	5.9%
89,600	11.4%	14.0%	5.9%
51,021	13.5%	19.9%	6.4%
84,890	9.8%	16.6%	5.4%
68,500	14.0%	16.6%	6.4%
N/A	N/A	7.2%	5.8%
30,700	15.6%	28.3%	6.1%
32,332	9.7%	24.9%	5.3%
17,202	6.6%	7.8%	6.2%
12,437	15.1%	24.3%	6.6%
11,700	13.7%	13.6%	6.2%
9,851	9.3%	18.4%	6.2%
9,500	9.5%	23.2%	6.3%
7,750	11.0%	22.9%	5.9%
1,845	3.0%	5.6%	5.8%
598,728	11.6%	13.3%	5.8%
69,210	6.8%	13.9%	1.6%
21,500	55.8%	76.3%	(1)
25,600	6.1%	12.2%	4.8%
20,440	4.8%	8.7%	5.3%
13,000	15.4%	17.8%	2.7% (2)
149,750	14.2%	21.7%	2.9% (1)
36,840	1.7%	16.5%	7.0%
14,300	21.7%	37.3%	6.0%
8,500	11.8%	13.8%	7.3%
7,500	13.3%	18.4%	8.3%
3,250	11.5%	20.8%	6.7%
70,390	8.6%	20.7%	7.0%
15,690	10.4%	23.7%	N/A
N/A	N/A	13.6%	N/A
54,350	21.0%	31.2%	N/A
70,040	18.6%	23.4%	N/A
888,908	12.3%	15.8%	5.5%

(*) In 2015, Lar España owned 58.78% of the asset. In 2016, it acquired the remaining 41.22%, thus becoming the sole owner of Portal de la Marina.

(1) Data related to Marcelo Spinolas has not been included in the EPRA NIY calculation due to its lack of representativeness. The asset had been preparing and evicting for a refurbishment that began during the second quarter of 2015 and had finished at the third quarter of 2016.

(2) Ratio distorted as the property is being refurbished.

Revaluation by asset class (%)

Retail

13.3



Since acquisition

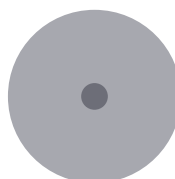
11.6



LfL 2016 vs 2015

Offices

21.7



Since acquisition

14.2



LfL 2016 vs 2015

Logistics

20.7



Since acquisition

8.6



LfL 2016 vs 2015

Development (*)

23.4



Since acquisition

18.6



LfL 2016 vs 2015

Total

15.8



Since acquisition

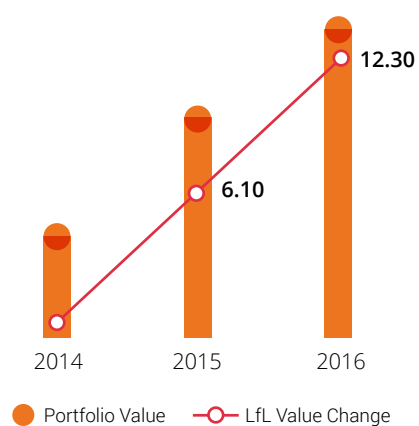
12.3



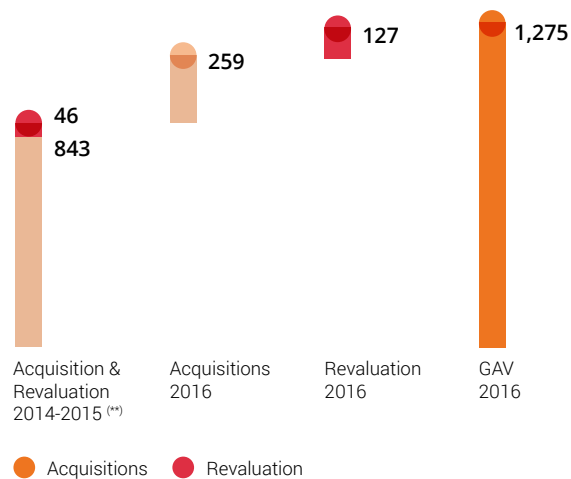
LfL 2016 vs 2015

(*) Palmas Altas and Vidanova Parc (retail) and Lagasca 99 (residential) included.


LfL Lar España's portfolio evolution (%)



GAV reconciliation (millions of euros)



(**) Claudio Coello project not taken into account

 Egeo Office Building
(Madrid)



6.3 Additional portfolio information

a. Income distribution

Rental income reached **60,234 thousand Euros** during 2016 (35,734 thousand Euros in the same period of the year before). The increase in rental income between 2016 and the same period of the previous year mainly corresponds to the Group's acquiring and launching new real estate invest-

ments during said period (Mainly by the shopping centres Megapark, Vistahermosa and Gran Vía de Vigo).

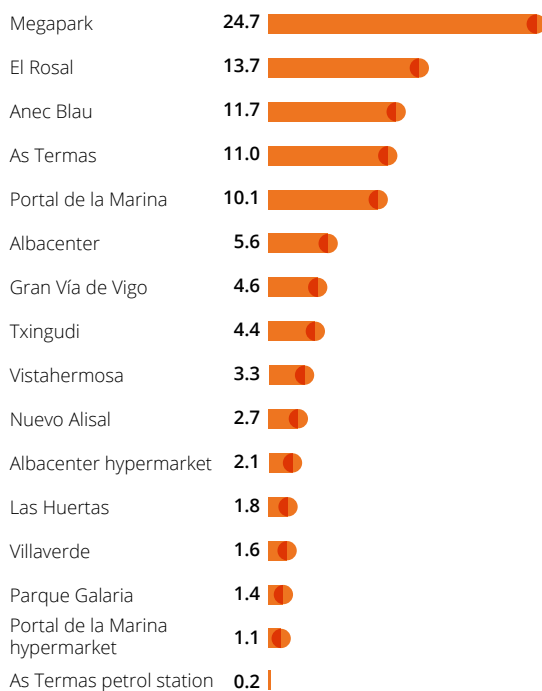
The relative weigh of rental income by line of business at 31 December 2016 is as follows:

Rental Income by asset class. Year 2016 (*) (%)

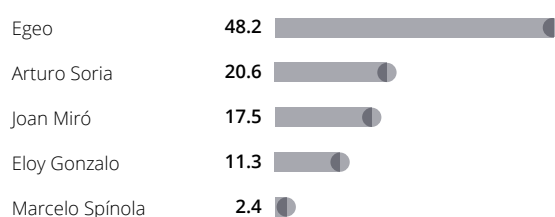


The breakdown of the **income per asset** for these three lines of business during 2016 is as follows:

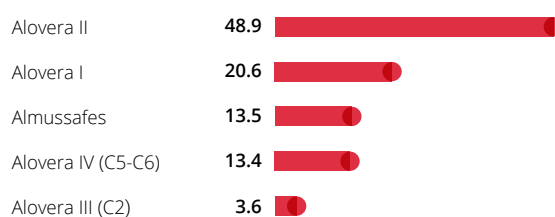
Income by Shopping Centre (%)



Income by Office Building (%)



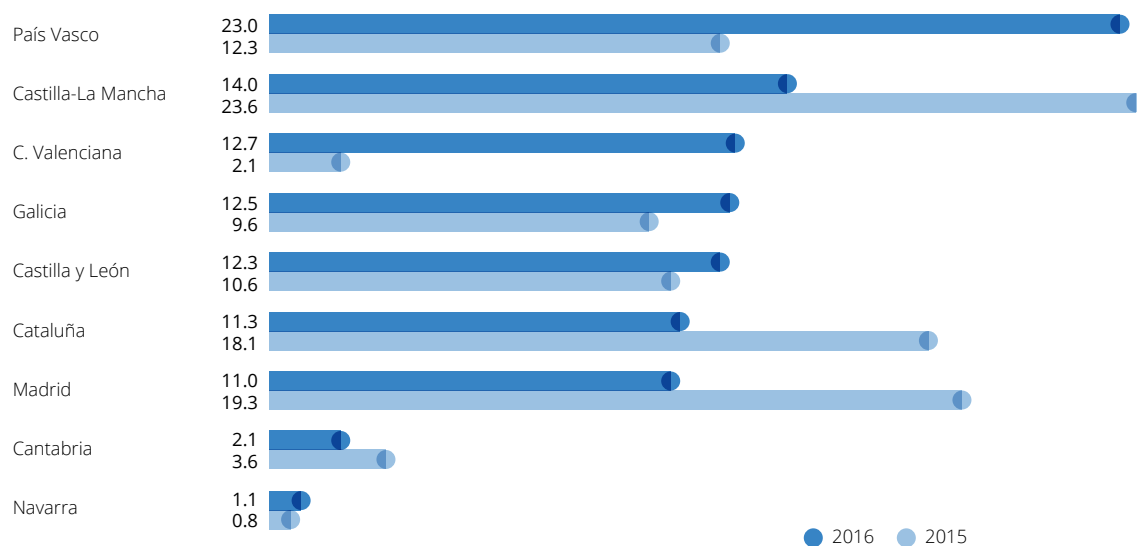
Income by Logistics Warehouse (%)



(*) 2015 rental income distribution by asset class was as follows: Retail (66%), offices (19%), logistics (15%).

Translation of information originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version shall prevail.

Rental Income by region (%)



 Megapark Shopping Centre
(Bilbao)



b. Gross annualized rents

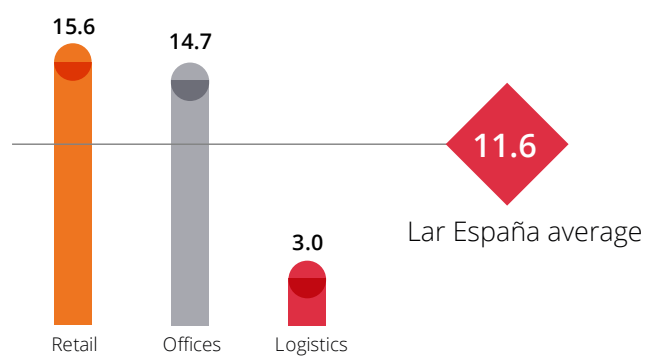
The **annualised GRI** ^(*) of Lar España is detailed below, as well as the **annualised GRI per occupied sqm** for the year 2015 and 2016:

Asset	2016			2015		
	Gross Annualised Rents	GLA occupied (sqm)	Gross Rent (€/sqm)	Gross Annualised Rents	GLA occupied (sqm)	Gross Rent (€/sqm)
SHOPPING CENTRES	57,956	307,218	18.9	41,703	221,348	18.8
Megapark	11,323	59,075	16.0	10,926	59,104	15.4
Gran Vía Vigo	9,593	39,040	20.5	-	-	-
El Rosal	7,144	47,370	12.6	7,477	46,640	13.4
Portal de la Marina	7,170	27,076	22.1	4,253	11,765	30.1
Anec Blau	6,016	25,588	19.6	6,342	25,636	20.6
As Termas	5,638	30,790	15.3	5,154	29,949	14.3
Vistahermosa	3,498	30,049	9.7	-	-	-
Albacenter	2,615	13,149	16.6	2,843	11,853	20.0
Txingudi	2,449	7,262	28.1	2,163	8,620	20.9
Albacenter hypermarket	974	12,462	6.5	978	12,462	6.5
Las Huertas	1,008	5,433	15.5	1,039	5,395	16.0
Portal de la Marina hypermarket	528	9,924	4.4	528	9,924	4.4
RETAIL WAREHOUSES	2,871	18,148	13.2	2,845	18,148	13.1
Villaverde	780	4,391	14.8	769	4,391	14.6
Parque Galaria	680	4,108	13.8	680	4,108	13.8
Nuevo Alisal	1,296	7,649	14.1	1,284	7,649	14.0
As Termas petrol station	115	2,000	4.8	112	2,000	4.7
TOTAL RETAIL	60,827	325,366	15.6	44,548	239,496	15.5
OFFICES	6,625	37,537	14.7	6,821	38,795	14.7
Egeo	3,228	16,710	16.1	3,466	17,494	16.5
Marcelo Spinola	(**)	(**)	(**)	(**)	(**)	(**)
Arturo Soria	1,465	7,128	17.1	1,417	6,807	17.3
Joan Miró	1,193	8,533	11.7	1,191	8,532	11.6
Eloy Gonzalo	739	5,166	11.9	747	5,962	10.4
TOTAL OFFICES	6,625	37,537	14.7	6,821	38,795	14.7
LOGISTICS	5,806	161,841	3.0	5,804	161,841	3.0
Alovera II	2,720	83,952	2.7	2,720	83,952	2.7
Alovera I	1,323	35,196	3.1	1,321	35,196	3.1
Almussafes	749	19,211	3.2	749	19,211	3.2
Alovera IV (C5-C6)	746	14,891	4.2	746	14,891	4.2
Alovera III (C2)	268	8,591	2.6	268	8,591	2.6
TOTAL LOGISTICS	5,806	161,841	3.0	5,804	161,841	3.0
TOTAL LAR ESPAÑA	73,258	524,744	11.6	57,173	440,132	10.8

(*) The GRI is calculated using the EPRA NIY of table calculation (See section 8. "EPRA Information"). Annualised GRI = annualised passing rental income from real estate investments + effect of rent-free periods and temporary rental discounts

(**) Data related to Marcelo Spinola has not been included due to its lack of representatives. The asset has been fully refurbished and it is in commercialization.

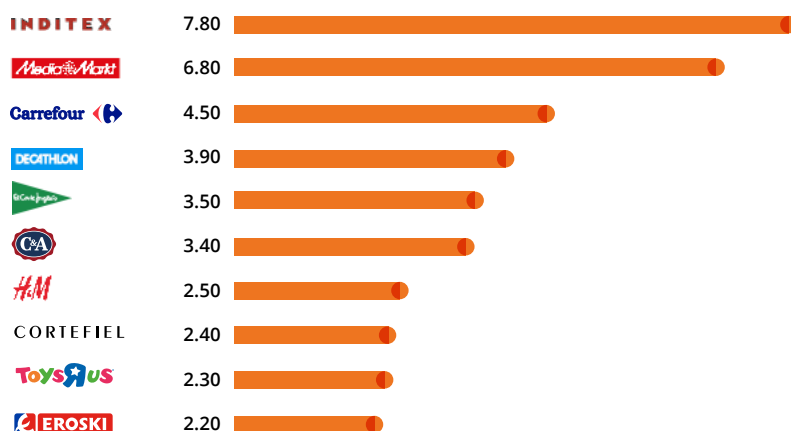
**Gross Annualised rent / sqm occupied
by asset class (€/sqm)**



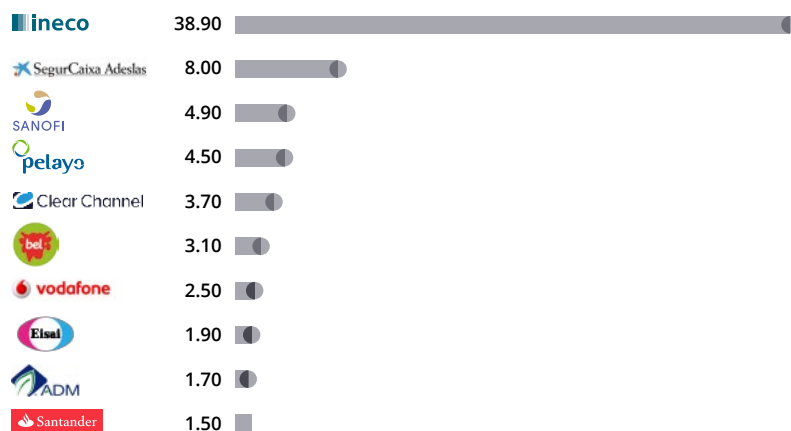
c. Top tenants

Below are the tenants broken down by business unit that are generated the highest amounts of rent during 2016:

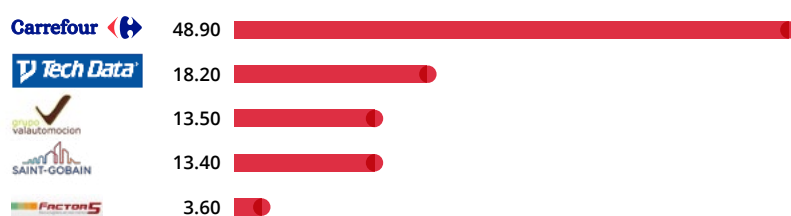
Income by Shopping Centres (%)



Income by Office Buildings (%)



Income by Logistics Warehouses (%)



Massimo Dutti



Carrefour



Bienvenidos

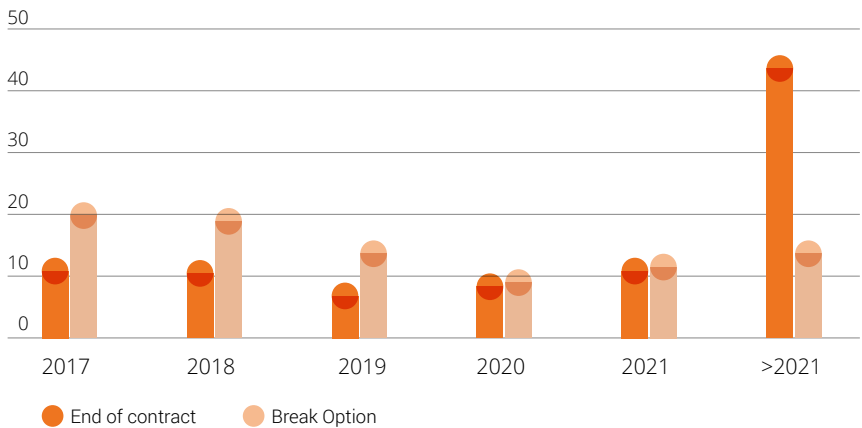


d. Lease expiration and WAULT

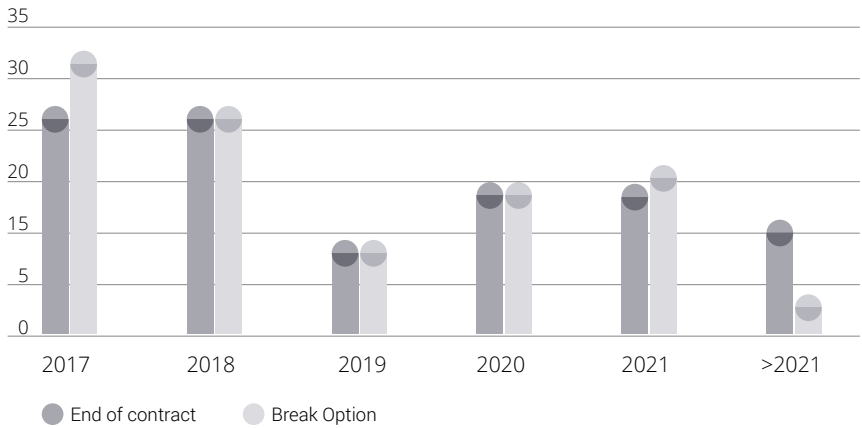
The proactive management carried out by Lar España allows us to have a **solvent and diversified tenant base**.

Renovations have been carried out at the properties occupied by our key tenants, thereby prolonging the lease terms, which allows us to have a significant level of **guaranteed minimum rents**.

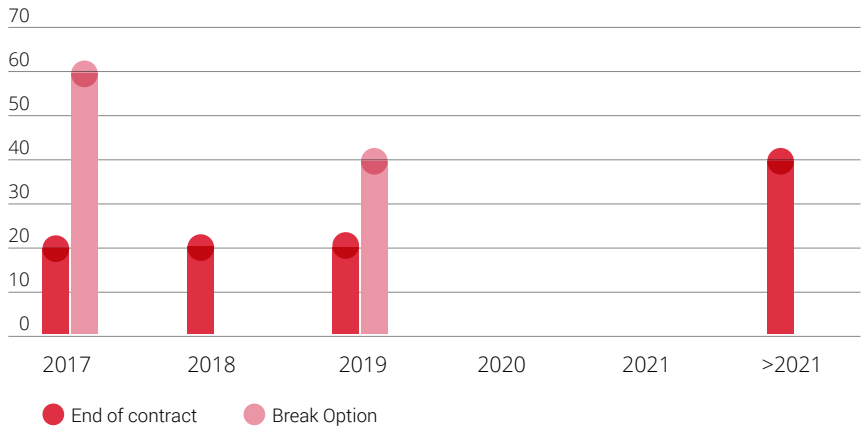
Annual lease expiration-Retail (%)



Annual lease expiration-Offices (%)



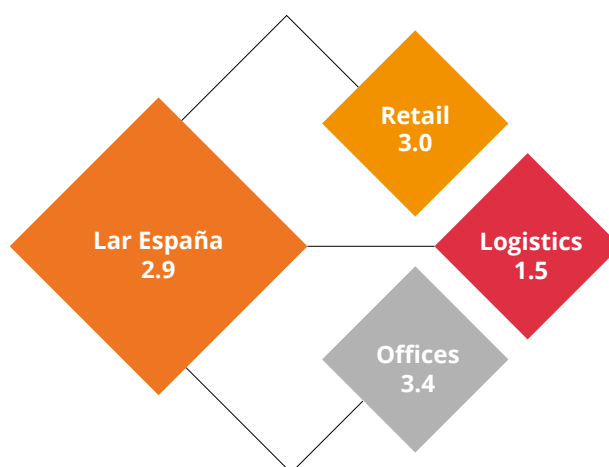
Annual lease expiration-Logistics (%)



Translation of information originally prepared in Spanish. In the event of a discrepancy, the Spanish-language version shall prevail.

WAULT

Thus, the **WAULT** ^(*) (weighted average unexpired lease term) at 31 December 2016 of Lar España's portfolio was **2.9 years**. Below you will find the detail by asset class:



(*) Calculated as the number of years from the current date to the first break option, weighted by the gross rent for each lease. The WAULT of each asset is detailed in section 6.1 "Location and Description".



e. Occupancy

The gross leasable area (GLA) of Lar España's income producing assets at 31 December 2016 stood at **557,525 sqm**, whilst the average occupancy rate stood at **94.1%**. The stock at 31 December 2015 reached 469,999 sqm, with an average occupancy of 93.6%.

The increase in the stock was largely due to the acquisition of the Portal de la Marina (of which 41.22% was acquired), Vistahermosa and Gran Vía de Vigo shopping centres during 2016.

The **real occupancy** (in sqm) for the year 2016 of each asset is shown below:

Shopping Centres

	Total GLA (sqm)	Occupied GLA (sqm)	% occupancy
Megapark	63,576	59,075	92.9
Gran Vía de Vigo	41,462	39,040	94.2
El Rosal	51,022	47,370	92.8
Portal de la Marina	30,234	27,076	89.6
Anec Blau	28,598	25,588	89.5
As Termas	33,127	30,790	92.9
Vistahermosa	33,550	30,049	89.6
Albacenter	15,428	13,149	85.2
Txingudi	10,127	7,262	71.7
Albacenter hypermarket	12,462	12,462	100
Portal de la Marina hypermarket	9,924	9,924	100
Las Huertas	6,267	5,433	86.7
TOTAL	335,777	307,218	91.5

Retail Warehouses

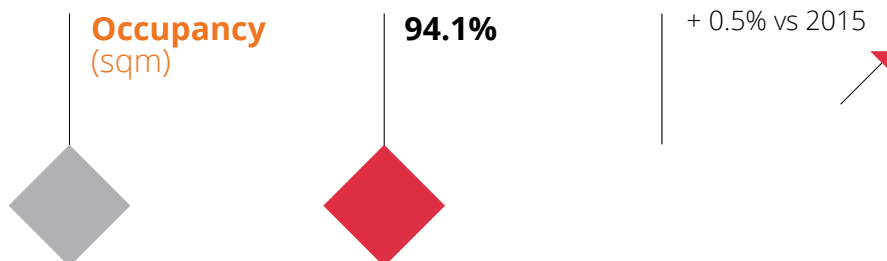
	Total GLA (sqm)	Occupied GLA (sqm)	% occupancy
Nuevo Alisal	7,649	7,649	100
Villaverde	4,391	4,391	100
Parque Galaria	4,108	4,108	100
As Termas petrol station	2,000	2,000	100
TOTAL	18,148	18,148	100

Offices

	Total GLA (sqm)	Occupied GLA (sqm)	% occupancy
Egeo	18,254	16,710	91.5
Marcelo Spinola (*)	N/A	N/A	N/A
Arturo Soria	8,663	7,128	82.3
Joan Miró	8,611	8,533	99.1
Eloy Gonzalo	6,231	5,166	82.9
TOTAL	41,759	37,537	89.9 (*)

Logistics

	Total GLA (sqm)	Occupied GLA (sqm)	% occupancy
Alovera II	83,952	83,952	100
Alovera I	35,196	35,196	100
Almussafes	19,211	19,211	100
Alovera IV (C5-C6)	14,891	14,891	100
Alovera III (C2)	8,591	8,591	100
TOTAL	161,841	161,841	100

**557,525****GLA**
(sqm)**524,744****Occupied GLA**
(sqm)**94.1****% occupancy**

(*) The GLA corresponding to 2015 and 2016 for the Marcelo Spinola office building has not been included in the calculation given that it was undergoing full-scale renovation works during this time.

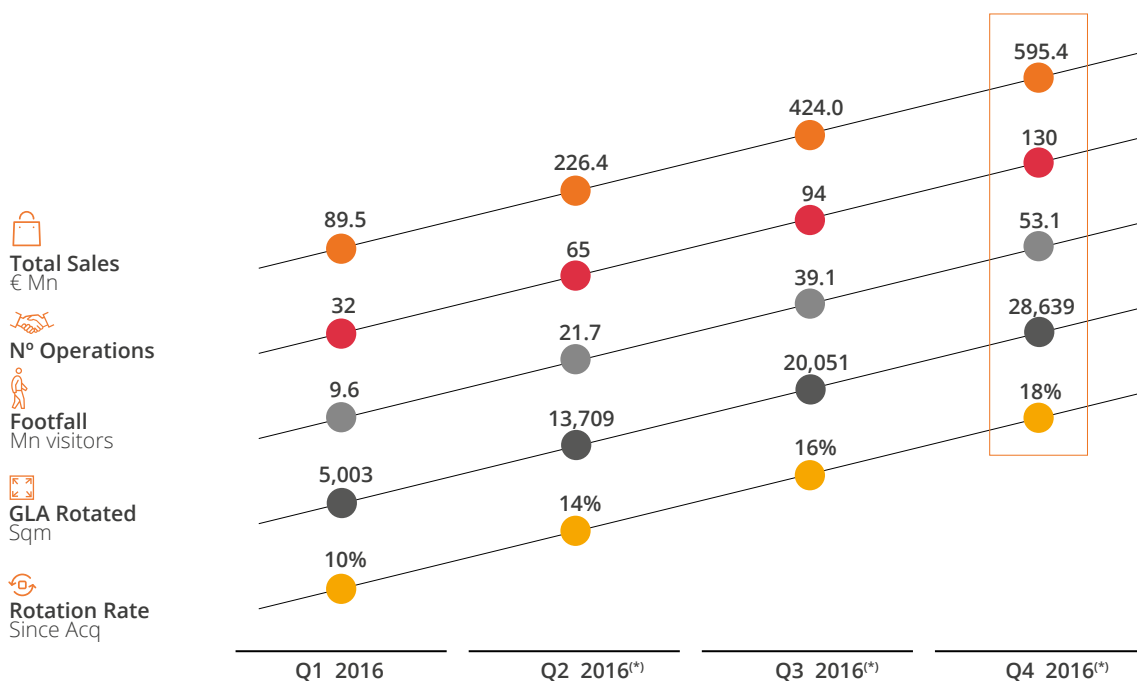
f. Major operative milestones



Retail:

In 2016, Lar España continued to implement its strategy to actively manage its portfolio. It has closed **130 deals**, for example, in the retail sector, including renovations, relocations and leases signed with new tenants. In fact, the annualised tenant turnover rate for the portfolio stood at 8% for the year (18% since acquisition).

The performance of the **key retail indicators** in 2016 is detailed below. Lar España booked **total sales** in the shopping centres of **EUR595.4 million**, driven by the growing **number of people** visiting our shopping centres (**53.1 million visits**). A total of 28,639 sqm have been rotated, 72.3% up on 2015.



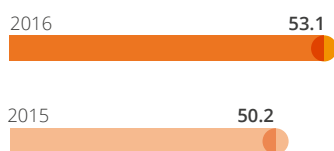
(*) Acumulated data at the end of the quarter

The number of **visits** in 2016 stood at 53.1 million, up **5.7%** on 2015.

The **total sales figure** for 2016 came in at EUR595.4 million, an **8.8%** increase versus 2015.

Footfall

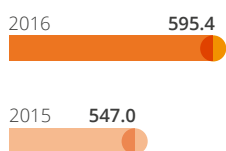
(Million of visitors)



+5.7%

Sales

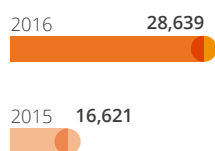
(Million of visitors)



+8.8%

GLA rotated

(sqm)



+72.3%

Rent uplift (*)

+ 12%



Renewals



Relocations



Reletting



New Lettings

N° Operations	47	14	34	35	130
sqm	9,917	2,386	7,873	8,463	28,639

(*) Indicator calculated on renewals and relocations only.

Some of the **key deals** closed in 2016 are detailed below:

**FIFTY
FACTORY**
Vistahermosa
623 sqm

GINOS
• RESTORANTE •
El Rosal
489 sqm



**URBAN
PLANET**
Vistahermosa
2,535 sqm

lefties
Albacenter
1,044 sqm

KIWOKO
Megapark
1.965 sqm



MANGO
Txingudi
495 sqm

TIEN 21
Portal de la Marina
1,267 sqm

 **Casa del Libro**
El Rosal
350 sqm

H&M
Txingudi
2,309 sqm

MANGO

As Termas
837 sqm



Reletting

lefties
Anec Blau
1.230 sqm

Koröshi.
Maniaks Graphic Design TM

El Rosal
346 sqm

DECIMAS

El Rosal
448 sqm

The Phone House

Las Huertas
62 sqm



Relocations

Marionnaud
Las Huertas
254 sqm

CALZEDONIA

Anec Blau
51 sqm





Offices:

- **Complete construction** works at Cardenal Marcelo Spinola and obtain **BREEAM® certification**.
- Increase **business** at Arturo Soria.
- Complete **Basic Refurbishment Project** at Eloy Gonzalo 27 and works tender.
- **Accessibility** Audit at Eloy Gonzalo, Egeo, Arturo Soria and Joan Miró.



Logistics:

- Maintain 100% **occupancy**.
- Carry out improvements in warehouses and a study for **general roof maintenance**.
- Install a full **fire protection system** at Almussafes.



Residential:

- Continue with the building **works at Lagasca 99**.
- Considerable interest from national and international **investors**.
- As at 31 December 2016, **44.5%** of apartments **pre-sold**.

g. CAPEX ⁽¹⁾

The company remains committed to its policy to improve and develop its assets. In order to generate value, **EUR30.4** million were invested in 2016.

The breakdown by asset class and the y-o-y comparison with 2015 is detailed below:

Acquisitions	2016		2015	
(thousands of euros)	CAPEX	%	CAPEX	%
Gran Vía de Vigo	26	0.7	N/A	N/A
Portal de la Marina ^(*)	293	7.7	N/A	N/A
Vistahermosa	528	14.0	N/A	N/A
Palmas Altas	2,932	77.6	N/A	N/A
TOTAL	3,779	100	N/A	N/A

Retail	2016		2015	
(thousands of euros)	CAPEX	%	CAPEX	%
Megapark	270	3.5	30	1.6
Portal de la Marina ^(**)	417	5.4	339	18.4
El Rosal	568	7.3	200	10.8
Anec Blau	1,191	15.3	348	18.9
As Termas	1,450	18.6	1	0.0
Albacenter	1,547	19.9	115	6.2
Txingudi	1,124	14.4	76	4.1
Albacenter hypermarket	525	6.7	-	0.0
Las Huertas	645	8.3	728	39.5
Portal de la Marina hypermarket	-	0.0	-	0.0
Nuevo Alisal	13	0.2	1	0.1
Villaverde	41	0.5	7	0.4
TOTAL	7,791	100	1,845	100

(*) Data corresponding to 41.22% of Portal de la Marina, acquired in 2016

(**) Data corresponding to 58.78% of Portal de la Marina

(1) For the company, CAPEX refers to any investment made to improve or reposition its real estate assets.

Offices

	2016		2015	
(thousands of euros)	CAPEX	%	CAPEX	%
Egeo	34	0.5	97	5.8
Marcelo Spinola	7,065	97.9	1,546	92.2
Arturo Soria	40	0.6	22	1.3
Joan Miró	3	0.0	-	0.0
Eloy Gonzalo	77	1.1	11	0.6
TOTAL	7,219	100	1,676	100

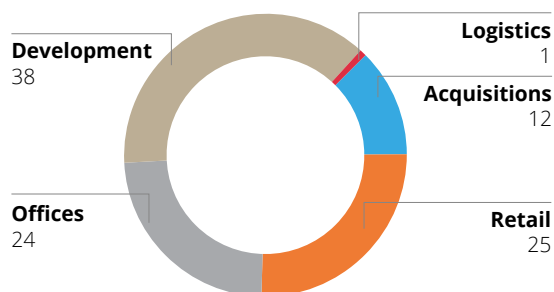
Logistics

	2016		2015	
(thousands of euros)	CAPEX	%	CAPEX	%
Alovera II	90	39.7	-	-
Alovera I	-	0.0	13	100
Almussafes	14	6.4	-	-
Alovera IV (C5-C6)	32	13.9	-	-
Alovera III (C2)	91	40.0	-	-
TOTAL	227	100	13	100

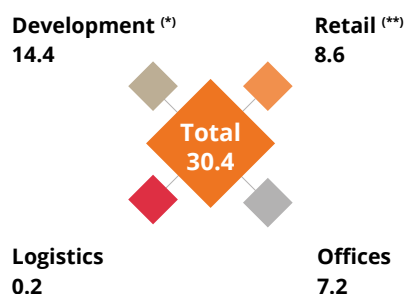
Development

	2016		2015	
(thousands of euros)	CAPEX	%	CAPEX	%
Lagasca 99	9,216	80.4	3,888	96.3
Vidanova Parc	2,248	19.6	148	3.7
TOTAL	11,463	100	4,036	100

CAPEX in 2016 (%)



CAPEX investment (€ Million)



(*) Includes Palmas Altas project, acquired in 2016.

(**) Includes Vistahermosa, Gran Vía and Portal de la Marina shopping centres, acquired in 2016.

h. Development projects

PALMAS ALTAS, SEVILLA

Your retail and family space in Seville



- ✓ Excellent location, 4 km from Seville's city centre
- ✓ Acquisition price: €40.5 million ⁽¹⁾
- ✓ Market value ^(*): €46.0 million
- ✓ Purchase date: Q1 2016
- ✓ Estimated opening: H1 2019
- ✓ 100,000 sqm of retail and family leisure space
- ✓ In the process of gaining **BREEAM** ES certification
- ✓ Large catchment area: 1.5 million people
- ✓ In negotiations with the leading restaurant, leisure and fashion brands
- ✓ Forecast annual revenue of €14 million
- ✓ Status: planing permission and letting
- ✓ Estimated construction cost to completion: €196 million

(1) Includes a potential extra building rights.

VIDANOVA PARC, VALENCIA

A family retail and leisure park bringing the region alive



- ✓ Urban retail and leisure park located in an important tourist area, Sagunto (Valencia)
- ✓ Acquisition price: €14 million
- ✓ Market value ^(*): €17.3 million
- ✓ Purchase date: Q3 2015
- ✓ Estimated opening: H1 2018
- ✓ 44,252 sqm GLA
- ✓ More than 60% of GLA signed with leading retailers
- ✓ Catchment area of 250,000 people
- ✓ Some of our main tenants:



- ✓ Forecast annual revenue of €4 million
- ✓ Status: under construction and letting
- ✓ Estimated construction cost to completion: €26 million

(*) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.

LAGASCA 99 , MADRID

Unique, Outstanding, Exclusive



- ✓ Urban plot of land under construction in the very heart of the Salamanca Neighbourhood, one of Madrid's most exclusive areas and set to become a landmark property in the luxury residential sector.
- ✓ Plot with 4 façades that will feature 42 apartments with an average floor area of 400-450 sqm
- ✓ Project carried out by the world renowned Rafael de la Hoz architectural studio
- ✓ The property will include a full range of facilities: indoor and outdoor swimming pool, spa, gym and communal rooms
- ✓ In the process of gaining **BREEAM ES** certification
- ✓ Acquisition price: €50.1 M ^(**)
- ✓ Market value ^(*): €65.8 M ^(**)
- ✓ Acquisition date: Q1 2015
- ✓ Construction works start date: Q1 2016
- ✓ Estimated delivery date: 2018
- ✓ Comprises more than 26,000 sqm (B/G & A/G)
- ✓ As at Q4 2016 44.5% of apartments pre-sold
- ✓ Estimated construction cost to completion: €21,5 million

(*) Corresponds to the 50% of the Joint Venture with PIMCO

(**) The valuations have been made at 31 December 2016 by external independent valuers: JLL or C&W.





FINANCIAL INFORMATION

7.1

ICFR
p. 196

7.2

Key Indicators
p. 202

7.3

Consolidated
Financial Statements
p. 204

7.4

Financial Debt
p. 208

7.5

Proposed
Shareholder
Remuneration
p. 210

7.6

Share Price
Performance
p. 212

7.1 Internal Control Over Financial Reporting (ICFR) System

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



BODY/PARTY	RESPONSIBILITY	DUTIES
Board of Directors	Ultimately responsible for the existence and maintenance of a suitable and effective ICFR system	<ul style="list-style-type: none"> • Approving the financial information which the organisation must report periodically in its capacity as a listed entity • Approving the risk control and management policy and the periodic monitoring of the internal information and control systems
Audit and Control Committee	Supervising the ICFR system (with the support of the internal audit function), control of compliance and reporting to the Board of Directors	<ul style="list-style-type: none"> • Supervising the effectiveness of the internal controls of the Company and its group and of its enterprise risk management systems • Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process • Monitoring the process of drawing up and disclosing regulated financial information
Corporate Management	Responsible for the design, implementation and workings of the ICFR system	<ul style="list-style-type: none"> • Defining, proposing and implementing a model for generating financial information • Defining, implementing and documenting the ICFR system • Assisting the Audit and Control Committee in preparing the financial statements and other financial information and selecting the criteria used in the process • Verifying, at least annually, the comprehensiveness and suitability of ICFR documentation and performance • Reporting on developments in terms of ICFR documentation to the Audit and Control Committee and to the Internal Audit Service so they are familiar with and can appraise such developments
Internal Audit Service	Supporting supervision of the ICFR system, a duty vested in it by the Audit and Control Committee	<ul style="list-style-type: none"> • Supervising the operation of the ICFR system and its general controls and processes • Collaborating on the definition and classification of incidents and on the design of any required action plans, and monitoring the latter • Reporting to the Audit and Control Committee on the incidents detected during the evaluation and oversight process • Assisting Corporate Management to prepare reports on the status and description of the ICFR system
Process owners involved in the financial reporting process	Staff with financial reporting responsibilities	<ul style="list-style-type: none"> • Defining, documenting, and updating the internal processes and procedures • Executing the control activities as designed and intended and documenting evidence of their performance for traceability purposes • Reporting to Corporate Management on any change to their modus operandi or transactions that could trigger the need to update how their processes and controls are defined and documented and on any control shortcomings they may detect • Defining and implementing action plans in response to incidents observed within their sphere of responsibility

Corporate Management, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director can call on the resources, whether internal or external, he or she needs to manage the Company for assistance and advice. Against this backdrop, Lar España has entered into a **Management Agreement with Grupo Lar** under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its **financial reporting** related duties.

Lar España's ICFR Manual provides that whenever the services provided by a "service organisation" are part of the Company's IT system, they must be encompassed by the **IFRS evaluation process** either by means of specific and direct assessment of the controls applied by the service organisation or by obtaining an internationally recognised SSAE certificate (Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization) or by carrying out alternative procedures ⁽¹⁾.

Training

Corporate Management, in its capacity as the party responsible for the design, implementation and operation of the ICFR system, is obliged to make sure that all staff involved in preparing the Group's financial statements have received sufficient and up-to-date training on the International Financial Reporting Standards (IFRS) and the internal control over financial reporting principles. Corporate Management directly checks with the accounting expert engaged to prepare the Company's financial and accounting information that the teams assigned to these activities have the **required ICFR-related skills and knowledge**.

The Corporate Director, who is responsible for ICFR, boasts an extensive background in accounting and financial reporting, acquired during his years in auditing and financial management work. In 2016, the Corporate Director was in frequent contact with the financial statement auditor and the firm tasked with the accounting function during the year, addressing any issues arising and receiving updates from them on any developments with an **impact on the ICFR system**.

Lar España has a relatively small staff which is, however, bolstered by the **assistance provided by external advisers in certain areas**, specifically including, as detailed in other sections, some of the activities related to the financial statement preparation process and the implementation and rollout of the ICFR system.

Lar España **selects the service organisations to which it outsources these activities rigorously so that it works with specialist firms of renowned prestige** that are chosen for their quality and expertise. Corporate Management ensures that these advisors indeed have the expertise required and continuous learning policies in respect of these areas of expertise.

In addition, the Internal **Audit Plan** prepared by the Internal Audit Service and approved by the **Audit and Control** Committee of Lar España contemplates the training needed by the people involved in these matters.

(1) The second option is currently being pursued following confirmation from the third party that is providing accounting services.

Financial reporting risk assessment

The process of **identifying financial reporting risks**, including risks of error or fraud, is one of the most important aspects of Lar España's ICFR methodology. This process is documented in an internal methodology guide explaining the ICFR management and assessment process: **"Internal Control over Financial Reporting (ICFR) Manual of Grupo Lar España Real Estate SOCIMI"**.

Lar España has assessed the risk associated with its financial accounts. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information. The purpose of this mapping exercise is to identify the processes or business units within the Group of greatest importance in terms of financial information generation.

Lar España has documented the most significant processes. In 2016, it revised the documentation prepared the year before. This documentation identifies and analyses, among other things, transaction flows, potential financial reporting error and fraud risks and the controls established by the Company to **mitigate the risks associated with each process**. Having documented the majority of the most significant processes during the previous years, the idea is to continue to flesh out and fine-tune this information for these and other processes related with the financial reporting function.

As stipulated in the ICFR Manual, the significant processes documentation covers existing risks and defines controls related with different financial reporting objectives: existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations. The documentation is updated whenever significant changes occur and is additionally subjected to an annual review.

Control activities

Lar España has documented the **organisation's General Controls and its most significant processes** (including the period-end closing - providing for a specific review of critical judgements, estimates, valuations and projections -, revenue recognition, asset appraisals and property acquisitions). Last year, it also reviewed and updated the documentation detailing some of the processes related with the generation of financial information.

In addition to the ICFR oversight process (tasked to the Audit and Control Committee with the assistance of the Internal Audit Service), the **ICFR Manual** of Lar España contemplates the performance of an annual internal evaluation intended to ensure that the ICFR controls remain valid, well-designed and capable of delivering the intended objectives. In 2016, Corporate Management continued the process of gradually implementing the **policies and procedures** itemised in the ICFR Manual.

Information and communication

Lar España has an effective and duly-approved **Accounting Policy Manual** encompassing, in a structured manner, the accounting rules, policies and criteria being applied in general at all of the organization's companies.

The book-keeping process per se is handled at present by an outsourced, prestigious, specialist firm which is working with Lar España on the definition and application of accounting criteria, in keeping with prevailing legislation. This process is being supervised continually by **Corporate Management**, which is reporting to the **Audit and Control Committee** on the progress made on a regular basis. In addition, the external auditor is being contacted as required to confirm certain stances taken in order to resolve any questions and avoid any potential conflicts arising from the interpretation of any given accounting standard.

Lastly, the **Board of Directors** approves the financial information which the Company must report periodically in its capacity as a listed entity.

System monitoring

The gradual rollout of the ICFR system continued in 2016, identifying the most critical accounts and processes and working to document them in detail⁽²⁾. Management and the Audit and Control Committee were kept abreast of related developments and the progress made on implementing the system.

In addition, Corporate Management and the Audit and Control Committee reviewed the financial information submitted to the securities market regulator (and its timeliness) quarterly. Meanwhile, the **ICFR Manual** contemplates annual assessment and oversight of the system's various components.

Lastly, it is worth noting in this respect that Corporate Management meets regularly with the **external auditor** to discuss its proposed financial reporting criteria and the level of progress made on developing the ICFR system. All required steps were taken to facilitate the provisions contained in the Board Regulations with respect to its mandate to the Audit and Control Committee, specifically that of:

- Analysing, in conjunction with the external auditor, any material internal control system weaknesses uncovered during the audit process and adopting the opportune measures for addressing them, as required.
- Establishing the opportune relationship with the auditor in order to receive feedback on any issues that could jeopardise its independence.

Internal risk monitoring and management systems information has been reviewed by the **external auditor** and no inconsistencies or incidences were raised that could affect this.

(2) The processes relating to asset valuations, revenues, closing and consolidation have been reviewed and no significant incidents have been found.



7.2 Key Indicators

Economic & Financial Figures

During 2016, Lar España (hereby, "The Group"), generated **revenues of 60,234 thousand Euros** and a net profit of **91,430 thousand Euros**.

(Thousands of Euros)	2016	2015
Revenues	60,234	35,734
EBITDA	18,093	18,699
EBIT	105,908	44,677
PBT	91,430	43,559
Net profit	91,430	43,559

Other Financial Indicators

The Group presents the following financial indicators:

(Thousands of Euros)	31/12/2016	31/12/2015
Working capital	65,512	49,645
Liquidity ratio	2.8	3.5
Solvency ratio	1.1	1.1
Net LTV	33%	35%
ROE	13.40%	9.05%
ROA	7.74%	5.72%

At 31 December 2016 and 31 December 2015, the Group presented ratios related to liquidity (working capital and liquidity ratio) with very high values, showing that the Group has sufficient liquidity and a high safety margin to meet its payments.

ROE

13.40%



At 31 December 2016, the **ROE ("Return on Equity")**, which measures the Group's profitability as a percentage of its shareholders equity, amounted to **13.40%** (9.05% at 31 December 2015) whilst the **ROA ("Return on Assets")**, which measures the efficiency of the Group's total assets regardless of the sources of financing used, i.e. the ability of a company's assets to generate income, was **7.74%** (5.72% at 31 December 2015).



Las Huertas Shopping Centre
(Palencia)



Las Huertas Shopping Centre
(Palencia)

7.3 Consolidated Financial Statements 31.12.16 (IFRS)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Position at 31 December 2016 ^(*)

ASSETS (Thousands of euros)	31/12/2016	31/12/2015
Intangible assets	2	1
Investment properties ^(**)	1,191,089	776,375
Financial assets with associates	2,270	16,774
Equity-accounted investees	7,645	43,217
Non-current financial assets	11,205	8,475
NON-CURRENT ASSETS	1,212,211	844,842
Trade and other receivables	18,067	4,647
Financial assets with associates	45,288	26,717
Other current financial assets	5,393	1,676
Other current assets	617	601
Cash and cash equivalents	31,591	35,555
CURRENT ASSETS	100,956	69,196

TOTAL ASSETS	1,313,167	914,038
---------------------	------------------	----------------

(*) These financial statements are an integral part of the 2016 Consolidated Annual Accounts. On February 24th 2017 Deloitte issued its unqualified audit report.

(**) Investment properties are presented at their fair value at the end of the financial year and are not subject to amortization. Profits or losses due to variation in the fair value of the investment properties are included in the results of the period in which they arise.

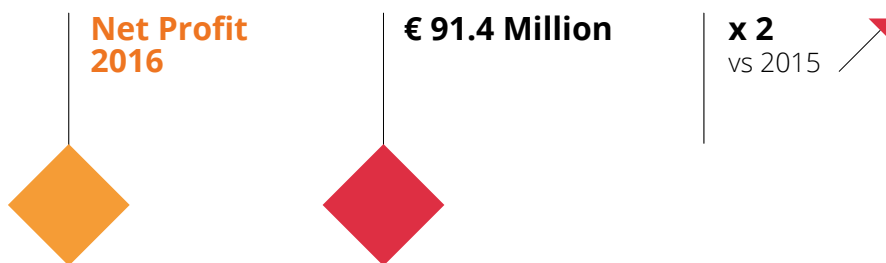
LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Financial Position at 31 December 2016 ^(*)

EQUITY AND LIABILITIES (Thousands of euros)	31/12/2016	31/12/2015
Share Capital	181,081	119,996
Share premium	498,914	415,047
Other reserves	42,898	(5,767)
Retained earnings	91,430	43,559
Treasury shares	(823)	(709)
Valuation adjustments	(1,365)	(1,560)
EQUITY	812,135	570,566
Financial liabilities from issue of bonds and other marketable securities	138,506	138,233
Loans and borrowings	301,738	173,354
Deferred tax liabilities	8,536	-
Derivatives	1,890	1,560
Other non-current liabilities	14,918	10,774
NON-CURRENT LIABILITIES	465,588	323,921
Financial liabilities from issue of bonds and other marketable securities	3,482	3,504
Loans and borrowings	7,877	5,593
Derivatives	1,384	-
Other financial liabilities	193	2,651
Trade and other payables	22,508	7,803
CURRENT LIABILITIES	35,444	19,551
TOTAL EQUITY AND LIABILITIES	1,313,167	914,038

(*) These financial statements are an integral part of the 2016 Consolidated Annual Accounts. On February 24th 2017 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Income Statement at 31 December 2016 ^(*)

(Thousands of euros)	2016	2015
Revenues	60,234	35,734
Other income	1,792	1,039
Personnel expenses	(446)	(396)
Other expenses	(46,401)	(20,013)
Changes in the fair value of investment properties	87,815	25,978
Other results	2,914	2,335
RESULTS FROM OPERATIONS	105,908	44,677
Financial income	4,009	2,444
Financial expenses	(17,746)	(6,127)
Impairment and results of disposals of financial instruments	13	(29)
Share in profit (loss) for the period of equity-accounted companies	(754)	2,594
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	91,430	43,559
Income tax	-	-
PROFIT FOR THE PERIOD	91,430	43,559



(*) These financial statements are an integral part of the 2016 Consolidated Annual Accounts. On February 24th 2017 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Consolidated Statement of Cash Flows at 31 December 2016 ^(*)

(Thousands of euros)	31/12/2016	31/12/2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	19,132	22,674
Profit/(loss) for the period before tax	91,430	43,559
Profit adjustments	(56,720)	(21,237)
Changes in operating assets and liabilities	(5,863)	1,885
Other cash flows used in operating activities	(9,715)	(1,533)
CASH FLOWS USED IN INVESTING ACTIVITIES	(237,915)	(370,221)
Payments for investments	(249,477)	(400,577)
Proceeds from divestments	11,562	30,356
CASH FLOWS FROM FINANCING ACTIVITIES	214,819	362,850
Payments made and received for equity instruments	142,460	135,107
Proceeds from and payments for financial liability instruments	84,368	229,074
Payments for dividends and remuneration on other equity instruments	(12,009)	(1,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,964)	15,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,555	20,252
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,591	35,555

(*) These financial statements are an integral part of the 2016 Consolidated Annual Accounts. On February 24th 2017 Deloitte issued its unqualified audit report.

7.4 Financial Debt

At 31 December 2016, Lar España's debt stood at EUR453.73 million, with an **average cost of 2.2%**.

The main debt indicators and the amortisation schedule is detailed below:

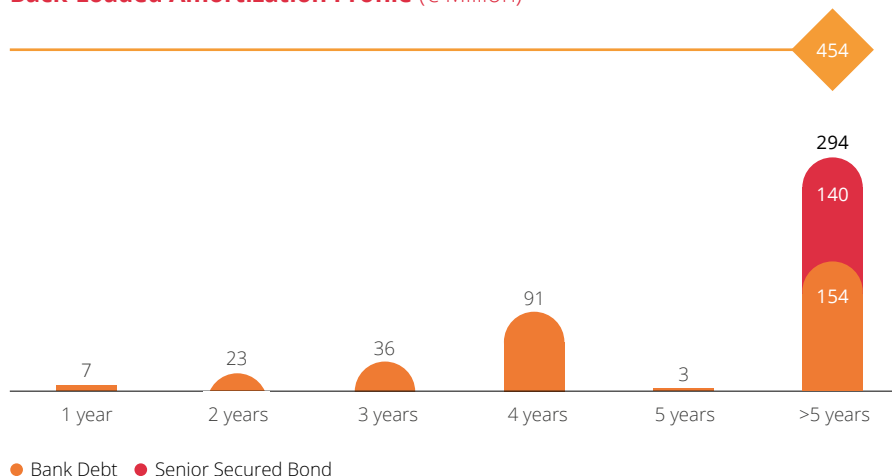
The **net LTV** ratio was **33%**, complying with the objective not to exceed 50%, whilst the **average debt maturity stood at 5.9 years**.

(Thousands of euros)	31/12/2016	31/12/2015
GAV	1,274,857	898,908
Gross financial debt	453,729	347,259
Cash	31,591	35,555
Net financial debt	422,138	311,704
Net LTV	33%	35%
Average cost of debt	2.2%	2.5%
Average maturity period (years)	5.9	6.6

33% Net LTV

2.2% Average cost of debt

Back-Loaded Amortization Profile (€ Million)





El Rosal Shopping Centre
(León)



El Rosal Shopping Centre
(León)

7.5 Proposed Shareholder Remuneration

In line with the last statement issued by the Company (**dividend yield to be over 4% of 2016's average quarterly EPRA NAV**), the proposed shareholder remuneration will be as follows:

The proposed **shareholder remuneration** for the year ending 31 December 2016 and to be presented at the Annual General Shareholders Meeting stands at **EUR 30 million (4.3% of the year's average EPRA NAV)**.

There by resulting in a dividend of **€0.33 per share**.

EPRA NAV	(Thousands of Euros)
Q1	582,780
Q2	610,638
Q3	757,872
Q4	830,399
AVERAGE	695,423

0.33 €/share

+ 65%
vs 2015

4.3%

Dividend Yield





As Termas Shopping Centre
(Lugo)

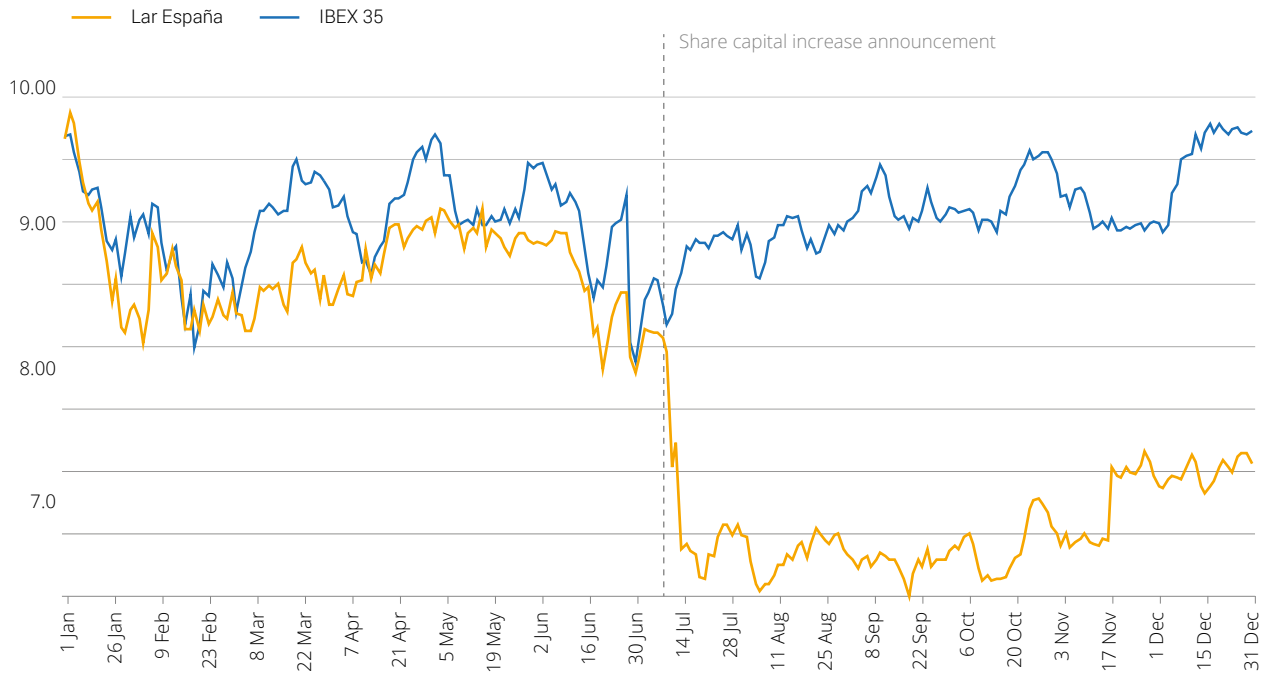
7.6 Share Price Performance

Detail of share (Euros)	January-December 2016
Price at the beginning of the period	9.46
Price at the end of the period	7.03
Performance during the period (%)	-25.69
Maximum price for the period	9.74
Minimum price for the period	6.01
Average price for the period	7.54
ADTV ^(*)	204,867
Market Cap (Euros) 31/12/2016	636,500,151
Number of shares 31/12/2016	90,540,562









(*) Average Daily Trading Volumen in number of shares

The **share price performance** during 2016 can be seen in the following graph:

LAR ESPAÑA share price performance vs Ibex 35 (January-December 2016)



Analyst Recommendations

Broker	Recommendation	Analysis date	Target price (Euros) ^(*)
 Sabadell	Buy	26/07/2016	9.05
 intermoney valores sv	Buy	19/09/2016	9.00
bankinter.	Buy	16/11/2016	10.60
 Ahorro Corporación	Buy	16/11/2016	9.00
fidentitiis <small>EDITIES S.Y. S.A.</small>	Buy	16/11/2016	10.90
 Kepler Cheuvreux	Buy	16/11/2016	7.50
bekafinance	Buy	16/11/2016	9.00
 Santander	Buy	16/11/2016	9.10
J.P.Morgan <small>Asset Management</small>	Neutral	14/12/2016	8.25
 KEMPEN & CO <small>Member of</small>	Sell	09/01/2017	6.50
JBCapitalMarkets	Neutral	17/01/2017	10.70
 MIRABAUD	Sell	23/01/2017	6.72
 HAITONG	Buy	31/01/2017	8.80

26%
Potencial Return^()**

Source: Bloomberg

(*) In the target price capital increase announced on 7 July should be taken into account.

(**) Taken into account the average target price and the price at the end of the period.





EPRA INFORMATION

8.1

EPRA Key
Performance
Measures
p. 216

8.1 EPRA Key Performance Measures

- **In November 2016**, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association¹) updated a Best Practices Recommendations² document in order to improve the presentation, transparency, comparability and relevance of the published results of listed real estate companies in Europe.

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

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

- **In September 2015**, Lar España received the 'GOLD AWARD' from EPRA in recognition of the quality of the information provided, it became the first Spanish SOCIMI to receive this award.
- **In September 2016**, Lar España has been awarded with the most prestigious recognition from EPRA, the GOLD AWARD. Once again our effort in providing quality information within the Index standards framework has been recognized.

Lar España therefore became the first Spanish SOCIMI to receive this award, two years in a row, the most prestigious in the real estate sector. The companies awarded were selected from among 117 real estate companies (97 of which are European listed companies on the FTSE EPRA/NAREIT index).



- (1) Not-for-profit association founded in 1999 registered in Belgium which aims to make the financial statements of public real estate companies clearer, more transparent and comparable across Europe.
- (2) Best Practices Recommendations - BPR" available at www.epra.com.

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

Indicator	Description	Reference	31/12/2016 (Thousand of euros) / %	31/12/2016 (Euro per share)
EPRA Earnings	Earnings from operational activities	Page 218	25,884 (*)	0.36
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	Page 219	830,399	9.20
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes	Page 219	827,125	9.17
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs	Page 220-221	5.5%	-
EPRA "topped-up" NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents)	Page 220-221	5.8%	-
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	Page 222	6.5%	-
EPRA Cost Ratio	Administrative & operating costs (including direct vacancy costs) divided by gross rental income	Page 223	28.4% (**)	-
EPRA Cost Ratio (excluding direct vacancy costs)	Administrative & operating costs (excluding direct vacancy costs) divided by gross rental income	Page 223	24.4% (**)	-

(*) Adjusted EPRA Earnings.

(**) Indicators calculated not taken into account the performance fee.

EPRA EARNINGS

(Thousands of Euros)	2016	2015
EARNINGS PER IFRS INCOME STATEMENT	91,430	43,559
Change in value of investment properties	(87,815)	(25,978)
Companies acquisitions effect	1,191	(1,741)
Change in value of investment properties in associates	-	(2,466)
Change in fair value of financial instruments	1,909	-
EPRA EARNINGS	6,715	13,374
Weighted average number of shares (excluding treasury shares)	72,707,108	47,790,562
EPRA Earnings per share	0.09	0.28
Company specific adjustment (*)	19,169	5,298
COMPANY SPECIFIC ADJUSTED EPRA EARNINGS	25,884	18,672
COMPANY SPECIFIC ADJUSTED EPRA EARNINGS PER SHARE	0.36	0.39

(*) Corresponds to the part of the Performance fee that the Manager is obliged to reinvest in Lar España, although this does not mean that there is any cash outlay for the company.

**Adjusted
EPRA Earnings**

+ 39%
vs 2015



EPRA NAV

(Thousands of Euros)	31/12/2016	31/12/2015
NET ASSET VALUE PER THE FINANCIAL STATEMENTS	812,135	570,566
Revaluation of other non-current investments	14,990	5,660
Fair value of financial instruments	3,274	1,560
Fair value of financial instruments in associates	-	184
EPRA NAV	830,399	577,970
Number of Shares (excluding treasury shares)	90,245,429	59,923,506
EPRA NAV per share (euros)	9.20 ^(*)	9.65

(*) When analyzing this measure it is important to take into account the capital increase completed by Lar España in Q3 2016 (€147,2M with a subscription price of 4.92 Euros each).



EPRA NNNAV

(Thousands of Euros)	31/12/2016	31/12/2015
EPRA NAV	830,399	577,970
Fair value of financial instruments	(3,274)	(1,560)
Fair value of financial instruments in associates	-	(184)
EPRA NNNAV	827,125	576,226
Number of Shares (excluding treasury shares)	90,245,429	59,923,506
EPRA NNNAV PER SHARE (EUROS)	9.17 ^(*)	9.62

(*) When analyzing this measure it is important to take into account the capital increase completed by Lar España in Q3 2016 (€147,2M with a subscription price of 4.92 Euros each).

EPRA NIY and EPRA “topped-up” NIY

Assets	Completed Property Portfolio	Allowance for estimated purchasers costs	Gross up completed property portfolio valuation (A)	Annualised cash passing rental income	
SHOPPING CENTRES	856,897	20,629	877,526	57,046	
Megapark	190,000	3,610	193,610	11,220	
Gran Vía Vigo	144,500	3,974	148,474	9,449	
El Rosal	99,790	2,496	102,286	6,996	
Portal de la Marina	98,500	2,463	100,963	7,059	
Anec Blau	93,250	2,330	95,580	5,977	
As Termas	78,100	2,148	80,248	5,567	
Vistahermosa	45,580	1,140	46,720	3,332	
Albacenter	35,464	887	36,351	2,545	
Txingudi	35,500	675	36,175	2,408	
Albacenter hypermarket	14,313	358	14,671	974	
Las Huertas	13,300	333	13,633	991	
Portal de la Marina hypermarket	8,600	215	8,815	528	
RETAIL WAREHOUSES	41,405	921	42,326	2,821	
Villaverde	10,771	269	11,040	780	
Parque Galaria	10,400	146	10,546	680	
Nuevo Alisal	18,334	458	18,792	1,246	
As Termas Petrol Station	1,900	48	1,948	115	
TOTAL RETAIL	898,302	21,550	919,852	59,867	
OFFICES	137,510	2,932	140,442	4,633	
Egeo	73,930	1,481	75,411	1,305	
Marcelo Spinola ⁽¹⁾	33,500	972	34,472	⁽¹⁾	
Arturo Soria	27,160	573	27,733	1,465	
Joan Miró	21,420	503	21,923	1,191	
Eloy Gonzalo ⁽²⁾	15,000	375	15,375	672	
TOTAL OFFICES	137,510	2,932	140,442	4,633	
LOGISTICS	76,475	1,751	78,226	5,598	
Alovera II	37,450	976	38,426	2,720	
Alovera I	17,400	348	17,748	1,129	
Almussafes	9,500	184	9,684	749	
Alovera IV (C5-C6)	8,500	170	8,670	746	
Alovera III (C2)	3,625	73	3,698	254	
TOTAL LOGISTICS	76,475	1,751	78,226	5,598	
TOTAL LAR ESPAÑA	1,112,287	26,233	1,138,520	70,098	

(1) Data related to Marcelo Spinola has not been included in the EPRA NIY calculation due to its lack of representatives. The asset had been preparing and evicting for a refurbishment that began during the second quarter of 2015 and had finished at the third quarter of 2016.

(2) Ratio distorted as the property is being refurbished.

Property outgoings	Annualised net rents (B)	Notional rent expiration of rent free periods or other lease incentives	Topped-up net annualised rent (C)	EPRA NET INITIAL YIELD (B/A)	EPRA TOPPED-UP NET INITIAL YIELD (C/A)
(6,351)	50,694	910	51,603	5.8%	5.9%
(1,113)	10,107	103	10,210	5.2%	5.3%
(739)	8,710	144	8,854	5.9%	6.0%
(960)	6,036	148	6,184	5.9%	6.0%
(646)	6,413	111	6,524	6.4%	6.5%
(855)	5,122	39	5,161	5.4%	5.4%
(445)	5,122	71	5,193	6.4%	6.5%
(603)	2,729	166	2,895	5.8%	6.2%
(633)	1,912	70	1,981	5.3%	5.5%
(195)	2,213	41	2,254	6.1%	6.2%
(10)	964	0	964	6.6%	6.6%
(147)	844	17	861	6.2%	6.3%
(5)	522	-	522	5.9%	5.9%
(182)	2,639	50	2,689	6.2%	6.4%
(92)	688	-	688	6.2%	6.2%
(11)	669	-	669	6.3%	6.3%
(78)	1,168	50	1,218	6.2%	6.5%
(1)	114	-	114	5.8%	5.8%
(6,533)	53,333	960	54,292	5.8%	5.9%
(549)	4,083	1,992	6,074	2.9%	4.3%
(123)	1,182	1,923	3,105	1.6%	4.1%
(1)	(1)	(1)	(1)	(1)	(1)
(125)	1,339	-	1,339	4.8%	4.8%
(39)	1,152	2	1,153	5.3%	5.3%
(262)	410	67	477	2.7% ⁽²⁾	3.1% ⁽²⁾
(549)	4,083	1,992	6,074	2.9% ⁽¹⁾	4.3% ⁽¹⁾
(155)	5,442	208	5,651	7.0%	7.2%
(21)	2,699	-	2,699	7.0%	7.0%
(69)	1,060	194	1,254	6.0%	7.1%
(38)	712	-	712	7.3%	7.3%
(23)	722	-	722	8.3%	8.3%
(4)	249	14	264	6.7%	7.1%
(155)	5,442	208	5,651	7.0%	7.2%
(7,237)	62,858	3,160	66,017	5.5% ⁽¹⁾	5.8% ⁽¹⁾

- (1) Data related to Marcelo Spinola has not been included in the EPRA NIY calculation due to its lack of representatives. The asset had been preparing and evicting for a refurbishment that began during the second quarter of 2015 and had finished at the third quarter of 2016.
- (2) Ratio distorted as the property is being refurbished.

EPRA VACANCY RATE

Asset	ERV (Thousands of Euros)	ERV Vacancy (Thousands of Euros)	EPRA VACANCY RATE %
Megapark	12,373	740	6.0%
Gran Vía	9,417	422	4.5%
El Rosal	7,436	465	6.2%
Portal de la Marina	6,929	496	7.2%
Anec Blau	6,102	424	7.0%
As Termas	5,540	292	5.3%
Vistahermosa	3,518	119	3.4% ⁽¹⁾
Albacenter	3,043	384	12.6%
Txingudi	2,778	410	14.8% ⁽²⁾
Portal de la Marina Hypermarket	536	0	0.0%
Las Huertas	1,303	197	15.1%
Albacenter Hypermarket	884	0	0.0%
TOTAL SHOPPING CENTRES	59,859	3,949	6.6 %
Villaverde	738	0	0.0%
Parque Galaria	664	0	0.0%
Nuevo Alisal	1,231	0	0.0%
As Termas Petrol Station	120	0	0.0%
TOTAL RETAIL WAREHOUSES	2,753	0	0.0%
TOTAL RETAIL	62,612	3,949	6.3%
Egeo	3,678	406	11.0%
Marcelo Spinola	N/A	N/A	N/A ⁽³⁾
Arturo Soria	1,628	346	21.2% ⁽⁴⁾
Joan Miró	1,307	36	2.7%
Eloy Gonzalo	1,403	240	17.1% ⁽⁵⁾
TOTAL OFFICES	8,016	1,028	12.8% ⁽³⁾
Alovera II	2,821	0	0.0%
Alovera I	1,330	0	0.0%
Almussafes	807	0	0.0%
Alovera IV (C5-C6)	581	0	0.0%
Alovera III (C2)	335	0	0.0%
TOTAL LOGISTICS	5,874	0	0.0%
TOTAL	76,502	4,977	6.5% ⁽³⁾

(1) The existence of a rental guarantee has been taken into account.

(2) On the date of publication of this report, and with the addition of one new lease signed, the ratio stands at 3.4%

(3) The data corresponding to Marcelo Spinola has been excluded from the total income and by sector due to it not being of significance.
The property has been remodelled.

(4) On the date of publication of this report, and with the addition of one new lease signed, the ratio stands at 13.4%.

(5) Ratio distorted as the property is being refurbished.

EPRA COST RATIOS

(Thousands of Euros)	2016	2015
Administrative expenses	(446)	(396)
Operating costs net of recoverable income ^(*) (**)	(40,018)	(20,013)
Administrative/operating expenses in associates	(1,030)	(1,792)
EPRA Cost (including direct vacancy costs) (A)	(41,494)	(22,201)
Direct vacancy costs	(2,221)	(1,328)
EPRA Cost (excluding direct vacancy costs) (B)	(39,273)	(20,873)
Gross Rental Income less ground rent costs – per IFRS	61,555	35,734
Gross Rental Income less ground rent costs in associates	959	3,589
Net asset associated costs (<i>net service charge</i>)	(6,383)	-
Gross Rental Income (C)	56,131	39,323
EPRA COST RATIO (including direct vacancy costs) A/C	73.9%	56.5%
EPRA COST RATIO (excluding direct vacancy costs) B/C	70.0%	53.1%
EPRA COST RATIO pre performance fee (including direct vacancy costs) (***)	28.4%	37.7%
EPRA COST RATIO pre performance fee (excluding direct vacancy costs) (***)	24.4%	34.4%

(*) Maintenance costs totalling €1,399 thousands are included.

(**) Management fees included (fixed and variable).

(***) Discounting costs directly related to development projects, in 2016, the ratios would be 27.3% and 23.3% respectively.



About this Report

Report boundary

The information included in the **2016 Annual Report** relates to all of the activities carried out by **Lar España Real Estate SOCIMI, S.A.** and its subsidiaries (together, the Group) between 1 January 2016 and 31 December 2016.

The last annual report presented by Lar España corresponded to the period elapsing between 1 January and 31 December 2015. The organisation has not undergone any significant change in its reporting boundary in the interim that would affect the information presented in this report.

The information presented herein refers to the most significant aspects of Lar España's **financial and non-financial performance** in respect of all the asset classes in its real estate portfolio - shopping centres, offices, residences and logistics centres -, unless specifically indicated to the contrary in the report.

In addition, this report draws from other reports in order to report in more detail on specific items; for example, the **Group's consolidated financial statements** for the year ended 31 December 2016 are referenced in order to reinforce the disclosures detailing the economic dimension.

Guidelines and criteria used

Lar España's 2016 Annual Report was prepared on the basis of the guidelines established in the most updated version of the *Best Practices Recommendations* report for real estate sector companies issued by the Reporting and Accounting Committee of the **European Public Real Estate Association (EPRA)**.

In addition, for the second time, this report follows the **Global Reporting Initiative (GRI)** Sustainability Reporting Guidelines in respect of the non-financial sustainability disclosures provided in the annual report. More specifically, the report follows the instructions provided in version G4 of the GRI Guidelines, the most updated version, selecting the 'Core' option for its 'In-Accordance' criteria with the aim of covering the essential material aspects, as determined by means of a materiality assessment, and reporting at least one indicator for the aspects considered material in respect of Lar España.

In order to give an account of the organisation's performance in 2016, the following principles were applied, in keeping with the guidelines provided in version G4 of the Global Reporting Initiative with respect to the preparation of sustainability reports:

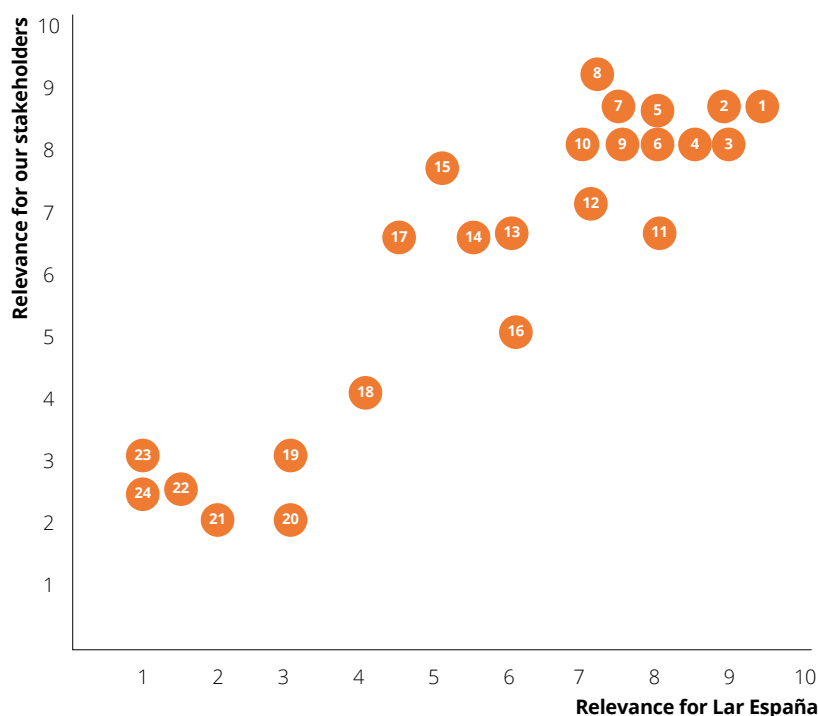
- The principles for determining the content of the report: stakeholder inclusiveness, the sustainability context and completeness.
- The principles for determining the quality of the report: balance, comparability, accuracy, timeliness, clarity and reliability.

Materiality assessment

Lar España's 2016 Annual Report aims to identify and report exhaustively on all aspects that reflect the organisation's significant **economic, social or environmental impacts and on those that enable it to align its corporate strategy with its stakeholders' expectations.**

This report is adapted for the reporting methodology prescribed in version G4 of the Global Reporting Initiative, which implies a more in-depth analysis of the topics of greatest relevance to the organisation. Starting from the assessment performed in 2015, management identified in 2016 a series of material aspects that are embedded within the vision, mission and strategic objectives of Lar España. Following in-depth analysis, introspection and consultation with the main stakeholders, the outcome of the materiality assessment is as follows:

Materiality matrix



- | | | | |
|--|--|--|--|
| 1 Good Governance | 7 Responsible Investment | 13 Safe and healthy environment | 19 Urban resilience |
| 2 Ethics and compliance | 8 Environmental and social management | 14 Modern in both specifications and design | 20 Refurbishments and conservation |
| 3 ESG Risk Management | 9 Interaction with local community and job creation | 15 New experiences and services | 21 Standard CSR reporting |
| 4 Transparency in business relations | 10 Retain talent and training | 16 Cooperation with other entities | 22 Equal opportunities and non-discrimination |
| 5 Anti-corruption and anti-money laundering | 11 Sustainable product marketing | 17 Two-way dialogue with tenants | 23 Work-life balance |
| 6 CSR investment | 12 Communication channels with the local community | 18 Accessibility and transport links | 24 Transparent remuneration policy |

International standard

Lar España's 2016 Annual Report was prepared following version G4 of the Global Reporting Initiative's sustainability reporting guidelines (In-ac-cordance option: Core).

Contact details

Anyone who would like to request additional infor-mation about this 2016 Annual Report and its con-tents may address their queries to the following e-mail address:

General communication channels and contact

Queries, questions, comments or information requests

info@larespana.com
+34 91 436 04 37
larespana.com/contacto/

Press

Press office, information on Lar España news and activities

prensa@larespana.com
+34 91 436 04 37
larespana.com/prensa/

Shareholder and investor information

info@larespana.com
+34 91 436 04 37

Complaints channel

canaldenuncias@larespana.com



Portal de la Marina Shopping Centre
(Alicante)



Palmas Altas Shopping Centre
(Sevilla)

GRI & EPRA sBPR Index

Basis General Contents

CATEGORY	CODE	INDICATOR	PAGE
STRATEGY AND ANALYSIS	G4-1	Statement from the most senior decision maker of the organisation	4
	G4-2	Provide a description of key impacts, risks, and opportunities	4 -7, 82 -85
ORGANIZATIONAL PROFILE	G4-3	Name of the organisation	224
	G4-4	Primary brands, products and services	40
	G4-5	Location of the organisation's headquarters	240
	G4-6	Countries where the organisation operates	N/A
	G4-7	Nature of ownership and legal form	32
	G4-8	Markets served	15 - 27
	G4-9	Scale of the organisation	40
	G4-10	Workforce breakdown	N/A
	G4-11	Percentage of employees covered by collective bargaining agreements	35
	G4-12	Description of the organisation's supply chain	30
	G4-13	Significant changes during the reporting period	4, 32 - 34
	G4-14	How the precautionary principle is addressed	82
	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	38
	G4-16	Memberships of associations and national or international advocacy organisations	38
MATERIAL ASPECTS AND BOUNDARIES	G4-17	List of entities included in the organisation's consolidated financial statements	40
	G4-18	Process for defining report content	224
	G4-19	Material aspects identified in the process of defining report content	225

CATEGORY	CODE	INDICATOR	PAGE
MATERIAL ASPECTS AND BOUNDARIES	G4-20	For each material aspect, the aspect boundary within the organisation	96 a 97
	G4-21	For each material aspect, the aspect boundary outside the organisation	96 a 97
	G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	There has been no resatements of informtratin provided in previous years reports
	G4-23	Significant changes from previous reporting periods in the scope and material aspect boundaries	There has been no chage in the report's scope or material aspect boundaries
STAKEHOLDER ENGAGEMENT	G4-24	List of stakeholder groups engaged by the organisation	94 - 95
	G4-25	The basis for identification and selection of stakeholders with whom to engage.	92
	G4-26	Approach to stakeholder engagement	92
	G4-27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded	94 - 95
REPORT PROFILE	G4-28	Reporting period	224
	G4-29	Date of most recent report	April 21st 2016
	G4-30	Reporting cycle	Annual
	G4-31	Contact point for questions regarding the report or its contents	226
	G4-32	In-'accordance' option chosen by the organisation	224
	G4-33	Current practice with regard to seeking external assurance for the report	The CSR Report is not externally assured

CATEGORY	CODE	INDICATOR	PAGE
GOVERNANCE	G4-34	Governance structure of the organisation	66
	G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	35
	G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	35
	G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	80
	G4-38	Report the composition of the highest governance body and its committees	67
	G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	The President of the Board does not hold an executive position
	G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	75
	G4-41	"Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: - Cross-board membership - Cross-shareholding with suppliers and other stakeholders - Existence of controlling shareholder - Related party disclosures"	76
	G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	74
	G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	79
	G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	76
	G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	82
	G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	83

CATEGORY	CODE	INDICATOR	PAGE
GOVERNANCE	G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	Annually
	G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	Annual report is reviewed by the main board
	G4-49	Report the process for communicating critical concerns to the highest governance body	80
	G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	Information available in Annual Corporate Governance Report on Lar España's website
	G4-51	Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> - Fixed pay and variable pay: - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	70
	G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	70
	G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	66
	G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	N/A
	G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	N/A
ETHICS AND INTEGRITY	G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	80
	G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	80
	G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	80

Specific Contents

CATEGORY		CODE	INDICATOR	PAGE
ECONOMY	Economic Performance	G4-EC1	Report the direct economic value generated and distributed (EVG&D)	204
		G4-EC2	Financial consequences and other risks and opportunities for the Organization's activities due to climate change	111
	Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported	202
ENVIRONMENT	Energy	EPRAElec-Abs	Total energy consumption	110
		EPRAElec-LfL	Like for Like for energy consumption	110
		EPRA DH&C-Abs	Total consumption for heating and cooling	110
		EPRA - DH&C-LfL	Like for Like for heating and cooling consumption	110
		EPRA - Fuels-Abs	Total fuel consumption	110
		EPRA - Fuels-LfL	Like for like fuel consumption	110
		G4-EN5	Energy intensity	110
		G4-EN6	Reduced energy usage	110
		G4-EN7	Reductions in energy requirements of products and services	100
		CRE1 / EPRA -Energy-Int	Energy intensity of buildings	110
	Water	G4-EN8 / EPRA -Water-Abs	Total water withdrawal by source	114
		EPRA - Water-LfL	Like for like for water consumption	114
		CRE2 / EPRA -Water-Int	Water intensity for buildings	114
	Emissions	G4-EN15 / EPRA -GHG-Dir-Abs	Direct green house gas emissions (scope 1)	112
		EPRA - GHG-Dir- LfL	Like for Like for direct green house gas emissions	112
		G4-EN16 / EPRA - GHG-Indir-Abs	Indirect green house gas emissions (scope 2)	112
		CRE3 / EPRA - GHG-Indir-LfL/EPRA - GHG-Int	Like for Like indirect green house gas emissions	112
		G4-EN18	Green house gas emissions intensity	112
		G4-EN19	Reduced green house gas emissions	112

CATEGORY		CODE	INDICATOR	PAGE
ENVIRONMENT	Effluents and Waste	G4-EN23/ EPRA Waste-Abs	Total weight of waste by type and disposal method	115
		EPRA Waste-LfL	Like for like for waste disposal	115
	Products and services	G4-EN27	Environmental impact mitigation of products and services	100
	Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Lar España was not fined or sanctioned for non-compliance with any environmental law or regulation in 2016
	Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	There has been no environmental grievances during 2016
SOCIAL	Occupational health and safety	G4-LA5	Percentage of total workforce represented informal joint management - worker health and safety committees	35
		G4-LA6	Type of injury, injury rate, occupational diseases rate, lost day rate, absentee rate and work-related fatalities, for the total workforce by region and gender	35
	Training and education	G4-LA9	Average hours of training that the organization's employees have undertaken during the reporting period, by gender and employee category	78
		G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	78
		G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	78
	Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	35-36
	Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	122

CATEGORY		CODE	INDICATOR	PAGE
SOCIAL	Anticorruption	G4-SO4	Communication and training on anticorruption policies and procedures	80
		G4-SO5	Confirmed incidents of corruption and actions taken	No incidents of corruption were confirmed in 2016
	Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	The company did not receive any significant fines or non-monetary sanctions for non-compliance with laws or regulations in 2016
PRODUCTS AND SERVICES	Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	The company did not receive any significant fines for non-compliance with laws or regulations in 2016

Sectorial Contents

CATEGORY		CODE	INDICATOR	PAGE
ENVIRONMENT	Energy	CRE1	Buildings energy intensity	111
	Water	CRE2	Buildings water intensity	115
	Emissions	CRE3	GHG emissions intensity for existing buildings	113
		CRE4	GHG emissions intensity for new and renovated buildings	N/A
	Land Degradation, Contamination, and Remediation	CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	N/A
SOCIAL	Training and education	CRE6	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	56
	Local Communities	CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	No persons have been voluntarily and / or involuntarily displaced and/or resettled by development projects of the company in 2016
	Product and service labeling	CRE8	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	56



Glossary

PBT

Profit Before Tax.

EBIT

Earnings Before Interest and Tax.

EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

Net profit/(loss)

Profit/(Loss) for the period after tax.

ROE (Return on Equity)

Return on equity, calculated by dividing profit for the last 12 months by the company's average equity of the last four quarters.

ROA (Return on Assets)

Return on assets, calculated by dividing profit for the last 12 months by the company's average assets of the last four quarters.

Liquidity ratio

The Company's capacity to meet its obligations with liquid assets, calculated as the ratio between the Company's current assets and current liabilities.

Solvency ratio

The Company's financial capacity to meet its payments obligations with all the assets and resources available. It is calculated by dividing equity plus non-current liabilities by non-current assets.

EPRA

European Public Real Estate Association.

EPRA Earnings

Earnings from operational activities.

EPRA NAV

Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA NNNAV

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

EPRA Net Initial Yield (NIY)

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA "topped-up" NIY

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

EPRA Cost Ratio

Administrative & operating costs (including direct vacancy costs) divided by gross rental income.

GAV

Gross Asset Value.

GLA

Gross Leasable Area in sqm.

EPRA Cost Ratio (excluding direct vacancy costs)

Administrative & operating costs (including & excluding direct vacancy costs) divided by gross rental income.

WAULT

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 30 september 2016, until the first break option, weighted by the gross rent of each individual lease contract.

Net LTV (Loan to Value)

Ratio that measures the total amount of outstanding principal, discounted available cash, against the value of the assets.

$\text{Net LTV} = \text{Net debt} / \text{GAV}$.

Dividend Yield

Profitability by dividend, that shows, in percentage, the shareholder performance by the dividends. Result of $\text{Dividend} / \text{Average quarterly EPRA NAV of the last four quarters of the year}$.

Gross Annualised Rent

Gross annual investment return excluding temporary rental discounts or rent-free periods.

Average maturity period (years)

Represents the average maturity term of the company's debt.

CBD

Central Business District, the most central, attractive shopping and office locations.

Prime rent

The highest basic rents in the best properties in various areas.

Like for like (LfL)

Comparison of one period, with that of the same period the year before, taking into consideration the same number of assets.

Elec – Abs:

Total electricity consumption.

Elec – Lfl:

Like for like total electricity consumption.

Fuels – Abs:

Total fuel consumption.

Fuels – Abs:

Like for like total fuel consumption.

Energy – Int:

Building energy intensity.

GHG – Dir – Abs:

Total direct greenhouse gas (GHG) emissions.

GHG – Dir – Lfl:

Like for like total direct greenhouse gas (GHG) emissions.

GHG – Indir – Abs:

Total indirect greenhouse gas (GHG) emissions.

GHG – Indir – Lfl:

Like for like total indirect greenhouse gas (GHG) emissions.

GHG – Int:

Greenhouse gas (GHG) intensity from building energy consumption.

Waste – Abs:

Total weight of waste by disposal route.

Waste – Lfl:

Like for like total weight of waste by disposal route.

Water – Abs:

Total water consumption.

Water – Lfl:

Like for like total water consumption.



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

Design
Externa Marketing & Events, S.A.
www.externa-mk.com