



Annual Report

2018

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Shopping Centre
Anec Blau (Barcelona)

1

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1.1

Letter from the Chairman



2018 was an excellent, game-changing year for Lar España. We achieved **significant growth in our financial and operating results** and, once again, obtained strong value uplift for the assets in our portfolio.

We were also able to considerably **raise the dividend payment** for our shareholders. In 2018, the company implemented the strategic decision to focus on our retail properties. By executing **this specialist strategy**, our retail properties accounted for 90% of our total portfolio at YE 2018. We also went a long way to achieving the goals set out in our business plan – as presented towards the end of 2017 – which boosts our credibility and the confidence of our investors.

This year marks five years since we listed on the stock exchange. We were the first SOCIMI to do so and, in partnership with our shareholders, we created a truly unique and **innovative project, with great upside potential**. Five years later, we own the largest **shopping centre portfolio** by GLA and we are the leading retail park owner in Spain.

We have reached the top thanks to our market know-how, consolidating a portfolio of properties that have a **competitive edge in their respective catchment areas**. Our professional, active and innovative approach to managing our shopping centres has helped us to outperform the Spanish market for twelve straight quarters, both in terms of footfall and sales.

During 2018 we sold **mature non-strategic assets**, achieving **an average value uplift of 55%** on the acquisition price. We made disposals to the value of €273 million (Egeo and Joan Miró office buildings, the Nuevo Alisal, Villaverde and Parque Galaria retail warehouses and the logistics portfolio). We also acquired during 2018 two properties for €76 million (Rivas Futura retail park and Parque Abadía commercial gallery).

In January 2019, we sold the Marcelo Spínola office building for a total sum of €37 million, equating to a capital gain of 95% compared to the acquisition price.

Our healthier balance sheet enables us to take on new opportunities, which will provide added value to our platform.

In June, we opened our first retail development, **VidaNova Parc**, in Sagunto – already 100% occupied – which has been hugely successful since its opening.

Lagoh, our new development in Seville, will open to the public in September 2019. This project is unique, both in terms of size and concept, and is set to become the leading leisure and entertainment complex in Andalusia. Over **90% of its GLA has already been pre-let to renowned retailers**, including major players such as Mercadona, Primark, Yelmo Cines, Urban Planet, Media Markt, Adidas and all of the Inditex brands, to name but a few. During the first months of 2019, the first units have been delivered to retailers.

Lagasca99, our residential development, is a leading light in Madrid's luxury sector. A new residential concept right in the heart of Madrid in the historic Salamanca district, this project was built using the finest materials and to the most exacting of standards. 95% of apartments have already been sold, **with many homes already delivered to tenants**.

These developments are a clear example of our ability to generate value for our shareholders.

We are more than aware of the ongoing debate about the future of shopping centres, given the current environment, hence why it is so important to ensure our properties are always at the cutting edge of retail and exceed both customer and tenant expectations. We are adapting our shopping centres **to the new market reality, investing in technology and digitalisation, in order to create extra value for our shareholders**. Throughout 2018, we carried out major refurbishment works at some of our shopping centres, allocating more space to the leisure and food & beverage areas, and placing a clear focus on the customer experience.

In 2018, Lar España worked hard to create a closer relationship with our main stakeholders.

For example, on 9 and 10 October 2018, Lar España held its second **"Investor Day"** events in Madrid and London, at which investors were given a first-hand look at the SOCIMI's progress in terms of digital transformation – referred to as the TES Project – and at how the company is progressing with its business plan, among other areas.

With our **TES project (Technology, Engagement & Sustainability)**, we are **leading the transformation of the retail sector in Spain**. The world of retail is at a crossroads, but there are a lot of opportunities ahead.

Technology gives us the chance to improve customer experience, by combining physical and digital strategies. Thanks to new technology, we can evaluate and quantify visitor experiences, allowing us to optimise our management and customer relations.

Our shopping centres also need to be appealing destinations for our customers. We want to provide our **visitors with unique and tailored experiences**, turning our centres into places where they can really enjoy shopping and entertainment.

Sustainability plays a crucial role at all of our properties. We always maintain a clear focus on important areas such as the **environment, accessibility and interaction with society** as a whole when it comes to the management of each and every property. **Corporate social responsibility** forms a fundamental part of all of our transactions and decision-making processes at Lar España, ensuring that our business activity is carried out ethically, responsibly and sustainably, while making a positive contribution to society and the environment.

Our business performed very well in 2018. We registered gross **rental income of €78 million**. Our **EBITDA grew 42%** and net profits climbed 7% to over €155 million, before incentive payments to our management company, Grupo Lar.

According to the latest valuation, at 31 December 2018, **the value of our portfolio stood at €1,536 million**. In like-for-like terms, **the value of our properties grew 12.1%**, equating to a 40% increase on their acquisition price. During a year in which yields hardly tightened, we would highlight that 100% of this value uplift was thanks to the active management carried out by our management company, Grupo Lar.

In 2018, we closed **financing agreements in excess of €200 million**. Our LTV stands at 28% and we boast a robust financing structure. In October, we secured a seven-year credit line in the amount of €70 million with the European Investment Bank. This financing falls under the auspices of the Investment Plan for Europe. Lar España is the first company to be granted a credit line of this size and nature. The facility also helps the firm achieve the goals set out in its business plan, given that sustainability is one of its core foundations.

Our excellent results in 2018 were down to sound management, and clearly reflect our strategy. What is more, they have allowed us to propose a remuneration figure of **€75 million – or €0.80 per share** – to our shareholders, including a special dividend of €25 million relating to the sale of apartments at Lagasca99.

This dividend equates to a significant **67% increase y-o-y**. During 2018 and at the start of 2019, we completed our first **share buyback programme**, which aims to increase shareholder returns. In March 2019 we launched a second share buyback programme for up to 5% of the company's share capital, thereby cancelling the shares acquired to date.

The **shareholder rate of return** in 2018 stood at **13.24%**, meeting the commitment we made in our IPO prospectus to generate returns of at least 12%.

In September 2018, for the fourth year running, Lar España received the **EPRA Gold Award in recognition of the quality of the financial information** it provided to its main stakeholders. In recognition of its information published on **Corporate Social Responsibility and Sustainability**, Lar España was awarded the highest distinction by EPRA, winning the **Gold Award** for the first time.

Lar España is firmly committed to promoting **social integration**. We strive to reach and maintain the highest standards of **accessibility** by designing our projects with people in mind. **90%** of our properties have undergone **accessibility audits**.



In December 2018, for example, VidaNova Parc retail park was awarded AENOR's Universal Accessibility Management System Certificate. The Eloy Gonzalo office building has also been awarded the Aenor certification for accessibility. This achievement reflects Lar España's commitment to accessibility. We want all our customers to be able to enjoy our properties safely and comfortably, whatever their access requirements.

We would highlight that in 2018, **every single one of our shopping centres became BREEAM® certified.** BREEAM® is the global leader in assessing and certifying sustainable construction processes, using the most advanced technical assessment methods.

In 2018, Lar España also created over 19,000 direct jobs, reduced its real estate portfolio's CO₂ emissions round to 3% and invested over €442,000 in social initiatives.

Lar España's most valuable asset is **our team** and their efforts have been crucial to our success. Our management company Grupo Lar also boasts a highly valuable team, who bring an invaluable mix of commitment, talent and experience to the table.

We are extremely optimistic about the opportunities the future can bring, and we are firmly committed to successfully overcoming current and future retail challenges.

Mr. José Luis del Valle Doblado

Chairman

April, 2019



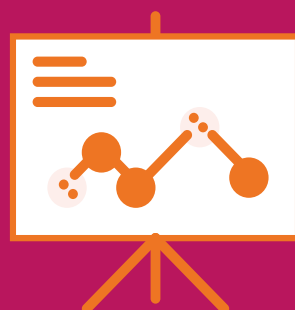
1.2 Key Figures

Portfolio Information

GAV
1,536
Million €

Annualised Net Rent
70.3
Million €

WAULT
3.5
Years



Assets
18
2 acquisitions in 2018

GLA
622,643
sqm

2018 new investments
75.6
Million €

Divestments in 2018
272.5
Million €

Financial Information

EPRA NAV
1,037
Million €
(11.14€/share)

Net LTV
28%

Financial Debt
621.7
Million €

Average Cost of Debt
2.16%



Rental Income
77.8
Million €

EBITDA
54.5
Million €

Net Profit
129.3
Million €

Dividend
75.0
Million € (0.80€/share)

ROE
13.42%

Retail performance

Operating results

Annualised Net Rent

69.0

Million €

% Occupancy ⁽¹⁾

94.8%

Sales ⁽²⁾

708.4

Million €

+2.2% vs. 2017

Footfall

63.0

Million of visits

+0.8% vs. 2017

LfL GRI

+3.2%

LfL NOI

+3.7%

Reversionary Yield

6.3%

EPRA topped-up NIY

5.5%

(1) Ratio calculated under EPRA recommendations | (2) Declared Sales

GAV (%)



Retail. **90**

Rest of the portfolio. **10**

Rental Income (%)



Retail. **94**

Rest of the portfolio. **6**

Leasing activity

Negotiated rent

8.3

Million €

Operations

154

Rotated area

38,723

sqm

Rent uplift

+12.4%

CSR

Certifications

92% assets certified in BREEAM®

Accesibility

Accessibility audits performed on **90%** of our assets

Emissions

1,517 tCO₂ eq /year of total emissions

2.8 kg CO₂ eq /sqm/year (-3% vs 2017)

Consumption performance

40.2 kWh/sqm of energy consumption (-4% vs 2017)

2.0 liters/person/year of water consumption

Society

Over 19,000 direct jobs generated

We have worked with

over 25 ONGs and foundations



1.3

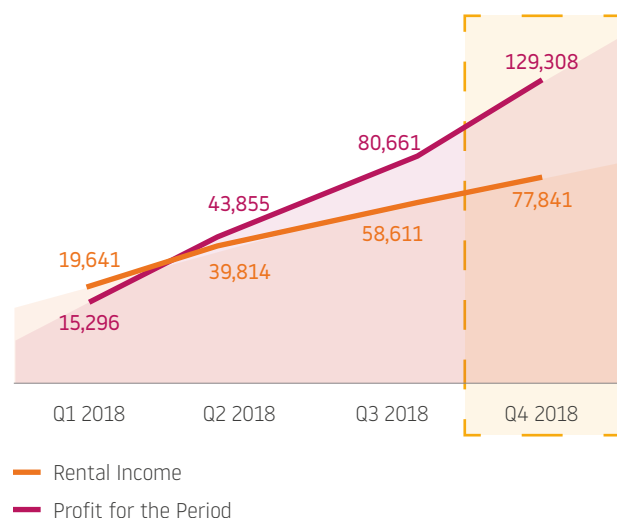
Key performance indicators

A.

Performance of main economic and financial result

Rental income obtained at the close of the financial year was **77,841 thousand Euros**, **94%** of which was rental income from retail assets, whilst **EBITDA** amounted to **54,465 thousand Euros**. This, combined with the revaluation of the assets held in our portfolio, gave a **net profit figure** of **129,308 thousand Euros**.

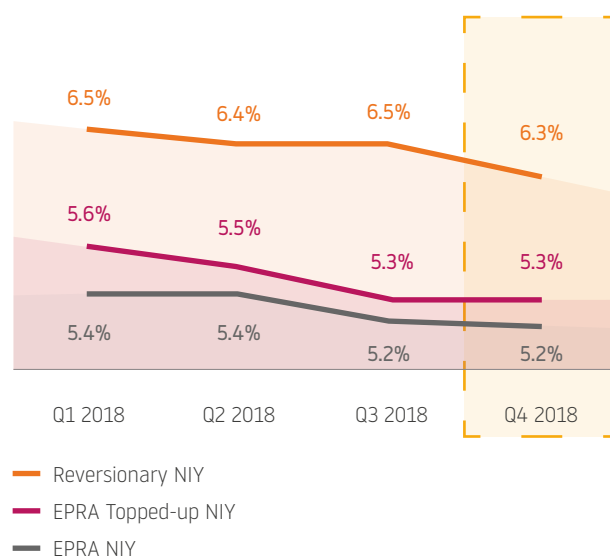
Performance throughout the course of 2018 is shown in the following figure (amounts shown in thousands of euros):



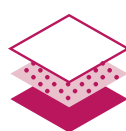
B.

Performance of main EPRA indicators

As regards the performance of **EPRA Yields** during 2018 and their comparison with the Reversionary NIY, one can see the notable profitability of Lar España's portfolio and the potential growth that the company could still obtain, thanks to the active management of the portfolio.

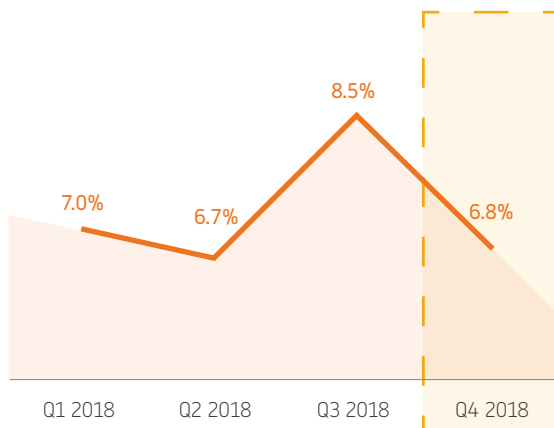


77.8
Million €
Rental Income

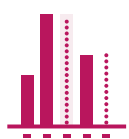
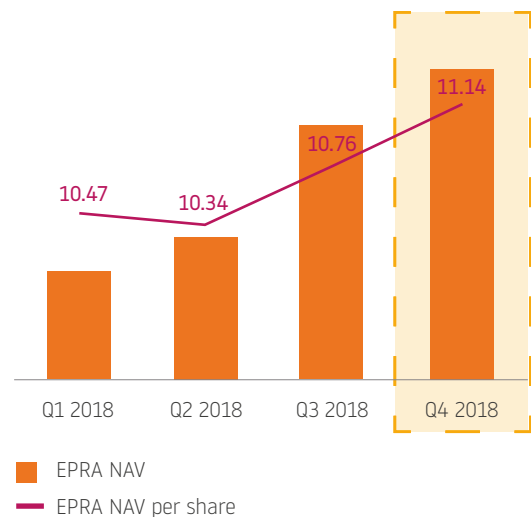


5.5%
EPRA Topped-up NIY
Retail 31.12.18

The **EPRA Vacancy** ratio fell during the year as the result of active and efficient sales and letting activity, standing at **6.8%** at the close of 2018, despite of several refurbishment projects being implemented during the period.



The following figure shows the performance of the company's **EPRA NAV**, which indicates the value creation achieved during the course of 2018. At 31 December 2018, the EPRA NAV stood at **1,036,683 thousand Euros (11.14 €/share)**, an increase of **8.5%** on the previous year.



5.2%
EPRA Vacancy
Retail 31.12.18

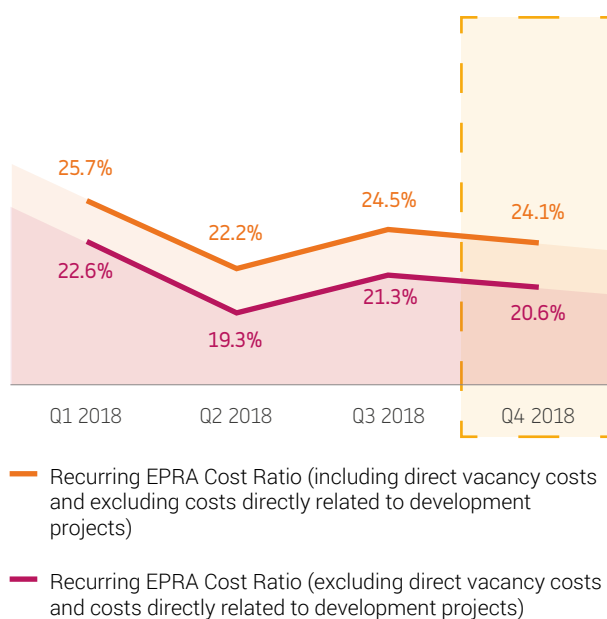
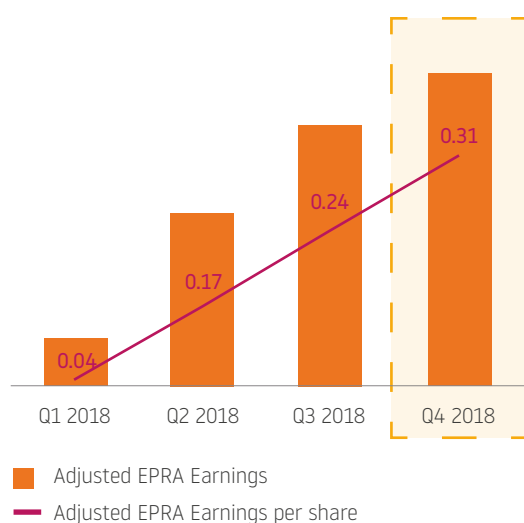


EPRA NAV
per share 31.12.18
11.14 €/share
+8.5% vs. 31.12.17



The following graph shows the change in the operating income figure (**EPRA Earnings**), which at the close of 2018 stood at **29,240 thousand Euros**. This is mainly due to the efficient management of the assets held in the portfolio, along with some excellent sales and letting work.

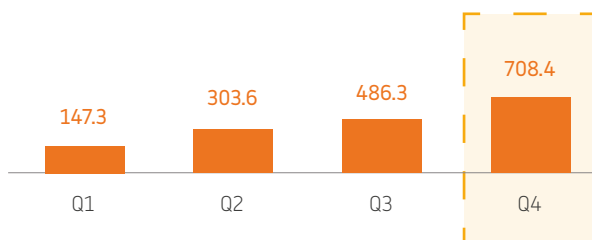
The performance of the **EPRA Cost Ratio** over the course of the year demonstrates Lar España's efficiency in reducing the costs associated with operational management:



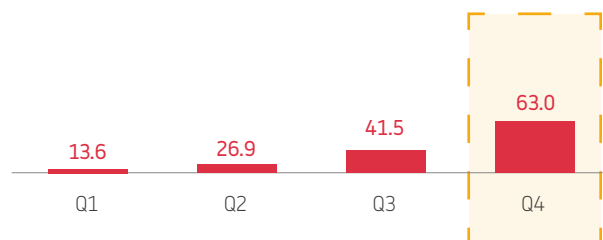
C. Major operative milestones evolution

The performance of the **key retail indicators** in 2018 is detailed below. Lar España booked total **sales** in the shopping centres of **708.4 million Euros**, driven by the growing **number of people visiting** our shopping centres (**63.0 million visits**). A total of **38,723 sqm** has been rotated.

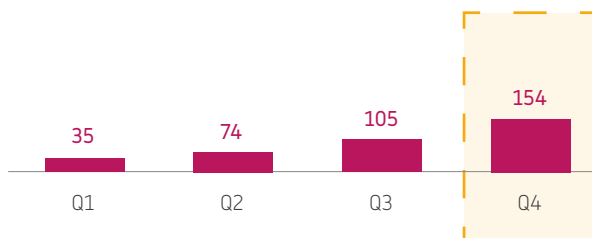
YTD Declared sales (€ Mn)



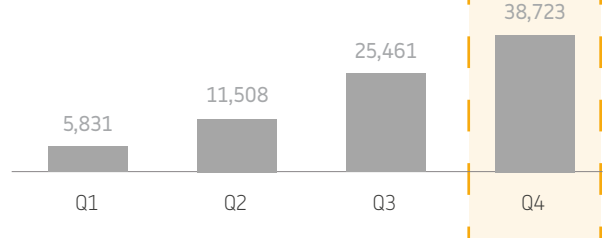
YTD Footfall (Mn visitors)



YTD N° operations



YTD GLA Rotated (sqm)

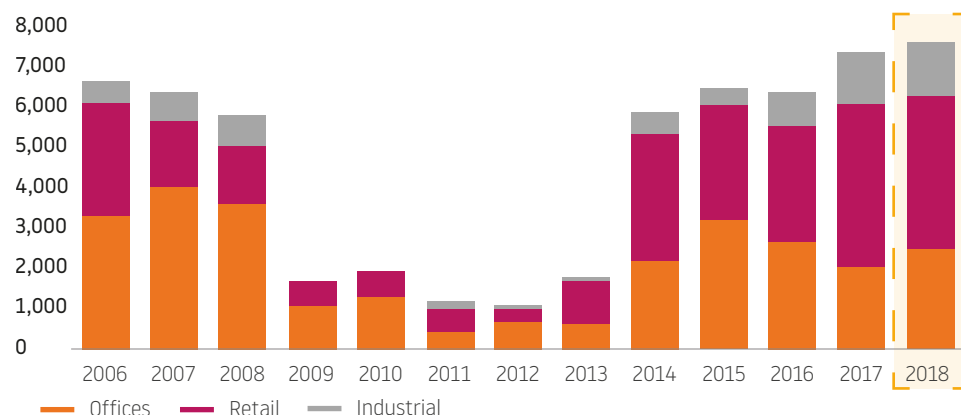


1.4

Quick View

Environment

Commercial investment volume (€Mn)

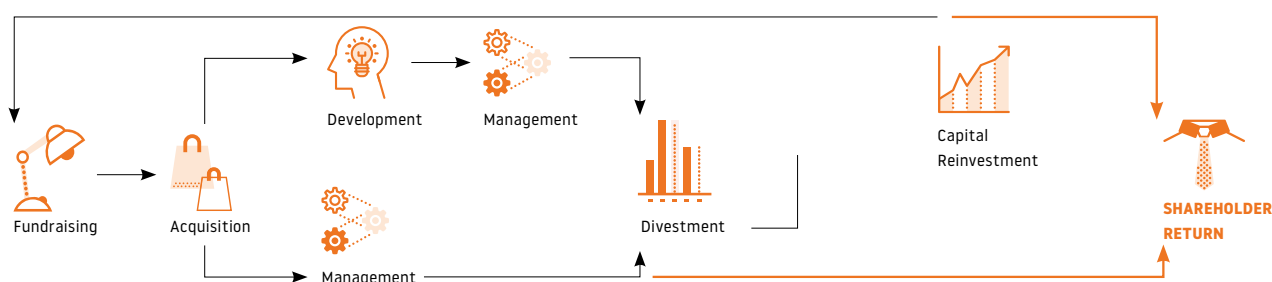


7,850 million were invested in the commercial real estate sector in 2018.

Business model

The company's investment policy is mainly focused on:

- Strategic assets, **shopping centres** and **retail parks**.
- **Investment opportunities in retail assets**, predominant in its area of influence.
- **Risk diversification**, expanding in Spain mainly through the investment in large commercial areas.



Governance

Corporate Governance

- A new director remuneration policy and new director selection policy have been implemented
- Appointment of a new female counselor and Chairwoman of the Audit and Control Committee of Lar España
- Internal performance evaluation of the Board of Directors

Ethics and Compliance

- Implementation of behavior guidelines of the Code of Conduct
- Supervision of the whistleblowing channel by the Ethics Committee
- Adoption of a White-Collar Crime Prevention Model
- Anti-Money Laundering Manual

Corporate Social Responsibility

- Implementation of the "Corporate Social Responsibility Master Plan 2018-2020"
- Creation of shared value through:
 - > Responsible asset management, adding real value to society
 - > Positive impact in the community
 - > Management of the relationship with the stakeholders

Risks and opportunities

- Risk Control and Management Policy
- Implementation of the Enterprise Risk Management system at the corporate level
- Updated Risks Map
- Response and Monitoring Plans

The main risks that Lar España is facing are the following:

- Management of SOCIMI Regimen requirements
- Real estate asset sale-purchases
- Property appraisals
- Socio-economic and political changes
- Dependence on the Investment/Asset Manager
- Internal talent retention
- Financing /liquidity
- Investor/media relations

Strategy

- Real Estate Investment Trust specialized in **commercial properties**
- Carefully selected **off-market acquisitions**
- Creation of high returns for shareholders: **yearly net income of 70.3 million euros**
- Competitive benefit distribution policy. **Dividends of 0.80€/share**
- Active and diversified management, with a **12.1% LfL annual revaluation of assets**

2018 Results

- Valuation of assets of 1,536 million euros
- 100% compliance of the investment strategy
- Highest average yield on cost in the real estate sector
- 76 million euros of investment in new assets

Innovation

Lar España is leading the digital transformation in the sector, creating value through the **“TES” project (Technology, Engagement & Sustainability)**, which will allow the Company to:

- Evaluate and measure visitor experience and optimize the management of shopping centers, as well as the relationship with the customer
- Offer a unique and differentiated value offer
- Strategically position each of our assets, taking into account environmental, sustainability, accessibility and social aspects

“TES” project

Two main objectives:

- To position Lar España as the leader in digital transformation in retail
- To create shared value in order to lead the economic and social progress

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**

Shopping Centre
Albacer (Albacete)

a albacer



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2.1

Market context

I. Economy

Growth and GDP

Spain's economic growth **continues to outpace the Eurozone average (1.9%)**, with Spanish Gross Domestic Product (GDP) **up 2.5%** in 2018, according to the latest figures published by INE. Domestic demand remains a key growth factor, boosted by improving foreign trade at the end of the year. **Q4 2018 saw the Spanish economy expand by 0.7% q-o-q** in terms of volume, putting the annual growth rate at 2.5%. This matches forecasts from the Bank of Spain and the IMF, and with general consensus among leading research bodies.

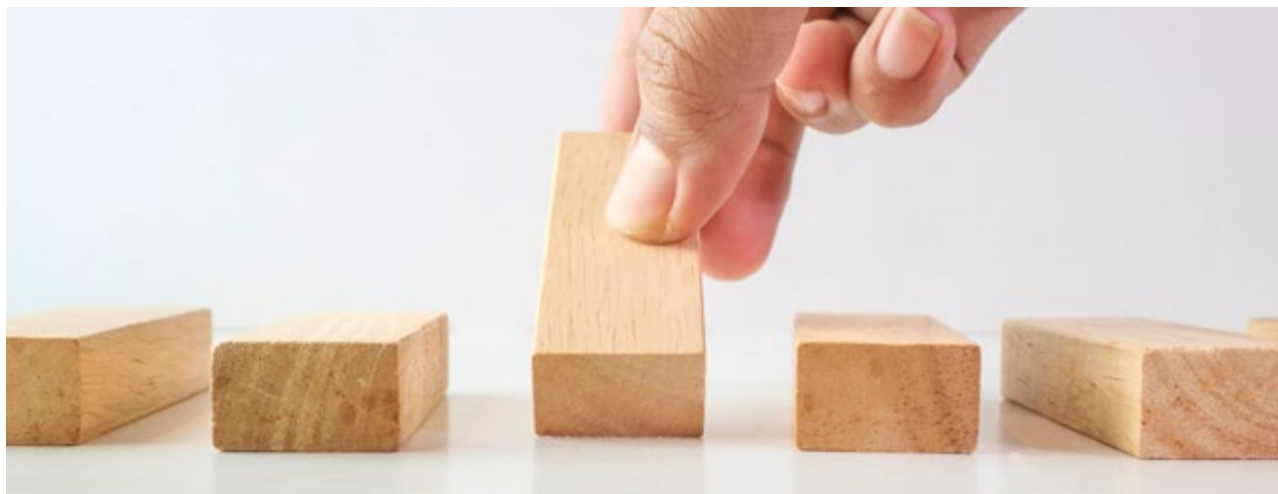
Spain's economy is expected to continue growing at a healthy y-o-y rate of **2.3%** in 2019.

Inflation

When we talk about **inflation** in Spain, we often refer to the Consumer Price Index, or **CPI**. Spain's CPI tracks variations in the prices of a fixed 'basket' of goods and services purchased by Spanish households for their own use or consumption.

Inflation fell to 1.2% in December, as a result of the sharp drop in oil prices. Despite the gradual increase in commodity prices, lower energy costs are expected to keep a lid on inflation in **2019**, with the estimated average standing at **1.3%**, according to Oxford Economics.

Over the next five years, inflation is expected to rise steadily, growing by an average of circa **1.7%** each year.





14.5%
2018
unemployment
record in Spain,
minimun in 10 years

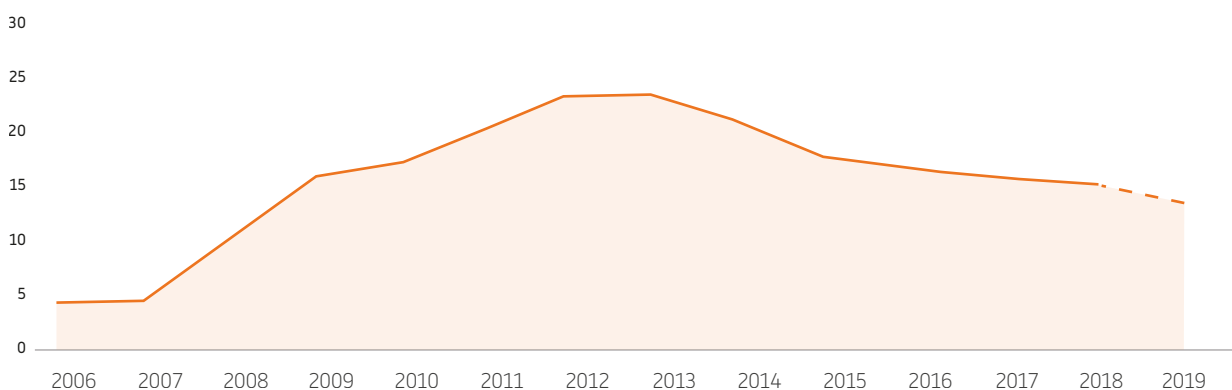
Employment

Purchasing power of Spanish households continues to rise, reflecting country's **strong economic performance and rising employment levels**. Data from the Labour Force Survey (LFS) indicates that Spain's **unemployment rate** stood at **14.45%** at the end of 2018, slightly lower than its equivalent for 2017. This confirms that unemployment in Spain remains at the lowest recorded levels since 2008.

The number of economically active persons rose faster than the number of those out of work fell. This can be explained by the fact that Spain's working population grew by 14,900 over the course of 2018 to reach **22.9 million**, resulting in a **labour participation rate of 58.6%**.

Salaries in Spain have increased by **4%** in the last year, with this growth driving consumer spending.

Unemployment rate in Spain (%)



Source: Oxford Economics



83 million
international
tourists in Spain
in 2018

Consumer Confidence Index

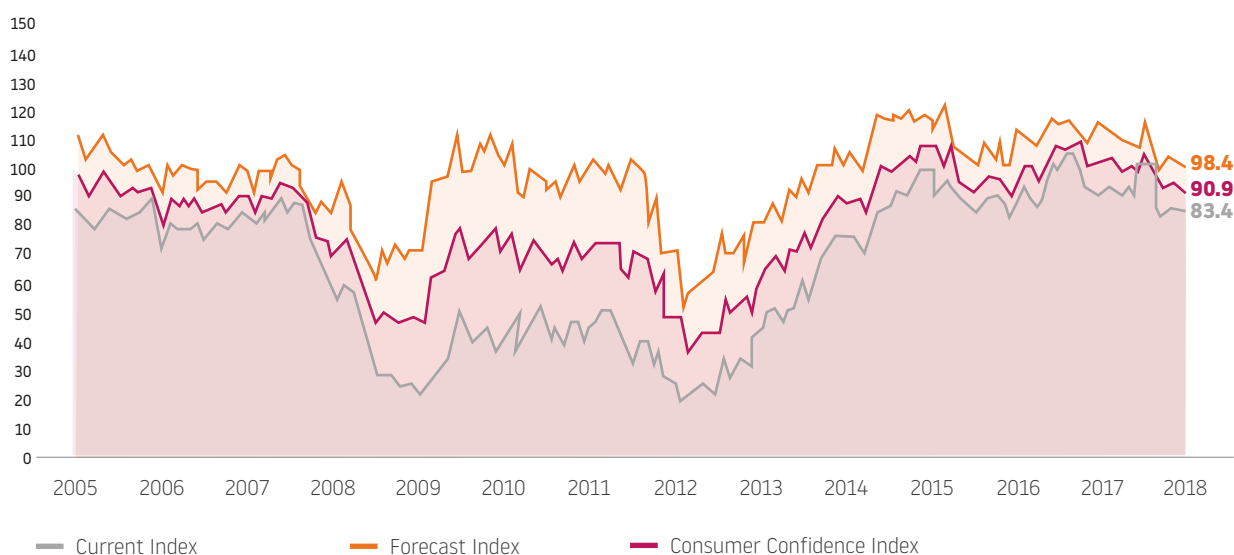
The **CIS Consumer Confidence Index (CCI)** for December stood at **90.9 points**, 0.5 points down on the previous month.

Tourism

Spain is the second most popular tourist destination in the world – behind France and ahead of the US. It received a total of **82.8 million international tourists** in 2018, up 1.1% y-o-y.

In terms of **tourist spend**, Spain has regained second position in the world ranking and first in Europe, with close to **EUR90,000 million** spent during 2018, up by 3.3% y-o-y.

Consumer Confidence Index, current Index and forecast Index evolution



Source: Centro de Investigaciones Sociológicas (CIS)

II. Investment



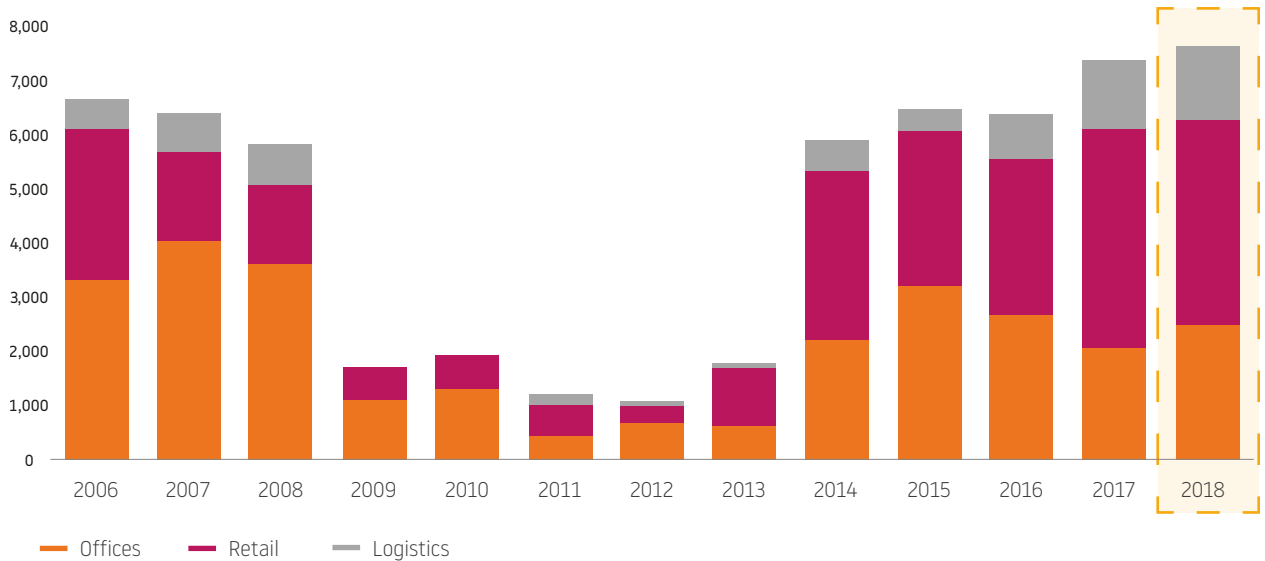
Commercial (retail, offices and logistics) investment in Spain in 2018: **€7,850 million**

50% corresponds to
retail sector

Commercial (offices, retail and logistics) **investment** volume reached circa **EUR7,850 million** in Spain in **2018**, up 4% on 2017. If the hotel investment volume was also added, the 2018 figure would reach circa EUR9,800 million.

The **most dynamic sector in terms of investment was retail**, with EUR3,880 million in transactions, followed by offices (EUR2,530 million) and logistics/industrial property, which attracted investment to the tune of EUR1,440 million.

Commercial investment volume (€Mn)



Source: JLL



The **healthy growth of the Spanish economy** and the occupier market has had a positive knock-on effect on the retail investment market. Following **record levels of retail investment in 2017, 2018 did not disappoint**, with a total investment volume of **EUR3,880 million**.

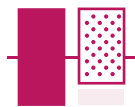
Full year strong results were bolstered by the sale of two large shopping centre portfolios in the second half of the year, for a combined sum in excess of EUR450 million. In Q4 alone, a total of **EUR1,290 million was invested in the retail sector**.

Once again, **shopping centres** were at the top of the table for retail investment volume, posting a total of **EUR1,730 million** for the year (45%). Coming in a close second was the high street segment, with **EUR1,396 million** in transacted volume. Investment in retail parks and other retail assets rounded out the total at EUR320 million and EUR434 million, respectively.

In 2019, **investment is expected to remain on a par** with the last two years.



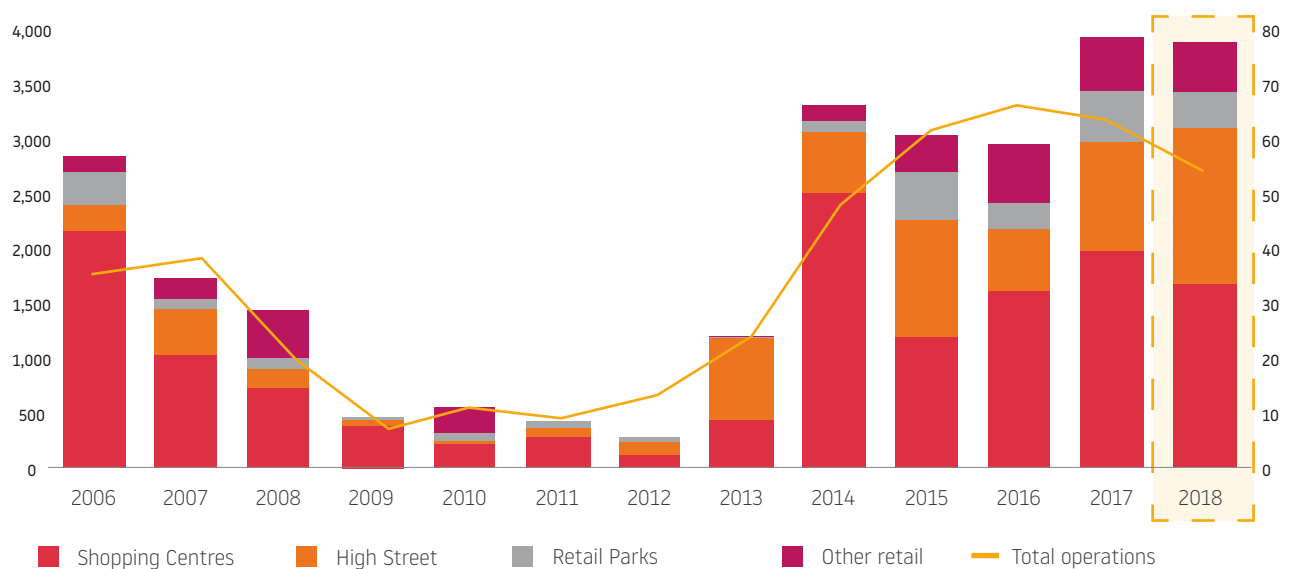
Retail investment hit record highs once again in 2018:
€3,880 million



€1,730 million invested in shopping centres



Retail investment volumen by asset class (€Mn)



Source: JLL

Investment funds proved to be the most active investor group in 2018, accounting for **33%** of the capital invested in retail properties in Spain. However, **SOCIMIs** (listed real estate investment companies) also ramped up their investments, representing **31%** of capital invested in the country.

A great deal of investment in Spain comes from overseas, so much so, that in 2018, **80% of the capital invested** in retail properties came from overseas.

III.

Retail market

Prime rents

Prime rents for retail property continue to grow from one year to the next. The average annual high street rent unit rose by 5% in 2018 to reach EUR3,528 per sqm. **Shopping centre rents jumped 4.3%** to an average of **EUR1,170 per sqm per year**, compared with EUR1,122 per sqm per year in 2017. The biggest increase, however, was in **retail parks**, where **rents were up 5.4% y-o-y**. Prime rents in this segment now hover around **EUR234 per sqm** per year, compared with €222 per sqm per year in 2017.

In terms of shopping centres, Spain is forecast to see some of the **highest rental growth** in Europe over the next four years, with rents set to rise by an average of **1.6%** each year until 2022.



€1,170
per sqm/year
in Shopping Centres
+4.3% vs. 2017



€234
per sqm/year
in Retail Parks and
Warehouses
+5.4% vs. 2017



Prime yields

Yields for **high street and retail park property held steady in 2018**. A prime yield of **3.15%** is achievable for units in the best high street locations, whereas for retail parks the prime yield sits at **5.25%**

The prime yield for **shopping centres** closed the year on **4.50%**. These properties, most of which are core assets, remain an attractive proposition for investors.

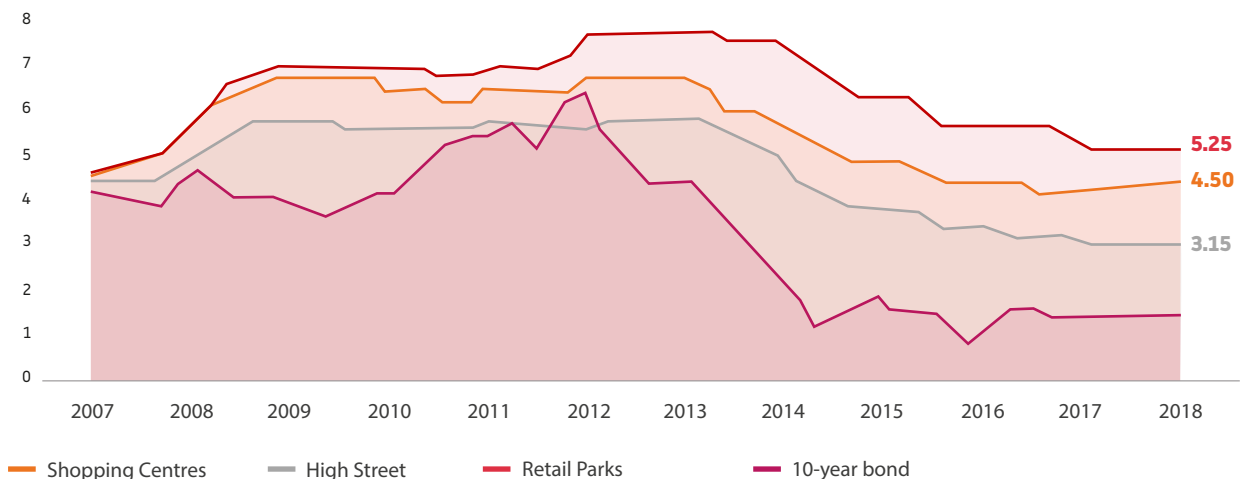


4.50%
Shopping Centres
prime yield

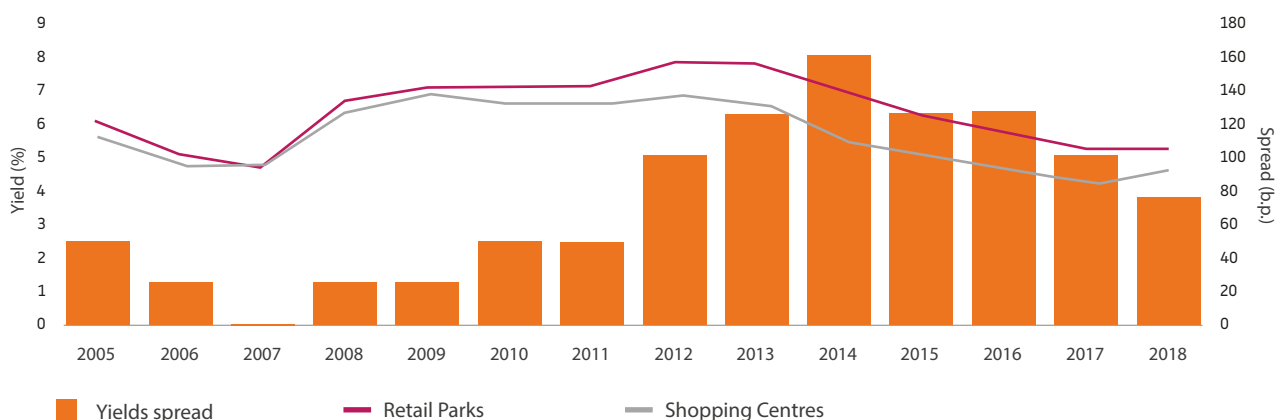


5.25%
Prime yields
in Retail Parks
and Warehouses

Prime yields (%)



Prime yields spread. Retail Parks vs. Shopping Centres



Source: JLL



Footfall

The YTD evolution at 31 December 2018 stood at **0.0%**. Footfall in Spain **grew by 2.0% y-o-y in December**, registering the sharpest m-o-m increase of the year (+18.8%), according to the ShopperTrak footfall index.

The **purchasing power** of Spanish households continues to rise, reflecting the country's **rising employment levels** and burgeoning **economic growth**, which are driving the retail market and pushing up **consumer footfall as a result**.

Below is a breakdown of the **monthly and annual visitor numbers** at the shopping centres during the past six months, according to the leading ShopperTrak index:

	Monthly variation	Annual variation
July	16.1%	-2.3%
August	-3.0%	1.4%
September	-6.3%	-1.7%
October	0.7%	3.4%
November	6.0%	2.4%
December	18.8%	2.0%

Source: Shoppertrak Index

Sales

Retail sales remained unchanged (**0.0% y-o-y**) according to the latest figures published by INE.

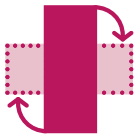
Looking ahead, **retail sales are set to grow by an average of 1.5%** each year until 2021, according to estimates by Oxford Economics.

At year-end 2017, e-commerce sales accounted for just **4.2%** of all retail sales, moving €30,406 million in 2017, and registering the heaviest weighting in the fashion and food sectors.

According to data published by the National Commission of Markets and Competition (Comisión Nacional de los Mercados y la Competencia - CNMC), annual turnover in the sector reached more than **EUR 40,000 million** in 2018. E-commerce now accounts for **5% of total retail sales** in Spain (the European average stands at 9%)

The sub-sectors with the highest e-commerce turnover in Spain during 2018 were travel agents and tour operators (14.8% of total turnover), with air transport in second place (11.8%) and fashion in third (5.5%)

Although the **online sales volume** remains well below the European average, it has registered double-digit annual growth in recent years, **climbing 27%** in 2018.



Shopping centres are becoming omnichannel spaces offering multiple experiences



40% of visitors choose which shopping centre to visit based on its food & beverage offering

Shopping centres are developing digital apps that combine both physical and online platforms, focusing their efforts on an omnichannel sales strategy. E-commerce is also **forcing shopping centres** to change and allocate more space for **leisure and food & beverage** in order to provide an **improved visitor experience**. Shopping centres are becoming omnichannel spaces that offer unique experiences that are the key to providing added value over e-commerce.

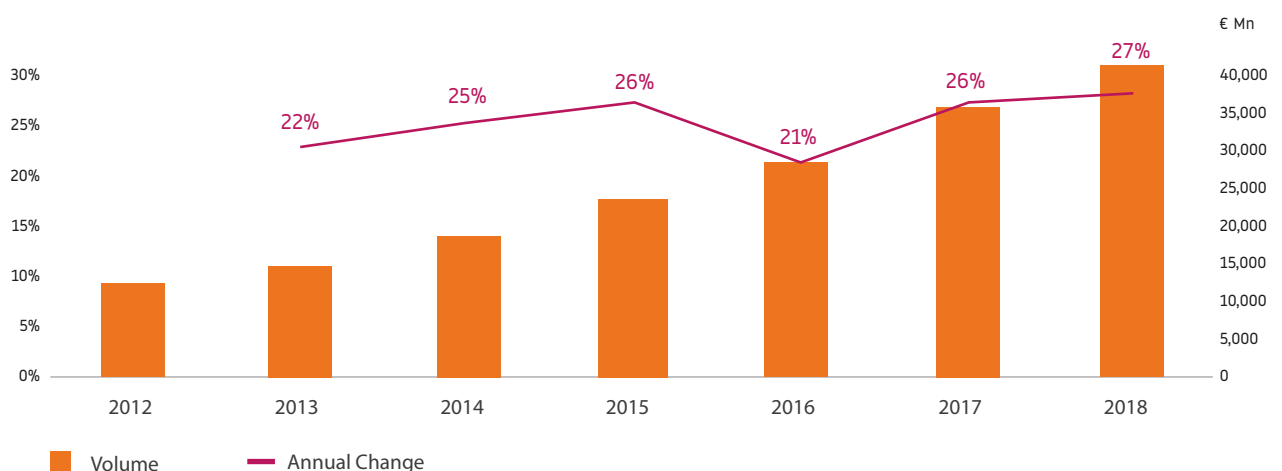
Retail properties with a stronger focus on **food & beverage, leisure and consumer experience** will be the ones thriving in the future. Creating a **consumer experience** is one of the main advantages that shopping centres have over e-commerce. It is increasingly important to understand the **customer journey** and recognise that it doesn't just start when a customer

steps foot in a centre – it starts from the moment they very first think about shopping.

Retailers continue to adapt their business models to the new consumer habits, with many entering into omnichannel retailing. Retailers are focused on prime locations, investing in **brick-and-mortar stores as a necessary addition to complement their online outlets**.

Meanwhile, companies that have traditionally operated as pure players, such as Amazon, have now started to open brick-and-mortar stores, highlighting the importance of an omnichannel approach.

Growth of e-commerce in Spain



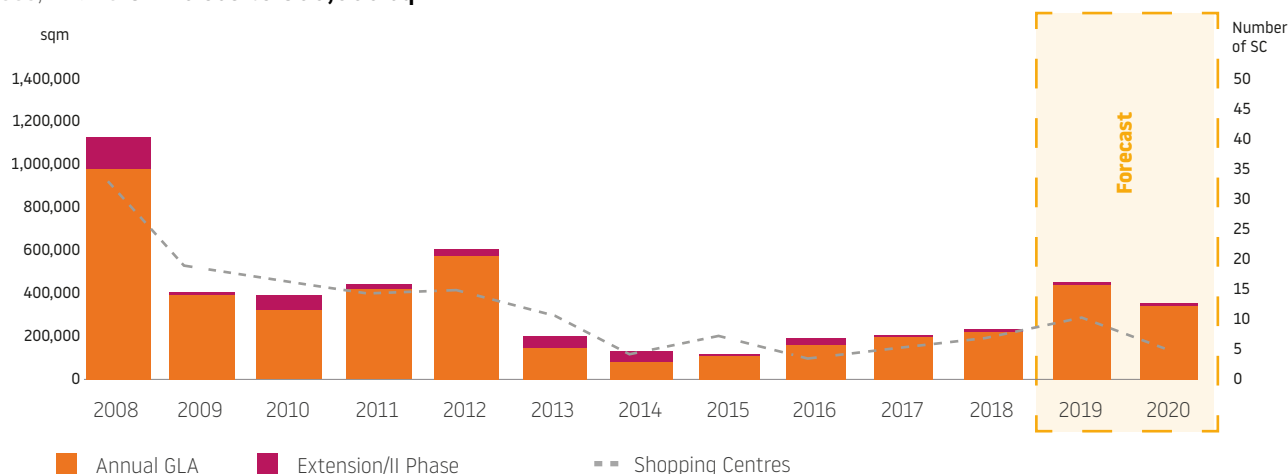
Source: CNMC

Stock

244,000 sqm of GLA has been opened in 2018, the majority of which pertaining to seven new retail properties that opened their doors during the year. Another small part of the GLA relates to **extensions and second phases**. These figures are in line with those registered in 2017.

In 2019 and 2020, **15 assets** are estimated to be opened, without considering extensions and second phases, with a **SBA close to 800,000 sqm**.

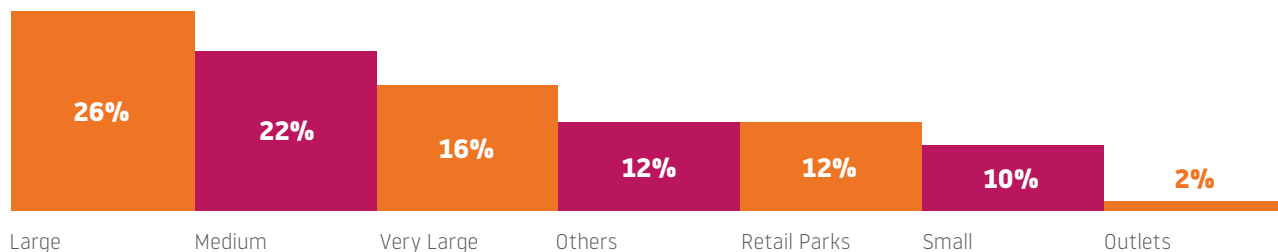
The red alert for shopping centres in the US doesn't appear to have reached Spain just yet. In fact, quite on the contrary, there has been **a real boom in development activity** over the last three years.



Source: JLL

According to data from the Spanish Shopping Centres Association, there are currently **563 shopping centres and retail parks** in Spain, with a total gross lettable area of **16 million sqm**.

Stock distribution by asset class (*)



(*) According to Spanish Association of Shopping Centres (AECC):

Very Large (>79,999 sqm)

Large (40,000-79,999 sqm)

Medium (20,000-39,999 sqm)

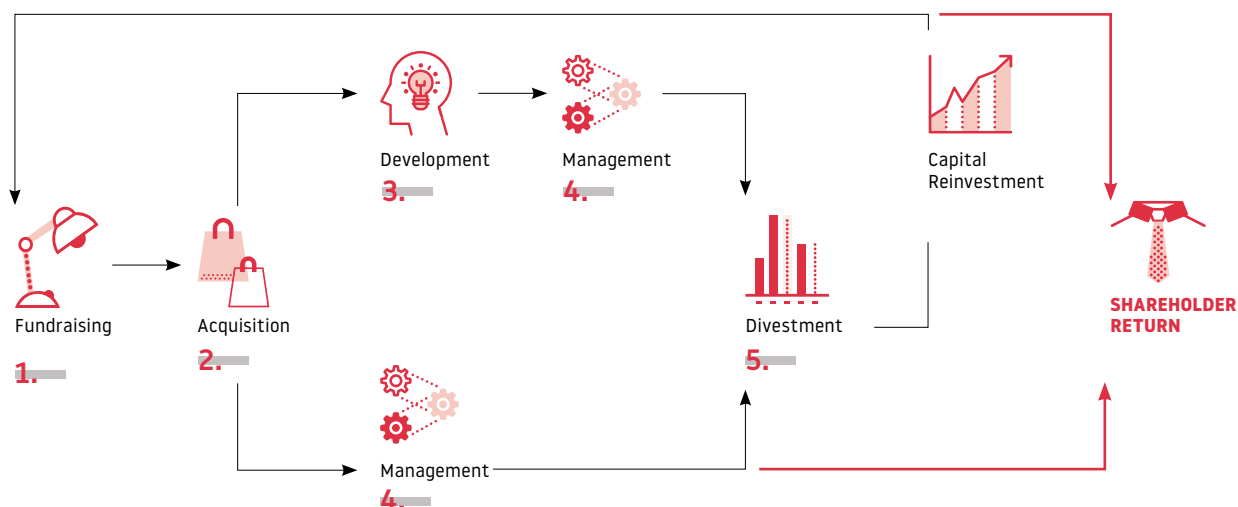
Small (5,000-19,999 sqm)



Shopping Centre
Lagoh (Sevilla)



2.2 Business model



1.

The **investment** and real estate management process begins at the level, where investment decisions are made and **financing** obtained through:

- 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.

3.

In the property **development, construction and refurbishment phases**, we pay special attention to reducing negative environmental and social repercussions.

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.



2.3.

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 works with the following asset classes:

- **Shopping centres and retail parks:** Retail unit and retail warehouse lettings. Its strategy is focused on identifying shopping centres that are poorly managed and that have **strong upside potential**, especially centres where there is an opportunity for repositioning or extending them.
- **Offices:** Office lettings. Lar España has and is currently implementing a value-add plan for the office properties in its portfolio, with the aim of **maximising shareholder returns** when they are sold. At present, we have just one office building in our portfolio, Eloy Gonzalo, which we are in the process of divesting.

During 2018, Lar España **completed the divestment of its entire logistics portfolio**. The Company has already started the **delivery of the first apartments** of the luxury residential project **Lagasca99**.

The Group's **investment strategy** focus is now entirely on **retail properties**.

The Company's investment policy is primarily based on:

- Strategic assets, **shopping centres and retail parks**.
- Investment opportunities in **dominant retail assets in their catchment area** that offer significant upside via management, avoiding the segments where there is greater competition.
- **Risk diversification**, expanding in Spain and primarily investing in retail spaces.

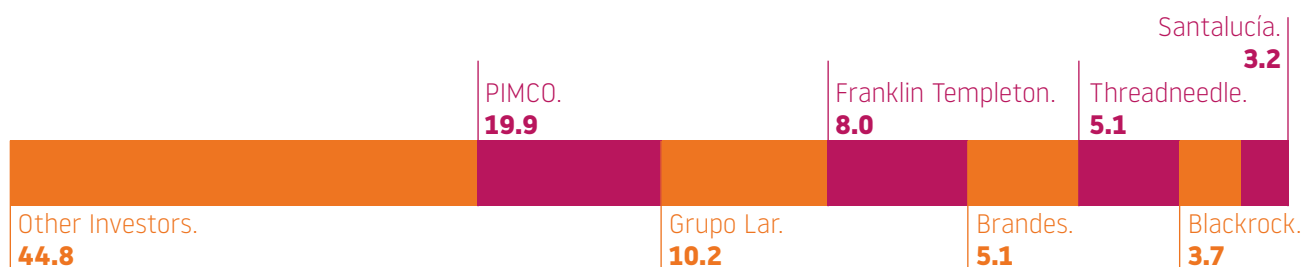
The company's pipeline remains solid, allowing it to continue to comfortably meet its forecast investment targets.

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

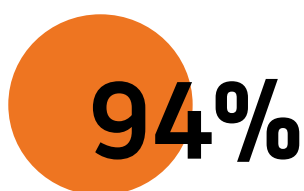
Lar España's shareholders include some of the most important investment and financial groups in the world, such as **PIMCO** and **Franklin Templeton**.

Shareholder structure 31 December 2018 (%)



Shareholder structure by profile

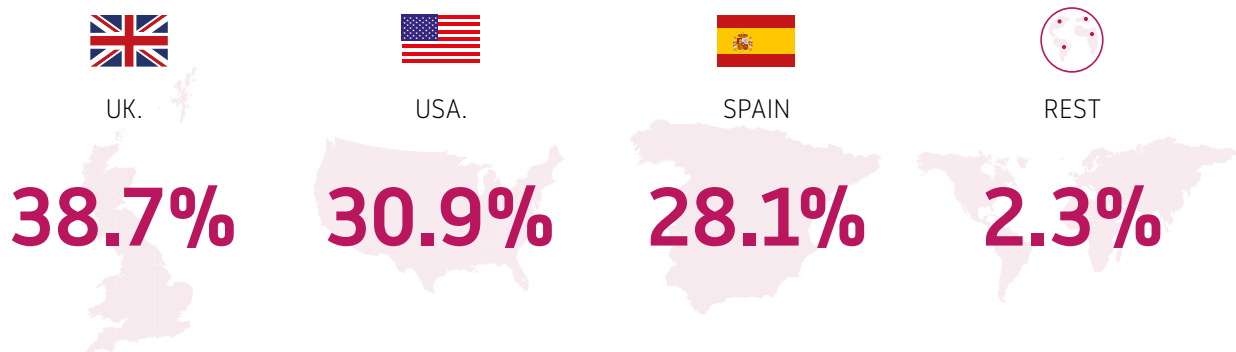
Institutional.



Retail.



Institutional shareholders by geographic area



Organisational structure

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

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

It comprises 7 members, **5 of whom are independent and 2 of whom are proprietary**, from PIMCO and Grupo Lar.

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 3 – **Good Governance**).



Mr. José Luis del Valle

- Chairman
- Member



Mr. Alec Emmott

- Director
- Member



Ms. Leticia Iglesias

- Director
- Chairwoman



Mr. Roger Maxwell Cooke

- Director
- Chairman



Ms. Isabel Aguilera

- Director
- Member



Mr. Laurent Luccioni

- Director
- Member



Mr. Miguel Pereda

- Director
- Member

■ Independent Director ■ Audit and Control Committee ■ Proprietary Director ■ Appointments and Remuneration Committee

Mr. Juan Gómez-Acebo
Secretary of the Board (Non-Director)

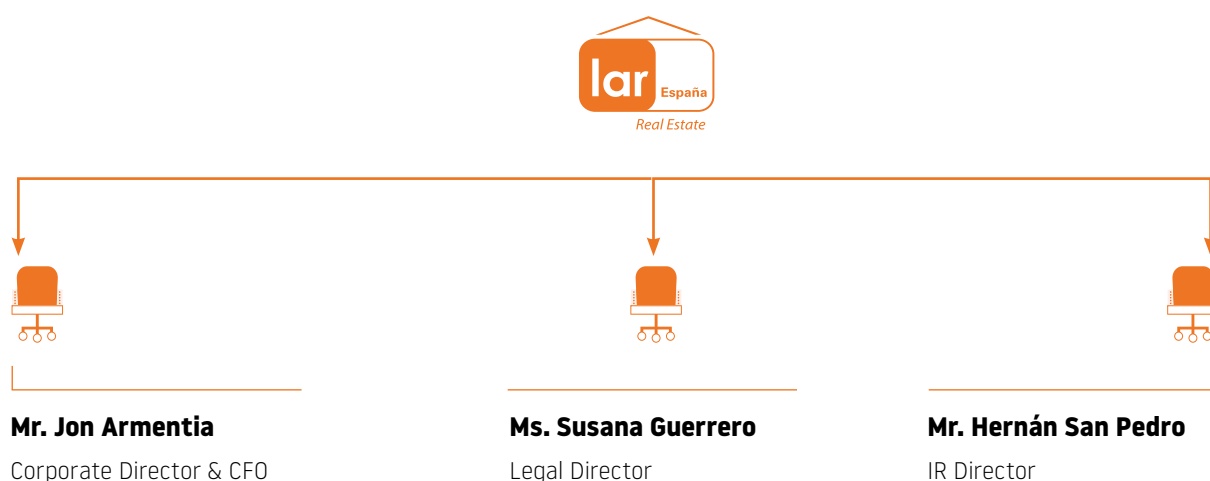
Ms. Susana Guerrero
Vice-secretary of the Board (Non-Director)



Lar España also features a **Management Team** that runs Lar España and is comprised of three people (two men and one woman) 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 2018 stood at 0%.

Its structure is detailed below:



At the same time, Lar España has an **Internal Audit Service (SAI)**, which, although it is not the Company's employees, reports directly to the Audit and Control Committee.



Mr. Jon Armentia

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

Mr. Jon Armentia was appointed CFO 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 17 years of experience in audit, finance and real estate, in which he has participated in several Committees and Boards of Directors.

“During 2018, we have consolidated our leading role in the retail sector and boast a solid financing structure”



Ms. Susana Guerrero

Ms. Susana Guerrero is the Legal Manager and Vice-secretary of 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 and boasts extensive experience in corporate governance, serving as Secretary of the Board of Directors at companies across a range of different sectors.

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

“Maintaining the very highest standards of good governance and regulatory compliance is a fundamental priority at our Company”



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 30 years of experience in different positions in the financial, insurance, construction and real estate sectors.

“During 2018 almost all the houses that cover the company have maintained their BUY recommendation”



Lar España is still the leading SOCIMI in terms of **EPRA financial and sustainability reporting** according to EPRA standards

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/NA-REIT index**, a select global index designed to showcase general trends, which includes some of the biggest real estate companies in the world.

In September 2018, Lar España was awarded for the fourth year running the **Gold Award** from the European Public Real Estate Association (EPRA) **in recognition of the quality of the financial information** provided by the company. Lar España was also awarded for the first time with the most prestigious recognition from EPRA, the **Gold Award**, related to the **information about Corporate Social Responsibility**.

This highlights the international recognition for the information reported by Lar España and made available to its shareholders.

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.





Vision

To create unique shopping experiences by combining leisure and retail via an omnichannel approach.



Mission

To maximise shareholder returns via the responsible and efficient management of our retail properties, incorporating technology as a key element to then add value for both our retailers and customers.



Values

Corporate focus
RESPONSIBILITY

Market focus
INNOVATION

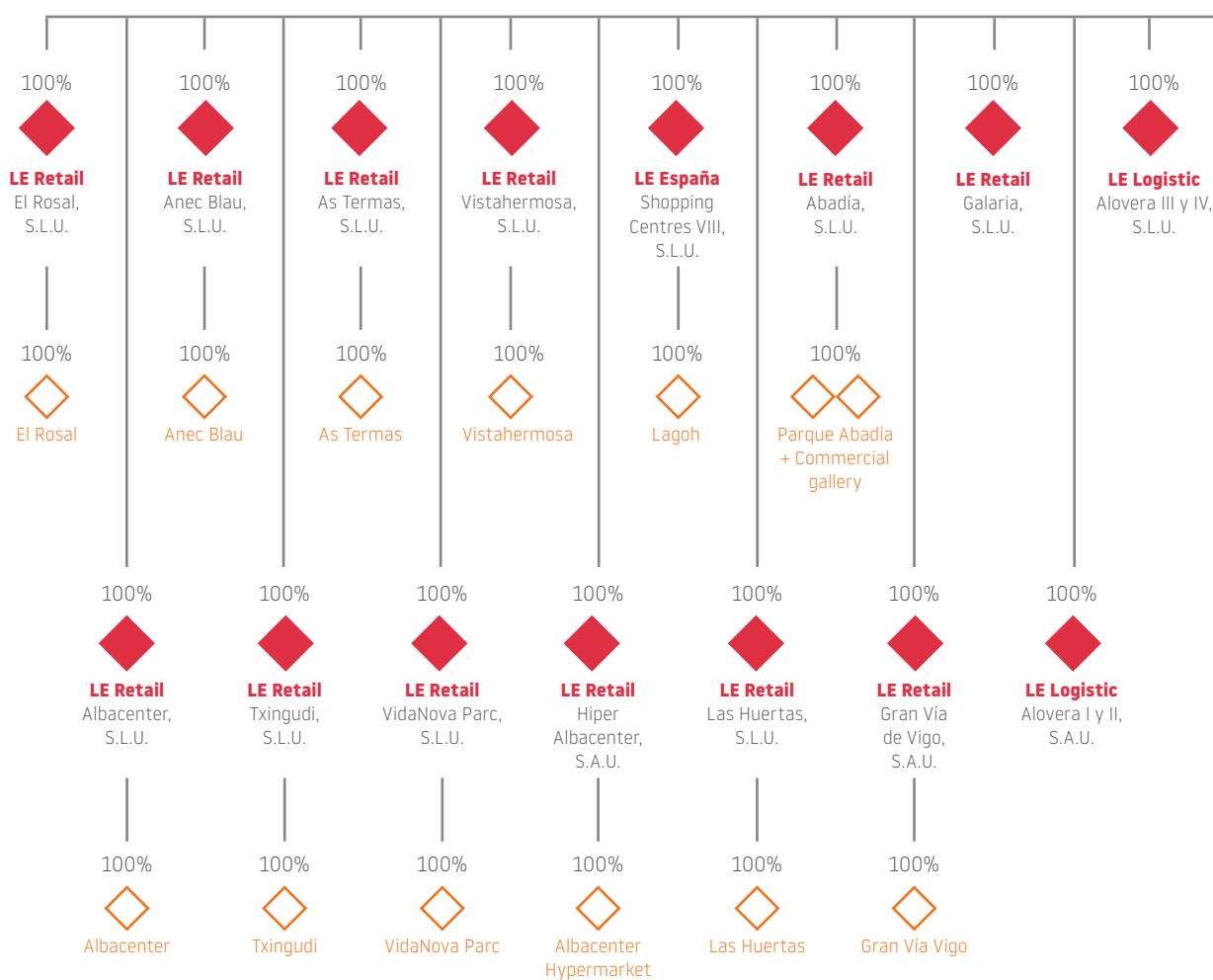
Investor focus
TRANSPARENCY AND HONESTY

Customer focus
QUALITY AND RESPECT

2.4

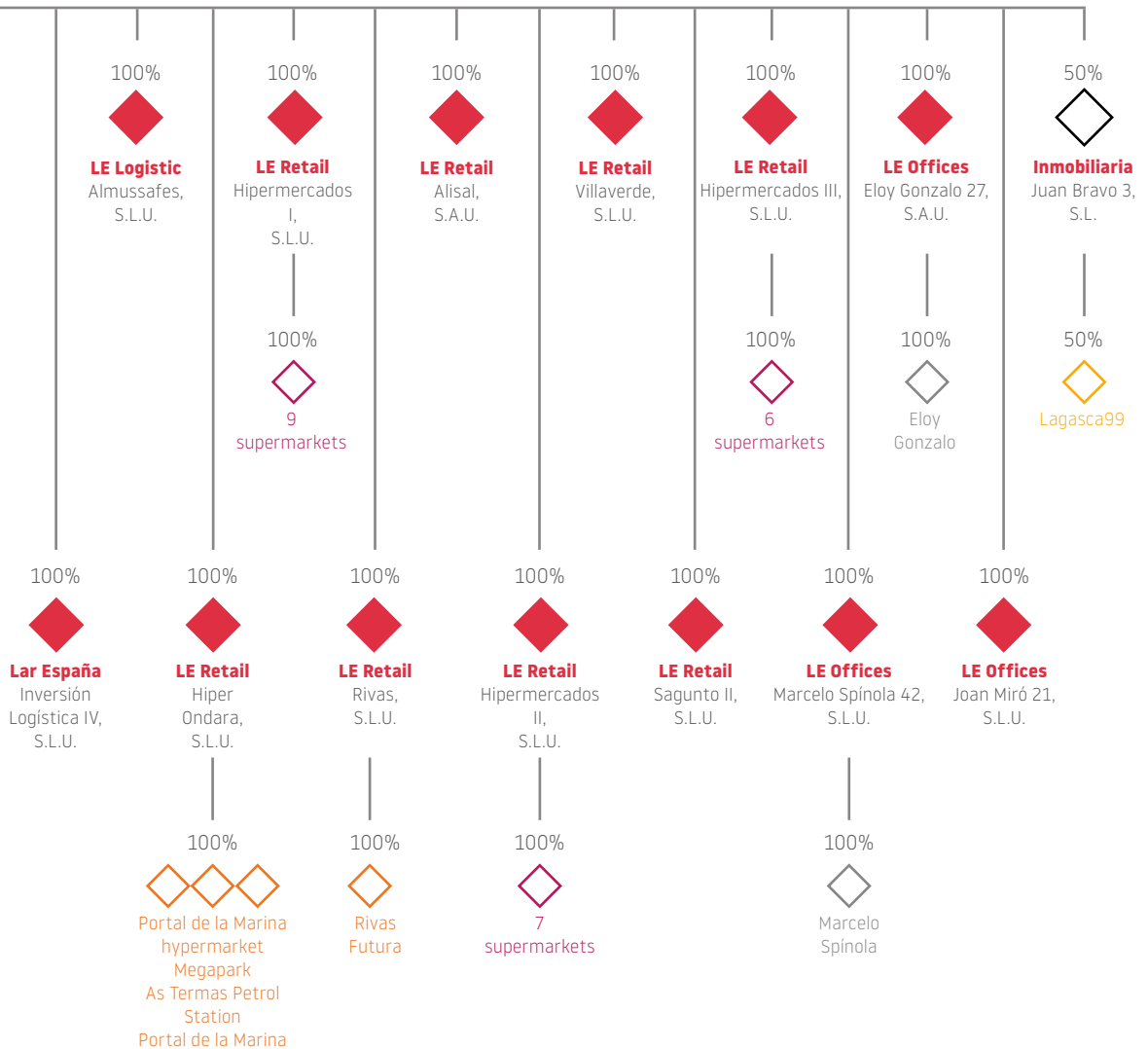
Company chart 31.12.2018

Group scope of accounting/financial consolidation as of 31 December 2018 is as follows:



Company

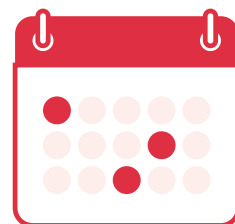
Full Consolidation
 Equity Method



Asset Class

- Shopping Centres
- Retail Units
- Offices
- Residential

2.5 Main milestones



2018



JANUARY.

+28.5% value uplift versus acquisition price

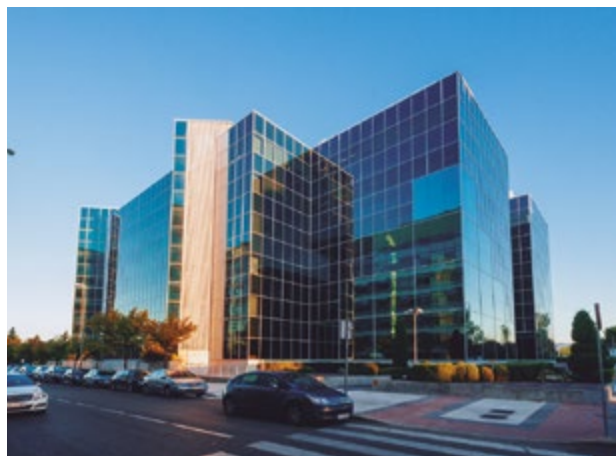
Lar España received the valuation reports for its assets as of 31.12.2017, which assigned them a total value of **EUR1,537.6 million**, up **28.5%** versus their acquisition price.

Divestment of Egeo office building

As sole shareholder and owner of the Egeo office building, the Company transferred all of its shares for an initial price of **EUR79.3 million** (a figure which could be upwardly adjusted), achieving **22.2%** capital gains on the acquisition price

Megapark Leisure financing

Lar España signed a **EUR8.2 million** financing agreement for the acquisition and subsequent refurbishment of the **leisure area at Megapark Barakaldo**.



FEBRUARY.

Acquisition of Rivas Futura Retail Park

The Company acquired 100% of the shares held by the Spanish company owning the **Rivas Futura retail park** for a total of **EUR61.6 million**. The park comprises a gross lettable area of approximately 36,724 sqm.

Renewal of the Manager's management contract

Renewal of the terms of the **investment management contract** with **Grupo Lar**, for a term of 4 years from 1 January 2018. Certain modifications were made to the terms of the agreement, please see our website for more information.

Acquisition of Parque Abadía Commercial Gallery

The Company acquired the **Parque Abadía commercial gallery for EUR14 million**, taking its total ownership of the complex to over 43,252 sqm (following on from the acquisition of the retail park in March 2017)



MARCH.

Sale of the Nuevo Alisal retail warehouse

Lar España sold the retail warehouse located in Santander for **EUR20.9 million**, achieving a value uplift of **23.1%** on the acquisition price.

Sale of the Villaverde retail warehouse

Lar España sold the retail warehouse for **EUR12.3 million**, achieving a value uplift of **34.7%** on the acquisition price.

APRIL.

Annual General Shareholders Meeting

The Lar España **Annual General Shareholders Meeting** was held on 19 April 2018.

Dividend

Following approval at the Annual General Shareholder Meeting, the shareholder **dividend payment** was made. The total dividend was fixed at **EUR0.486 per share**.

MAY.

Share capital increase to reinvest the performance fee

Lar España hereby informs the approval a **share capital increase** for an total amount of **EUR20.9 million** with the sole purpose of converting into shares the amount payable to Grupo Lar as **performance fee** for the financial year 2017, as well as the amount payable in **connection with the divestment of real estate as-**

sets for more than 100 million euro (divestment fee), to be **invested in shares of the Company**.

JULY.

+33.8% value uplift versus acquisition price

Lar España received the valuation reports for its assets as of 30.06.2018, which assigned them a total value of **EUR1,580.2 million**, up **33.8%** versus their acquisition price.

Lagoh shopping centre financing

The Company has entered into a **syndicated bank financing** agreement for a total amount of **EUR 98.5 million** and **7 years duration**, for the development and future management of the shopping centre located in Seville.



Grupo Lar performance fee reinvestment

Lar España raised **EUR20.9 million** via a share capital increase, which included the subscription of pre-emptive rights, fully subscribed and paid up by Grupo Lar, increasing the latter's stake in Lar España to **9.99%**.

Consequently, the **share capital** of Lar España has been set at **EUR 189,527,068**, divided into 94,763,534 shares

Logistics portfolio divestment

The Company has transferred to companies indirectly controlled by investment funds affiliated to The Blackstone Group LP (i) five logistic assets with a total gross leasable area (GLA) of 161,838 sqm and (ii) 17 plots with a total gross area of 181,617 sqm, intended for logistical use in Cheste (Valencia) for a total price of **119.7 million euros**. The sale price agreed for the transfer of the mentioned properties represents a capital gain of **83%** on the acquisition price paid by the Company for said properties.



AUGUST.

Parque Galaria retail warehouse divestment

The Company has transferred to Fructiregions Europe SCPI two retail warehouses in Parque Galaria retail park (Pamplona) with a total gross leasable area (GLA) of approximately 4,108 sqm for a total price of **11.5 million euros** that represents a capital gain of **36.9%** on the acquisition price paid by the Company.



SEPTEMBER.

Share buy-back program implementation

Lar España has also launched a **share buyback programme** with a maximum buyback limit of **EUR30 million**. The maximum number of shares that the Company can buy back is 3,160,000, representing **3.33% of share capital**. The buyback programme has been implemented by JB Capital Markets, S.V., S.A.U.

EPRA Awards

In September 2018, Lar España was awarded for the fourth year running the **Gold Award** from the European Public Real Estate Association (EPRA) in recognition of the **quality of the financial information** provided by the company. Lar España was also awarded for the first time with the most prestigious recognition from EPRA, the **Gold Award**, related to the **information about Corporate Social Responsibility**.



OCTOBER.

2018 Investor Day

On 9 and 10 October 2018, in Madrid and London, respectively, Lar España held its second “**Investor Day**”, at which investors were given, among other things, a first-hand look at the SOCIMI’s progress in terms of digital transformation – referred to as the **TES Project** (Technology, Engagement and Sustainability) – and at how the company is progressing with its business plan.

Composition of the Board of Directors

Mr Pedro Luis Uriarte Santamarina, independent director of the Company, tendered his resignation from the referred position, based on personal and family reasons. The Appointments and Remunerations Committee, has resolved to appoint **Ms Leticia Iglesias Herraiz as independent director of the Company**, by means of the co-option procedure. Additionally, the Board of Directors has resolved to appoint Ms Leticia Iglesias Herraiz as member and Chairwoman of the Audit and Control Committee.

European Investment Bank (EIB) financing

The Company entered into a seven years’ credit line for a total amount of **70 million euros** with the European Investment Bank (the “EIB”). The referred financing granted by the EIB has the support of the Investment Plan for Europe.

DECEMBER.

Joan Miró office building divestment

At 28 December, Lar España transferred to an AEW company named Grantham Invest, S.L. an office building and a retail unit on the ground floor at Calle Joan Miró 19-21 Barcelona, with a total gross leasable area (GLA) of approximately 9,904 square meters. The sale was formalized for a total price of **28.8 million euros** that represents a capital gain of **26.9%** on the acquisition price.

Share Buy-Back Program term extension and amortisation

The Board of Directors **agreed to extend the term of the share buy-back program** of the Company setting a new expiration date on **28 February 2019**.

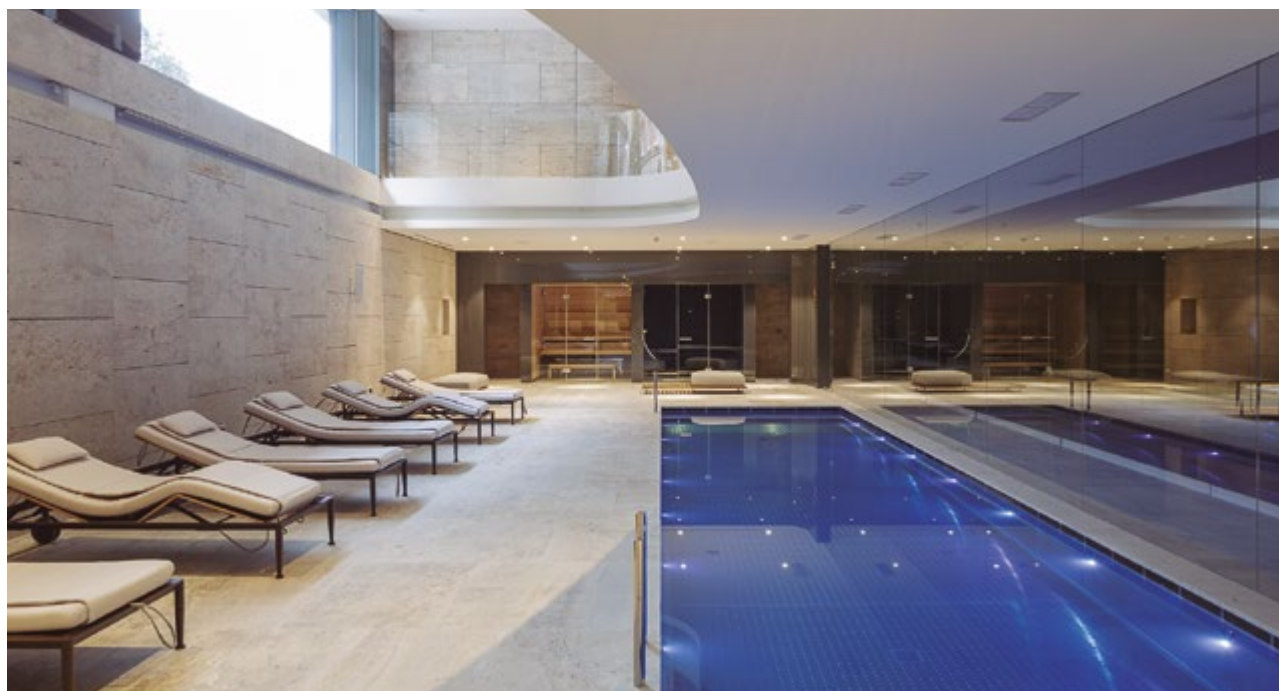
The shares acquired to that date were amortised.

First apartments at Lagasca99 delivered

December saw the **first apartments** at the luxury residential development **Lagasca99** handed over to owners, taking the percentage of units delivered up to **29%** by 31 December 2018.

+40.0% uplift on the acquisition price

Lar España received the valuation reports for its property portfolio as of 31.12.2018 with a total market value of the company's portfolio of **EUR 1,535.9 million** up **40.0%** versus their acquisition price.



2019

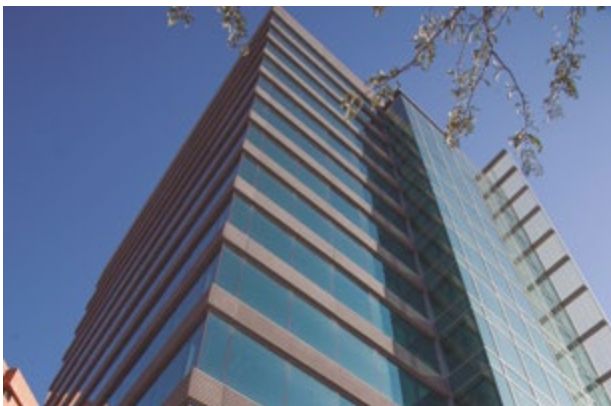
JANUARY.

Share capital decrease registration

Lar España informed that the public deed regarding the **reduction of share capital**, granted on 28 December 2018, has been duly registered with the Commercial Registry of Madrid. Consequently, the share capital of Lar España has been reduced in the amount of EUR 3,088,980.00, through the cancellation of 1,544,490 own shares with a face value of two euros each. The **share capital** resulting from the reduction has been set at **186,438,088.00 euros**, represented by 93,219,044 shares with a face value of two euros each.

Cardenal Marcelo Spínola office building divestment

Lar España transferred to an INVESCO company named IRE-RE Espinola, S.L.U. an office building at Calle Cardenal Marcelo Spínola 42 de Madrid, with a total gross leasable area (GLA) of approximately 8,875 square meters. The aforementioned sale was formalized for a total price of **37 million euros** that represents a capital gain of **94.7%** on the acquisition price.



MARCH.

Completion of the Share Buy-Back Program

Lar España reported the end of the **Buy-Back Programme**. The Company has acquired, under the Buy-Back Programme, a total amount of 3,091,141 own shares, representing **3.31% of Lar España's current share capital**.

New Share buy-back program beginning

A **new share buyback programme** has been launched, with a maximum buyback limit of **EUR42 million**. The maximum **number of shares** that the Company can buy back is **4,660,000**, representing 5% of share capital. The buyback programme has been implemented by JB Capital Markets, S.V., S.A.U., and has a maximum term of nine months.

2.6

Grupo Lar, Lar España's Manager

Lar España Real Estate SOCIMI, S.A., is exclusively managed by **Grupo Lar**, a seasoned, family owned, Spanish private real estate developer, investor and asset manager with over 50 years of experience, working both national and internationally.

In February 2018, Lar España entered into an agreement with Grupo Lar in order to **novate the investment management** agreement until 2021.





Strong management team with **large experience and knowledge** of the Spanish real estate market

I. Grupo Lar's competitive advantages



1. Stable ownership & governance



The **Pereda Family** owns 100%.



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



259 employees in **6 countries** with on-going training programmes in each country and talent selection processes in order to build on middle management capabilities.



Large experience and knowledge of the Spanish real estate market.

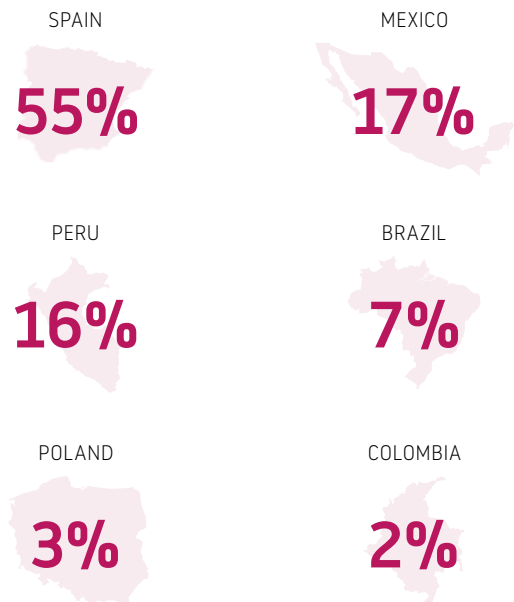


3. Geographical diversification



International presence: the Company portfolio is spread across **6 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 at 31 December 2018



Residential
68%



Shopping Centres
30%

Logistics
1%

Offices
1%



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 Corporations** in order to maximise the return on investment for its partner.



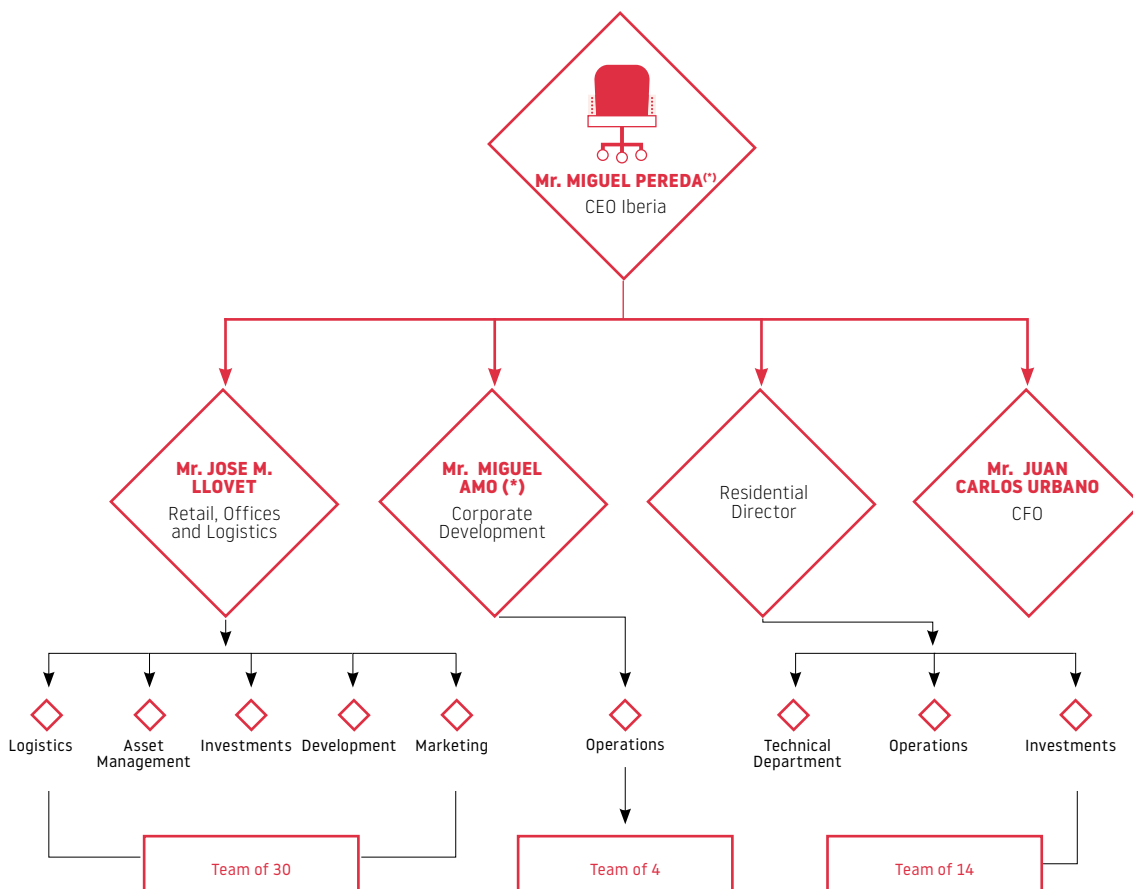
6. Strong balance sheet



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



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



Corporate Services + HOLDING | Team of 40

(*) 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



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 Ivanhoe 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 owns 100% of the capital.

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 **35 shopping centres** and 4 projects of varying types, operating throughout Spain. This equates to a gross lettable area of **1,272,574 sqm**, providing the company with access to up-to-date knowledge and constant contact with the tenants of over 2,700 retail units, including all the **prestigious retailers on the market**.

Gentalia



II.

Grupo Lar fees as Lar España's Manager in 2018

At 19 February of 2018 the Company has entered into an agreement with its investment manager, Grupo Lar Inversiones Inmobiliarias, S.A. (the "Investment Manager"), **in order to novate the Investment Manager Agreement** executed by both parties on 12 February 2014 (the "IMA").

One of the most relevant amendments is the new Investment Manager's fee structure (fixed fees or base fee and variable fees or performance fee) which has been amended in order to improve the **cost structure of the Company and further align the interest of the Investment Manager and the Company's shareholders.**



Base fee (Fixed fees)

Starting in the 2018 fiscal year, the base fee to be drawn by the Investment Manager will be calculated by reference to an annual amount equivalent to the higher of:

- **€2 million**
- The sum of (a) **1.00% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is up to and including **€1,000 million, and (b) 0.75% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is in **excess of €1,000 million.**

As a result, the fixed fees entered in the Global Consolidated Income Statement for Lar España at 31 December 2018 total **8,740 thousand Euros.**

	Thousands of euros
EPRA NAV 31.12.17	951,489
Gross fee	9,515
Grupo Lar expenses incurred by Lar España	(267)
Fees indirectly paid in subsidiary companies ^(*)	(508)
BASE FEE	8,740

^(*) Lagasca99 fees

Performance fee (Variable fees)

Grupo Lar has the right to a **Performance Fee** that is paid to the manager **depending on the profitability obtained by Lar España shareholders**.

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

Likewise, starting in the 2018 fiscal year the **performance fee** to be drawn by the Investment Manager will be **linked to both the EPRA NAV and the market capitalisation of the Company**, and subject to an overall cap equivalent to 3% of the EPRA NAV of the Company as of 31 December of the preceding year.

The amount of this remuneration will be accrued by the Management Company from the moment that:

- **Annual EPRA NAV increase** (net of capital increase and shareholders distributions) up to **10%**:
16% of the amount beyond the 10% of annual increase
- **Annual increase of the market capitalization** (net of capital increase and shareholders distributions) up to **10%**:
4% of the amount beyond the 10% of annual increase

The performance fee calculation is as follows:

	Thousands of euros
EPRA NAV 31.12.17	951,489
EPRA NAV 31.12.18 ^(*)	1,063,147
Gross difference	111,658
2017 Dividend paid in 2018	45,000
Capital Increase	(20,924)
Capital Reduction	12,954
Net annual increase	148,688
INCREASE % 31.12.17 - 31.12.18	15.63%
>10%	5.63%
Return above 10%	53,539
PERFORMANCE FEE	8,566

(*) Pre performance and divestment fee figure



Market capitalization annual increase has not exceeded 10%. Indeed, no amount has been accrued linked to this concept.

The financial statements include the **divestment fee** for an amount of 17,898 thousand Euros that was accrued in Q1 2018 after exceeding €100 million in divestments.

Therefore, the sum of **35,204 thousand Euros** that results from adding the base fee to the performance and divestment fee is entered in the Global dated Income Statement at 31 December 2018 under the heading "Other Costs".

Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation (see section 6 "Financial and 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 (8,566 thousand Euros) to Grupo Lar
- Reinvestment of this amount by Grupo Lar (after tax deductions) via the subscription of new Lar España shares

The 6,424 thousand Euros will be used to acquire new

	%	Thousands of euros
Performance fee	100	8,566
Taxes	(25)	(2,142)
GRUPO LAR REINVESTMENT	75	6,424

shares issued by Lar España via a share capital increase after obtaining the General Shareholders Meeting approval (expected to be held in April 2019).

Lar España and Grupo Lar have agreed to **subscribe new Lar España shares** at the company's 2018's EPRA NAV closing price net of dividend, in other words, at EUR 10.34 per share.





Shopping Centre

Portal de la Marina (Alicante)



2.7

Innovation and technology

Lar España is well aware of the importance of **innovation and the application of emerging technology** in the current environment. It is unwaveringly committed to innovating across the board. 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.

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 help **create value**.

In 2018, the company continued to work on a number of projects rolled out in prior years and launched many new unique and pioneering initiatives. All of its initiatives are framed by the **Technology, Engagement & Sustainability (TES) project**, whose aim is to apply innovative technology to **optimise the customer experience**. As its name suggests, it is articulated around three lines of action: **technology, engagement and sustainability**.



TES project

Lar España is spearheading the sector's digital transformation in Spain and creating value under the scope of its **TES project** (technology, engagement & sustainability).



Technology

Asses and quantify the **visitors experience** at our shopping centres and optimise the management of the shopping centres and client relationship

- E-commerce
- Mobile APP
- Seeketing
- Geoblink
- Social Media
- Wi-Fi
- Omnichannelling



Engagement

Provide a **unique value-add offering** by transforming shopping centres into experience-led destinations

- Optimal retail offering
- High-quality and bespoke services
- Attractive Food & Beverage areas
- Increased leisure and entertainment offering
- Inviting, vibrant and urban spaces



Sustainability

Strategic positioning of each and every one of our properties, considering aspects such as the environment, sustainability, accessibility and society

- Sustainability certifications
- Responsible management
- Commitment to the environment
- Active listeners
- Ethical practices and Integrity
- Transparency

The TES project has two main objectives. Firstly, to position Lar España as **the leading player in the digital transformation of the retail segment**, by creating new and more efficient ways of interacting with external and internal customers. Secondly, **to create shared value** in order to lead economic and social progress, have a real impact on the world and make a difference in people's quality of living and socio-economic development.

In order to showcase this project to one of its most important stakeholder groups, Lar España held its second **Investor Day** in Madrid and London on 9 and 10 October 2018, respectively. At that event, among many other initiatives, the analyst and investor communities had the opportunity to learn first-hand about the advances being made by the company in digital transformation under the scope of the TES project and to verify the degree of progress made on executing its business plan.



Lar España is looking to **optimise shopping centre management** by using advanced analytics.

Technology

On the technological innovation front, in 2018, Lar España introduced improvements to projects launched in prior years, like its **Geoblink** and its **Seeketing** projects. It also focused its efforts on enhancing the apps and websites of each of its shopping centres to make them more user-friendly and interactive.

The company struck a strategic agreement with Ebay, the world's largest online marketplace, for its online e-commerce platform, "**tucentro.com**". The biggest development of 2018 was the implementation of an internal **digital reporting** tool designed to help visualise customers' online shopping patterns.

Geoblink

The main aim of this project is to implement a **location intelligence solution** to give the company insight into the main **social and economic characteristics of its customers**, as well as the key **demographic traits** in the catchment areas of each of the shopping centres owned by Lar España.

The overriding goal is to get to know the company's customers and needs in depth and to **design personalised marketing strategies in response**. It also enables the company to analyse key competitor data and consumer behaviour in order to generate omni-channel content and articulate geomarketing campaigns around shopping trends.

Thanks to the **Geoblink** tool, the company can gather data from mobile phone lines nationwide that enables it to **analyse user routes, behaviour and profiles in real time**. It thus generates data for existing and prospective

customers and even the competition's customers with the goal of searching for **success factors** and measuring results in real time. The shopping centre in As Termas is one example of how we have implemented this tool in our portfolio: there, the communication strategy was focused on external advertising (walls, fences, public poster displays) and mailing campaigns in strategic locations selected by cross-referencing data obtained from the tool (customer departure point, profile).

A new module was created in 2018 called 'Live Data' whose mission is to reveal the conduct of potential customers from anonymised data provided by the mobile operator Orange, yielding a representative sample of the national population, and to facilitate the launch of **effective geomarketing campaigns**.

Seeketing

Lar España is developing a **multi-channel solution** that integrates the information generated via its shopping centre channels, enabling it to then cross reference and analyse the data with the aim of generating value for direct and indirect customers. The **Seeketing** system uses nodes or beacons (antennae) that are installed in the shopping centre (hardware) combined with powerful marketing intelligence software in order to better understand user habits.

This tool has already been implemented at the Albacenter, Anec Blau, As Termas, El Rosal and Portal de la Marina shopping centres. Its key objectives include:



1. Developing proximity marketing initiatives to **drive footfall and customer satisfaction**.
2. **Enhancing** shopping centre **management** by means of advanced data analytics.
3. Tracking the shopping centres' **unique visitors**.
4. Better understanding traffic by store and region and **visit frequency and length patterns**. It is worth noting that the average length of time spent at our centres was 87 minutes in 2018, which marks growth of 6% from 2017.

One of the new developments of 2018 was the introduction of Seeketing sensors in stores; those sensors track the number of people passing through the stores' doors, helping the company's asset managers and

its tenants with their marketing efforts. Those sensors tell us whether we are getting an **optimal rent** at each of our premises and enable us to measure the **impact of the promotional campaigns** undertaken at our shopping centres. They also enable us to compare occupancy costs and identify the scope for boosting returns at certain stores.

Digital Reporting

In July 2018, Lar España implemented a new internal tool to help **analyse potential online shoppers** with the aim of helping the asset managers to identify key trends and design targeted and tailored marketing strategies. To do this it uses three complementary sources of information:



Patterns in traffic (total and by channel) on the websites of Lar España's shopping centres using Google Analytics.



SEO performance analysis based on different measurement parameters (SEO, keywords, URLs, etc.).



Social media analytics and insights based on Lar España's shopping centres and the company's general objectives.

In 2018, a full analysis was undertaken at ten of Lar España's shopping centres and the results helped fine-tune how they are being managed.



With these initiatives Lar España pursues to provide a **multi-channel shopping** platform to its customers

Tucentro.com

Lar España, as a pioneer in the integration of the offline and online shopping channels, launched an additional sales channel for its shopping centres through which customers can shop in its offline stores from an online platform.

In 2018, the company entered into an alliance with Ebay to facilitate shopping over the platform. The goals of this corporate e-commerce endeavour are:



Providing a **multi-channel shopping platform**, enhancing its customers' shopping experience.



Adding value to the company's properties and **differentiating** them from the competition.



Transforming the perceived risk posed by e-commerce into a **new business opportunity**, creating a new source of revenue.



Providing retailers with a **new e-commerce outlet** for the sale of their products.

Mobile apps for customers

In 2018, Lar España's marketing department continued to develop and enhance the shopping centres' individual websites and apps, facilitating **two-way communication** with its end customers. The idea is to use these tools to offer promotions of interest and other information of relevance to its customers.

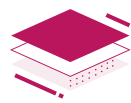
In addition, in keeping with the aim of enhancing communication with the company's key stakeholders, in 2018, the Lar España website and app were upgraded. Here it is worth highlighting the effort made to communicate the company's earnings releases via webcasts and corporate videos.



SEO positioning

SEO positioning refers to the visibility of a website in search results across the various search engines. Lar España works continuously and specifically on **improving its SEO positioning** by designing and adapting elements of its websites to be smarter and more effective with the ultimate goal of:

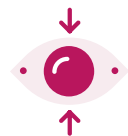
- ◇ Improving its shopping centre websites' positioning in search engine results
- ◇ Analysing and selecting the best keywords for positioning purposes
- ◇ Improve positioning of the URLs, website content and maps, among others
- ◇ Defining and tracking the right KPIs
- ◇ Creating corporate websites (to provide information) that are compatible with the transactional websites (e-commerce) and are enhanced for onpage SEO positioning purposes



3,084
total number
of sessions



6,725
websites
views



+28.4%
visibility
index



Engagement

Lar España, as well as prioritising technological innovation, seeks to **enhance the customer experience** in each of its shopping centres. To this end, in 2018, it continued to fine-tune and reinforce its **Customer Journey** project and foster initiatives targeted at its customers and other stakeholder groups.

Customer Journey

Extending the project initiated in 2017 at the Portal de la Marina and Gran Vía de Vigo shopping centres, in 2018, Lar España rolled out a research programme designed to establish a **unique strategic positioning approach and measure the customer experience** at its establishments at its Anec Blau, As Termas, El Rosal and Albacenter shopping centres.

For full comprehension of the environment, the influences the centre users' experience, a study template has been created to address three areas of influence: the city, the shopping centre and the users.

This initiative, one of the cornerstones of the TES project, is essentially a research programme to learn about the **customer's 'journey'** through our shopping centres, from when they plan their trip to the centre until the moment they leave our premises, flagging all of the stops along the way, including the key 'pains and gains' during that journey. Lar España has divided the process into four phases: **comprehension, observation, definition and consolidation**.

The objectives set for each phase are outlined below:



Phase 1. **UNDERSTAND**

Obtain a clear understanding and alignment among stakeholders of the challenge that must be overcome during the project, in order to understand the work context



Phase 2. **OBSERVE**

Carry out an in-depth study to identify the Shopping Centre house archetypes and prioritise them in order to map out the experience of the most significant ones



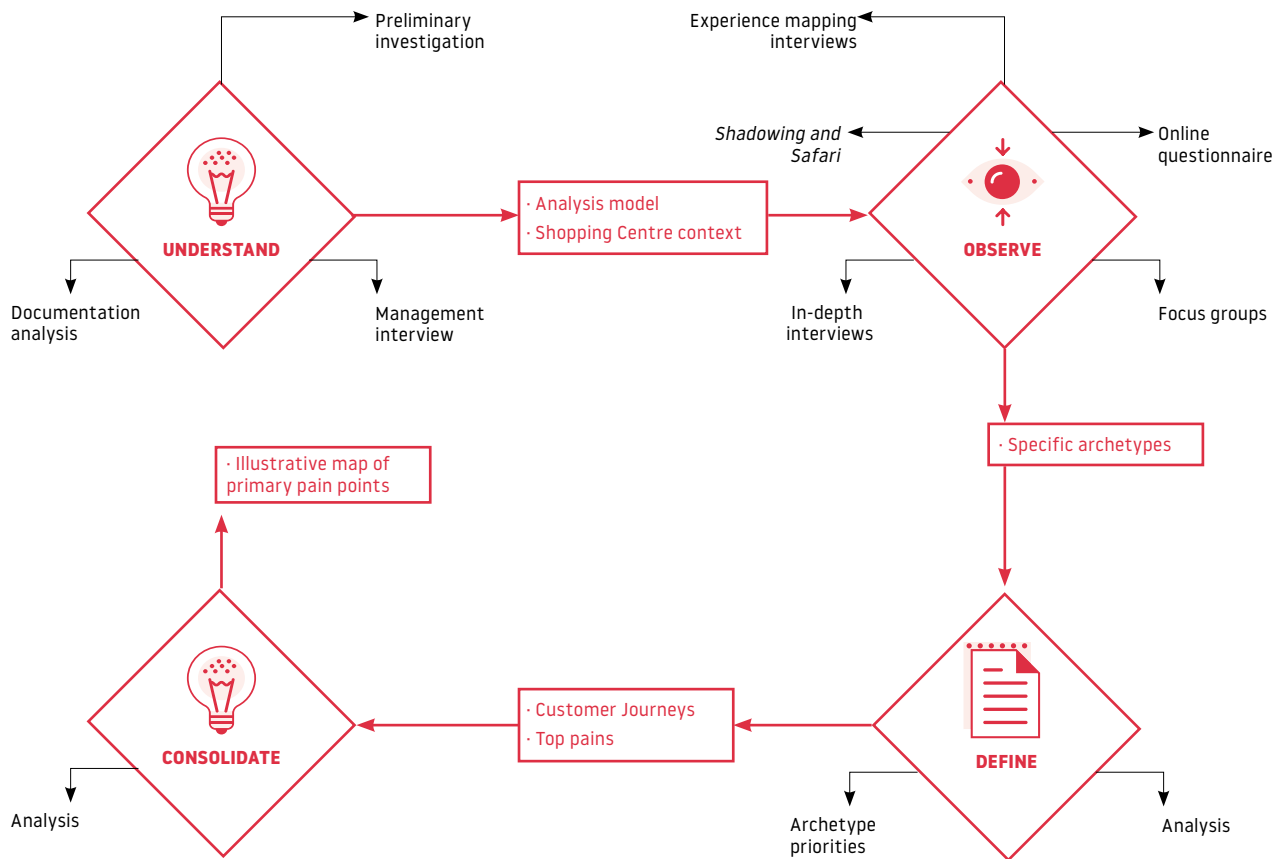
Phase 3. **DEFINE**

Identify and evaluate areas of opportunity (Top Pain points) in order to reach a better understanding of customer experience at the Centre



Phase 4 **CONSOLIDATE**

Reach comprehensive conclusions that allow a global view of the satisfaction at the Group's Centres, based on previous analysis from different Centres



Hola Familia

“*Hola Familia*” [Hello Family] is a project that Lar España embarked on in 2016 with the aim of **creating a comfortable, welcoming, humane and cheerful space** in which parents can breast or bottle-feed their babies and toddlers during their visits to our shopping centres.

In 2018, this initiative was rolled out - in response to customer demand - at a number of different shopping centres and was warmly welcomed.

Partners and Friends

Partners & Friends is an event organised by Lar España to create an opportunity for **shopping centre professionals to meet and engage with each other**. The second edition of this event took place on 26 June 2018 and was attended by nearly 80 sector professionals. The event was used to showcase the different projects and improvements undertaken by Lar España at its shopping centres.

Participation included professionals from brands as well known as AmRest, C&A, Carrefour, Décimas, Día, Grupo Restalia, Grupo Vips, La Casa del Libro, Leroy Merlin and Lidl.

Sustainability

The last of the three cornerstones underpinning Lar España's innovation thrust is the design and implementation of policies that foster **sustainable development** in the real estate sector. Under the scope of that sustainability effort, the company performed **technical audits** at its shopping centres in order to continue to improve in this arena and to promote sustainable and **environmental management projects**. For further information see section 4. CSR.

Wonderful Project

Lar España champions innovation via **entrepreneurship** by means of a project named **Wonderful**, a cycle of events conducted simultaneously across its 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. This initiative is sponsored by Sabadell BStartUp, IBM, El Economista, Indra and the Francisco de Vitoria University.

In 2018, its second year in existence, the company organised a new series of events related with entrepreneurship designed to create solutions that benefit society, mainly in the areas of retail (shopping centres and stores) and the relationship between cities and their inhabitants. Lar España's aim with this initiative is to highlight the importance of innovation as an essential driver of social and economic progress, the creation of start-ups, growth at existing companies and sustained job creation.

For the second edition the company received **over 100 initiatives** in some of the provinces in which Lar España has a presence: Albacete, Alicante, Barcelona, Leon, Lugo, Pontevedra, Toledo, Madrid, Vizcaya and Valencia.

Following the success of its first two editions, Lar España will hold the third edition of the Wonderful Summit in 2019, in search of the most innovative project for the retail sector.



The key characteristics of 2019 Wonderful scheme are:



10 SHOPPING CENTRES

- Albacenter
- Anec Blau
- As Termas
- El Rosal
- Gran Vía de Vigo
- Megapark
- Portal de la Marina
- Vistahermosa
- VidaNova Parc
- Parque Abadía



2 CATEGORIES

1. Innovation in shopping centres and retail
2. Innovation in the city in which the shopping centre is located



JURY

The shopping centre managers and owners, city councillors and co-laborating institutions



PRIZE

Presentation of the project to the investor network in search of local investors



WONDERFUL SUMMIT FINAL EVENT

A seminar devoted to innovation which analysed trends in the retail sector and how the sector is adapting to emerging technology. The Wonderful Awards, for which over 120 initiatives competed, were handed out at this event



The mystery customer reports help us to **strengthen customer confidence and the level of engagement** of each and every one of our employees

Technical audit of services and customer service at our shopping centres

Lar España, as part of its strategy for improving the management of its shopping centres, has rolled out **technical and customer service/care audits**.

Technical audits

The goal of these audits is to ensure that Lar España's shopping centres meet all applicable technical requirements in terms of active and passive fire protection and evacuation systems.

The first of these audits were undertaken at the Gran Vía, Anec Blau and Vistahermosa shopping centres. The audits yield a **technical status report** itemising any deficiencies detected, proposing technical solutions and adaptations for prevailing regulations as required. The plan is to carry out similar audits at the rest of the company's shopping centres in the near future.

Audit of services and customer support

The goal pursued with these audits is to make sure that the know-how, experience and investments applied across the entire value chain foster the healthy management of Lar España's shopping centres. The idea is to obtain indicators related with the **quality of the services** we offer our customers framed by the commitment to provide an **excellent customer experience**.

Already conducted at the large majority of our shopping centres, we have devised a mystery customer report with qualitative and quantitative indicators designed to help maintain the strong suits of our customer service offering, recognise best practices, identify opportunities and areas for improvement in every phase and strengthen customer confidence and the level of engagement of each and every one of our employees

Combined, the results of the two audits will enable us to **roll out corrective action plans, implement improvements and remedy defects** in two all-important areas: **customer care and safety**.

The best-performing asset was the As Termas shopping centre, which obtained an overall quality score of 94.9%, 4.1 points above the average. The company's goal is to bring all of its shopping centres in line or above with that benchmark.





Auditing has been carried out by SGS, world leader in inspection, verification, testing and certification, with an extensive track record in shopping centres



ACCESS	82.5%	87.8%	93.0%	88.7%	82.1%	95.8%	82.1%	87.4%
WEB	69.2%	80.8%	97.0%	83.3%	71.8%	94.9%	69.2%	80.9%
OUTSIDE	95.8%	94.8%	89.1%	94.1%	92.5%	96.8%	94.9%	94.0%
PARKING	87.6%	88.2%	86.2%	87.2%	88.1%	85.2%	91.6%	87.7%
INSIDE	91.7%	95.1%	94.7%	74.3%	94.7%	96.0%	91.6%	91.2%
GENERAL	89.6%	95.5%	98.0%	--	96.7%	97.4%	89.7%	94.5%
SHOPS	97.6%	98.5%	98.6%	99.4%	98.6%	99.0%	98.0%	98.5%
DINING AREA	95.0%	100.0%	94.6%	90.1%	99.6%	97.9%	95.4%	96.1%
CINEMAS	91.1%	97.9%	97.9%	--	--	91.1%	95.8%	94.8%
WC	87.1%	96.0%	89.5%	83.1%	82.9%	93.7%	93.5%	89.4%
SPECIALITY LEASING	100.0%	96.7%	90.0%	--	100.0%	100.0%	100.0%	97.8%
REST AREAS	95.8%	91.7%	87.5%	100.0%	95.2%	97.9%	89.6%	94.0%
CHILDREN'S AREA	100.0%	88.9%	86.1%	0.0%	100.0%	100.0%	100.0%	82.1%
OTHER SERVICES	66.7%	64.7%	70.6%	0.0%	45.1%	66.7%	55.9%	52.8%
STAFF	96.9%	97.8%	100.0%	75.0%	98.4%	95.8%	99.3%	94.7%
GENERAL STAFF	94.6%	100.0%	100.0%	66.7%	97.9%	95.8%	97.9%	93.3%
INFORMATION STAFF	97.2%	94.4%	100.0%	--	97.2%	88.9%	100.0%	96.3%
SECURITY STAFF	100.0%	96.7%	100.0%	100.0%	100.0%	100.0%	100.0%	99.5%
CLEANING STAFF	96.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.4%
SATISFACTION	75.0%	83.3%	91.7%	75.0%	95.8%	83.3%	91.7%	85.1%
RECOMMENDATION RATE	7.7	8.5	9.2	7.2	9.0	8.7	9.0	8.5
NPS	0.0%	50.0%	100.0%	-12.5%	83.3%	66.7%	66.7%	50.6%
OVERALL RESULT	90.9%	93.9%	94.2%	77.1%	93.1%	94.9%	91.4%	90.8%

(*) The Net Promoter Score (NPS) is an indicator that measures customer loyalty. It is calculated based on customer responses to the question "How likely is it that you would recommend our shopping centre to your family and friends?", with options ranging from 0 to 10, where 0 means "not at all" and 10 means "definitely". The result is calculated by subtracting the percentage of responses between 0 and 6 ("Detractors") from the 9 and 10 responses ("Promoters"), generating a figure between -100 and 100, with the highest score being the most positive, and an NPS of 50 or above considered to be excellent.



Lar España is taking action to **preserve the environment, searching tirelessly for smarter and more efficient ways** to develop and operate its real estate assets

Environmental management

Lar España is committed to addressing the problems that could affect 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 lies its retail property portfolio. This strategic focus translates into initiatives in the areas of **energy efficiency, water management, air quality, solar energy and sustainability certificates.**

Staff training

Lar España has rolled out measures for training its own professionals and those of its manager, Grupo Lar, through an Executive Digital Transformation Programme and sessions at the Valley Digital Business School, framed by its goal of engaging its professionals in delivery of the company's **objectives on the innovation front.**



Shopping Centre
Portal de la Marina (Alicante)



3

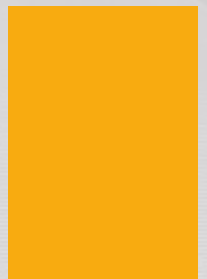
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3.1

Lar España and its Corporate Governance

Corporate governance has been a priority at Lar España since it was created in 2014, addressing a key concern for companies, regulators, investors and shareholders by pledging to guarantee that the company's **governing bodies** are adequately integrated and functioning as intended.

In keeping with that pledge and in response to growing demand for disclosures about corporate governance practices, Lar España has rolled out an **action plan** which enables it to 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**:



Ensuring strong governance by means of transparency, business ethics, corporate social responsibility and regulatory compliance.



Leveraging director activities, selection, remuneration and training to pursue **more advanced management and enhance transparency.**



Corporate Governance Policy

Lar España approved its **Corporate Governance Policy** in 2016, so establishing the **framework** for governance at the firm and the cornerstone for articulating a dedicated action plan. The goal of the policy is to help maximize the firm's competitiveness, foster transparency and earn the trust of its shareholders, investors and other stakeholders, while improving internal control and corporate responsibility.

The policy was drawn up in keeping with prevailing applicable legislation and enshrines the recommendations laid down in the **Good Governance Code** for listed companies (hereinafter, the Governance Code) approved by Spain's securities market regulator, the CNMV (hereinafter, the CNMV).

It is split into a series of **general principles** that are embedded across the entire organisation:

- 1** To maximise, on a sustained basis, the Company's **economic value**, in keeping with the legitimate social interest.
- 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 to its various stakeholders in a clear, comprehensive, simple, orderly and comprehensible manner.
- 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.

Those principles are designed to encourage everyone at the company to become involved in its governance. **In 2018, all of Lar España's policies were reviewed** and modifications were introduced where deemed opportune.

Corporate Social Responsibility Policy

Lar España, framed by its commitment to **sustainable business development and the creation of shared, long-term value**, has a dedicated **Corporate Responsibility Policy** which sets down 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.

The **Appointments and Remuneration Committee is responsible for supervising that policy**, monitoring corporate responsibility strategy and practices and evaluating the level of policy compliance before reporting to the Board of Directors.

In 2018, that committee monitored and supervised the **policy** and the approved **action plan**, driving its implementation. It also fostered new initiatives which are described in more detail in the Corporate Social Responsibility section of this report.

The objective of the Corporate Social Responsibility Policy is to generate a business model:



That generates a business model capable of contributing to long-term value creation



That satisfies the needs and expectations of its stakeholders



That generates socially-responsible externalities.

3.2

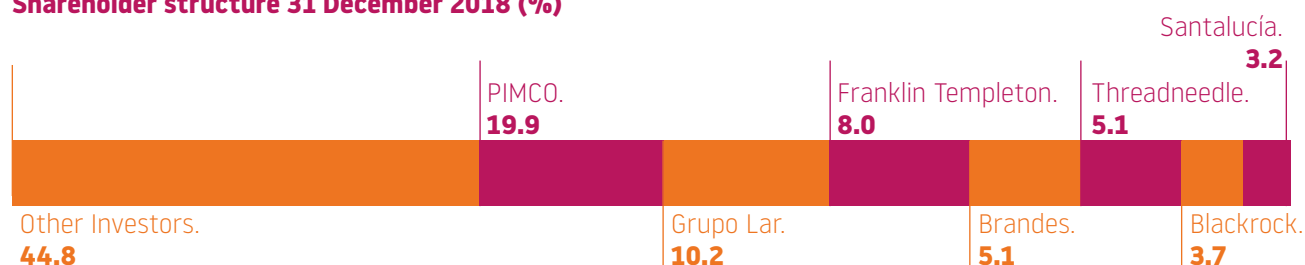
Governing Bodies

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.

Shareholder Structure

Shareholder structure 31 December 2018 (%)



Share Capital 31 December 2018

Share Capital.

186,438,088 €

Free Float.

70%

Number of Shares



93,219,044

Functioning and activities

The **General Meeting Regulations**, which were passed in 2016 and amended in 2017, set down the shareholders' powers in general meeting and how meetings should unfold.

The shareholders' powers include discharging the directors' performance, approving the annual financial statements, **setting the number of directors** within the floor and ceiling stipulated in the Bylaws, **appointing and removing directors**, ratifying capital increases and decreases, approving the issuance of notes

and other marketable securities and signing off on transformations, mergers, spin-offs or the assignment of all of the company's assets and liabilities, among others.

The General Meeting, duly convened and called to order, represents all of the company's shareholders.

In 2018, Lar España held its Annual General Meeting on 19 April. The main agenda items addressed:

Annual General Meeting, 19 April 2018

- 1** Ratification of the separate and consolidated annual financial statements for 2017.
- 2** Ratification of the 2017 management reports.
- 3** Grant of discharge to the Board of Directors for its management and performance in 2017.
- 4** Approval of the proposed appropriation of profit and dividend distribution in respect of 2017.
- 5** Appointment of Ms. Isabel Aguilera Navarro as independent external director.
- 6** Approval of the proposed amendments to the director remuneration policy.
- 7** Approval of the overall amount of annual remuneration payable to the directors for their duties as such.
- 8** Delegation of powers for formalising and executing all the resolutions ratified at the AGM, including any actions required to place them on public record, interpret, remedy, complement, implement or register them.
- 9** Advisory vote on the annual report on director remuneration for 2017.
- 10** Acknowledgement of the amendments to the Board Regulations.
- 11** Acknowledgement of approval of the Audit and Control Committee's Rules and Regulations



Residential
Lagasca99 (Madrid)



Policy on communication and contact with Shareholders, Institutional Investors and Proxy Advisors

In 2017, Lar España approved its policy on communication and contact with shareholders, institutional investors and proxy advisors with the aim of **generating confidence and transparency vis-a-vis Spanish and international shareholders and investors**. During 2018 this policy has been reviewed. It outlines the analytical procedures and develops the main tools, channels and reporting mechanisms vis-a-vis shareholders, investors, proxy advisors and other stakeholders.

The policy specifically addresses recommendation no. 4 of the Governance Code. It was later amended to factor in the requirements introduced by Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

It is articulated around the **following principles** governing communication with stakeholders:



Veracity and transparency of all information provided and **equal treatment** of all recipients.



Strict compliance, in time and manner, with the **Company's legally-stipulated communication** and reporting obligations.



Protection of the legitimate rights and interests of all shareholders.



Continuous dialogue, accessibility and speed of information provision.



Equal treatment in acknowledging the rights of all shareholders and facilitating their exercise.










Commitment to encouraging and facilitating informed shareholder participation in general meetings and the exercise of shareholder rights.

Board of Directors

Composition

The **Board of Directors** is the management body with sovereignty over the company's management, except in relation to the matters reserved to the shareholders in general meeting.

Lar España's Board of Directors is made up of **seven directors: five are independent and two, proprietary**, from PIMCO and Grupo Lar. In 2018, in line with prevailing recommendations regarding boardroom composition, a new female director was appointed to Lar España's Board. **Ms. Leticia Iglesias** has replaced Pedro Luis Uriarte, who stepped down for personal and family reasons. **She is serving as an independent director** and has also joined the company's Audit and Control Committee.

						
Mr. JOSÉ LUIS DEL VALLE	Mr. ALEC EMMOTT	Mr. ROGER MAXWELL COOKE	Ms. ISABEL AGUILERA	Ms. LETICIA IGLESIAS	Mr. MIGUEL PEREDA	Mr. LAURENT LUCCIONI
Chairman and Director 05.02.2014	Director 05.02.2014	Director 05.02.2014	Director 29.05.2017	Director 16.10.2018	Director 05.02.2014	Director 29.05.2017




LEGEND

Name of Director
Position on the Board
Date of first appointment

TYPE OF DIRECTORSHIP

 Proprietary
 Independent

OTHER POSTS

 Chair of the Audit and Control Committee
 Chair of the Appointments and Remuneration Committee
 Lar España's Chairman

Diversity is one of the targets pursued in our **corporate governance policy**: specifically, the goal of having at least 30% of its Board members be female by 2020.

In 2018, **28.6%** of the company's directors were female, which puts it very close to meeting this target.

The professional profiles of the company's directors are summarised below:



Mr. José Luis del Valle

Chairman of the Board and independent director

Mr. José Luis del Valle Doblado is an independent external director at Lar España and he chairs the company's Board. He was named director of Lar España by Grupo Lar Inversiones Inmobiliarias, S.A., the company's sole shareholder at the time, on 5 February 2014 and was re-elected as an external independent director, at the recommendation of the Appointments and Remuneration Committee and subject to a favourable report by the Board of Directors, at the Annual General Meeting held on 29 May 2017. On 6 February 2014, the Board of Directors named him member and Chairman of the Audit and Control Committee, a position he held until 29 May 2017, when he presented his resignation as the chair of that committee, albeit staying on as a member.

Mr. José Luis del Valle boasts an extensive career in the banking and energy sectors. Between 1988 and 2002, he held several positions at Banco Santander, one of Spain's most prominent financial institutions. In 1999, he was named the bank's General Manager and CFO (1999-2002).

He later worked as Director of Strategy and Business Development at Iberdrola, one of Spain's leading power utilities (2002-2008), CEO of Scottish Power (2007-2008), Director of Strategy and Research at Iberdrola (2008-2010) and advisor to the Chairman of Gamesa, the wind turbine manufacturer (2011-2012). He is currently the Chairman of WiZink Bank and sits on the boards of Abengoa, S.A., a supplier of innovative sustainable development technology solutions, the insurance group Ocaso and IC-A, Spain's association of company directors. He also chairs the Scientific Committee of Mining and Minerals Hall (MMH).

Mr. del Valle is an engineering graduate from Madrid's Polytechnic University (Spain). He specialised in Mining Engineering and graduated number one in his class. He also holds a Masters in Nuclear Science and Engineering from the Massachusetts Institute of Technology (Cambridge, US). Lastly, he holds an MBA with High Distinction (Baker Scholar) from Harvard Business School (Boston, US).



Mr. Alec Emmott

Independent director

Mr. Alec Emmott is an independent external director at Lar España. He was named director of Lar España by Grupo Lar Inversiones Inmobiliarias, S.A., the company's sole shareholder at the time, on 5 February 2014 and was re-elected as an external independent director, at the recommendation of the Appointments and Remuneration Committee and subject to a favourable report by the Board of Directors, at the Annual General Meeting held on 29 May 2017. The Board of Directors appointed him to the company's Appointments and Remuneration Committee on 6 February 2014.

Mr. Alec Emmott has built an extensive career in the real estate sector in Europe, having worked at listed and unlisted companies. He resides in Paris. He worked as CEO of Société Foncière Lyonnaise (SFL) between 1997 and 2007 and later as executive advisor to SFL until 2012.

He is currently Director of Europroperty Consulting, and has been a Director of CeGeREAL S.A. (where he represents Europroperty Consulting) since 2011. He is also a member of the advisory committee of Weinberg Real Estate Partners (WREP I/II). He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. He holds an MA from Trinity College (Cambridge, UK).



Mr. Roger Maxwell Cooke

Independent director

Mr. Roger Maxwell Cooke, MBE is an independent external director at Lar España. He was named director of Lar España by Grupo Lar Inversiones Inmobiliarias, S.A., the company's sole shareholder at the time, on 5 February 2014 and was re-elected as an external independent director, at the recommendation of the Appointments and Remuneration Committee and subject to a favourable report by the Board of Directors, at the Annual General Meeting held on 29 May 2017. The Board of Directors named him member and Chairman of the company's Appointments and Remuneration Committee on 6 February 2014.

Mr. Cooke boasts more than 35 years' experience in the real estate sector. In 1980, he joined the London office of Cushman & Wakefield, where he participated in the drafting of its appraisal standards (Red Book). From 1995 until the end of 2013, he worked as CEO of Cushman & Wakefield Spain, during which time he positioned the company at the sector's forefront, and between 2014 and 2018, he worked as a Senior Advisor to EY.

In 2017, Queen Elizabeth II decorated Roger with an MBE for his contribution to British enterprises in Spain and to Anglo-Spanish trade and investment.

He holds a degree in Urban Estate Surveying from the Trent Polytechnic University (Nottingham, UK) and is currently a fellow of the Royal Institution of Chartered Surveyors (FRICS). He presided the British Chamber of Commerce in Spain until May 2016.



Ms. Isabel Aguilera

Independent director

Ms. Isabel Aguilera Navarro is an independent external director at Lar España. She was named director of Lar España by the Board of Directors via the cooption mechanism on 29 May 2017. On that same date, the Board named her a member of the Audit and Control Committee. Her appointments were then ratified at the Annual General Meeting held on 19 April 2018.

Ms. Aguilera built her career at a range of companies in different sectors. For example, she has worked as President of General Electric's Spanish and Portuguese unit, Managing Director of Google's Spanish and Portuguese unit, Chief Operating Officer at NH Hotel Group and CEO for Spain, Italy and Portugal for Dell Computer Corporation. She has served on the boards of Indra Sistemas, Banco Mare Nostrum (BMN) Bank, Aegon Spain and Laureate, Inc. Today she sits on the boards of Grupo Cemex, Banca Farmafactoring, Orizon Genomics and Grupo Egasa.

Ms. Aguilera holds a degree in Architecture, Building and Town Planning from Seville's ETSA and a Masters in Sales and Marketing Management from IE. She has also completed IESE's General Management Programme and the San Telmo Institute's Programme for Senior Executives of Leading Enterprises and Institutions. She is currently an Associate Professor in ESADE.



Ms. Leticia Iglesias

Independent director

Ms. Leticia Iglesias is an independent external director at Lar España. Ms. Iglesias was named director by the Board of Directors, availing of its cooption powers, at the recommendation of the Appointments and Remuneration Committee, on 16 October 2018. On that same date, the Board of Directors named her member and Chairwoman of the Audit and Control Committee.

Ms. Iglesias boasts extensive experience in the fields of securities market regulations and supervision and financial and auditing services. She began her career in Arthur Andersen's audit division in 1987. Between 1989 and 2007, she worked for Spain's national securities market regulator, the CNMV. From 2007 until 2013 she was the CEO of the ICJCE, Spain's Institute of Auditors. Between 2013 and 2017, she served as an independent director on the board of Banco Mare Nostrum (BMN), where she also sat on the Executive Committee and the Audit Committee and chaired the Global Risk Committee. In 2017 and 2018, she was an independent director on the board of Abanca Servicios Financieros, EFC, where she also presided the Audit and Control Committee and the Risk Committee. Since May 2018 she has been an Independent Director, President of the Auditing and Control Committee, and a member of the Comprehensive Risk Committee at ABANCA CORPORACION BANCARIA, S.A. Since April 2019 she is also an independent director on the board of AENA SME, S.A. where she also presides the Audit and Control Committee.

Ms. Iglesias is a business studies graduate from Madrid's Universidad Pontificia de Comillas (ICADE). Lastly, she is a member of the ROAC, Spain's Official Registry of Auditors.



Mr. Miguel Pereda

Proprietary director (Grupo Lar)

Mr. Pereda boasts over 25 years' experience in the real estate sector. He has been a director of Grupo Lar Inversiones Inmobiliarias, S.A. for over 10 years and before that was the CEO of the Lar Grosvenor Group for six years. In 2015 he was confirmed as an Eminent Fellow of the Royal Institution of Chartered Surveyors (RICS) in London.

He currently presides Villamagna, S.A., a Grosvenor group company, and the Altamira Lar Foundation.

Mr. Pereda holds a Bachelor's Degree in Economics and Business Administration from Madrid's Complutense University, an MBA from Instituto de Empresa (IE) and a Master of Taxation from ICADE. He has completed the Breakthrough Programme for Senior Executives run by IMD, and Harvard University's Real Estate Management Programme.



Mr. Laurent Luccioni

Proprietary director (PIMCO)

Mr. Luccioni has been working in the financial and investment services industry for more than 18 years.

Currently, Mr. Luccioni is Managing Director and Portfolio Manager in PIMCO's London office and is in charge of supervising the European commercial real estate team. Before joining PIMCO, Mr. Luccioni was CEO for Europe of MGPA, a real estate private equity firm backed by Macquarie, and before that he worked for Cherokee Investment Partners in London. At present, Mr. Luccioni sits on the boards of Echo Investment, S.A. and Carmila SAS.

Mr. Luccioni holds an MBA from Northwestern University's Kellogg School of Management and a PhD in Civil and Environmental Engineering from UC Berkeley.



Powers and activities

In its capacity as the **highest governance body**, Board's duties include supervising the company's management with the goal of upholding the organisation's corporate interest. The Board has two steering committees, endowed with supervisory and control powers: the Audit and Control Committee and the Appointments and Remuneration Committee, in keeping with the company's internal corporate governance rules, applicable legislation and best practices in the field.

The **Board Regulations** set down all of its powers and duties, specifically empowering this body to ratify resolutions concerning any and all matters that are not specifically reserved to the shareholders in general meeting under the company's Bylaws.

The Board of Directors is vested with the broadest powers to **manage, direct, administer and represent the company**. However, its everyday management is delegated in the company's management bodies and executive team.

The Board met **16 times** in 2018. Specifically, the directors met in person on 11 occasions and approved proposals using the procedure for voting by written correspondence on another five. Of the 11 in-person meetings, all of the directors were in attendance at nine.

Director Selection Policy

Lar España has a **director selection and appointment policy** which was approved by the Board of Directors on 20 January 2016. It is designed to **foster boardroom diversity in terms of knowledge and skills, experience and gender**.

The policy, which was revised and re-approved by the Board on 20 December 2018, emphasises this diversity goal by specifically setting the target that female directors account for 30% of all Board seats by 2020.

The Board Regulations were amended on 27 December 2017 to specify the Board's duty to ensure that the company's director selection procedures foster **diversity in terms of gender, professional backgrounds and skills** and are unbiased so as to prevent discrimination on any grounds. The Board's remit now specifically includes working to facilitate the selection of female directors and establishing a diversity policy or diversity guidelines to this end.

In 2018, following the guidelines introduced following the amendment of the Board Regulations and the update of the policy, a new independent female director was appointed to the Board and named Chairwoman of the Audit and Control Committee.

Director Remuneration Policy

Lar España **Remuneration Policy** was approved by the General Shareholders Meeting in 2018, which substitutes the original policy introduced in 2015. The current policy determines how much the directors of Lar España are paid in their capacity as such within the scope of the remuneration regime provided for in the Bylaws.

The policy factors in prevailing corporate governance rules and recommendations with the desire to **attract and retain talent**, on the one hand, **and prioritise sustainability**, on the other. It was written taking into account specific aspects such as the **relevance of the company, its financial situation, its unique characteristics** as a listed and externally managed real estate investment trust (REITs, known as SOCIMIs in Spain), the benchmarks set by other SOCIMIs in Spain and REITs in Europe and the specific level of dedication of the company's directors.

The new remuneration policy is articulated around the following criteria:

- ◇ Guaranteeing independence
- ◇ Attraction and retention of best professionals
- ◇ Long-term sustainability
- ◇ Transparency
- ◇ Clarity and customisation
- ◇ Fair and proportionate compensation
- ◇ Involvement of the Appointments and Remuneration Committee
- ◇ Approval of remuneration cap by shareholders in general meeting and delegation of execution in Board

2018 Board of Directors Remuneration (*)

CHAIRMAN OF THE BOARD

€125,000 per annum

INDEPENDENT DIRECTORS

€70,000 per annum

PROPRIETARY DIRECTORS

Not remunerated

DIRECTORS WHO SIT ON THE BOARDS OF INVESTEEES

Up to €15,000 per annum

BOARD MEMBERS WHO SIT ON EITHER OF ITS COMMITTEES

€15,000 per annum (**)

(*) There is no variable remuneration and there are no additional compensation concepts. The cap on total remuneration is set at €530,000 per annum.

(**) The President of the Audit and Control Committee will earn an additional 7,500 euros annually (a total of 22,500 euros annually) and the President of the Appointments and Remuneration Committee an additional 2,000 euros (a total of 17,000 euros annually).

More detailed information about the director remuneration regime can be found in the **2018 Annual Director Remuneration Report**, which is available on the Company's corporate website (<http://www.larespana.com>).

More detailed information about Lar España's governance system can be also found in the **2018 Annual Corporate Governance Report**, which is available on the Company's corporate website.

Board performance evaluation

Both the CNMV's 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, Lar España has a specific procedure for carrying out these assessments.

Article 18 of the Board Regulations states that the Board must conduct an annual evaluation of its performance, adopting, where necessary, an action plan to correct weaknesses detected in areas such as how it operates, boardroom diversity, the performance of its chair, etc.

The Board's performance was duly assessed in 2018, specifically analysing the **following areas**:



The quality and efficiency of the work performed by the Board of Directors of Lar España.

The diversity of backgrounds and skills represented in the boardroom.

The performance of the Chairman of the Board of Directors.

The performance and contribution of each director.

The composition, quality and operating efficiency of the Audit and Control Committee.

The composition, quality and operating efficiency of the Appointments and Remuneration Committee.

The **phases comprising the evaluation process** were the following:



The evaluation exercise revealed that, in general, **the Board and its committees had worked efficiently in 2017**. Among the areas presenting room for improvement, the following stand out: succession planning, training, boardroom gender diversity, among others.

Officer evaluation

In keeping with best practices, the company's corporate governance system includes an **officer evaluation system** following a specific procedure that was approved in 2016 and reviewed in 2018. This system is critically important as the company's senior executives are responsible for everyday decision-making at the organisation and for strategic lines of initiative and their execution, all of which has a direct impact on the company's earnings.

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. Formalisation of the evaluation process has set down the criteria for measuring how effectively these officers are doing their jobs and how well they are managing their teams.

The Appointments and Remuneration Committee is in charge of ensuring correct implementation of this assessment procedure, analysing the resulting conclusions and checking the degree of implementation of the targets set for 2018.

Committees

As provided in its Bylaws and its Board Regulations, Lar España has two control committees: the Audit and Control Committee and the Appointments and Remuneration Committee, which were set up by the Board of Directors to distribute its duties and enhance its **efficiency and transparency**.

Audit and Control Committee

The **Audit and Control Committee** is made up of three members, all of whom are independent directors, in keeping with recommendation no. 47 of the CNMV's Technical Guide 3/2017.



Ms. LETICIA IGLESIAS

CHAIRMAN



Mr. JOSÉ LUIS DEL VALLE



Ms. ISABEL AGUILERA

As for the **professional background of the directors who sit on this committee, note that they are particularly qualified for the position**, meaning they are professionals with long-standing track records who have performed management responsibilities outside of the company in jobs related to the duties vested in the Audit and Control Committee. Specifically, they stand out for their knowledge and background in accounting, auditing or both and those skills were factored into their appointments, as required in article 529 quaterdecies of Spain's Companies Act and recommendation no. 39 of the Governance Code.

Powers and activities

The Board of Directors approved the Regulations governing the Audit Committee of Lar España on 27 December 2017, thereby implementing article 14 of its Board Regulations and incorporating the basic aspects of audit committee composition, duties and organisation stipulated in the CNMV's Technical Guide 3/2017.

Regulations **establish Audit and Control Committee's rules of organisation and operation** with the aim of facilitating optimal performance of its duties, framed by the best practice recommendations and criteria established by the CNMV.

Its main responsibilities include **overseeing the process of preparing economic-financial information, supervising the internal audit**, as well as the relationship with the external auditors, **monitoring compliance with legal requirements** and **internal corporate governance regulations** (including internal codes of conduct) and supervising the effectiveness of **risk management systems** and, in particular, reviewing them so that the main risks are properly identified, managed and disclosed.

The Audit and Control Committee met **seven times in 2018**.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is made up of four directors. The Board Regulations stipulate, in line with CNMV recommendation no 47, that the majority of committee members be independent directors. Lar España is firmly committed to fulfilling this recommendation as soon as any vacancies arise, which is why it has not amended the Board Regulations in this respect. Against this backdrop, it is worth noting that the company has opted to structure the Appointments and Remuneration Committee and the Audit and Control Committee differently in order to ensure their independence from each other and have as many external directors sitting on the two committees as possible. In any case, the independence of the board is guaranteed since there are no executive directors, and the Chairman – who is independent – has the casting vote.

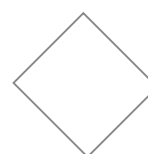


**Mr. ROGER
MAXWELL COOKE**

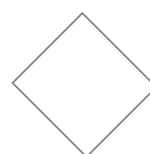
CHAIRMAN



**Mr. ALEC
EMMOTT**



**Mr. LAURENT
LUCCIONI**



**Mr. MIGUEL
PEREDA**

Powers and activities

The duties vested in the **Appointments and Remuneration Committee** include appointing, evaluating and removing directors and officers; director and officer remuneration; and compliance with corporate governance and corporate social responsibility rules and regulations.

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 Appointments and Remuneration Committee **met nine times in 2018**.





Shopping Centre
Gran Vía (Vigo)



3.3

Business ethics

Ethics and compliance are core values for Lar España and provide a correct guidance for its business activities. To that end, the company has developed a range of policies and procedures to ensure ethical job performance and business activities and materialisation of the commitments assumed under the principles set down in the company's body of internal rules and regulations.

Code of Conduct

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, the management team of Grupo Lar, executives and employees of the investees and third parties who have professional dealings with Lar España. It establishes guidelines governing the conduct of anyone acting in the name of Lar España and its subsidiaries.

Lar España is responsible for carrying out its activities in accordance with prevailing legislation, conducting itself ethically and **complying with the principles laid down in the Code of Conduct**, specifically including abiding by the law, demonstrating ethical and professional integrity and correctly handling potential conflicts of interest and incidents of corruption.

Failure to comply with the Code's provisions constitutes an infraction and may derive in the application of disciplinary measures.

Whistle-Blowing Channel

Framed by a commitment to analysing and responding 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**. It has also set up an Ethics Committee which is tasked with the duties deriving from implementation of this channel. During 2018 no complaints were received.



White-Collar Crime Prevention Model

Framed by its commitment to strict compliance with prevailing legislation and the prevention of illicit practices which could harm company's reputation, Lar España has defined and adopted an **Organisational and Management Model for the Prevention of Crime** 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 exposure is greatest.
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 any criminal risk will materialise.
4. It includes controls which belong to the Internal Control over Financial Reporting (ICFR) system which are deemed preventative in terms of mitigating the probability of the commission of crime. Those 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 any criminal risk will materialise are, for the large part, officially enshrined in internal policies and rules.

The Board of Directors is the body ultimately responsible for the effective implementation of the model. The Audit and Control Committee and the person responsible for oversight of the model have also been specifically delegated its correct functioning and enforcement.

Anti-Money Laundering Manual

The real estate sector is subject to stringent 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 ("SEPBLAC" for its acronym in Spanish). Against this backdrop, Lar España has drawn up an **Anti-Money Laundering Manual**, which was formally approved by the Board of Directors in 2016, as required under Spanish Law 10/2010, of 28 April 2010, on anti-money laundering and counter-terrorist financing measures.

The company has attempted to emulate best prevailing practices in this effort, **prioritising ethical and transparent conduct** and the abolishment of any form of fraudulent or illicit activity. In addition, the Manual dictates the exchange of information with all parties related to Lar España and its management company (Grupo Lar) in order to detect potentially-suspicious transactions.

3.4

End-to-End Risk Management and Control

Lar España implemented its enterprise **risk management (ERM) system** in 2015 in order to facilitate delivery of its strategic targets by ensuring that all risks to their delivery are duly and systematically identified, evaluated, managed and controlled. The ERM system manages company's risks end to end and continuously; it encompasses each business unit and subsidiary, as well as every corporate support areas.



Risk Control and Management Policy

Lar España approved its **Risk Control and Management Policy** in 2015, setting down the principles and procedures for the correct assessment, control and mitigation of risks. The emanating end-to-end ERM system establishes a policy for identifying, evaluating, prioritising and managing risks effectively and efficiently, factoring in the organisation's specific circumstances and the economic and regulatory environments prevailing in its operating markets.

Enterprise Risk Management (ERM) System

Lar España's ERM system has been implemented at the corporate level and designed to mitigate all the risks, include tax-related risks, to which the company is exposed on account of its business activities.

The ERM system's mission is **to ensure a reasonable level of assurance with respect to the company's ability to achieve its strategic and operating targets**. The system is aligned with the key guidelines established in the "Enterprise Risk Management - Integrated Framework. Committee of Sponsoring Organizations of the Treadway Commission (COSO)" report.

Lar España views risk management as a continuous and dynamic process which encompasses the following steps:



Management, under the supervision of the internal audit function, establishes risk management priorities and the measures to be implemented, ensuring that the processes are performed and working as intended.

Risk Management Bodies

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.

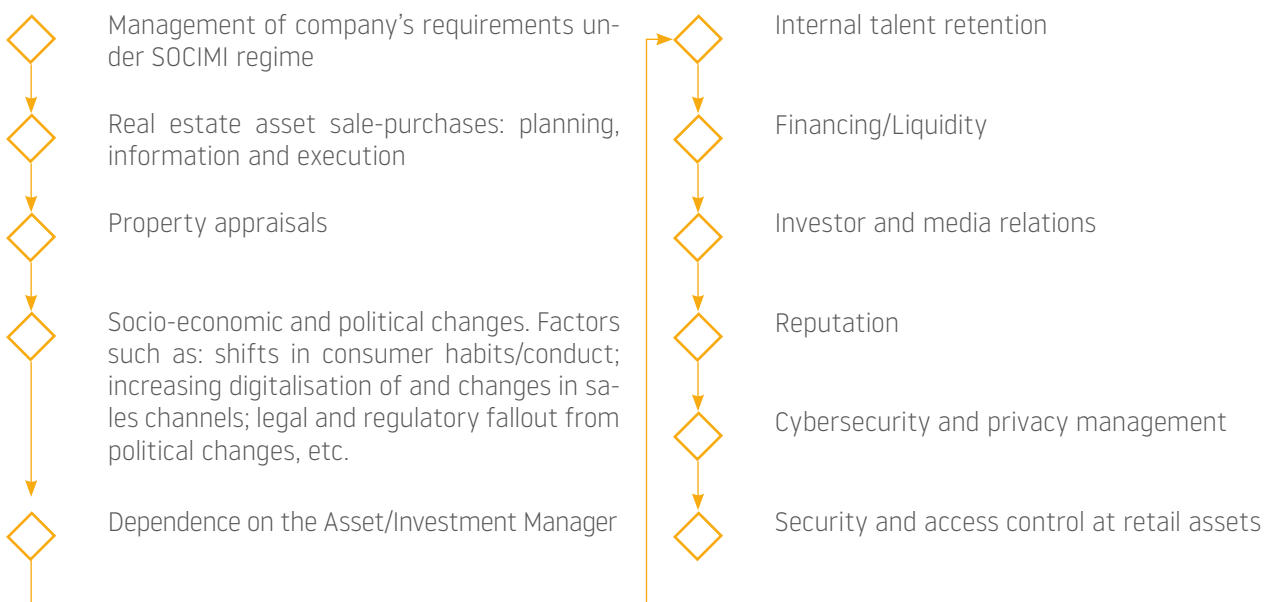
The main participants in the ERM model are:

Governance bodies	Responsibility	Competencies
Process manager or owner	Direct management of everyday operations.	Risk identification, analysis, assessment and mitigation.
Risk officer	Analysing and consolidating the risk information collected by the process owners.	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.	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 suitability 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.	Ultimate responsibility for identification of the main risks facing the company and for supervision of its internal control systems.

Risk map

Lar España has an updated **risk map** illustrating the universe of risks that could affect the company. The risks listed below have been prioritised by Lar España in the wake of this risk mapping exercise, updated annually; in 2018, it managed and monitored these risks adequately, and this process will be run on an annual basis in subsequent years:

Main risks:



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

Response and monitoring plans

The specific characteristics of Lar España and its business sector make it of tantamount importance to correctly monitor and update the **various risks** to which the company is exposed, including tax risks.

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



A) Exhaustive analysis of the risks deemed highly critical to achieving an adequate level of control.



B) Assessment and surveillance of risks deemed of medium importance to achieving adequate control as a function of the real level of risk.



C) Rationalisation and optimisation of the controls applied to risks of relatively less importance.

Lar España prioritises action plans depending on how critical the risks being mitigated are, the cost/benefit analysis of the proposed course of action and available resources. To this end, the organisation's **most significant risks** have been identified; work has begun on documenting those risks in **individual risk files** in order to enable enhanced monitoring. The 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**.

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:** 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

Note that the **Audit and Control Committee** has been tasked with analysing the effectiveness of the **organisation's risk map** at least annually and adding, modifying or disregarding risks as warranted as a result of changes in the company's strategic objectives, organisational structure, legislative environment, etc.



Shopping Centre
Gran Vía (Vigo)





4

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Corporate Social Responsibility

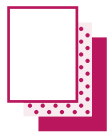
Corporate social responsibility permeates all of Lar España's operations and decision-making to ensure it goes about its business in an ethical, responsible and sustainable manner, making a positive contribution to society and the environment.

Approach and Policies

Lar España is aware that its business activities have the scope to impact urban life and thus embraces the opportunity to improve the quality of living of city dwellers by **sparking socio-economic progress** in Spain and **generating financial returns for investors** in a sustainable manner.

Its approach is framed by the desire to **create shared value**, as is set down in its Corporate Social Responsibility (CSR) Policy. In addition, Lar España has formulated a Master CSR Plan so that these objectives materialise and the company engages more actively with its various stakeholders, framed by the most stringent general and sector-specific sustainability targets.



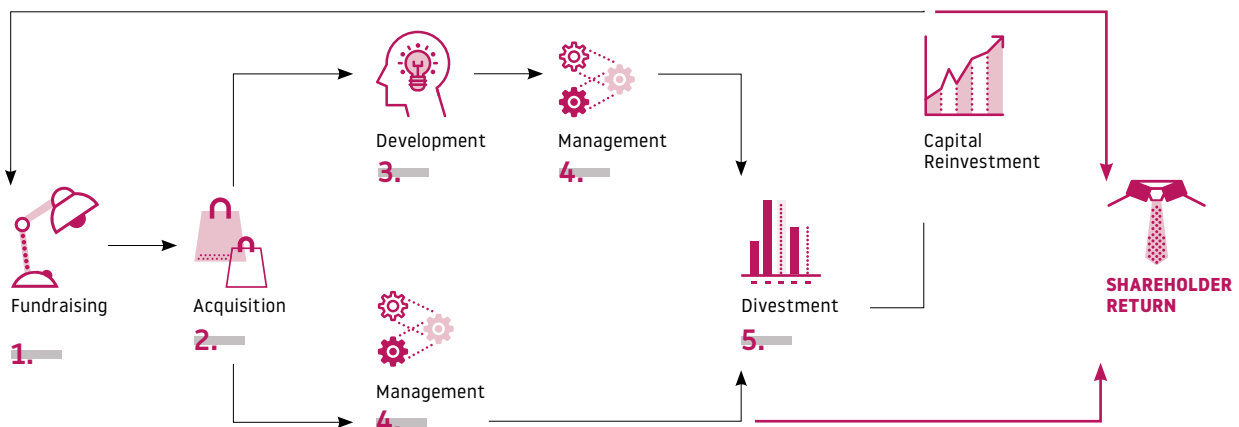


‘Doing business better’ not only generates returns for investors, it also adds real value for the society in which the organisation operates

Responsible business model

Lar España’s business model seeks to have a positive impact on the environment and society, while generating financial returns and alleviating environmental and social pressures deriving from its business activities

Its objective is to **create shared value** at every phase of its business chain such that it helps tackle social and environmental challenges. **‘Doing business better’** not only generates returns for investors, it also adds real value for the society in which the organisation operates.



1.

Fundraising

Lar España promotes responsible investing

2.

Asset acquisition

The Company strives to minimise the environmental impact of its investments while safeguarding their economic viability and financial returns

3.

Development

The regeneration, refurbishment and upgrade of public buildings. Innovation and adaptation to emerging technological, demographic and economic trends and to unanticipated social or climatic events

4.

Management

User-focused, fostering interaction and favouring management/employee cohesion. The management style attempts to encourage participation, communication and transparency and engage with the Company’s customers and communities

5.

Divestment

Asset assessments take into consideration social and environmental criteria



Lar España creates jobs directly and indirectly through its business activities; it is responsible for **over 19,000 jobs**

Principles

Lar España relies on four strategic cornerstones in its bid **to build shared value** that translates into economic and social progress while generating a financial return for its shareholders and investors



A) Environment

Lar's business activities (planning and building) have a direct impact on its physical surroundings, which in turn are what enable the company to generate a financial return and build value:

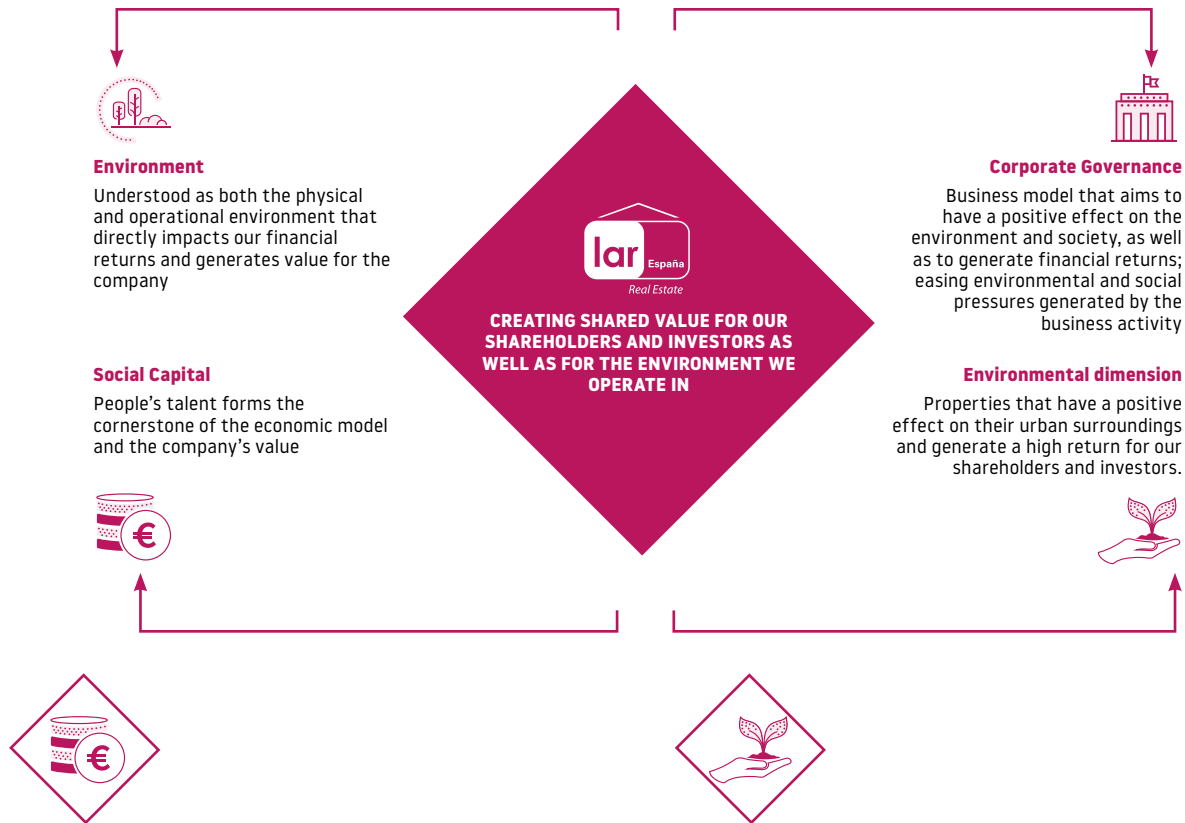
- **Socio-economic impact:** Lar España creates jobs directly and indirectly through its business activities; it is responsible for **over 19,000 jobs**.
- **Responsible investment:** Framed by its desire to create a responsible business, Lar España's goal is to invest in sustainable assets. In 2018, the company lifted the number of assets over which it has full managerial control that are BREEAM certified to **92%**.
- **Climate change resilience and mitigation.** In 2018 **Lar España reduced CO₂ emissions** across its entire property portfolio **by 2.9%**.



B) Corporate Governance

Corporate governance plays a pivotal role in Lar España's strategy for doing business responsibly and creating shared value. Governance is a cornerstone of the sustainable development strategy, CSR policy and related action plans and is similarly important to ensuring their effective implementation.

- **Good governance.** Awareness-raising activities targeted at the governing bodies addressing social and environmental issues and the initiatives undertaken to tackle them.
- **Ethics.** Resolution of and response to complaints and claims received in 2018, including labour-related lawsuits.
- **Transparency.** Reporting on non-financial aspects in Lar España's 2018 Integrated Report.
- **Risk management.** Performance of environmental and social due diligence in respect of the various stages of the business model. In addition, the company has identified the universe of material risks and their potential consequences, including those related with climate change.



C) Social Capital

Execution of the CSR strategy relies to a significant extent on the social capital existing at the organisation, defined as that which will generate cohesion within the firm and enable Lar España to deliver its objectives **while conducting itself responsibly and ethically vis-a-vis its surroundings and stakeholders**. It is worth noting that talent is the basis of the economic model and value created by the organisation.

- **Partners.** Promoting transparency via financial background checks, references and cross-checks for monitoring foreign assets owned by partners and potential vendors.
- **Supply chain.** By means of fair, objective and transparent tendering processes which factor in CSR criteria.
- **Customers.** A communication channel is being designed to engage customers in the CSR Master Plan. Annual surveys are carried out to assess user satisfaction with the quality of the services received.
- **Employees.** Work-life and equal opportunities policies, training courses, talent retention programmes, among other initiatives.

D) Environmental dimension

- **Sustainability strategy.** 100% of the real estate assets over which Lar España has full management autonomy have implemented environmental and/or social sustainability initiatives. **90%** of the portfolio has been audited in this respect.
- **Sustainability certification.** **92%** of the assets over which Lar España has full managerial control are BREEAM® certified.
- **Innovation in the service of enhanced environmental management.** Investment in innovation. Collaboration with research and training centres. Use of ICT, management programmes, innovative filters, among other initiatives.

Additionally, group-wide, value creation is framed by:

- **Environmental and social innovation** applied to each phase of the business model
- Maintenance of open and **ongoing dialogue** with the key **stakeholders**

4.1 Stakeholder Engagement

Lar España continues to work in the line of being an open company from which to promote **active dialogue** with the broad spectrum of **stakeholders** with which it relates due to its activity. The sector in which Lar España operates integrates some of the most relevant issues facing today's society as a whole: urbanization, the availability of housing solutions, the design of sustainable cities, the response to demographic changes and the scarcity of resources.

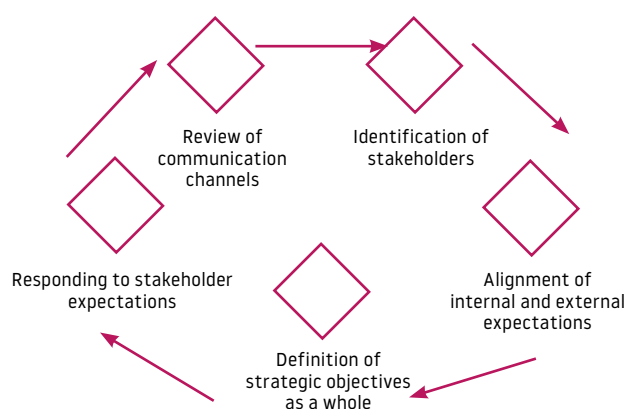
In this way, Lar España interacts with **economic, social and environmental stakeholders** and, based on listening to their expectations and channelling the information that satisfies their demands, has developed the relational model with them.



Lar España strives to build **stable and longlasting relationships with its stakeholders**, to which end it attempts to engage in smooth and constant dialogue with them

The necessary evolution for all companies today is to move from **mitigating risks** that affect them to identifying underlying opportunities that combine corporate objectives and external expectations, something that is only possible through the implementation of a **system of fluid dialogue with stakeholders**. In addition to this advantage, the establishment of this system adapts the reputational risk management tools, creates value by itself and, therefore, helps companies to design and achieve, together with their groups, the strategic objectives in which they are all involved.

For this reason, Lar has proposed to tackle this task by drawing up a **stakeholder management model** which is divided into the following phases:

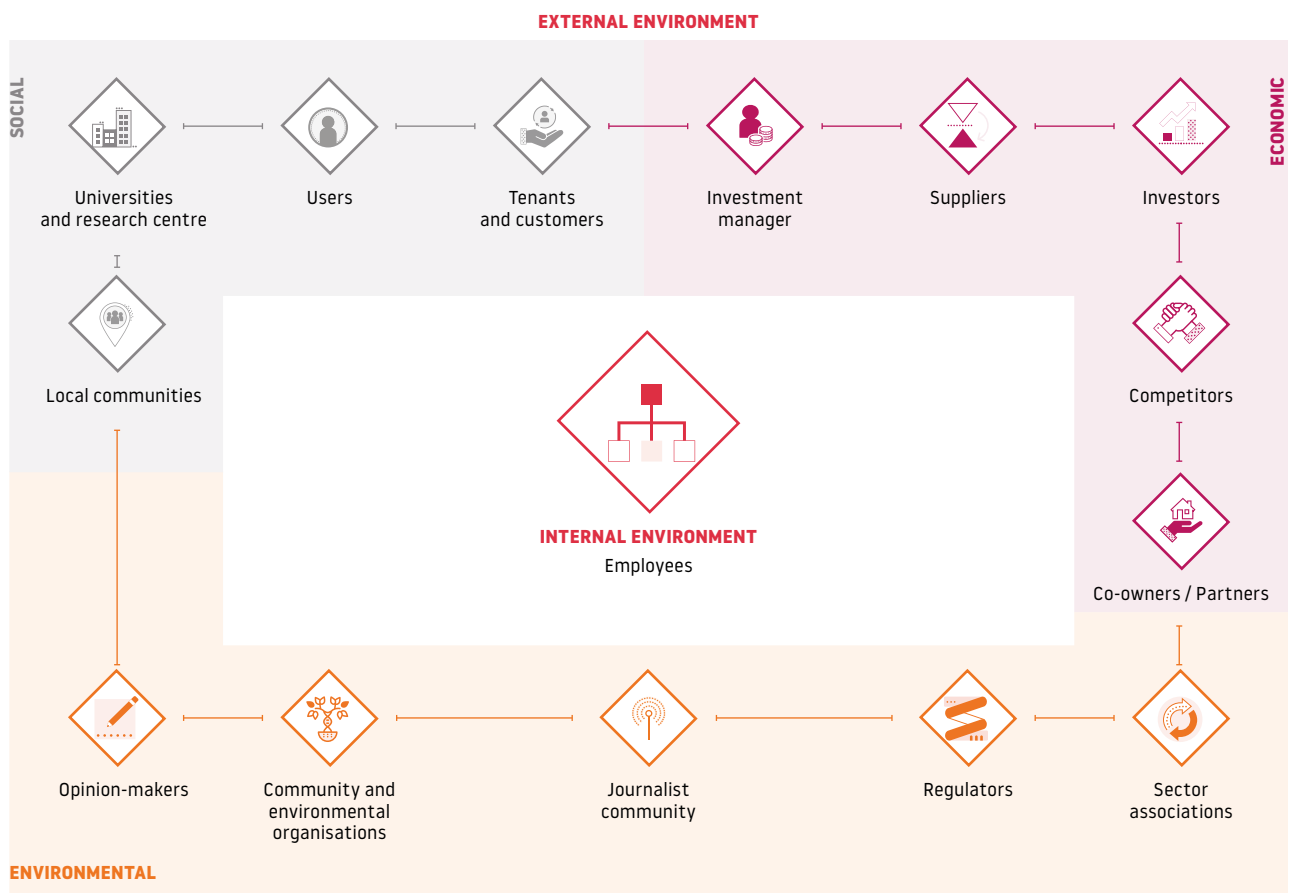


As a result, at year-end you will have a revised **system of communication with your stakeholders** that will revolve around the conclusions of a new expectations analysis and will result in the design of new communication channels for each one. In addition, the analysis of specific action plans associated with each stakeholder group will be accompanied, including the objectives and scope of the commitment to each one, the responsibilities of the team in charge, the communication channels and the information attributed to each group.

Material aspects for the company's stakeholders

With the aim of better adapting its sustainability strategy to its stakeholders' expectations, Lar España carried out a **specific analysis of the environmental needs for each group's concerns**. Based on four dimensions, Good Governance, Product, Environment

(including its environmental and social scope) and Employment, all according to the identification and classification of its internal perspective (employees) and external perspective (stakeholders, two dimensions were differentiated: external).



Below are the **expectations and needs** - both social and environmental - for each identified stakeholder group:

EXTERNAL ENVIRONMENT "ECONOMIC"

Investment Manager

- Corporate governance and transparency
- Ethics and compliance
- Risk management

Suppliers

- Transparent business relations
- Risk management

Investors (includes shareholders, banks and research analysts)

- Corporate governance and transparency
- Ethics and compliance
- Anti-corruption and anti-money laundering
- Risk management
- Investment in CSR
- Responsible investment

Competitors

- Corporate governance and transparency
- Building certification
- Accessibility and connectivity
- Relationship with the local community and job creation
- Employment: talent retention and training

Co-owners and partners

- Transparent business relations
- Risk management
- Relationship with the local community and job creation
- Investment in CSR





EXTERNAL ENVIRONMENT "ENVIRONMENTAL"

Opinion-makers

- Corporate governance and transparency
- Anti-corruption and anti-money laundering
- Impact management
- Investment in CSR
- Responsible investment

Community and environmental organisations

- Cooperation with other entities and firms for the promotion of knowledge sharing
- Building certification

Journalist community

- Relationship with the local community and job creation
- Sustainability permeating products, slogans and campaigns
- Transparent business relations

Regulators

- Standardised CSR reporting
- Corporate governance and transparency
- Ethics and integrity
- Impact management
- Relations with tenants and communities
- Accessibility and connectivity
- Urban longevity
- Property refurbishment and conservation

Sector associations

- Standardised CSR reporting
- Cooperation with other firms for the promotion of knowledge sharing



EXTERNAL ENVIRONMENT “SOCIAL”

Universities and research centres

- Standardised CSR reporting
- Cooperation with other firms for the promotion of knowledge sharing

Local communities

- Impact management
- Two-way communication channels
- Relationship with the local community and job creation
- Creating shared value

Users

- Connectivity and accessibility
- Management of eco-efficient buildings
- Safe and healthy environment
- Modern and well-designed facilities
- New experiences and services

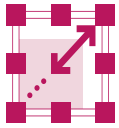
Tenants and customers

- Transparent business relations
- Safe and healthy environment
- Connectivity and accessibility
- Management of eco-efficient buildings
- Modern and well-designed facilities
- New experiences and services: technological innovation

INTERNAL ENVIRONMENT

Employees

- Talent retention and training
- Equal opportunities and non-discrimination
- Safe and healthy environment
- Work-life balance
- Transparent remuneration policy
- Ethics, integrity and compliance: Ethical and responsible company



In 2018, Lar España purchased over €160m of products and services from its suppliers, **so generating wealth in its business communities**

Investors

The **relationship with all shareholders is in the common interest**. Lar España fosters an organisation-wide culture of informed and two-way participation with the aim of creating close ties with all of its stakeholders.

All channels for communicating and engaging with existing or prospective shareholders of Lar España are governed by the **Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors**, as well as the Board Regulations.

The communication channels in place are designed to ensure that shareholders have access to all the information they need to make informed decisions, to which end Lar España publishes an **Investor Agenda** and updates on its performance on its website.

Suppliers

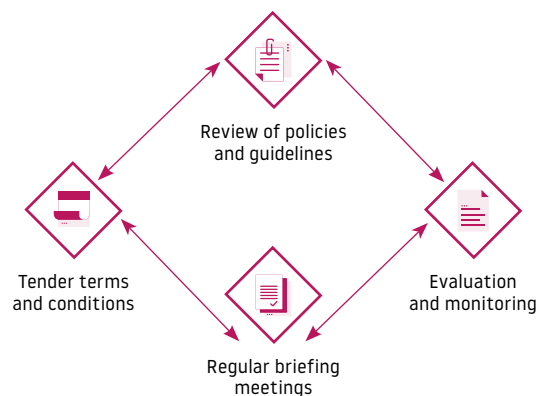
Lar España works continuously on enhancing its relations with **suppliers**, a group of stakeholders of vital importance for the business. As a result, Lar España and its Management Company apply stringent controls so as to only collaborate with suppliers of renowned solvency, making sure that they have **internal control mechanisms and codes of conduct** that guarantee due diligence.

Economic impact

Lar España has strong ties with its business communities. The fact that **the large majority of its 643 suppliers** are local firms reflects this bond. Lar España does business all over Spain, so that it generates economic wealth nationwide. In 2018, Lar España paid its suppliers over €160 million.

Supplier certification mechanisms

Lar España is aware of the need to work with other organisations that pursue similar goals to it: **doing business responsibly for all groups, communities and society in general**. To this end, it strives to establish supplier controls in order to ensure they comply with prevailing regulations and the conduct themselves in line with the values embraced by Lar España.

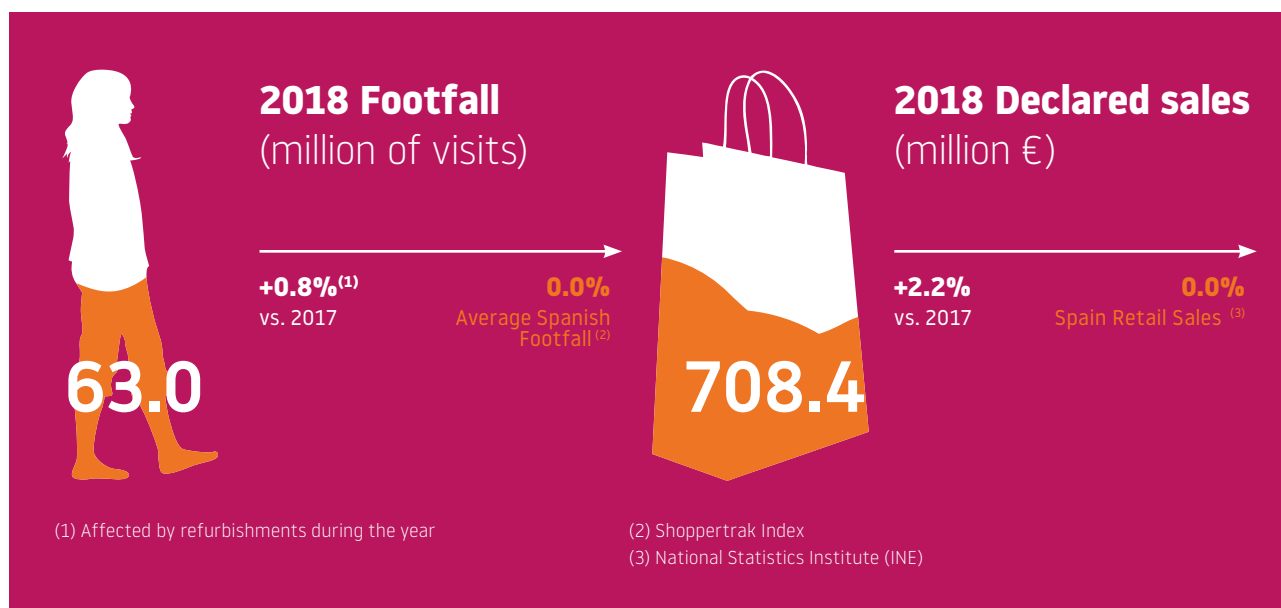
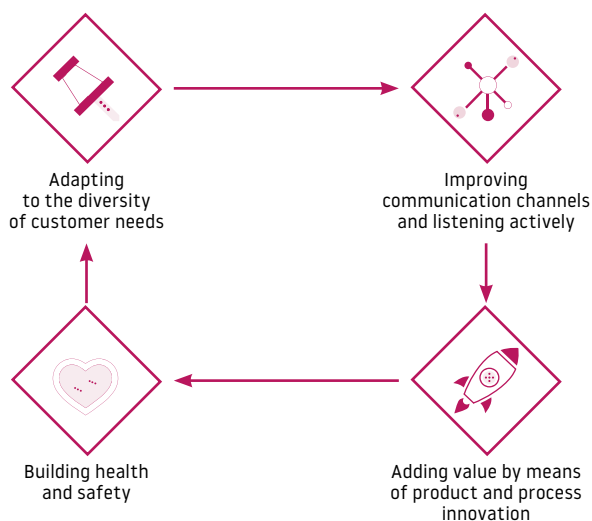


Customers

Lar España wants to establish itself as one of the most active REITs in Europe and a benchmark in the Spanish real estate sector. To do so, its customers and end users are essential stakeholders with whom it must engage in continuous dialogue.

With the aim of providing higher quality products and services, the company attempts to anticipate its customers' needs and demands, while ensuring the health and safety of those that visit its centres. As a result, it pays special attention to compliance with basic health and safety regulations by duly coordinating its business activities, providing information about safety risks at work centres and correctly distributing the emergency evacuation protocols.

Lar España's philosophy for **maximising customer satisfaction**:



The process of **actively listening to and engaging in two-way communication with its customers** is essential to the company's business development. It has identified several tools designed to foster the communication process:

- An incident **reporting protocol** with the asset managers in the form of a dedicated e-mail inbox ('Incidencias LAR Project').
- **Customer satisfaction surveys** at office buildings.
- **Mobile app** for the shopping centres featuring relevant content such as promotions of interest, news, etc.
- **Direct dialogue** between the asset manager assigned to each property and its tenants.
- **Customer service/care audits** which Lar España uses as part of its commitment to providing an **excellent customer experience**.



The **active listeners and two-way dialogue** process with clients is vital for developing the business

Society

Lar España's business activities directly generate economic and social benefits for multiple players, including thousands of direct and indirect jobs. Its activities have a considerable impact on the economy and employment in Spain in general and in the communities in which its properties are located in particular. Specifically, in 2018, Lar España's portfolio is estimated to have **generated over 15,000 direct jobs** regarding the project under construction, Lagoh, the creation of 4,800 additional jobs are expected 1,500 of which are direct jobs, 1,800 are indirect jobs and 1,500 are construction-related jobs.

In maximising the value of its assets, city and citizens are an inseparable whole and end-to-end rehabilitation and management of the portfolio implicitly implies specific consideration of and engagement with the local populations where we operate, looking out for their sustained progress.

Lar España's portfolio assets generate social impacts that transform and build **shared value** in the communities in which they are located:

- They create new business opportunities
- They transform the social climate
- They encourage citizen participation
- They promote health and wellbeing
- They foster inclusion
- They strengthen society's values

4.2

Community work

Within Lar España's solid community engagement effort, under the umbrella of which it seeks to reinforce social and economic vitality in the areas in which it operates, a broad range of activities and initiatives were carried out in 2018 to engage and collaborate with its local communities, notable among which:



+300 days'
worth of
community and
environmental
initiatives at
our shopping
centres



+25 NGOs
and charities
collaborated
with



+ 442,000 €
earmarked
to community
collaborations



+ 25,000 Kg
of clothing
donated



+ 13,000 Kg
of food
collected
in drives

Community work undertaken in 2018



AS TERMAS

Mall space loaned to 17 NGOs for 92 days.

Events staged by sports clubs and local associations which were given mall space for free.

Collaboration with the Lugo municipal authorities:

- Sports council: Sponsorship of charity races
- Advertising contribution for the institutional campaign run under the slogan I'm from Lugo

Regional authorities:

- Regional health department: free loan of space for the installation of a blood donation bus

Lugo school network: environmentally-themed drawing competition and prize ceremony at the As Termas shopping centre.

Project **Wonderful**



ANEC BLAU

Donation of winter clothing to the Cruz Roja in Casteldefells.

Used clothing collection containers.

Food collection drive for animal shelter: 1,960 kg

Monthly animal care awareness and adoption sessions: 38 animals adopted.

Used clothing collection: 25 tonnes, +1% vs. 2017.

Loan of mall space to 8 NGOs (Cruz Roja, Unicef, Josep Carreras Foundation, Save the Children, ACNUR, Enriqueta Villavecchia Foundation, Salva una Huella, ISTEA, Corre per una causa).

Charity events taking up 53 days of the year.

Project **Wonderful**

Sponsorship of Canal Olímpic race.

Sponsorship of ISTEA (autism association) in the form of a charity race.

Sponsorship of the Playa Casteldefells basketball tournament.

Collaboration with the town council:

- Assistance with organisation of carnival celebrations
- Sponsorship of the Baix Llobregat business association
- Sponsorship of city charity races

City:

- Collaboration with institutions in the area for the provision of workshops advertising ANEC BLAU
- Electric vehicle charging stations
- Reading room installed in shopping centre all year round



EL ROSAL

Mall space loaned to 5 NGOs and one Brotherhood.

Premises loaned to local artists for exhibitions.

Drives with food banks.

Collaboration with the Cruz Roja on a back-to-school drive **to collect school materials.**

Collaboration with ADISBIER on a **drive to collect toys and books.**

Agreement with ALFAEM under which its therapists can visit the HypeStation twice a month.

Coordination between ALFAEM and EscapArte artists for guided tours of the **creative space.**

Project Wonderful Summit.

Sponsorship of the local **basketball team.**

Collaboration with the **football team.**

Collaboration with the **Karate Club** (national karate championship).

Participation in **Planet Day.**

Collaboration with the town council:

- Free loan of space for the installation of the citizen card machine

Collaboration with the local police:

- Publicity for the toy collection drive

Multiple charity collaborations:

- **Blood Donation** Brotherhood: Campaigns at the shopping centre in February and September.
- Piñera School (Vega de Espinareda): creation of a video and publicity on the social media and centre's website showcasing the school's work
- San Ignacio school tour during cultural week



ALBACENTER

Collaboration with:

- A number of entities on environmental, social, labour awareness campaigns, etc.
- Play Fitness event.
- Fitness Centre event.
- Third edition of charitable pilates event to raise money for AFANION (children with cancer).
- Collaboration with the Spanish Cancer Society: Charity tables.
- Collaboration with volunteers from the Spanish Parkinson's Association.
- Awareness and fund-raising campaign for children with leukaemia.

Collaboration with **ACNUR** (help for refugees) and the Cruz Roja (Earth Day).

Awareness workshop and fund-raising event for AMAC (women with cancer).

Mall space loaned to 12 NGOs and one foundation.

Charity events taking up 202 days of the year.

Collection of 12,000 kg of food.

Project ***Wonderful Summit***

Collaboration with the Spanish Cancer Society (AECC): workshops in collaboration with different entities to provide environmental, labour training, etc.

Collaboration with sports/fitness entities.

Fitness Centre event

Third edition of **charitable pilates event to raise money for AFANION** (children with cancer)

Collaboration with the town council:

- Christmas lights in Albacete
- Collaboration with the environmental education programme

Sponsorship of cultural events in Albacete:

- Sponsorship of children's shows
- Tickets sold online



LAS HUERTAS**Space loaned to:**

- Food banks
- Palencia Blood Donation Association.
- ALDEA.
- Promote the sale of a plush toy to raise money for charity.
- Spanish Cancer Society
- Toy collection drive.
- The Cruz Roja.
- Palencia's Down Syndrome Association (ASDOPA).
- Palencia's Mental Health Association (FEASFES).
- Octopus knitting workshop.

Avenida de Madrid neighbour's association: sponsorship of charity race.

Water saving awareness campaign championed by Carrefour Property in collaboration with AQUONA.

#icommitto to mark World Environment Day.

Collaboration with the **Spanish Cancer Society** for its seventh charity run

WWF's Earth Hour initiative.





GRAN VÍA DE VIGO

Project *Wonderful Summit*.

Earth Hour.

Collaboration with the town council by participating in the **Christmas parade** and donating to the Gran Vía street lighting.

Sundays on Gran Vía: Vigo **food banks**: 7 events.

Showcooking "Brunch with heart": **Vigo food banks**.

Magazine charity casting: animal shelters.

Pet Week: shelters, adoption drives.

Christmas lighting: collaboration with paediatric ward at Hospital Álvaro Cunqueiro. Donation of 12 reindeer and Vaca Lola.

Mall space loaned to 14 NGOs.

Collaboration with two major food drives organised by the **Food Bank** in conjunction with Carrefour.

Awareness drives associated with **World Glaucoma Day**.

Help with **school material collection** drive in collaboration with the **Carrefour Foundation**.

Collaboration with a **Christmas toy donation drive**.





PORTAL DE LA MARINA

Collaboration with the **50th anniversary of the local police in Ondara**.

Multiple sports sponsorships: Volta a Peu La Marina, Volta Ciclista La Marina, Colaboración Campus Gayá.

Wonderful 17 projects presented.

Raquel Payá event: collaboration with a **special needs school in Denia**.

Mall space loaned to Cruz Roja, AAI and ACNUR.

Blood donation marathon with the Valencia regional transfusion centre.

Sponsorship of the Tronquet Rally by bringing material to **NGOs** along the rally route (Africa).

Magazine front cover, celebrities from the area with donations to their causes (**ELA and breast cancer**).



TXINGUDI

Space made available in the shopping arcade to advertise for new members:

WWF (World Wild Life), 2 and 3 February; 8 and 9 March; 20 and 21 July

Cruz Roja (Two sessions, August and October)

Save the Children, 25 and 26 June

Space made available in the shopping arcade for collection of food, other products and charitable donations:

TADAMUN food collection in aid of the Sahara (26 and 27 January)

AECC (The Spanish Association Against Cancer) collections, 12 May

Charity breakfast (RED CROSS) 13 April

PROVIDA (The Spanish Federation of Pro-life Associations), collection of products for mothers and children (27 October)

GIPUZKOA FOOD BANK, food collection (23 November)

Financial contribution to DYA (Stop and Help), an Association founded to provide assistance to people on the road.

Collaboration with Irun Council's Consumer Department, donating shopping vouchers for the 10th Consumer Awareness Day, 2018



Activities implemented by the Company



Norte Joven Foundation

Assistance provided to this foundation's programme for the provision of scholarships, training and food to students by means of:

- Monthly charity lunches
- Assistance from Lar España employees to help the Foundation's youth members prepare for job interviews
- Regular financial donations
- Employment (administrative tasks) for Norte Joven students via 6-month long internships



Créate Foundation

Collaboration with their professional training area as part of this Foundation's "Promotion and facilitation of enterprising initiatives" programme.

- Mentoring assistance for the definition and preparation of an entrepreneurship and innovation project for the Foundation's vocational training student members.



Acción contra el Hambre Foundation

- Lar España employees donated restaurant cheques. The total sum was earmarked entirely to therapeutic foods by this NGO, which tackles the causes and effects of hunger around the world.



Aladina Foundation

- Christmas raffle to raise money for this charity.

Collaboration agreement with AUARA

Lar España, framed by its commitment to society, has entered into a new agreement with **AUARA**, which earmarks 100% of its dividends to the development of drinking water projects for the neediest, raising money by selling uniquely designed and sustainable products. So far AUARA has brought drinking water and sanitation facilities to over 23,000 people. Its goal is to lift that number of 200,000 in the next five years.

Lar España wants to help it do so, which is why from April 2019 it will install the company's water vending machines in its shopping centres. All of the money collected from the sale of those products will be used to

fund drinking water projects.

The company will also place stickers on its doors to encourage its customers to feel involved by making them see they are buying more than just water.

The agreement places Lar España at the forefront of a **charitable initiative that fosters sustainable packaging while raising awareness** about the lack of drinking water in many places.



4.3

Environmental initiatives

Building projects have a **significant impact on their natural surroundings**. The **building certifications** Lar España is in the process of obtaining provide a roadmap for minimising their impact in the short, medium and long term. In parallel, the company **safeguards the economic viability** of and **financial returns on its investments**, while striving to boost aspects that benefit society.

Lar España continues to make proactive progress on the commitments assumed under the scope of its **Corporate Social Responsibility policies**, specifically including those assumed along the environmental dimension. Lar España is committed to the use of tools for rating and certifying its assets in order to vouch for their sustainability. Note that **100% of the shopping centres owned by Lar España are now BREEAM® certified**. BREEAM® (Building Research Establishment Environmental Assessment Methodology) is the world's foremost environmental assessment method and rating system for buildings.

In its property developments (both its shopping centres and its residential development - Lagasca99), the company is applying all of its know-how and the latest technology to develop **sustainable, environmentally- and user-friendly buildings**. Indeed, it is specifically designing and planning the projects in order to obtain the prestigious BREEAM® sustainability seal. Lagasca99 has obtained "Very Good" New Construction BREEAM® certification for the design phase.

In September 2018, Lar España obtained the **EPRA Gold Award** for the information provided in its **Corporate Social Responsibility and Sustainability Report**. That accolade represents a new milestone in its transparency effort, improving upon its achievements in 2017: the EPRA Silver Award and EPRA Most Improved Award. Lar España is currently in the process of implementing its **CSR Master Plan, which is articulated around the most stringent sustainability standards** (general and sector-specific), the recommendations made by the securities market regulator, its stakeholders' legitimate expectations, the United Nations Sustainable Development Goals (SDGs) and the priorities for the business for the years to come.



In 2018, Lar España participated for the first time in the Global Real Estate Sustainability Benchmark (**GRESB**) assessment, which in the last five years has emerged as a benchmark framework for assessments of performance along environmental, social and governance (ESG) aspects in the real estate sector. In 2017, 850 property companies and real estate investment funds from 62 countries, which between them represented USD 3.7 trillion of assets under management, participated in this assessment. More than 70 institutional investors, including pension funds and insurance companies (representing over USD 18 trillion in institutional capital) use GRESB data and analytical tools to engage with investment managers to enhance and protect shareholder value.



Submission to this assessment evidences Lar España's commitment to transparency and is framed by the company's ongoing effort to improve continuously in the CSR arena.

Indeed, the **CSR Master Plan** articulates the targets and programmes devised to enable Lar España to continuously enhance its real estate activities.



Environmental Performance

A) Environmental initiatives in the shopping centres

Lar España has implemented a series of activities at its shopping centres with the goal of **enhancing their environmental performance** and raising user awareness in order to engage them in this effort. Specifically, it has taken the following measures:



Electricity

Negotiation of capacity charges and rates.

Lighting: light sensors and LED technology.

HVAC: Free-cooling technology.

Process systematisation: BMS and SCADA.

Power generation: installation of photovoltaic solar panels



Gas/Gasoil

Boilers: Replacement of burners, utilization of waste heat from other installations, use of thermal plates, use of ecological fuels, etc.

Solar thermal panels: Installation of solar thermal panels for the production of hot water (hot water and hot water for heating).



Water

Irrigation systems: Control of water consumption for gardening, efficient irrigation systems, use of autochthonous plants (have fewer needs), wastewater reuse purified, etc.

Toilets and common areas: Reduction of working pressure of the pumps, replacement of fluxor cartridges, taps with presence sensors, installation of counters in different areas, etc.



Environmental actions

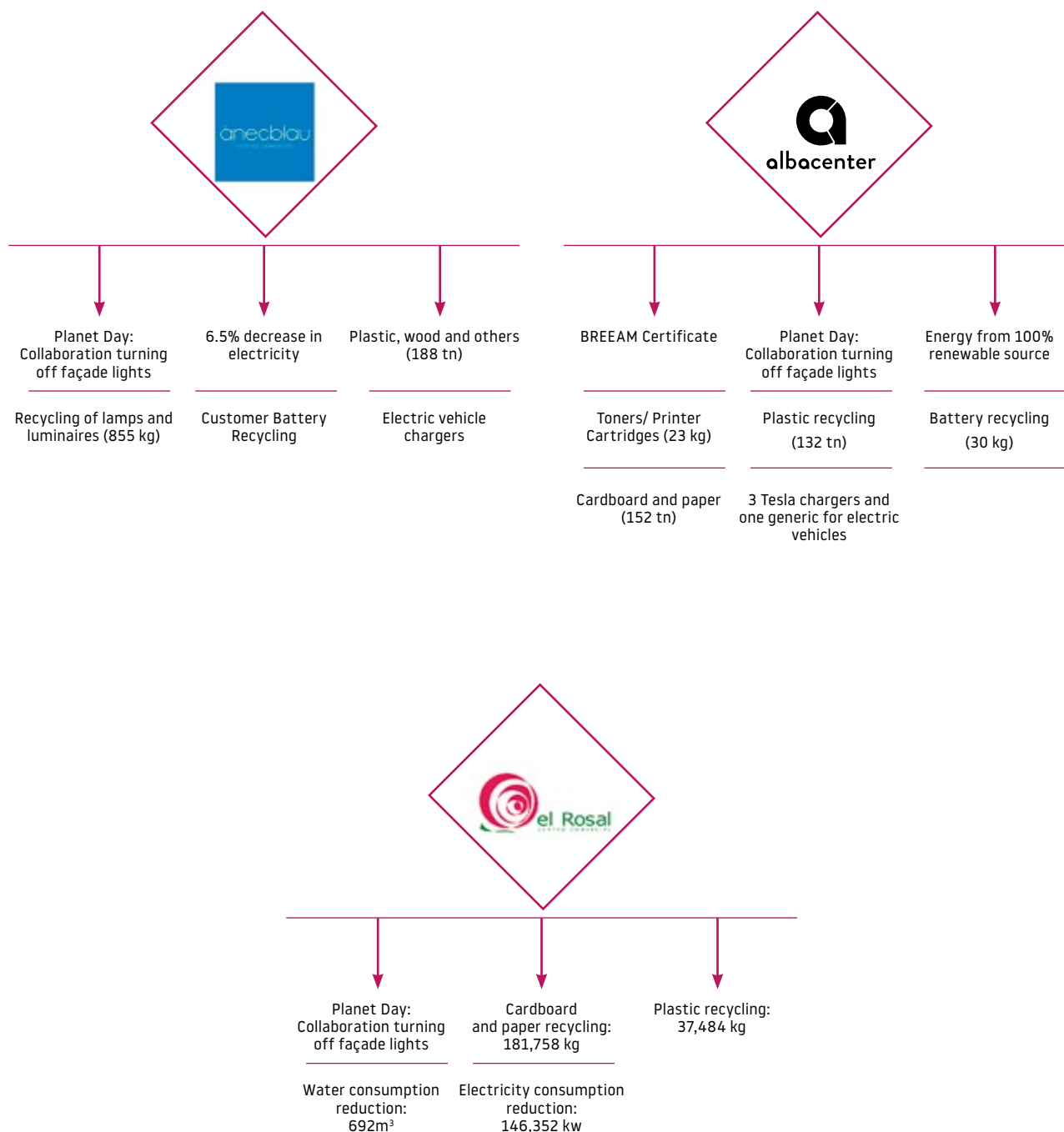
Encouraging the use of public transport, municipal bicycles and parking.

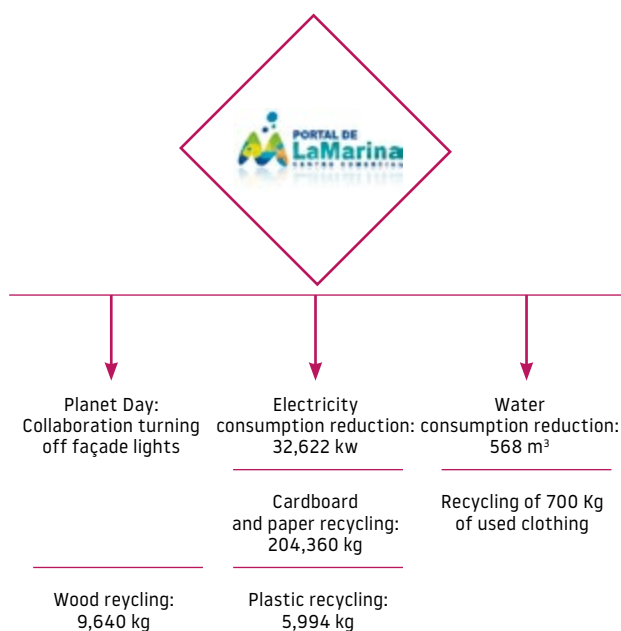
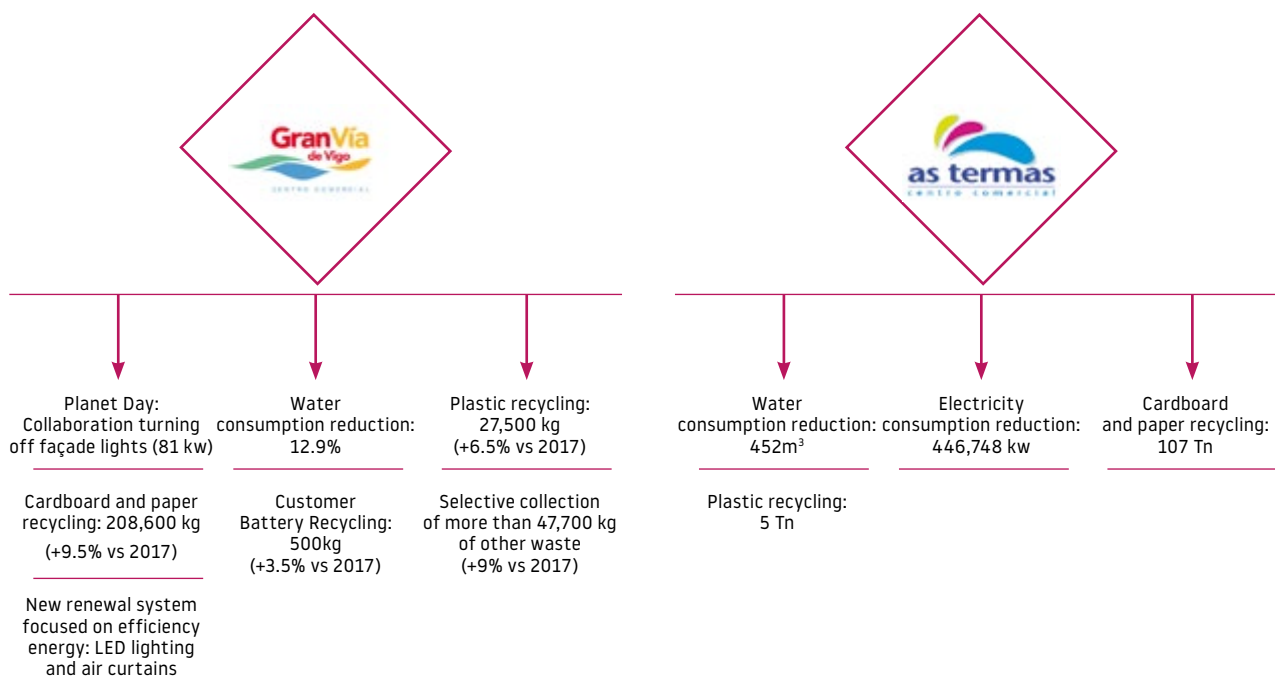
Trigeneration: an absorption system is incorporated into the process (of heat) that allows to obtain refrigeration from a heat source (heat from cogeneration). During the winter the heat is used for DHW and heating, and in summer, it allows to generate refrigeration for air conditioning.

Reduction of electricity consumption.

Reduction of water consumption.

We highlight the following actions carried out in 2018 in our main shopping centres:





B) Environmental initiatives in office buildings

The main initiatives undertaken at Lar España's office properties in 2018 were aimed at **reducing power consumption and enhancing energy efficiency**.

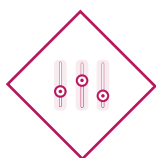
Egeo Building	Situation	Divestment 17/01/2018
	Environmental Initiatives	Obtaining BREEAM Certification (Part 1 - Building) rating GOOD In process: BREEAM Certification (Part 2 - In Use)
Eloy Gonzalo Building	Environmental Initiatives	Air-conditioning: Completion of renovation work on air-conditioning and insulation installations and putting into use in 2018.
		Obtaining BREEAM Certification (Part 1 - Building) rating VERY GOOD. Obtaining energy rating A
Marcelo Spínola Building	Situation	Divestment 30/01/2019
	Environmental Initiatives	Obtaining BREEAM Certification (Part 1 - Building) rating VERY GOOD Two charging points have been installed for electric vehicles.
Joan Miró Building	Situation	Divestment 28/12/2018
	Environmental Initiatives	HVAC: Refurbishing process including the improvement of HVAC and insulations



C) Environmental Initiatives in residential buildings

The Lagasca99 residential property, construction of which began in 2016 and was completed in 2018, is **BREEAM®-certified**, thereby guaranteeing more stringent sustainability standards in the construction, operation and maintenance of this property along with the reduction of its environmental footprint.

The following measures have been taken to **reduce its environmental impact**:



An envelope designed to deliver higher insulation performance standards than are required in Spain's Building Code.



LED lighting.



Homes to be fitted with class A or A+ household appliances.



Home automation systems to maximise energy efficiency in the common areas and housing units.



Individual heating system with independent thermostats.

Indoor Air Quality measurement

Lar España, as part of its commitment to improving the well-being of society, has initiated a systematic process of **measuring air quality inside its assets**. To date, the following buildings have been evaluated:

- **Shopping centres:** Albacenter; Anec Blau; A Termas; Gran Vía de Vigo; Las Huertas and Portal de la Marina
- **Offices:** Cardenal Marcelo Spínola and Eloy Gonzalo

Indoor air quality has a direct impact on quality of living: it is estimated that city dwellers spend between 58% and 78% of their time inside contaminated interiors.

The indoor air quality problem has been exacerbated in recent years by the construction of increasingly hermetically sealed buildings, making it harder to recycle the air inside and, often times, resulting in poorer quality air indoors than outdoors.

Indoor air can contain mould, pollen, bacteria or a range of volatile organic compounds that are bad for our health and accentuate the respiratory problems suffered by people with allergies. In addition, many of the materials used widely in the construction industry have harmful health effects, making it vital to measure indoor air quality regularly and roll out measures for improving it.

The measurements carried out by Lar España pave the way for a forward-looking action plan to **offset the majority of the ramifications of poor indoor air quality for health and wellbeing**.



Methodology

With the goal of compiling and reporting on the information needed to comply with the **EPRA Sustainability Performance Measures**, Lar España has used the following sources of information and made the following assumptions:

All properties

In 2018, **the criterion by which annual consumption is imputed to the surfaces of Shopping Centres has been revised**. Common outdoor spaces have been excluded, such as: landscaped areas, passable roofs, uncovered car parks, etc. Although these spaces consume electrical energy in their lighting and irrigation water, they do not constitute constructed surfaces nor are they rentable surfaces. This has led in some assets to a review of the consumption intensities per square metre allocated in 2017 with respect to this 2018 report.

Based on the bills paid by Lar España, the Company reports on its energy and water consumption; the electricity, gas and other fuel consumption figures exclude the utilities contracted directly by its tenants. None of Lar España's assets use district heating and cooling.



Retail

The owner does not supply HVAC services in this instance, although it does supply warm water for use in the tenant's HVAC systems.

In calculating CO₂ consumption and emission intensity performance measures, the consumption for paid by the owner is allocated to the common parts area of the shopping centres. In addition, the GHG emissions ratio and energy and water consumption intensities are calculated per visitor and year.

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

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

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



Offices

The owner pays for all of the water consumed in the buildings. Water consumption intensity is calculated by dividing total consumption by the common parts area.

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

The owner supplies the tenants with heating, ventilation and air conditioning (HVAC) services. To calculate energy consumption and CO₂ emission intensity, the total energy consumption paid for by the owner is allocated to the sum of the floor area of the common areas of the building and the lettable floor areas, measured using the standard prescribed by the Spanish Office Association (AEO, 2014).

$$\text{Energy intensity} = \frac{\text{Consumption paid by the owner}}{\text{Sup. elem.com.(ZCE)+Sup.elem.priv.(MI)}}$$

$$\text{CO}_2 \text{ emissions intensity} = \frac{\text{Emissions generated by the consumption paid by the owner}}{\text{Sup.elem.com.(ZCE)+Sup.elem.priv.(MI)}}$$

The GHG emissions and energy and water consumption ratios are also calculated per job and year.

2018 environmental performance scope

With the aim of comparing in a proportional way the consumption for the years 2017 and 2018, in the following tables are not include the assets acquired during 2018:

- Abadía retail park
- Rivas Futura retail park
- Cardenal Marcelo Spínola office building
- Two new lots at the Megapark shopping centre

The consumption for the year 2018 including those assets is the following:

- **Electric consumption:** 21.863.357 kWh
- **Fuel consumption:** 1.936.433 kWh
- **Water consumption:** 122.162 m³
- **Waste generation:** 2.122,8 toneladas
- **Equivalent CO2 emissions:** 2.057.372 kg eq CO₂

Regarding BREEAM certifications, including those assets, the total of **BREEAM certified** buildings is 11.

a) Assets 100% owned by Lar España

In its two wholly-owned and fully operative office buildings and six wholly-owned shopping centres, **Lar España can report on the energy and water consumption** it contracts and pays for in its capacity as owner. Note that it does not yet have information about the consumption directly contracted by its tenants.

c) Lar España properties in planning or under construction

The following ongoing **developments are excluded** from Lar España's environmental performance reporting effort: Lagoh **shopping centre** (Seville), VidaNova Parc **retail park** (Sagunto) and the Lagasca99 **residential development** (Madrid).

b) Assets co-owned by Lar España

In the case of the properties jointly owned by the Company (four shopping centres: Las Huertas, Txingudi, As Termas and Megapark) **Lar España does not have full autonomy to introduce and apply its sustainability policies**. However, it Lar España influences the adoption of sustainability and energy efficiency measures at these properties.

d) Lar España assets managed by the tenants

Assets in where it **tenants directly contract their utilities are excluded from Lar España's environmental performance** reporting effort. They also directly manage their waste collection and recycling.



OPERATIONAL LIMITS AND COVERAGE

At the corporate level, Lar España leases two floors of an office building that is not part of its property portfolio (it shares its offices with the Management Company's employees). Therefore, the environmental policies outlined in this report can only be applied to a limited extent.

In this instance the data are reported as a corporate expense and are therefore excluded from the Company's environmental performance calculations.



Environmental Performance

Lar España's environmental performance in 2018 was calculated on the basis of the **EPRA Sustainability Performance Measures**, bearing in mind the limits, coverage and information-sourcing methodology outlined above.

At the asset level:

Below are the performance calculations:

A. Energy consumption performance

In 2018, overall **electricity and gas consumption** across Lar España's shopping centres (retail) and office buildings **decreased by 3.8% and 3.4%**, respectively, compared to 2017.

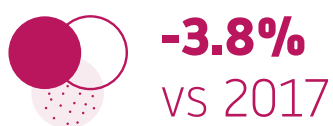
EPRA Sustainability Performance Measures

EPRA code	Unit of measure- ment	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES			
			2017	2018	Like -for- like change	2017	2018	Like -for- like change	2017	2018	Like -for- like change	
Elec-Abs, Elec-LfL	kWh	Elec- tricity	Consumption of electri- city from non-renewable sources	3,288,458	3,201,711	-2.6%	2,673,066	2,593,609	-3.0%	615,392	608,102	-1.2%
			Consumption of electricity from renewa- ble sources	18,090,143	17,351,196	-4.1%	18,090,143	17,351,196	-4.1%	No data	No data	No data
			Consumption sub-metered to tenants	No data			No data			No data		
			Electricity generated and dispatched to the grid	261,915	229,202	-12.5%	261,915	229,202	-12.5%	0	0	0.0%
			Total landlord electricity consumption	21,116,686	20,323,705	-3.8%	20,501,294	19,715,603	-3.8%	615,392	608,102	-1.2%
EPRA- DH&C- Abs	kWh	Ener- gy	Total district heating & cooling con- sumption	Not applicable. None of Lar España's assets have district heating & cooling systems (DH&C-Abs)								
Fuels- Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consump- tion	1,877,563	1,813,015	-3.4%	1,659,072	1,813,015	9.3%	218,491	0	-100%
Ener- gy-int	kWh/sqm/ year		Energy intensity in buildings per sqm	41.7	40.2	-3.7%	41.3	40.1	-2.9%	57.9	42.2	-27.1%
Number of assets within boundary				12 out of 12			10 out of 10			2 out of 2		
Proportion of disclosed data estimated				0.00%			0.00%			36.00%		
Cert-tot	Applicable assets			12 out of 12			10 out of 10			2 out of 2		
	%	BREEAM certifications			91.7%			100.0%			50.0%	

(*) The "proportion of disclosed data estimated" was not provided in 2017.

Energy intensity per square metre declined by around 3.7% in 2018, thanks to the efforts made by Lar España during the year to reduce energy consumption across its portfolio.

Electricity consumption in KWh



2017

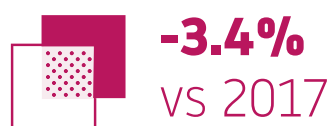


2018



■ Retail ■ Offices

Gas consumption in KWh



2017

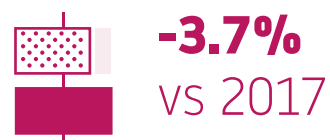


2018



Gas consumption per square metre decreased by 3.7% across Lar España's overall asset portfolio. The decline was observed in its retail assets (-2.9%) and in its office buildings (-27.1%).

Change in energy consumption in kWh/sqm



2017



2018



B. GHG emissions performance

Greenhouse gas emissions are calculated by multiplying electricity and fuel consumption (kWh) by the corresponding emission factor, provided by the Spanish Ministry of Ecological Transition, as shown below:

2017

- 0.051 kg CO₂e / kWh of electricity
- 0.252 kg CO₂e / kWh of gas

2018

- 0.052 kg CO₂e / kWh of electricity
- 0.029 kg CO₂e / kWh of gas

In 2018, Lar España consumed **electricity generated from renewable sources** at eight of its shopping centres (one more property than in 2017). This effort had a positive impact on the reduction in GHG emissions attributable to Lar España's property portfolio in comparison with 2017.

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
				2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL	kg CO ₂ e	Direct emissions Scope 1 (fuel)	473,146	456,880	-3.4%	418,086	456,880	9.3%	55,060	0	-100%
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions Scope 2 (electricity)	1,088,479	1,059,766	-2.6%	884,785	858,485	-3.0%	203,695	201,282	-1.2%
			Indirect emissions Scope 3		No data			No data			No data	
			Total Scope 1 + 2	1,561,625	1,516,646	-2.9%	1,302,871	1,315,364	1.0%	258,754	201,282	-22.2%
	GHG-Int	kg CO ₂ e/sqm/year	Greenhouse gas emissions intensity per square metre	2.8	2.8	-2.9%	2.4	2.4	1.0%	0.5	0.4	-22.2%
Number of assets within boundary				12 out of 12			10 out of 10			2 out of 2		
Proportion of disclosed data estimated				4.00%			0.00%			36.00%		

(*) Note: the floor area used to calculate the GHG-Int indicator corresponds to the common parts area for shopping centres and the common parts and private areas for office buildings.

In 2018, **Lar España managed to cut its GHG emissions by 2.9%**, from 1,562 tonnes of carbon dioxide equivalent to 1,517 tonnes. The reduction in GHG intensity (kg CO₂e/sqm) was the same in percentage terms.

GHG emissions in kg CO₂e/sqm

2017



2018



■ Retail ■ Offices

Change in GHG intensity in kg CO₂e/sqm

2017



2018



 **-2.9%**
vs 2017



C. Water consumption performance

Lar España's properties' total water consumption increased by 0.7% from 2017, which translates into a 1.5 litre increase per square metre.

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator
Water	Water-Abs, Water-LfL	m ³	Water consumption in common parts area
		litres / sqm / year	Water consumption intensity per square metre
	Water-Int	litres/ person / year	Water consumption intensity per visitor in the retail segment and per employee in office segment
Number of assets within boundary			
Proportion of disclosed data estimated			

(*) Note: the floor area used to calculate the Water-Int indicator corresponds to the common parts area for both the shopping centres and the office buildings.

(**) The number of office jobs averaged 887 in 2018 compared to 608 in 2017.

Water consumption in m³

2017



108,526

2018



109,326

Change in water consumption in litres/sqm/year

2017



201.1

2018



202.4

■ Retail ■ Offices

Variation of water consumption in litres/person

2017



2018



TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
108,526	109,326	0.7%	104,793	105,150	0.3%	3,733	4,176	11.9%
201.0	202.4	0.7%	195.2	195.9	0.3%	1,183	1,324	11.9%
2.0	2.0	1.9%	1.9	2.0	1.5%	6,139	4,709	-23.3%
12 out of 12			10 out of 10			2 out of 2		
1.00%			0.00%			18.00%		



D. Waste management performance

In total, Lar España's properties generated 5.6% more waste in 2018 than in 2017. Thanks to Lar España's waste management, **54.6% of this was recycled, meaning that the total amount of recycled waste rose 1.8% y-o-y.**

Waste management was particularly effective across its retail properties, where there was an **8% y-o-y increase in the amount of materials** incorporated into the circular economy – thus avoiding natural resources going to waste.

EPRA Sustainability Performance Measures

EPRA code	Unit of measurement	Indicator	TOTAL LAR ESPAÑA ASSETS			TOTAL LAR ESPAÑA RETAIL			TOTAL LAR ESPAÑA OFFICES		
			2017	2018	Like-for-like change	2017	2018	Like-for-like change	2017	2018	Like-for-like change
Was-te-Abs, Waste-LfL	Tonnes	Waste generation	2,009.3	2,122.8	5.6%	2,009	2,108	4.9%	No data	14.9	-
	%	Waste recycled	52.9%	54.6%	1.8%	45%	52.9%	7.9%	No data	11.9%	-
		Number of assets within boundary	10 out of 15	9 out of 12	-	8 out of 10	8 out of 12	-	0 out of 4	2 out of 2	-
	%	Proportion of disclosed data estimated	0%	0%	-	0%	0%	-	No data	0%	-
Cert-tot		Applicable assets	12 out of 12			10 out of 10			2 out of 2		
	%	BREEAM certifications	64.3%	91.7%	27.4%	80.0%	100.0%	20.0%	25.0%	50.0%	25.0%

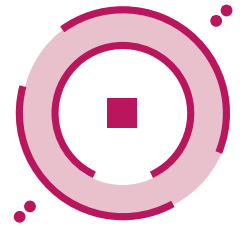


At the corporate level:

Below are the energy consumption, GHG emissions, water consumption and waste generation performance measure calculations at the corporate level:

EPRA Sustainability Performance Measures

Area of Impact	EPRA code	Unit of measurement	Indicator	
Energy	Elec-Abs, Elec-LfL	kWh	Electricity	Landlord electricity consumption - shared utilities
				Consumption sub-metered to tenants
				Electricity generated and dispatched to the grid
				Total landlord electricity consumption
	EPRA-DH&C-Abs	kWh	Energy	Total district heating & cooling consumption
	Fuels-Abs, Fuels-LfL	kWh	Fuel	Total landlord fuel consumption
	Energy-Int	kWh/m ² / year	Building energy intensity per square metre	
		kWh/ employee / year	Building energy intensity per employee	
Greenhouse gas emission allowances	GHG-Dir-Abs, GHG-Dir-LfL		Direct emissions	Scope 1
			Indirect emissions	Scope 2
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect emissions	Scope 3
			Total	Scope 1 + 2
	GHG-Int	kg CO ₂ e / m ² / year	GHG emissions intensity per square metre	
		kg CO ₂ e / employee / year	GHG emissions intensity per employee	
Water	Water-Abs, Water-LfL	m ³	Water consumption	
	Water-Int	litres/m ² /Year	Water consumption intensity per square metre	
		litres/ employee / Year	Water consumption intensity per employee	
Waste	Waste-Abs, Waste-LfL	Tonnes	Waste generation	
		%	Waste generation	
		%	Proportion of disclosed data estimated	



Coverage	LAR España Corp Offices - Contribution by the 4 LAR España employees			TOTAL Lar España Corporate Offices		
	2017	2018	Like -for- like change	2017	2018	Like -for- like change
	7,585	3,842	-49.3%	149,332	90,170	-39.6%
1 out of 1	N/A			N/A		
	0	0	0.0%	0	0	0.0%
	7,585	3,842	-49.3%	149,332	90,170	-39.6%
1 out of 1	N/A					
1 out of 1	0	0	0.0%	0	0	0.0%
1 out of 1	108.4	60.7	-44.0%	108.4	60.7	-44.0%
1 out of 1	1,896.3	1,024.7	-46.0%	1,896.3	1,024.7	-46.0%
	0	0	0.0%	0	0	0.0%
1 out of 1	2,511	1,272	-49.3%	49,429	29,846	-39.6%
	N/A			N/A		
	2,511	1,272	-49.3%	49,429	29,846	-39.6%
1 out of 1	35.9	20.1	-44.0%	33.3	20.1	-39.6%
1 out of 1	627.7	339.2	-46.0%	627.7	339.2	-46.0%
1 out of 1	38	30	-21.6%	751	702	-6.5%
1 out of 1	0.5	0.5	-13.4%	0.5	0.5	-13.4%
1 out of 1	9.5	8.0	-16.4%	9.5	8.0	-16.4%
	No data	No data	-	No data	No data	-
0 out of 1	No data	No data	-	No data	No data	-

4.4 Accessibility

In 2018, the company concentrated its efforts on the accessibility measures identified as 'urgent' in an assessment of the starting situation at Lar España's properties. In 2019, the focus will shift to addressing the key 'necessary' measures, in some instances implementing some of the 'recommended' measures. The company's objective is to obtain the **universal accessibility seal at as many shopping centres** as possible. To this end, Lar España has hired a consultant to help it with the guidance provided in the **ILUNION report**, making practical adjustments in order to achieve the company's objectives.

In recent years, Lar España has been working on obtaining ISO 21542 certification (accessibility and usability of the built environment) and on meeting the UNE-EN 170001 standard (universal accessibility), thus demonstrating its **commitment to inclusion**.

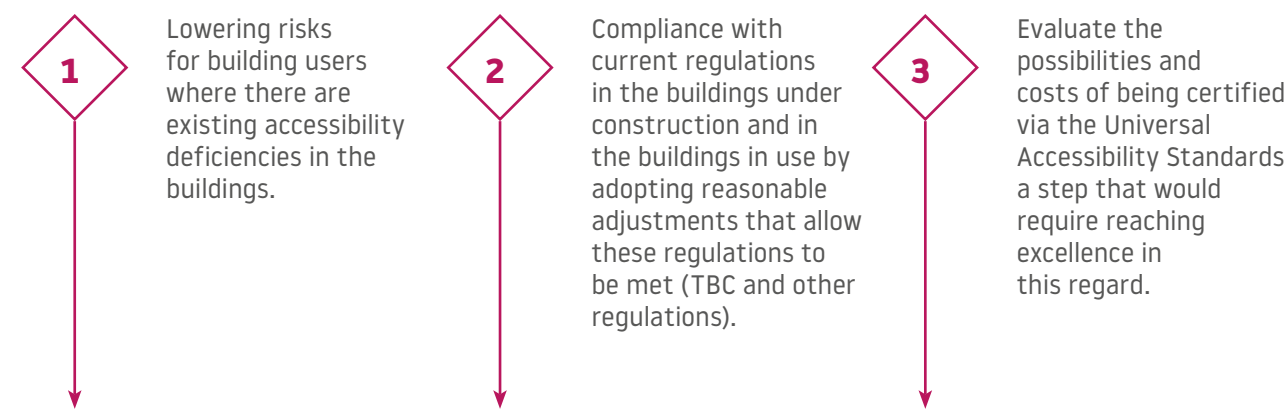
In 2018, Lar España continued to execute the work plan it formulated in 2017, which established priorities and the actions to be taken to make the company's properties **more profitable, healthier, safer and more efficient**. To organise the work, the company has separated the measures into urgent, necessary and recommended measures with the aim of executing the urgent and necessary measures at the shopping

centres which are majority-owned by Lar España. In this regard, Lar España's objectives are extremely ambitious, with **€1.6 million of investment forecast for the coming years**.

Since launching its regular accessibility auditing in January 2017, Lar España has invested a total of over €113,000 in improving the accessibility of its properties.

As a result, in December 2018 the VidaNova Parc shopping centre obtained the **Aenor Universal Accessibility seal**. The Eloy Gonzalo office building also obtained Aenor accessibility certification. Those milestones evidence Lar España's commitment to providing adequate and easy access to its shopping centres for all individuals, regardless of their mobility issues.

The overall approach is the result of a diagnosis undertaken in collaboration with **ILUNION, ONCE and AENOR** (the Spanish certification body). Their **accessibility audits** highlight the level of compliance with prevailing regulations and make **recommendations as to how to obtain universal accessibility certification**. These audits report on three levels of initiative:



The main achievements in 2018:

- **100%** of refurbishments at Lar España assets are factoring in the accessibility requirements laid down in the new building code.
- An accessibility diagnosis has also been performed at all **office buildings**.
- **90%** of the non-residential assets have had their accessibility audited.; that figure is expected to increase to **93%**.
- **75%** of the assets managed by Lar España are in the process of obtaining certificates and **10%** have already obtained AENOR certificate according to UNE 170001.
- The company has hired an **accessibility consultant**, specialised in architecture, with the aim of implementing the upgrades more efficiently and effectively.



Lar España is firmly committed to **fostering integration**: it is working to achieve and maintain high accessibility standards through designs conceived of for and by people



4.5 Outlook

In order to achieve the objective of continuing to create shared value, Lar España is **firmly committed to increasing its good practices in the area of corporate social responsibility.**

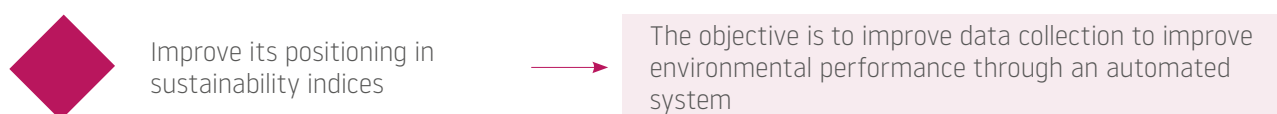
Its commitment is reflected in specific actions to be carried out in 2019:



One of Lar España's sustainability objectives is to draw up an action plan to improve stakeholder management and thus implement a management model based on prior analysis and diagnosis.



Lar España has been implementing its CSR Master Plan for the last two years. This is aligned with the most demanding sustainability standards, both sectorial and general, and is improved with the Action Plan for Stakeholder Management and the implementation of the Sustainable Development Objectives (ODS).



One of Lar España's priorities is to **improve its environmental performance**, being aware of the impacts they generate on the environment. Its objective is to improve the collection of these data by means of an automated collection system.

All the objectives that Lar España assumes in terms of sustainability and the environment for the future are intended to be a benchmark in its business model as a creator of shared value in the long term. Its ambition is reflected in a desire to **improve its positioning in the different general and sector-specific sustainability indices.**





Shopping Centre
Lagoh (Sevilla)



5

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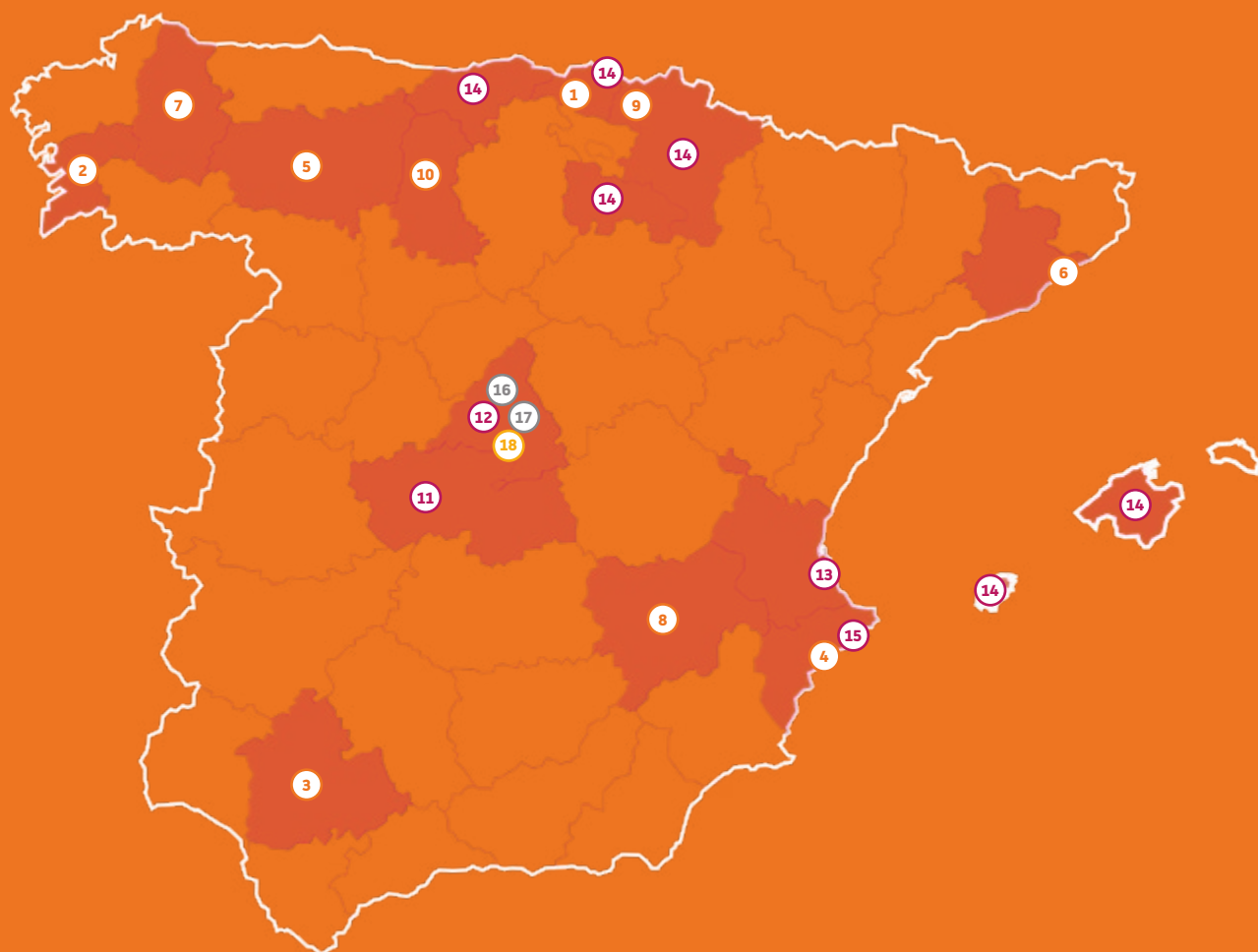
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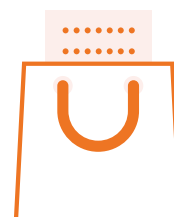
Portfolio description



GAV
1.5
billion euros

Shopping Centres

1. Megapark + Megapark Leisure (Vizcaya)
2. Gran Vía (Vigo)
3. Lagoh (Sevilla) (*)
4. Portal de la Marina + Hypermarket (Alicante)
5. El Rosal (León)
6. Anec Blau (Barcelona)
7. As Termas + Petrol Station (Lugo)
8. Albacenter + Hypermarket and Retail Units (Albacete)
9. Txingudi (Guipúzcoa)
10. Las Huertas (Palencia)



Retail Parks

11. Parque Abadía and Commercial Gallery (Toledo)
12. Rivas Futura (Madrid)
13. VidaNova Parc (Valencia)
14. Supermarkets Portfolio (22 units) (Cantabria, País Vasco, La Rioja, Navarra y Baleares)
15. Vistahermosa (Alicante)



Offices

16. Eloy Gonzalo (Madrid)
17. Marcelo Spínola (Madrid) (**)



Residential

18. Lagasca99 (Madrid)



(*) Project under development / (**) Asset sold in January 2019

Megapark Shopping Centre



MegaPark

Bilbao



Location & Profile

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

Primary catchment area of more than 965,000 people.

Excellent location and access via the A-8 motorway.

Total sales at the end of the year reached EUR109.2 million.

Footfall 2018: 9.9 million visitors.

Investment Rationale

Features some of the top international retail warehouse operators, such as Decathlon, Conforama, Mediamarkt or El Corte Inglés.

The retail arcade has excellent tenants such as Tommy Hilfiger, CK, Converse, Desigual and Mercadona (Spain's leading distributor).

It is the only Outlet Centre in a 400 km radius.

Strategic acquisition of the leisure complex in October 2017 to gain full control of the retail park.

The leisure complex boasts big name tenants including Burger King, Ribs, Tagliatella, Jugettos, as well as the cinemas with the highest turnover in the Basque Country (totalling 11 screens).

Asset Characteristics

Property Name	Megapark
Property Type	Shopping Centre
Location	Barakaldo (Bilbao)
Ownership (%)	100%
Year of Construction	2007
GLA	83,349 sqm
Purchase Date	19 October 2015/27 October 2017
Acquisition Price	€178.7 million
Market Value (*)	€222.2 million
Price/sqm	€2,143 per sqm
Value/sqm	€2,666 per sqm
No. of Tenants	78
WAULT	3.0 years

Key Performance Indicators

EPRA Vacancy Rate	11.5% (**)
EPRA Net Initial Yield	4.8%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

(**) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.

Gran Vía Shopping Centre



Vigo



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, living within 30-minutes or less from the centre.

Footfall 2018: 7.1 million visitors.

Total sales at the end of the year reached EUR 104.2 million (3.6% y-o-y increase).

Investment Rationale

Dominant shopping centre in its region thanks to its retail mix, premium quality and large size.

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 a occupancy level of 99.5% at the end of the year.

Asset Characteristics

Property Name	Gran Vía de Vigo
Property Type	Shopping Centre
Location	Vigo
Ownership (%)	100%
Year of Construction	2006
GLA	41,432 sqm
Purchase Date	15 September 2016
Acquisition Price	€141.0 million
Market Value (*)	€173.0 million
Price/sqm	€3,401 per sqm
Value/sqm	€4,176 per sqm
No. of Tenants	98
WAULT	2.2 years

Key Performance Indicators

EPRA Vacancy Rate	0.5%
EPRA Net Initial Yield	5.4%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Lagoh Shopping Centre



Sevilla



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 September 2019.

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

At the end of the year, round to 82% of GLA signed or with binding contract with leading retailers.

Asset Characteristics

Property Name	Lagoh
Property Type	Shopping Centre
Location	Sevilla
Ownership (%)	100%
Year of Construction	In construction
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 (*)	€132.0 million
No. of Tenants	Multi-tenant

Investment Rationale

In advanced negotiations with many future tenants following the major interest received from the main restaurant, leisure and fashion brands.

A potential yearly revenue of EUR14 million is forecast.

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Portal de la Marina and Hypermarket Shopping Centre



Alicante



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 more than 320,000 inhabitants.

Main tenants: H&M, Zara, C&A, Cortefiel, Massimo Dutti, Pull & Bear, Stradivarius, Lefties and Carrefour.

Total sales at the end of the year reached EUR71.4 million (2.2% y-o-y increase).

Footfall 2018: 3.7 million visitors.

Investment Rationale

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

During 2018 the property was refurbished, given a "new look" and refurbishing the dining area.

The hypermarket annexed to this asset is currently occupied by Carrefour.

Strategic acquisition of the hypermarket to gain full control of the adjacent shopping centre.

Asset Characteristics

Property Name	Portal de la Marina
Property Type	Shopping Centre
Location	Ondara (Alicante)
Ownership (%)	100%
Year of Construction	2008
GLA	40,158 sqm
Purchase Date	30 October 2014/ 30 March 2016/ 9 June 2015
Acquisition Price	€89.2 million
Market Value (*)	€129.2 million
Price/sqm	€2,221 per sqm
Value/sqm	€3,217 per sqm
No. of Tenants	102
WAULT	2.8 years

Key Performance Indicators

EPRA Vacancy Rate	6.3% (**)
EPRA Net Initial Yield	5.5%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

(**) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.

El Rosal Shopping Centre



León



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.

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

Total sales at the end of the year reached EUR97.1 million.

Footfall 2018: 5.4 million visitors.

Investment Rationale

Main tenants include, among others, leading top-tier brands such as Carrefour, Zara, H&M, Cortefiel, Worten and Burger King.

Comprises over 50,000 sqm of lettable area 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	51,156 sqm
Purchase Date	7 July 2015
Acquisition Price	€87.5 million
Market Value (*)	€110.2 million
Price/sqm	€1,715 per sqm
Value/sqm	€2,154 per sqm
No. of Tenants	100
WAULT	3.0 years

Key Performance Indicators

EPRA Vacancy Rate	5.6%
EPRA Net Initial Yield	5.7%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Anec Blau Shopping Centre



Barcelona



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 EUR65.5 million.

Footfall 2018: 5.7 million visitors.

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	28,632 sqm
Purchase Date	31 July 2014
Acquisition Price	€80.0 million
Market Value (*)	€97.1 million
Price/sqm	€2,797 per sqm
Value/sqm	€3,390 per sqm
No. of Tenants	87
WAULT	3.0 years

Key Performance Indicators

EPRA Vacancy Rate	7.3% (**)
EPRA Net Initial Yield	4.3%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

(**) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.

As Termas + Petrol Station Shopping Centre



Lugo



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 EUR58 million (3.1% y-o-y increase).

Footfall 2018: 3.7 million 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	35,127 sqm
Purchase Date	15 April 2015/ 28 July 2015
Acquisition Price	€68.8 million
Market Value (**)	€87.6 million
Price/sqm	€1,959 per sqm
Value/sqm	€2,493 per sqm
No. of Tenants	74
WAULT	2.1 years

Key Performance Indicators

EPRA Vacancy Rate	2.8%
EPRA Net Initial Yield	5.8%

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

(**) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Albacenter, Hyper and retail units Shopping Centre



Albacete



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. During 2018 the property was refurbished with an image redesign and the entrance improvement.

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 EUR32.1 million (10.2% y-o-y increase).

Footfall 2018: 4.7 million visitors.

Investment Rationale

Medium size dominant shopping centre in its catchment area.

The centre features renowned fashion retailers, such as H&M, Springfield, Pull&Bear and Bershka, among others.

Hypermarket that complements the Albacenter shopping centre, also owned by Lar España, with Eroski and Primark as main tenants.

Asset Characteristics

Property Name	Albacenter
Property Type	Shopping Centre
Location	Albacete
Ownership (%)	100%
Year of Construction	1996
GLA	27,890 sqm
Purchase Date	30 July 2014/ 19 December 2014
Acquisition Price	€39.9 million
Market Value (*)	€60.4 million
Price/sqm	€1,431 per sqm
Value/sqm	€2,164 per sqm
No. of Tenants	53
WAULT	1.9 years

Key Performance Indicators

EPRA Vacancy Rate	2.8%
EPRA Net Initial Yield	4.5%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Txingudi Shopping Centre



Guipúzcoa



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 EUR20.6 million (3.0% y-o-y increase)

Footfall 2018: 3.6 million visitors.

Recently remodeled.

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, Springfield, Punto Roma and Gocco.

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	Irún (Guipúzcoa)
Ownership (%) (*)	100%
Year of Construction	1997
GLA	10,712 sqm
Purchase Date	24 March 2014
Acquisition Price	€27.7 million
Market Value (**)	€37.5 million
Price/sqm	€2,735 per sqm
Value/sqm	€3,501 per sqm
No. of Tenants	44
WAULT	2.8 years

Key Performance Indicators

EPRA Vacancy Rate	2.4%
EPRA Net Initial Yield	6.6%

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

(**) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Las Huertas Shopping Centre



Palencia



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 EUR8.7 million (2.3% y-o-y increase).

Footfall 2018: 2.2 million visitors.

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

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 (**)	€12.6 million
Price/sqm	€1,867 per sqm
Value/sqm	€2,011 per sqm
No. of Tenants	27
WAULT	1.5 years

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, Time Road and Sprinter.

Key Performance Indicators

EPRA Vacancy Rate	6.6%
EPRA Net Initial Yield	7.1%

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

(**) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Parque Abadía and Commercial Gallery Shopping Centre



Toledo



Location & Profile

Retail park located in Toledo, the most popular in its catchment and the largest in Castilla-La Mancha.

Easily accessed and the go-to retail park in the region, attracting people from Toledo and the surrounding provinces.

Its catchment includes over 300,000 people that live within a half-hour drive from the centre, which is located next to the Madrid-Toledo motorway, ten minutes from Toledo.

Footfall 2018: 3.0 million visitors.

Total sales at the end of the year reached EUR 32.3 million (4.7% y-o-y increase)

Investment Rationale

Dominant shopping centre in its region thanks to its retail mix, premium quality and size.

Benefits from an excellent location, can be very easily accessed, and boasts first rate design and visibility.

Extensive retail offering, with over 50 stores located throughout the retail park. These are all complemented by the wide variety of products on offer at the Alcampo Hypermarket, Petrol Station and Pharmacy.

Comprises over 50,000 sqm with 2,800 parking spaces (1,200 covered parking spaces).

Strategic acquisition of the retail park's shopping centre in February 2018, giving Lar España full control of the park.

Asset Characteristics

Property Name	Parque Abadía
Property Type	Shopping Centre
Location	Toledo
Ownership (%)	81%
Year of Construction	2011
GLA	43,154 sqm
Purchase Date	27 March 2017/ 20 February 2018
Acquisition Price	€77.1 million
Market Value ^(*)	€83.4 million
Price/sqm	€1,705 per sqm
Value/sqm	€1,933 per sqm
No. of Tenants	53
WAULT	2.3 years

Key Performance Indicators

EPRA Vacancy Rate	6.1% ^(**)
EPRA Net Initial Yield	5.7%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

(**) As the reporting date, the EPRA Vacancy Rate stands at 1.1%.

Rivas Futura Retail Park



Madrid



Location & Profile

The property is located in the municipality of Rivas, just ten minutes from central Madrid, in the metropolitan area's fastest-growing locality in terms of population, urban development and business activity.

It boasts excellent road connections, with easy access to the M-30, M-40, M-45 and M-50 motorways and to Calle de O'Donnell, one of the city's main arterial roads. A metro station (line 9) and numerous bus routes running from Madrid provide further transport options.

Over the course of 2018, work was carried out to improve parking facilities and the property's external façades.

It is the third-largest retail complex in Madrid and the ninth-largest in Spain.

Around 400,000 people live in the centre's catchment area (i.e. within a 20-minute radius).

Footfall in 2018: 6.2 million visitors.

Total sales in 2018: €21.6 million (3.5% y-o-y increase).

Investment Rationale

The property is highly liquid due to its prime location, prestigious tenants, lease lengths and retail mix.

With an occupancy rate of 83.5%, its extensive retail offering includes big-name brands such as El Corte Inglés, Media Markt, Conforama, Maison du Monde, Kiabi and Norauto.

Asset Characteristics

Property Name	Rivas Futura
Property Type	Retail Park
Location	Madrid
Ownership (%)	75%
Year of Construction	2006
GLA	36,447 sqm
Purchase Date	6 February 2018
Acquisition Price	€61.6 million
Market Value ^(*)	€67.5 million
Price/sqm	€1,677 per sqm
Value/sqm	€1,852 per sqm
No. of Tenants	21
WAULT	2.2 years

Key Performance Indicators

EPRA Vacancy Rate	4.2%
EPRA Net Initial Yield	5.4%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

VidaNova Parc

Retail Park



Valencia



Location & Profile

The centre boasts a prized location in Sagunto (Valencia), in a rapidly developing area geared towards tourism and industry.

Spanning over 45,000 sqm, around €50 million has been invested in the retail park, with retailers investing a further €40 million.

At the end of 2018, 100% of the GLA was let and occupied.

More than 250,000 people live within the centre's catchment area.

The largest retail park launched in Spain in 2018, it opened its doors for the first time on 26 September.

Footfall in 2018: 373,000 visitors (between the opening date and 31 December 2018).

Recorded sales for 2018 (from the opening date to year-end) came to a total of €15.1 million.

Investment Rationale

The property comprises a retail park, featuring a supermarket 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, leisure and entertainment and accessories.

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

A yearly revenue of EUR4 million is forecast with an annual footfall of 5 million visitors.

Asset Characteristics

Property Name	VidaNova Parc
Property Type	Retail Park
Location	Sagunto (Valencia)
Ownership (%)	98%
Year of Construction	2018
GLA	45,568 sqm
Purchase Date	3 August 2015
Acquisition Price	€14.0 million
Market Value (*)	€59.9 million
Price/sqm	N/A
Value/sqm	€1,315 per sqm
No. of Tenants	33
WAULT	4.9 years

Key Performance Indicators

EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	5.7%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Supermarkets Portfolio

Retail Warehouses

Cantabria, País Vasco, La Rioja, Navarra y Baleares



Location & Profile

Diversified portfolio of 22 supermarkets operated by Eroski, located in Northern Spain and the Balearic Islands.

100% occupied with long-term leases

Investment Rationale

Off-market purchase at a very attractive price of a diversified portfolio comprising 22 retail units operated by Eroski, 100% occupied, with long-term leases and stable cash flow

Asset Characteristics

Property Name	Supermarkets portfolio
Property Type	Retail Warehouses
Location	Cantabria, País Vasco, La Rioja, Navarra y Baleares
Ownership (%)	100%
GLA	27,909 sqm
Purchase Date	27 March 2017
Acquisition Price	€47.6 million
Market Value (*)	€53.0 million
Price/sqm	€1,652 per sqm
Value/sqm	€1,900 per sqm
No. of Tenants	1
WAULT	12.3 years

Key Performance Indicators

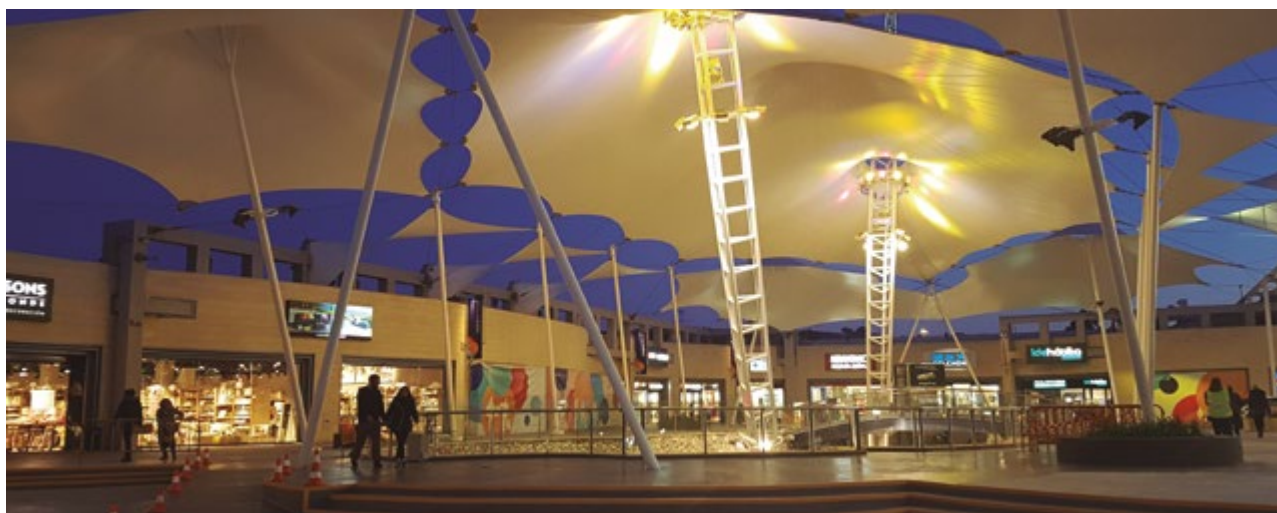
EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	7.1%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Vistahermosa Retail Park



Alicante



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 2018 came in at EUR72.6 million (5.8% y-o-y increase).

Footfall 2018: 7.3 million visitors (6.2% y-o-y increase)

Asset Characteristics

Property Name	Vistahermosa
Property Type	Retail Park
Location	Alicante
Ownership (%)	100%
Year of Construction	2002
GLA	33,363 sqm
Purchase Date	16 June 2016
Acquisition Price	€42.5 million
Market Value ^(*)	€50.5 million
Price/sqm	€1,246 per sqm
Value/sqm	€1,515 per sqm
No. of Tenants	13
WAULT	4.7 years

Investment Rationale

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

Considerable repositioning potential.

Only urban retail park in Alicante.

Key Performance Indicators

EPRA Vacancy Rate	5.1%
EPRA Net Initial Yield	5.6%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Eloy Gonzalo Office building



Madrid



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 6,401 sqm (GLA), arranged over eight above ground floors.

He 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 Calle Santísima Trinidad (32.20 m).

During 2018 the refurbishment project was completed.

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.

On 19 March 2018 a lease agreement for 4,364 sqm (70% of GLA) and an initial lease term of 15 years was signed with WeWork, the leading co-working space company.

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	6,401 sqm
Purchase Date	23 December 2014
Acquisition Price	€12.7 million
Market Value (*)	€39.4 million
Price/sqm	€2,038 per sqm
Value/sqm	€6,155 per sqm
No. of Tenants	7
WAULT	11.6 years

Key Performance Indicators

EPRA Vacancy Rate	0.0%
EPRA Net Initial Yield	3.0%

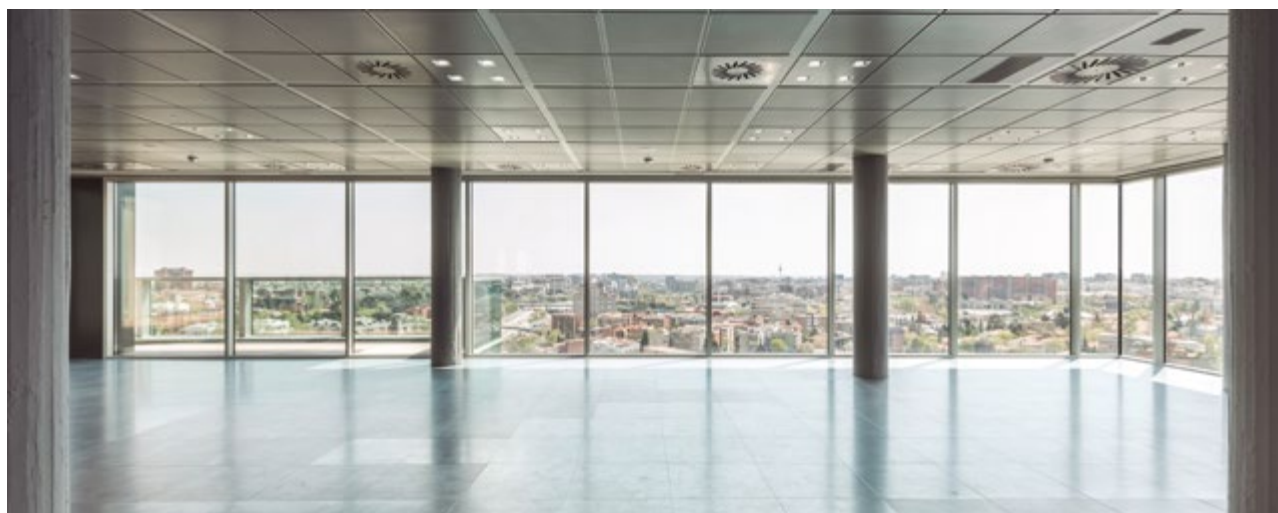
(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Marcelo Spínola

Office building



Madrid



Location & Profile

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

Total lettable area of 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 (semibasement is currently let and car park).

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

Flexible and versatile property with modern installations and efficient LED lighting, changing rooms with showers, bicycle parking, CCTV.

Rental of 1,000 sqm of offices during 2018.

Investment Rationale

Consolidated location with excellent visibility from the M30 ring road.

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

On 31 January 2019, the property was sold for a total sum of €37 million, which represents a capital gain of 94.7% with respect to the purchase price.

Asset Characteristics

Property Name	Marcelo Spínola
Property Type	Office building
Location	Madrid
Ownership (%)	100%
Year of Construction	1991
GLA	8,875 sqm
Purchase Date	31 July 2014
Acquisition Price	€19.0 million
Market Value (*)	€37.0 million
Price/sqm	€2,141 per sqm
Value/sqm	€4,169 per sqm
No. of Tenants	5
WAULT	2.1 years

Key Performance Indicators

EPRA Vacancy Rate	69.4%
EPRA Net Initial Yield	0.4%

(*) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

Lagasca99 Residential



Madrid



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 Juan Bravo, Maldonado, Claudio Coello and Lagasca streets, 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 2018, 95% of apartments pre-sold.

Asset Characteristics

Property Name	Lagasca99
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 ^{(*)(**)}	€83.4 million
Price/sqm	€1,912 per sqm
Value/sqm	N/A
No. of owners	Multi owners

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

(**) The valuations have been made at 31 December 2018 by external independent valuers: JLL or C&W.

5.2

Real estate valuation

Introduction

Lar España focuses 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 and updated in 2018.

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) and every three months for **development assets or assets under fully refurbishment**. 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 in charge of appointing and overseeing the external Valuers/regulated Valuers 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 Practices Recommendations are followed, ensuring that there is no form of conflict of interest in relation to the firms that value the 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.

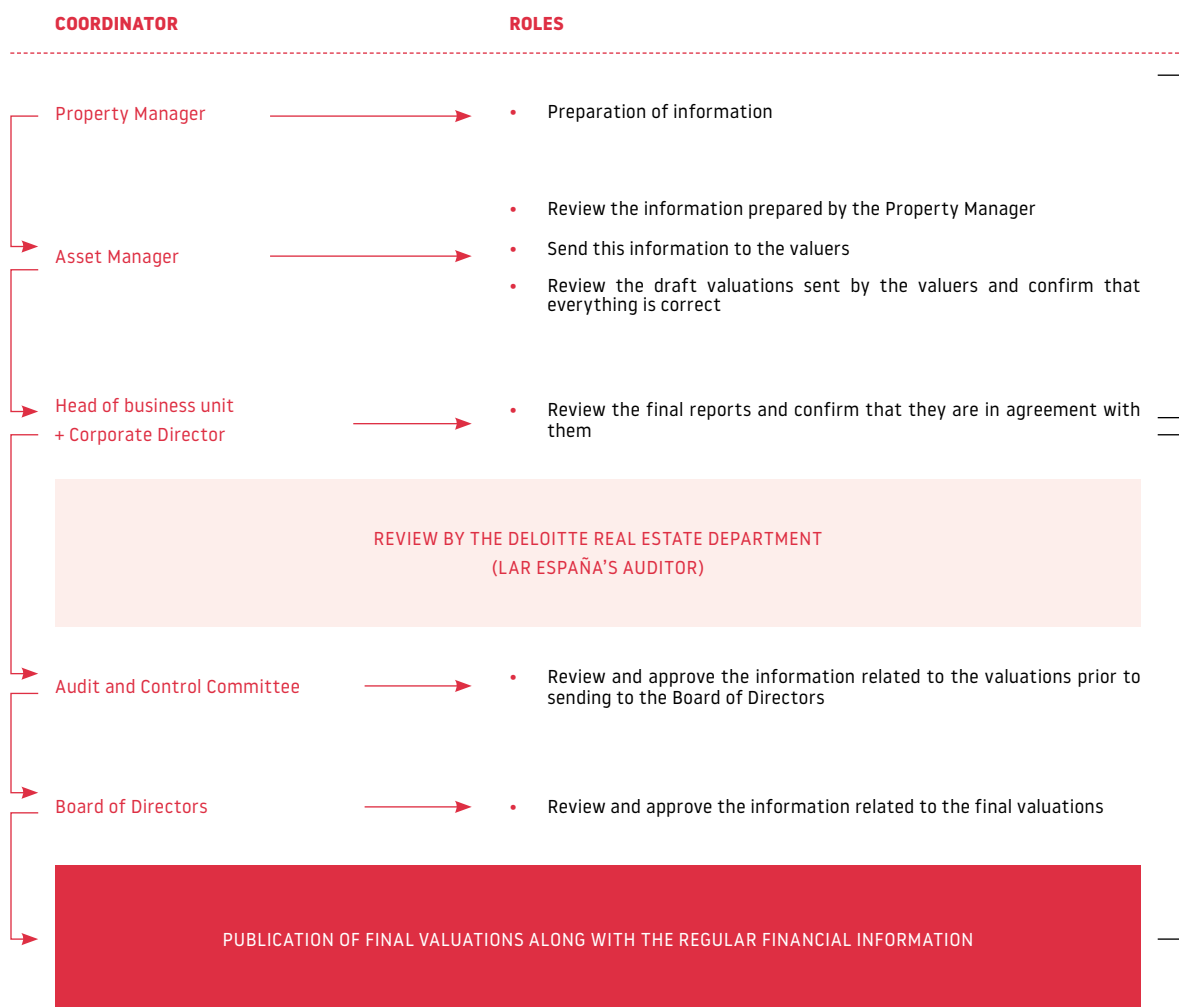
The **A&C Committee** will also decide on two important points related to the valuation of the assets

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

In January 2019, Lar España launched a **new call for tenders** aimed at selecting independent property valuers for the period between **2019 and 2021**. After reviewing the various proposals received, and assessing their compliance with the stated requirements, the Audit and Control Committee decided to **retain the current valuers** (JLL and C&W), with some changes to the distribution of assigned assets.

Implementation of the valuation process

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

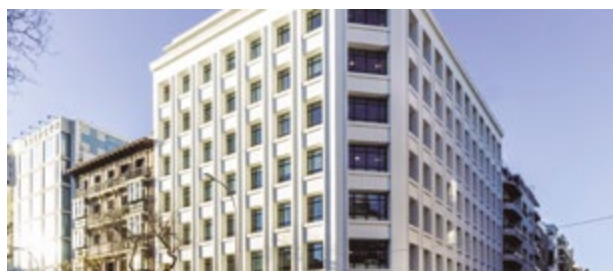




We also include the **valuation certificates issued by the independent external valuers** (JLL and C&W) relating to the valuations of the Lar España portfolio as at 31 December 2018:



Shopping Centre
Gran Vía de Vigo (Vigo)



Office Building
Eloy Gonzalo (Madrid)



Residential
Lagasca99 (Madrid)



Development
Lagoh (Sevilla)

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A**

C/ Rosario Pino, 14-16
28020 Madrid

JLL Valoraciones, S.A.

Paseo de la Castellana, 79 – 3ª 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 Armentia31st December 2018

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 2018**. This letter should be considered as an annex of the Valuation Report issued by JLL Valoraciones S.A. for accounting purposes and dated 31st December 2018.

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 2018 is:

Asset	Use	Location	Area (sqm)	Net Market Value (€)	Fair Market Value (€)
Albacenter	Shopping Centre & Eroski/Primark	Albacete	27,615	60,350,000	60,350,000
Albacenter	Shopping Centre	Albacete	15,152	44,960,000	44,960,000
Albacenter	Eroski&Primark	Albacete	12,463	15,390,000	15,390,000
L'Anec Blau	Shopping Centre	Castelldefels (Barcelona)	28,890	97,060,000	97,060,000
El Rosal	Shopping Centre	Ponferrada (León)	51,156	110,210,000	110,210,000
Vistahermosa	Retail Park	Alicante	33,763	50,540,000	50,540,000
Vidanova Park	Retail Park	Sagunto (Valencia)	45,568	59,910,000	59,910,000
Parque Abadia	Retail Park	Toledo	37,008	68,110,000	68,110,000
Abadía Gallery	Shopping Centre	Toledo	6,138	15,300,000	15,300,000



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 31st December 2018, 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 2018 is:

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

461,480,000 Euros

(Four Hundred Sixty One Million Four Hundred Eighty 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: edm2209

12 March 2019

Dear Jon,

As requested, we set out below the summary table from our valuation report dated 31 December 2018, undertaken for financial reporting purposes as at 31 December 2018 in accordance with our Engagement Letter and Standard Terms and Conditions dated April 2018.

PROPERTY	MARKET VALUE (Net of Acquisition Costs) AS AT 31 DECEMBER 2018	Ownership Lar España %	% Market Value as at 31 December 2018 ⁽¹⁾
Portal de la Marina ⁽²⁾	119,700,000	100%	119,700,000
Hyper at Portal de la Marina ⁽²⁾	9,475,000	100%	9,475,000
Txingudi	37,500,000	100%	37,500,000
Las Huertas	12,600,000	100%	12,600,000
As Termas ⁽²⁾	85,500,000	100%	85,500,000
Petrol Station at As Termas ⁽²⁾	2,060,000	100%	2,060,000
Gran Via de Vigo	173,000,000	100%	173,000,000
Megapark RP and FOC	208,500,000	100%	208,500,000
Megapark Ocio	13,700,000	100%	13,700,000
Rivas Futura RP	67,500,000	100%	67,500,000
Cardenal Marcelo Spinola 42	37,000,000	100%	37,000,000
Eloy Gonzalo 27	39,400,000	100%	39,400,000
Lagasca 99	166,848,200	50%	83,424,100
Lagoh	132,000,000	100%	132,000,000
22 Supermarkets Portfolio	53,024,000	100%	53,024,000
TOTAL PORTFOLIO	1,157,807,200		1,074,383,100

(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 €1,157,807,200 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 31 December 2018) 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", written over a light pink rectangular background.

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", written over a light pink rectangular background.

Reno Cardiff MRICS

Partner

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reno.cardiff@eur.cushwake.com

The gross value of Lar España's assets stood at **EUR1,536 million** at year-end 2018. The breakdown by asset and the y-o-y comparison with 2017 is detailed below. The **like for like (LfL) value uplift** compared with year-end 2017 stands at **12.1%**. Thus, the portfolio's value has climbed **40.0% versus the acquisition price**.

Assets	Valuer	Acquisition price (Thousands of euros)	Market Value 31.12.2017 (Thousands of euros)
Megapark + Leisure area	C&W	178,700	214,000
Gran Vía de Vigo	C&W	141,000	163,000
Portal de la Marina + hypermarket	C&W	89,181	119,800
El Rosal	JLL	87,500	108,950
Anec Blau	JLL	80,000	95,380
As Termas + petrol station	C&W	68,800	84,225
Parque Abadía + commercial gallery	JLL	77,100	65,040 (*)
Rivas Futura	C&W	61,600	N/A
Albacenter + hypermarket	JLL	39,913	56,322
VidaNova Parc	JLL	11,600	24,780
Supermarkets portfolio	C&W	47,600	52,533
Vistahermosa	JLL	42,500	50,390
Txingudi	C&W	27,673	39,000
Las Huertas	C&W	11,708	12,600
Total Retail		964,875	1,086,020
Eloy Gonzalo	C&W	12,730	26,500
Marcelo Spínola	C&W	19,000	37,500
Total Offices		31,730	64,000
Lagoh (retail)	C&W	40,500	71,500
Lagasca99 (residential)	C&W	50,100	83,250
Total Development		90,600	154,750
TOTAL LAR ESPAÑA		1,087,205	1,304,770

(*) In 2017, Lar España only owned the Abadía Retail Park

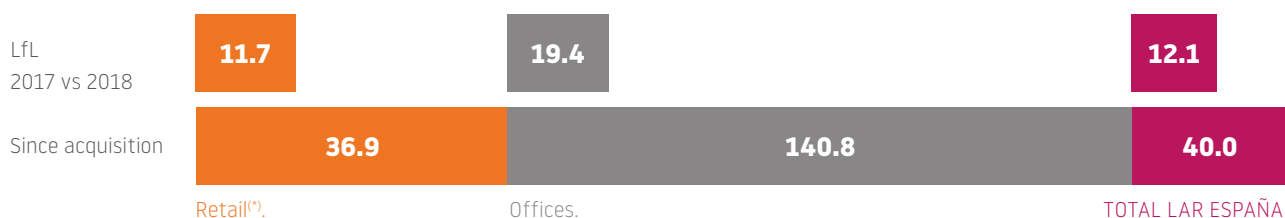


Lar España portfolio's value has climbed **40.0%** versus the acquisition price

Market Value 31.12.2018 (Thousands of euros)	€/sqm 31.12.2018	Like for Like revaluation (2018 vs 2017) (%)	Revaluation 2018 vs acquisition price (%)	EPRA NIY 31.12.2018
222,200	2,666	3.8%	24.3%	4.8%
173,000	4,176	6.1%	22.7%	5.4%
129,175	3,217	7.8%	44.8%	5.5%
110,210	2,154	1.2%	26.0%	5.7%
97,060	3,390	1.8%	21.3%	4.3%
87,560	2,493	4.0%	27.3%	5.8%
83,410	1,933	4.7%	8.2%	5.7%
67,500	1,852	N/A	9.6%	5.4%
60,350	2,164	7.2%	51.2%	4.5%
59,910	1,315	141.8 % (**)	416.5% (**)	5.7%
53,024	1,900	0.9%	11.4%	7.1%
50,540	1,515	0.3%	18.9%	5.6%
37,500	3,501	(3.8%)	35.5%	6.6%
12,600	2,011	0.0%	7.6%	7.1%
1,244,039	2,434	6.9%	28.9%	5.4%
39,400	6,155	48.7%	209.5%	3.0%
37,000	4,169	(1.3%)	94.7%	0.4%
76,400	5,001	19.4%	140.8%	1.8%
132,000	N/A	84.6%	225.9%	N/A
83,424	N/A	N/A	N/A	N/A
215,424	N/A	84.6%	225.9%	N/A
1,535,863	2,917	12.1%	40.0%	5.2%

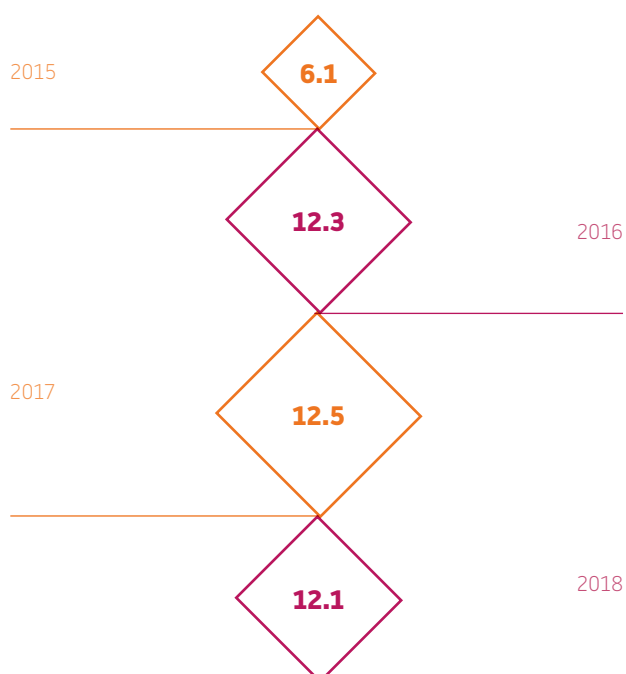
(**) The retail park opened on 27 September 2018

Revaluation by asset class (%)

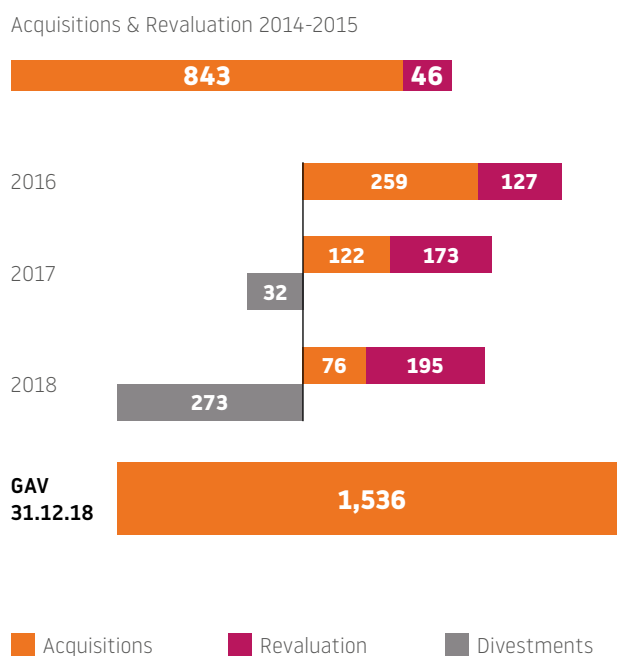


(*) Lagoh shopping centre development project included.

LfL Lar España's portfolio annual revaluation (%)



GAV reconciliation 31.12.18 (millions of euros)





Retail Park

VidaNova Parc (Valencia)



5.3

Additional information

I.
Rental
income

Rental income reached **77,841 thousand Euros** during 2018 (77,600 thousand Euros in the year before).

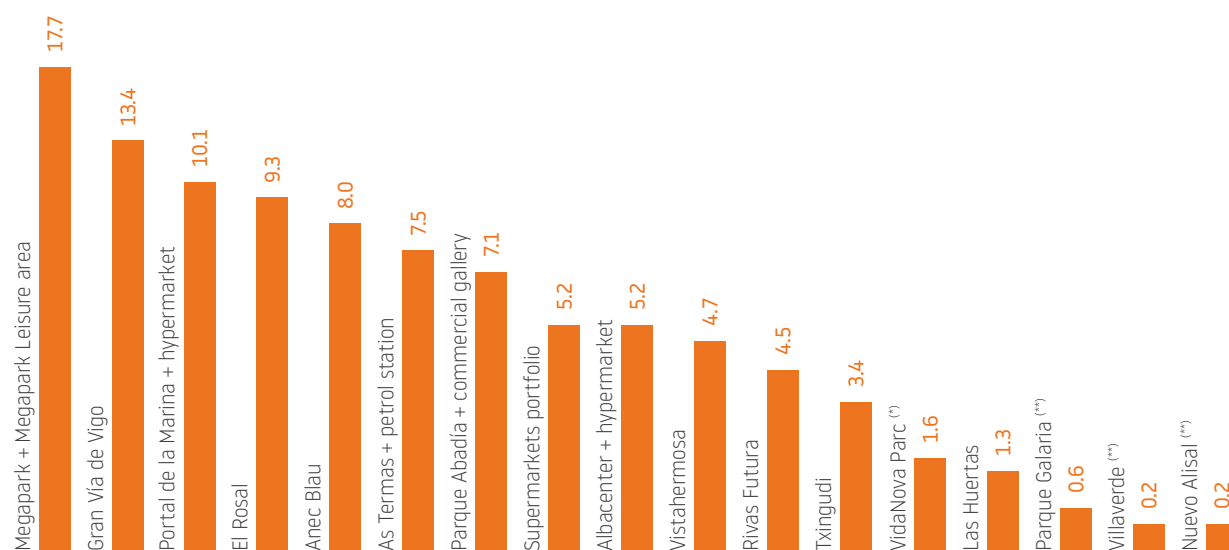
The relative weigh of rental income by line of business at 31 December 2018 is as follows:

Rental Income by asset class (%). FY 2018



The breakdown of the **income per asset** for these three lines of business during 2018 is as follows:

Income by Shopping Centre (%)



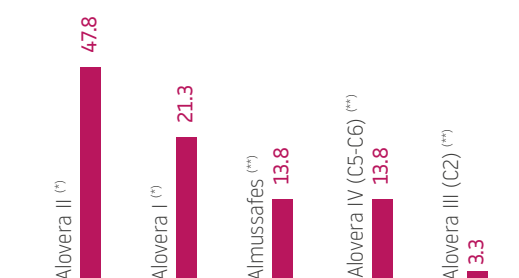
(*) This property began to generate revenue on 27 September 2018, the day on which the retail park opened to the public

(**) Asset sold during 2018

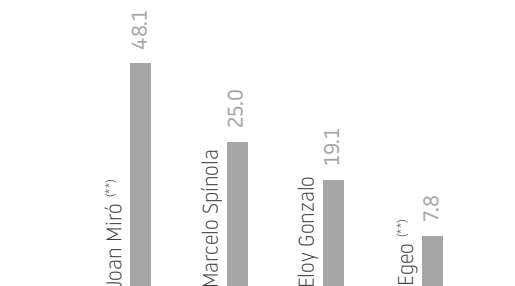


In 2018, 94% of rental income was generated by the retail business, with the Basque Country providing the highest turnover by Autonomous Region, particularly highlighting Megapark shopping centre, in Bilbao

Income by Logistics Warehouse (%)

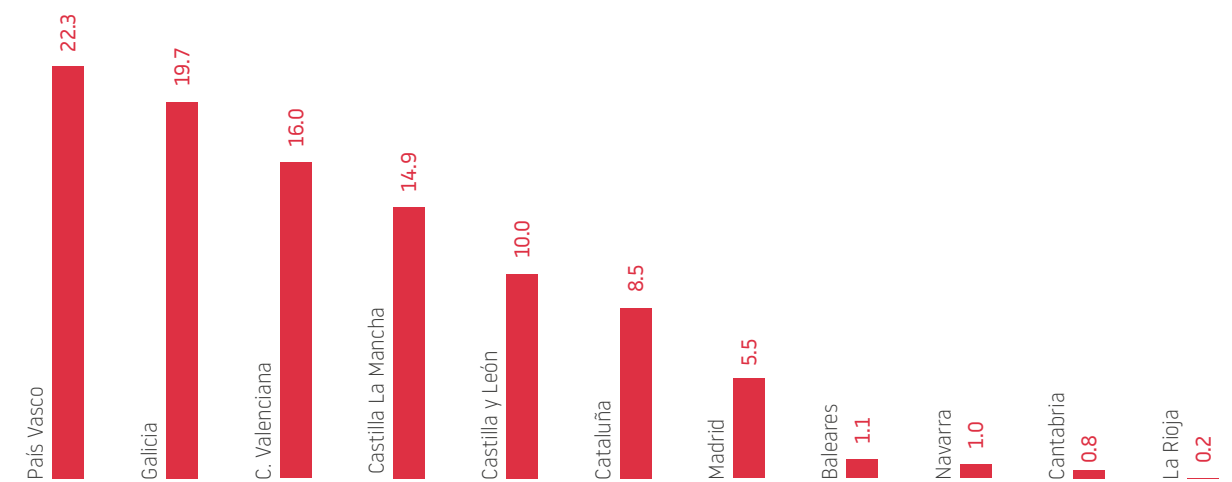


Income by Office Building (%)



This graph details the **breakdown of rental income per region** during 2018:

Income per region (%)



(**) Asset sold during 2018



**Like for Like
evolution
14.8 €/sqm/month
at 31.12.2018**

vs.

**14.1 €/sqm/month
at 31.12.2017**

II. Gross annualised rents

The **annualised GRI** (*) of Lar España is detailed below, as well as the **annualised GRI per occupied sqm** for the year ended 2017 and 2018:

Asset	31/12/2018			31/12/2017		
	Gross Annuali- sed Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)	Gross Annuali- sed Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)
Megapark + Megapark Leisure	12,544	67,896	15.4	12,088	70,859	14.2
Gran Vía Vigo	10,184	41,213	20.6	9,866	40,513	20.3
Portal de la Marina + hypermarket	7,936	38,704	17.1	7,590	39,310	16.1
El Rosal	7,477	48,079	13.0	7,207	47,601	12.6
Anec Blau	5,341	23,940	18.6	5,299	25,799	17.1
As Termas + petrol station	5,924	33,856	14.6	5,730	33,648	14.2
Parque Abadía	3,965	34,680	9.5	4,315	37,009	9.7
Supermarkets portfolio	3,839	27,909	11.5	3,793	28,822	11.0
Vistahermosa	3,585	30,352	9.8	3,654	30,352	10.0
Albacenter + hypermarket	3,643	25,695	11.8	3,742	25,050	12.4
Txingudi	2,688	10,532	21.3	2,633	10,261	21.4
Las Huertas	1,063	5,671	15.6	986	5,602	14.7
TOTAL RETAIL	68,189	388,527	14.6	66,903	394,826	14.1
Eloy Gonzalo	1,686	6,401	21.9	(**)	(**)	(**)
Marcelo Spínola	649	1,905	28.4	(**)	(**)	(**)
TOTAL OFFICES	2,335	8,306	23.4	(**)	(**)	(**)

TOTAL LIKE FOR LIKE	70,524	396,833	14.8	66,903	394,826	14.1
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(*) The GRI is calculated using the EPRA NIY of table calculation (See section 6. "Financial and 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 Spínola (fully refurbishment and in commercialization) and Eloy Gonzalo (under refurbishment) has not been included due to its lack of representativeness. The asset has been fully refurbished and it is in commercialization.



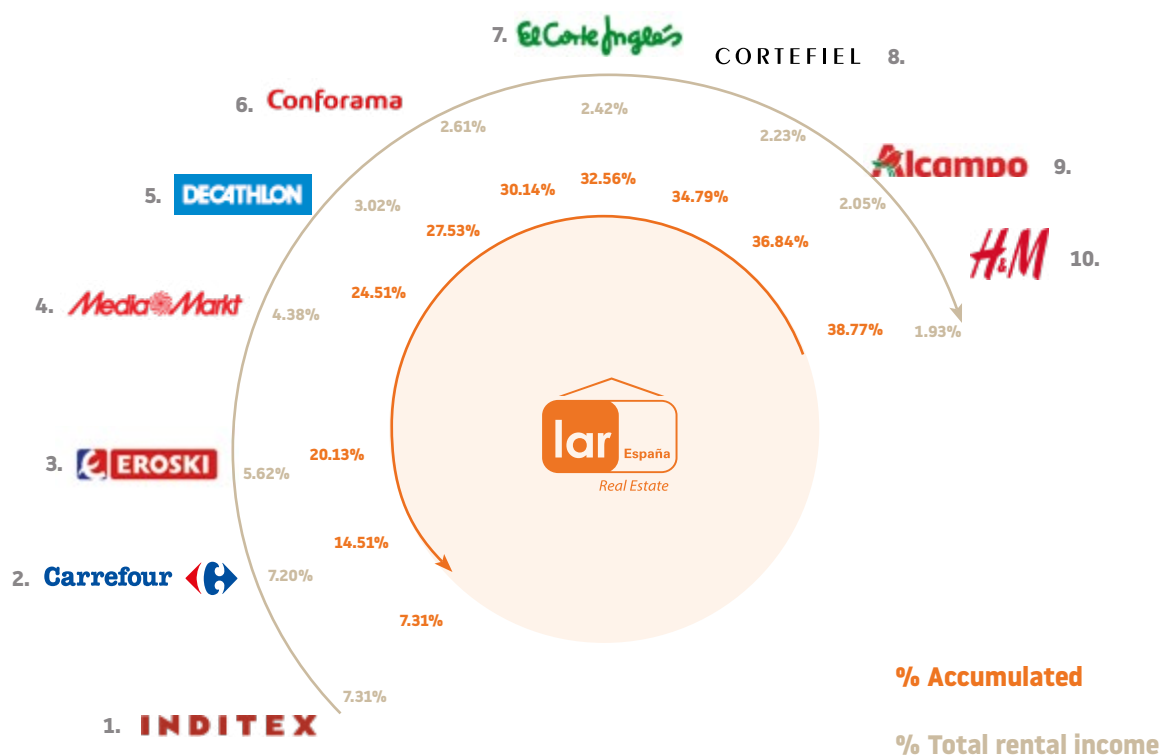
14.0
€/sqm/month
Lar España average
at 31.12.2018

Asset	31/12/2018			31/12/2017		
	Gross Annualised Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)	Gross Annualised Rents (Thousands of Euros)	GLA Occupied (sqm)	Gross Rent (€/sqm/month)
VidaNova Parc	4,226	45,568	7.7	N/A	N/A	N/A
TOTAL NEW OPERATING PROJECTS	4,226	45,568	7.7	N/A	N/A	N/A
Parque Abadía Commercial Gallery	1,226	5,916	17.3	N/A	N/A	N/A
Rivas Futura	4,205	30,434	11.5	N/A	N/A	N/A
TOTAL 2018 NEW ACQUISITIONS	5,431	36,350	12.4	N/A	N/A	N/A
Nuevo Alisal	N/A	N/A	N/A	1,317	7,649	14.3
Villaverde	N/A	N/A	N/A	792	4,391	15.0
Parque Galaria	N/A	N/A	N/A	691	4,108	14.0
Alovera II	N/A	N/A	N/A	3,188	83,952	3.2
Alovera I	N/A	N/A	N/A	1,338	35,196	3.2
Almussafes	N/A	N/A	N/A	761	19,211	3.3
Alovera IV (C5-C6)	N/A	N/A	N/A	758	14,891	4.2
Alovera III (C2)	N/A	N/A	N/A	251	8,591	2.4
Egeo	N/A	N/A	N/A	3,365	17,050	16.4
Joan Miró	N/A	N/A	N/A	628	8,230	6.4
TOTAL 2018 DIVESTMENTS	N/A	N/A	N/A	13,089	203,269	5.4
TOTAL LAR ESPAÑA	80,181	478,751	14.0	79,992	598,095	11.1



III. Top tenants

Below are **the tenants that have generated the highest amounts** of rental income during 2018:





Shopping Centre
Txingudi (Guipúzcoa)





At 31 December 2018, **over 50% of retailer leases** had expired beyond 2023.

IV.

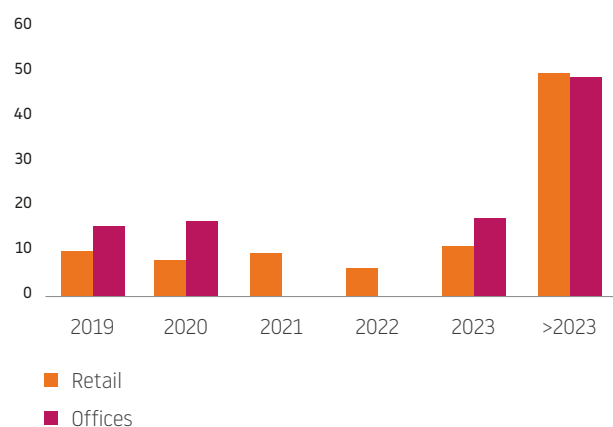
Lease expiration and WAULT

The proactive management carried out by Lar España allows us to have a **solvent and diversified tenant base**.

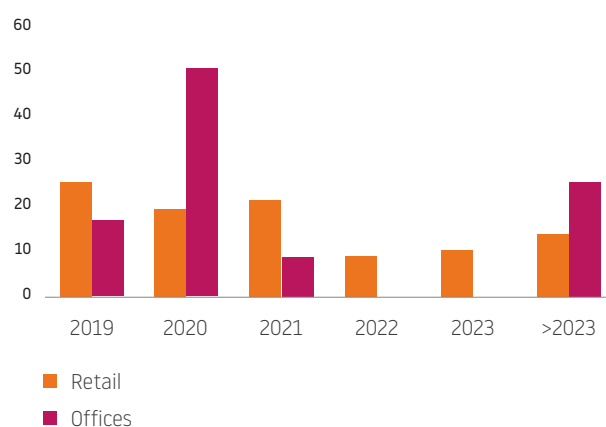
Renovations have been carried out at the properties occupied by our key tenants, thereby prolonging the lease terms, which allows us to have a significant level of guaranteed minimum rents.

During 2018 new long-term lease agreements have been signed with new tenants. We would note that as of 31 December 2018 **50.3% of all Lar España's active lease agreements** have lease expiries beyond 2023.

Annual lease expiration (end of contract) (%)

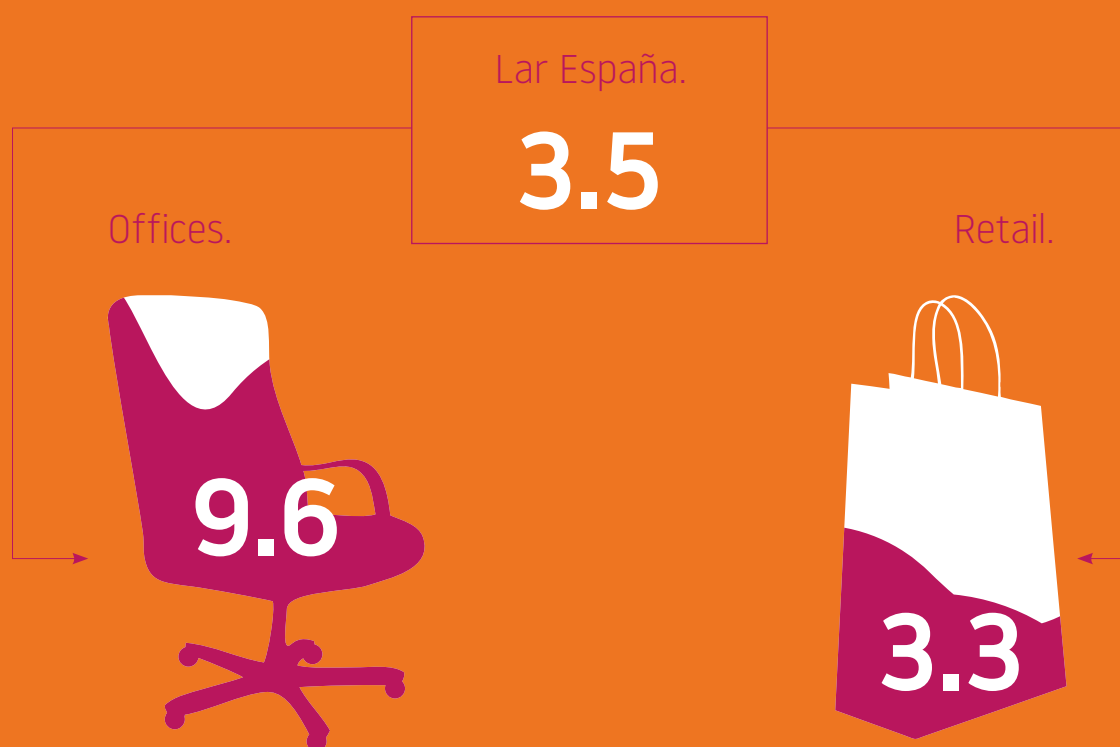


Annual lease expiration (break option) (%)



WAULT (years)

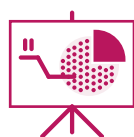
Thus, the **WAULT** (*) (weighted average unexpired lease term) at 31 December 2018 of Lar España's portfolio was **3.5 years**. Below you will find the detail by asset class:



(*) 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 5.1 "Portfolio description".



92.0%
Occupancy (sqm)
Retail



526,440 sqm
total GLA
478,751 sqm
occupied GLA

V. Occupancy (in sqm)

The gross leasable area (GLA) of Lar España's income producing assets at 31 December 2018 stood at **526,440 sqm**, whilst the average occupancy rate stood at **90.9%**

The occupancy as at 31 December 2018 by asset class is shown below:

Asset	Total GLA (sqm)	Occupied GLA (sqm)	% Occupancy
Megapark + Leisure area	83,349	67,896	81.5% (*)
Gran Vía Vigo	41,432	41,213	99.5%
Portal de la Marina + hypermarket	40,158	38,704	96.4%
El Rosal	51,156	48,079	94.0%
VidaNova Parc	45,568	45,568	100.0%
Anec Blau	28,632	23,940	83.6% (*)
As Termas + petrol station	35,127	33,856	96.4%
Parque Abadía + commercial gallery	43,154	40,596	94.1% (**)
Rivas Futura	36,447	30,434	83.5%
Albacenter + hypermarket	27,890	25,695	92.1%
Supermarkets portfolio	27,909	27,909	100.0%
Vistahermosa	33,363	30,352	91.0%
Txingudi	10,712	10,532	98.3%
Las Huertas	6,267	5,671	90.5%
TOTAL SHOPPING CENTRES AND RETAIL PARKS	511,163	470,445	92.0%
Marcelo Spínola	8,875	1,905	21.5%
Eloy Gonzalo	6,401	6,401	100.0%
TOTAL OFFICES (***)	15,276	8,306	54.4% (*)
TOTAL LAR ESPAÑA	526,440	478,751	90.9%

(*) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily..

(**) Large unit temporarily unoccupied. Negotiations with a replacement tenant are at an advanced stage.

(***) As per the reporting date, offices occupancy rate stands at 100% after Marcelo Spínola divestment.



Retail park

Vistahermosa (Alicante)



VI.

CAPEX ⁽¹⁾

The company remains committed to its policy to improve and develop its assets. In order to generate value, **EUR135 million** were invested in 2018.

The breakdown by asset class and the y-o-y comparison with 2017 is detailed below:

	2018		2017	
Acquisitions (Thousands of euros)	CAPEX	%	CAPEX	%
Parque Abadía commercial gallery	49	15.2%	N/A	N/A
Rivas Futura	274	84.8%	N/A	N/A
TOTAL	323	100%	-	-
Retail (Thousands of euros)	CAPEX	%	CAPEX	%
Megapark + Leisure area	6,935	33.1%	1,842	16.1%
Gran Vía Vigo	1,934	9.2%	821	7.2%
Portal de la Marina + hypermarket	2,695	12.8%	709	6.2%
El Rosal	1,739	8.3%	1,119	9.8%
Anec Blau	1,030	4.9%	766	6.7%
As Termas + petrol station	2,318	11.1%	191	1.7%
Vistahermosa	375	1.8%	1,187	10.4%
Albacenter + hypermarket	3,220	15.4%	707	6.2%
Parque Abadía	388	1.9%	2	0.0%
Txingudi	195	0.9%	3,914	34.2%
Las Huertas	121	0.6%	39	0.3%
Supermarkets portfolio	-	0.0%	-	0.0%
Nuevo Alisal	-	0.0%	80	0.7%
Villaverde	5	0.0%	22	0.2%
Parque Galaria	10	0.0%	38	0.3%
TOTAL	20,965	100%	11,437	100%

(1) For the company, CAPEX refers to any investment made to improve or reposition its real estate assets


€134.7 million
 total invested in
 2018

	2018		2017	
Offices (Thousands of euros)	CAPEX	%	CAPEX	%
Egeo	2	0.0%	576	16.4%
Marcelo Spínola	170	4.5%	218	6.2%
Joan Miró	20	0.5%	282	8.0%
Eloy Gonzalo	3,589	95.0%	2,436	69.4%
TOTAL	3,781	100%	3,512	100%
Logistics (Thousands of euros)	CAPEX	%	CAPEX	%
Alovera II	76	16.0%	57	18.2%
Alovera I	6	1.3%	37	11.8%
Almussafes	321	67.9%	30	9.6%
Alovera IV (C5-C6)	10	2.1%	34	10.9%
Alovera III (C2)	60	12.7%	155	49.5%
TOTAL	473	100%	313	100%
Development (Thousands of euros)	CAPEX	%	CAPEX	%
Lagasca99 (residential)	32,743	30.0%	9,966	34.4%
Lagoh (retail)	47,269	43.3%	13,381	46.2%
VidaNova Parc (retail)	29,170	26.7%	5,623	19.4%
TOTAL	109,182	100%	28,970	100%

CAPEX investment (€ Million)











Property related CAPEX (Thousands of euros)

(1)	Acquisitions ^(*)	323
(2)	Developments	109,182
(3)	Like for like portfolio	25,219
(4)	Others	-
CAPEX (1)+(2)+(3)+(4)		134,724

^(*) Acquisitions corresponds to retail assets

Refurbishment pipeline

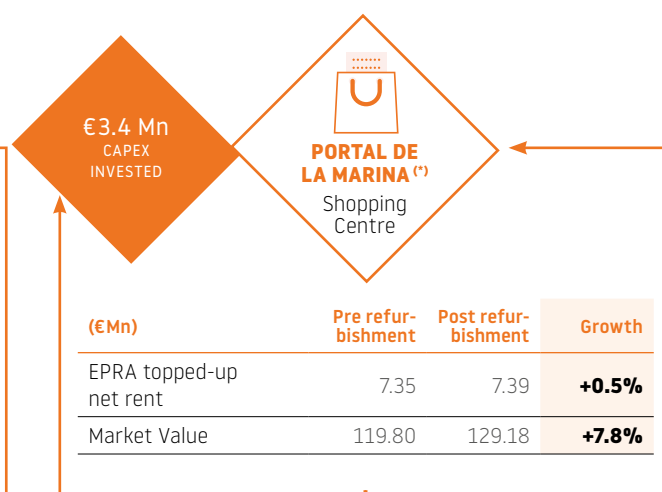
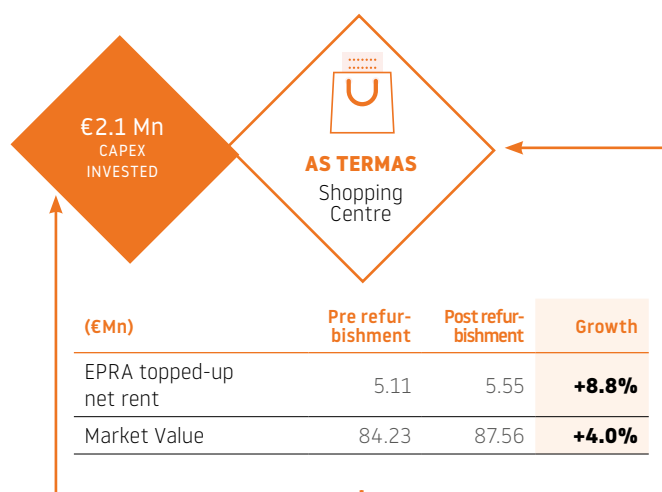
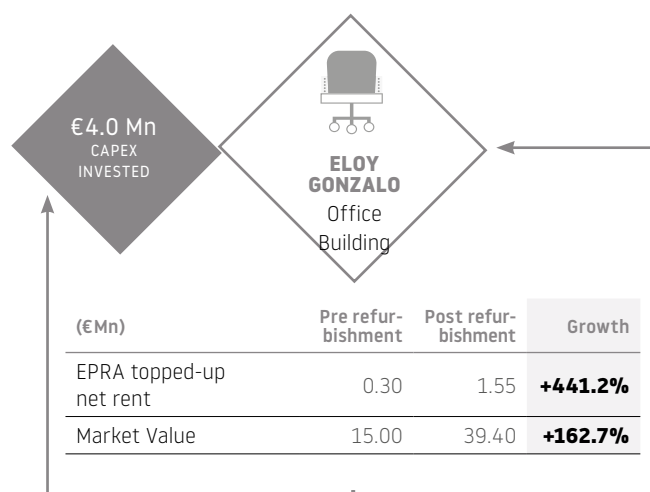
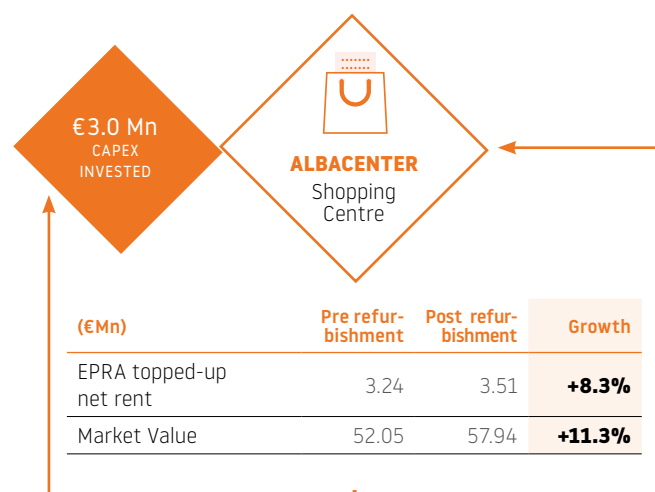
Below, we outline the **main features and status of all the refurbishment projects** currently underway at our properties:

		Scope	Budget (million of euros)	Status	% Executed	GLA (sqm)	Delivery
	Albacenter	Image redesign and entrance improvement	3.0	✓ Executed	100%	27,890	Q2 2018
	Eloy Gonzalo	Full interior and facilities renewal	4.0	✓ Executed	100%	6,401	Q3 2018
	Megapark	Image redesign and new leisure area	6.5	✓ Phase 1 Executed Phase 2 In project	Phase 1 100% Phase 2 Bidding process	83,349	Phase 1 Outlet + retail park Q4 2018 Phase 2 Leisure area Q4 2019
	Portal de la Marina	Image redesign and new dining area	3.4	✓ Executed	100%	40,158	Q4 2018
	As Termas	Image redesign and new dining area	2.1	✓ Executed	100%	35,127	Q4 2018
	Gran Vía de Vigo	Vertical transport improvement (accessibility)	0.9	Executing	70%	41,432	Q1 2019
	El Rosal	Image redesign and new dining area	2.0	Phase 1 Executing Phase 2 In project	Phase 1 86%	51,156	Q3 2019
	Anec Blau	Image redesign and new dining area	14.8	In project	-	28,632	2020

Value creation through CAPEX invested

Prior to the approval of any significant CAPEX investment, an in-depth study of the **future return** is carried out.

Below we detail the value creation of the four refurbishment projects in 2018:



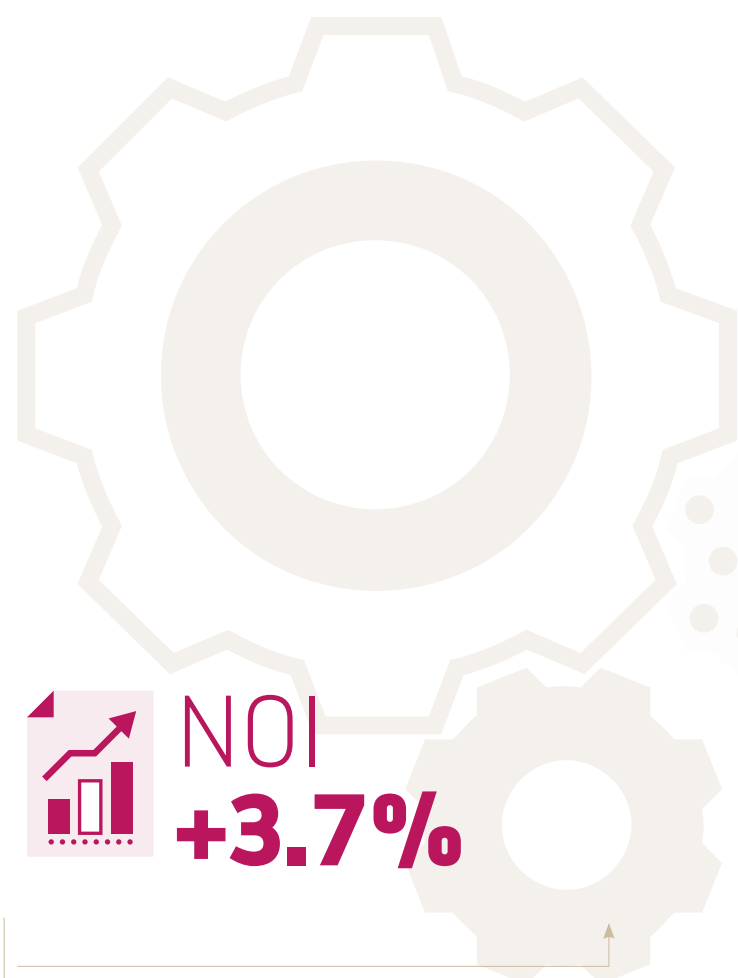
(*) Completed in 2019


VII.


Annual evolution
by business unit

Retail.**LfL key indicators evolution**

Lar España continued to implement its strategy to actively manage its portfolio. The performance of the key indicators during 2018 is detailed below:



GRI  **+3.2%**

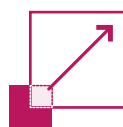
NOI  **+3.7%**

Non recoverable
service charges
-8.3%

Minimum
guaranteed rent
+2.3%

Lease
Incentives
-13.9%





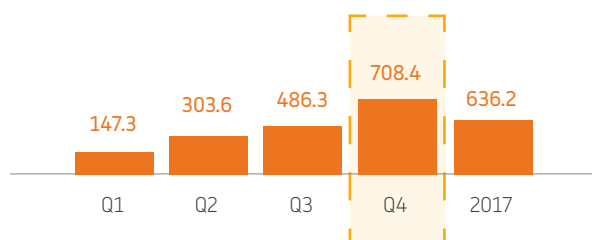
8%
Tenant
rotation rate

Major operative milestones

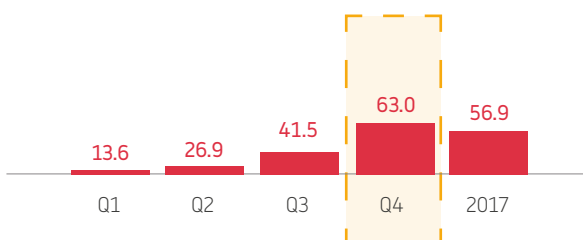
Lar España booked total sales in shopping centres for **708.4 million Euros**, driven by the growing number of people visiting our shopping centres (**63.0 million visits**).

It closed **154 transactions** with **38,723 sqm rotated** including renewals, relocations, relettings and new lettings (20% y-o-y increase).

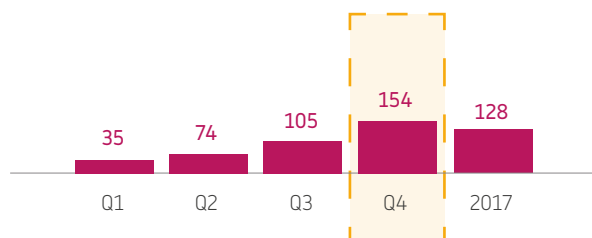
YTD Declared Sales (€ Mn)



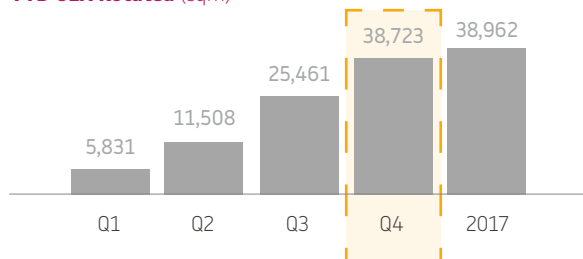
YTD Footfall (Mn visitors)

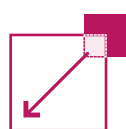


YTD Number of Operations



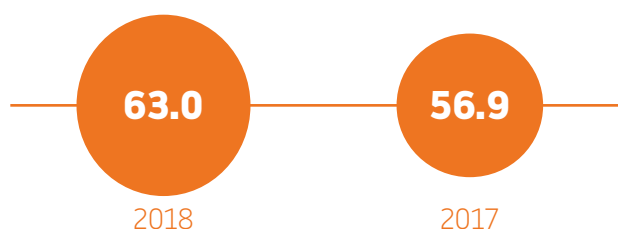
YTD GLA Rotated (sqm)





8.3 million euros
Negotiated rent in
2018

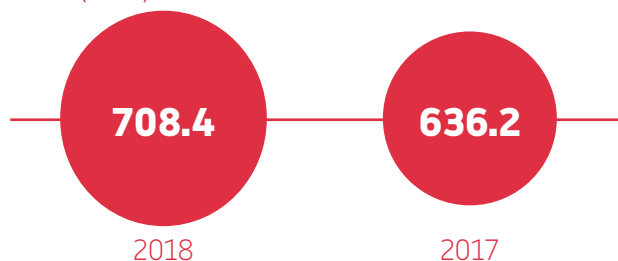
Footfall (Mn visitors)



+10.7%
+0.8% LfL
Footfall

0.0%
Average
Spanish
Footfall ⁽¹⁾

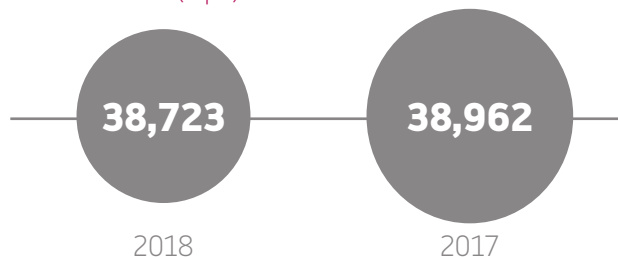
Sales (€ Mn)



+11.3%
+2.2% LfL
Declared
Sales

0.0%
Spain
Retail
Sales ⁽²⁾

GLA Rotation (sqm)



	Renewals	Relocations and Relettings	New lettings	Total
Number of operations	76	69	9	154
sqm	19,968	16,832	1,923	38,723



+12.4%⁽³⁾
Rent uplift

⁽¹⁾ Shoppertrak Index

⁽²⁾ National Statistics Institute (INE)

⁽³⁾ Excluding H&M renewal in El Rosal and As Termas and El Corte Inglés renewal in Megapark.

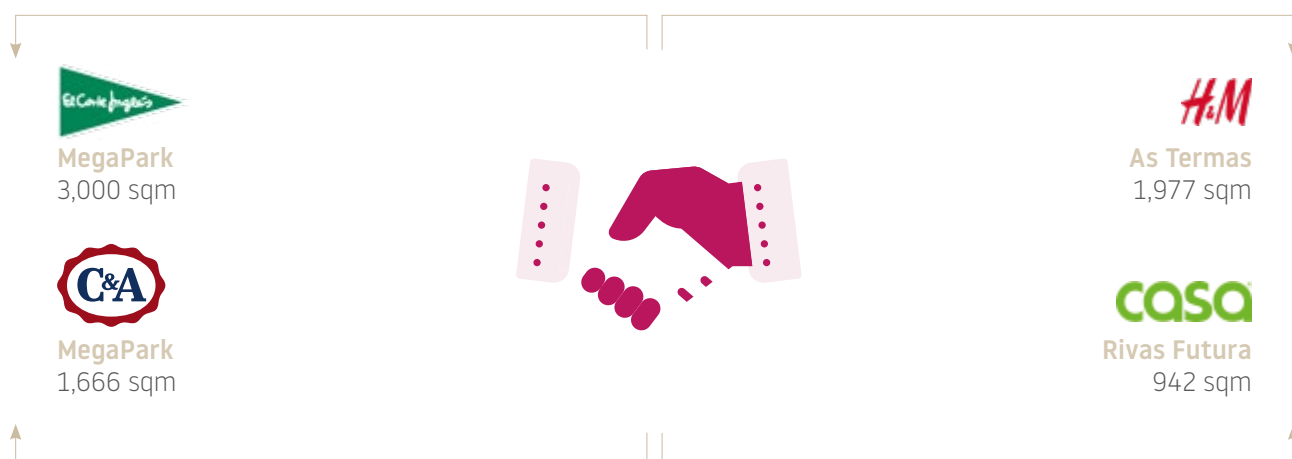


Some of the **key deals** closed in 2018 are detailed below:

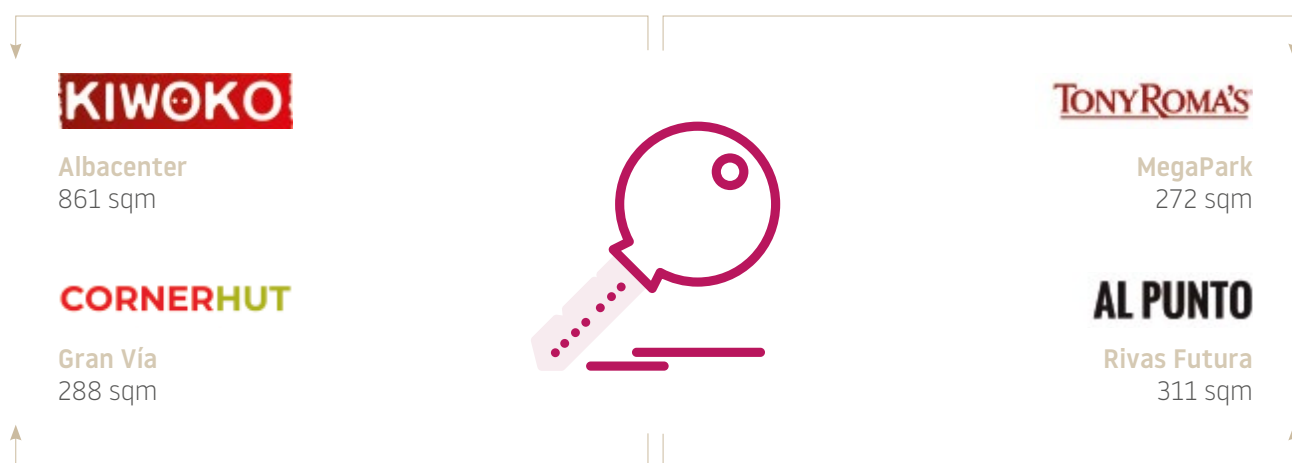
Relocations & Relettings



Renewals



New Lettings



Lagoh

76 lease agreements



TOTAL

22,132 sqm

signed in 2018

The Lagoh shopping centre development continues to attract tenants, with a total of **22,132 sqm** of GLA already pre-let at 31 December 2018. A total of **76** pre-lets were signed during 2018 including big names such as KFC, Levis and Starbucks.

Thanks to a tremendous marketing effort, by 31 December 2018 **82% of the gross lettable area was pre-let to retailers**, with the centre set to become one of Seville's premiere leisure and entertainment destinations.

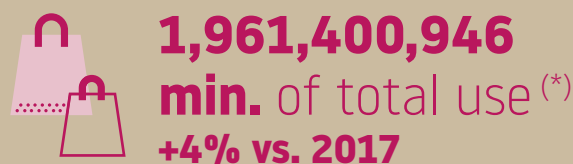
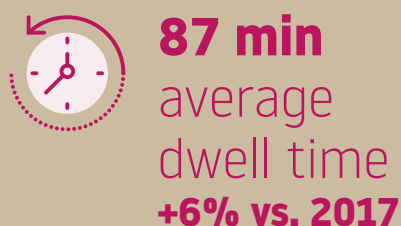


Retail Users Data

In order to gain a **better understanding of our customers' habits**, we are using the Seeketing tool in some of our main shopping centres (Albacenter, Anec Blau, As Termas, El Rosal and Portal de la Marina). This tool provides us with invaluable information, helping us to make more-informed management decisions for our properties.

Among the data we can extract from this tool, we would highlight the average **customer dwell time**, as well as the **number of visits**. These two figures allow us to work out the total use of the shopping centre, by multiplying the average dwell time registered by the number of visits.

The results obtained in these shopping centres during 2018 were as follows:

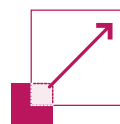


The shopping centres analysed registered a **6%** increase in average customer dwell time y-o-y (87 minutes vs. 83 minutes). This increase drove the total use up by **4%**.

As well as the Seeketing tool, we are also introducing the **"Customer Journey"** project in our properties, a research programme that will allow us to map out the route that customers take when they visit our centre, identifying customer profiles and how they spend their time during their visit.

These tools not only allow us to better understand customer trends, but also their likes and dislikes, providing us with invaluable insights in terms of better managing our shopping centres, creating a unique and stand-out offering, and increasing overall customer satisfaction.

() Figure calculated by multiplying the average dwell by the number of visitors in the period.*

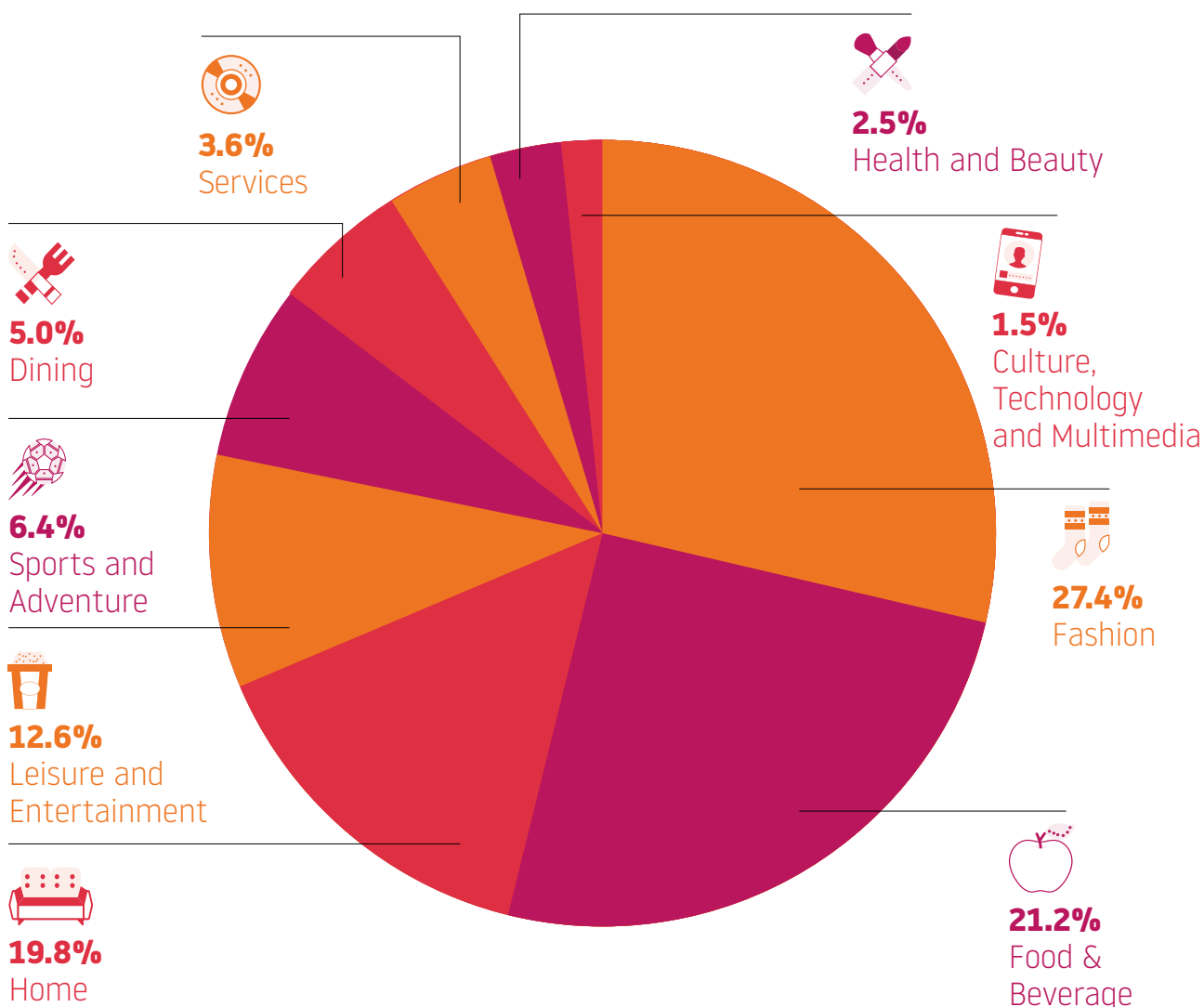


9.3%

Average effort rate

Retail Tenant Mix (%)

Below you will find the **tenant mix** of Lar España's retail portfolio at 31 December 2018 by space let. The fashion, food & beverage, home and leisure and entertainment sectors account for 81% of the retail offering in Lar España's shopping centres.



Trends and new concepts

The retail sector is undergoing a real transformation. Some of the most potent trends at the moment include **omnichannel retailing, personalisation and the introduction of more convenient payment methods**. With the advent of **disruptive technologies**, such as artificial intelligence, augmented reality and beacon networks — wireless devices that gather customer data and provide shoppers with personalised offers — the digitalisation of retail is advancing at breakneck speed, a process that will dictate the future shape of the sector. These new technological capabilities allow brick-and-mortar retailers to compete in this fast-evolving digital age, and help them run effective marketing campaigns. Retailers are continuing to adapt their business models to the changing shopping habits of consumers.

The rise of pop-ups

Over the last few years, the trend for **temporary stores** has become impossible to ignore.

Two main motives have driven the growth in the number of pop-up stores. In some cases, the pop-up concept allows different brands that would not otherwise be in a position to open in a prime location to band together and pool their investment. While for other retailers, they offer an effective means of testing the market to see **how consumers respond** to a particular product or concept.



IKEA Diseña, in Gran Vía shopping centre.

Retailers continue to invest in flagship stores

Opening a flagship store is becoming a very tempting proposition for many retailers seeking to build brand loyalty by offering customers a **better shopping experience**.

The primary objective of flagship stores is not to encourage customers to buy more, but to win them over by marketing the brand's image. To stand out from the brand's other physical stores, a 'flagship store' needs a **design that's creative, innovative and very clearly defined**.

Brands specialising in **fashion and accessories** have been the most enthusiastic adopters of the flagship model. A flagship store can be the perfect shop window for these brands, all vying to make a strong impression while offering customers the latest technology, to create an immersive shopping experience.



Lefties flagship in Portal de la Marina shopping centre



The value of physical space

The physical channel is still most people's preferred mode of shopping. Stores offer customers certain advantages that can only be found in the offline world. In-store, for example, the customer can touch the product – the primary reason given by Spanish consumers for visiting a brick-and-mortar store followed by the option to try the item on, according to data from Statista.

A growing number of retailers are using their **physical space to engage with customers and offer them a more appealing experience** – something that helps boost sales, brand loyalty and social media traffic. Moreover, new technologies incorporated into physical stores provide valuable consumer data that helps retailers improve their performance.

Key sectors: fashion and food & beverage

The **fashion sector** takes the lead in Spain in terms of the number of existing stores and new launches. Out of more than 1,300 active franchises in 2018, the largest share (238) pertained to fashion brands, according to data from Statista. Within this sector, the **women's fashion and accessories** segments encompass the greatest number of brands with a presence in Spain.

While online shopping has had an impact on the store model and on store locations, this has not deterred retailers from expanding their physical reach.

Indeed, over the last few years, the number of stores belonging to Spain's leading fashion brands in terms of turnover (Zara, Mango, Bershka and Stradivarius) has grown. Since 2009, the total number of fashion stores has risen by 5%. For the sake of comparison, if we look at the 2004 data it is clear that there has been a marked rise in store numbers: **43% over a 14-year period**.

Meanwhile, the **food and beverage** sector is making increasingly larger inroads into Spain's major high-street retail hubs and shopping centres. Property owners are **looking to expand the range of leisure and dining options they offer** while also introducing new technologies.

Spain is experiencing a real step change in its culinary scene and F&B sector. With fine dining and cuisine more popular than ever before in Spain, shopping centres have been keen to jump on the bandwagon, putting more and more effort into enhancing the **culinary choices on offer with a view to pushing up footfall and visitor dwell time**.

Dubbed 'Food in Fashion', one of the hottest trends in F&B recently is a fusion of **fashion retailing, fine dining and restaurant entertainment like nothing we've seen before**. From flamenco shows to jazz quartets, cabaret artists and folk singers, these events are sure to make for a memorable meal.

Source: JLL



Opening of VidaNova Parc retail park

After two years of construction and €50 million invested by Lar España, VidaNova Parc opened in Sagunto on 27 September, following the opening of the Leroy Merlin store in June. With a catchment area of 250,000 people, it features a gross lettable area of over **45,000 sqm and 2,349 parking spaces**, making it the biggest retail park to open in Spain in 2018. It is home to over **40 leading retail brands** and boasts 100% occupancy. Notable tenants include Decathlon, C&A, Worten, Norauto, Burger King, Urban Planet and Yelmo Cines, a 9-screen cinema with cutting-edge audiovisual technology.

The shopping and leisure destination is expected to receive **5 million visitors** during its first year, a figure which is then set to climb to 7 million in 2020 and 2021. The city council has highlighted the immense economic impact on the city, with the creation of **1,200 direct and indirect jobs**.



Biggest retail park
to open in Spain in
2018

+46,000
visits
opening day

+170,000
visits
first week

45,773 sqm
GLA

1,200
direct and
indirect jobs

Over 40
leader
brands



€145.1 million sale price

40.1% divestment value uplift on the acquisition price

Offices.

EGEO

- On 16 January 2018 the property was sold to Inmobiliaria Colonial for a total of **€79.3 million** (€4,344 per sqm).
- The sale price represented a **value uplift of 22.2%** on the acquisition price.
- Before the property was sold, works were carried out to **waterproof technical areas**, fully upgrade the **fire alarm system** and refurbish the suspended ceilings.
- Obtained "Good" in-use **BREEAM®** certification.

JOAN MIRÓ

- Joan Miró office building, located in Barcelona, was transferred to AEW for a total price of **28.8 million Euros**.
- Value uplift of 26.9%** on the acquisition price and **17.6%** on the last valuation (June 2018).

CARDENAL MARCELO SPÍNOLA

- On 1 February 2018, the first floor (540 sqm) of the property was **let to Hanson Hispania** (Heidelberg Cement Hispania).
- New lease agreement** for 3,460 sqm with All for Padel (Adidas), Bmind, Walmeric and Marco de Comunicación.
- End of **works to improve** the property's car park.
- Signing of an agreement to install **CitiboxSmart Mailboxes**.
- As of the date of this report, the asset has been transferred to an INVESCO company for a total price of **37 million Euros**. The sale price agreed for the transfer of the mentioned property represents a capital gain of **94.7%** on the acquisition price paid by the Company for said property in July 2014.

ELOY GONZALO

- Completion of comprehensive refurbishment works** at the property and revision works.
- New lease agreement for 4,364 sqm** (70% of GLA) and an initial lease term of 15 years was signed with **WeWork**, the leading co-working space company.
- New lease agreement** for one of the retail units (79 sqm) with **Grupo Treboleta, S.L.** replacing the previous tenant, with a 3-year term certain, renewable for a further 6.
- 100% occupied** after the completion of comprehensive refurbishment works at the property.

Logistics.

- On 18 July 2018, Lar España sold its entire logistics portfolio to **Blackstone for €119.7 million**.
- This divestment equated to a **value uplift of 83% on the acquisition price** (73% excluding the capex investment) and **30%** on the valuation of these properties carried out at the end of 2017.
- The portfolio includes **five operational logistics properties** with a total gross lettable area of 161,838 sqm, four of which are in Alovera (Guadalajara) and the fifth in Almussafes (Valencia), as well as 17 plots allocated for logistics use in Cheste (Valencia), with a total gross lettable area of 181,617 sqm.



€119.7 million sale price

83% divestment value uplift on the acquisition price



Residential.

First apartments at Lagasca99 delivered

Lagasca99 is a **new development of spacious apartments** brimming with natural light and offering the highest degree of privacy, cutting edge technology and a superb standard of finish throughout, in a building rich in architectural and iconic features. Developed by Lar España in a joint venture with investment management firm PIMCO, the project came full cycle in December as the keys for the first apartments were handed over to their new owners.

A **new residential concept right in the heart of Madrid** in the historic Salamanca district, Lagasca99 was built using the finest materials and to the most exacting of standards. Based on a design by the acclaimed **architect, Rafael de la Hoz**, the building's façade was crafted from 316 panels of Merbau wood imported from Indonesia, 792 tonnes of travertine marble and 4,300 sqm of glass.

In keeping with Lar España's commitment to sustainability, Lagasca99 was certified under the **BREEAM sustainability scheme** at the design phase, guaranteeing that the finished building is as respectful of the environment as it is of its inhabitants.

Residents will be able to enjoy a cornucopia of **ultra-luxurious amenities**, including a roof garden with a living canopy and a swimming pool, an expansive entrance lobby full of natural light and indoor gardens, a gym and wellness centre, 24-hour security and monitoring all 365 days of the year, an indoor pool and a private members' club.

Once all of the apartments have been delivered there will be an **extraordinary dividend**, subject to approval at the next General Shareholders' Meeting which is expected to take place in April 2019.

Sustainable
building



316 panels
of Merbau
wood

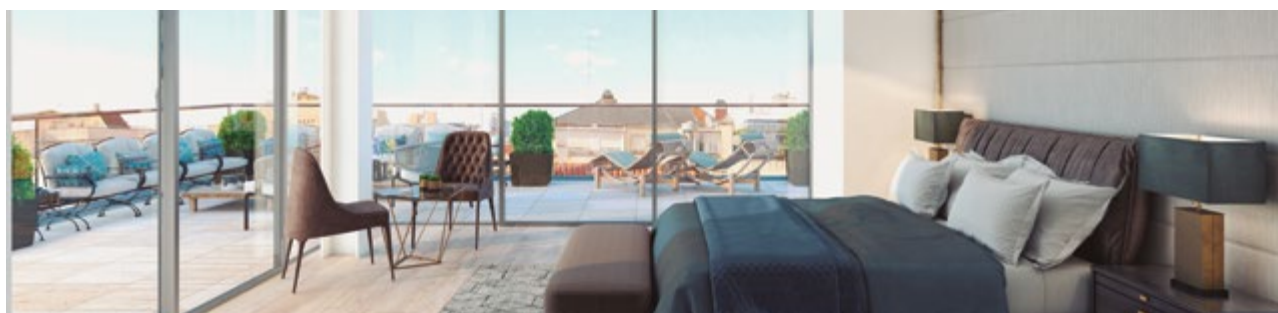
792 tonnes
of travertine
marble

4,300 sqm
of glass



Mr. José Luis del Valle, Chairman of Lar España, points out that 'this development represents a key milestone in our business plan and, what's more, will help us meet our objective of **creating value for our investors and shareholders.**'

Lagasca99 is set to become a **new gold standard for the luxury residential sector.** Making a valuable contribution to Madrid's architectural heritage, it's an urban design revolution in the heart of Salamanca.



95%
sold

44
apartments
2
retail units

**€11,300 per
sqm** average
sale price

29%^(*)
delivered
at 31
December
2018

Extraordinary
dividend

() As per the reporting date, 27 February 2019, the percentage of deliveries stands at 74%.*

VIII. Development project

At 31 December 2018, the only project under construction in Lar España's portfolio was the **Lagoh leisure and entertainment complex**. 2018 brought the opening of the **VidaNova retail park** and the delivery of residential units in the new **Lagasca99 building**.

Lagoh
Retail Development



Your retail and family
space in Seville



Excellent location,
4 km from Seville's
city centre

Estimated opening:
September 2019

Acquisition price:
€40.5 million

Market value^(*):
€132.0 million

100,000 sqm of retail and family
leisure space

In the process of
gaining BREEAM certification

82%^(**) of GLA signed or with binding contract with leading retailers

Large
catchment area:
1.5 MM people

Forecast annual
revenue of
€15 million

Status:
under construction
and letting

Estimated
construction cost:
€151.6 million

Purchase date:
Q1 2016

Some of our
main tenants:

MediaMarkt

MERCADONA

YELMO CINES

PRIMARK

Massimo Dutti

VICTORIA'S
SECRET

McDonald's

STARBUCKS
COFFEE

FIVE GUYS

Urban Planet

ZARA

(*) The valuation has been made at 31 December 2018 by an external independent valuer

(**) As per the reporting date, the GLA already pre-let stands at 93%.

First units delivered at the Lagoh shopping centre

The early part of 2019 saw the first deliveries of units at the Lagoh leisure and entertainment complex, a landmark addition to Seville's retail scene due to open in September 2019.

A number of units have already been handed over to occupiers, including **Yelmo Cines**, **Primark**, **Mercadona** and **Urban Planet**, set to be the anchors of the new shopping centre. Lagoh will boast a gross lettable area in excess of 70,000 sqm, more than 200 retail units and 3,250 parking spaces.



Opening date:
27 September 2019



4,300 sqm

Latest generation
technology

One of the most advanced
cinemas in Spain, both in
screening and sound, as well
as in comfort



7,000 sqm

One of its
largest stores

Innovative store with a
great visual impact to
enhance in-store experience



3,000 sqm

Spanish
supermarket chain

Mercadona dominates the
supermarket sector in Spain



3,300 sqm

Most innovative
format in Spain

Offering lifestyle, sports
and last generation leisure
activities for adults and kids

+200
retail units

Multi-adventure

3,250
parking lots

Virtual reality

Lake
6,500 sqm
surface

Food courts

4,800
new jobs

IX.

Development main milestones

2018
Q1**VidaNova Parc**

Handover of the unit occupied by Leroy Merlin

Lagasca99

€10 million returned to shareholders

Lagoh

Over 45,000 sqm let (63%)

Construction works 20% complete

Acquisition of 12,000 sqm of buildable area in addition to the initial project

Q2**VidaNova Parc**

Environmental license for Leroy Merlin

Amendment to the urban development project

Partial handover of the M3 plot by the City Council**Opening of Leroy Merlin store****Lagasca99**

75% of space sold

Lagoh

Collaboration agreement signed at the Town Council with the Los Bermejales Retailers and Professionals Association (ACOPROBER)

Syndicated bank financing signed for the development and future operation of the shopping centre in the total amount of €98.5 million

Technical day organised by the Spanish Shopping Centre Association (AECC) in Seville with a visit to the Lagoh development

2019
Q1**Lagasca99**

75% of units delivered

Lagoh

First units delivered to Yelmo Cines, Primark, Mercadona and Urban Planet

93% of total GLA pre-let

Q3

VidaNova Parc

Deed of New-Build Construction drafted

Handover of plots M2 and M3 by the City Council

Opening of Norauto unit

18 September: opening of Gasoprix petrol station

Municipal First Occupancy Certificate (statement of compliance) granted

Retail Park fully opened

Lagasca99

Works Completion Certificate (CFO) obtained

Lagoh

Authorisation and works started for the infrastructure mobility and improvement plan (access)

New name and branding for the “Lagoh” project, previously known as “Palmas Altas”. Preparation for the new brand launch and sponsorship of the 20th Seville Flamenco Biennial

Good commercialization progress, with **76% of GLA pre-let**

Q4

VidaNova Parc

Sale of plot to Norauto

Sale of plot occupied by Gasoprix to LE Retail Sagunto II

Universal accessibility certificate (AENOR) received

Lagasca99

First Occupancy Licence (LPO) obtained; handover of first housing units

Lagoh

First updates with the main retailers about the delivery of their units and opening dates: Yelmo, Media Markt and Urban Planet

Completion of structural works. Works 50% completed

Granting of Construction Permit for Yelmo Cines and permit adapted to project (Refurbishment II)

82% of total GLA pre-let

Residential
Lagasca99 (Madrid)





6

Financial and EPRA information **p.219**

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6.1

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.



In the following table is a summary of the bodies involved in the ICFR, their responsibilities and duties with respect to it:

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



Training

Corporate Management, following the guidelines set by the Board of Directors, ensures the existence of an adequate organisational structure, allocation of roles and accountability and the staggered deployment of sufficient procedures, which are allocated among the parties intervening in the processes.

The Corporate Director can call on the resources, whether internal or external, he or she needs to manage the different activities of the Company, for assistance and advice. Against this backdrop, Lar España has entered into a **Management Agreement with Grupo Lar** under which the Manager undertakes to devote the staff and resources needed to fulfil its functions, including its **financial reporting** related duties.

Lar España's ICFR Manual provides that whenever the services provided by a "service organisation" are part of the Company's IT system, they must be encompassed by the **ICFR 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⁾.

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 2017, 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.

(1) The second option is currently being pursued following confirmation from the third party that is providing accounting services.



Lar España **selects selects providers to outsource these activities rigorously.** It only 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 relevant for 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.

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 Lar España Real Estate SOCIMI"**.

Lar España has assessed the risks associated with its own financial accounting. Having determined the level of risk associated with each account, the most significant risks were related with the Company processes which generate and control its material financial information.

The purpose of this mapping exercise is to identify the processes or business units within the Group of greatest importance in terms of financial information generation.

Lar España has documented the most significant processes. In 2018, it 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 to 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 2018, 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 approaches 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 2018, identifying the most critical accounts and processes and working to document them in detail. 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 implement the provisions contained in the Board Regulations with respect to its own 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 have been reviewed by the **external auditor** and no inconsistencies or incidences were raised that could affect this.



6.2

Financial information

I. Key Indicators

During 2018 Lar España generated revenues of **77,841 thousand Euros** and a net profit of **129,308 thousand Euros**, being the most relevant figures the following:

Revenues

(Thousands of euros)



EBITDA (*)

(Thousands of euros)



EBIT (*)

(Thousands of euros)



EBT (*)

(Thousands of euros)



Net Profit (*)

(Thousands of euros)



■ 2018

■ 2017

77,841
Thousands of euros
Revenues

129,308
Thousands of euros
Net Profit

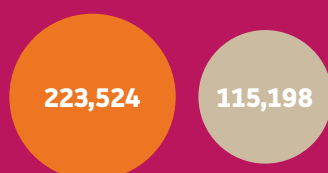
+16%
EBITDA
vs 2017

(*) For more clarity as regards these figures, see the Consolidated Income of Financial Position.

Other Financial Indicators

The Group presents the following financial indicators:

Working capital (Thousands of euros)



Liquidity ratio (%)



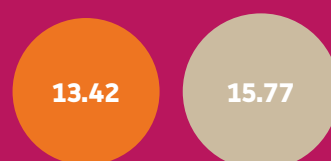
Solvency ratio (%)



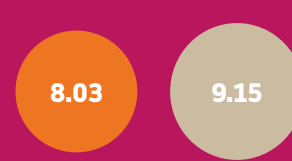
Net LTV (%)



ROE (%)



ROA (%)



● 31/12/2018 ● 31/12/2017

At 31 December 2018, and 31 December 2017, 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.

At 31 December 2018, the **ROE ("Return on Equity")**, which measures the Group's profitability as a percentage of its shareholders equity, amounted to **13.42%** (15.77% at 31 December 2017) 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 **8.03%** (9.15% at 31 December 2017).

II.

Consolidated Financial Statements 31.12.2018 (IFRS)

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiariesConsolidated Statement of Financial Position at 31 December 2018 ^(*)

Assets (Thousands of euros)	31/12/2018	31/12/2017
Intangible assets	8,556	8,673
Investment properties ^(**)	1,363,646	1,306,350
Financial assets with associates	-	2,161
Equity-accounted investees	4,627	5,526
Non-current financial assets	11,426	11,928
Trade and other receivables non-current	2,733	-
NON-CURRENT ASSETS	1,390,988	1,334,638
Non current assets held for sale	78,081	124,295
Trade and other receivables	13,762	14,413
Financial assets with associates	-	27,718
Other current financial assets	3,268	7,118
Other current assets	4,176	553
Cash and cash equivalents	191,328	45,617
CURRENT ASSETS	290,615	219,714
TOTAL ASSETS	1,681,603	1,554,352

^(*) These financial statements are an integral part of the 2018 Consolidated Annual Accounts. On February 26 2019 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 2018 (*)

Equity and Liabilities (Thousands of euros)	31/12/2018	31/12/2017
Capital	186,438	185,248
Share premium	476,301	487,349
Other reserves	220,289	111,854
Retained earnings	129,308	135,606
Treasury shares	(1,228)	(175)
Valuation adjustments	(2,610)	(1,663)
EQUITY	1,008,498	918,219
Financial liabilities from issue of bonds and other marketable securities	139,077	138,787
Loans and borrowings	428,400	361,165
Deferred tax liabilities	19,405	14,613
Derivatives	1,892	831
Other non-current liabilities	17,240	16,221
NON-CURRENT LIABILITIES	606,014	531,617
Liabilities related to assets held for sale	810	47,618
Financial liabilities from issue of bonds and other marketable securities	3,482	3,482
Loans and borrowings	6,461	5,580
Liabilities with associates	-	7,505
Derivatives	2,179	1,267
Other financial liabilities	-	147
Trade and other payables	54,159	38,917
CURRENT LIABILITIES	67,091	104,516
TOTAL EQUITY AND LIABILITIES	1,681,603	1,554,352

(*) These financial statements are an integral part of the 2018 Consolidated Annual Accounts. On February 26 2019 Deloitte issued its unqualified audit report.



Profit before tax
from continuing
operations (*)
160,311
thousands of euros
+10% vs. 2017



Profit for
the period (*)
155,772
thousands of euros
+7% vs. 2017

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

Consolidated Income of Financial Position at 31 December 2018 (**)

(Thousands of euros)	2018	2017
Revenues	77,841	77,600
Other income	3,733	2,198
Personnel expenses	(502)	(542)
Amortisation expenses	(307)	(15)
Other expenses	(28,684)	(25,847)
Other results	-	653
Change in the fair value of investment properties	70,471	101,558
Results of disposals of investment properties	28,541	2,842
RESULTS FROM OPERATIONS (*)	151,093	158,447
Financial income	27,927	3,559
Financial expenses	(17,810)	(14,281)
Share in profit (loss) for the period of equity-accounted companies	(899)	(2,119)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (*)	160,311	145,606
Income tax	(4,539)	-
PROFIT FOR THE PERIOD (*)	155,772	145,606
Performance & Divestment fee	(26,464)	(10,000)
PROFIT FOR THE PERIOD	129,308	135,606

(*) Pre performance and divestment fee figures.

(**) These financial statements are an integral part of the 2018 Consolidated Annual Accounts. On February 26 2019 Deloitte issued its unqualified audit report.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. and subsidiariesConsolidated Cash Flows Position at 31 December 2018 ^(*)

	2018	2017
A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	19,102	48,688
Profit/(loss) for the period before tax	133,847	135,606
Adjustments	(108,113)	(92,178)
Changes in operating assets and liabilities	6,508	17,389
Other cash flows used in operating activities	(13,140)	(12,129)
B) CASH FLOWS USED IN INVESTING ACTIVITIES	139,536	(129,142)
Payments for investments	(161,281)	(163,530)
Proceeds from divestments	300,817	34,388
C) CASH FLOWS FROM FINANCING ACTIVITIES	(16,009)	97,945
Payments made and received for equity instruments	6,884	779
Proceeds from and payments for financial liability instruments	22,073	127,145
Payments for dividends and remuneration on other equity instruments	(44,966)	(29,979)
D) CASH AND CASH EQUIVALENTS IN NON-CURRENT ASSETS HELD FOR SALE	3,082	(3,465)
E) NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	145,711	14,026
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	45,617	31,591
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	191,328	45,617

(*) These financial statements are an integral part of the 2018 Consolidated Annual Accounts. On February 26 2019 Deloitte issued its unqualified audit report.



€621.7 million
of financial debt

III.

Financial debt

At 31 December 2018, Lar España's debt stood at EUR621.7 million, with an **average cost of 2.16%**. The **net LTV** ratio was **28%**, complying with the objective

of not exceeding 50%, whilst the **average debt maturity** stood at **5.6 years**. The main debt indicators and the amortisation schedule is detailed below:

(Thousands of euros)	31/12/2018	31/12/2017
GAV	1,535,863	1,537,576
Gross financial debt ^(*)	621,732	590,216
Cash ^(**)	190,231	46,717
Net financial debt ^(*)	431,501	543,499
Net LTV ^(*)	28%	35%
Average cost of debt	2.16%	2.20%
Average maturity period (years)	5.6	5.3

^(*) Full consolidation and equity method figures included.

^(**) Only available cash considered.



5.6 years
Average maturity
period

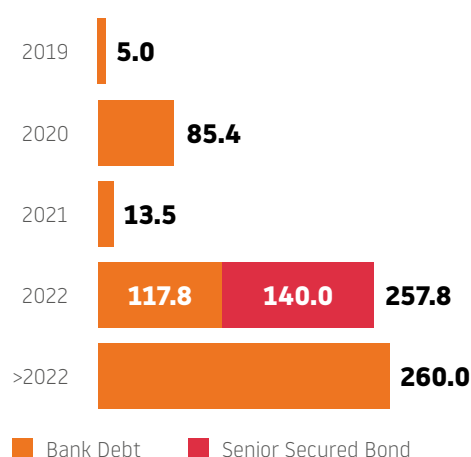


28%
Net LTV



2.16%
Average cost
of debt

Back-Loaded amortisation profile (€ Million)





IV. Shareholder return

The **shareholder rate of return** in 2018 stood at **13.24%**. To calculate the rate of return, we use the growth per share over the financial year, which is the sum of:

- The variation in the Company's EPRA NAV per share.
- Dividend per share distributed during the financial year.

$$\text{Shareholder Rate of Return} = \frac{\text{Growth (NAV + Dividend) per share}}{\text{EPRA NAV per share 2017}}$$

	€/share
EPRA NAV 31.12.17	10.27
EPRA NAV 31.12.18	11.14
NAV GROWTH 2018	0.87
2017 Dividend paid in 2018	0.49
GROWTH (NAV + DIVIDEND)	1.36
SHAREHOLDER RETURN 2018 (%)	13.24%



Shareholder
Rate of Return
13.24%



V. Proposed shareholder remuneration

The Company intends to maintain a dividend policy pursuing sustainable levels of distributions that reflect the Company's future profit forecasts. **Lar España was formed with the aim of generating high returns for its shareholders through the annual payment of significant dividends** and the creation of value in the form of an increase in EPRA NAV.

In line with the most recent announcement made by Lar España at the Investor Day, the proposed shareholder remuneration will be as follows:

- **5% of 2018's average quarterly EPRA NAV:** 50 million Euros, approximately.

2018's average quarterly EPRA NAV amounted to 1,000,715 thousand Euros:

EPRA NAV	Thousands of euros
Q1	968,783
Q2	979,347
Q3	1,018,046
Q4	1,036,683
AVERAGE	1,000,715

- **Lagasca99 extraordinary dividend linked to deliveries:** 25 million Euros.

As a result, the amount to be put to the General Shareholders Meeting as the proposed shareholder dividend for the financial year ending 31 December 2018 will be **75 million Euros**, representing a payment of **0.80 Euros per share**.



Dividend Yield over
average NAV
7.5%

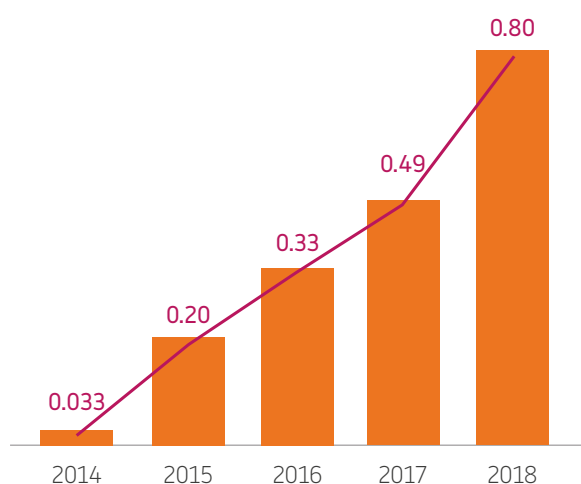


Dividend Yield over
market capitalization
(31.12.18)
10.7%



Dividend:
0.80€/share
+63% vs. 2017

The following figure shows the annual performance of the **dividend paid per share** (euros):



Since 4 February 2019, Lar España has formed part, once again, of the **Ibex Top Dividendo**, a group comprising 25 shares listed on the Ibex 35, the Ibex Medium Cap or the Ibex Small Cap that offer shareholders the **highest return in terms of dividends**. This has further advanced our aim of generating value for our investors.



VI. Share price information and performance

Detail of shares (€)

Jan-Dec 2018	
Price at the beginning of the period	8.89
Price at the end of the period	7.45
PERFORMANCE DURING THE PERIOD	-16.2%
Maximum price for the period	9.87
Minimum price for the period	7.27
AVERAGE PRICE FOR THE PERIOD	8.91
ADTV (*)	201,189
Market Cap (Euros) 31/12/2018	694,481,878
Number of shares 31/12/2018	93,219,044

(*) Average Daily Trading Volumen in number of shares



-11.2%
EPRA Index (*)



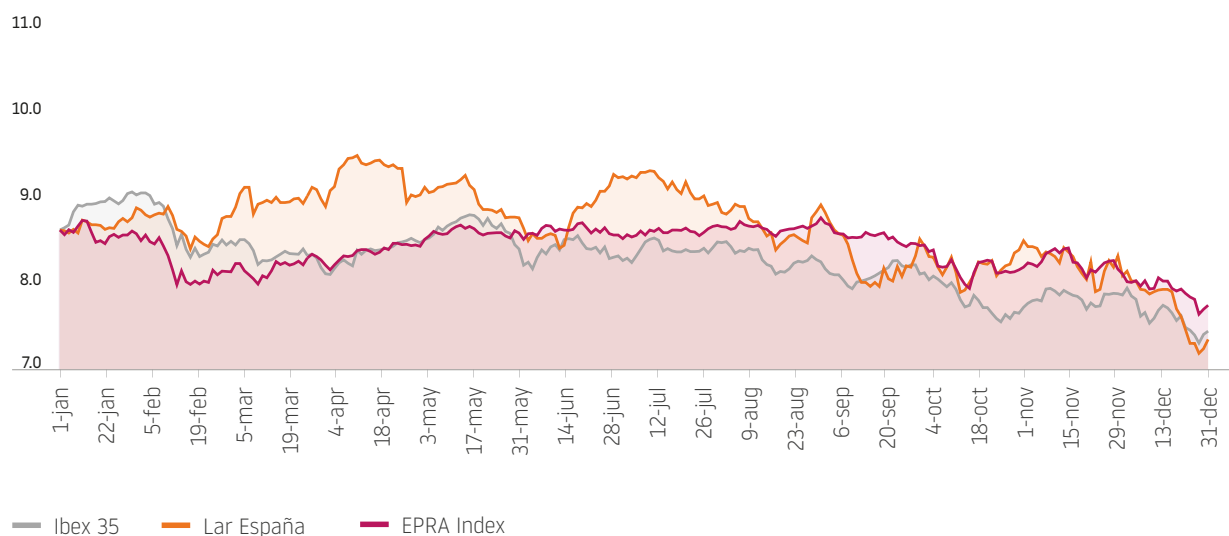
-16.2%
Lar España



-15.0%
IBEX 35

The **share price performance** during 2018 compared with the IBEX 35 and EPRA Index performance can be seen in the following graph:

Lar España share price performance vs Ibex 35 and EPRA Index (January-December 2018)



(*) Sectoral European reference Index.



31.8% (*)
Potential Return

Analyst recommendation

As of the date of this report, Lar España has the coverage of 14 analysts, whose average target price is **€9.82**.

Broker	Recommendation	Analysis Date	Target price (€)
Kepler Cheuvreux	Hold	21/03/2017	Under Revision
KEMPEN & CO	Hold	28/02/2018	7.30
Sabadell	Buy	07/06/2018	10.95
MIRABAUD	Buy	27/02/2019	10.34
Ahorro Corporación	Buy	27/02/2019	10.70
GVC Gaesco Beka	Buy	28/02/2019	11.79
J.P.Morgan Asset Management	Hold	27/02/2019	9.00
intermoney valores sv	Buy	24/02/2019	10.00
JBCapitalMarkets	Buy	27/02/2019	12.50
ING	Hold	28/02/2019	8.50
SOCIETE GENERALE	Sell	28/02/2019	6.90
fidentiis	Buy	28/02/2019	10.30
Santander	Hold	28/03/2019	8.90
bankinter	Buy	05/04/2019	10.44

Source: Bloomberg

62%
Buy

30%
Hold

8%
Sell

(*) Taken into account the average target price and the price at the end of the period.

2018 Investor Relations Activities

420 One on Ones

81 Conference Calls

22 Road Shows

39 Market impacts

18 Analyst
recommendations

Website renovation
New App

New analyst coverage in 2018



3 Top Picks

 JBCapitalMarkets



bankinter.



6.3

EPRA information

EPRA Awards

- In November 2016, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association)⁽¹⁾ updated its Best Practices Recommendations⁽²⁾ document in order to improve the presentation, transparency, comparability and relevance of the released financial information of listed real estate companies in Europe.

Lar España fully supports 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 financial information.

For this purpose, we have included an specific chapter with our main economic indicators following EPRA guidances.

- In **September 2018**, Lar España was awarded for the fourth year running the **Gold Award** from the European Public Real Estate Association (EPRA) in recognition of the quality of the financial information released by the company. Lar España was also awarded for the first time with the most prestigious recognition from EPRA, the **Gold Award**, related to the information about Corporate Social Responsibility.

This highlights the **international recognition for the information reported by Lar España** and made available to its shareholders.

⁽¹⁾ Not-for-profit association founded in 1999 registered in Belgium which aims to make the financial statements of public real state 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	31/12/2018 (Thousands of euros) / %	31/12/2018 (Euros per share)
EPRA Earnings	Earnings from operational activities.	Page 242	29,240 ^(*)	0.31
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 243	1,036,683	11.14
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	Page 243	1,013,644	10.89
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 244	5.2%	-
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 244	5.3%	-
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	Page 246	6.8%	-
EPRA Cost Ratio	Administrative & operating costs (including direct vacancy costs) divided by gross rental income.	Page 247	27.5% ^(**)	-
EPRA Cost Ratio (excluding direct vacancy costs)	Administrative & operating costs (excluding direct vacancy costs) divided by gross rental income.	Page 247	24.0% ^(**)	-

^(*) Adjusted EPRA Earnings

^(**) Indicators calculated not taken into account the performance fee

EPRA Earnings

(Thousands of euros)	2018	2017
EARNINGS PER IFRS INCOME STATEMENT	129,308	135,606
Change in value of investment properties and other interest	(97,245) ^(*)	(101,558)
Companies acquisitions effect	-	(653)
Change in fair value of financial instruments	1,024	(1,474)
Companies divestments effect	(28,541)	(2,842)
Amortisation of intangible assets	307	-
Tax on profit on disposals	4,539	-
EPRA EARNINGS	9,392	29,079
Weighted average number of shares (excluding treasury shares)	93,404,258	91,372,891
EPRA EARNINGS PER SHARE (EUROS)	0.10	0.32
Company specific adjustment ^(**)	19,848	7,500
ADJUSTED EPRA EARNINGS	29,240	36,579
ADJUSTED EPRA EARNINGS PER SHARE (EUROS)	0.31	0.40

^(*) 26,774 thousand Euros linked to Lagasga99 residential project included

^(**) It corresponds to the part of the Performance/Divestment Fee that the Manager would be obliged to reinvest in Lar España, thus avoiding any real cash outflow for the company

EPRA NAV

(Thousands of euros)	31/12/18	31/12/17
NET ASSET VALUE PER THE FINANCIAL STATEMENTS	1,008,498	918,219
Change in fair value of non-current assets	5,146	18,468
Fair value of financial instruments	3,634	189
Deferred tax liabilities	19,405	14,613
EPRA NAV	1,036,683	951,489
Number of shares (excluding treasury shares)	93,081,129	92,604,217
EPRA NAV PER SHARE (EUROS)	11.14 ^(*)	10.27

^(*) When analyzing this measure it is important to take into account the dividend paid in Q2 2018 (0.49€/share).

EPRA NNNAV

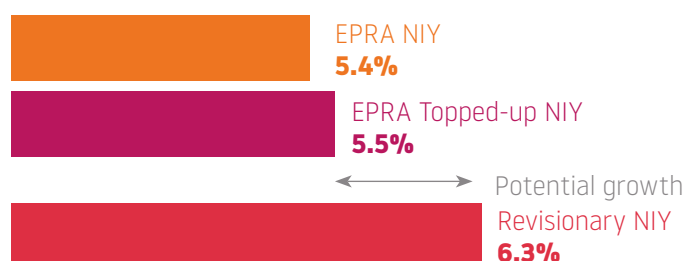
(Thousands of euros)	31/12/18	31/12/17
EPRA NAV	1,036,683	951,489
Fair value of financial instruments	(3,634)	(189)
Deferred tax liabilities	(19,405)	(14,613)
EPRA NNNAV	1,013,644	936,687
Number of shares (excluding treasury shares)	93,081,129	92,604,217
EPRA NNNAV PER SHARE (EUROS)	10.89 ^(*)	10.11

^(*) When analyzing this measure it is important to take into account the dividend paid in Q2 2018 (0.49€/share).

EPRA NIY and EPRA “topped-up” NIY (31/12/2018)

Asset (Thousands of euros)	Completed Property Portfolio	Allowance for estimated purchasers costs	Gross up comple- ted property port- folio valuation (A)
Megapark + leisure area	222,200	4,222	226,422
Gran Vía Vigo	173,000	4,758	177,758
Portal de la Marina + hypermarket	129,175	3,100	132,275
El Rosal	110,210	2,752	112,962
Anec Blau	97,060	2,916	99,976
As Termas + petrol station	87,560	2,408	89,968
Parque Abadía + commercial gallery	83,410	2,085	85,495
Rivas Futura	67,500	1,519	69,019
Albacenter + hypermarket	60,350	1,509	61,859
VidaNova Parc	59,910	1,500	61,410
Supermarkets portfolio	53,024	1,060	54,084
Vistahermosa	50,540	1,260	51,800
Txingudi	37,500	713	38,213
Las Huertas	12,600	284	12,884
TOTAL RETAIL	1,244,039	30,085	1,274,124
Eloy Gonzalo	39,400	1,143	40,543
Marcelo Spínola	37,000	1,073	38,073
TOTAL OFFICES	76,400	2,216	78,616
TOTAL LAR ESPAÑA	1,320,439	32,300	1,352,739

Retail yields



Annualised cash passing rental income	Property out-goings	Annualised net rents (B)	Notional rent expiration of rent free periods or other lease incentives	Topped-up net annualised (C)	EPRA NET INITIAL YIELD (B/A)	EPRA TOPPED-UP NET INITIAL YIELD (C/A)
12,487	(1,517)	10,970	57	11,027	4.8%	4.9%
10,075	(409)	9,667	109	9,776	5.4%	5.5%
7,830	(548)	7,282	106	7,388	5.5%	5.6%
7,313	(883)	6,430	164	6,594	5.7%	5.8%
5,272	(993)	4,279	69	4,348	4.3%	4.3%
5,631	(370)	5,260	293	5,553	5.8%	6.2%
5,091	(249)	4,843	100	4,943	5.7%	5.8%
4,102	(370)	3,732	103	3,835	5.4%	5.6%
3,615	(810)	2,804	28	2,833	4.5%	4.6%
3,998	(471)	3,527	228	3,755	5.7%	6.1%
3,839	(13)	3,825	0	3,825	7.1%	7.1%
3,583	(681)	2,902	2	2,905	5.6%	5.6%
2,671	(153)	2,517	17	2,534	6.6%	6.6%
1,032	(120)	912	31	943	7.1%	7.3%
76,538	(7,587)	68,952	1,309	70,261	5.4%	5.5%
1303	(83)	1,219	383	1,602	3.0%	4.0%
565	(402)	163	84	247	0.4%	0.6%
1,867	(485)	1,382	467	1,849	1.8%	2.4%
78,406	(8,072)	70,334	1,776	72,110	5.2%	5.3%



5.4%
Retail
EPRA NIY



5.5%
Retail EPRA
topped-up
NIY



6.3%
Retail
Reversionary
Yield

EPRA Vacancy Rate

Asset	ERV (Thousands of euros)	ERV Vacancy (Thousands of euros)	EPRA VACANCY RATE %
Megapark + leisure area	14,497	1,660	11.5% ^(*)
Gran Vía	9,981	45	0.5%
Portal de la Marina + hypermarket	7,687	485	6.3% ^(*)
El Rosal	7,451	418	5.6%
Anec Blau	6,306	460	7.3% ^(*)
As Termas + petrol station	5,573	156	2.8%
Parque Abadía + commercial gallery	5,161	317	6.1% ^(**)
Rivas Futura	4,427	185	4.2%
Albacenter + hypermarket	3,996	114	2.8%
VidaNova Parc	4,318	0	0.0%
Supermarkets portfolio	3,276	0	0.0%
Vistahermosa	3,614	183	5.1%
Txingudi	2,865	69	2.4%
Las Huertas	1,048	69	6.6%
TOTAL RETAIL	80,200	4,161	5.2%
Marcelo Spínola	2,171	1,507	69.4%
Eloy Gonzalo	1,522	0	0.0%
TOTAL OFFICES	3,693	1,507	40.8%
TOTAL	83,893	5,668	6.8%

^(*) The property is undergoing significant refurbishments meaning that some units are being vacated temporarily.

^(**) As the reporting date, the EPRA Vacancy Rate stands at 1.1%.



5.2%

Retail EPRA Vacancy Rate

EPRA Cost Ratios

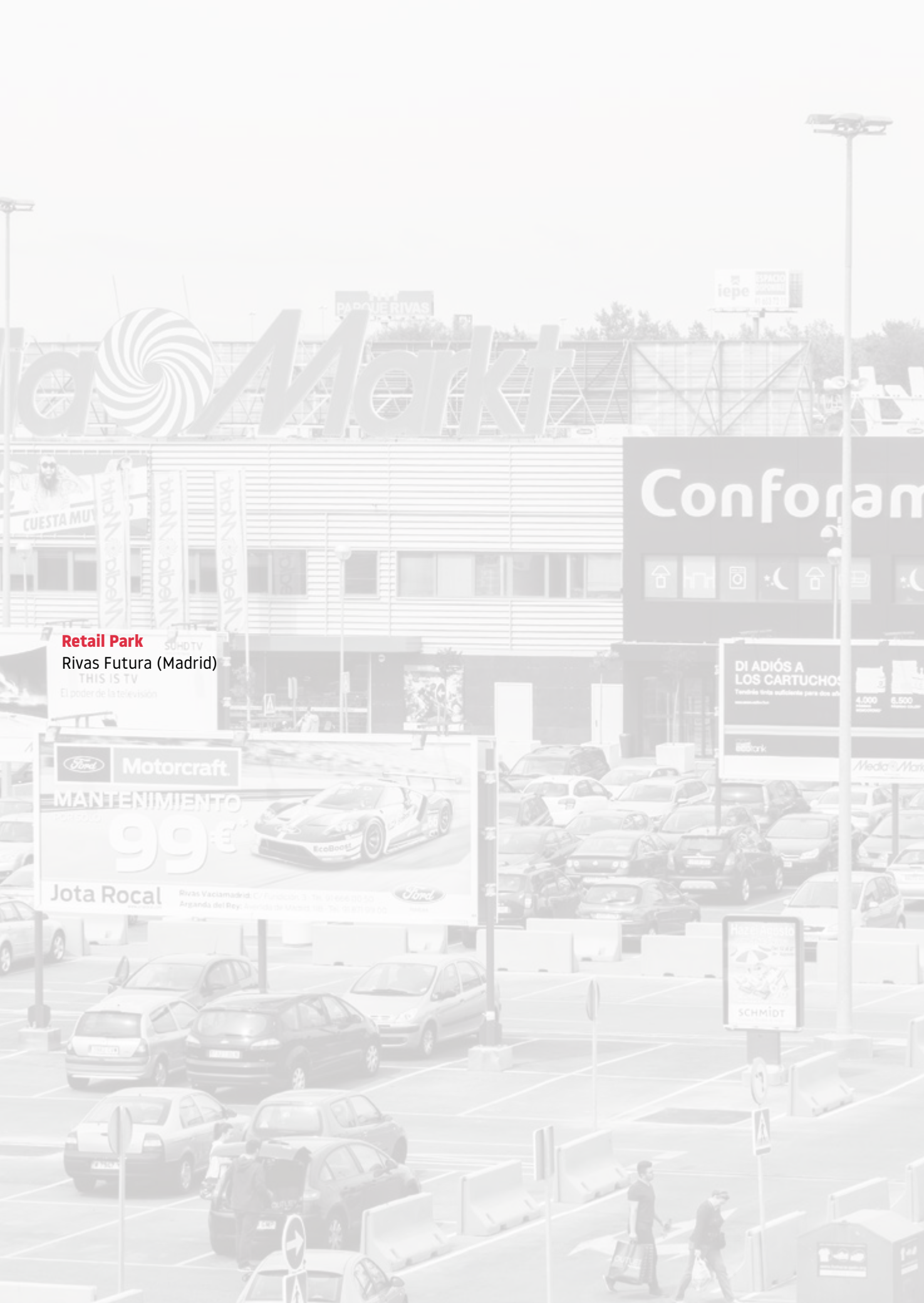
	Recurring		TOTAL	
	2018	2017	2018	2017
(Thousands of euros)				
Administrative expenses	(502)	(542)	(502)	(542)
Operating costs net of recoverable income ⁽¹⁾	(18,388) ⁽²⁾	(16,882) ⁽²⁾	(48,774) ⁽³⁾	(29,523) ⁽³⁾
Administrative/operating expenses in associates	(1,283)	(1,206)	(1,283)	(1,206)
EPRA Cost (including vacancy cost) (A)	(20,173)	(18,630)	(50,559)	(31,271)
Direct vacancy costs	(2,547)	(2,659)	(2,547)	(2,659)
EPRA Cost (excluding vacancy cost) (B)	(17,626)	(15,971)	(48,012)	(28,612)
Gross Rental Income less ground rent costs-per IFRS	79,688	79,346	79,688	79,346
Net associated costs (net service charge)	(6,374)	(6,324)	(6,374)	(6,324)
Gross Rental Income (C)	73,314	73,022	73,314	73,022
EPRA COST RATIO (including direct vacancy costs) A/C	27.5% ⁽⁴⁾	25.5%	69.0%	42.8%
EPRA COST RATIO (excluding direct vacancy costs) B/C	24.0% ⁽⁴⁾	21.9%	65.5%	39.2%

⁽¹⁾ Maintenance costs totalling 1,228 thousands of euros are included.

⁽²⁾ Fixed management fee included..

⁽³⁾ Fixed and variable management fees included .

⁽⁴⁾ Excluding costs directly related to development projects, as at 31 December 2018, the ratios would be 24.1% and 20.6% respectively.



Media Markt

iepe

thomson
CUESTA MU
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thomson

Conforama

Icons: house, sofa, lamp, moon, house, house, moon

Retail Park
Rivas Futura (Madrid)
THIS IS TV
El poder de la televisión

DI ADIÓS A
LOS CARTUCHOS
Tenéis tinta suficiente para dos años
4.000 8.500
B&B Bank



MANTENIMIENTO

99€



Jota Rocal

Rivas Vaciamadrid: C/ Fundación 3 - Tel. 91 666 00 50
Arganda del Rey: Avenida de Madrid 146 - Tel. 91 871 09 00



Alcornoque
SCHMIDT



7

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Annual Report
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Review
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EPRA sBPR
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7.1

About this Annual Report

Report boundary

The information included in the **2018 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 2018 and 31 December 2018.

The last annual report presented by Lar España corresponded to the period elapsing between 1 January and 31 December 2017. The organisation has not undergone any significant change on its reporting scope in the interim that may 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 otherwise indicated to the contrary in the report.

In addition, this report draws from other reports in order to provide more detailed disclosures on specific items; for example, the **Group’s consolidated financial statements** for the year ended 31 December 2018 are referenced in order to reinforce the disclosures detailing the economic dimension.

Guidelines and criteria used

Lar España’s 2018 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 fourth time, this report follows the **Global Reporting Initiative (GRI)** and the “Best Practices Recommendations” guide of **EPRA Sustainability** published in September 2017 in respect of the non-financial sustainability disclosures provided in the annual report. The purpose has been to cover material aspects, as determined by means of a materiality assessment carried out by Lar España, which took into account the relevance by subject and main stakeholders, 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 2018, the following principles were applied, in keeping with the guidelines provided in the GRI Sustainability Reporting Standards with respect to the preparation of sustainability reports:

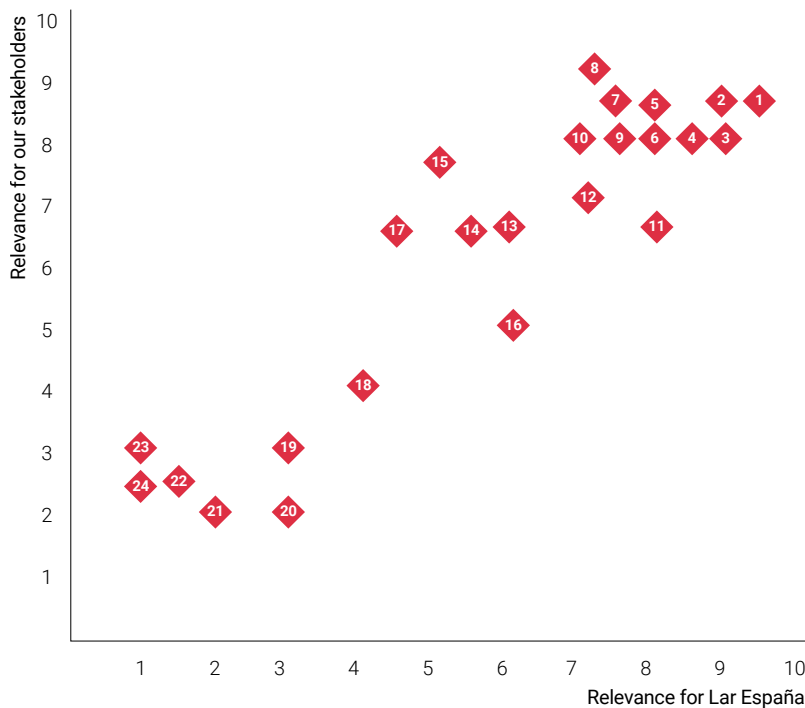
- The principles for determining the content of the report: stakeholder inclusiveness, the sustainability context and completeness.
- The principles for determining the quality of the report: balance, comparability, accuracy, timeliness, clarity and reliability.

Materiality assessment

Lar España's 2018 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**.

The report has been articulated around the reporting methodology prescribed in the GRI Standards, which involves undertaking a more in-depth analysis of the topics of greatest relevance to the organisation. Starting from the materiality assessment performed in 2016, management identified 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



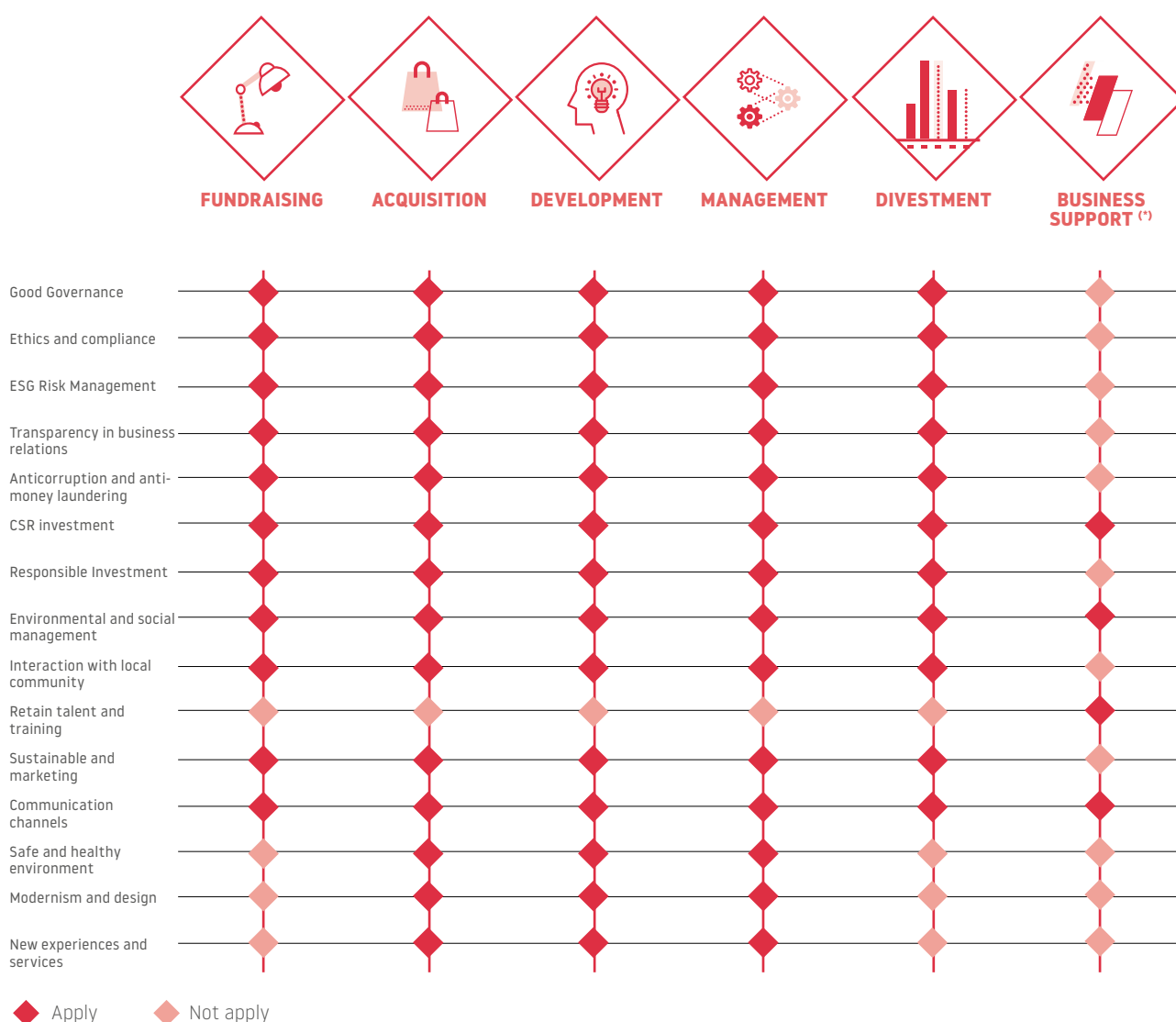
- | | | | |
|--|--|---------------------------------------|--|
| 1 Good Governance | 7 Responsible Investment | 13 Safe and healthy environment | 19 Urban resilience |
| 2 Ethics and compliance | 8 Environmental and social management | 14 Modernism and design | 20 Refurbishments and conservation |
| 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 aspect in the **materiality matrix** can be determined by its position within:

Following the methodology of the GRI G4, the material aspects are those that are located in the upper right quadrant in the matrix, which have obtained a score greater than or equal to 6 in both variables analyzed:

- Level of importance of the stakeholders.
- Relevance for the company.

The most relevant environmental and social material aspects for Lar España for each phase of the corporation's business model are shown below. All these aspects are included and developed in the **Corporate Social Responsibility Master Plan**, which establishes short, medium and long term measures and objectives for their implementation.



(*) Business support refers to the functions of coordination and development of the different phases of the business model carried out internally by the Company, i.e. by the employees.

Note: The material aspects presented here have been sorted in descending order according to the variable Importance to Lar España. In those cases where more than one aspect has obtained the same value, the variable Importance of the aspect for stakeholders has been taken into account.



International standards

As noted above, Lar España's 2018 Annual Report was prepared following the **GRI Sustainability Reporting Standards**.

EPRA Sustainability's latest "*Best Practices Recommendations*" guide has also been taken into account, which deepens into non-financial relevant aspects to the Real Estate sector.

It also factors in guiding principles for the preparation of integrated reports provided in the International IR Framework developed by the Integrated Reporting Council (IIRC). Specifically:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

Independent review

The sustainability information contained in this Annual Report has been reviewed externally by a third party with a limited scope review and based on the GRI Sustainability Reporting Standards (GRI Standards) guide. This guide includes a set of principles and indicators, which can be found in the annex to this report.

Contact details

Anyone who would like to request additional information about this 2018 Annual Report and its contents may submit their queries to the following addresses:

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

WHISTLE-BLOWING CHANNEL

canaldedenuncias@larespana.com

7.2

Independent Review



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INDEPENDENT REVIEW REPORT OF SUSTAINABILITY INDICATORS INCLUDED IN LAR ESPAÑA REAL ESTATE SOCIMI S.A. 2018 ANNUAL REPORT

To the management of Lar España Real Estate SOCIMI S.A.

Scope of the work

As commissioned by the management of Lar España Real Estate SOCIMI, S.A. (hereinafter, Lar España), we have carried out the review of the sustainability indicators included in the GRI content index included as an Annex in Lar España's Annual Report. This Report was prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards) as stated in section "Guidelines and criteria used".

The boundary determined by Lar España for the preparation of the Report is included in section "Report boundary" in the annex, of the attached Report.

The preparation of the sustainability information, as well as its content, is the responsibility of the management bodies of Lar España. They are also responsible for defining, adapting, and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

Criteria

Our review was carried out based on:

- The Guidelines for reviewing Corporate Responsibility Reports, issued by the Instituto de Censores Jurados de Cuentas de España (ICJCE), and
- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.

Applied procedures

Our review consisted in performing inquiries to the management bodies as well as the various business units that have participated in the preparation of the Report, and in applying analytical procedures and sampling review tests as described below:

- Interviews with those in charge of the preparation of the sustainability information in order to understand how sustainability goals and policies are considered, implemented and integrated into Lar España's overall strategy.
- Analysis of the processes for collecting and validating the sustainability information contained in the attached Report.
- Verification of the processes that Lar España has in place to define the material aspects, as well as the participation of stakeholders on those.

- Analysis of the adaptation of the structure and content of the sustainability information as indicated in the GRI Standards Guidelines.
- Test, on a sample basis, of the quantitative and qualitative information of the indicators included in GRI Standards content index, incorporated as an Annex in the Report, as well as its adequate compilation from data supplied by information sources. The review tests have been defined in order to provide assurance levels as described before.
- Checking that the financial information included in the Report has been audited by independent third parties.

These procedures have been applied on the sustainability information included in the Report and in the GRI content index included as an Annex in the Report, with the scope defined before.

The scope of this review is considerably lower than a reasonable assurance report. Therefore, the degree of assurance is also less extensive.

This report in no case should be considered an audit report.

Independence and quality control

We have met the independence requirements and other ethical requirements of the Code of Ethics for Accounting Practitioners issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies the International Quality Control Standard 1 (NIQC 1) and maintains, therefore, a global quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

Conclusions

As a result of our review, we conclude that no matter came to our attention that would indicate that the sustainability information included in the Report has not been prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines GRI Standards, which includes the reliability of the data, the adequacy of the information presented and the absence of significant deviations and omissions, having reviewed the GRI Content Index included in the Annex.

This report has been prepared solely according to Lar España's interest, in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated April 12th, 2019. In case of any discrepancy, the Spanish version always prevails.)



7.3

GRI & EPRA sBPR Index

Category	GRI	EPRA sBPR	Indicator	Page/Comments
GENERAL DISCLOSURES				
Organisational Profile	102-1	N/A	Name of the organisation	250
	102-2	N/A	Activities, brands, products, and services	42
	102-3	N/A	Location of the organisation's headquarters	262
	102-4	N/A	Location of operations	154
	102-5	N/A	Ownership and legal form	34
	102-6	N/A	Markets served	23-30
	102-7	N/A	Scale of the organisation	42
	102-8	N/A	Information on employees and other workers	36-39, 53
	102-9	N/A	Description of the organisation's supply chain	105
	102-10	N/A	Significant changes to the organization and its supply chain	6-9
	102-11	N/A	Precautionary principle or approach	97
	102-12	N/A	A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses	71
	102-13	N/A	Membership of associations	40
Strategy	102-14	N/A	Statement from senior decision-makers	6-9
	102-15	N/A	Key impacts, risks, and opportunities	97
Ethic and Integrity	102-16	N/A	Values, principles, standards, and norms of behaviour	94-95
	102-17	N/A	Mechanisms for advice and concerns about ethics	94-95
Governance	102-18	N/A	Description of the organisation's governance structure	77-78, 81-82
	102-19	N/A	Description of the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees	36-37
	102-20	N/A	Indication as to whether the organisation 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	37
	102-21	N/A	Description of the processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics	108-115
	102-22	Gov-Board	Composition of the highest governance body and its committees	81
	102-23	N/A	Indication as to whether the chair of the highest governance body is also an executive officer in the organisation. If so, a description of his or her function within the organisation's management and the reasons for this arrangement	The President of the Board does not hold an executive position
	102-24	Gov-Select	Description of 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	76
	102-25	Gov-Col	Description of the processes for the highest governance body to ensure conflicts of interest are avoided and managed.	75-76

Category	GRI	EPRA sBPR	Indicator	Page/Comments
GENERAL DISCLOSURES				
Governance	102-26	N/A	Description of the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	75
	102-27	N/A	Itemisation of the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics	74-75
	102-28	N/A	"Description of the processes for evaluating the highest governance body's performance with respect to governance of economic, environmental, and social topics. Indication as to whether such evaluation is independent or not, and its frequency; and Whether such evaluation is a self-assessment"	88-89
	102-29	N/A	"Description of the highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities Indication as to the highest governance body's role in the implementation of due diligence processes."	97-100
	102-30	N/A	Description of the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental, and social topics	98
	102-31	N/A	Statement of the frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities	Annually
	102-32	N/A	Indication of which is the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered.	Annual report is reviewed by the main board
	102-33	N/A	Description of the process for communicating critical concerns to the highest governance body	94
	102-34	N/A	Total number and nature of critical concerns that were communicated to the highest governance body and mechanism(s) used to address and resolve critical concerns	Information available in Annual Corporate Governance Report on Lar España's website
	102-35	N/A	Description of remuneration policies for the highest governance body and senior executives for the following types of remuneration	87
	102-36	N/A	Description of the process for determining remuneration Indication as to whether remuneration consultants are involved in determining remuneration and whether they are independent of management	87
	102-37	N/A	Explanation of how stakeholders' views are sought and taken into account regarding remuneration and, if applicable, the results of votes on remuneration policies and proposals	78

Category	GRI	EPRA sBPR	Indicator	Page/Comments
GENERAL DISCLOSURES				
Governance	102-38	N/A	Annual total compensation ratio	NA
	102-39	N/A	Percentage increase in annual total compensation ratio	NA
Stakeholder Engagement	102-40	N/A	A list of stakeholder groups engaged by the organisation	110, 111, 112
	102-41	N/A	Percentage of total employees covered by collective bargaining agreements	100%
	102-42	N/A	The basis for identification and selection of stakeholders with whom to engage	110, 111, 112
	102-43	N/A	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	108-115
	102-44	N/A	Key topics and concerns that have been raised through stakeholder engagement, including how the organisation has responded to those key topics and concerns, including through its reporting Specification of the stakeholder groups that raised each of the key topics and concerns	108-115
Reporting Practice	102-45	N/A	Entities included in the consolidated financial statements	42-43
	102-46	N/A	Definition of report content and topic Boundaries	248
	102-47	N/A	List of material topics	250
	102-48	N/A	Restatements of information	NA
	102-49	N/A	Changes in reporting	There has been no change in the report's scope or material aspect boundaries
	102-50	N/A	Reporting period (e.g., the fiscal or calendar year)	250
	102-51	N/A	Date of most recent report, if applicable	April 20th 2017
	102-52	N/A	Reporting cycle (annual, biennial, etc.).	250 (Annually)
	102-53	N/A	The contact point for questions regarding the report or its contents	264
	102-54	N/A	Claims of reporting in accordance with the GRI Standards	253
	102-55	N/A	GRI content index	256-261
	102-56	N/A	External assurance	254

Category		GRI	EPRA sBPR	Indicator	Page/Comments
TOPIC-SPECIFIC DISCLOSURES					
Economic Performance	Economic performance	201-1	N/A	Direct economic value generated and distributed	228
	Indirect economic impacts	203-1	N/A	Development and impact of infrastructure investments and services supported	228
Environmental Performance	Energy	302-1	Elec-Abs	Energy consumption within the organisation	138
		302-1	Elec-Abs	Total electricity consumption	138
		302-1	Elec-LfL	Like-for-like total electricity consumption	138
		302-1	DH& C-Abs	Total district heating & cooling consumption	138
		302-1	DH&C-LfL	Like-for-like total district heating & cooling consumption	138
		302-1	Fuels-Abs	Total fuel consumption	138
		302-1	Fuels-LfL	Like-for-like total fuel consumption	138
		302-3	Energy-Int	Energy intensity	138
		303-4	N/A	Reduced energy usage	138
		303-5	N/A	Reductions in energy requirements of products and services	138
		CRE1	Energy-Int	Building energy intensity	138
		303-1	Water-Abs	Total volume of water withdrawn by source	142
	Water	303-1	Water-LfL	Like-for-like total water consumption	142
		CRE2	Water-Int	Building water intensity	142
		305-1	GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions (Scope 1)	140
	Emissions		GHG-Dir- LfL	Like-for-like total direct greenhouse gas (GHG) emissions	140
		305-2	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions (Scope 2) (generated off site during combustion of the energy source)	140
		CRE3	GHG-Indir-LfL/GHG-Int	Like-for-like total indirect greenhouse gas (GHG) emissions	140
		305-4	GHG-Int	Greenhouse gas (GHG) emissions intensity	140
		305-5	N/A	Reduction of greenhouse gas (GHG) emissions	140
		306-2	Waste-Abs	Total weight of waste by type and disposal method	144
	Discharges and waste		Waste-LfL	Like-for-like total weight of waste by disposal route	144
		307-1	N/A	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 2018

Category		GRI	EPRA sBPR	Indicator	Page/Comments	
TOPIC-SPECIFIC DISCLOSURES						
Social Performance	Labour practices and decent work	Occupational health and safety	403-1	N/A	Workers representation in formal joint management-worker health and safety committees	37
			403-2	H&S-Emp	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	37
		Training and education	404-1	Emp-Trai-ning	Average hours of training per year per employee by gender, and by employee category	90
			404-2	N/A	Programmes for upgrading employee skills and transition assistance programs	75
			404-3	Emp-Dev	Percentage of employees receiving regular performance and career development re-views, by gender and by employee category	90
		Diversity and equal opportunities	405-1	Diversi-ty-Emp	Diversity of governance bodies and emplo-yees	37-39, 81-85
	Society	Local communities	413-1	Comty-Eng	Percentage of operations with implemen-ted local community engagement, impact assessments and development programmes	116
		Anti-corruption	205-2	N/A	Communication and training on anti-corrup-tion policies and procedures	94-95
			205-3	N/A	Confirmed incidents of corruption and actions taken	No incidents of corrup-tion were confirmed in 2018
		Regulatory compliance	419-1	N/A	Non-compliance with laws and regulations in the social and economic area	The company did not receive any significant fines for non-compliance with laws or regulations in 2018

Category		GRI	EPRA sBPR	Indicator	Page/Comments	
SECTOR-SPECIFIC DISCLOSURES						
Environmental Performance	Energy	CRE1	Energy-Int	Building energy intensity	138	
	Water	CRE2	Water-Int	Building water intensity	142	
	Emissions	CRE3	GHG-Int	Greenhouse gas emissions intensity from buildings	140	
		CRE4	N/A	Greenhouse gas emissions intensity from new construction and redevelopment activity	140	
	Land degradation, contamination and remediation	CRE5	N/A	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations	NA	
Social Performance	Labour practices and decent work	Training and education	CRE6	N/A	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system	NA
	Society	Local communities	CRE7	N/A	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 2018
	Product responsibility	Product and service labelling	CRE8	Cert-Tot	Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	138

7.4

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.

Reversionary Yield

Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.

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.

EPRA Cost Ratio (excluding direct vacancy costs)

Administrative & operating costs (excluding direct vacancy costs) divided by gross rental income.

GAV

Gross Asset Value.

GLA

Gross Leasable Area in sqm.

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.

Net LTV = Net debt / GAV.

Dividend Yield

Profitability by dividend, that shows, in percentage, the shareholder performance by the dividends. Result of Dividend/ 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.

Reversionary Yield

Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.

GRI (Gross Rental Income)

Gross income for the period.

NOI (Net Operating Income)

Gross income discounting costs incurred during the period.

Shareholder Rate of Return

Return generated for the shareholders as the sum of the annual EPRA NAV variation and the dividends distributed divided by the company's year-end EPRA NAV value.

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.

