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

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2019, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Lar España Real Estate SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the summarised consolidated statement of the financial position as of 30 June 2019, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity, summarised consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

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

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2a to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Lar España Real Estate SOCIMI, S.A. and Subsidiaries.

Other Matters

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

DELOITTE, S.L.

Carmen Barrasa Ruiz

25 July 2019

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

Summarised Consolidated Intermediate Financial Statements for the six-month period ended 30 June 2019

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

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(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Assets	Note	30 June 2019 (1)	31 December 2018
Intangible assets	5	2	8,556
Investment property	6	1,440,487	1,363,646
Equity-accounted investees	8	5,797	4,627
Non-current financial assets	9	13,287	11,426
Trade and long-term other receivables	9	2,687	2,733
Total non-current assets		**1,462,260**	**1,390,988**
Non-current assets held for sale	7	12,090	78,081
Trade and short-term other receivables	9	14,719	13,762
Other current financial assets	9	7,171	3,268
Other current assets	13	1,771	4,176
Cash and cash equivalents	10	156,971	191,328
Total current assets		**192,722**	**290,615**
Total assets		**1,654,982**	**1,681,603**

(1) Unaudited data

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position for the six-month period ended 30 June 2019.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of the Financial Position for the six-month period ended 30 June 2019
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Equity and Liabilities	Note	30 June 2019 (1)	31 December 2018
Capital	11a	181,175	186,438
Issue premium	11b	475,130	476,301
Other reserves and other contributions	11c	270,202	220,289
Profits for the period		28,620	129,308
Treasury shares	11e	(4,889)	(1,228)
Valuation adjustments	11d and 13	(3,637)	(2,610)
Total equity		**946,601**	**1,008,498**
Financial liabilities from issue of bonds and other marketable securities	13	139,224	139,077
Loans and borrowings	13	445,627	428,400
Deferred tax liabilities	18	17,201	19,405
Derivatives	13	3,822	1,892
Other non-current liabilities	13 and 14	18,943	17,240
Total non-current liabilities		**624,817**	**606,014**
Liabilities connected to non-current assets held for sale	7	250	810
Financial liabilities from issue of bonds and other marketable securities	13	1,435	3,482
Loans and borrowings	13	43,176	6,461
Derivatives	13	2,383	2,179
Debt with Group companies and associates	13 and 22a	3,122	-
Trade and other payables	13 and 15	33,198	54,159
Total current liabilities		**83,564**	**67,091**
Total equity and liabilities		**1,654,982**	**1,681,603**

(1) Unaudited data

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of the financial position for the six-month period ended 30 June 2019.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Intermediate Statement of the Comprehensive Income
for the six-month period ended 30 June 2019
(Expressed in thousands of Euros)

(Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

Summarised Consolidated Income Statement	Note	30 June 2019 (1)	30 June 2018 (1)
Revenue	4 and 19	38,540	39,814
Other income	20	1,154	2,450
Employee benefits expense	4	(194)	(270)
Depreciation charges	5	-	(76)
Other expenses	21	(16,375)	(36,642)
Changes to the fair value of investment property	6 and 7	14,038	42,697
Profits and losses from the disposal of investment property	3, 6 and 7	31	3,301
Results from operating activities		**37,194**	**51,274**
Financial income		1	607
Financial costs	13	(8,637)	(7,600)
Changes in the fair value of financial instruments	13	(1,108)	24
Share in income for the period of equity-accounted investees	8	1,170	(450)
Profit before tax from continuing operations		**28,620**	**43,855**
Income tax		-	-
Profit for the period		**28,620**	**43,855**
Basic earnings per share (in Euros)	12	0.31	0.47
Diluted earnings per share (in Euros)	12	0.31	0.47

Summarised Consolidated Statement of Comprehensive Income		30 June 2019 (1)	30 June 2018 (1)
Profit for the period (I)		28,620	43,855
Other Comprehensive Income Directly Recognised in Equity (II)	11d	(1,687)	(428)
Other Amounts Transferred to the Income Statement (III)	11d	660	599
Total Comprehensive Income (I+II+III)		27,593	44,026

(1) Unaudited data

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated intermediate statement of comprehensive income for the six-month period ended 30 June 2019.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Changes in Equity at 30 June 2018
(Expressed in thousands of Euros)

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Capital	Issue premium	Other reserves	Other contributions	Profits for the period	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2018	186,438	476,301	220,049	240	129,308	(1,228)	(2,610)	1,008,498
First application of IFRS 16 (Notes 2a and 5)	-	-	5,146	-	-	-	-	5,146
Balance at 01 January 2019	186,438	476,301	225,195	240	129,308	(1,228)	(2,610)	1,013,644
Total income and expenses recognised in the period	-	-	-	-	28,620	-	(1,027)	27,593
Distribution of profit	-	-	63,061	-	(63,061)	-	-	-
Transactions with equity holders and owners								
- Capital increase (Note 11)	1,243	5,182	-	-	-	-	-	6,425
- Capital decrease (Note 11)	(6,506)		(18,237)	-	-	24,743	-	-
- (-) Dividend distribution	-	(6,353)	-	-	(66,247)	-	-	(72,600)
Treasury shares	-	-	(17)	-	-	(28,404)	-	(28,421)
Other changes	-	-	(40)	-	-	-	-	(40)
Balance at 30 June 2019 (1)	181,175	475,130	269,962	240	28,620	(4,889)	(3,637)	946,601

(1) Unaudited data

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30 June 2019.

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND SUBSIDIARIES
Summarised Consolidated Statement of Changes in Equity at 30 June 2018
(Expressed in thousands of Euros)

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	Capital	Issue premium	Other reserves	Other contributions	Retained earnings	Treasury shares	Valuation adjustments	Total equity
Balance at 31 December 2017	185,248	487,349	111,614	240	135,606	(175)	(1,663)	918,219
Total income and expenses recognised in the period	-	-	-	-	43,855	-	171	44,026
Distribution of profit	-	-	118,333	-	(118,333)	-	-	-
Transactions with equity holders and owners								
- Capital increase (Note 11)	4,279	16,645	-	-	-	-	-	20,924
- (-) Dividend distribution	-	(27,693)	-	-	(17,273)	-	-	(44,966)
Treasury shares	-	-	33	-	-	(165)	-	(132)
Balance at 30 June 2018 (1)	189,527	476,301	229,980	240	43,855	(340)	(1,492)	938,071

(1) Unaudited data

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of changes in equity at 30 June 2019.

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

Summarised Consolidated Statement of Cash Flows for the six-month period ended 30 June 2019

(Expressed in thousands of Euros)

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Note 2). In the event of a discrepancy, the Spanish-language version prevails)

	30 June 2019 (1)	30 June 2018 (1)
A) Cash flows from operating activities	**(11,086)**	**(12,870)**
Profit/(loss) before tax	*28,620*	*43,855*
Adjustments to the profit/(loss)	(5,421)	*(38,532)*
Amortisation of fixed assets	-	76
Changes in the fair value of investment property (Note 6)	(14,038)	(42,697)
Valuation adjustments due to impairment (Note 21)	74	(29)
Financial income	(1)	(607)
Financial costs	8,637	7,600
Changes in the fair value of financial instruments (Note 13d)	1,108	(24)
Share in income for the period of equity-accounted investees (Note 8)	(1,170)	450
Profits and losses from the disposal of investment property (Note 7)	(31)	(3,301)
Changes in operating assets and liabilities	*(24,763)*	*(9,268)*
Trade and other receivables	186	(5,108)
Other current assets	(1,068)	5,052
Creditors and other payables	(23,644)	(11,372)
Other current liabilities	72	(148)
Other non-current assets and liabilities	(310)	2,308
Other cash flows from operating activities	*(9,522)*	*(8,925)*
Interest paid	(9,523)	(8,925)
Interest collected	1	-
B) Cash flows from investing activities	**11,419**	**4,815**
Payments for investments	*(61,581)*	*(82,992)*
Outflow of liquid in business acquisitions	-	(33,331)
Investment property (Notes 6 and 7)	(61,581)	(49,661)
Proceeds from sales on investments	*73,000*	*87,807*
Associates	-	5,000
Disposal of investment non-current assets held for sale (Note 7 and 9)	73,000	82,807
C) Cash flows from financing activities	**(35,073)**	**(8,859)**
Payments made and received for equity instruments	*(21,996)*	*20,792*
Issuing of equity instruments (Note 11a)	6,425	20,924
Acquisition / disposal of equity instruments	(28,421)	(132)
Receivables and payments for financial liability instruments	*59,523*	*15,315*
Issue of:		
Bank borrowings (Note 13)	56,423	29,818
Debt with Group companies and associates (Note 13e)	3,100	-
Refunds and amortization of:		
Bank borrowings	-	(14,503)
Payments for dividends and remuneration from other equity instruments	*(72,600)*	*(44,966)*
Dividend payments (Note 11f)	(72,600)	(44,966)
E) Net increase / decrease in cash or cash equivalents	**(34,357)**	**(16,914)**
F) Changes in cash and cash equivalents of non-current assets held for sale (Note 7)	**383**	**-**
G) Cash and cash equivalents at beginning of period	191,328	45,617
H) Cash and cash equivalents at the end of the period	156,971	28,703

(1) *Unaudited data*

Notes 1 to 25, described in the explanatory notes attached, form an integral part of the summarised consolidated statement of cash flows for the six-month period ended 30 June 2019.

(1) NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

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

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

Lar España Real Estate SOCIMI, S.A. and its subsidiaries and associates (hereinafter the Group), the main activity of which is the acquisition and management of shopping centres, may invest to a lesser extent in other assets for rent or for direct sale (commercial premises, industrial premises, logistics centres, offices, residential products).

Lar España Real Estate SOCIMI, S.A. has been listed on the Spanish Stock Exchanges and the Spanish automated quotation system since 05 March 2014.

The Parent Company is regulated by Law 11/2009 of 26 October 2009, as amended by Law 16/2012 of 27 December, which governs SOCIMIs. Note 1 on the consolidated financial statements for the 2018 financial year described the investment requirements for this type of company.

The composition of the Group at 30 June 2019 and its method of integration in the consolidated financial statements are as follows:

Corporate Name	Activity	Company holding the stake	% stakes	Method of integration
LE Logistic Alovera I y II, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Albacenter, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Alisal, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Eloy Gonzalo 27, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail As Termas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Inmobiliaria Juan Bravo 3, S.L.	Property development	Lar España Real Estate SOCIMI, S.A.	50	Shareholding
LE Logistic Alovera III y IV, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Offices Joan Miró 21, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hiper Ondara, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Logistic Almussafes, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Vidanova Parc, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail El Rosal, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Galaria, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Shopping Centres VIII, S.L.U.	The acquisition and development of properties for lease	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Vistahermosa, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Sagunto II, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Lar España Inversión Logística IV, S.L.U.	The acquisition and development of properties for lease	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Villaverde, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Anec Blau, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Albacenter, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Txingudi, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Las Huertas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

Corporate Name	Activity	Company holding the stake	% stakes	Method of integration
LE Offices Marcelo Spínola 42, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Gran Vía de Vigo, S.A.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Abadía, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hipermercados I, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hipermercados II, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Hipermercados III, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
LE Retail Rivas, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global
Global Pergamo, S.L.U.	Leasing of property	Lar España Real Estate SOCIMI, S.A.	100	Global

All the companies are domiciled at Calle Rosario Pino 14-16, 28020, Madrid.

(2) BASES FOR PRESENTING THE SUMMARISED CONSOLIDATED INTERMEDIATE FINANCIAL STATEMENTS PREPARED UNDER THE IFRS CRITERIA ADOPTED BY THE EUROPEAN UNION

(a) Regulatory framework

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

- The Spanish Code of Commerce and related mercantile legislation;
- International Financial Reporting Standards as adopted by the European Union (IFRS-EU) through Regulation (EC) No 1606/2002/EC of the European Parliament and Law 62/2003 of 31 December, on tax, administrative and social measure;
- Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December 2012, which governs SOCIMIs;
- All other applicable Spanish accounting principles.

The consolidated financial statements for 2018 were prepared in accordance with the regulatory framework on financial information listed in the previous paragraph, and thus present a true and fair view of the Group's consolidated equity and consolidated financial position as of 31 December 2018 and of the consolidated statements of income from its operating activities, of the changes in consolidated equity and consolidated cash flows for the Group during the financial year that ended on that date.

The Group's consolidated financial statements for the 2018 financial year were approved by the Shareholders' General Meeting of Lar España Real Estate SOCIMI, S.A. which was held on 25 April 2019.

These summarised consolidated intermediate financial statements are presented in accordance with International Accounting Standards (IAS) 34, on Intermediate Financial Reporting, and have been authorised for issue by the Parent Company's Directors, on 25 July 2019, fully in accordance with that provided in article 12 of Royal Decree 1362/2007, of 19 October, implementing Law 24/1988, of 18 July, on the Spanish Securities Market regarding the transparency requirements for the information on companies whose securities are listed on the official secondary market or another regulated market in the European Union.

In accordance with IAS 34, the Intermediate Financial Reporting is prepared with the sole intention of updating the content of the most recent consolidated financial statements issued by the Group, emphasising the new activities, events and circumstances that took place during the period and not duplicating the information already published in the consolidated financial statements for 2018. The summarised consolidated intermediate financial statements as of 30 June 2019 do not, therefore, include all the information that would be required in complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. They must therefore be read in conjunction with the Group's consolidated financial statements for the financial year that ended on 31 December 2018.

The consolidated statements of income and the determination of the consolidated equity are subject to the accounting policies and principles, valuation and estimation criteria followed by the Parent Company's Directors in preparing the summarised consolidated intermediate financial statements. In this respect, the principal accounting policies and principles, valuation and estimation criteria used are those applied in the consolidated financial statements for 2018, except for any standards/regulations or interpretations that came into force during the first half of 2019.

During the first six months of 2019, the following standards/regulations, amendments to standards/regulations, and interpretations have come into force, and where applicable, have been used by the Group in preparing the summarised consolidated intermediate financial statements:

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

- Amendment to IFRS 9 Prepayment features with negative compensation (published in October 2017). This amendment will permit the measurement at amortised cost of certain financial that can be cancelled in advance for an amount less than the outstanding amount of principal and interest on such principal. This amendment applies retrospectively for periods beginning on or after 01 January 2019. Effective for annual periods beginning on or after 01 January 2019.

- IFRIC 23 Uncertainty over Income Tax Treatments (published in June 2017). This interpretation clarifies how the registry and measurement criteria under IAS 12 are to be applied when there is uncertainty regarding the tax authority's acceptance of a given tax treatment used by the entity. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IAS 28 Long-term Interest in Associates and Joint Ventures (published in October 2017). This clarifies that IFRS 9 must be applied to long-term interest in a company or joint venture if the equity method is not used. This amendment applies retrospectively for periods beginning on or after 01 January 2019. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IFRS 3 Business Combinations. Annual improvement cycle 2015 - 2017 (published in December 2017). Acquisition of joint control over a joint operation, which constitutes a business. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IFRS 11 Joint Ventures. Annual improvement cycle 2015 - 2017 (published in December 2017). Acquisition of joint control over a joint operation, which constitutes a business. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IAS 12 Income tax. Annual improvement cycle 2015 - 2017 (published in December 2017). Recognition of the tax impact of the remuneration of financial instruments classified as equity. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IAS 23 Borrowing costs. Annual improvement cycle 2015 - 2017 (published in December 2017). Capitalisation of interest on outstanding financing, specific to a ready-to-use asset. Effective for annual periods beginning on or after 01 January 2019.

- Amendment to IAS 19 Amendment, reduction or settlement of a plan (published in February 2018). It clarifies how to calculate the service cost for the current period and the net interest for the remainder of an annual period when there is a change, reduction or settlement of a defined benefit plan. Effective for annual periods beginning on or after 01 January 2019.

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

Similarly, the following published standards/regulations were not in force during the first six months of 2019, being approved for use in the EU:

- IFRS 17 Insurance Contracts (published in May 2017). This replaces IFRS 4 and includes the principles for the recognition, measurement, presentation and disclosure of insurance contracts with the objective of ensuring that the entity provides relevant and accurate information that allows financial information users to determine the effect the insurance contracts have on the financial statements. - Effective for annual periods beginning on or after 01 January 2021.

- Amendment to IFRS 3 Definition of business (published October 2018). Clarifications to the definition of business in IFRS 3 in order to facilitate its identification in the framework of a business combination, or on the contrary an acquisition of a group of assets. Effective for annual periods beginning on or after 01 January 2020.

- Amendments to IAS 1 and IAS 8 Definition of "material" (published in October 2018). Amendments to IAS 1 and IAS 8 to align the definition of "material" with that contained in the conceptual framework, the new definition says that information is material if its omission, inaccuracy or concealment could reasonably be expected to influence the decisions that major users of financial information will make on the basis of the financial statements. Effective for annual periods beginning on or after 01 January 2020.

Impact assessment of the adoption of IFRS 16

- IFRS 16 - Leases

  IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases. This standard supersedes the current IAS 17, and applies to annual periods that have begun on or after 01 January 2019.

  IFRS 16 has introduced a single lease accounting model for lessees that requires the recording of assets and liabilities for all leases longer than 12 months, with a recording similar to that for past financial leases. In relation to the lessor's accounting, the accounting requirements previously in force under IAS 17 are substantially maintained. The directors did not consider that there had been a significant impact on the consolidated financial statements and, accordingly, there was no first-time application of this concept. The other main change was the amendment of IAS 40 as a result of the entry into force of IFRS 16, which implies that the rights of use that the Group operates under a lease have been classified and, therefore, valued, like other investment property, at fair value in accordance with IAS 40. The impact of this modification has implied the classification under the heading of investment property and its valuation at fair value of the right of use over the surface on which the Megapark Barakaldo leisure area is located, classified as an intangible asset at 31 December 2018. The cumulative effect of the regulatory change led to an increase in the value of this asset at 01 January 2019 of EUR 5,146 thousand, which was recognised as an adjustment to the opening balance of reserves.

(b) Comparative information

As required by international financial reporting standards adopted by the European Union, the information contained in these summarised consolidated intermediate financial statements for the six-month period ended 30 June 2019 (for the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, all of which are summarised and consolidated), together with the information for 30 June 2019 (for the consolidated summary statement of financial position and the statement of changes in equity) are presented for comparison with the information for the six-month period ended 30 June 2018 (for the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows, all summarised and consolidated) and information as at 31 December 2018 (for the consolidated summarised statement of financial position and statement of changes in equity).

The application of significant accounting policies in 2019 and 2018 was uniform and, therefore, there were no transactions or operations that were recognised under different accounting policies that could give rise to discrepancies in the interpretation of the comparative figures for the two periods, except affected by the first-time impact of IFRS 16 described in Note 2a.

(c) Estimates made

Estimates made by the Parent Company's Directors have occasionally been used in the summarised consolidated intermediate financial statements to quantify some of the assets, liabilities, income, expenses and commitments recorded therein. Basically, these refer to:

- Calculation of fair value of investment property by applying valuation models (see Note 6).
- Measurement of assets and liabilities held for sale (see Note 7).
- Valuation adjustment for customer insolvencies.
- Determination of the fair value of certain derived financial instruments (Note 13).
- Assessment of provisions and contingencies.
- Financial risk management (see Note 16).
- Compliance with the requirements that regulate SOCIMIs (Notes 1 and 16).
- Definition of the transactions carried out by the group as a business combination in accordance with IFRS 3 or as an asset acquisition (see Note 3).

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

During the six-month period ended on 30 June 2019 there were no significant changes in the estimates made at the close of the 2018 financial year.

(d) Contingent assets and liabilities

During the first six months of 2019 there were no significant changes in the Group's contingent assets and liabilities.

(e) Correction of errors

During the first six months of 2019 no errors have been brought to light with respect to the close of the previous financial year that would require correction.

(f) Seasonality of the Group's transactions

Given the activities in which the companies in the Group are involved, its transactions are not markedly cyclical or seasonal in nature. Specific breakdowns in this respect have therefore not been included in these explanatory notes to the summarised consolidated intermediate financial statements for the six-month period ended 30 June 2019.

(g) Relative importance

In determining the information to be broken down in the explanatory notes on the different items in the financial statements or other matters, the Group, in accordance with IAS 34, has taken into account the relative importance in relationship to the summarised consolidated financial statements for the six-month period ended 30 June 2019.

(h) Summarised consolidated statement of cash flows

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

- Cash flows are the inflows and outflows of cash and cash equivalents.
- Operating activities are the activities that constitute the main source of the Group's ordinary revenues, and any other activities that cannot be classified as investment or financing.
- Investing activities are the acquisition, sale or other disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities are the activities that result in changes in the size and composition of equity capital and of the loans taken out by the company.

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

(3) CHANGES TO THE COMPOSITION OF THE GROUP

In Note 4.e. and Appendix I of the consolidated financial statements for the period ended 31 December 2018, relevant information is provided regarding the Group companies that were consolidated as of that date and those that were included using the equity method.

During the first six months of the 2019 financial year there have been the following changes to the scope of the consolidation:

- On 15 January 2019, the Parent Company acquired 100% of the shares of Global Pergamo, S.L.U., a newly-constituted company which had only the amount paid as share capital for EUR 4 thousand from Latorre & Asociados consultoría, S.L. for a total amount of EUR 4 thousand.

(4) SEGMENT REPORTING

As of 30 June 2019, the Group is organised internally into operating segments, with four distinct lines of business: shopping centres (which comprises the rental of shopping centre and single-tenant commercial premises), offices (constituting the office rental business), logistics (the logistics bay rental business), and residential. These are the strategic business units. The breakdown into operating segments is as follows:

- Shopping centres: Txingudi, Las Huertas, Albacenter Hypermarket, Anec Blau, Portal de la Marina, Albacenter, As Termas, Portal de la Marina Hypermarket, El Rosal, VidaNova Parc, As Termas petrol station, Megapark, Lagoh (asset in development), Parque Vistahermosa, Gran Vía de Vigo, Abadía Retail Park and Commercial Galery, Supermarkets Portfolio, Parque Rivas.
- Offices: In 2019 all the Group's offices were sold as they were not core assets in accordance with the latest approved business plan (see Note 7).
- Logistics bays: Cheste plot.
- Residential: Stake in Inmobiliaria Juan Bravo 3, S.L., owner at 30 June 2019 of a completed development in the delivery phase in Calle Juan Bravo in Madrid.

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

The details of these activities by segment at 30 June 2019, and their comparison with the previous period (30 June 2018 for income and expenses, and 31 December 2018 for assets and liabilities), are shown below:

	Thousands of Euros				
	30 June 2019				
	Shopping centres	Offices and Logistics	Residential (Stakes in associates)	Head Office and other (*)	Total
Revenue from leases	38,312	228	-	-	38,540
Total revenues	38,312	228	-	-	38,540
Other income	1,106	48	-	-	1,154
Employee benefits expense	-	-	-	(194)	(194)
Operating expenses (**)	(12,178)	(584)	-	(3,613)	(16,375)
Changes to the fair value of investment property	14,038	-	-	-	14,038
Profits and losses from the disposal of investment property	-	31	-	-	31
Operating profit	41,278	(277)	-	(3,807)	37,194
Net finance cost (**)	(9,607)	-	-	(137)	(9,744)
Share in income for the period of equity-accounted investees	-	-	1,170	-	1,170
Profit before tax from continuing operations	31,671	(277)	1,170	(3,944)	28,620
Income tax	-	-	-	-	-
	31,671	(277)	1,170	(3,944)	28,620

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

(**) It is taken into consideration that in the first half of 2019, the Parent Company reinvoiced the subsidiaries the amount corresponding to "Operating Expenses". The amount attributable to shopping centres at 30 June 2019 amounted to EUR 5,549 thousand, EUR 72 thousand to office buildings and the remainder to corporate units. In addition, the Parent Company re-invoiced the amount corresponding to financial expenses accrued through the Bonds to subsidiaries. The amount attributable to shopping centres amounted to EUR 2,161 thousand.

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

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

(**) In the 2018 period, the Parent Company re-invoiced the amount corresponding to "Operating expenses" to the subsidiaries, a fact reflected. The amount attributable to shopping centres at 30 June 2018 amounted to EUR 24,912 thousand, EUR 1,780 thousand to office buildings, EUR 1,764 thousand to logistics bays and the remaining corresponding to the head office. In addition, the Parent Company re-invoiced the amount corresponding to financial expenses accrued through the Bonds to subsidiaries. The amount of EUR 1,207 thousand was attributable to shopping centres, EUR 481 thousand was attributable to office buildings, EUR 470 thousand to logistics bays.

	Thousands of Euros					
	30 June 2019					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	2	-	-	-	-	2
Investment property	1,440,180	-	307	-	-	1,440,487
Equity-accounted investees	-	-	-	5,797	-	5,797
Non-current financial assets	13,287	-	-	-	-	13,287
LT trade and other receivables	2,687	-	-	-	-	2,687
Total non-current assets	1,456,156	-	307	5,797	-	1,462,260
Non-current assets held for sale	12,090	-	-	-	-	12,090
ST trade and other receivables	9,114	2,203	570	-	2,832	14,719
Other current financial assets	88	6,978	-	-	105	7,171
Other current assets	1,281	-	40	-	450	1,771
Cash and cash equivalents	65,430	1,173	1,545	-	88,823	156,971
Total current assets	88,003	10,354	2,155	-	92,210	192,722
Total assets	1,544,159	10,354	2,462	5,797	92,210	1,654,982

	Thousands of Euros					
	31 December 2018					
	Shopping centres	Office Buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Intangible assets	8,556	-	-	-	-	8,556
Investment property	1,363,339	-	307	-	-	1,363,646
Equity-accounted investees	-	-	-	4,627	-	4,627
Non-current financial assets	11,332	94	-	-	-	11,426
Trade and long-term other receivables	2,733	-	-	-	-	2,733
Total non-current assets	1,385,960	94	307	4,627	-	1,390,988
Non-current assets held for sale	-	78,081	-	-	-	78,081
Trade and other receivables	10,254	620	488	-	2,400	13,762
Other current financial assets	3,139	-	-	-	129	3,268
Other current assets	3,639	-	56	-	481	4,176
Cash and cash equivalents	35,980	20,669	1,117	-	133,562	191,328
Total current assets	53,012	99,370	1,661	-	136,572	290,615
Total assets	1,438,972	99,464	1,968	4,627	136,572	1,681,603

	Thousands of Euros					
	30 June 2019					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Liabilities connected to non-current assets held for sale	250	-	-		-	250
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	140,659	140,659
Loans and Borrowings	488,803	-	-	-	-	488,803
Deferred tax liabilities	17,201	-	-	-	-	17,201
Derivatives	6,205	-	-	-	-	6,205
Other non-current liabilities	18,904	-	-	-	39	18,943
Debt with Group companies and associates	-	-	-	3,122	-	3,122
Trade and other payables	24,827	3,029	3,128	-	2,214	33,198
Total liabilities	556,190	3,029	3,128	3,122	142,912	708,381

	Thousands of Euros					
	31 December 2018					
	Shopping centres	Office buildings	Logistics bays	Residential (Stakes in associates)	Head Office and other	Total
Liabilities connected to non-current assets held for sale	-	810	-	-	-	810
Financial liabilities from issue of bonds and other marketable securities	-	-	-	-	142,559	142,559
Loans and Borrowings	434,861	-	-	-	-	434,861
Deferred tax liabilities	17,201	2,204	-	-	-	19,405
Derivatives	4,071	-	-	-	-	4,071
Other non-current liabilities	17,100	140	-	-	-	17,240
Trade and other payables	38,373	1,101	2,799	-	11,886	54,159
Total liabilities	511,606	4,255	2,799	-	154,445	673,105

(a) Geographical segments

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

(b) Geographical information

The table below summarises revenues and investment property for each of the assets owned by the Group in each geographical region at 30 June 2019 and at 31 December 2018:

	Thousands of Euros					
	30 June 2019					
	Revenue	%	Investment property	Non-current assets held for sale (Inv. prop., Note 7)	Intangible assets	%
Basque Country	8,627	22.38	286,890	-	-	19.92%
Galicia	7,831	20.32	260,450	-	1	18.08%
Community of Valencia	7,412	19.23	238,037	-	1	16.52%
Castile–La Mancha	4,387	11.38	144,200	-	-	10.01%
Castile and León	4,092	10.62	110,500	11,910	-	7.67%
Catalonia	2,784	7.22	96,800	-	-	6.72%
Community of Madrid	2,459	6.38	67,500	-	-	4.69%
Balearic Islands	424	1.10	11,640	-	-	0.81%
Cantabria	240	0.62	6,590	-	-	0.46%
Navarre	185	0.48	5,170	-	-	0.36%
La Rioja	99	0.27	2,710	-	-	0.18%
Andalusia	-	-	210,000			14.58%
	38,540	100.00	1,440,487	11,910	2	100%

	Thousands of Euros					
	30 June 2018		31 December 2018			
	Revenue	%	Investment property	Non-current assets held for sale (Inv. prop., Note 7)	Intangible assets	%
Basque Country	8,739	21.95	273,296	-	8,554	19.46
Galicia	7,672	19.27	260,560	-	1	17.99
Community of Valencia	5,741	14.42	240,932	-	1	16.63
Castile–La Mancha	7,014	17.62	143,760	-	-	9.92
Castile and León	3,856	9.69	122,810	-	-	8.48
Catalonia	3,489	8.76	97,060	-	-	6.70
Community of Madrid	1,885	4.73	67,500	76,400	-	9.93
Balearic Islands	419	1.05	11,547	-	-	0.80
Navarre	532	1.34	5,579	-	-	0.39
Cantabria	370	0.93	6,187	-	-	0.43
La Rioja	97	0.24	2,415	-	-	0.16
Andalusia	-	-	132,000	-	-	9.11
	39,814	100.00	1,363,646	76,400	8,556	100.00

The Group carries out its activity entirely in Spain.

(c) Main customers

This item presents details of the tenants that contributed the most rental revenues during the period ended 30 June 2019, as well as the main characteristics of each one:

Position	Trade name	Project	% of Total Revenue	% accumulated	Maturity*	Sector
1	Inditex	Anec Blau/Albacenter/El Rosal/As Termas/Portal de la Marina/Gran Vía de Vigo	7.95%	7.95%	2025-2034	Textile/Fashion
2	Carrefour	El Rosal/Gran Vía de Vigo/Portal de la Marina	5.57%	13.52%	2028-2060	Distribution/Hypermarket
3	Eroski	Hiper Albacenter/As Termas/ Supermarkets Portfolio	5.54%	19.06%	2019-2051	Hypermarket
4	MediaMarkt	Megapark/Vistahermosa/As Termas/Parque Abadía/Rivas	4.12%	23.18%	2023-2041	Technology
5	Decathlon	Megapark/Abadía/Vidanova	3.24%	26.42%	2036-2043	Distribution
6	Leroy Merlin	Vidanova/Vistahermosa/As Termas	2.84%	29.26%	2032-2058	DIY
7	Tendam Retail	Albacenter/AnecBlau/As Termas/Megapark/Abadía/El Rosal/Gran Vía/Huertas/Portal de la Marina/Txingudi/VidaNova/Vistahermosa	2.64%	31.90%	2019-2030	Textile/Fashion
8	Conforama	Megapark/Rivas/VidaNova/Abadía	2.60%	34.50%	2028-2038	Distribution
9	El Corte Inglés	Gran Vía de Vigo/Abadia/Rivas/Megapark	2.10%	36.60%	2020-2028	Distribution
10	Alcampo	Abadía/Vistahermosa	2.09%	38.69%	2055-2061	Hypermarket

* The information on contractual maturities refers to the end date of the contract, although there are cases in which there are termination options with an earlier date.

(5) INTANGIBLE ASSETS

At 31 December 2018, intangible assets included mainly a right of use over the area on which the Megapark Barakaldo leisure area is located, which is currently operated by the LE Retail Hiper Ondara, S.L.U. Group company, and whose net book value amounted to EUR 8,554 thousand. Following application of IFRS 16 from 01 January 2019, as described in Note 2.a, this asset has been classified under "Investment Property" in the accompanying Summarised Consolidated Statement of the Financial Position and valued at fair value (see Note 6).

In addition, at 30 June 2019 and 31 December 2018, the Group held the industrial property rights to the “As Termas” and “Vistahermosa” brands for EUR 2 thousand.

(6) INVESTMENT PROPERTY

At 30 June 2019 the investment property owned by the Group comprises 14 shopping centres (1 under construction), 2 hypermarkets (Ondara and Albacenter), the As Termas petrol station and 22 commercial premises, and the land on which these are located, which are held to obtain rental income and are therefore not occupied by the Group.

The composition and movements that had occurred in the accounts included under the heading "Investment property" in the summarised consolidated financial statements at 30 June 2019 were as follows:

	Thousands of Euros
	Completed investment property
Fair value at 31 December 2018	1,363,646
Additions for the period	61,013
Transfers first application of IFRS 16 (Notes 2.a and 5)	13,700
Reclassification of non-current assets held for sale (Note 7)	(11,910)
Changes to the fair value of investment property	14,038
Balance at 30 June 2019	1,440,487
Fair value at 30 June 2019	1,440,487

Additions and changes to the scope

The additions for the six months ended 30 June 2019 correspond to the following items:

		Thousands of Euros	
Type of asset	Company	Additions	Changes to the scope
Shopping centre	Lagoh (a)	56,321	-
Shopping centre	Anec Blau (b)	2,429	
Shopping centre	Portal de la Marina (b)	1,085	
-	Improvements to other assets and fit-outs (c)	1,178	-
		61,013	-

(a) This amount corresponds to the construction of the "Lagoh" Shopping Centre in Palmas Altas, Seville, by the company Lar España Shopping Centres VIII, S.L.U. In the 2019 period EUR 56,321 thousand in construction costs were incurred.

(b) Amounts corresponding mainly to the reforms carried out on the real estate assets of Anec Blau and Portal de la Marina.

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

On 30 June 2019, the additions of investment property pending payment amounted to EUR 16,435 thousand and were recognised under "Trade and other payables" in the summarised consolidated financial statements at 30 June 2019.

Fair value of investment property

At 30 June 2019, the fair value of investment property amounted to EUR 1,440,487 thousand (31 December 2018: EUR 1,363,646 thousand) and is considered to be level 3 valuations, since there were no transfers between levels in the first half of 2019.

Investment property is measured at fair value (appraised value), which was as follows at 30 June 2019 and 31 December 2018:

	Thousands of Euros	
	Investment property held	
	30.06.2019	31.12.2018
Centres, retail parks and supermarkets	1,439,180	1,362,339
Logistics bays and other assets	1,307	1,307
	1,440,487	1,363,646

At 30 June 2019 the details of the gross leasable area and occupancy rate by line of business are as follows:

	Square metres	
	Gross leasable area	Occupancy rate (%)
Centres, single-tenant commercial properties and supermarkets (*)	510,235	93.90%

(*) The square metres of the Lagoh site are not taken into account, as the Shopping Centre being developed there is currently under construction. The square metres of the Anec Blau shopping centre, which has been completely refurbished, are not taken into account either.

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

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

The appraisal companies that performed the valuations of the Group's investment property at 30 June 2019 are listed below:

	Appraisal Company
Txingudi shopping centre	Jones Lang Lasalle España, S.A.
Las Huertas shopping centre	Jones Lang Lasalle España, S.A.
Anec Blau shopping centre	Cushman & Wakefield
Albacenter shopping centre	Cushman & Wakefield
Albacenter hypermarket	Cushman & Wakefield
As Termas shopping centre	Jones Lang Lasalle España, S.A.
As Termas petrol station	Jones Lang Lasalle España, S.A.
Megapark shopping centre	Jones Lang Lasalle España, S.A.
Portal de la Marina hypermarket	Jones Lang Lasalle España, S.A.
El Rosal shopping centre	Cushman & Wakefield.
Vidanova Parc retail park	Cushman & Wakefield.
Portal de la Marina shopping centre	Jones Lang Lasalle España, S.A.
Lagoh shopping centre (under development)	Cushman & Wakefield.
Vistahermosa retail park	Cushman & Wakefield.
Gran Vía de Vigo shopping centre	Jones Lang Lasalle España, S.A.
Abadía retail park	Cushman & Wakefield.
Abadía commercial gallery	Cushman & Wakefield
Supermarket Portfolio	Jones Lang Lasalle España, S.A.
Rivas retail park	Cushman & Wakefield

Fees paid by the Group to the appraisal companies for valuations in the first half of 2019 and 2018 are as follows:

	Thousands of Euros	
	30.06.2019	30.06.2018
Appraisal services	71	82
	71	82

The assumptions used to calculate the fair value of the real estate assets at 30 June 2019 are broken down in Note 17.

Other

As of 30 June 2019, the assets securing the bonds and various loans have a fair value of EUR 1,449,280 thousand, including the Huertas shopping centre classified as Non-Current Assets Held for Sale (Note 7). The amount outstanding for these debts at amortised cost at 30 June 2019 amounted to EUR 629,463 thousand. The Group has no agreements for the use of investment property, attachment orders thereon or analogous situations (see Note 13).

At 30 June 2019 all buildings comprising "Investment property" are insured. These policies are considered to provide sufficient coverage.

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

As established in International Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", those assets in the process of being divested with committed sale plans were reclassified. Specifically, on 30 June 2019, the shopping centre owned by the LE Retail Las Huertas, S.L.U. Group company was in this situation.

In accordance with IAS 40 and the exception applicable under IFRS 5, investment property classified as non-current assets held for sale was carried at fair value less directly associated sales costs. The assumptions used in the measurement are broken down, along with the other investment property, in Note 17. Similarly, the amount of improvements and fit-outs made on non-current assets held for sale during the first six months of 2019 amounted to EUR 578 thousand.

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

	Thousands of Euros			
	Assets		Liabilities	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
LE Retail Las Huertas, S.L.U. (a)	12,090	-	250	-
LE Offices Eloy Gonzalo 27, S.L.U. (b)	-	41,023	-	705
LE Offices Marcelo Spínola, S.L.U. (c)	-	37,058	-	105
	12,090	78,081	250	810

(a) The Group presents as Non-current assets held for sale the directly related assets and liabilities of LE Retail Las Huertas, S.L.U., since it expects to sell the shopping centre owned by the company in the short term.

(b) On 31 January 2019, the sale of the Cardenal Marcelo Spínola 42 office building, free of charge, was signed with a subsidiary of Invesco for EUR 36,975 thousand net of VAT, giving rise to a net loss of EUR 25 thousand on the expenses associated with the disposal, which was recognised under "Profits/(losses) from the disposal of investment property" in the Consolidated Intermediate Statement of Comprehensive Income.

The sale was carried out by the Group company LE Offices Marcelo Spínola 42, S.L.U., which requested the removal from the Socimi regime in 2018 and, therefore, will be taxed under the general corporate income tax regime. At 31 December 2018, a deferred tax liability corresponding to the corporate income tax payable of the revaluation recorded of Marcelo Spínola in accordance with IAS 40 had been recognised for an amount of EUR 2,204 thousand. This amount, following the effective sale of the property in 2019, has been classified as "Current tax liability" (Note 18).

At 30 June 2019, EUR 6,975 thousand had not yet been collected and were recognised under "Other Financial Assets" in the Summarised Consolidated Statement of the Financial Position (see Note 9). The maturity date of this deferred plan is December 2019.

(c) On 24 April 2019, the sale of the Eloy Gonzalo 27 office building, free of charge, to Swiss Life REF European Properties for EUR 40,000 thousand net of VAT was signed, giving rise to a net gain of EUR 56 thousand on the expenses associated with the disposal, which was recognised under "Profits/(losses) from the disposal of investment property" in the Consolidated Intermediate Statement of Comprehensive Income. At the time of the sale, the 3-year maintenance period required by the SOCIMI Regime had been completed.

At 30 June 2019, the full amount of the sale had been collected.

The details of the assets and liabilities classified as held for sale at 30 June 2019 are as follows:

	LE Retail Las Huertas, S.L.U.	Total
Non-current assets held for sale	**12,090**	**12,090**
Investment property	11,910	11,910
Non-current financial assets	180	180
Liabilities connected to non-current assets held for sale	**(250)**	**(250)**
Other non-current liabilities	(250)	(250)
Non-current assets held for sale	**11,840**	**11,840**

The details of the assets and liabilities classified as held for sale at 31 December 2018 are as follows:

	LE Offices Eloy Gonzalo, S.A.U.	LE Offices Marcelo Spínola, S.L.U.	Total
Non-current assets held for sale	**41,023**	**37,058**	**78,081**
Investment property	39,400	37,000	76,400
Non-current financial assets	69	58	127
Trade and other receivables	1,171	-	1,171
Cash and cash equivalents	383	-	383
Liabilities connected to non-current assets held for sale	**(705)**	**(105)**	**(810)**
Other non-current liabilities	(244)	(105)	(349)
Trade and other payables	(461)	-	(461)
Non-current assets held for sale	**40,318**	**36,953**	**77,271**

(8) EQUITY-ACCOUNTED INVESTEES

The details by company at 30 June 2019 and 31 December 2018 of equity-accounted companies as well as the result attributable to the Group is as follows:

	Thousands of Euros			
	30.06.2019		31.12.2018	30.06.2018
	Investments	Result attributable to the Group	Investments	Result attributable to the Group
Inmobiliaria Juan Bravo 3, S.L.	5,797	1,170	4,627	(450)
Total	5,797	1,170	4,627	(450)

(9) FINANCIAL ASSETS BY CATEGORY

(a) Classification of financial assets by category

The Group's financial assets at 30 June 2019 are security deposits placed with public bodies, trade receivables, receivables from public entities, fixed-term cash deposits and credits to associated companies. The following table shows a breakdown of these assets at 30 June 2019 and 31 December 2018:

	Thousands of Euros			
	30 June 2019		31 December 2018	
	Non-current	Current	Non-current	Current
Non-current financial assets	13,287	-	11,426	-
Other financial assets	-	7,171		3,268
Trade and other receivables				
Operating lease receivables	-	1,947	-	216
Operating lease receivables - pending invoices	-	1,804	-	1,346
Operating lease receivables - sales linealization	2,687	965	2,733	575
Advances to suppliers	-	784	-	784
Public entities, other (Note 18)	-	9,219	-	10,841
Total	15,974	21,890	14,159	17,030

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

At 30 June 2019, and 31 December 2018, “Non-current financial assets” mainly comprise the security deposits and guarantees received from the tenants of the property assets mentioned in Note 6, which the Group has deposited with the corresponding public bodies.

At 30 June 2019, “Other Financial Assets” includes mainly the amount of EUR 6,975 thousand pending collection for the sale, on 31 January 2019, of the office building located at Calle Cardenal Marcelo Spínola, 42 by LE Offices Marcelo Spínola 42, S.L.U. This deferred payment matures in December 2019 (Note 7). Similarly, at 31 December 2018, this item included the variable price of the sales made in 2018 by LE Offices Egeo, S.A.U. and LE Offices Arturo Soria, S.L.U. Group companies for a combined amount of EUR 3,000 thousand, which was collected in the first half of 2019.

At 30 June 2019, "Public entities, other" mainly comprises the Value Added Tax pending return related to the investment made in the promotion of "Lagoh" in Seville. This heading also includes the withholdings made by the Parent Company in the distribution of the dividend.

(b) Classification of financial assets by maturity

The classification of financial assets by maturity as of 30 June 2019 and 31 December 2018 is as follows:

	2019			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	-	28	13,259	13,287
Other financial assets	7,171	-	-	7,171
Trade and other receivables				
Operating lease receivables	1,947	-	-	1,947
Operating lease receivables - pending invoices	1,804	-	-	1,804
Operating lease receivables - sales linealization	965	2,687	-	3,652
Advances to suppliers	784	-	-	784
Public entities, other	9,219	-	-	9,219
	21,890	2,715	13,259	37,864

	2018			
	Thousands of Euros			
	Less than 1 year	1 to 5 years	Indefinite	Total
Non-current financial assets	-	33	11,393	11,426
Other financial assets	3,268	-	-	3,268
Trade and other receivables				
Operating lease receivables	216	-	-	216
Operating lease receivables - pending invoices	1,346	-	-	1,346
Operating lease receivables - sales linealization	575	2,733	-	3,308
Advances to suppliers	784	-	-	784
Public entities, other	10,841	-	-	10,841
	17,030	2,766	11,393	31,189

(10) CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	30.06.2019	31.12.2018
Banks	156,971	191,328
Total	156,971	191,328

The Directors of the Parent Company formalised a stock buy-back programme with a financial intermediary. By virtue of said contract, the Parent Company has EUR 1,725 thousand in an unrestricted account and the financial intermediary is able to use said amount to purchase the company's own shares (Note 11e).

Said contract temporarily suspends the liquidity agreement formalised with a financial intermediary pursuant to the terms of Circular 3/2007, of 19 December by the Spanish Securities Market Commission on liquidity agreements for the purposes of accepting same as a market practice and other applicable regulations, dated 05 July 2017.

(11) EQUITY

(a) Capital

At 30 June 2019 the share capital of Lar España Real Estate SOCIMI, S.A. amounts to EUR 181,175 thousand (EUR 186,438 thousand at 31 December 2018) represented by 90,587,561 registered shares (93,219,044 registered shares at 31 December 2018), represented through book entries, with a par value of EUR 2 each, subscribed and fully paid, all granting the same rights.

The quoted price at 30 June 2019 is EUR 6.82 per share and the average price of the first six months of 2019 is EUR 7.50.

At 30 June 2019 the Parent Company's main shareholders were as follows:

	30.06.2019
LVS II Lux XII S.a.r.l	20.0%
Grupo Lar Inversiones Inmobiliarias, S.A.	11.1%
Franklin Templeton Institutional, LLC	8.1%
Santa Lucia S.A. Cía. de Seguros	5.2%
Brandes Investment Partners, L.P.	3.8%
Blackrock INC.	5.4%
Other shareholders with an interest of less than 3%	46.4%
	100.0%

On 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 25 April 2019, the Parent increased share capital by a nominal amount of EUR 1,243 thousand through the issue of shares (621,337 ordinary shares with a par value of EUR 2 par value) with a share premium of EUR 5,182 thousand. This capital increase has been subscribed by Grupo Lar Inversiones Inmobiliarias, S.A. in compliance with the provisions of the Investment Management Agreement, which establishes that the manager must invest the post-tax performance fee in the subscription of the capital increase carried out by the Parent in accordance with the terms of the aforementioned agreement. This capital increase was carried out with the exclusion of pre-emptive subscription rights and delegation to the Board of Directors for the execution of the resolution.

The new shares issued in the context of the capital increase will be subject to a lock-up period by Grupo Lar of three years, in accordance with the provisions included in the investment manager agreement entered into with Lar España.

Similarly, on 10 June 2019, by virtue of the resolution adopted by the Board of Directors on 29 May 2019, the Parent Company reduced capital by EUR 6,506 thousand, corresponding to 3,252,820 shares of EUR 2 par value each, representing 3.5% of share capital. The capital reduction was carried out with a charge to free reserves, and an amortized capital reserve was also recorded for an amount of EUR 6,506 thousand, equal to the par value of the redeemed shares, which will be unavailable. The shares were amortised through the use of own shares, the value of which at the time of the capital decrease totalled EUR 24,743 thousand.

At the date of preparation of these Summarised Consolidated Intermediate Financial Statements, the capital increases and capital reductions described above had been registered in the Commercial Registry of Madrid.

(b) Issue premium

The Revised Spanish Companies Act expressly provides for the use of share premium to increase share capital and does not stipulate any specific restrictions as to its use, provided that the Company's equity is not reduced to less than its share capital as a result of any distribution.

Approval was given on 25 April 2019 to distribute dividends for 2018 with a charge to the share premium of EUR 6,647 thousand, taking into account all the shares issued.

At 30 June 2019, the Group's share premium amounted to EUR 475,130 thousand (EUR 476,301 thousand at 31 December 2018).

(c) Other reserves

The breakdown of this category as at 30 June 2019 and 31 December 2018 is the following:

	Thousands of Euros	
	30 June 2019	31 December 2018
Legal reserve	10,879	2,968
Amortised capital reserve	9,595	3,089
Parent Company Reserves	(29,372)	2,393
Consolidated reserves	278,860	211,599
Other shareholder contributions	240	240
	270,202	220,289

(i) *Legal reserve*

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

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

At 30 June 2019 the legal reserve of the Company totals EUR 10,879 thousand (EUR 2,968 thousand at 31 December 2018). Therefore, the legal reserve at 30 June 2019 is not fully provided for.

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

(ii) *Amortised capital reserve*

This reserve includes the nominal amount of the treasury shares retired in the share capital reductions made on 07 June 2019 and 28 December 2018, for a total amount of EUR 9,595 thousand. The provision and availability of this reserve shall be held to the same requirements demanded for the capital decrease, in line with the provisions of Article 335 c) of the Spanish Companies Act, the redacted text of which was approved by Royal Legislative Decree 1/2010, of 02 July (Spanish Companies Act).

(d) Valuation adjustments

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

	Thousands of Euros
31 December 2018	(2,610)
Changes in fair value of hedges in the period recognised directly in equity	(1,687)
Other amounts transferred to the income statement	660
30 June 2019	(3,637)

(e) Treasury shares

At 30 June 2019 the Parent Company holds treasury shares amounting to EUR 4,889 thousand. Movement during the six-month period is as follows:

	Number of shares	Thousands of Euros
31 December 2018	164,925	1,228
Additions	3,884,744	29,162
Disposals	(94,995)	(758)
Capital decrease (Note 11a)	(3,252,820)	(24,743)
30 June 2019	701,854	4,889

On 5 February 2014, the Sole Shareholder of the Parent Company authorised the Board of Directors to purchase shares of the Parent Company, up to a maximum of 10% of the share capital.

The average selling price of treasury stock in the first half of 2019 was EUR 7.77 per share. Profits from the sale of treasury shares for the six-month period ended 30 June 2019 amounted to EUR (17) thousand and are recognised under "Other Reserves" in the summarised consolidated statement of financial position.

On 28 February 2019, the share repurchase programme formalised between the Parent Company and its liquidity provider, aimed at a maximum of 3,160,000 shares, representing 3.33% of the share capital, ended. In this regard, on 22 March 2019 the Parent Company formalised a new share buy-back programme with a liquidity provider, aimed at a maximum of 4,660,000 shares, representing 5% of the share capital, which may be acquired at a price no greater than (a) the price of the last independent transaction or (b) the highest independent offer at that time in the business centre where the purchase is made. The maximum deadline for this last programme is 22 December 2019.

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

(f) Dividends paid

On 25 April 2019, the General Shareholders’ Meeting of the Parent Company approved the distribution of a dividend of EUR 68,050 thousand, at EUR 0.73 per share (taking into account all the shares issued) and recognised in profit and loss for the 2018 period, and of EUR 6,647 thousand, at EUR 0.07 per share (taking into account all the shares issued), charged to the share premium.

The amount distributed totalled EUR 72,600 thousand (once the amount corresponding to treasury shares had been deducted, as this is not taken from the Parent Company's equity), taking into consideration the approved amount per share and the shares in circulation at the time of the approval by the Shareholders' Meeting held on 25 April 2019. The distributed dividend was paid on 24 May 2019.

(12) EARNINGS PER SHARE

(a) Basic

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

The details of the calculation of basic earnings per share are as follows:

	Thousands of Euros	
	30 June 2019	30 June 2018
Profit for the period attributable to equity holders of the Parent Company	28,620	43,855
Weighted average number of ordinary shares in circulation (number of shares)	91,248,755	92,625,732
Diluted earnings per share (Euros)	0.31	0.47

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

	30 June 2019	30 June 2018
Ordinary shares	90,587,561	94,763,534
Average effect of own shares, capital increases and reductions	661,194	(2,137,802)
Weighted average number of ordinary shares in circulation at 30 June (shares)	91,248,755	92,625,732

(b) Diluted

Diluted earnings per share are calculated by adjusting profit for the year attributable to equity holders of the Parent Company and the weighted average number of ordinary shares in circulation for the effects of all dilutive potential ordinary shares; that is, as if all potential ordinary shares treated as dilutive had been converted. The Parent Company does not have different classes of ordinary shares that are potentially dilutive.

In addition, as indicated in Note 22, the Parent Company has entered into an Investment Manager Agreement with the manager, for which a performance fee is payable. The amount of this variable remuneration will be settled, at the Parent Company's option, in cash (which will subsequently be used by the manager to subscribe for the shares issued) or in own shares. In accordance with paragraphs 46 and 47A of IAS 33 and taking into account that at 30 June 2019 it has been estimated that the minimum thresholds for the accrual of that amount will not be met, potential ordinary shares of a dilutive nature are not considered to exist at that date.

(13) FINANCIAL LIABILITIES BY CATEGORIES

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,224	1,435
Loans and borrowings	445,627	43,176
Carried at fair value:		
Derivatives	3,822	2,383
Other financial liabilities	18,943	-
Debt with Group companies and associates	-	3,122
Trade and other payables:		
Trade payables	-	27,702
Public entities, other (Note 18)	17,201	5,246
Customer advances	-	250
Total financial liabilities	624,817	83,314

(*) Liabilities connected to assets held for sale are not included.

	31 December 2018	
	Non-current	Current
	Carrying amount	Carrying amount (*)
Carried at amortised cost:		
Financial liabilities from issue of bonds and other marketable securities	139,077	3,482
Loans and borrowings	428,400	6,461
Carried at fair value:		
Derivatives	1,892	2,179
Other financial liabilities	17,240	-
Trade and other payables:		
Trade payables	-	48,223
Public entities, other (Note 18)	19,405	5,686
Customer advances	-	250
Total financial liabilities	606,014	66,281

(*) Liabilities connected to assets held for sale are not included.

(b) Classification of financial liabilities by maturity

The details by maturity of financial liabilities at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019						
	Thousands of Euros						
	30.06.2020	30.06.2021	30.06.2022	30.06.2023	30.06.2024 and subsequent	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	1,435	-	-	140,000	-	-	141,435
Effect of amortised cost for bonds	-	-	-	(776)	-	-	(776)
Loans and borrowings *(a)*	43,383	50,224	111,895	170,437	122,806	-	498,746
Effect of amortised cost for bank borrowings	(207)	(386)	(1,682)	(2,664)	(5,003)	-	(9,943)
Debt with Group companies and associates	3,122	-	-	-	-	-	3,122
Derivatives	2,383	87	-	1,180	2,555	-	6,205
Other financial liabilities	-	-	-	-	-	18,943	18,943
Deferred tax liabilities	-	-	-	-	-	17,201	17,201
Trade and other payables	33,198	-	-	-	-	-	33,198
Total	83,314	49,925	110,213	308,178	120,358	36,144	708,131

(a) The effect of valuing the financial liabilities for bonds and bank borrowings at amortised cost is to reduce the nominal value of these previously represented liabilities by EUR 776 thousand and EUR 8,877 thousand, respectively, at 30 June 2019.

	31 December 2018 Thousands of Euros						
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023 and subsequent	Indefinite	Total
Financial liabilities from issue of bonds *(a)*	3,482	-	-	140,000	-	-	143,482
Effect of amortised cost for bonds	-	-	-	(923)	-	-	(923)
Loans and borrowings *(a)*	6,461	78,837	5,437	109,731	241,796	-	442,262
Effect of amortised cost for bank borrowings	-	(379)	-	(1,980)	(5,041)	-	(7,401)
Derivatives	2,179	410	-	681	801	-	4,071
Other financial liabilities	-	-	-	-	-	17,240	17,240
Deferred tax liabilities	-	-	-	-	-	19,405	19,405
Trade and other payables	54,159	-	-	-	-	-	54,159
Total	66,281	78,868	5,437	247,509	237,556	36,645	672,295

(a) The effect of valuing the financial liabilities for bonds and bank borrowings at amortised cost is to reduce the nominal value of these previously represented liabilities by EUR 923 thousand and EUR 7,401 thousand, respectively, at 31 December 2018.

(c) Main characteristics of loans and payables

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

				Thousands of Euros			
Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2019	Liabilities linked to non-current assets held for sale at 30 June 2019	Guarantee
LE Retail As Termas, S.L.U.	Euro	EURIBOR 3M + 1.80%	25 June 2020	37,345	37,148	-	As Termas shopping centre (ii)
LE Retail El Rosal, S.L.U.	Euro	EURIBOR 3M + 1.75%	07 July 2030	50,000	49,362	-	El Rosal shopping centre (ii)
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	97,000	96,195	-	Megapark shopping centre (i)(ii)(iii)
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	8,250	4,764	-	Megapark leisure centre (i)(ii)(iii)

				Thousands of Euros			
Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2019	Liabilities linked to non-current assets held for sale at 30 June 2019	Guarantee
LE Retail Hiper Ondara, S.L.U.	Euro	EURIBOR 3M + 1.7%	24 February 2023	60,000	58,430	-	Portal de la Marina shopping centre (i)(ii)(iii)
LE Retail Gran Vía de Vigo, S.A.U.	Euro	EURIBOR 3M + 1.75%	14 March 2022	82,400	81,024	-	Gran Vía de Vigo shopping centre (i)(ii)(iii)
LE Retail Vistahermosa, S.L.U.	Euro	1.52% (until 02 June 2017) Subsequently EURIBOR 3M + 1.85%	02 March 2022	21,550	21,277	-	Vistahermosa retail park (i)(ii)
LE Retail Abadía, S.L.U.	Euro	1.80% (until 23 November 2020) Subsequently EURIBOR 3M + 1.75%	23 May 2024	34,750	34,126	-	Abadía retail park (i)(ii)
LE Retail Abadía, S.L.U.	Euro	1.93% (until 23 November 2020) Subsequently EURIBOR 3M + 1.75%	23 May 2024	8,685	7,125	-	Abadía commercial galery (i)(ii)
LE Retail Vidanova Parc, S.LU. (a)	Euro	EURIBOR 12M + 2.10%	14 September 2020	24,000	21,908	-	VidaNova Parc
LE Retail Rivas, S.L.U.	Euro	Fixed Rate 2.28%	09 September 2020	27,500	27,451	-	Rivas retail park (i)(ii)
Lar España Shopping Centres VIII, S.L.U. (b)	Euro	EURIBOR 3M + 2.25% (under construction), then EURIBOR 3M +2.0%	29 June 2025	98,500	49,993	-	Lagoh development (ii)
Lar España Shopping Centres VIII, S.L.U.	Euro	EURIBOR 3M + 2.25%	-	4,000	-	-	Lagoh Development
Lar España Real Estate SOCIMI, S.A.	Euro	EURIBOR 12M + 1.20	16 May 2020	25,000	-	-	-

					Thousands of Euros		
Institution	Currency	Effective rate	Year of maturity	Amount granted	Amortised cost and interest pending payment at 30 June 2019	Liabilities linked to non-current assets held for sale at 30 June 2019	Guarantee
Lar España Real Estate SOCIMI, S.A.	Euro	1.25%	26 October 2025	70,000	-	-	(ii)
					488,803	-	

(i) In addition to the mortgage security of the loan, the Parent Company has pledged current accounts and credit accounts derived from the lease contract of the property on shares.

(ii) With respect to said mortgage loans, there are certain clauses linked to the keeping of the LTV "Loan To Value" ratio between 50%-70%. If the LTV is not kept between 50%-70%, all or part of the debt will mature early. Additionally, the loans corresponding to the companies LE Retail As Termas, S.L.U., LE Retail El Rosal, S.L.U., LE Retail Hiper Ondara, S.L.U., LE Retail Gran Vía de Vigo, S.A.U., LE Retail Vistahermosa, S.L.U., LE Retail Abadía, S.L.U., LAR España Shopping Centres VIII, S.L.U. and LE Retail Rivas, S.L.U. have clauses for maintaining a minimum Debt Coverage Ratio of between 1.1% and 2.65%, otherwise there will be an early maturity of part or all of the debt.

(iii) In addition to the previously mentioned ratios, there are clauses linked to keeping the shopping centre's occupancy rate above 85%. If the occupancy rate does not meet this minimum, all or part of the debt will mature early.

The financial expenses accrued on the bonds during the six months ended 30 June 2019 amounted to EUR 2,161 thousand. The effect of the amortised cost of these assets is EUR 147 thousand. The accrued, unpaid interest at 30 June 2019 amounts to EUR 1,435 thousand.

The financial expenses accrued on loans during the six months ended 30 June 2019 amounted to EUR 4,714 thousand, and the effect of the amortised cost of these was EUR 711 thousand. The accrued, unpaid interest at 30 June 2019 amounts to EUR 782 thousand.

The main changes that occurred in the six-month period ended 30 June 2019 are as follows:

(a) In 2019, the Group company "LE Retail Vidanova Parc, S.L.U." drew down a total of EUR 3,372 thousand relating to the loan agreement entered into with Caixabank, S.A., which has a maximum total amount of EUR 24,000 thousand. The purpose of the loan is to partially fund the investment costs necessary for the development of the shopping centre owned by the company and not covered by share capital contributions and finance the payment of fees, taxes and expenses inherent to the granting of financing documents. The amount of the disbursed loan pending return at any given moment shall accrue interest on a daily basis, as of the date of the contract, 14 September 2017, until same is fully amortised, on the basis of a 360-year day. Interest is calculated using the number of calendar days elapsed in each interest period, including the first day and excluding the last, by applying the Euribor 3M calculation plus a 2.1% spread.

(b) In 2019, the Group company "Lar España Shopping Centres VIII, S.L.U." drew down EUR 53,051 thousand relating to the syndicated loan agreement signed on 29 June 2018 with Banco Santander, S.A., acting as agent bank, with a maximum total amount of EUR 98,500 thousand. The purpose of the loan is to partially fund the investment costs necessary for the development of the shopping centre owned by the company and not covered by share capital contributions and finance the payment of fees, taxes and expenses inherent to the granting of financing documents. The amount of the disbursed loan pending return at any given moment shall accrue interest on a daily basis, as of the date of the contract until same is fully amortised, on the basis of a 360-year day. Interest shall be calculated per calendar day over each interest period, including the first day and excluding the last day, by applying the 3-month Euribor calculation, plus a margin of 2.25% over the construction period, then subsequently a 2.0% spread.

The effect of accounting at amortised cost at the date the debt was contracted was EUR 3,473 thousand, which at 31 December 2018 were recorded under "Other Current Assets" as the debt had not been drawn down. Following its disposal, the Company reclassified these amounts to "Bank Borrowings".

(c) On 16 May 2019, the Parent Company renewed a credit facility with Bankinter for EUR 25,000 thousand, which may be drawn down up to the limit established at any time by means of cheques, transfer orders, debit orders or any other payment mandate accepted by Bankinter. The due date by which the amount must be fully reimbursed is 16 May 2020. Interest accrues quarterly and the interest rate is 12-month EURIBOR plus a spread of 1.20%. It has commissions for excess balance of 4.5%. At 30 June 2019 no amount of said credit line had been drawn down. The financial expenses accrued in the 2019 period in terms of said credit line totalled EUR 19 thousand.

The financing agreements entered into and the corporate bonds issued by the Group require compliance with certain financial ratios. The Directors believe that they are complied with at 30 June 2019 and expect them to be satisfactorily complied with while the agreements remain in force.

(d) <u>Derivative financial</u>

Derivatives contracted by the Group at 30 June 2019 and 31 December 2018 and their fair values at said dates are as follows (in thousands of Euros):

	Thousands of Euros				
	Type of interest contracted	Fair value at 30.06.2019	Fair value at 31/12/2018	Notional	Maturity
LE Retail El Rosal, S.L.U.	0.44%	504	643	50,000	2030
LE Retail As Termas, S.L.U.	0.53%	419	459	37,345	2020
LE Retail Hiper Ondara, S.L.U.(Megapark)	0.22%	1,900	870	97,000	2023
LE Retail Hiper Ondara, S.L.U. (Portal de la Marina)	0.31% / 0.39%	1,454	769	60,000	2023
LE Retail Hiper Ondara, S.L.U. (Megapark Ocio)	0.35%	116	69	4,675	2023
LE Retail Gran Vía de Vigo, S.A.U.	0.29%	1,540	1,088	82,400	2022
LE Retail Vistahermosa, S.L.U	0.12%	272	173	21,550	2022
		6,205	4,071		

There have been no additional changes in the fair value of derivative instruments during the six-month period ended 30 June 2019.

The hedging relationships corresponding to the interest rate hedging financial instruments contracted by the companies of the LE Retail El Rosal, S.L.U. Group, LE Retail As Termas, S.L.U. and LE Retail Hiper Ondara, S.L.U. (Megapark), have been rated as of 30 June 2019 as ineffective. In this respect, the Group recognised the change in the fair value of these instruments in the consolidated income statement for an amount of EUR 1,108 thousand (EUR 24 thousand at 30 June 2018). In addition, at 30 June 2019 the impact on the income statement of the recycling of the amount in equity of the financial instruments of LE Retail El Rosal, S.L.U. and LE Retail As Termas, S.L.U. amounted to EUR 157 thousand of losses (EUR 157 thousand at 30 June 2018).

The quarterly settlements of the aforementioned ineffective hedging instruments amounted to EUR 603 thousand in the first half of 2019.

Similarly, the amount of the quarterly settlements of the effective hedging financial instruments totalled EUR 503 thousand in the first half of 2019.

The effect of the 50-basis-point change in the estimated interest rate on liabilities and on the income statement before taxes would be as follows:

	Thousands of Euros		
Scenario	Liabilities	Equity	Consolidated profit before tax
0.5% Interest rate increase	4,715	2,550	2,165
0.5% Interest rate decrease	(4,822)	(2,608)	(2,214)

(e) Short-term debts with Group companies and associates

On 01 April 2019, a liquidity facility was arranged between Lar España Real Estate SOCIMI, S.A., the Parent of the Group, and Inmobiliaria Juan Bravo 3, S.L., whereby Lar España Real Estate SOCIMI, S.A. may dispose of a maximum amount of EUR 7,000 thousand, maturing on 31 March 2020. This liquidity facility yields a fixed interest rate of 5.95% of the drawn capital payable on the due date. In the 2019 period, interest accrued in the amount of EUR 22 thousand.

At 30 June 2019, the availed amount totalled EUR 3,100 thousand.

(14) OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities include EUR 18,943 thousand at 30 June 2019 (EUR 17,240 thousand at 31 December 2018) that comprise the security deposits and guarantees delivered to the Group by the various tenants of the commercial premises located in its properties. This amount generally represents two months' rent and will be reimbursed at the end of the contract term.

(15) TRADE AND OTHER PAYABLES

The details of trade and other payables at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros	
	30.06.2019	31.12.2018
Trade payables (a)	25,421	38,413
Trade payables, associated companies (b)	2,201	9,694
Customer advances	250	250
Salaries payable	79	116
Public entities, other (Note 18)	5,247	5,686
	33,198	54,159

(a) At 30 June 2019, "Trade payables" includes EUR 9,933 thousand corresponding to amounts pending payment due to property investments made in 2019 (Note 6). Of this amount, EUR 9,541 thousand relate to the amounts payable in connection with the development of the Lagoh shopping centre, owned by Lar España Shopping Centres VIII, S.L.U.

(b) "Trade payables, related companies" includes EUR 1,658 thousand related to the fixed remuneration to be paid to the Manager and accrued in the period (Note 22).

(16) RISK MANAGEMENT POLICY

(a) Financial risk factors

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

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

(i) *Market risk*

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

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

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

(ii) *Credit risk*

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

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

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

(iii) *Liquidity risk*

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

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

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

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

(v) *Tax risk*

As mentioned in Note 1 to the consolidated financial statements for 2018, the Parent Company and some of its subsidiaries are subject to the special tax regime for listed real estate investment companies (SOCIMI). In 2017, the transitional period ended and compliance with all the requirements established by the regime became obligatory in said financial year. Among the obligations that the Parent Company must comply with are some that are more formalistic in nature, such as the inclusion of the term SOCIMI in the corporate name, the inclusion of certain information in the notes to the individual financial statements, listing on a stock exchange, etc.., and others that additionally require the preparation of estimates and the application of rulings by the Management (determination of tax income, income tests, asset tests, etc.) that may be complex, especially considering that the SOCIMI Regime is relatively recent and its development has been carried out, fundamentally, through the response of the General Directorate of Taxation to the queries raised by different companies. It should be noted that the analysis carried out at 31 December 2018 met all the requirements, with the exception of the income test. The Directors believe this breach to be an extraordinary situation caused by the positive results obtained after returning the loan granted to Inmobiliaria Juan Bravo 3, S.L. described in the consolidated financial statements of 2018. In this sense, as established in Article 13 of the Law on SOCIMIs, which allows this breach to be corrected in the following period, the Directors believe, pursuant to the approved 2019 business plan for the company, that in 2019 the Parent will satisfy the level required by said Law in terms of the income test. Consequently the Company will continue to be taxed under the SOCIMI Regime. In this regard, the Group's management, supported by its tax advisors, has carried out an evaluation of compliance with the requirements of the regime, concluding that at 30 June 2019 all the requirements have been met, and it is estimated on the basis of the business plan that these will be met by 31 December 2019.

(17) BREAKDOWNS OF THE FAIR VALUE OF ASSETS AND LIABILITIES, BOTH FINANCIAL AND NON-FINANCIAL

(a) Assets and liabilities carried at fair value

The details of the assets and liabilities measured at fair value and the hierarchy in which they are classified at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros		
	30.06.2019		
	Investment property	Non-current assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	343,790	-	343,790
- Buildings	1,096,390	-	1,096,390
Logistics bays			
- Land	307	-	307
Total assets measured recurrently at fair value	1,440,487	-	1,440,487

	Thousands of Euros		
	31.12.2018		
	Investment property	Non-current assets held for sale	Total
	Level 3	Level 3	Level 3
Recurrent fair value measurements			
Investment property			
Shopping centres			
- Land	340,225	-	340,225
- Buildings	1,023,114	-	1,023,114
Logistics bays			
- Land	307	-	307
Total assets measured recurrently at fair value	1,363,646	-	1,363,646

Regarding the liabilities measured at fair value, the only ones considered as such are the derivative instruments described in Note 13, which are classified as Level 2 in the hierarchy.

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

The main assumptions used to calculate the fair value of the real estate assets at 30 June 2019 were as follows:

	Net Initial Yield	Net Exit Yield	Discount rate (*)
Shopping centres and single-tenant commercial properties	4.66% - 7.48%	5.50% - 7.80%	7.60% - 9.80%

(*) Without taking into account the data corresponding to the asset under construction, Lagoh.

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

Change in discount rate

	Thousands of Euros					
	30.06.2019					
	Assets			Consolidated Comprehensive Income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Discount rate increase	(27,017)	(52,147)	(100,797)	(27,017)	(52,147)	(100,797)
Discount rate decrease	24,993	51,929	107,852	24,993	51,929	107,852

Change in income

	Thousands of Euros					
	30.06.2019					
	Assets			Consolidated Comprehensive Income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Income increase	434	2,255	5,876	434	2,255	5,876
Income decrease	(2,978)	(4,919)	(8,280)	(2,978)	(4,919)	(8,280)

Change in Exit Yield

	Thousands of Euros					
	30.06.2019					
	Assets			Consolidated Comprehensive Income		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Exit Yield increase	(36,461)	(68,853)	(125,905)	(36,461)	(68,853)	(125,905)
Exit Yield decrease	36,777	78,892	176,726	36,777	78,892	176,726

(18) BALANCES WITH PUBLIC ADMINISTRATIONS

	Thousands of Euros	
Receivables	30.06.2019	31.12.2018
Taxation authorities, VAT recoverable	8,087	8,965
Taxation authorities, other withholdings	1,132	1,876
	9,219	10,841

	Thousands of Euros	
Payables	30.06.2019	31.12.2018
Taxation authorities, VAT payable	637	3,276
Taxation authorities, personal income tax withholdings payable	61	71
Taxation authorities, current corporate income tax payable	2,204	2,335
Taxation authorities, prior years' corporation income tax payable	2,335	-
Social Security contributions payable	9	4
Deferred tax liabilities	17,201	19,405
	22,447	25,091

At 30 June 2019, the Parent Company and the subsidiaries were covered by the SOCIMI tax regime, with the exception of LE Offices Marcelo Spínola, S.L.U and LAR España Inversiones Logísticas IV, S.L.U. which requested the resignation of the SOCIMI tax regime in 2018. Similarly, Global Pergamo, S.L.U., acquired by the Group on 15 January 2019 (Note 3), plans to apply for the special SOCIMI tax regime before September 2019, so that its application will be retroactive to 01 January 2019.

Therefore, the account payable for corporate income tax from previous years corresponds to the amount applicable to LAR España Inversión Logística IV, S.L.U. after the partial sale of the property owned by Cheste in 2018. Similarly, the current corporate income tax account payable relates to the sale this year by LE Offices Marcelo Spínola, S.L.U. of the Cardenal Marcelo Spínola 42 office building (Note 7).

(19) REVENUE

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

(20) OTHER INCOME

In 2019, the Group reflects other income in the amount of EUR 1,154 thousand, of which EUR 951 thousand correspond to temporary rentals of common areas in the shopping centres and EUR 203 thousand to other items.

Invoices issued to tenants include EUR 10,591 thousand for communal charges (owners association, services, etc.) passed on to them. This amount is presented, according to its nature, net of the corresponding expenses under "Other expenses" in the summarised consolidated statement of comprehensive income for the six-month period ended 30 June 2019.

(21) OTHER EXPENSES

The breakdown of other expenses as of 30 June 2019 and 30 June 2018 is as follows:

	Thousands of Euros	
	30.06.2019	30.06.2018
Independent professional services	8,833	31,716
Insurance premiums	349	309
Bank fees and commissions	17	31
PR and advertising	643	404
Supplies	163	204
Taxes other than corporate income tax	4,223	2,338
Change in allowances due to losses and uncollectibility of trade and other receivables	74	29
Remuneration of the Board of Directors (*)	295	295
Other results	1,778	1,316
	16,375	36,642

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

The “Independent professional services” caption includes mainly the amount relating to the remuneration of Grupo Lar Inversiones Inmobiliarias, S.L., the Group's asset manager (see Note 22a).

(22) RELATED PARTY BALANCES AND TRANSACTIONS

(a) Loans with associates and related parties

The details of the balances held with associates and related parties as at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of Euros			
	30 June 2019			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Debt with Group companies and associates (Note 13e)	3,122	-	-	3,122
Trade and other payables (Note 15)	-	1,658	543	2,201

	Thousands of Euros			
	31 December 2018			
	Associated companies	Other related parties		
	Inmobiliaria Juan Bravo 3, S.L.	Grupo Lar Inversiones Inmobiliarias, S.A.	Gentalia, S.L.	Total
Trade and other payables (Note 15)	-	9,303	390	9,694

(b) Transactions with associates and related parties

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

The fixed amount accrued by the manager amounted to EUR 4,928 thousand (net of expenses discounted on the basis of the management contract entered into by the parties amounting to EUR 210 thousand) (EUR 4,328 thousand at 30 June 2018), of which EUR 1,658 thousand (EUR 737 thousand at 31 December 2018) had not yet been paid at 30 June 2019 (see Note 15).

Likewise, the performance fee payable to the Management Company will be calculated on the basis of the EPRA NAV and the Company's market capitalisation, and will be subject to a total limit equivalent to 3% of the Company's EPRA NAV at 31 December of the preceding year. Pursuant to Clause 7.2.2 of the management contract, Grupo Lar Inversiones Inmobiliarias, S.A. must use the amount earned as the Performance Fee (after deducting the applicable corporate income tax amount) to subscribe any shares that the Parent Company may issue, or by choice of the Parent Company, to acquire same's treasury shares.

In relation to this variable amount, at 30 June 2019, no provision has been made for any amount since the Parent's directors consider that the evolution of EPRA NAV and market capitalisation at year-end will in neither case reach the minimum thresholds for its accrual.

The Group has also signed a contract with a related company, Gentalia 2006, S.L., (an investee in which Grupo Lar Inversiones Inmobiliarias, S.A. has a majority shareholding) for the provision of services related to the administration of the property assets. At 30 June 2019 the expense incurred in this connection amounted to EUR 2,178 thousand (EUR 1,571 thousand at 30 June 2018), of which EUR 543 thousand had not yet been paid at 30 June 2019 (EUR 390 thousand at 31 December 2018).

As mentioned in Note 13, in the first six months of 2019 a finance charge corresponding to the liquidity facility subscribed between the Parent and Inmobiliaria Juan Bravo 3, S.L., amounting to EUR 22 thousand, accrued.

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

The remuneration received at 30 June 2019 and 30 June 2018 by the members of the Board of Directors and Senior Management personnel of the Parent Company, classified by item, is as follows:

	Thousands of Euros							
	30.06.2019							
	Salaries	Allowances	Other items	Pension plans	Insurance premiums	Termination benefits	Payments based on equity instruments	Remuneration for individuals representing the company
Board of directors	-	295	-	-	71*	-	-	-
Senior management personnel	194	-	-	-	-	-	-	-

	Thousands of Euros							
	30.06.2018							
	Salaries	Allowances	Other items	Pension plans	Insurance premiums	Termination benefits	Payments based on equity instruments	Remuneration for individuals representing the company
Board of directors	-	295	-	-	135*	-	-	-
Senior management personnel	270	-	-	-	-	-	-	-

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

Allowances for the board of directors include EUR 42 thousand for the non-executive secretary of the board of directors (EUR 42 thousand at 30 June 2018).

At 30 June 2019 the Parent Company had seven Directors, five men and two women (at 31 December 2018 the Parent had seven Directors, five men and two women).

(23) EMPLOYEE INFORMATION

The average headcount of the Group at 30 June 2019 and 31 December 2018, distributed by category, is as follows:

	30.06.2019	31.12.2018
Professional category		
Senior management personnel	3	3
Total	3	3

Of these, two are men and one woman (as of 31 December 2018, two men and one woman).

(24) EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the end of the period.

(25) EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

1 Situation of the Group

1.1 Organisational structure and operations

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

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

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

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

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

- Offices: the rental of offices.

  The Group implemented a plan to build up the value of assets in its portfolio in order to maximise shareholder returns from divesting in said assets.

- Logistics: the rental of logistics bays.

  The Group implemented a plan to build up the value of assets in its portfolio in order to maximise shareholder returns from divesting in said assets.

- Residential.

  The Group made an exception investment in the luxury residential market in Madrid, through the joint development (50%) of the Lagasca99 project with PIMCO. The development, most of which has already been delivered, is not in response to a strategic line in envisaged in the future business plans.

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

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

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

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

The company maintains a robust pipeline that offers it security as regards the achievement of its investment plans as forecast.

2 Evolution and result of the businesses

2.1 Introduction

As of 30 June of 2019, the Group's ordinary revenue amounted to EUR 38,540 thousand, corresponding to the business in which the Group is engaged: the rental business.

During 2019 the Group incurred "Other expenses" amounting to EUR 16,375 thousand, corresponding essentially to the fees for management provided by Grupo Lar Inversiones Inmobiliarias, S.A. to the Group (EUR 4,928 thousand), and recurrent services that are directly linked to the everyday management of the assets (supplies, IBI –property tax-, etc.) by the amount of EUR 7,188 thousand.

Earnings before interest, taxes, depreciation and amortisation (EBITDA is calculated as the result of the operations, net of the change in fair value of investment property, net of amortisation expenses) stood at EUR 23,156 thousand.

The appreciation in value during 2019 of the assets held by the Group at 30 June 2019, according to the independent valuation conducted by Cushman & Wakefield and JLL at the close of the financial year is EUR 14,038 thousand.

The financial result was negative amount of EUR 9,744 thousand.

The Group's profit for the period was EUR 28,620 thousand.

By area of activity, we should be emphasised:

- A significant percentage of the Group's revenue is the result of rent from retail assets, accounting for 99% of total revenue, as opposed to 1% from offices.

- Around 39% of rental revenue is generated by the Megapark, Gran Vía de Vigo and Portal de la Marina.

As of 30 June of 2019, the Group occupied across its whole business 93.9% the gross leasable area (GLA), the occupancy rate at shopping centers being 92.5%. Retail parks occupancy stands at 95.6% and 100% at the retail units. Anec Blau´s data has not been taken into account because the asset is going through a comprehensive refurbishment project

As of 30 June of 2019, the Group has a portfolio of real estate rental projects covering shopping centres (323,438 sqm), retail parks (158,888 sqm) and retail units (27,909 sqm). The overall total gross leasable area of 510,235 sqm.

The information in the previous two paragraphs does not take into account the Lagoh sites, since they have not been built to date.

2.2 Other financial indicators

As of 30 June of 2019, the Group revealed the following financial indicators:

- Working capital (calculated as the difference between current assets and current liabilities) → EUR 109,158 thousand (EUR 223,524 thousand as at 31 December 2018).
- Liquidity ratio (calculated as the ratio of current assets to current liabilities) →2.3 (4.3 as of 31 December 2018).
- Solvency ratio (calculated as the quotient of the sum of net assets and non-current liabilities in the numerator and denominator, non-current assets) → 1.1 (1.2 as of 31 December 2018).

These ratios represent particularly high values, indicating that the Group enjoys a sufficient level of liquidity and a high degree of safety margin in order to meet its payments.

The ROE (Return on Equity), which measures the profitability obtained by the Group on its own shares, totals 11.56% (13.42% as of 31 December 2018). This is calculated as the quotient of the profit for the last 12 months and the Company's net equity, averaged over the last four quarters.

The ROA (Return on Assets), which measures the efficiency of the Group's total assets, regardless of the source of funding used, i.e. the capacity of a company's assets to generate profit, is 6.85% (8.03% as of 31 December 2018), This is calculated as the quotient of the profit for the last 12 months and the Company's total assets, averaged over the last four quarters.

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA) regarding the calculation and determination of Alternative Performance Measures used by the Company's Management in taking financial and operational decisions, sections 3 and 5 of the "Half yearly report 2019", which was published on the same date as these Financial Statements and explanatory notes, state how the EPRA (European Public Real Estate Association) indicators are calculated and defined.

2.3 Environment and staff issues

Environment

The Group undertakes operations the main aim of which is to prevent, reduce or rectify any damage which it could cause to the environment as a result of its activities. However, given its nature, the Group's operations have no significant environmental impact.

Staff

As of 30 June of 2019 the Group has 3 employees (2 men and 1 woman). Said employees are classified as Senior Management. In the 2019 period the Company has had no employees with a 33% or greater disability.

3 Liquidity and capital resources

3.1 Liquidity and capital resources

At 30 June 2019, the Group's financial net debt amounted to EUR 487,596 thousand, taking into account the debt classified as non-current assets held for sale. The level of debt is related to the purchases of the As Termas, el Rosal, Megapark, Portal de la Marina, Vistahermosa, Gran Vía de Vigo, Lagoh, Parque Abadía and VidaNova Parc shopping center, and the Parque Galaria single-tenant commercial property. This also includes the bonds issued by the Parent Company in 2015 and a credit line arranged by the Parent Company.

As of 30 June of 2019, the Group's short-term financial debt stands at EUR 45,559 thousand.

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

On 31 January 2019, the unencumbered sale of an office building at Calle Cardenal Marcelo Spinola 42 Madrid was signed with an INVESCO company named IRE-RE Espinola, S.L.U. for an amount of EUR 37,000 thousand, and a net loss of EUR 25 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Statement of Comprehensive Income.

On 24 April 2019, the unencumbered sale of an office building at Calle Eloy Gonzalo 27 Madrid was signed with an SwissLife company named CARFEN SPV 2018, S.L., for an amount of EUR 40,000 thousand, and a net gain of EUR 56 thousand was obtained on the expenses associated with the sale, recorded under "Profits or Losses from the Disposal of Investment Property" in the Consolidated Statement of Comprehensive Income.

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

At 30 June 2019, the Group has no contractual obligations that may require a future outflow of liquid resources, over and above those mentioned in point 3.1 or in the explanatory notes of the consolidated report.

As of 30 June of 2019, the Group does not present off-balance-sheet transactions that have had, or are expected to have, a significant effect on the financial position of the Group, the revenue and expenditure structure, the operating result, liquidity, capital expenses or on own resources.

4 Main risks and uncertainties

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

5 Information on the foreseeable evolution of the Group

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

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

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

In turn, the Group has been implementing a plan to create value on the assets in its portfolio with the aim of maximising shareholder return from divesting in these assets for office and logistics assets. The Group is currently contemplating the divestment of those assets in the retail business, the investment strategy of which has been completed.

With the appropriate reservations given the current situation, we believe that the Group will be in a position to continue making progress in 2019 and in subsequent years.

6 R&D&I activities

Due to the inherent characteristics of the companies that make up the Group, and their activities and structure, the Group does not usually conduct any research, development and innovation initiatives. However, Lar España remains committed to becoming the leader of the transformation of the retail sector, by creating new, more efficient and digital methods of interacting with external and internal customers (Customer Journey Experience).

7 Acquisition and disposal of treasury stock

The Parent Company formalised a share buy-back programme between Lar España and its liquidity provider, aimed at a maximum of 4,660,000 shares, representing 5% of the share capital, which may be acquired at a price no greater than (a) the price of the last independent transaction or (b) the highest independent offer at that time in the business centre where the purchase is made. The maximum deadline for this programme is 22 December 2019.

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

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

As of 30 June 2019, the share price was EUR 6.82.

As of 30 June 2019, the Company holds a total of 701,854 shares, representing 0.8% of total issued shares.

On 10 June 2019, pursuant to the Board of Directors' resolution in 29 May 2019, the Parent Company reduced capital by EUR 6,506 thousand, corresponding to 3,252,820 shares of EUR 2 par value each and representing 3.5% of share capital. The capital reduction was charged against unrestricted reserves by appropriating to a capital redemption reserve an amount equal to the par value of the redeemed shares. This reserve will be restricted. The shares were redeemed using treasury shares, the value of which at the capital reduction date was EUR 24,743 thousand.

8 Other relevant information

8.1 Stock exchange information

The initial share price at the start of the year was EUR 7.45 and the nominal value at the reporting date was EUR 6.82. During the period, the average price per share was EUR 7.50.

8.2 Dividend policy

On 25 April 2019, the General Shareholders' Meeting of the Parent Company approved the distribution of a dividend of EUR 68,050 thousand, at EUR 0.73 per share (considering all the shares issued) with a charge to 2018 profit, and a dividend of EUR 6,647 thousand or EUR 0.07 per share (considering all outstanding shares) with a charge to the share premium.

The total pay-out was EUR 72,600 thousand (after deducting the amount corresponding to treasury shares, which does not leave the Parent Company's equity), given the amount per share approved and shares outstanding at the time of approval by the General Shareholders' Meeting on 25 April 2019. The dividend pay-out was settled in full on 24 May 2019.

9 Events after the reporting period

No significant events have occurred since the end of the period.

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

Authorisation for issue of the Summarised Consolidated Intermediate Financial Statements along with the Consolidated Intermediate Directors' Report for the six-month period ended 30 June 2019

At their meeting held on 25 July 2019, pursuant to the requirements of Article 253 of the Revised Spanish Companies Act and Article 37 of the Spanish Code of Commerce, the Directors of Lar España Real Estate SOCIMI, S.A. authorised for issue the Consolidated Intermediate Financial Statements along with the Consolidated Intermediate Directors' Report for the six-month period ended 30 June 2019. The Consolidated Intermediate Financial Statements and the Consolidated Intermediate Directors' Report comprise the documents that precede this certification.

Signatories:

Mr José Luis del Valle Doblado (Chairman)	Mr Alec Emmott
Ms. Isabel Aguilera Navarro	Mr Laurent Luccioni
Mr Roger Maxwell Cooke	Ms. Leticia Iglesias Herraiz
Mr Miguel Pereda Espeso	

Madrid, 25 July 2019

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

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

(i) That the Summarised Consolidated Intermediate Financial Statements along with the Consolidated Intermediate Directors' Report for the six -month period ended 30 June 2019 have been approved, authorised for issue and signed by all the Directors of the Parent Company at their meeting on 25 July 2019.

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

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