



# 2018 FULL YEAR REPORT



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# 1

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Lagoh Shopping Centre (Sevilla)



## 1.1 Highlights 2018

### Portfolio Information

GAV  
**1,536**  
Million €

Annualised Net Rent  
**70.3**  
Million €

Assets  
**18**  
2 acquisitions in 2018

GLA  
**622,643**  
sqm

WAULT  
**3.5**  
years

2018 Divestments  
**272.5**  
Million €

2018 New Investments  
**75.6**  
Million €

### Financial Information

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

Rental Income  
**77.8**  
Million €

Net LTV  
**28%**

EBITDA  
**54.5**  
Million €

Average Cost  
of Debt  
**2.16%**

Net Profit  
**129.3**  
Million €

Financial Debt  
**621.7**  
Million €

ROE  
**13.42%**

Dividend  
**75**  
Million €  
**(0.80 €/share)**

# Retail performance

## Operating results

Annualised Net Rent  
**69.0**  
Million €

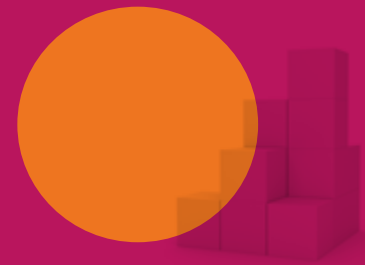
EPRA Topped-up NIY  
**5.5%**

Reversionary Yield  
**6.3%**

LfL GRI  
**+3.2%**

LfL NOI  
**+3.7%**

% Occupancy<sup>(1)</sup>  
**94.8%**



### GAV (%)

Retail      Rest of the portfolio



### Rental Income (%)

Retail      Rest of the portfolio



## Commercial activity

Negotiated rent  
**8.3**  
Million €

Operations  
**154**

Rotated area  
**38,723**  
sqm

Rent uplift  
**+12.4%**

2018 Footfall  
**63.0**  
Million of visits



2018 Sales  
**708.4<sup>(4)</sup>**  
Million €



**+0.8%<sup>(2)</sup>**  
vs. 2017

**0.0%**  
Average Spanish Footfall <sup>(3)</sup>

**+2.2%**  
vs. 2017

**0.0%**  
Spain Retail Sales <sup>(5)</sup>

(1) Ratio calculated under EPRA recommendations

(2) Affected by refurbishments during the year

(3) Shoppertrak Index

(4) Declared Sales

(5) National Statistics Institute (INE)

Average dwell time

**87 min**

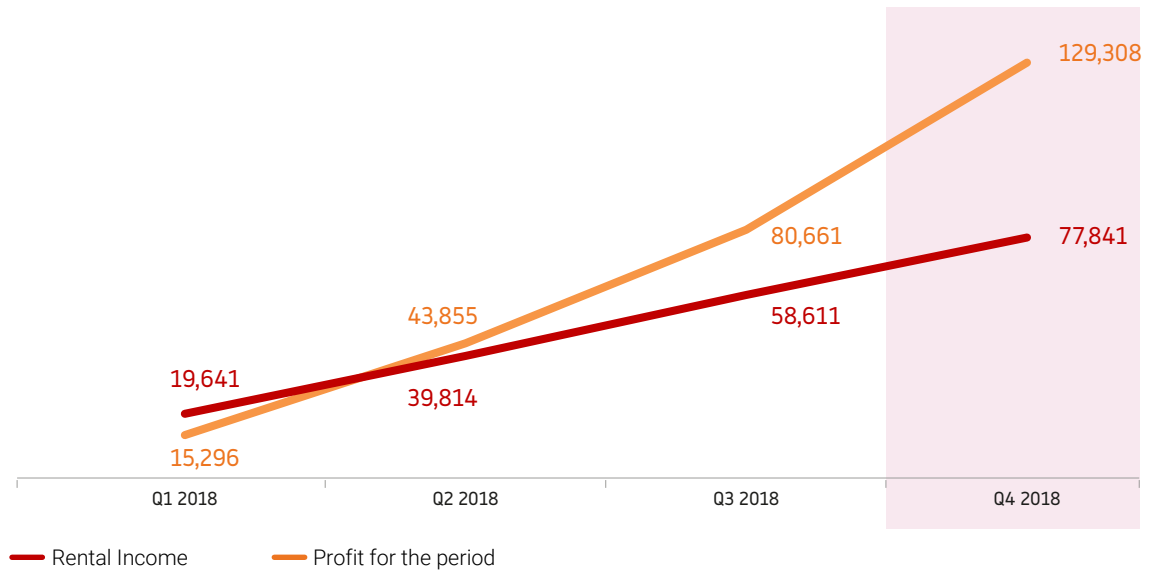
**+6% vs. 2017**

## 1.2 Key Indicators Performance

### a. Performance of main economic and financial result

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

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



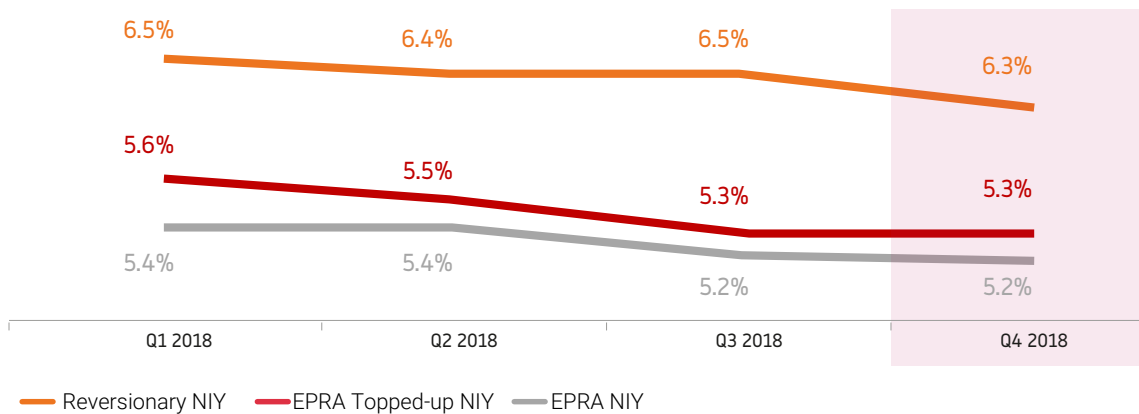
El Rosal Shopping Centre (León)





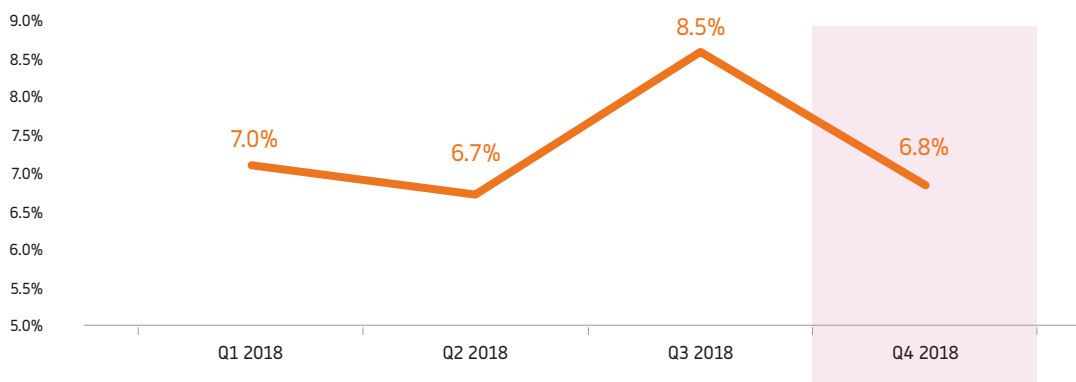
## b. Performance of main EPRA indicators

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



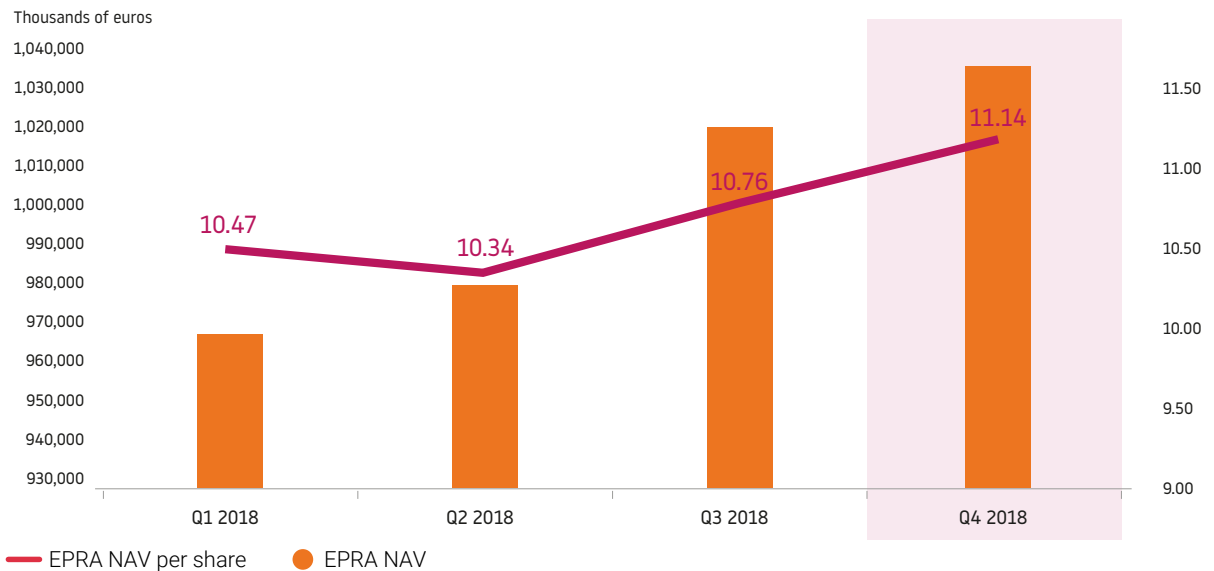
## 5.5% EPRA topped-up NIY Retail 31.12.18

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



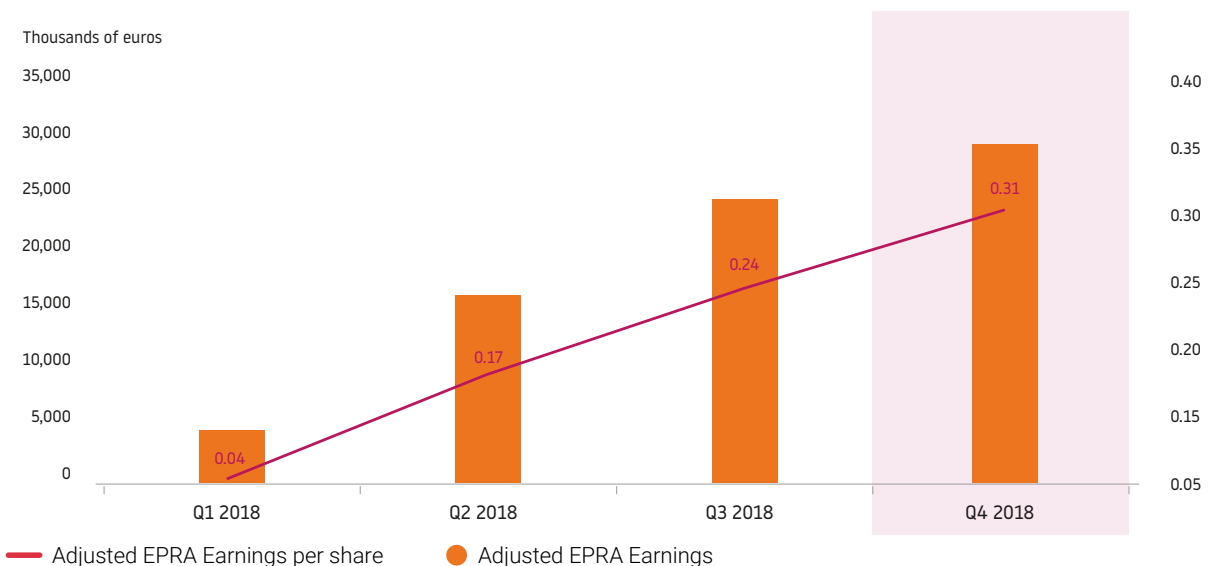
## 5.2% EPRA Vacancy Retail 31.12.18

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

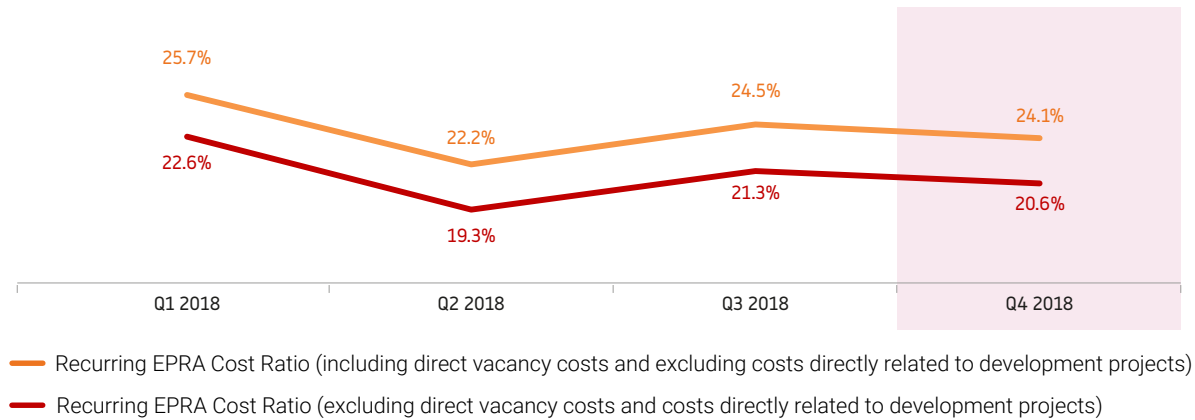


## EPRA NAV per share 31.12.18 11.14 €/share +8.5% vs. 31.12.17

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

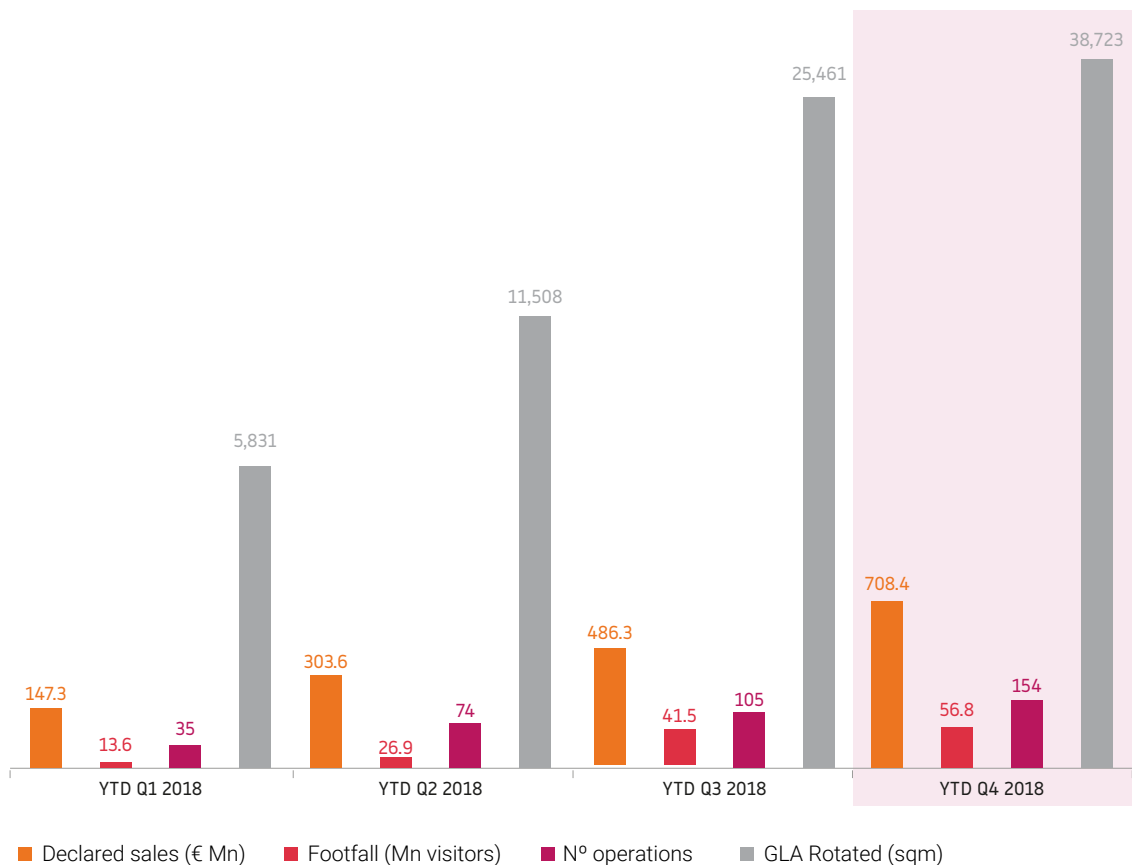


The performance of the **EPRA Cost Ratio** over the course of the year demonstrates Lar España's efficiency in reducing the costs associated with operational management:



### c. Major operative milestones evolution

The performance of the **key retail indicators** in 2018 is detailed below. Lar España booked total **sales** in the shopping centres of **708.4 million Euros**, driven by the growing **number of people visiting** our shopping centres (**56.8 million visits**). A total of **38,723 sqm** has been rotated.



## 1.3 Lar España today: retail leaders

# #1

In terms of retail GLA (\*)

# #1

In terms of retail parks owned

# #1

In terms of 100%-owned retail properties

(\*) Including the opening of the Lagoh shopping centre development, scheduled for 2019.

## Top 5 in Europe

How have we achieved this?



### Market know-how

**Off-market property acquisitions** with a clear investment criteria (quality, size, minimum footfall, locations with catchment areas and top retailers).

**Competitively priced divestments** optimising value-add and increasing shareholder returns.



### Consolidating a leading retail platform

We benefit from an extensive platform, **retailer know-how**, customer-oriented innovation, **active and professional management** and an in-depth understanding of the sector.

We have built a portfolio of **prime properties** that **stand out** in their respective catchment areas.



### Transformation and continual improvement of our portfolio

**Asset repositioning** and **selective CAPEX strategy** with strong returns.

Successfully adapting our shopping centres to new market trends, by investing in improvements focused on **technology and digitalisation**.



### Excellent operating results

We have **outperformed** our main **market competitors** quarter on quarter.



## Creating value-add via the TES project

Lar España is leading the digital transformation of the sector



### Technology

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

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



### Engagement

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

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



### Sustainability

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

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



## 1.4 Retail market context

### Overview

#### Growth and GDP

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

#### Inflation

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

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

#### Employment

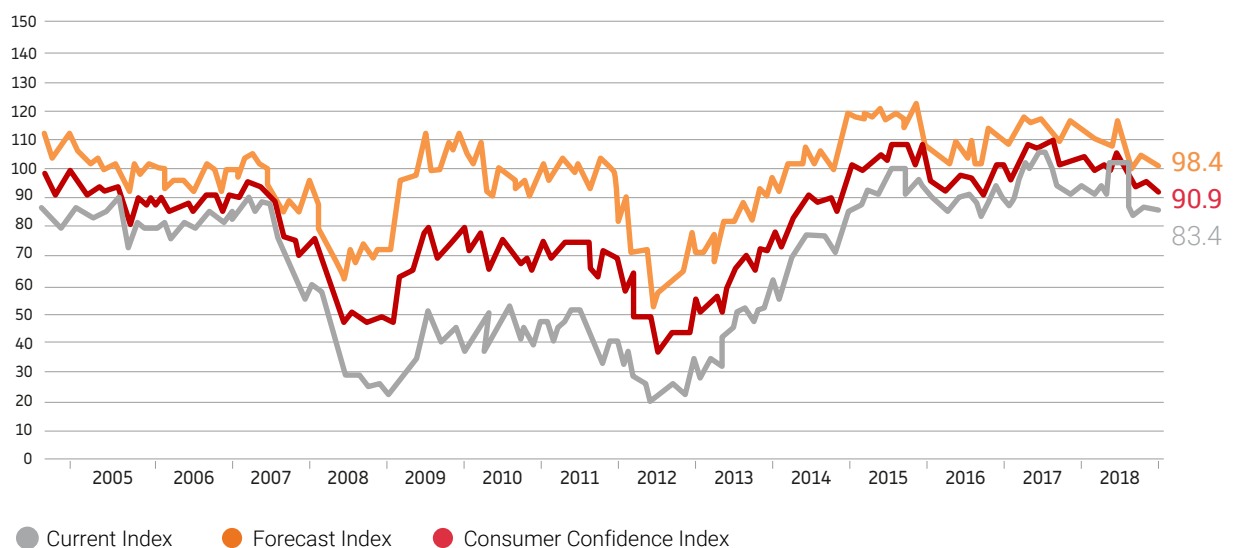
The purchasing power of Spanish households continues to rise, reflecting the country's **strong economic performance and rising employment levels**. Data from the Labour Force Survey (LFS) indicates that Spain's **unemployment rate** stood at **14.45%** at the end of 2018, slightly lower than the equivalent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

The number of economically active persons rose faster than the number of those out of work fell. This can be explained by the fact that Spain's working population grew by 14,900 over the course of 2018 to reach **22.87 million**, resulting in a **labour participation rate of 58.6%**.

#### Consumer Confidence Index

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

#### Consumer Confidence Index, current Index and forecast Index evolution



Source: *Centro de Investigaciones Sociológicas (CIS)*

## Retail market fundamentals 2018

### Investment

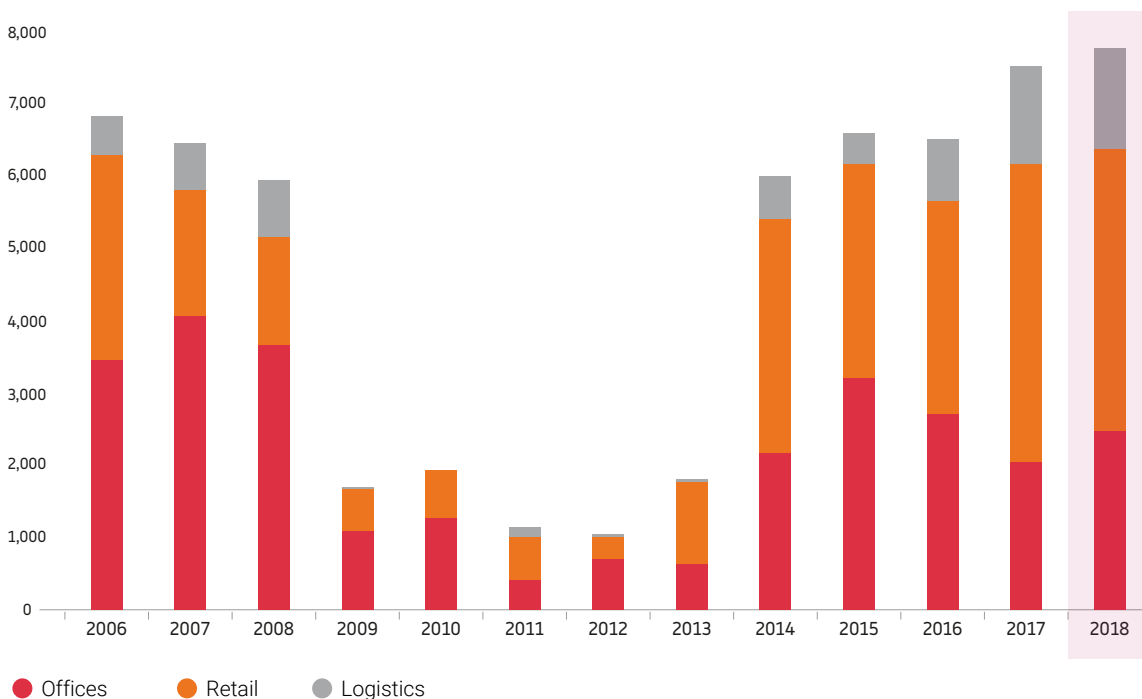
The **commercial** (offices, retail and logistics) **investment** volume reached circa **EUR7,850 million** in Spain in **2018**, up 4% on 2017. If the hotel investment volume were also added to this, the 2018 figure would reach circa EUR9,800 million.

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

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



Commercial investment volume (€Mn)



Source: JLL

The **healthy growth of the Spanish economy** and the occupier market has had a positive knock-on effect on the **retail investment market**. High street retail units, shopping centres, retail parks, supermarkets and all the other retail segments grew at an impressive rate in 2018.

Following **record levels of retail investment in 2017, 2018 did not disappoint**, with a total investment volume of **EUR3,880 million**.

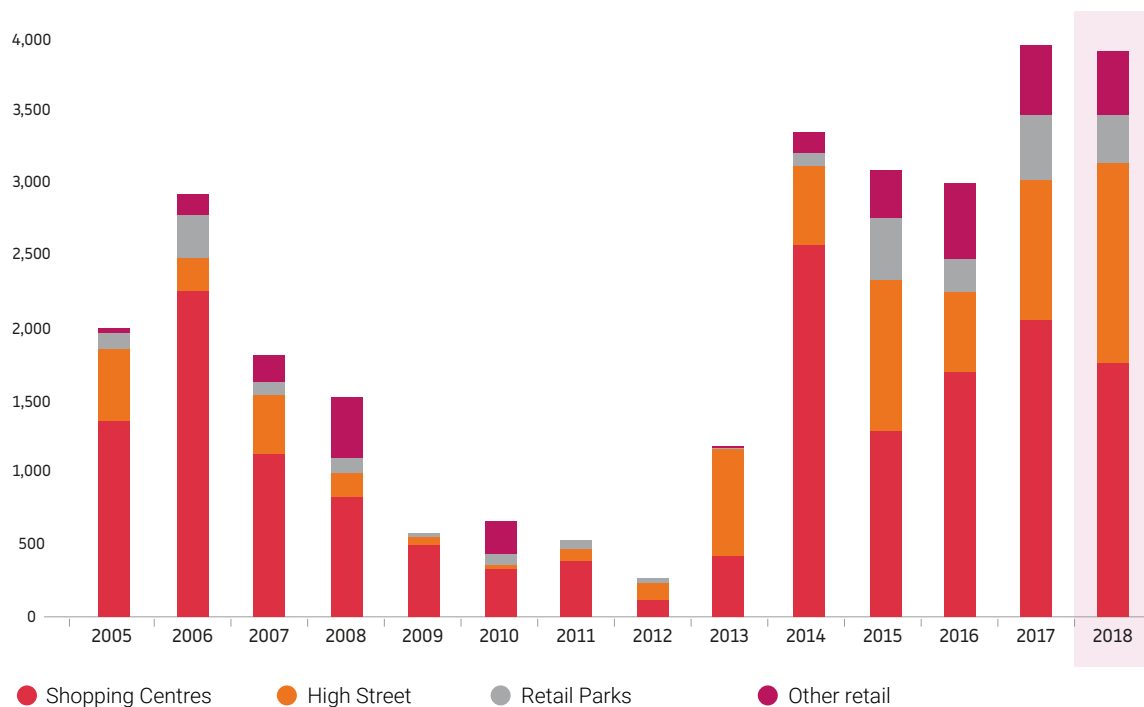
The year's strong results were bolstered by the sale of two large shopping centre portfolios in the second half of the year, for a combined sum in excess of EUR450 million. In Q4 alone, a total of EUR1,290 million was invested in the retail sector.

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

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

**€1,730 million** invested in shopping centres

Retail investment volume (€M)



Source: JLL



### Prime rents

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

### Prime yields

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

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

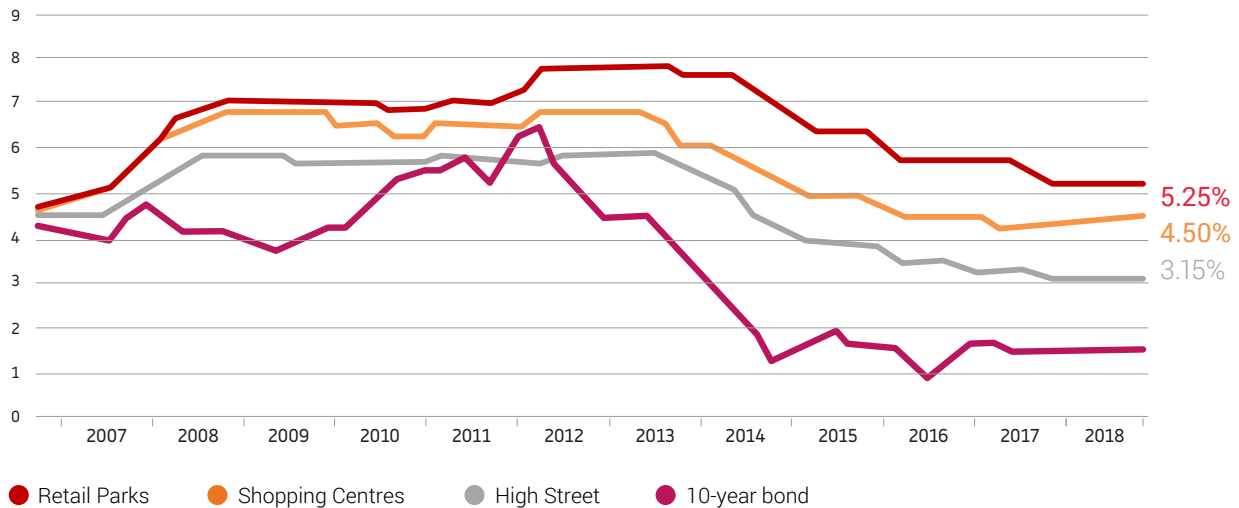
**€1,170**  
**per sqm/year**  
**in Shopping Centres**  
**+4.3% vs. 2017**

**4.50%**  
**Shopping Centre**  
**prime yield**

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

**5.25%**  
**Prime yields**  
**in Retail Parks**  
**and Warehouses**

Prime yields (%)



Source: JLL

## Footfall

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

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

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



## Sales

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

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

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

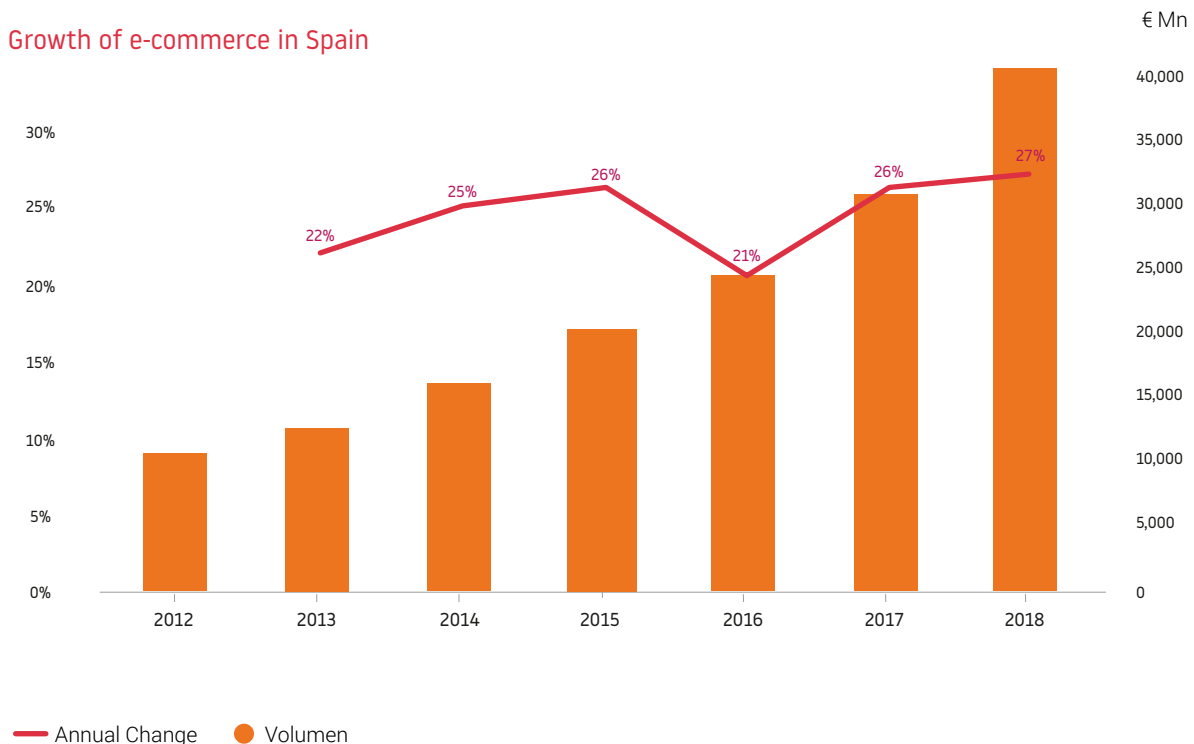
The sub-sectors with the highest e-commerce turnover in Spain during 2018 were **travel agents and tour operators** (14.8% of total turnover), with air transport in second place (11.8%) and fashion in third (5.5%).

Although the online sales volume remains well below the European average, it has registered double-digit annual growth in recent years, climbing **26%** in 2017. Shopping centres are developing digital apps that combine both physical and online platforms, focusing their efforts on an omnichannel sales strategy.

E-commerce is also forcing shopping centres to change and allocate more space for leisure and food & beverage in order to provide an improved visitor experience. **Shopping centres are becoming omnichannel spaces offering multiple experiences**, so as to provide added value in ways that e-commerce is unable to do.

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

## Shopping centres are becoming omnichannel spaces offering multiple experiences.

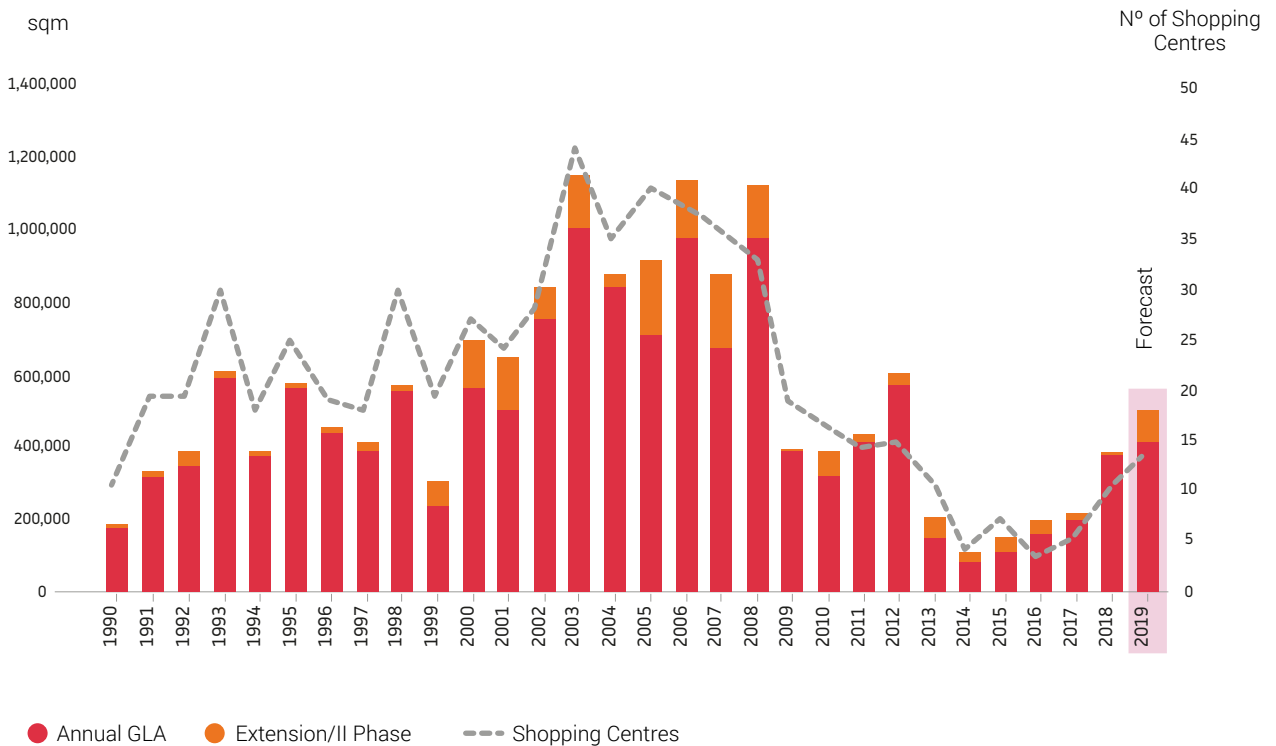


Source: CNMC

### Stock

More than **220,000 sqm of GLA has been opened** in 2018, the majority of which pertaining to seven new retail properties that opened their doors during the year. Another small part of the GLA relates to **extensions and second phases**. These figures are in line with those registered in 2017.

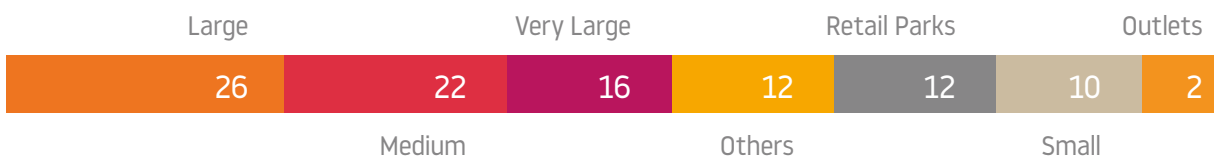
In 2019, ten assets are estimated to be opened with a SBA close to 450,000 sqm.



Source: JLL

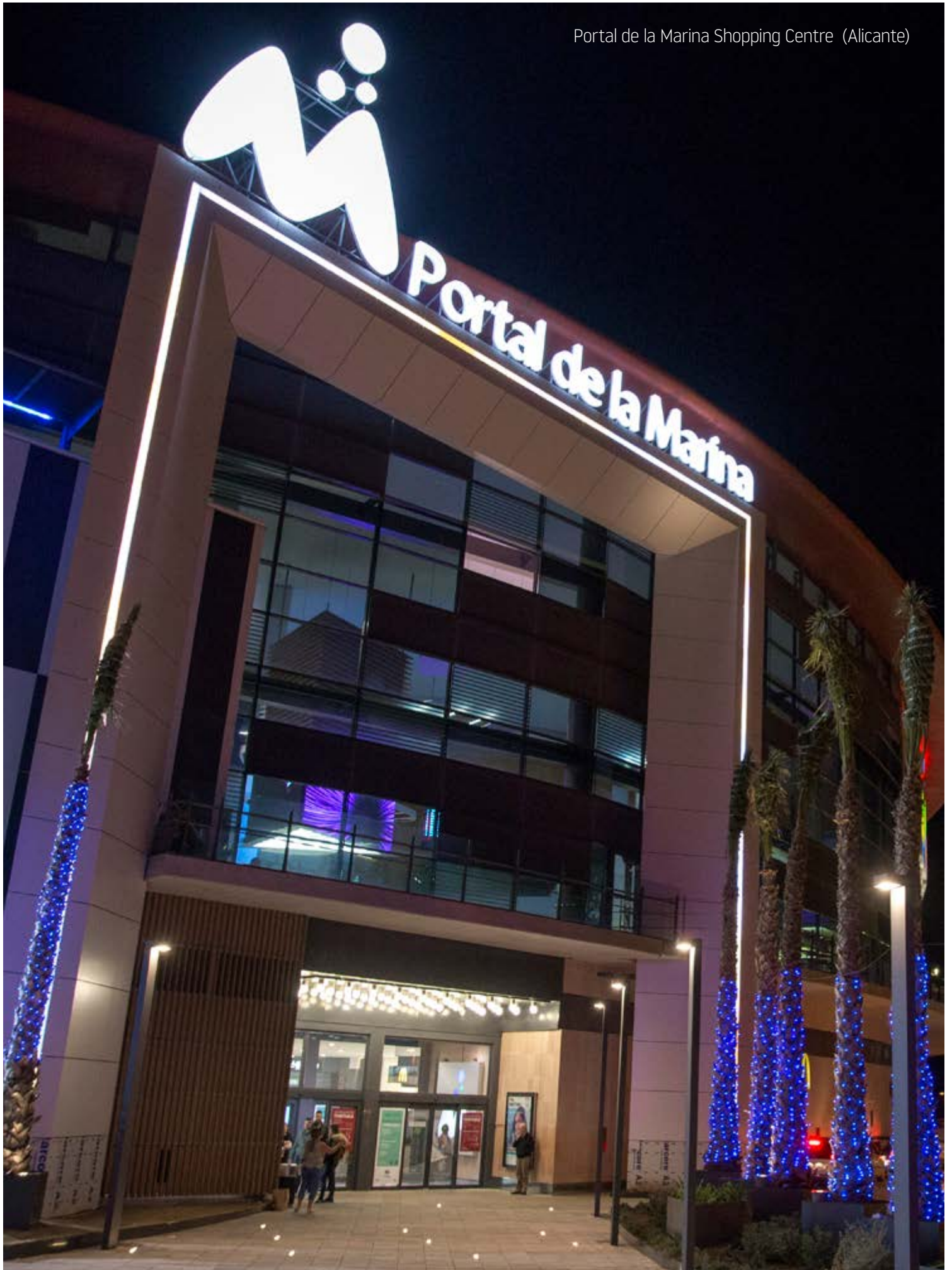
According to data from the Spanish Shopping Centres Association, there are currently **563 shopping centres and retail parks** in Spain, with a total gross lettable area of **16 million sqm**.

### Stock distribution by asset class (\*) (%)



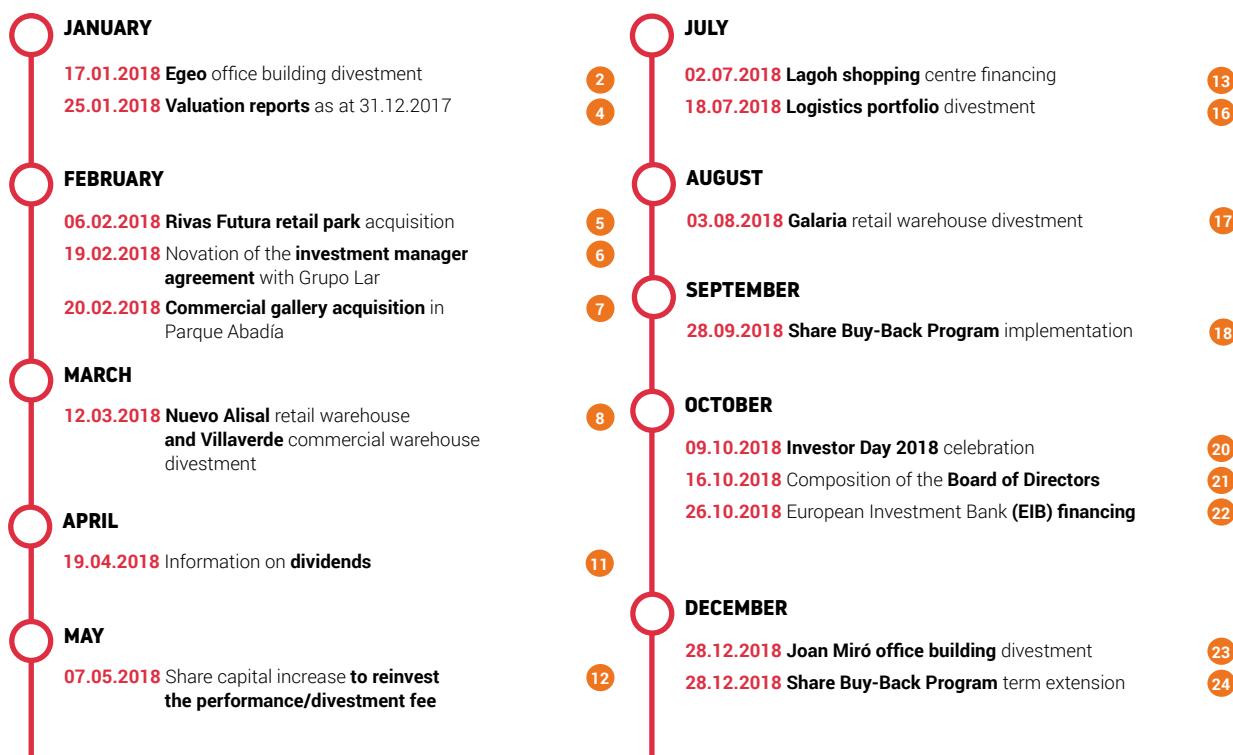
(\*) According to Spanish Association of Shopping Centres (AECC):  
 Very Large (>79,999 sqm)  
 Large (40,000-79,999 sqm)  
 Medium (20,000-39,999 sqm)  
 Small (5,000-19,999 sqm)

Portal de la Marina Shopping Centre (Alicante)



## 1.5 Main Events

The **regulatory notices** published and submitted to the Spanish Stock Market Commission (CNMV) during 2018 are listed below in chronological order:



1

### Liquidity contracts and specialists

**04.01.2018** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets**, Sociedad de Valores, S.A.U. (the "Financial Intermediary"), in the context of the Liquidity Contract (the "Liquidity Contract" or the "Contract") from **1 October 2017 to 31 December 2017**, as well as the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

2

### Egeo office building divestment

**17.01.2018** On 16 January 2018, **the Company has transferred to Inmobiliaria Colonial Socimi, S.A. all the shares (participaciones sociales) in its wholly owned subsidiary LE OFFICES EGEO, S.A.U.**, sole owner and proprietor of the office building Egeo, located in Madrid, Avenida Partenón 4-6.

The aforementioned sale has been formalized in public deed on the referred date, **for a total initial price of 79,279,870 euro**, which may be adjusted upwards in the terms and pursuant to the mechanisms that are typical in this kind of transactions.

### 3 Egeo office building divestment additional information

**17.01.2018** As a supplement to the Material Fact published on this date with register number 260739, it is hereby announced that the initial price agreed with Inmobiliaria Colonial Socimi, S.A. for the transfer of all the shares (participaciones sociales) of LE OFFICES E GEO, S.A.U. (79,279,870 euro) represents (i) **a capital gain of 22.2%** on the acquisition price paid by the Company for the office building Egeo in December 2014, and (ii) **an increase of 4.2% over the last valuation of the asset.**

### 4 Valuation reports as at 31 December 2017

**25.01.2018** Lar España has received the valuation reports for its property portfolio as of 31 December 2017, carried out by JLL Valoraciones, S.A and Cushman & Wakefield Sucursal en España.

**The total market value of the company's portfolio** as detailed in the above-mentioned reports is **EUR 1,537.6 million**. The acquisition price – transaction costs not included - of the assets subject to the valuation was EUR 1,196.3 million.

The properties were valued according to the Royal Institution of Chartered Surveyors (RICS) valuation standards, based on net market value as at 31 December 2017.

### 5 Rivas Futura retail park acquisition

**06.02.2018** Lar España has acquired from a Credit Suisse investment fund all the shares (participaciones sociales) of the Spanish company owner of a gross leasable area (GLA) of approximately 36,724 square metres in the **retail park Rivas Futura (Rivas-Vaciamadrid)**. The total price of the transaction is approximately **EUR 61.6 million**, which may be adjusted in the terms and pursuant to the mechanisms that are typical in this kind of transactions.



### 6 Novation of the investment manager agreement with Grupo Lar

**19.02.2018** On this date the Company has entered into an agreement with its investment manager, Grupo Lar Inversiones Inmobiliarias, S.A. (the "Investment Manager"), **in order to novate the investment manager agreement** executed by both parties on 12 February 2014 (the "IMA").

Pursuant to the referred novation, the IMA (which originally expired on 12 February 2019) will be effective for **4 years as from 1 January 2018**. Additionally, certain provisions of the IMA have been amended in order to update its content in line with the expertise achieved and the growth experienced in Spain by the SOCIMI's market since the initial subscription of the IMA. The most relevant amendments are as follows:

- **Investment strategy:** With effects as of 1 January 2018, **the real estate investments** of the Company must be distributed among **retail properties, logistic properties on a selective basis and other properties** that could represent a maximum of 10% of the total GAV of the assets forming part of the Company's real estate portfolio (in all cases, across Spain).

No acquisitions consisting of properties comprised predominantly of offices or residential units shall be pursued by the Company. The Company shall focus on **assets with potential for value creation** or which constitute active **asset management opportunities**, including development projects.

- **Investment Manager's exclusivity and Board representation:** The **Investment Manager will preserve its exclusivity obligations towards Lar España**, adapted in line with the new investment strategy defined in the IMA.

The **Investment Manager will be entitled to appoint one non-executive member of the Board of Directors of Lar España** (currently, Mr. Miguel Pereda), regardless of the number of directors seating in the Board from time to time.

- **Management fees:** The **Investment Manager's fee structure** (base fee and performance fee) **has been amended** in order **to improve the cost structure of the Company and further align the interests of the Investment Manager and Lar España shareholders.**

Starting in the 2018 fiscal year, the base fee to be drawn by the Investment Manager will be calculated by reference to an annual amount equivalent to the higher of (i) €2 million, or (ii) the sum of (a) **1.00% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is up to and including **€1,000 million, and (b) 0.75% of the portion of the EPRA NAV** (excluding net cash) as of the prior December 31 which is **in excess of €1,000 million**.

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

- **Termination:** The novated IMA **allows the Company to terminate the agreement at its sole discretion at any time prior to its expiration bearing a termination fee** that may range between 1.50% and 2.00% of the last reported EPRA NAV of the Company (adjusted for acquisitions and disposals of real estate properties up to the date of the termination notification), depending on the circumstances and the prior notice given.

7

### Commercial gallery acquisition in Parque Abadía

**20.02.2018** Today, the Company has acquired a **commercial gallery in Parque Abadía (Toledo)** with a gross leasable area (GLA) of approximately 6,138 sqm. This strategic acquisition, which is added to the one already communicated through material fact of 27 March 2017 (with registry number 250038), that informed of the acquisition of, among others, a gross leasable area (GLA) of approximately 37,114 sqm, fully occupied, in the same retail park, allows the Company to operate a total GLA of approximately 43,252 sqm of the Parque Abadía real estate complex. The acquisition has been carried out for a **total amount of approximately €14 million**, subject to the subsequent customary price adjustments in this kind of transactions.

8

### Nuevo Alisal and Villaverde retail warehouses divestment

**12.03.2018** Today, the Company has transferred to Pierre plus Scpi two retail warehouses with a total gross leasable area (GLA) of approximately 7,649 sqm in the **Nuevo Alisal retail park** in Santander, and a **commercial warehouse** with a GLA of 4,391 sqm in Villaverde, Madrid. The aforementioned sales have been formalized in public deeds dated today, for a total **price of 33.2 million euros**. The sale price agreed for the transfer of the mentioned properties (33.2 million euros) represents (i) a **capital gain of 27% on the acquisition price** paid by the Company for said properties in December 2014 (Nuevo Alisal) and July of that same year (Villaverde), and (ii) **an increase of 8.2% over the last valuation** of these assets made at the end of 2017.





9

### Liquidity contracts and specialists

**06.04.2018** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets**, Sociedad de Valores, S.A.U. (the “Financial Intermediary”), in the context of the Liquidity Contract (the “Liquidity Contract” or the “Contract”) from **1 January 2018 to 31 March 2018**, as well as the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

10

### Announcements and agreements of shareholders general meetings

**19.04.2018** The **ordinary shareholders’ meeting of Lar España** announced on 16 March 2018 on “El Economista” and the Company’s corporate web page –copy of which was remitted to the CNMV by means of a relevant fact with registration number 262964– and which took place on second call today, **19 April 2018, has approved the resolutions submitted to its consideration and vote**, as stated in the attached voting results report.

11

### Information on dividends

**19.04.2018** The **General Shareholders’ Meeting of Lar España**, validly held today, 19 April 2018, on second call, has approved, among other resolutions, to distribute:

- As dividend for the fiscal year, an amount of 17,286 thousand euros, at a ratio of 0.187 euros gross per share.
- With charge to share premium, an amount of 27,714 thousand euros, at a ratio of 0.299 euros gross per share.

**The distribution will be carried out on 18 May 2018** via the depositaries participating entities in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (IBERCLEAR).

It is reiterated that, pursuant to article 47 of the Bylaws, the authorized persons appearing on the accounting records of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal (Iberclear) at 23:59 hours on the day on which the Shareholders’ Meeting approves the distribution, that is, today (record date) shall be entitled to receive the dividend.

12

### Share capital increase to reinvest the performance/divestment fee

**07.05.2018** Lar España hereby informs that today, in compliance with the contractual agreements entered into with the Manager, Grupo Lar Inversiones Inmobiliarias, S.A. (“Grupo Lar”), the Board of Directors of the Company approved a **share capital increase** with the sole purpose of allowing the amount payable to Grupo Lar as **performance fee** for the financial year 2017, adjusted in accordance with the agreement reached by both parties in December 2017, as well as the amount payable in connection with the divestment of real estate assets for more than 100 million euro (**divestment fee**), also as agreed by both parties in December 2017, to be **invested in shares of the Company**.

This capital increase, will be carried out with the exclusion of pre-emptive rights by virtue of the authority granted to the Board of Directors by the ordinary General Shareholders’ Meeting of the Company on 29 May 2017 and will be fully subscribed and paid for by Grupo Lar, for an effective total amount of **20,923,697.47 euro** (4,278,874 euro corresponding to nominal value and 16,644,823.47 euro to share premium), through **the issuance of 2,139,437 new ordinary shares** of Lar España, of the same class and series as the outstanding shares of the Company, for an **effective price of 9.78 euro** (2.00 euro corresponding to nominal value and 7.78 to share premium).

The referred price is equivalent to **the EPRA NAV per share of the Company as of 31 December 2017**, adjusted to the dividend payments and share premium distributions approved by the ordinary General Shareholders’ Meeting on 19 April 2018, which was published on the Company’s website on 4 May 2018. The new shares that will be subscribed by Grupo Lar will have a mandatory lock-up period of three years, in accordance with the provisions included in the Investment Management Agreement entered into between Grupo Lar and the Company.

The Company will grant the corresponding capital increase public deed after the auditor appointed by the Commercial Registry issues the mandatory report confirming that the issuance price complies with the applicable provisions of the Spanish Companies Act.

### 13 Lagoh shopping centre financing

**02.07.2018** In connection with the material fact of last 2 March 2016 (with Registry number 235835), which informed that the Company, through its wholly owned subsidiary Lar España Shopping Centres VIII, S.L.U., had acquired a plot intended for commercial use: ZE Nº1 in Sector SUNP-GU-01, currently SUO-DBP-01, Palmas Altas Norte in Seville for the development of a large commercial and family leisure-entertainment complex; it is now reported that the Company has entered into a **syndicated bank financing** agreement for a total amount of **EUR 98.5 million** and **7 years duration**, for the development and future management of the aforementioned asset.



### 14 Liquidity contracts and specialists

**04.07.2018** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice, the Company hereby reports the **transactions executed by JB Capital Markets, Sociedad de Valores, S.A.U.** (the “Financial Intermediary”), in the context of the Liquidity Contract (the “Liquidity Contract” or the “Contract”) from 1 April 2018 to 30 June 2018, as well as the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

### 15 Share capital increase

**12.07.2018** In connection with the Material Fact published on 7 May 2018, with registry number 265267, Lar España hereby announces that on this date the public deed relating to the share **capital increase of Lar España**, approved on 7 May 2018 by the Board of Directors of the Company –which was **fully subscribed and paid for by the manager of Lar España, Grupo Lar Inversiones Inmobiliarias, S.A. (“Grupo Lar”)**, through monetary contributions equivalent to the received performance and divestment fee– has been duly registered with the Commercial Registry of Madrid.

Consequently, the share capital of Lar España has been set at **EUR 189,527,068**, divided into **94,763,534 shares**, with a nominal value of two euros each, all of which belong to the same class and series.

It is expected that the National Securities Market Commission and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges will verify and approve the admission to trading of the new shares of the Company in the following days.

The new shares 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.

Additionally, it is hereby announced that Grupo Lar has notified to Lar España the acquisition of **2,068,902 additional shares** of the Company that, together with the new shares subscribed in the context of the share capital increase referred to in the previous paragraphs and the shares previously owned, add up to a total of **9,474,100 ordinary shares** of Lar España, representing **9.998% of the share capital**.

The referred acquisition reinforces the existing alignment of interests of Grupo Lar and Lar España and highlights the trust that Grupo Lar has in the potential of the assets that form Lar España’s portfolio.

## 16 Logistics Portfolio divestment

**18.07.2018** Today, the Company has transferred to companies indirectly controlled by investment funds affiliated to The Blackstone Group LP (i) **five logistic assets** with a total gross leasable area (GLA) of 161,838 sqm, four of them in Alovera (Guadalajara) and the fifth in Almussafes (Valencia); and (ii) 17 plots with a total gross area of 181,617 sqm, intended for logistical use in Cheste (Valencia). The aforementioned sales have been formalized in public deeds dated today, for a **total price of 119.7 million euros**. The sale price agreed for the transfer of the mentioned properties represents (i) a **capital gain of 83%** on the acquisition price paid by the Company for said properties, and (ii) an **increase of 30% over the valuation of these assets made at the end of 2017**.

regulation 596/2014"), and to Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programs and stabilisation measures ("Delegated Regulation 2016/1052"), and all other applicable legislation.

The purpose of the Buy-Back Program is, according to article 5.2.c) of the Regulation 596/2014, is the share capital reduction of Lar España.

The Buy-Back Program has the following features:

- The **maximum net investment** of the Buy-Back Program will be **up to thirty million (30,000,000) euros**.
- The **maximum number of shares** to be acquired under the Buy-Back Program will be **3,160,000**, representing the 3.33% of the Company's share capital.
- The shares will be acquired **according to the price and volume conditions** provided in article 3 of Delegated Regulation 2016/1052. In particular, regarding the price, Lar España will not purchase the shares at a price higher than the higher of the price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out, including when the shares are traded on different trading venues.

## 17 Parque Galaria retail warehouse divestment

**03.08.2018** Today, the Company has transferred to Fructiregions Europe SCPI **two retail warehouses in Parque Galaria retail park (Pamplona)** with a total gross leasable area (GLA) of approximately 4,108 sqm. The aforementioned sale has been formalized in public deed dated today, for a total price of **11.5 million euros** that represents (i) a capital **gain of 36.9% on the acquisition price** paid by the Company for said property in July 2015, and (ii) an **increase of 5.5% over the last valuation** of this asset made in June 2018.

## 18 Share buy-back program beginning

**28.09.2018** Lar España hereby informs that the Board of Directors, in the meeting held on 20 September 2018, has resolved to implement a **Buy-Back Program of the Company's own shares (the "Buy-back Program")** in accordance with the authorisation granted by the General Shareholders' Meeting held on 29 May 2017.

The Buy-back Program is subject to Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("Re-



- **In relation to the volume**, Lar España will not purchase on any trading day more than 25% of the average daily volume of the shares on the trading venue on which the purchase is carried out, being applicable such limit to all the Buy Back Program. For this purpose, the average daily volume shall be based on the average daily volume traded during either of the following periods: (a) the month preceding the month of the disclosure information about the Buy-Back Program; (b) the 20 trading days preceding the date of purchase.
- The Buy-Back Program **will remain in effect for the period of three (3) months** since the publication of this material fact. Notwithstanding the above, Lar España reserves the right to early terminate the Buy-back Program if, prior to the last effective date, the Company has acquired the maximum number of shares authorised.

The Buy-Back Program will be implemented by **JB Capital Markets, S.V., S.A.U.**

The Buy-Back Program will start with the notice of this material fact. Also, the Liquidity Contract signed by the Company and JB Capital Markets, S.V., S.A.U., on 5 July 2018, notified by means of material fact with number 254421, on 10 July 2017, in accordance with the terms of Circular 1/2017, of 26 April, of the Comisión Nacional del Mercado de Valores, on liquidity contracts, shall remain in suspension as long as the Buy-Back Program is operational.

Lar España will inform all the transactions carried out under the Buy-Back Program, according to the legislation in force. Likewise, it will notice the interruption, suspension, termination, and modification of the the Buy-Back Program of the Company.

19

### Liquidity contracts and specialists

**04.10.2018** According to the provisions of section 2 of the Fourth rule of Circular 1/2017, of 26 April, by the Comisión Nacional del Mercado de Valores on liquidity contracts for the purposes of their acceptance as a market practice, the Company hereby reports the transactions executed by **JB Capital Markets, Sociedad de Valores, S.A.U.** (the "Financial Intermediary"), in the context of the **Liquidity Contract** (the "Liquidity Contract" or the "Contract") from **1 July 2018 to 25 September 2018**, as well as the total amount of shares sold and purchased, and the overall amount of cash used for these transactions.

20

### Investor Day

**09.10.2018** The Company informs that on this date it will celebrate its "**Investor Day 2018**" and that all the materials that will be used during the event are available on the Company's website: <https://www.larespana.com/wp-content/uploads/2018/09/INVESTOR-DAY-2018-CN-MV.pdf>



21

### Composition of the Board of Directors

**16.10.2018** **Mr Pedro Luis Uriarte Santamarina**, independent director of the Company, **has tendered his resignation from the referred position**, effective from today. Mr Uriarte's resignation is also extended to all the positions he held at the Board of Directors of the Company (i.e. member and Chairman of the Audit and Control Committee). As disclosed by Mr Uriarte in writing to all the members of the Board of Directors, his decision to resign from his positions is strictly based on personal and family reasons that prevent him from performing his duties. Mr Uriarte requested his satisfaction for having held the referred positions and participating in the launch and consolidation of Lar España's project, while being part of such a highly qualified Board of Directors, both in terms of the professional and personal capabilities of its members, to be put on record.

The Board of Directors of the Company has accepted the resignation tendered by Mr Uriarte at its meeting today. The Company expressly states its sincere gratitude to Mr Uriarte for the services rendered in performing his duties, his extraordinary commitment to the vision, mission and values of the Company, and his valuable contribution over the past years, both to the Company and to the members of the Board of Directors personally.

In view of the vacancy generated, the Board of Directors of the Company, at its meeting today, and on the proposal prepared by the Appointments and Remunerations Committee, has resolved to appoint **Ms Leticia Iglesias Herraiz** as **independent director** of the Company, by means of the co-option procedure. Additionally, the Board of Directors has resolved to appoint Ms Leticia Iglesias Herraiz as **member and Chair of the Audit and Control Committee to replace Mr Uriarte**.

The Board of Directors understands that Ms Iglesias' extensive experience and strong track record – she has been Deputy Director to the President and of Supervision of Credit Entities of the Spanish National Securities Exchange Commission (CNMV), CEO of the Institute of Chartered Accountants of Spain (Instituto de Censores Jurados de Cuentas de España, ICJCE), and independent board member, member of the Executive Committee, member of the Audit Committee and Chair of the Global Risk Committee at Banco Mare Nostrum, S.A. (BMN), among others – means that she has the appropriate profile to hold the position as director of Lar España, and as member and Chair of the Audit and Control Committee of the Company. Ms Iglesias is also an independent director and Chair of the Audit and Compliance Committee at ABANCA Corporación Bancaria, S.A.

Additionally, Ms Iglesias' appointment implies that the **percentage of female members at the Board of Directors virtually reaches a 30% of all members**, thus facilitating fulfilment of the objective set on the Good Governance Code of Listed Companies and on the Company's director selection policy, which requires such percentage to be reached by 2020. In this way, the Company keeps moving forward **towards consolidating the best corporate governance practices**.



## 22 European Investment Bank (EIB) financing

**26.10.2018** The Company informs that on this date it has entered into a seven years' credit line for a total amount of **70,000,000 Euros** with the **European Investment Bank (the "EIB")**. The referred financing granted by the EIB has the support of the Investment Plan for Europe.

Lar España is the first entity in securing a credit line of this amount and characteristics, which, according to its nature, contributes to the fulfilment of the Company's business plan, as it is based on sustainability as one of its main pillars.

## 23 Joan Miró office building divestment

**28.12.2018** Today, **the Company** (through its wholly owned company LE Offices Joan Miró 21 SLU) **has transferred to an AEW company named Grantham Invest, S.L. an office building and a retail unit on ground floor** at Calle Joan Miró 19-21 Barcelona, with a total gross leasable area (GLA) of approximately 9,904 square meters.

The aforementioned sale has been formalized in public deed dated today, for a **total price of 28.8 million euros**. The sale price agreed for the transfer of the mentioned properties represents (i) a **capital gain of 26.9%** on the acquisition price paid by the Company for said properties mainly in June 2015; and (ii) an **increase of 17.6%** over the valuation of these assets made in June 2018.



## 24

**Share Buy-Back Program term extension**

**28.12.2018** With reference to the material fact released on 28 September 2018 (registry number 270006), Lar España herein informs that its Board of Directors, at the meeting held on 20 December 2018, **has agreed to extend the term of the share buy-back program** (the "Share Buy-back Program") currently in place, **setting a new expiration date on 28 February 2019. The other conditions of the Share Buy-back Program remain unchanged in the terms previously released by the Company.**

The Share Buy-back Program is subject to provisions set forth in Regulation (EU) N° 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("Regulation 596/2014"), in Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, supplementing Regulation (EU) N° 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures ("Delegated Regulation 2016/1052"), as well as in any other applicable rules and regulations.

In line with provisions contained in section 2.a) within article 5 of Regulation 596/2016, the aim of the Share Buy-back Program is **Lar España's share capital reduction.**

The extension of the Share Buy-back Program shall be effective upon the release of this material fact, being its duration the sole modification.

**Lar España will report every transaction performed under the Share Buy-back Program of the Company** in compliance with laws and regulations in force.

Consistently, the Company will any report interruption, suspension, termination or amendment of the Share Buy-back Program.

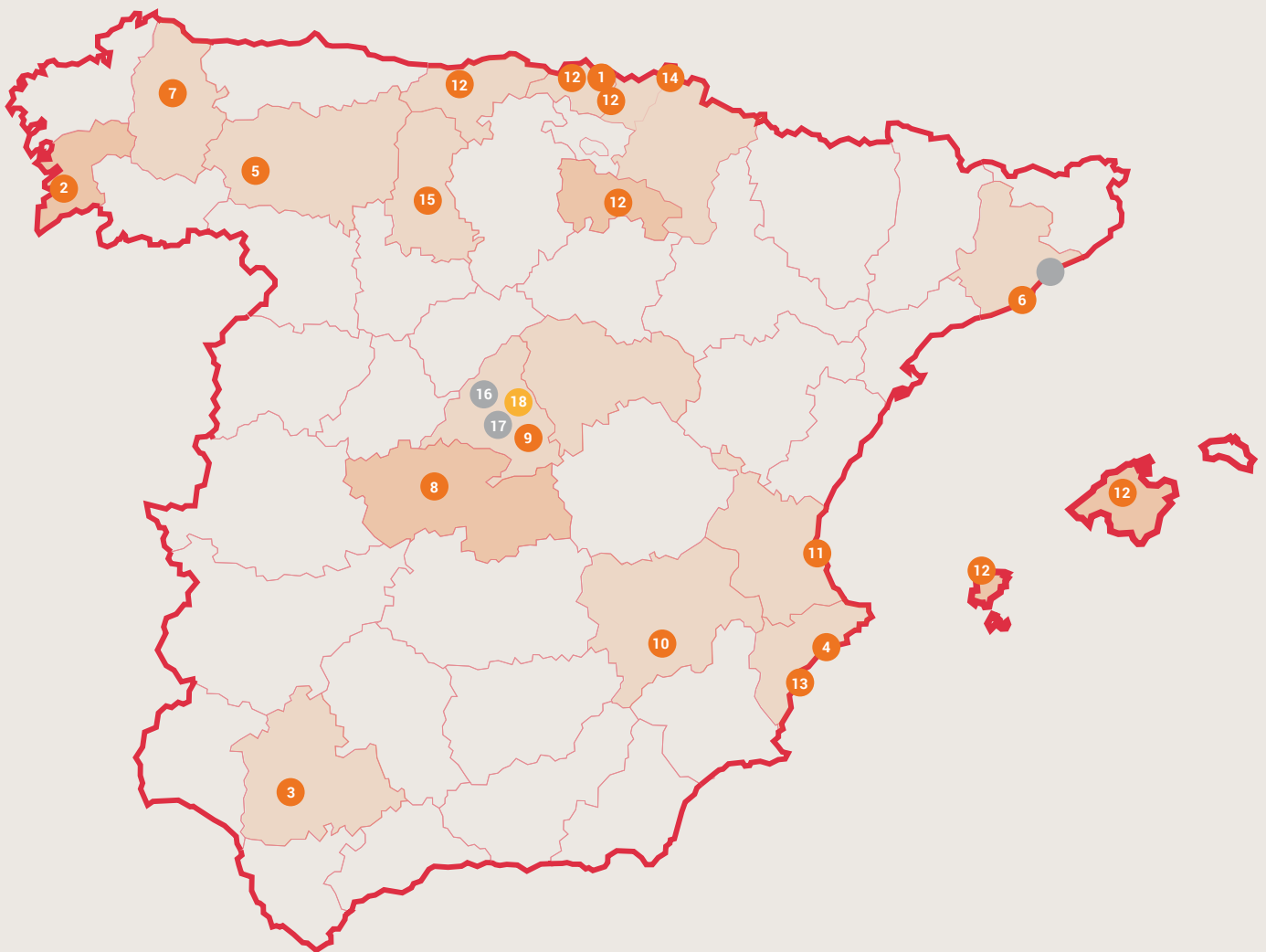
Finally, the Company informs that in the next dates **it will proceed to the amortization of the own shares acquired in the context of the Share Buy-back Program until 20 December 2018** (i.e. 1,452,272 ordinary shares of the Company), as well as the remaining treasury shares (i.e. 92,218 additional shares).

As Termas Shopping Centre (Lugo)





## 1.6 Portfolio at 31 December 2018



**GAV**  
**1.5**  
BILLION EUROS





## Retail

- |    |   |    |
|----|---|----|
| 1  | Megapark + Megapark Leisure Area (Vizcaya)  | SC |
| 2  | Gran Vía (Vigo)   | SC |
| 3  | Lagoh (Sevilla) (*)   | SC |
| 4  | Portal de la Marina + Hypermarket (Alicante)  | SC |
| 5  | El Rosal (León)   | SC |
| 6  | Anec Blau (Barcelona)   | SC |
| 7  | As Termas + Petrol Station (Lugo)   | SC |
| 8  | Parque Abadía and Commercial Gallery (Toledo)   | RP |
| 9  | Rivas Futura (Madrid)   | RP |
| 10 | Albacenter + Hypermarket and retail units (Albacete)                                      | SC |
| 11 | VidaNova Parc (Valencia)  | RP |
| 12 | Supermarkets Portfolio (22 units) (Cantabria, País Vasco, La Rioja, Navarra and Baleares) | RU |
| 13 | Vistahermosa (Alicante)   | RP |
| 14 | Txingudi (Guipúzcoa)  | SC |
| 15 | Las Huertas (Palencia)  | SC |

SC- Shopping Centre

RP- Retail Park

RU- Retail Unit

(\*) Project under development



## Offices

- |    |                          |
|----|--------------------------|
| 16 | Eloy Gonzalo (Madrid)    |
| 17 | Marcelo Spínola (Madrid) |



## Residential

- |    |                    |
|----|--------------------|
| 18 | Lagasca99 (Madrid) |
|----|--------------------|

**MEGAPARK, BILBAO**

Location	Barakaldo (Bilbao)
GLA	83,349 sqm
Purchase Date	19 October 2015/27 October 2017
Acquisition Price	EUR 178.7 m
Market Value (31 December 2018)*	EUR 222.2 m
WAULT	3.0 years
EPRA Net Initial Yield	4.8%
EPRA Vacancy Rate	11.5% **

**GRAN VÍA, VIGO**

Location	Vigo
GLA	41,432 sqm
Purchase Date	15 September 2016
Acquisition Price	EUR 141.0 m
Market Value (31 December 2018)*	EUR 173.0 m
WAULT	2.2 years
EPRA Net Initial Yield	5.4%
EPRA Vacancy Rate	0.5%

**LAGOH, SEVILLA**

Location	Sevilla
Retail and family leisure place	100,000 sqm
Purchase Date	1 March 2016
Acquisition Price	EUR 40.5 m
Market Value (31 December 2018)*	EUR 132.0 m
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

**PORTAL DE LA MARINA AND HYPERMARKET, ALICANTE**

Location	Ondara (Alicante)
GLA	40,158 sqm
Purchase Date	30 October 2014/30 March 2016/9 June 2015
Acquisition Price	EUR 89.2 m
Market Value (31 December 2018)*	EUR 129.2 m
WAULT	2.8 years
EPRA Net Initial Yield	5.5%
EPRA Vacancy Rate	6.3% **

\* The valuations have been made by external independent valuers : JLL or C&amp;W.

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

**EL ROSAL, LEÓN**

Location	Ponferrada (León)
GLA	51,156 sqm
Purchase Date	7 July 2015
Acquisition Price	EUR 87.5 m
Market Value (31 December 2018)*	EUR 110.2 m
WAULT	3.0 years
EPRA Net Initial Yield	5.7%
EPRA Vacancy Rate	5.6%

**ANEC BLAU, BARCELONA**

Location	Casteldefels (Barcelona)
GLA	28,632 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 80.0 m
Market Value (31 December 2018)*	EUR 97.1 m
WAULT	3.0 years
EPRA Net Initial Yield	4.3%
EPRA Vacancy Rate	7.3% **

**AS TERMAS AND PETROL STATION, LUGO**

Location	Lugo
GLA	35,127 sqm
Purchase Date	15 April 2015/28 July 2015
Acquisition Price	EUR 68.8 m
Market Value (31 December 2018)*	EUR 87.6 m
WAULT	2.1 years
EPRA Net Initial Yield	5.8%
EPRA Vacancy Rate	2.8%

**PARQUE ABADÍA AND COMMERCIAL GALLERY, TOLEDO**

Location	Toledo
GLA	43,154 sqm
Purchase Date	27 March 2017/20 February 2018
Acquisition Price	EUR 77.1 m
Market Value (31 December 2018)*	EUR 83.4 m
WAULT	2.3 years
EPRA Net Initial Yield	5.7%
EPRA Vacancy Rate	6.1% ***

\* The valuations have been made by external independent valuers : JLL or C&amp;W.

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

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

**RIVAS FUTURA, MADRID**

Location	Rivas (Madrid)
GLA	36,447 sqm
Purchase Date	6 February 2018
Acquisition Price	EUR 61.6 m
Market Value (31 December 2018)*	EUR 67.5 m
WAULT	2.2 years
EPRA Net Initial Yield	5.4%
EPRA Vacancy Rate	4.2%

**ALBACENTER, HYPER  
AND R.U., ALBACETE**

BREEAM ES



Location	Albacete
GLA	27,890 sqm
Purchase Date	30 July 2014/19 December 2014
Acquisition Price	EUR 39.9 m
Market Value (31 December 2018)*	EUR 60.4 m
WAULT	1.9 years
EPRA Net Initial Yield	4.5%
EPRA Vacancy Rate	2.8%

**VIDANOVA PARC, VALENCIA**

Location	Sagunto (Valencia)
GLA	45,568 sqm
Purchase Date	3 August 2015
Acquisition Price	EUR 14.0 m
Market Value (31 December 2018)*	EUR 59.9 m
WAULT	4.9 years
EPRA Net Initial Yield	5.7%
EPRA Vacancy Rate	0.0%

**SUPERMARKETS PORTFOLIO  
(22 UNITS)**

Location	Cantabria, País Vasco, La Rioja, Navarra and Baleares
GLA	27,909 sqm
Purchase Date	27 March 2017
Acquisition Price	EUR 47.6 m
Market Value (31 December 2018)*	EUR 53.0 m
WAULT	12.3 years
EPRA Net Initial Yield	7.1%
EPRA Vacancy Rate	0.0%

\* The valuations have been made by external independent valuers : JLL or C&amp;W.

**VISTAHERMOSA,  
ALICANTE**

Location	Alicante
GLA	33,363 sqm
Purchase Date	16 June 2016
Acquisition Price	EUR 42.5 m
Market Value (31 December 2018)*	EUR 50.5 m
WAULT	4.7 years
EPRA Net Initial Yield	5.6%
EPRA Vacancy Rate	5.1%

**TXINGUDI, GUIPÚZCOA**

Location	Irún (Guipúzcoa)
GLA	10,712 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 27.7 m
Market Value (31 December 2018)*	EUR 37.5 m
WAULT	2.8 years
EPRA Net Initial Yield	6.6%
EPRA Vacancy Rate	2.4%

**LAS HUERTAS,  
PALENCIA**

Location	Palencia
GLA	6,267 sqm
Purchase Date	24 March 2014
Acquisition Price	EUR 11.7 m
Market Value (31 December 2018)*	EUR 12.6 m
WAULT	1.5 years
EPRA Net Initial Yield	7.1%
EPRA Vacancy Rate	6.6%

**ELOY GONZALO, MADRID**

Location	Madrid
GLA	6,401 sqm
Purchase Date	23 December 2014
Acquisition Price	EUR 12.7 m
Market Value (31 December 2018)*	EUR 39.4 m
WAULT	11.6 years
EPRA Net Initial Yield	3.0%
EPRA Vacancy Rate	0.0%

\* The valuations have been made by external independent valuers : JLL or C&W.

**MARCELO SPÍNOLA, MADRID**BREEAM<sup>ES</sup>

Location	Madrid
GLA	8,875 sqm
Purchase Date	31 July 2014
Acquisition Price	EUR 19.0 m
Market Value (31 December 2018)*	EUR 37.0 m
WAULT	2.1 years
EPRA Net Initial Yield	0.4%
EPRA Vacancy Rate	69.4%

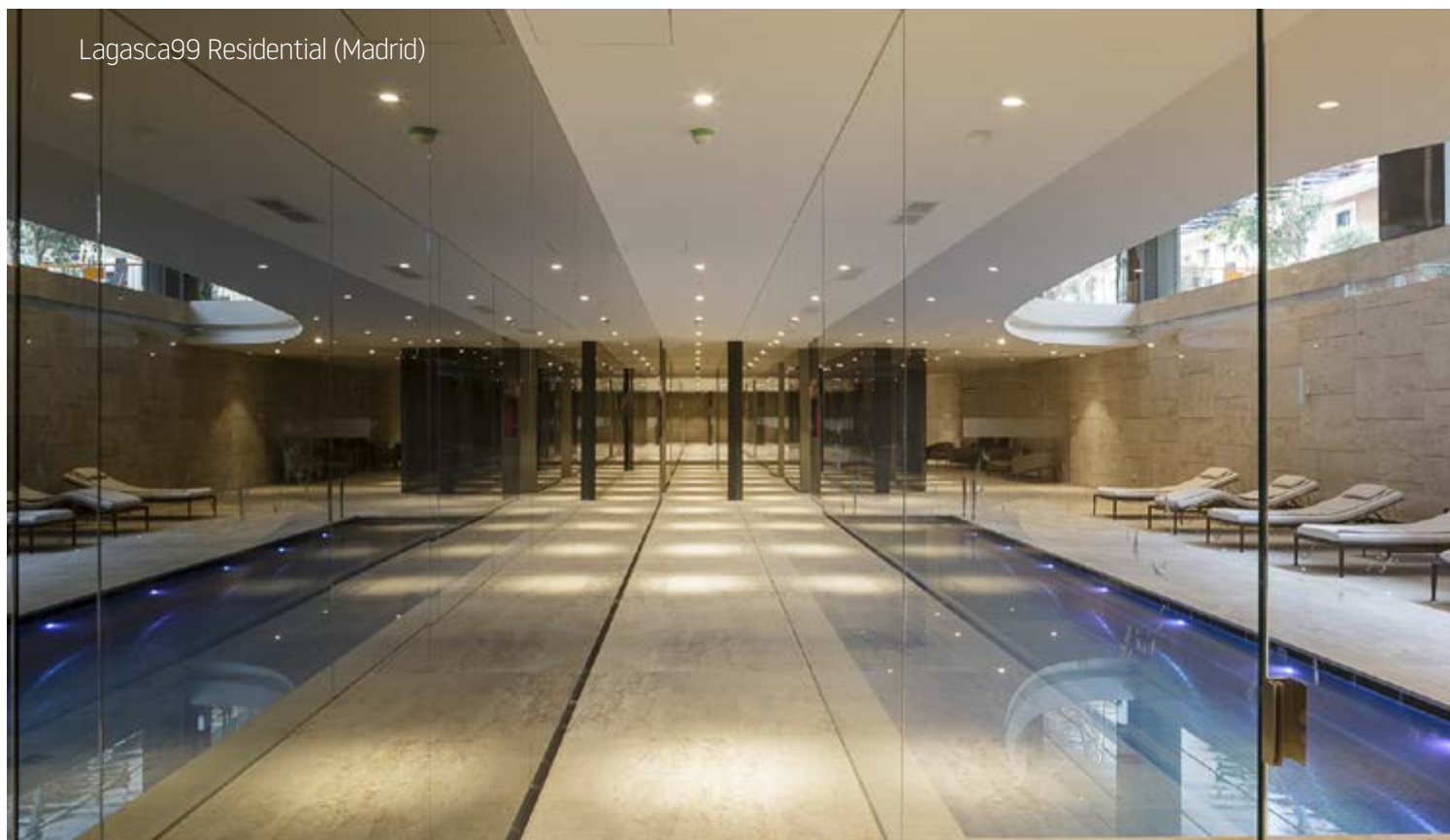
**LAGASCA99, MADRID**LAGASCA99  
UNICO | INDELETABLE | VALORIZABLE

Location	Madrid
GLA	26,203 sqm
Purchase Date	30 January 2015
Acquisition Price	EUR 50.1 m <sup>(1)</sup>
Market Value (31 December 2018)*	EUR 83.4 m <sup>(1)</sup>
WAULT	N/A
EPRA Net Initial Yield	N/A
EPRA Vacancy Rate	N/A

(1) Corresponds to the 50% of the Joint Venture with PIMCO.

\* The valuations have been made by external independent valuers : JLL or C&W.

## Lagasca99 Residential (Madrid)



## Our retail portfolio at a glance:

**Dominant prime** shopping centres in their catchment area in relevant locations

By size <sup>(3)</sup> (GAV)

**15 #Assets**

**581,164 GLA (sqm) <sup>(1)</sup>**

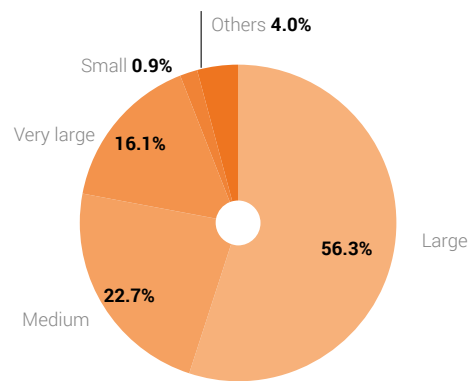
**76.5 Annualised Gross Rent (€M)**

**1,376 GAV (€M)**

**5.5% EPRA “topped-up” NIY**

**94.8% Occupancy <sup>(2)</sup>**

**63 Annual footfall (Million of visits)**



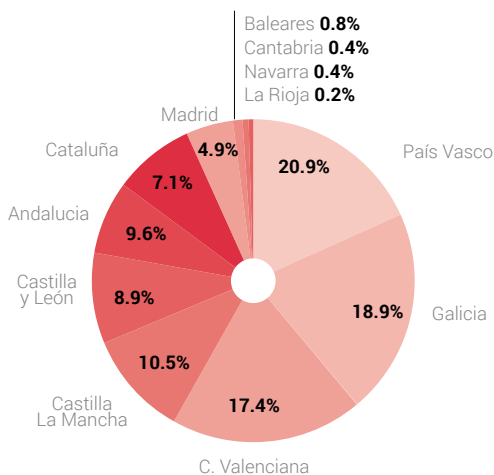
(1) Including the opening of the Lagoh shopping centre development, scheduled for 2019

(2) Ratio calculated under EPRA recommendations

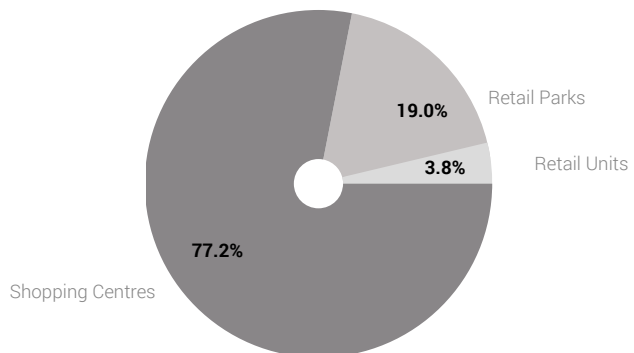
(3) According to Spanish Association of Shopping Centres (AECC):

Very Large (>79,999 sqm)  
 Large (40,000-79,999 sqm)  
 Medium (20,000-39,999 sqm)  
 Small (5,000-19,999 sqm)

By geography (GAV)



By type (GAV)



**73%**  
of our retail assets are classified as Large or Very Large

## 1.7 Key Indicators

During 2018 Lar España generated revenues of **77,841 thousand Euros** and a net profit of **129,308 thousand Euros**, being the most relevant figures the following:

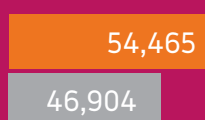
### Revenues

(Thousands of Euros)



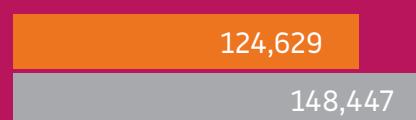
### EBITDA (\*)

(Thousands of Euros)



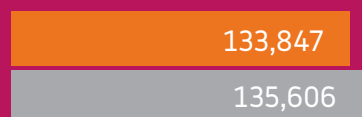
### EBIT (\*)

(Thousands of Euros)



### EBT (\*)

(Thousands of Euros)



### Net Profit (\*)

(Thousands of Euros)



● 2018    ● 2017

**77,841**  
Thousands of  
Euros  
Revenues

**129,308**  
Thousands of  
Euros  
Net Profit

**+16%**  
EBITDA  
vs. 2017

(\*) For more clarity as regards these figures, see page 72 "Consolidated Statement of Comprehensive Income"

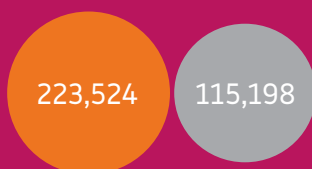


## Other Financial Indicators

The Group presents the following financial indicators:

### Working capital

(Thousands of Euros)



### Liquidity ratio

(%)



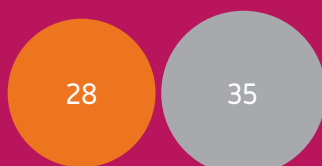
### Solvency ratio

(%)



### Net LTV

(%)



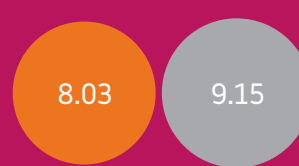
### ROE

(%)



### ROA

(%)



● 31/12/2018 ● 31/12/2017

At 31 December 2018, and 31 December 2017, the Group presented ratios related to liquidity (working capital and liquidity ratio) with very high values, showing that the Group has sufficient liquidity and a high safety margin to meet its payments.

At 31 December 2018, the **ROE ("Return on Equity")**, which measures the Group's profitability as a percentage of its shareholders equity, amounted to **13.42%** (15.77% at 31 December 2017) whilst the **ROA ("Return on Assets")**, which measures the efficiency of the Group's total assets regardless of the sources of financing used, i.e. the ability of a company's assets to generate income, was **8.03%** (9.15% at 31 December 2017).

# 1.8 Business Performance

## a. Income Distribution

### Rental Income

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

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

Rental Income by asset class (%). FY 2018



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

### Income by Shopping Centre (%)

Megapark + Megapark Leisure Area	17.7	
Gran Vía de Vigo	13.4	
Portal de la Marina + Hyper	10.1	
El Rosal	9.3	
Anec Blau	8.0	
As Termas + Petrol Station	7.5	
Parque Abadía + Commercial Gallery Supermarkets Portfolio	7.1	
Albacenter + Hyper	5.2	
Vistahermosa	4.7	
Rivas Futura	4.5	
Txingudi	3.4	
VidaNova Parc	1.6	
Las Huertas	1.3	
Parque Galaria (*)	0.6	
Villaverde (*)	0.2	
Nuevo Alisal (*)	0.2	

### Income by Logistics Warehouse (%)

Alovera II (*)	47.8	
Alovera I (*)	21.3	
Almussafes (*)	13.8	
Alovera IV (C5-C6) (*)	13.8	
Alovera III (C2) (*)	3.3	

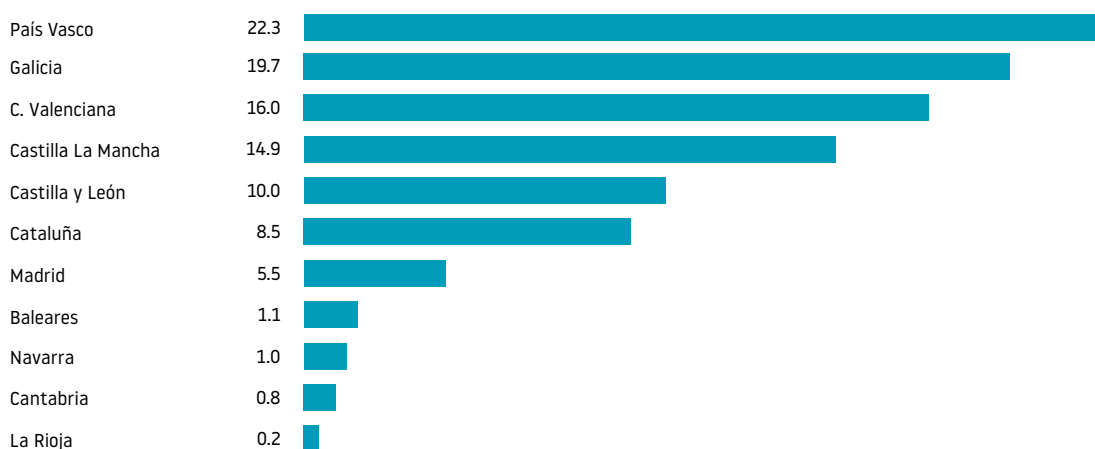
### Income by Office Building (%)

Joan Miró (*)	48.1	
Marcelo Spínola	25.0	
Eloy Gonzalo	19.1	
Egeo (*)	7.8	

(\*) Asset sold during 2018

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

### Income per region (%)



Below are the **ten tenants that have generated the most revenue** during 2018 and their main characteristics:

Ranking	Trade Name	Asset	% of total rental income	% Acumulated	Lease end	Sector
1	<b>INDITEX</b>	Anec Blau, Albacenter, El Rosal, As Termas, Portal de la Marina, Gran Vía de Vigo	7.31%	7.31%	2025 - 2034	Retail Fashion
2	<b>Garrefour</b>	Alovera II, El Rosal, Gran Vía de Vigo, Portal de la Marina hypermarket	7.20%	14.51%	2028 - 2060	Distribution/ Hypermarket
3	<b>EROSKI</b>	Albacenter hypermarket, As Termas petrol station, Supermarkets portfolio	5.62%	20.13%	2019 - 2051	Petrol Station/ Distribution
4	<b>MediaMarkt</b>	Megapark, Vistahermosa, As Termas, Parque Abadía, Rivas Futura, Villaverde, Nuevo Alisal	4.38%	24.51%	2023 - 2041	Technology
5	<b>DECATHLON</b>	Megapark, Parque Abadía, VidaNova Parc	3.02%	27.53%	2036 - 2043	Distribution
6	<b>Conforama</b>	Rivas Futura, Parque Abadía, VidaNova Parc, Megapark	2.61%	30.14%	2028 - 2038	Distribution
7	<b>El Corte Inglés</b>	Rivas Futura, Megapark, Parque Galaria, Gran Vía de Vigo	2.42%	32.56%	2020 - 2029	Distribution
8	<b>CORTEFIEL</b>	Albacenter, Anec Blau, As Termas, Las Huertas, VidaNova Parc, Megapark, Portal de la Marina, Txingudi, El Rosal, Gran Vía de Vigo, Vistahermosa, Galería Abadía	2.23%	34.79%	2019 - 2030	Retail Fashion
9	<b>Alcampo</b>	Parque Abadía, Vistahermosa	2.05%	36.84%	2055 - 2061	Distribution/ Hypermarket
10	<b>H&amp;M</b>	Anec Blau, Albacenter, El Rosal, As Termas, Portal de la Marina, Gran Vía de Vigo, Txingudi	1.93%	38.77%	2022 - 2047	Retail Fashion

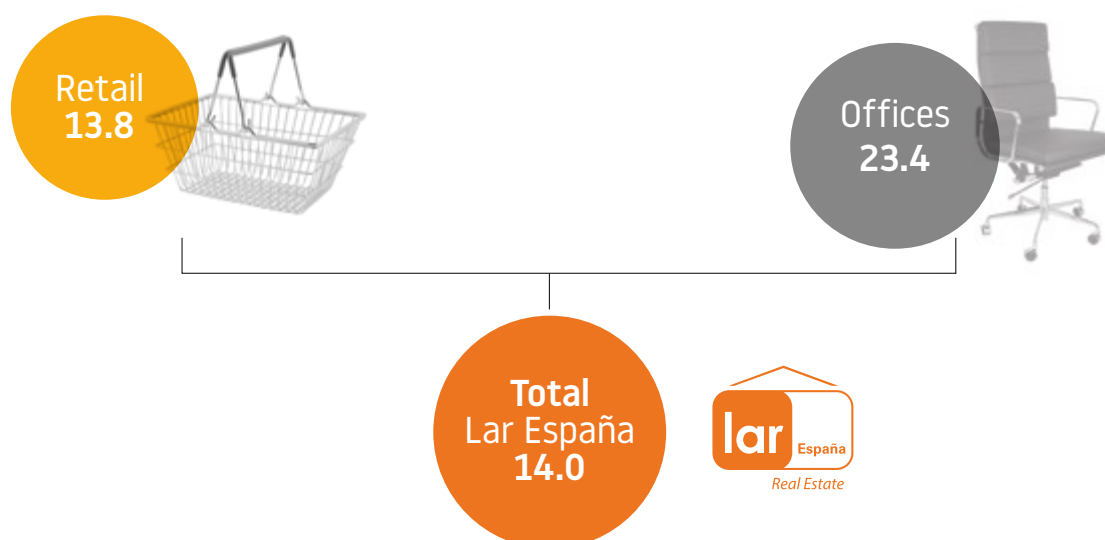
## Gross annualised rents

The **annualised GRI** (\*) of Lar España is detailed below, as well as the **annualised GRI per occupied sqm** as at 31 December 2018:

Asset	Annualised Gross Rents (Thousands of euros)	GLA occupied (sqm)	Gross Rent (€/sqm/month)
Megapark + leisure area	12,544	67,896	15.4
Gran Vía Vigo	10,184	41,213	20.6
Portal de la Marina + hypermarket	7,936	38,704	17.1
El Rosal	7,477	48,079	13.0
Anec Blau	5,341	23,940	18.6
As Termas + petrol station	5,924	33,856	14.6
Parque Abadía + commercial gallery	5,191	40,596	10.7
Rivas Futura	4,205	30,434	11.5
VidaNova Parc	4,226	45,568	7.7
Supermarkets portfolio	3,839	27,909	11.5
Albacenter + hypermarket	3,643	25,695	11.8
Vistahermosa	3,585	30,352	9.8
Txingudi	2,688	10,532	21.3
Las Huertas	1,063	5,671	15.6
<b>TOTAL RETAIL</b>	<b>77,846</b>	<b>470,445</b>	<b>13.8</b>
Eloy Gonzalo	1,686	6,401	21.9
Marcelo Spinola	649	1,905	28.4
<b>TOTAL OFFICES</b>	<b>2,335</b>	<b>8,306</b>	<b>23.4</b>
<b>TOTAL LAR ESPAÑA</b>	<b>80,181</b>	<b>478,751</b>	<b>14.0</b>

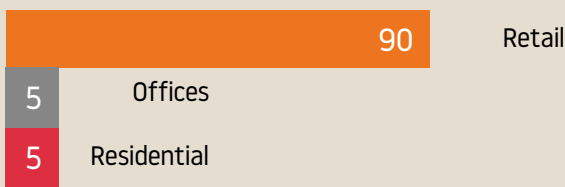
(\*) The annualised GRI is calculated using the EPRA NIY of each asset.  
Annualised GRI = annualised passing rental income from real estate investments + effect of rent-free periods and temporary rental discounts.  
See section 3 "EPRA Information".

### Gross annualised rent / sqm occupied by asset class (€/sqm/month)





**GAV by asset class (%) (\*)**

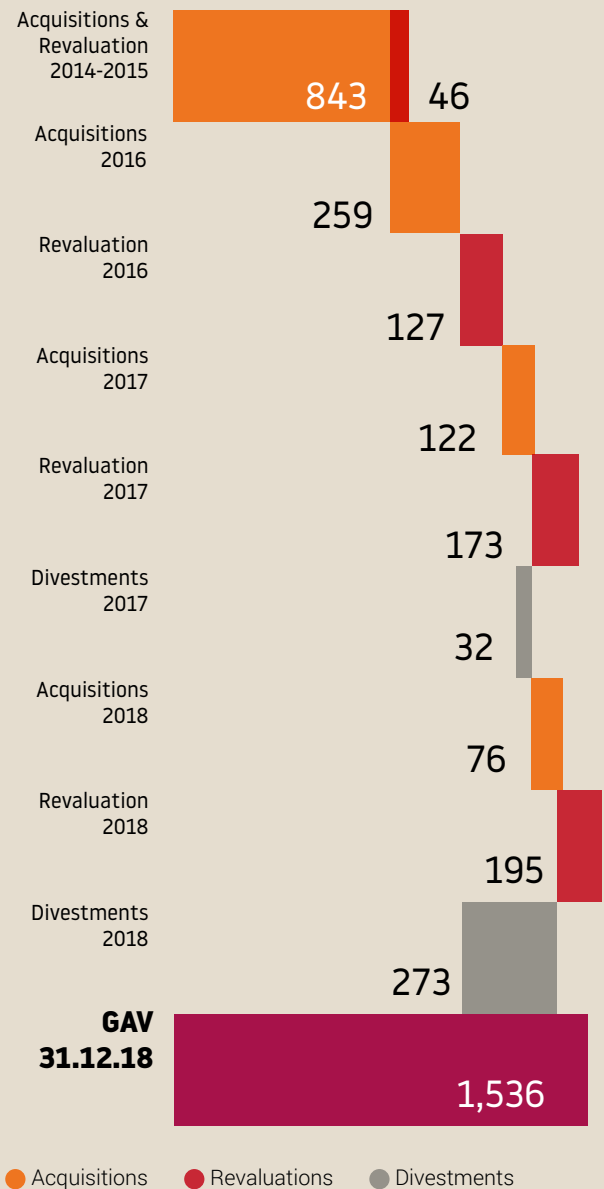


(\*) As at 31 December 2018, development projects represent 9% of the total GAV.

The total value of Lar España's Portfolio as at 31.12.18 has climbed a **40%** versus the acquisition price.

**b. Value of Lar España's portfolio at 31.12.18**

As at 31 December of 2018, the total value of Lar España's portfolio totals **EUR 1,536 million**.



During 2018 Lar España acquired two properties for **€76 million** (Rivas Futura retail park and Parque Abadía commercial gallery). It also made disposals of **€273 million** (Egeo and Joan Miró office buildings, Nuevo Alisal, Villaverde and Parque Galaria retail warehouses and the logistic portfolio).

According to the valuation reports published by JLL and Cushman & Wakefield dated 31<sup>st</sup> December 2018, the breakdown of **value uplift by asset class vs previous year and acquisition price** is as follows:

### Retail (%)



Since acquisition

LfL December 2018 vs. LfL December 2017

### Offices (%)



Since acquisition

LfL December 2018 vs. LfL December 2017

**Total Lar España 12.1%**  
LfL December 2018  
(vs. December 2017)



**Total Lar España 40.0%**  
Since acquisition



## c. Capex

The company has continued to refurbish and improve the assets in its portfolio in order to generate more value, investing circa **€135 million** during 2018.

The breakdown of investment by asset class is as follows:

CAPEX investment (Thousands of euros)



A total of circa 109 million Euros has been invested in the three **projects under construction** during 2018 (Lagoh, VidaNova Parc and Lagasca99), equating to **81%** of all investment. With a sum of more than **€9.0 million** invested, **Megapark and Portal de la Marina** shopping centres have led the way in terms of retail investment. **Eloy Gonzalo** office building had the highest capex investment in the office sector.

### Value creation through CAPEX (million of euros)









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

Below we detail the value creation of the 4 refurbishment projects completed in 2018:

Asset	Capex invested	EPRA topped-up net rent pre refurbishment	EPRA topped-up net rent post refurbishment	Growth	Market Value pre refurbishment	Market Value post refurbishment	Growth
<b>Albacer Shopping Centre</b>	3.0	3.24	3.51	<b>+8.3%</b>	52.05	57.94	<b>+11.3%</b>
<b>Eloy Gonzalo Office Building</b>	4.0	0.30	1.55	<b>+411.2%</b>	15.00	39.40	<b>+162.7%</b>
<b>As Termas Shopping Centre</b>	2.1	5.11	5.55	<b>+8.8%</b>	84.23	87.56	<b>+4.0%</b>
<b>Portal de la Marina Shopping Centre</b>	3.4	7.35	7.39	<b>+0.5%</b>	119.80	129.18	<b>+7.8%</b>

## Refurbishment pipeline

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

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



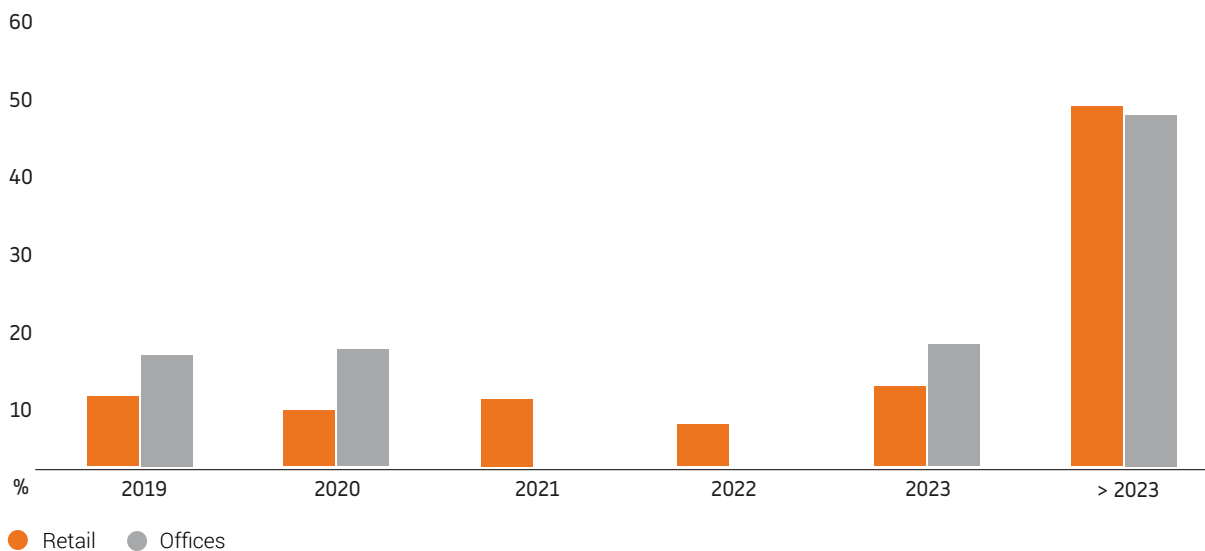
## d. Lease Expiry and WAULT

We continue to actively manage our portfolio, allowing us to achieve a **solid and diversified tenant base**.

Leases with our main tenants have been renewed and extended, thereby achieving sizeable minimum guaranteed

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

Lar España's portfolio lease expiry scheduled by year (%)



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

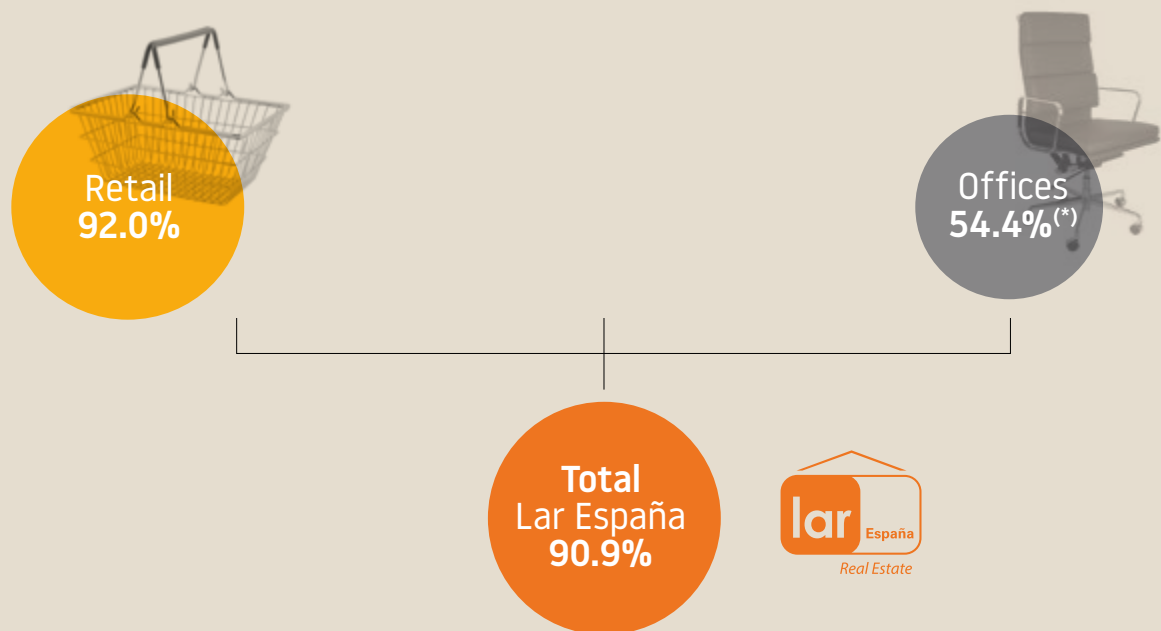


(\*) Calculated as the number of years from the current date to the first break option, weighted by the gross rent for each lease. The WAULT of each asset is detailed in section 1.6 "Portfolio at 31 December 2018".

## e. Occupancy (sqm)

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

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



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





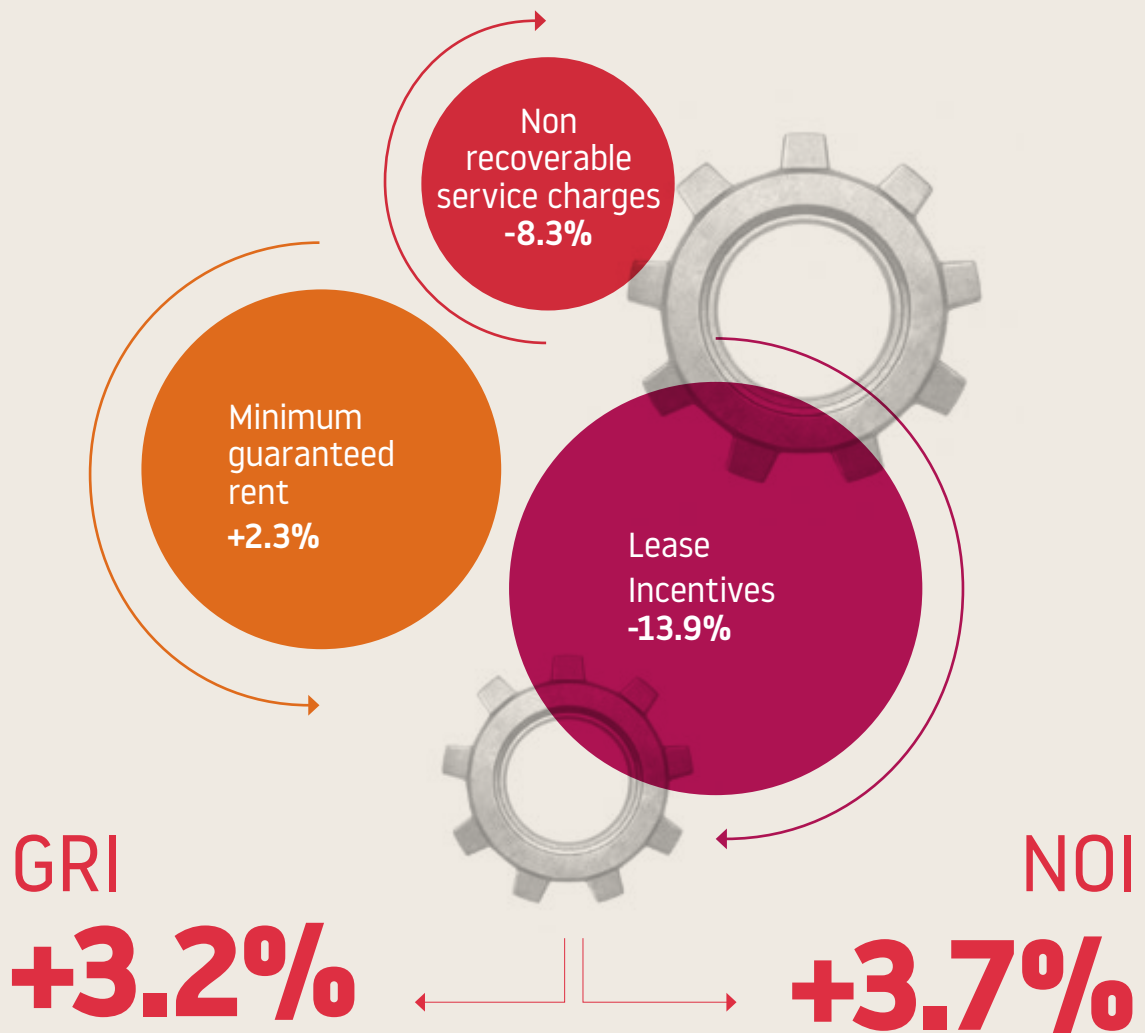
## f. Main Milestones

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



### Retail

#### LfL key indicators evolution



## Major operative milestones

During 2018 Lar España continued to actively manage its retail portfolio. It closed **154 transactions** including renewals, relocations, relettings and new lettings, resulting in an annualised tenant rotation rate of **8%** for the portfolio.

**38,723 sqm**

Rotated

**+12.4% (\*)**

Rent uplift

**8.3 million euros**

Negotiated rent

**8%**

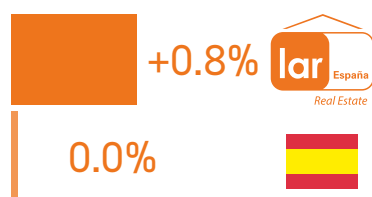
Tenant  
rotation rate

	Renewals	Relocations and relettings	New lettings	TOTAL
<b>Number of operations</b>	76	69	9	<b>154</b>
<b>sqm</b>	19,968	16,832	1,923	<b>38,723</b>

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

## 2018 Footfall

**63.0 million of visitors** in our shopping centres during 2018



**+0.8% <sup>(1)</sup>**  
vs. 2017

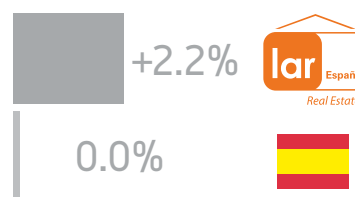
**0.0%**

Average Spanish Footfall <sup>(2)</sup>



## 2018 Sales

Good sales performance in the shopping centres:  
**708.4<sup>(3)</sup> million of euros**



**+2.2%**  
vs. 2017

**0.0%**

Spain Retail Sales <sup>(4)</sup>



(1) Affected by refurbishments during the year  
(2) Shoppertrak Index

(3) Declared sales  
(4) National Statistics Institute (INE)

## Retail Users Data

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

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

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



**87 min.**  
average  
dwell time

**+6%**  
vs. 2017



**1,961,400,946 min.**  
of  
total use<sup>(\*)</sup>

**+4%**  
vs. 2017

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

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

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

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

Some of the **main operations** during the period between 1 October and 31 December 2018 are detailed below:

More than €480,000 annual  
negotiated rent

9 operations

**Main operations:**

- Reletting of Stradivarius (580 sqm)
- Reletting of Udon (229 sqm)



1,553 sqm

More than €462,000 annual  
negotiated rent

5 operations

**Main operations:**

- Reletting of Yelmo Cines (2,943 sqm)
- Renewal of Inside (164 sqm)



3,501 sqm

More than €406,000 annual  
negotiated rent

9 operations

**Main operations:**

- Renewal of Guesku (1,217 sqm)
- Reletting of Guess (342 sqm)



2,717 sqm

More than €1,123,000 annual  
negotiated rent

26 operations

**Main operations:**

- Reletting of Espacio Casa (1,675 sqm) at Rivas Futura
- New letting of Kiwoko (861 sqm) at Albacenter



**Rest of the portfolio**

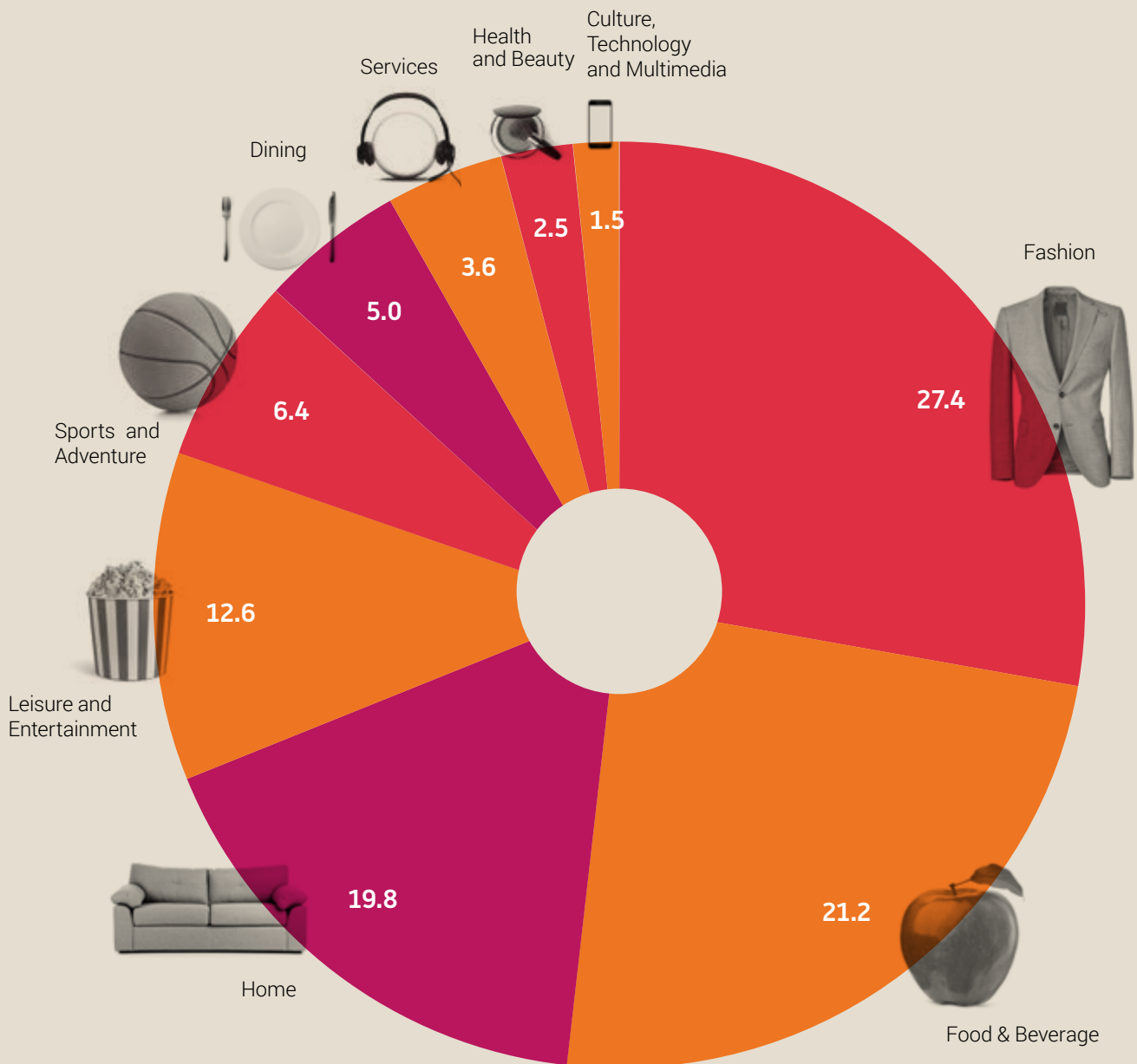
5,491 sqm

The **Lagoh shopping centre** development continues to attract tenants, with **82% (\*) of the GLA already pre-let** at 31 December 2018 (57,473 sqm), to over **100 renowned retailers**. A total of **25 pre-lets** were signed during Q4 (4,157 sqm). The family leisure and entertainment centre, which will be a flagship opening for Seville, will host a range of renowned tenants such as Mercadona, Primark, Yelmo Cines, Urban Planet, KFC, Adidas and all of the Inditex brands, to name but a few.

(\*) As per the reporting date, 27 February 2019, the GLA already pre-let stands at **90%**.

## Retail Tenant Mix (%)

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



**9.3%**  
Average effort rate

## Innovation, differentiation and events

### Spanish Shopping Centre Association (AECC) event

On **3, 4 and 5 October**, the **Granada Convention Centre** welcomed the most influential professionals and companies from the retail sector to celebrate the sixteenth edition of the **Spanish Convention of Shopping Centres and Retail Parks**. This biennial event is well-established as the meeting place for professionals and companies that share the same goals and operate within the shopping centre and retail park sector in Spain.

The **retail fair** occupied over 793 sqm and featured **65 stands** representing the leading companies in the sector. Each company presented initiatives, projects, and discussed the future of retail and innovation at the national and international level. The shopping centres of the future were presented under the slogan "**Shopping Centres 4.0**".

Once again, Lar España had a stand at the fair, where it presented the recent unveiling of **VidaNova** retail park and the **Lagoh** project, along with all its other operational shopping centres.

The retail fair was brought to a close with a **trends and design showcase, a full conference programme and a technical visit** of the shopping centres in the area. The event ended with a closing dinner and the AECC 2018 awards ceremony.

Over one thousand people took part in the event and, for the first time, a guest country was invited to the Convention. Portugal had its own stand and a round table discussing the performance of its retail industry, looking at the potential for collaboration between both markets.

Lar España stand in AECC event





## Lar España Investor Day

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

The company had already achieved **47%** of the targets set out in its business plan at end-Q3, a plan which remains focused on **specialising in retail properties** and divesting non-strategic assets. As such, Lar España will be able to invest in developments and improvements of properties in its portfolio, as well as the acquisition of new retail properties. The flexible structure of the SOCIMI’s debt was also highlighted at the event, along with its intention to continue to pay out an **ordinary dividend** in line with previous years (5% of the average NAV for the year) and another **extraordinary dividend** associated with the divestment of Lagasca99.

At the event, Chairman José Luis del Valle highlighted how, in just one year, **half of the scheduled divestments have been made**, achieving strong value uplift, and that the VidaNova Parc project is now operational. He added that “this progress undoubtedly reaffirms our credibility and the confidence our investors have in us”.

Miguel Pereda, Lar España’s Director, said that “the transactions we have carried out allow us to achieve our aim of focusing on retail properties, which now account for **90% of our entire portfolio**, and which, thanks to good management, are now outperforming the average figure for Spain, both in terms of footfall and sales.” With the opening of Lagoh shopping centre in Seville in 2019, Lar España will become the **biggest retail operator in Spain**.

The event, which took place at The Valley Digital Business School, was a resounding success in terms of attendance figures for investors and analysts working with the company both in Spain and internationally, and it clearly demonstrated the need to hold regular events with the main stakeholders.

José Luis del Valle, Lar España’s Chairman, at Lar España Investor’s Day



### Christmas at our shopping centres

When Christmas comes around, shopping centres are ablaze with fairy lights and anticipation, as families and young people flock to enjoy the best the season has to offer. With all the **decorations, activities and events** to be discovered, it's the most magical time of the year to visit a shopping centre. This year, Lar España wanted to remind our customers of the importance of working together to help others.

We're still strong believers in tradition, and some of our shopping centres received a visit from Santa Clause while others were honoured with the presence of the Three Kings. But we also wanted to lend their majesties a hand, and so once again we were delighted to host royal post boxes in our shopping centres to help children send their Christmas letters to the Kings. These soon filled up with amazing and wonderful dreams and wishes, a selection of which were later shared on social media by the relevant shopping centre.

**Working together** was the value we particularly wanted to highlight in 2018, and over the festive season we organised two particularly memorable initiatives around this theme:

- In Barcelona, Lar España and visitors to the **Aneç Blau Shopping Centre** joined forces with the Red Cross to collect **donations of winter clothing** in aid of those most in need.
- In Vigo, we marked International Children's Day with a very special **Christmas lights switch on** at the Gran Vía shopping centre. This year, they were switched on by **young patients in the children's oncology ward at the Alvaro Cunqueiro hospital**. Disguising ourselves as elves, we transformed the ward into a winter wonderland and installed a button with a direct connection to the shopping centre. By pushing the button, the children flooded the centre with light, to the delight of everyone who came to watch.

At Lar España, we like to do our bit to spread the joy of this very special season, while showing our customers the importance of these values.

Switching on of Christmas Lights at Gran Vía de Vigo Shopping Centre



### The magic of Disney at our shopping centres

In December, Lar España wanted to capture the **essence and magic of Disney**. So, all our shopping centres became temporary concert halls, as Giselle, the voice of Disney, stepped into the spotlight for a diverse range of performances.

As well as enjoying the music, audiences had an opportunity to meet and have pictures taken with some of their favourite Disney characters at a specially arranged photocall.

It was a day of **magic and wonder** for visitors to all of our shopping centres. Dozens of children dressed as princes and princesses got stuck in to a variety of activities and workshops, as families shared some unforgettable moments.

Through events like these, Lar España hopes to give due prominence to some of our most valued customers – the families - who know they can trust our shopping centres to bring them the **best selection of leisure and entertainment options**.

Disney concert at Anec Blau Shopping Centre



### Ready, steady, cook: Cooking demos at our shopping centres

Over the last few months of the year, we hosted a **range of events with a culinary slant** to help customers get in the mood for the season when food takes centre stage. Our cooking demos proved extremely popular with visitors keen to learn from the pros as they shared their top tips for impressing yuletide guests.

Those who couldn't be there in person were able to watch live streams of the demonstrations on our social media channels. These videos ended up attracting thousands of views. For the first time, we also organised an inclusive cooking demo with a live **sign language interpreter**, so that everyone could enjoy the event without barriers.

Once again, Lar España was determined to offer a unique selection of events focused on families and young people.

### Black Friday

23 November, also known as 'Black Friday', was one of the busiest days of Q4 at Lar España's shopping centres. Visitors to all of our shopping centres could enjoy **exclusive giveaways, activities, workshops and events**. We extended our opening times and kept shoppers entertained with live music.

Black Friday is becoming a huge opportunity for our shopping centres, as demonstrated once again by the success of this year's events. More and more of our customers are taking advantage of the deals on offer to help ease them into their Christmas shopping.





## Sustainability

Lar España continues to make great progress in terms of its commitments to its **Corporate Social Responsibility (CSR)** policies, particularly in the field of sustainability. It is committed to achieving certifications at its properties, to ensure the **highest standards of sustainability**.

With these new certifications, **every single one of our shopping centres** is now BREEAM® certified. BREEAM® is the global leader in assessing and certifying sustainable construction processes, using the most advanced technical assessment methods.

In both of our shopping centres (Palmas Altas and Vidanova Parc) and residential (Lagasca99) development projects, we are applying all our expert knowledge and the latest technology to develop sustainable buildings that respect the environment and the people using and occupying them. These projects are also being designed and developed in line with the specifications required to obtain the prestigious BREEAM® quality and sustainability certification.



**Lagasca99** has been certified with **BREEAM®** New-Build “**Very Good**” rating in the design phase.

In September 2018, Lar España was awarded the **EPRA Gold Award** in recognition of its information published on Corporate Social Responsibility and Sustainability. This recognition is another step towards greater transparency in this respect, improving on the award won last year (EPRA Silver Award and EPRA Most Improved Award for Sustainability).

Lar España is currently implementing its **CSR Master Plan**, which is articulated around the most stringent sustainability standards (general and sector-specific), the recommendations made by the securities market regulator, its stakeholders’ legitimate expectations, the United Nations Sustainable Development Goals (SDGs) and the priorities for the business for the coming years.



During 2018, Lar España has participated for the first time in **GRESB’s (Global Sustainability Real Estate Benchmark)** assessment, which in the last five years, has become the **reference framework for environmental, social and governance (ESG) issues** in the Real Estate sector. In 2017, 850 companies and real estate funds, from 62 countries, representing more than USD 3.7 trillion in assets under management, carried out this assessment. Moreover, 70 institutional investors including pension funds and insurance companies (representing a total of USD 17 trillion in capital) use the tools and data provided by GRESB to improve and protect shareholder value. This action **shows Lar España’s commitment with transparency** and is included in the continuous improvement process in CSR matters that is taking place in the company.

On 28 December 2018, **Vidanova Parc shopping centre** was awarded **AENOR’s Universal Accessibility Management System Certificate**.

The **Eloy Gonzalo office building** has also been awarded the Aenor certification for **accessibility**.

This achievement reflects Lar España’s commitment to attaining and upholding **high standards of accessibility**. We want all our customers to be able to **enjoy our shopping centres and retail parks safely and comfortably**, whatever their access requirements.



## Offices

### Joan Miró

- Joan Miró office building, located in Barcelona, has been transferred to AEW for a total price of **28.8 million Euros**.
- **Value uplift of 26.9%** on the **acquisition price** and 17.6% on the last valuation (June 2018).



**€28.8 million**  
sale price

**27%** divestment value  
uplift on the acquisition  
price

These sales demonstrates that Lar España is successfully completing its **strategy to divest non-strategic assets** set out in its business plan, achieving a significant value uplift thanks to the active management of the properties.

## Logistics

- On 18 July 2018, Lar España sold its entire logistics portfolio **to Blackstone for €119.7 million**.
- This divestment equated to a value uplift of **83%** on the acquisition price (73% excluding the capex investment) and **30%** on the valuation of these properties carried out at the end of 2017.
- The portfolio includes **five operational logistics properties** with a total gross lettable area of 161,838 sqm, four of which are in Alovera (Guadalajara) and the fifth in Almussafes (Valencia), as well as **17 plots allocated for logistics use** in Cheste (Valencia), with a total gross lettable area of 181,617 sqm.



**€119.7 million**  
sale price

**83%** divestment value  
uplift on the acquisition  
price

# Residential

## First apartments at Lagasca99 delivered

**Lagasca99** is a **new development of spacious apartments** brimming with natural light and offering the highest degree of privacy, cutting edge technology and a superb standard of finish throughout, in a building rich in architectural and iconic features. Developed by Lar España in a joint venture with investment management firm Pimco, the project came full cycle in December as the keys for the first apartments were handed over to their new owners.

A **new residential concept right in the heart of Madrid** in the historic Salamanca district, Lagasca99 was built using the finest materials and to the most exacting of standards. Based on a design by the acclaimed **architect, Rafael de la Hoz**, the building's façade was crafted from 316 panels of Merbau wood imported from Indonesia, 792 tonnes of travertine marble and 4,300 sqm of glass.



In keeping with Lar España's commitment to sustainability, Lagasca99 was **certified under the BREEAM sustainability scheme** at the design phase, guaranteeing that the finished building is as respectful of the environment as it is of its inhabitants.

Residents will be able to enjoy a cornucopia of **ultra-luxurious amenities**, including a roof garden with a living canopy and a swimming pool, an expansive entrance lobby

full of natural light and indoor gardens, a gym and wellness centre, 24-hour security and monitoring all 365 days of the year, an indoor pool and a private members' club.

Once all of the apartments have been delivered there will be an **extraordinary dividend**, subject to approval at the next General Shareholders' Meeting which is expected to take place in April 2019.

**Sustainable building**

BREEAM<sup>ES</sup>

**316 panels of Merbau wood**

**792 tonnes of travertine marble**

**4,300 sqm of glass**





José Luis del Valle, Chairman of Lar España, points out that 'this development represents a key milestone in our business plan and, what's more, will help us meet our objective of **creating value for our investors and shareholders.**'

Lagasca99 is set to become a **new gold standard for the luxury residential sector**. Making a valuable contribution to Madrid's architectural heritage, it's an urban design revolution in the heart of Salamanca.



**44 apartments**  
**2 retail units**

**95%**  
**sold**

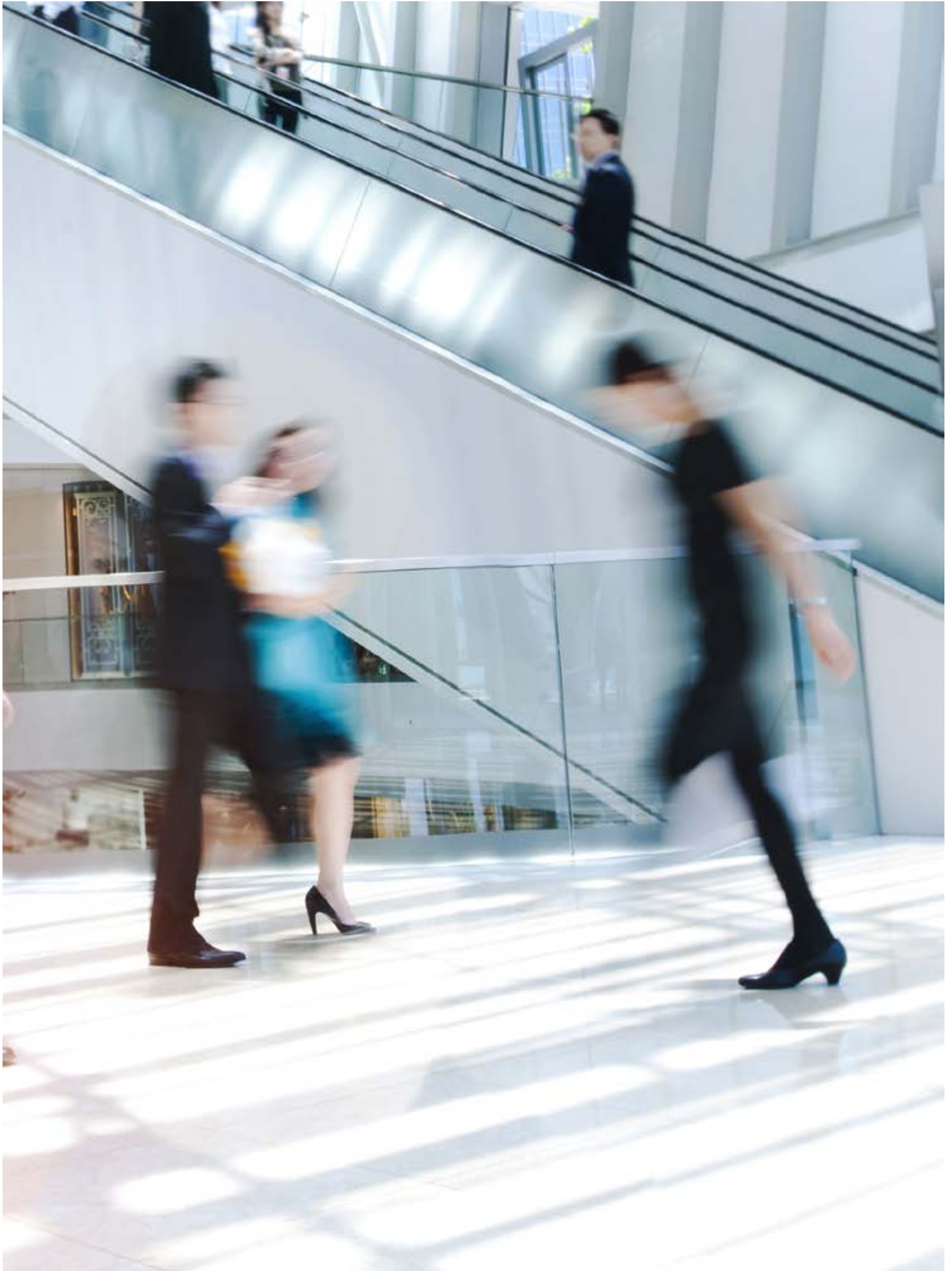
**€11,300 per sqm**  
**average sale price**

**29% (\*) delivered at 31**  
**December 2018**

**Extraordinary**  
**dividend**

(\*) As per the reporting date, 27 February 2019, the percentage of deliveries stands at **74%**.





# 2

## CONSOLIDATED FINANCIAL STATEMENTS

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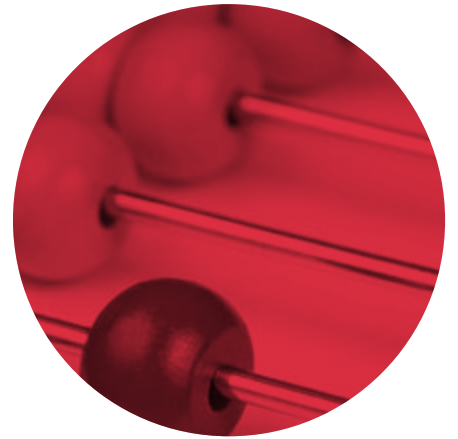
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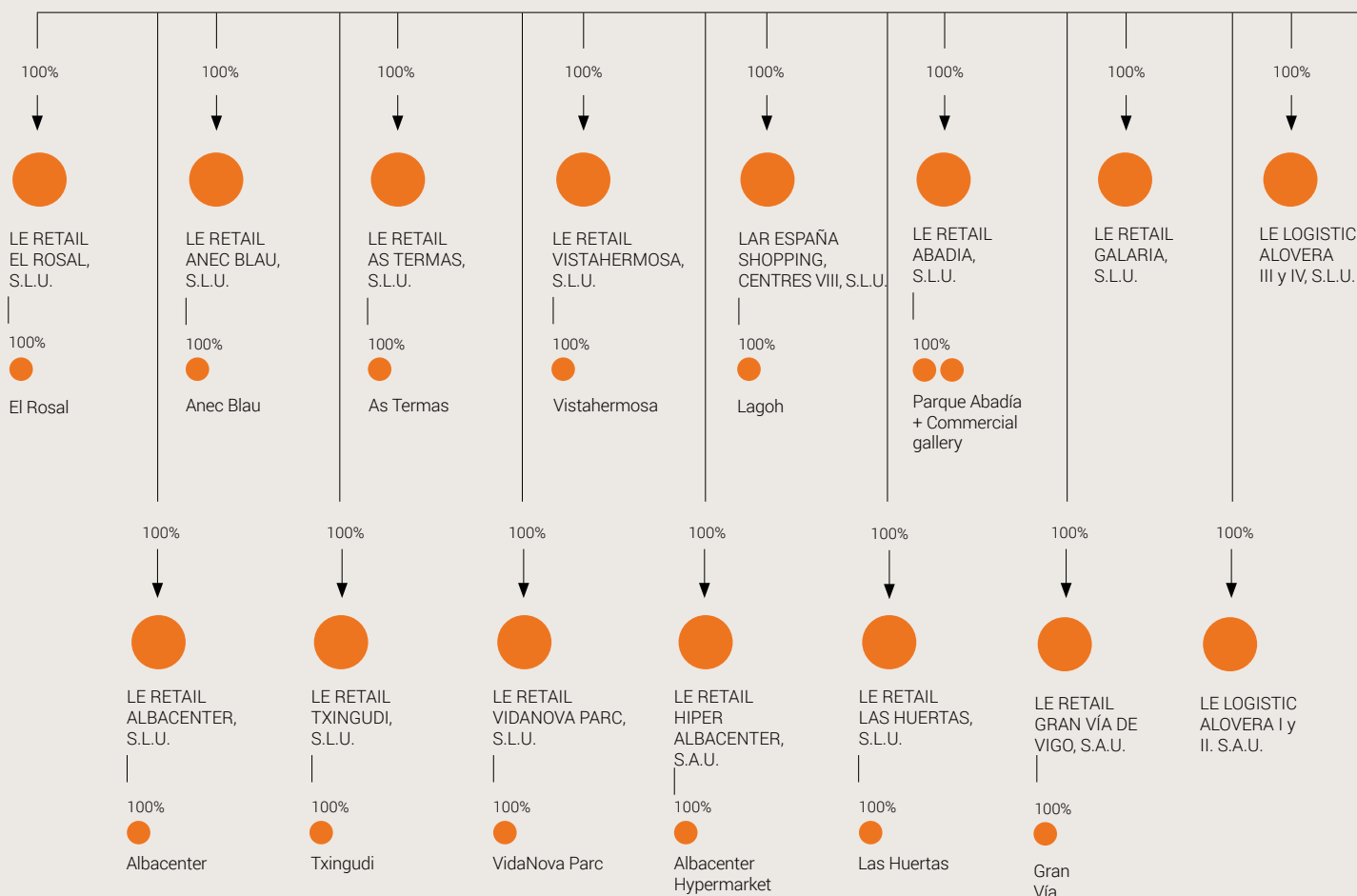
El Rosal Shopping Centre (León)



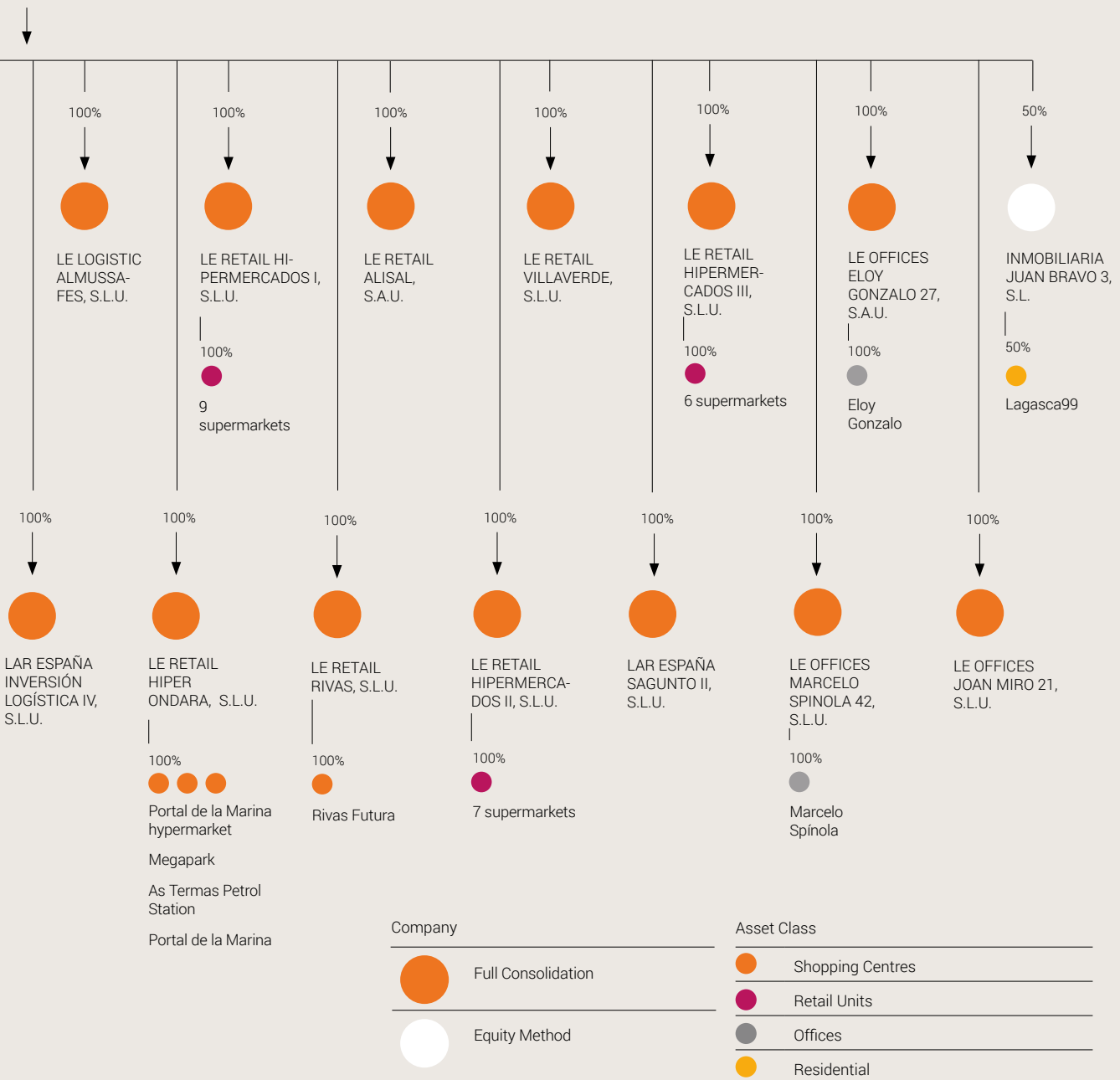
## 2.1 Company Chart 31.12.2018

At 31 December 2018, the consolidated financial statements of the Group were presented in accordance with the accounting principles established in the International Financial Reporting Standards adopted by the European Parliament (EU-IFRS) up until this date.

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



For comparative purposes, the balances of the Consolidated Comprehensive Income Statement are shown together with those for the same period the year before, whilst for the Consolidated Statement of Financial Position they are shown together with those corresponding to 31 December 2017.



## 2.2 Consolidated Statement of Comprehensive Income

(Thousands of euros)	Total	
	2018	2017
Revenues	77,841	77,600
Other income	3,733	2,198
Personnel expenses	(502)	(542)
Amortisation expenses	(307)	(15)
Other expenses	(28,684)	(25,847)
Other results	-	653
Change in the fair value of investment properties	70,471	101,558
Results of disposals of investment properties	28,541	2,842
<b>RESULTS FROM OPERATIONS (*)</b>	<b>151,093</b>	<b>158,447</b>
Financial income	27,927	3,559
Financial expenses	(17,810)	(14,281)
Share in profit (loss) for the period of equity-accounted companies	(899)	(2,119)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (*)</b>	<b>160,311</b>	<b>145,606</b>
Income tax	(4,539)	-
<b>PROFIT FOR THE PERIOD (*)</b>	<b>155,772</b>	<b>145,606</b>
Performance & Divestment fee	(26,464)	(10,000)
<b>PROFIT FOR THE PERIOD</b>	<b>129,308</b>	<b>135,606</b>

Profit before tax from  
continuing operations (\*)  
**160,311 thousands of euros**

**+10%**  
vs. 2017

Profit for the period (\*)  
**155,772 thousands of euros**

**+7%**  
vs. 2017

(\*) Figures pre performance and divestment fee



## Result from operating activities

At 31 December 2018, the Group presented a positive **result for its operations** amounting to **124,629 thousand Euros post performance and divestment fee** (148,447 thousand Euros at 31 December 2017).

### Revenues

**Revenues** during 2018 amounted to **77,841 thousand Euros** (revenue of 77,600 thousand Euros during 2017), 94% of which was rental income from shopping centres (85% during 2017).

### Other expenses (including Performance & Divestment fee)

At 31 December 2018, the Group incurred **other expenses** amounting to **55,148 thousand Euros**, mainly related to:

- Recurrent services that are directly linked to the everyday management of the assets (supplies, IBI -property tax-, etc.) in the amount of 12,646 thousand Euros.
- Management fees (fixed and variable fee included) for management services provided to the Company by Grupo Lar Inversiones Inmobiliarias ("Grupo Lar") totals 35,204 thousand Euros. The fixed amount totals 8,740 thousand Euros, discounting indirectly fees paid in subsidiary companies (508 thousand Euros) and other expenses incurred by Grupo Lar and paid by Lar España (267 thousand Euros). The variable amount, 26,464 thousand Euros, relates to the divestment fee that was accrued in Q1 2018 after exceeding €100 million in divestments (17,898 thousand Euros) and the performance fee as at 31 December 2018 (8,566 thousand Euros).

### Change in the fair value of investment properties

On 31 December 2018, the amount in this entry, **70,471 thousand Euros**, is made up of the difference in the fair value of investment properties following the valuations conducted by independent experts (C&W and JLL) during 2018.

### Results of disposals of investment properties

On 31 December 2018, **this heading includes the gain of EUR 3,119 thousand** from the sale of the Villaverde, Nuevo Alisal and Parque Galaria retail warehouses, which were owned by the subsidiaries LE Retail Villaverde, S.L.U., LE Retail Alisal, S.L.U. and LE Retail Galaria, S.L.U., respectively, **the gain of EUR 2,906 thousand** from the sale of the company LE Offices Egeo, S.A.U., owner of the Egeo office building, the gain of **EUR 12,515 thousand** from the sale of the logistic portfolio, which were owned by the subsidiaries LE Logistic Alovera I Y II, S.A.U., LE Logistic Alovera III Y IV, S.L.U. and LE Logistic Almussafes, S.L.U., the gain of **EUR 4,507 thousand** from the sale of the logistic plot related to Cheste development project, the gain of **EUR 4,618 thousand** from the sale of the Joan Miró office building, which were owned by the subsidiaries LE Offices Joan Miro 21, S.L.U. and the gain of **EUR 876 thousand** from the increased price of the 2017 sale of the company LAR España Offices Arturo Soria, S.L.U., owner of the Arturo Soria 336 office building (see significant events 2, 8, 16, 17 and 23).

### Amortisation expenses

At 31 December 2018, this entry includes the **amortisation of the right of use** of the surface area intended to be used as recreational and leisure facilities, located in the retail complex **Megapark Barakaldo** (Vizcaya) (See intangible assets).

## Net Financial Result

The **financial result** was a positive balance of 10,117 thousand Euros at 31 December 2018 (negative balance of 10,722 thousand Euros at 31 December 2017).

In 2018, **financial income** of EUR 27,927 thousand relates mainly to the difference between the recovered principal of the loan granted to the Inmobiliaria Juan Bravo 3, S.L. company, which is equity-consolidated, and the acquisition cost, while **financial expenses** of EUR 16,786 thousand relate mainly to interest accrued on the Group's bank borrowings and on bonds issued by the Group in February 2015.

### Income tax

This heading mainly includes the tax expense resulting from the sales of the investment properties associated with the Cheste project (See notice of material fact 16) and Marcelo Spínola office building (See event after the reporting period 3).

## Consolidated Statement of Comprehensive Income by business line

The income and expenses recorded by the Group at 31 December 2018 broken down by business line are as follows:

(Thousands euros)	Retail	Offices	Logistics	Residential	LRE (**)	Total
Revenues	73,218	1,582	3,041	-	-	77,841
Other income	3,706	26	1	-	-	3,733
Personnel expenses	-	-	-	-	(502)	(502)
Amortization expenses	(307)	-	-	-	-	(307)
Other expenses	(20,680)	(2,730)	(1,336)	-	(3,938)	(28,684)
Other results	-	-	-	-	-	-
Changes in the fair value of investment properties	55,601	9,017	5,853	-	-	70,471
Results of disposals of investment properties	3,119	8,400	17,022	-	-	28,541
<b>RESULTS FROM OPERATIONS (*)</b>	<b>114,657</b>	<b>16,295</b>	<b>24,581</b>	<b>-</b>	<b>(4,440)</b>	<b>151,093</b>
Net financial result	(14,967)	(1,918)	(758)	27,890	(130)	10,117
Share in profit (loss) for the period of equity-accounted companies	-	-	-	(899)	-	(899)
<b>PROFIT/(LOSS) FOR THE PERIOD BEFORE TAXES (*)</b>	<b>99,690</b>	<b>14,377</b>	<b>23,823</b>	<b>26,991</b>	<b>(4,570)</b>	<b>160,311</b>
Income tax	(231)	(2,205)	(2,103)	-	-	(4,539)
<b>PROFIT FOR THE PERIOD (*)</b>	<b>99,459</b>	<b>12,172</b>	<b>21,720</b>	<b>26,991</b>	<b>(4,570)</b>	<b>155,772</b>
Performance & Divestment Fee	(23,706)	(1,823)	(935)	-	-	(26,464)
<b>PROFIT FOR THE PERIOD</b>	<b>75,753</b>	<b>10,349</b>	<b>20,785</b>	<b>26,991</b>	<b>(4,570)</b>	<b>129,308</b>

(\*) Figures pre performance & divestment fee.

(\*\*) The amounts included in LRE column are corporate expenses not re-invoiced to the business lines.

At 31 December 2018 retail assets presented an operating profit pre performance and divestment fee of 114,657 thousand Euros; offices 16,295 thousand Euros; and the logistics warehouses 24,581 thousand Euros.

Portal de la Marina Shopping Centre (Alicante)



## 2.3 Consolidated Statement of Financial Position

### ASSETS

(Thousands of euros)	31/12/2018	31/12/2017
Intangible assets	8,556	8,673
Investment properties	1,363,646	1,306,350
Financial assets with associates	-	2,161
Equity-accounted investees	4,627	5,526
Non-current financial assets	11,426	11,928
Trade and other receivables non-current	2,733	-
<b>NON-CURRENT ASSETS</b>	<b>1,390,988</b>	<b>1,334,638</b>
Non current assets held for sale	78,081	124,295
Trade and other receivables	13,762	14,413
Financial assets with associates	-	27,718
Other current financial assets	3,268	7,118
Other current assets	4,176	553
Cash and cash equivalents	191,328	45,617
<b>CURRENT ASSETS</b>	<b>290,615</b>	<b>219,714</b>
<b>TOTAL ASSETS</b>	<b>1,681,603</b>	<b>1,554,352</b>

### EQUITY AND LIABILITIES

(Thousands of euros)	31/12/2018	31/12/2017
Capital	186,438	185,248
Share premium	476,301	487,349
Other reserves	220,289	111,854
Retained earnings	129,308	135,606
Treasury shares	(1,228)	(175)
Valuation adjustments	(2,610)	(1,663)
<b>EQUITY</b>	<b>1,008,498</b>	<b>918,219</b>
Financial liabilities from issue of bonds and other marketable securities	139,077	138,787
Loans and borrowings	428,400	361,165
Deferred tax liabilities	19,405	14,613
Derivatives	1,892	831
Other non-current liabilities	17,240	16,221
<b>NON-CURRENT LIABILITIES</b>	<b>606,014</b>	<b>531,617</b>
Liabilities related to assets held for sale	810	47,618
Financial liabilities from issue of bonds and other marketable securities	3,482	3,482
Loans and borrowings	6,461	5,580
Liabilities with associates	-	7,505
Derivatives	2,179	1,267
Other financial liabilities	-	147
Trade and other payables	54,159	38,917
<b>CURRENT LIABILITIES</b>	<b>67,091</b>	<b>104,516</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,681,603</b>	<b>1,554,352</b>

## Non-current assets

### Investment properties

At 31 December 2018, **investments properties** are classified under non-current assets, at a fair value of **1,363,646 thousand Euros** (1,306,350 thousand Euros at 31 December 2017), except for the Eloy Gonzalo and Marcelo Spínola offices buildings amounting to 76,400 thousand Euros which are classified under "Non-current assets held for sale" (see assets and liabilities held for sale).

The Group's investment properties, including the assets classified under "Non-current assets held for sale", consist of fourteen shopping centres, twenty-two retail units and two office buildings. Of particular significance is the **investment in shopping centres** amounting to 1,230,399 thousand Euros (1,091,596 thousand Euros at 31 December 2017), **with revenue from leases representing 94%** of the Group's total revenues during 2018.

During 2018, the Group purchased **Rivas Futura retail park and Parque Abadía commercial gallery** (see relevant facts 5 and 7), whose fair values at 31 December 2018 amount to 67,500 thousands Euros and 15,300 thousand Euros, respectively.

Furthermore, during 2018 the Group has sold the following investments:

- The **Egeo office building**, the fair value of which was EUR 76,674 thousand as at the date of the transaction (See notice of material fact 2).
- The **Villaverde, Nuevo Alisal and Parque Galaria commercial properties**, the fair values of which at the date of the transaction totalled EUR 11,343 thousand, EUR 19,313 thousand and EUR 10,900 thousand, respectively (See notice of material facts 8 and 17).
- The **logistics portfolio**, the fair value of which at the date of the transaction was EUR 100,428 thousand, including the investment associated with the Cheste project (See notice of material fact 16).
- The **Joan Miró office building**, the fair value of which was EUR 21,490 thousand as at the date of the transaction (See notice of material fact 23).
- The **lands** that formed part of the **VidaNova Parc Shopping Centre**, the fair value of which was EUR 1,025 thousand as at the date of the transaction.

### NET INVESTMENT

(Thousands of euros)

	31/12/2018	31/12/2017
Shopping Centres	1,230,399	1,091,596
Offices (*)	76,400	162,124
Logistics	-	86,680
Development (**)	133,307	83,980
<b>Investment properties</b>	<b>1,440,046</b>	<b>1,424,380</b>

(\*) This amount has been reclassified to "Non-current assets held for sale".

(\*\*) At 31 December 2018, the amount included mainly corresponds to the fair value of Lagoh project in Sevilla.

### Net investment by asset class (%)

**85%**  
Shopping Centres



**10%**  
Development



**5%**  
Offices



The **GLA**, the **fair value** and the **initial yield** per asset is as follows:

<b>Asset</b>	<b>Total Gross Leasable Area (GLA) (sqm)</b>	<b>Fair Value (thousands of euros)</b>	<b>Net Initial Yield (NIY) (*)</b>
Megapark (excluding the leisure area)	63,586	208,500	
Gran Vía	41,432	173,000	
Portal de la Marina + hypermarket	40,158	129,175	
El Rosal	51,156	110,210	
Anec Blau	28,632	97,060	
As Termas + petrol station	35,127	87,560	
Parque Abadía + commercial gallery	43,154	83,410	
Rivas Futura	36,447	67,500	<b>5.06%-7.19%</b>
VidaNova Parc	45,568	59,910	
Albacenter + hypermarket	27,890	60,350	
Supermarkets portfolio	27,909	53,024	
Vistahermosa	33,363	50,540	
Txingudi	10,712	37,500	
Las Huertas	6,267	12,600	
<b>TOTAL RETAIL</b>	<b>491,401</b>	<b>1,230,339</b>	
Marcelo Spinola	8,875	37,000	
Eloy Gonzalo	6,401	39,400	<b>0.51%-4.06%</b>
<b>TOTAL OFFICES</b>	<b>15,276</b>	<b>76,400</b>	
Lagoh	(**)	132,000	
Others	N/A	1,307	<b>N/A</b>
<b>TOTAL DEVELOPMENTS</b>	<b>-</b>	<b>133,307</b>	
<b>TOTAL LAR ESPAÑA</b>	<b>506,677</b>	<b>1,440,046</b>	

(\*) Yields provided in the last valuations reports made by JLL and C&W.

(\*\*) 100,000 sqm of retail and family leisure space.

## Current assets

### Intangible assets

At 31 December 2018 and 31 December 2017, intangible assets comprise the **right of use of the floor space where the Megapark Barakaldo leisure facilities are located** earning leasing income.

The right of use, which expires in year 2056, was acquired on 27 October 2017 for 8,686 thousand Euros and has accrued an amortisation of 307 thousand Euros during 2018. Once the right of use expires, the assets contained on leased floor space will be delivered to the Barakaldo City Council.

### Financial assets with associates

The amount recognised under this item at 31 December 2017 reflected loans extended to Inmobiliaria Juan Bravo 3, S.L.

### Equity-accounted investees

At 31 December 2018 and 31 December 2017, the amount reflects investment of 50% held by the Group in Inmobiliaria Juan Bravo 3, S.L. that is accounted for using the equity method.

### Non-current financial assets

At 31 December 2018 and 31 December 2017, the Group has recognised as non-current financial assets mainly security deposits received from tenants, which the Group has deposited with the corresponding public bodies.

### Assets and liabilities held for sale

At 31 December 2017, this heading included the assets and liabilities of the **companies LE Offices Egeo, S.A.U., LE Retail Villaverde, S.A.U., LE Retail Galaria, S.A.U. and LE Retail Alisal, S.A.U.**, which were classified as held for sale. The investment properties that were owned by these companies were sold in 2018 (See notice of material facts 2, 8 and 17).

At 31 December 2018, this heading includes the assets and liabilities of the companies **LE Offices Eloy Gonzalo 27, S.A.U. and LE Offices Marcelo Spinola 42, S.L.U.**, which were classified as held for sale as per IFRS 5. (\*)

At 31 December 2018 assets and liabilities held for sale are as follows:

#### Non current assets held for sale

(Thousands of euros)	31/12/2018
Investment properties	76,400
Non-current financial assets	123
Other current assets	-
Trade and other receivables	1,171
Other current financial assets	4
Cash and cash equivalents	383
<b>Total non current assets held for sale</b>	<b>78,081</b>

#### Liabilities related to assets held for sale

(Thousands of euros)	31/12/2018
Loans and borrowings	-
Other non-current liabilities	349
Loans and borrowings - Current	-
Other current financial liabilities	-
Trade and other payables	461
Derivatives	-
<b>Total liabilities related to assets held for sale</b>	<b>810</b>

(\*) IFRS (International Financial Reporting Standards).

### Trade and other receivables

As of 31 December 2018 and 31 December 2017, this heading principally reflects other public administration credits in the amount of 10,019 thousand Euros and 6,833 thousand Euros, respectively.

### Financial assets with associates

At 31 December 2017, the amount of this item mainly reflects the loan and current accounts with the associate Inmobiliaria Juan Bravo 3, S.L.

In 2018, both the principal and the interest of all the loans associated with that company were recovered.

### Cash and cash equivalents

At 31 December 2018, this heading includes 16,606 thousand Euros related to the share buy-back programme. This amount would not be considered available Company funds.

## Net Equity

At 31 December 2018, the **Company's share capital** consisted of **93,219,044 registered shares** represented by book entries with a par value of 2 Euros each, fully subscribed and paid up, giving their holders equal rights.

During 2018, the most important milestones are the following:

- On 19 April 2018, the Shareholders' General Meeting approved the distribution of a **dividend of EUR 17,286 thousand**, at EUR 0.187 per share (taking into account all the shares issued) and **recognised in profit and loss for the 2017 period, and of EUR 27,714 thousand**, at EUR 0.299 per share (taking into account all the shares issued), **charged to the share premium**.
- On 7 May 2018, the Board of Directors approved an increase in share capital of EUR 20,924 thousand in par value by issuing shares (**2,139,437 ordinary shares of EUR 2 par value**) and an issue premium of EUR 16,645 thousand. This capital increase has been subscribed by Grupo Lar Inversiones Inmobiliarias, S.A. as a performance fee in compliance with the provisions of the Investment Management Agreement. This capital increase was carried out with the exclusion of pre-emptive subscription rights.

- On 28 December 2018 the General Shareholder's Meeting approved a decrease in share capital by amortising all of the Company's treasury shares as at said date. Said capital decrease was executed through **the amortisation of 1,544,490 treasury shares with a nominal value of EUR 2 (EUR 3,089 thousand)**. The share capital of the Company after the decrease shall be set at **EUR 186,438 thousand, corresponding to the 93,219,044 shares with a nominal value of EUR 2** (See material fact 24).

During 2018, the Company has carried out its own share sale and purchase transactions, as described below:

	Number of shares	Thousands of euros
<b>31 December 2017</b>	<b>19,880</b>	<b>175</b>
Additions	3,456,153	30,300
Disposals	(3,311,108)	(29,247)
<b>31 December 2018</b>	<b>164,925</b>	<b>1,228</b>

The positive balance arising from the sale of own shares during 2018 amounted to 33 thousand Euros, recorded under "Other reserves". Furthermore, the Company recorded a decrease under said heading in the amount of EUR 9,865 thousand, which corresponds to the difference between the nominal value of the amortised treasury shares totalling EUR 12,954 thousand and the cost thereof recorded under "Treasury Shares" in the amount of EUR 3,089 thousand.

Decreasing the share capital by amortising all treasury shares resulted in the Company having a reserve of amortised capital totalling EUR 3,089 thousand charged against "Other Reserves".



## Financial liabilities

### Loans & Borrowings

The characteristics of the Loans & Borrowings at 31 December 2018 are as follows:

Type	Project	Entity	Interest rate (*)	Maturity date	Nominal amount (Thousands of euros)	Current (Thousands of euros)	Non-Current (Thousands of euros)
Mortgage Loan	As Termas	ING BANK	EUR 3M + 1.8%	25/06/2020	37,345	176	37,034
Mortgage Loan	El Rosal	CaixaBank	EUR 3M + 1.75%	07/07/2030	50,000	294	49,010
Mortgage Loan	VidaNova Parc	CaixaBank	EUR 3M + 2.10%	14/09/2020	24,000	5,087	13,272
Mortgage Loan	Megapark + Megapark leisure area	Santander NATIXIS CREDIT AGRICOLE	EUR 3M + 1.70%	24/02/2023	105,250	227	100,504
Mortgage Loan	Portal de la Marina	Santander NATIXIS CREDIT AGRICOLE	EUR 3M + 1.70%	24/02/2023	60,000	142	58,098
Mortgage Loan	Vistahermosa	BBVA	EUR 3M + 1.85%	02/03/2022	21,550	34	21,191
Mortgage Loan	Parque Abadía + Commercial gallery	Santander	1.80% and 1.93%	23/05/2024	42,060	80	41,080
Mortgage Loan	Gran Vía de Vigo	ING BANK	EUR 3M + 1.75%	14/03/2022	82,400	-	80,779
Mortgage Loan	Rivas Futura	BBVA	2.28%	30/06/2020	27,500	-	27,432
Developer's Loan	Lagoh	Santander Sabadell Liber Unicaja bank	EUR 3M + 2.25%	29/06/2025	98,500	-	-
VAT credit	Lagoh	bankinter.	EUR 3M + 2.25%	01/09/2019	421	421	-
Credit line	LRE	bankinter.	EUR 12M + 1.20%	16/05/2019	25,000	-	-
Corporate Loan	LRE	Banco Europeo de Inversiones	1.25%	26/10/2025	70,000	-	-
<b>LOANS AND BORROWINGS</b>						<b>6,461</b>	<b>428,400</b>

(\*) The 63% of the principal is covered by derivatives.

### Financial liabilities from the issue of bonds and other securities

Corresponds to the bonds issued by the Group amounting to 140,000 thousand Euros in 2015.

Below you will find the net Loan To Value calculation as at 31 December 2018:

(Thousands of Euros)	31/12/2018
<b>GAV</b>	<b>1,535,863</b>
Full Consolidation Gross Debt	581,285
Equity Method Gross Debt	40,447
<b>Total gross debt</b>	<b>621,732</b>
Cash (Full Consolidation and equity method) (*)	190,231
<b>Total net debt</b>	<b>431,501</b>
<b>NET LTV (**)</b>	<b>28%</b>

(\*) Only available cash considered

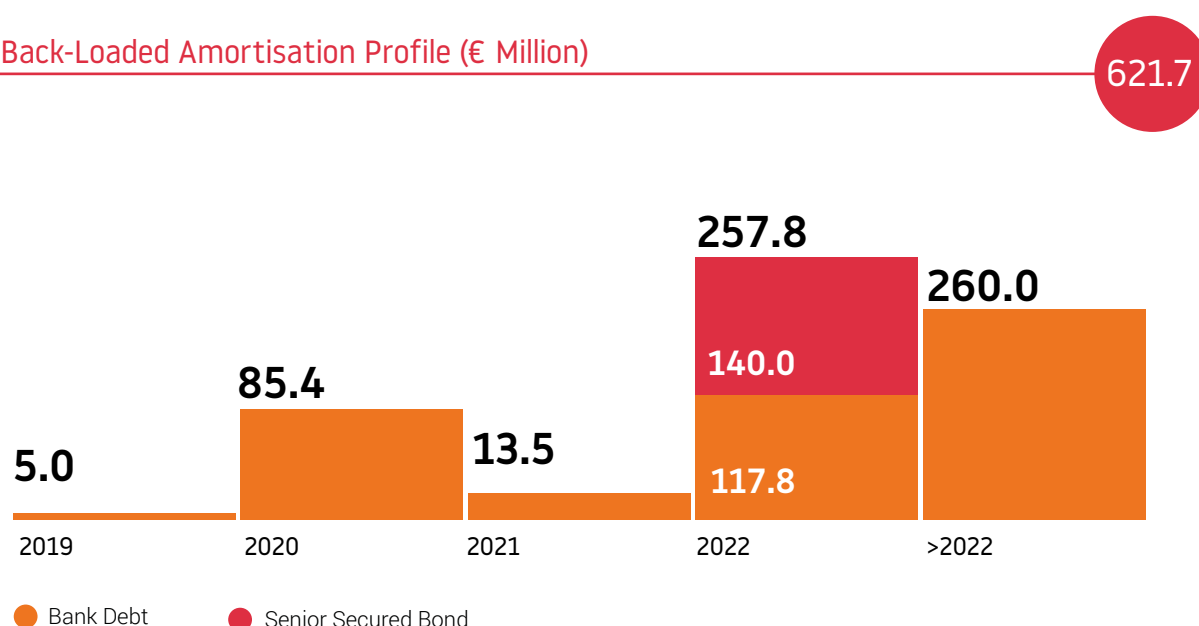
(\*\*) Result of Total net debt/GAV

At 31 December 2018, Lar España's debt stood at 621,732 thousand Euros, with an **average cost of 2.16%** and a **net LTV ratio of 28%**. The average debt maturity stood at **5.6 years**.

The main debt indicators and the amortisation schedule is detailed below:

**€621.7 MM** Financial Debt      **28%** Net LTV      **2.16%** Average cost of debt

#### Back-Loaded Amortisation Profile (€ Million)



#### Deferred tax liabilities

At 31 December 2018, this entry included deferred tax liabilities deriving from the business combination carried out by the acquisition of the subsidiary LE Retail Rivas, S.L.U. (See notice of material fact 5) as well as the acquisitions of the subsidiaries LE Retail Abadía, S.A.U., LE Retail Hipermercados I, S.A.U., LE Retail Hipermercados II, S.A.U., LE Retail Hipermercados III, S.A.U. and LE Retail Gran Vía de Vigo, S.A.U. in 2017 and 2016. These amounts correspond to the tax effect derived from the difference between the fair value and the fiscal value of the acquired real estate investments.

This item also includes the deferred tax liability arising from the Marcelo Spínola office building's divestment.

#### Other non-current liabilities

Correspond to security deposits received by way of guarantee from the tenants of the company's assets.

#### Liabilities with associates

This heading reflected the credit facility signed with the associate Inmobiliaria Juan Bravo 3, S.L. At 31 December 2017, the Company used 7,500 thousand Euros of this facility. This liability is completely amortised at 31 December 2018.

## 2.4 Consolidated Statement of Cash Flows

(Thousands of euros)	31/12/2018	31/12/2017
<b>A) CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>	<b>18,756</b>	<b>48,688</b>
<b>1. Profit/(loss) for the period before tax</b>	<b>133,847</b>	<b>135,606</b>
<b>2. Adjustments for:</b>	<b>(108,113)</b>	<b>(92,178)</b>
(Profit) / loss from adjustments to fair value of investment properties	(70,471)	(101,558)
Amortisation of intangible assets (+)	307	15
Impairment (+/-)	(190)	19
Financial income (-)	(27,927)	(2,085)
Financial expenses (+)	16,786	14,281
Changes in Fair value of financial instruments	1,024	(1,474)
Share in profit (loss) for the period of equity-accounted companies	899	2,119
Results of disposal of investments properties (+/-)	(28,541)	(2,842)
Adjustments to the consideration given against profit and loss from business	-	(653)
<b>3. Changes in operating assets and liabilities</b>	<b>6,369</b>	<b>17,389</b>
Trade and other receivables (+/-)	(2,820)	1,776
Other current assets and liabilities (+/-)	(2,873)	(1,661)
Trade and other payables (+/-)	12,062	17,274
<b>4. Other cash flows used in operating activities</b>	<b>(12,447)</b>	<b>(12,129)</b>
Interest paid (-)	(12,447)	(12,129)
<b>B) CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>139,536</b>	<b>(129,142)</b>
<b>1. Payments for investments (-)</b>	<b>(161,281)</b>	<b>(163,530)</b>
Net cash outflow from acquisitions of businesses	(33,331)	(110,218)
Associates	-	(248)
Intangible assets	-	(8,686)
Investment properties	(127,950)	(43,934)
Other financial assets	-	(444)
<b>2. Proceeds from divestments (+)</b>	<b>300,817</b>	<b>34,388</b>
Other assets	3,448	-
Associates	50,295	20,000
Group companies	52,929	14,388
Investment properties	194,145	-
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(15,663)</b>	<b>97,945</b>
<b>1. Payments made and received for equity instruments</b>	<b>6,884</b>	<b>779</b>
Proceeds from issue of share capital (+)	20,924	-
Acquisition/Disposal of treasury shares (- /+)	(14,040)	779
<b>2. Proceeds from and payments for financial liability instruments</b>	<b>22,419</b>	<b>127,145</b>
a) Issue of:	<b>83,886</b>	<b>151,875</b>
Bank borrowings (+)	83,886	143,375
Other financial liabilities (+)	-	8,500
b) Redemption and repayment of:	<b>(61,467)</b>	<b>(24,730)</b>
Bank borrowings (-)	(61,467)	(24,730)
<b>3. Payments for dividends and remuneration on other equity instruments</b>	<b>(44,966)</b>	<b>(29,979)</b>
Dividends (-)	(44,966)	(29,979)
<b>D) CASH AND CASH EQUIVALENTS IN NON-CURRENT ASSETS HELD FOR SALE</b>	<b>3,082</b>	<b>(3,465)</b>
<b>E) NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>145,711</b>	<b>14,026</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>45,617</b>	<b>31,591</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)</b>	<b>191,328</b>	<b>45,617</b>

## 2.5 Grupo Lar fees as Lar España's Manager in 2018

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

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

### Base fee (Fixed fees)

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

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

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

Base Fee	Thousands of Euros
<b>EPRA NAV 31.12.17</b>	<b>951,489</b>
Gross fee	9,515
Grupo Lar expenses incurred by Lar España	(267)
Fees indirectly paid in subsidiary companies (*)	(508)
<b>BASE FEE</b>	<b>8,740</b>

(\*) Lagasca99 fees

### Performance fee (Variable fees)

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

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

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

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

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

The performance fee calculation is as follows:

Performance Fee	Thousands of Euros
EPRA NAV 31.12.17	951,489
EPRA NAV 31.12.18	1,063,147
<b>Diferencia bruta</b>	<b>111,658</b>
2017 Dividend paid in 2018	45,000
Capital Increase	(20,924)
Capital Reduction	12,954
<b>Net annual increase</b>	<b>148,688</b>
<b>INCREASE % 31.12.17 - 31.12.18</b>	<b>15.63%</b>
>10%	5.63%
Return above 10%	53,539
<b>PERFORMANCE FEE</b>	<b>8,566</b>

Market capitalization annual increase has not exceed 10%. Indeed, not amount has been accrued linked to this concept.

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

Therefore, the sum of **35,204 thousand Euros** that results from adding the base fee to the performance and divestment fee is entered in the Global dated Income Statement at 31 December 2018 under the heading "Other Costs". See page 72, section 2, "Consolidated Financial Statements".

Fixed and variable fees have been taken into account in the EPRA Cost Ratio calculation (see page 97, section 3 "EPRA Information").

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

- Approval by Lar España.
- Payment of the amount corresponding to the performance fee (8,566 thousand Euros) to Grupo Lar.

- Reinvestment of this amount by Grupo Lar (after tax deductions) via the subscription of new Lar España shares.

	%	Thousands of Euros
Performance fee	100	8,566
Taxes	(25)	(2,142)
<b>GRUPO LAR REINVESTMENT</b>	<b>75</b>	<b>6,424</b>

The 6,424 thousand Euros will be used to acquire new shares issued by Lar España via a share capital increase after obtaining the General Shareholders Meeting approval (expected to be held in April 2019).

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



## 2.6 Proposed Shareholder Remuneration

The Company intends to maintain a dividends policy which takes account of sustainable levels of distributions that reflect the Company's future profit forecasts. **Lar España was formed with the aim of generating high returns for its shareholders through the annual payment of significant dividends** and the creation of value in the form of an increase the EPRA NAV.

In line with the most recent announcement made by Lar España at the Investor Day, the proposed shareholder remuneration will be as follows:

- **5% of 2018's average quarterly EPRA NAV:** 50 million Euros, approximately.

2018's average quarterly EPRA NAV amounted to 1,000,715 thousand Euros:

EPRA NAV	Thousands of Euros
Q1	968,783
Q2	979,347
Q3	1,018,046
Q4	1,036,683
<b>AVERAGE</b>	<b>1,000,715</b>

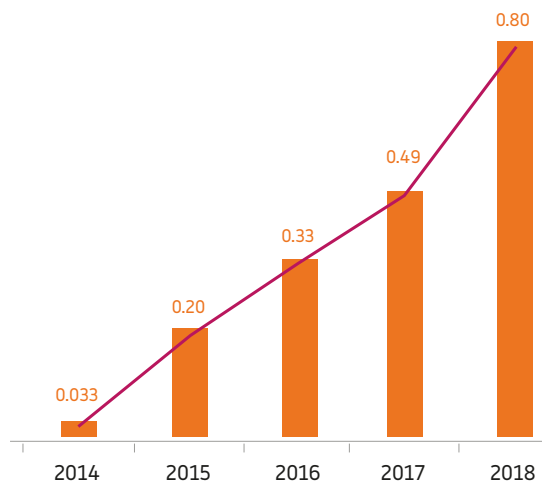
- **Lagasca99 extraordinary dividend linked to deliveries:** 25 million Euros

As a result, the amount to be put to the General Shareholders Meeting as the proposed shareholder dividend for the financial year ending 31 December 2018 will be **75 million Euros**, representing a payment of **0.80 Euros per share**.

Dividend Yield over  
average NAV  
**7.5%**

Dividend Yield over market  
capitalization (31.12.18)  
**10.7%**

The following figure shows the annual performance of the dividend paid per share (euros):



Since 4 February 2019, Lar España has formed part, once again, of the **Ibex Top Dividendo**, a group comprising 25 shares listed on the Ibex 35, the Ibex Medium Cap or the Ibex Small Cap that offer shareholders the **highest return in terms of dividends**. This has further advanced our aim of generating value for our investors.

**0.80 € /share**

**+63% vs. 2017**



## 2.7 Shareholder return

The **shareholder rate of return** in 2018 stood at **13.24%**. To calculate the rate of return, we use the growth per share over the financial year, which is the sum of:

- The variation in the Company's EPRA NAV per share.
- Dividend per share distributed during the financial year.

$$\text{Shareholder Rate of Return} = \frac{\text{Growth (NAV + Dividend) per share}}{\text{EPRA NAV per share 2017}}$$

	€/share
EPRA NAV 31.12.17	10.27
EPRA NAV 31.12.18	11.14
<b>NAV Growth 2018</b>	<b>0.87</b>
2017 Dividend paid in 2018	0.49
<b>Growth (NAV + Dividend)</b>	<b>1.36</b>
<b>SHAREHOLDER RETURN 2018 (%)</b>	<b>13.24%</b>

Shareholder  
Rate of Return  
**13.24%**



# 3

## EPRA INFORMATION

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Megapark Shopping Centre (Bilbao)



## EPRA Awards

- In November 2016, the Reporting & Accounting Committee of EPRA (European Public Real Estate Association<sup>(1)</sup>) updated a Best Practices Recommendations<sup>(2)</sup> document in order to improve the presentation, transparency, comparability and relevance of the published results of listed real estate companies in Europe.

Lar España fully supports and endorses the principle of standardising the reporting of performance indicators from the perspective of comparability and improving the quality of information provided to investors and other users of the financial information.

For this purpose, we have included a specific chapter with our main economic indicators following EPRA guidances.



(1) Not-for-profit association founded in 1999 registered in Belgium which aims to make the financial statements of public real state companies clearer, more transparent and comparable across Europe.

(2) \*Best Practices Recommendations - BPR\* available at [www.epra.com](http://www.epra.com)

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

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

2015



2016



2017



2018



Key performance indicators described in the Best Practices Recommendations developed by EPRA are shown as follows:

<b>Indicator</b>	<b>31/12/2018</b> (Thousands of euros)	<b>31/12/2018</b> (Euros per share)
EPRA Earnings	<b>29,240 <sup>(*)</sup></b>	<b>0.31 <sup>(*)</sup></b>
EPRA NAV	<b>1,036,683</b>	<b>11.14</b>
EPRA NNNAV	<b>1,013,644</b>	<b>10.89</b>
EPRA Net Initial Yield (NIY)	<b>5.2%</b>	-
EPRA "topped-up" NIY	<b>5.3%</b>	-
EPRA Vacancy Rate	<b>6.8%</b>	-
EPRA Cost Ratio	<b>27.5% <sup>(**)</sup></b>	-
EPRA Cost Ratio (excluding costs of direct vacancy)	<b>24.0% <sup>(**)</sup></b>	-

(\*) Adjusted EPRA Earnings

(\*\*) Ratio calculated considering recurring expenses

See terms definitions in Glossary, section 6



## 3.1 EPRA Earnings

(Thousands of euros)	2018	2017
<b>EARNINGS PER IFRS INCOME STATEMENT</b>	<b>129,308</b>	<b>135,606</b>
Change in value of investment properties and other interest	(97,245) (*)	(101,558)
Companies acquisitions effect	-	(653)
Change in fair value of financial instruments	1,024	(1,474)
Companies divestments effect	(28,541)	(2,842)
Amortisation of intangible assets	307	-
Tax on profit on disposals	4,539	-
<b>EPRA EARNINGS</b>	<b>9,392</b>	<b>29,079</b>
<b>Weighted average number of shares (excluding treasury shares)</b>	<b>93,404,258</b>	<b>91,372,891</b>
<b>EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.10</b>	<b>0.32</b>
Company specific adjustment (**)	19,848	7,500
<b>ADJUSTED EPRA EARNINGS</b>	<b>29,240</b>	<b>36,579</b>
<b>ADJUSTED EPRA EARNINGS PER SHARE (EUROS)</b>	<b>0.31</b>	<b>0.40</b>

(\*) 26,774 thousand Euros linked to Lagasga99 residential project included.

(\*\*) It corresponds to the part of the Performance/Divestment Fee that the Manager would be obliged to reinvest in Lar España, thus avoiding any real cash outflow for the company.



## 3.2 EPRA NAV

(Thousands of euros)	31/12/2018	31/12/2017
<b>NET ASSET VALUE PER THE FINANCIAL STATEMENTS</b>	<b>1,008,498</b>	<b>918,219</b>
Change in fair value of non-current assets	5,146	18,468
Fair value of financial instruments	3,634	189
Deferred tax liabilities	19,405	14,613
<b>EPRA NAV</b>	<b>1,036,683</b>	<b>951,489</b>
<b>Number of shares (excluding treasury shares)</b>	<b>93,081,129</b>	<b>92,604,217</b>
<b>EPRA NAV PER SHARE (EUROS)</b>	<b>11.14 (*)</b>	<b>10.27</b>

(\*) When analyzing this measure it is important to take into account the dividend paid in Q2 2018 (0.49€/share).

## EPRA NNAV

(Thousands of euros)	31/12/2018	31/12/2017
<b>EPRA NAV</b>	<b>1,036,683</b>	<b>951,489</b>
Fair value of financial instruments	(3,634)	(189)
Deferred tax liabilities	(19,405)	(14,613)
<b>EPRA NNAV</b>	<b>1,013,644</b>	<b>936,687</b>
<b>Number of shares (excluding treasury shares)</b>	<b>93,081,129</b>	<b>92,604,217</b>
<b>EPRA NNAV PER SHARE (EUROS)</b>	<b>10.89 (*)</b>	<b>10.11</b>

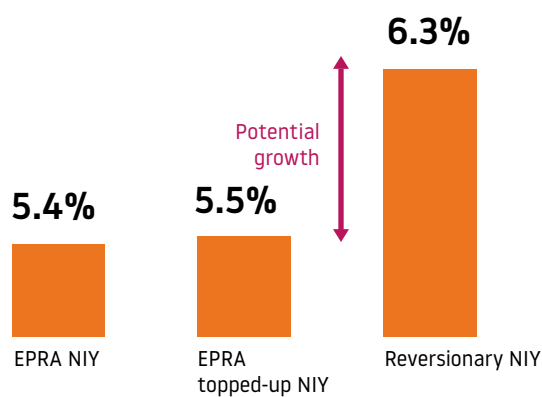
(\*) When analyzing this measure it is important to take into account the dividend paid in Q2 2018 (0.49€/share).

### 3.3 EPRA NIY and EPRA “topped-up” NIY (31/12/2018)

(Thousands of euros)

Asset	Completed Property Portfolio	Allowance for estimated purchasers costs	Gross up completed property portfolio valuation (A)	Annualised cash passing rental income
Megapark + leisure area	222,200	4,222	226,422	12,487
Gran Vía Vigo	173,000	4,758	177,758	10,075
Portal de la Marina + hypermarket	129,175	3,100	132,275	7,830
El Rosal	110,210	2,752	112,962	7,313
Anec Blau	97,060	2,916	99,976	5,272
As Termas + petrol station	87,560	2,408	89,968	5,631
Parque Abadía + commercial gallery	83,410	2,085	85,495	5,091
Rivas Futura	67,500	1,519	69,019	4,102
Albacenter + hypermarket	60,350	1,509	61,859	3,615
VidaNova Parc	59,910	1,500	61,410	3,998
Supermarkets portfolio	53,024	1,060	54,084	3,839
Vistahermosa	50,540	1,260	51,800	3,583
Txingudi	37,500	713	38,213	2,671
Las Huertas	12,600	284	12,884	1,032
<b>TOTAL RETAIL</b>	<b>1,244,039</b>	<b>30,085</b>	<b>1,274,124</b>	<b>76,538</b>
Eloy Gonzalo	39,400	1,143	40,543	1,303
Marcelo Spínola	37,000	1,073	38,073	565
<b>TOTAL OFFICES</b>	<b>76,400</b>	<b>2,216</b>	<b>78,616</b>	<b>1,867</b>
<b>TOTAL LAR ESPAÑA</b>	<b>1,320,439</b>	<b>32,300</b>	<b>1,352,739</b>	<b>78,406</b>

#### Retail yields



Property outgoings	Annualised net rents (B)	Notional rent expiration of rent free periods or other lease incentives	Topped-up net annualised (C)	EPRA NET INITIAL YIELD (B/A)	EPRA TOPPED-UP NET INITIAL YIELD (C/A)
(1,517)	10,970	57	11,027	4.8%	4.9%
(409)	9,667	109	9,776	5.4%	5.5%
(548)	7,282	106	7,388	5.5%	5.6%
(883)	6,430	164	6,594	5.7%	5.8%
(993)	4,279	69	4,348	4.3%	4.3%
(370)	5,260	293	5,553	5.8%	6.2%
(249)	4,843	100	4,943	5.7%	5.8%
(370)	3,732	103	3,835	5.4%	5.6%
(810)	2,804	28	2,833	4.5%	4.6%
(471)	3,527	228	3,755	5.7%	6.1%
(13)	3,825	0	3,825	7.1%	7.1%
(681)	2,902	2	2,905	5.6%	5.6%
(153)	2,517	17	2,534	6.6%	6.6%
(120)	912	31	943	7.1%	7.3%
<b>(7,587)</b>	<b>68,952</b>	<b>1,309</b>	<b>70,261</b>	<b>5.4%</b>	<b>5.5%</b>
(83)	1,219	383	1,602	3.0%	4.0%
(402)	163	84	247	0.4%	0.6%
<b>(485)</b>	<b>1,382</b>	<b>467</b>	<b>1,849</b>	<b>1.8%</b>	<b>2.4%</b>
<b>(8,072)</b>	<b>70,334</b>	<b>1,776</b>	<b>72,110</b>	<b>5.2%</b>	<b>5.3%</b>

**5.4%**  
Retail  
EPRA NIY

**5.5%**  
Retail EPRA  
topped-up NIY

**6.3%**  
Retail  
Reversionary  
Yield

## 3.4 EPRA Vacancy Rate

Asset	ERV (Thousands of euros)	ERV Vacancy (Thousands of euros)	EPRA VACANCY RATE (%)
Megapark + leisure area	14,497	1,660	11.5% (*)
Gran Vía	9,981	45	0.5%
Portal de la Marina + hypermarket	7,687	485	6.3% (*)
El Rosal	7,451	418	5.6%
Anec Blau	6,306	460	7.3% (*)
As Termas + petrol station	5,573	156	2.8%
Parque Abadía + commercial gallery	5,161	317	6.1% (**)
Rivas Futura	4,427	185	4.2%
Albacenter + hypermarket	3,996	114	2.8%
VidaNova Parc	4,318	0	0.0%
Supermarkets portfolio	3,276	0	0.0%
Vistahermosa	3,614	183	5.1%
Txingudi	2,865	69	2.4%
Las Huertas	1,048	69	6.6%
<b>TOTAL RETAIL</b>	<b>80,200</b>	<b>4,161</b>	<b>5.2%</b>
Marcelo Spinola	2,171	1,507	69.4%
Eloy Gonzalo	1,522	0	0.0%
<b>TOTAL OFFICES</b>	<b>3,693</b>	<b>1,507</b>	<b>40.8%</b>
<b>TOTAL</b>	<b>83,893</b>	<b>5,668</b>	<b>6.8%</b>

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

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

## 5.2% Retail EPRA Vacancy Rate



## 3.5 EPRA Cost Ratios

(Thousands of euros)	Recurring		TOTAL	
	2018	2017	2018	2017
Administrative expenses	(502)	(542)	(502)	(542)
Operating costs net of recoverable income <sup>(1)</sup>	(18,388) <sup>(2)</sup>	(16,882) <sup>(2)</sup>	(48,774) <sup>(3)</sup>	(29,523) <sup>(3)</sup>
Administrative/operating expenses in associates	(1,283)	(1,206)	(1,283)	(1,206)
<b>EPRA Cost (including vacancy cost) (A)</b>	<b>(20,173)</b>	<b>(18,630)</b>	<b>(50,559)</b>	<b>(31,271)</b>
Direct vacancy costs	(2,547)	(2,659)	(2,547)	(2,659)
<b>EPRA Cost (excluding vacancy cost) (B)</b>	<b>(17,626)</b>	<b>(15,971)</b>	<b>(48,012)</b>	<b>(28,612)</b>
Gross Rental Income less ground rent costs-per IFRS	79,688	79,346	79,688	79,346
Net associated costs (net service charge)	(6,374)	(6,324)	(6,374)	(6,324)
<b>Gross Rental Income (C)</b>	<b>73,314</b>	<b>73,022</b>	<b>73,314</b>	<b>73,022</b>
<b>EPRA COST RATIO (including direct vacancy costs) A/C</b>	<b>27.5%</b> <sup>(4)</sup>	<b>25.5%</b>	<b>69.0%</b>	<b>42.8%</b>
<b>EPRA COST RATIO (excluding direct vacancy costs) B/C</b>	<b>24.0%</b> <sup>(4)</sup>	<b>21.9%</b>	<b>65.5%</b>	<b>39.2%</b>

(1) Maintenance costs totalling 1,228 thousands of euros are included.

(2) Fixed management fee included.

(3) Fixed and variable management fees included.

(4) Excluding costs directly related to development projects, as at 31 December 2018, the ratios would be 24.1% and 20.6% respectively.



# 4

## SHARE PRICE PERFORMANCE

**4.1**  
Share price  
information and  
performance  
p.100

**4.2**  
Analyst  
Recommendations  
p.101



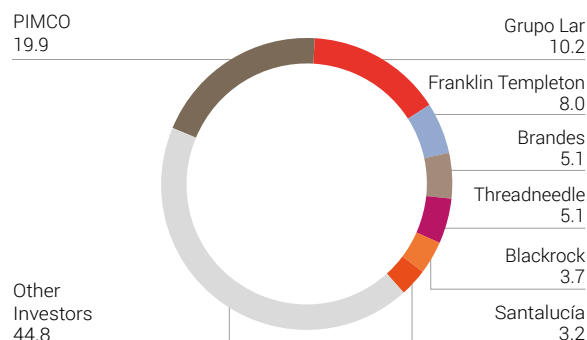
Parque Abadía Retail Park (Toledo)



## 4.1 Share price information and performance

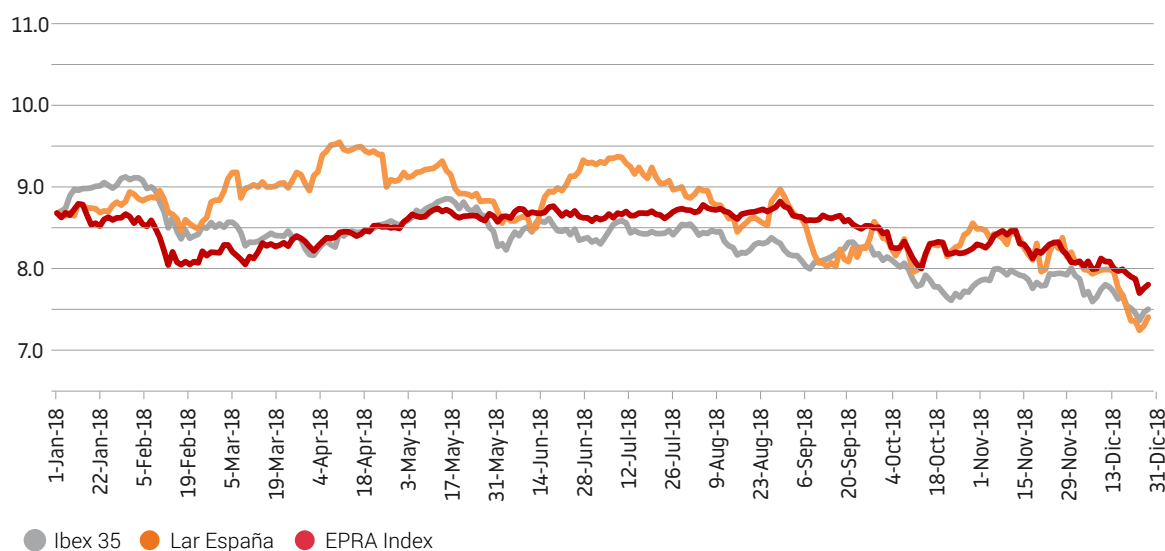
Detail of shares (Euros)	Jan-Dec 2018
Price at the beginning of the period	8.89
Price at the end of the period	7.45
<b>Performance during the period</b>	<b>-16.2%</b>
Maximum price for the period	9.87
Minimum price for the period	7.27
<b>Average price for the period</b>	<b>8.91</b>
ADTV (*)	201,189
Market Cap (Euros) 31/12/2018	694,481,878
Number of shares	93,219,044

Share distribution at 31 December 2018 (%)



(\*) Average Daily Trading Volumen in number of shares

Lar España share price performance vs Ibex 35 and EPRA Index (January-December 2018) (\*\*)



**-16.2%**  
Lar España

**-15.0%**  
IBEX 35















**-11.2%**  
EPRA  
Index (\*\*\*)

(\*\*) As at 25 February 2019 Lar España share price performance stands at +7.9% during 2019 (+7.8% IBEX 35 ; +8.2% EPRA Index).  
(\*\*\*) Sectoral European reference Index.

## 4.2 Analyst Recommendations

**34.5%**  
Potential  
Return<sup>(\*)</sup>

As of the date of this report, Lar España has the coverage of 14 analysts, whose average target price is **€10.02**.

Broker	Recommendation	Analysis Date	Target Price (Euros)
 Santander	Buy	16/11/2016	9.10
 Kepler Cheuvreux	Hold	21/03/2017	Under Revision
 Sabadell	Buy	07/06/2018	10.95
 MIRABAUD	Buy	13/11/2018	10.34
 KPMG & CO	Hold	05/12/2018	9.10
 Aborro Corporación	Buy	05/12/2018	10.70
 GVC Gaesco Beka	Buy	12/12/2018	11.79
 J.P.Morgan Asset Management	Hold	21/01/2019	9.00
 intermoney valores sv	Buy	24/01/2019	10.00
 JBCapitalMarkets	Buy	24/01/2019	12.50
 ING	Hold	30/01/2019	9.00
 bankinter	Buy	30/01/2019	10.52
 SOCIETE GENERALE	Sell	04/02/2019	7.00
 fidentiis	Buy	14/02/2019	10.30

Source: Bloomberg

(\*) Taken into account the average target price and the price at the end of the period.

**69%**  
Buy

**23%**  
Hold

**8%**  
Sell

# 5

## EVENTS AFTER THE REPORTING PERIOD



Eloy Gonzalo Office Building (Madrid)



## Events after the reporting period

The **regulatory notices** published and submitted to the Spanish Stock Market Commission (CNMV) since 31 December 2018 to the date of this report are listed below in chronological order:

### 1 Valuation reports as at 31 December 2018

**16.01.2019** Lar España has received the valuation reports for its property portfolio as of 31 of December 2018, carried out by JLL Valoraciones, S.A and Cushman & Wakefield Sucursal en España.

The **total market value** of the company's portfolio as detailed in the abovementioned reports is **EUR 1,535.9 million**. The acquisition Price – transaction costs not included - of the assets subject to the valuation was EUR 1,087.2 million.

The properties were valued according to the Royal Institution of Chartered Surveyors (RICS) valuation standards, based on net market value as at 31 December 2018.

### 2 Share capital decrease registration

**29.01.2019** In connection with the Material Fact registered with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) on 28 December 2018 (Register number 273427), Lar España hereby informs that, on this date, the public deed regarding **the reduction of share capital, granted on 28 December 2018, has been duly registered with the Commercial Registry of Madrid.**

The share capital reduction was approved by the Board of Directors of the Company on 27 December 2018, pursuant to the delegation granted by the General Shareholders Meeting held on 29 May 2017, that agreed, under item eleven of the agenda, to authorise the Board of Directors for the derivative acquisition of own shares, in accordance with the terms and conditions established in the abovementioned resolution of the General Shareholders Meeting, expressly authorising it to reduce share capital on one or more occasions in order to redeem the acquired own shares.

Consequently, the share capital of Lar España has been reduced in the amount of **EUR 3,088,980.00**, through the cancellation of **1,544,490 own shares with a face value of two euros each**. Likewise, and in order to amend and clarify the information provided under the referred Material Fact of 28 December 2018, it is hereby stated that all of the cancelled shares were acquired under the Company's buy-back program that was announced through a Relevant Fact on 28 September 2018 (Register number 270006) and which expiration date was extended on 28 December (the "Buy-back Program"). **The share capital resulting** from the reduction has been set at **186,438,088.00 euros**, represented by **93,219,044 shares with a face value of two euros each**.

The purpose of this capital reduction, as envisaged in the Buy-back Program, is **to contribute to the Company's shareholder remuneration by increasing the profit per share**. It is hereby stated that the reduction does not involve the return of contributions to the shareholders since the Company is the holder of the canceled shares.

The reduction **has been carried out with a charge to free reserves**, through the provision of a capital cancellation reserve for an amount equal to the nominal value of the cancelled shares, which will only be available following the same requirements demanded for the reduction of the share capital, as provided by article 335 c) of the Spanish Companies Act. Consequently, in accordance with the provisions of such article, there is no right of opposition for the creditors included in article 334 of the Spanish Companies Act in connection with the capital reduction.

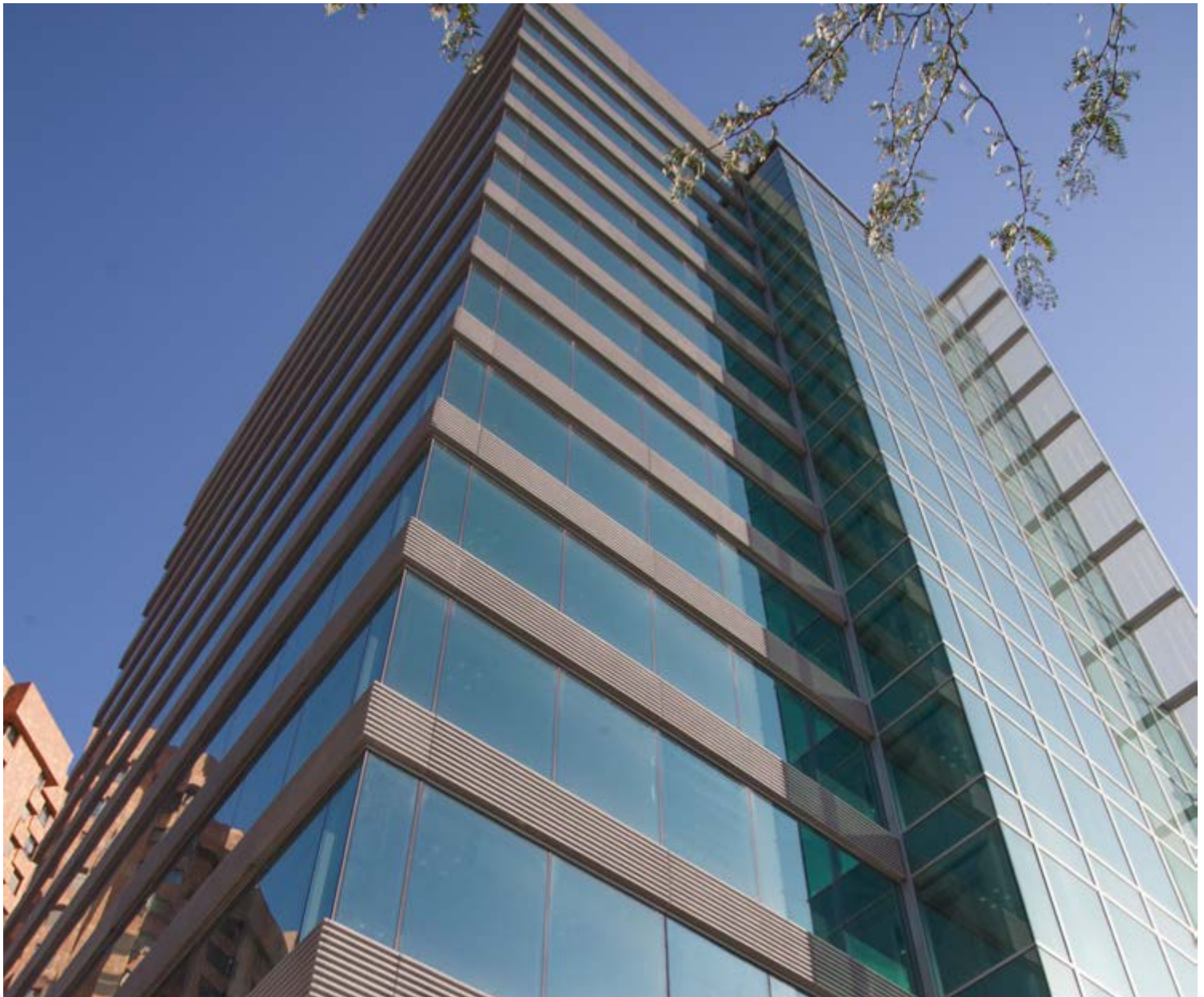
In the following days, the Company will request the **exclusion of the 1.544.490 cancelled shares** from the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Stock Exchange Interconnection System (Continuous Market).



3

### Cardenal Marcelo Spínola office building divestment

**31.01.2019** Today, the Company (through its wholly owned company LE Offices Marcelo Spínola 42 SLU) has transferred to an INVESCO company named IRE-RE Espinola, S.L.U. **an office building at Calle Cardenal Marcelo Spínola 42** de Madrid, with a total gross leasable area (GLA) of approximately 8,875 square meters. The aforementioned sale has been formalized in public deed dated today, for a **total price of 37 million euros**. The sale price agreed for the transfer of the mentioned property represents a **capital gain of 94.7%** on the acquisition price paid by the Company for said property in July 2014 and matches the last valuation of this asset made in December 2018.



6

**GLOSSARY**



Albacenter Shopping Centre (Albacete)



# Glossary

## Dividend Yield

Profitability by dividend, that shows, in percentage, the shareholder performance by the dividends. Result of Dividend/ Average quarterly EPRA NAV of the last four quarters of the year and result of Dividend/Market capitalization.

## EBIT

Earnings Before Interest and Tax.

## EBITDA

Earnings Before Interest, Tax, Depreciation and Amortisation.

## EPRA

European Public Real Estate Association.

## EPRA Cost Ratio

Administrative & operating costs (including direct vacancy costs) divided by gross rental income.

## EPRA Cost Ratio (excluding direct vacancy costs)

Administrative & operating costs (including & excluding direct vacancy costs) divided by gross rental income.

## EPRA Earnings

Earnings from operational activities

## EPRA NAV

Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

## EPRA Net Initial Yield (NIY)

Annualised rental income based on the cash rents passing at the balance sheet date, less non recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

## EPRA NNNAV

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

## EPRA "topped-up" NIY

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rentfree periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

## EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

## GAV

Gross Asset Value.

## GLA

Gross Leasable Area in sqm.

## GRI (Gross Rental Income)

Gross income for the period.

## IFRS

International Financial Reporting Standards.

## Like for like (LfL)

Comparison of one period, with that of the same period the year before, taking into consideration the same assets.

## Liquidity ratio

The Company's capacity to meet its obligations with liquid assets, calculated as the ratio between the Company's current assets and current liabilities.

## Net profit/(loss)

Profit/(Loss) for the period after tax.

## Net LTV (Loan to Value)

Ratio that measures the total amount of outstanding principal, discounted available cash, against the value of the assets.  $\text{Net LTV} = \text{Net debt} / \text{GAV}$ .

## NOI (Net Operating Income)

Gross income discounting costs incurred during the period.

## PBT

Profit Before Tax.

## Reversionary Yield

Yield calculated as the ratio between the rental income that would be obtained from leasing the entire area at the market prices estimated by the independent valuers (ERV) and the gross asset value.

## ROA (Return on Assets)

Return on assets, calculated by dividing profit for the last 12 months by the company's average assets of the last four quarters.

## ROE (Return on Equity)

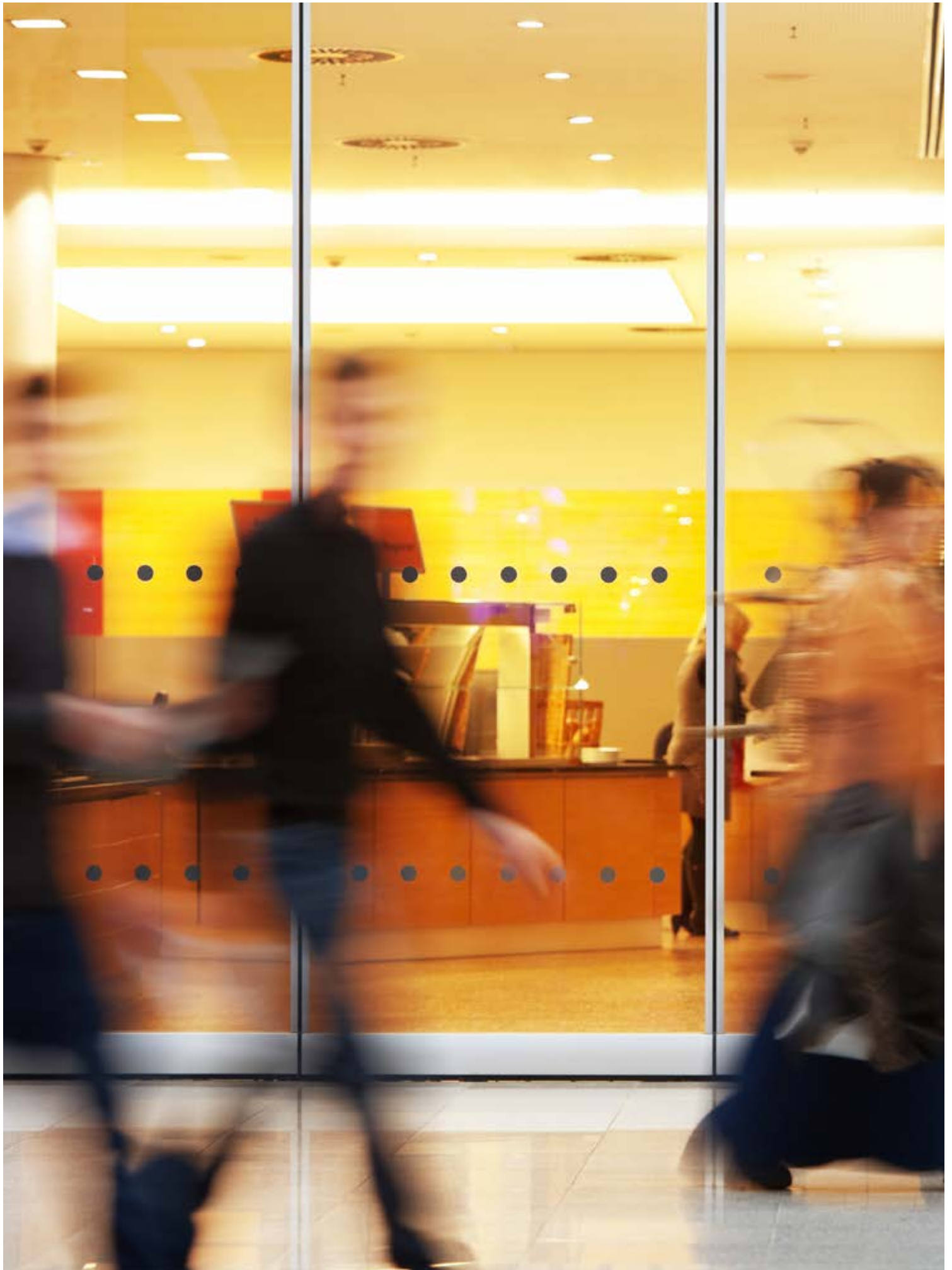
Return on equity, calculated by dividing profit for the last 12 months by the company's average equity of the last four quarters.

## Solvency ratio

The Company's financial capacity to meet its payments obligations with all the assets and resources available. It is calculated by dividing equity plus non-current liabilities by non-current assets.

## WAULT

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from current date, until the first break option, weighted by the gross rent of each individual lease contract.





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