



H1 2016 Results

www.larespana.com

Sep 2016

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Anec Blau Shopping Centre, Barcelona

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Lar España's presenting team



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CFO



JOSE MANUEL LLOVET

Head of Retail Operations of Grupo Lar



HERNÁN SAN PEDRO

Head of Investor Relations

Key Facts H1 2016

1,050Mn **GAV¹** **+52% vs H1 2015**

€26.9Mn **Gross Rental Income** **+90% vs H1 2015**

40% **Net LTV²** **2.24% Cost of Debt**

+12.5% **Tenants Sales Growth outperforming the market H1 2016**

+8.6% **Footfall outperforming the market H1 2016**



€10.1 **EPRA NAV per share** **+5% vs Dec 2015** **€8.4** **EPRA NAV per share *pro forma* post Rights Issue**

6.1% **EPRA “topped-up” NIY** **5.8%** **EPRA Net Initial Yield**

€11.4Mn **EPRA Earnings** **€53.8Mn** **EPRA Annualised Net Rent³**

41.9% **EPRA Cost Ratio** **93.0%** **EPRA Occupancy Rate**

¹ Total GAV = Valuation of assets as of 30th June

² Net LTV as of 30 June 2016

³ Includes only operating assets generating rents by the end of H1 2016

Agenda

1 Highlights

2 H1 2016 Financial Results

3 Business Performance

4 Growth Drivers

5 Closing Remarks

1

Highlights



Vistahermosa Retail Park, Alicante

Delivering Strong Operational and Financial Results in H1 2016

Financial Results

- **Gross Rental Income of €26.9 Mn**, +69.5% YoY
- **EBITDA of €24.2 Mn**, +192% YoY / **Net Income of €43.3 Mn**, +124% YoY
- **GAV of €1,050 Mn**, +52% vs H1 2015
- **EPRA Net Initial Yield 5.8% / EPRA Topped-Up NIY 6.1% / 6.6% Initial Yield on cost**
- **EPRA NAV of €10.1 p.s.**, +3.1% since March 2016

Business Performance

- **Vidanova Parc** (Sagunto): 50% pre-let
- **13,709 Sqm leased in H12016 (Leroy Merlin +9,472 Sqm)**: High interest from international retailers
- **Marcelo Spínola Office**: Project delivery on time and budget in Q3 2016
- **Retail EPRA Occupancy +1.8 p.p** since end of 2015 / **Retail tenant Sales +12.5%** in H1 2016
- **Retail NOI +4.1%** in H1 2016 since acquisition¹ driven by rental price recovery and reduction in discounts

Corporate Highlights

- **H1 LTV of 40%** with a cost of debt of 2.24%
- Acquisition of **Vistahermosa** in June 2016, a prime retail park in Alicante
- **Capital increase of €147 Mn** (July) which gives a firepower of >€230 Mn after Gran Vía acquisition
- Acquisition of **Gran Vía de Vigo for c. €145 Mn**, a prime dominant shopping centre, is underway

Investor Day

- **Investor Day in October with strategical new info update**

¹ Average holding period: 19 months.

2 H1 2016 Financial Results

Consolidated Income Statement (Thousands of Euros)

	H1 2016			Chg (%) 1H16/1H15	H1 2015		
	Recurring	Non-Recurring	Total		Recurring	Non-Recurring	Total
Rental Income	26,872	-	26,872		14,116	-	14,116
Other income	794	6,978	7,772		400	-	400
Property Operating Expenses	(4,966)	-	(4,966)		(2,668)	-	(2,668)
Base Fee	(3,113)	-	(3,113)		(1,935)	-	(1,935)
Property Operating Results	19,586	6,978	26,564	+168%	9,912	-	9,913
Corporate Expenses	(1,733)	(586)	(2,318)		(856)	(756)	(1,612)
EBITDA (*)	17,853	6,392	24,246	+192%	9,056	(756)	8,301
Changes in the Fair Value	29,066	-	29,066		12,470	-	12,470
EBIT (*)	46,919	6,392	53,312	+157%	21,526	(756)	20,771
Financial Result	(3,694)	(4,104)	(7,798)		(1,715)	-	(1,715)
Share in profit (loss) for the period of equity-accounted companies	(1,773)	-	(1,773)		547	-	547
Impairment and gains/(losses) on disposal of financial instruments	-	29	29		-	(257)	(257)
EBT	41,452	2,318	43,770	+126%	20,358	(1,012)	19,346
Income Tax	-	-	-		-	-	-
Profit for the Period (*)	41,452	2,318	43,770	+126%	20,358	(1,012)	19,346
FFO (EBITDA – Financial Result)	14,159	2,288	16,448				
% FFO Annualized Yield /NAV	4.64%	-	5.39%				
Accounting provisions (Performance fee)	(443)	-	(443)		-	-	-
Profit for the Period (post accounting provisions)	41,009	2,318	43,327		20,358	(1,012)	19,346

(*) pre performance fee

Diversified and prudent financing strategy with a highly competitive cost of debt

Key Figures of the financing as of 30 June 2016

40%¹

Net Loan to Value (LTV¹)

2.24%

Average Cost of Debt²

78%

Fixed Interest

5.4x

Interest Cover Ratio (ICR)

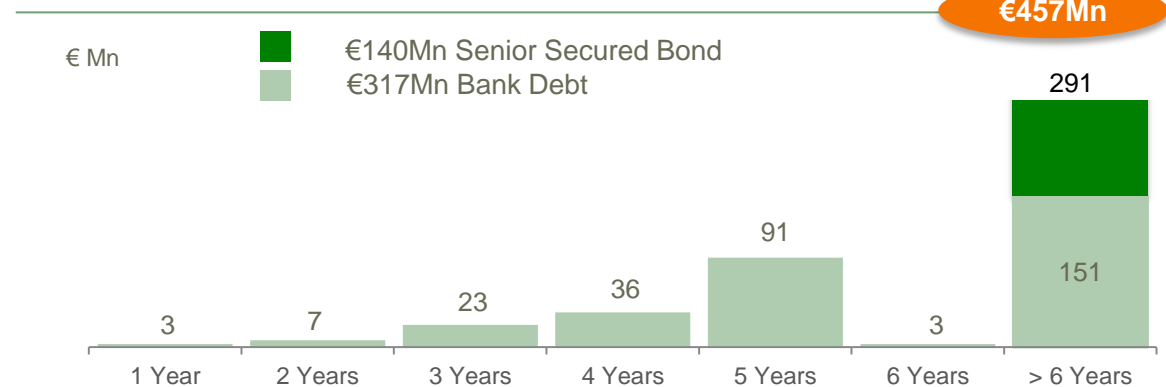
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Debt WALT

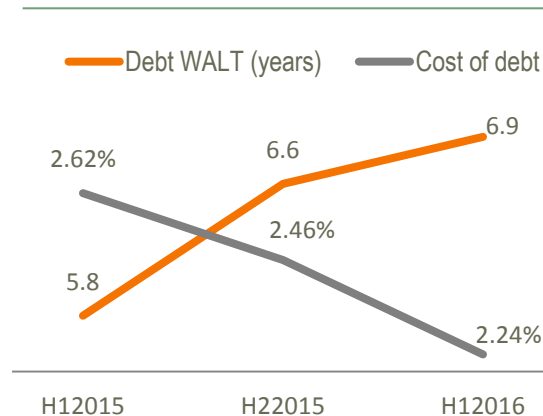
¹ Net LTV as of June 2016; Net LTV= Total Loans & Borrowings & Notes net of Cash

² Excluding any impact from negative interest rate

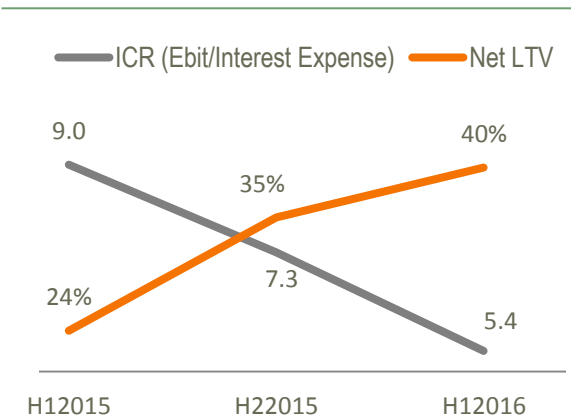
Back-loaded Amortization Profile



Long Term debt maturity and competitive cost of debt



Stronger Financial solvency while optimizing Balance Sheet Structure



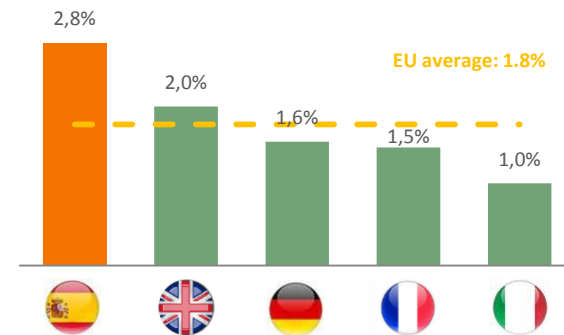
3 Business Performance



Spanish market benefits from strong macroeconomic tailwinds

Greatest GDP Growth in Europe

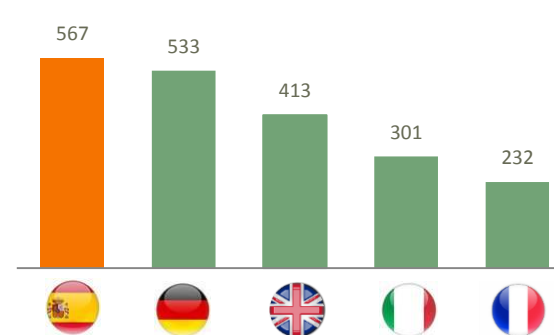
2016E, % YoY Change



Source World Bank

Largest Employment Creation in Europe

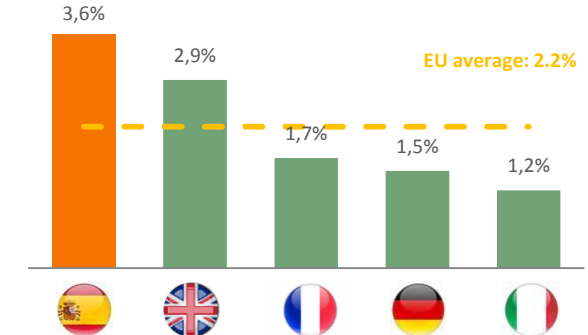
LTM Q1 2016, New employments in Thousands



Source Eurostat

Accelerating Real Private Consumption

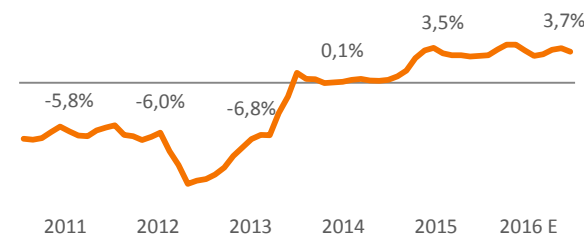
Q2 2016, % YoY Change



Source OECD

Growing Retail Sales

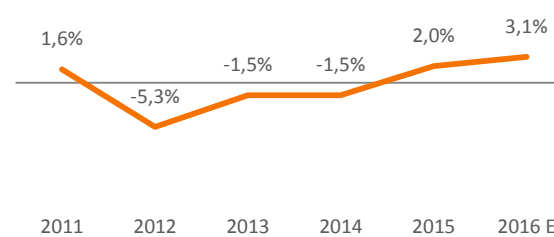
% YoY Growth



Source Eurostat

Increasing Shopping Centres Footfall

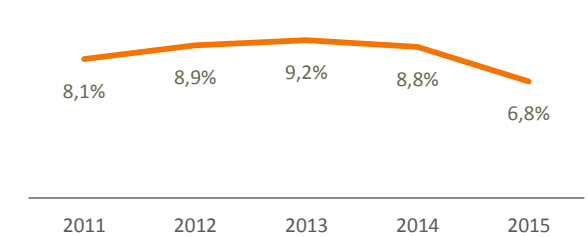
% YoY Index Change



Source Experian Footfall

Decreasing Shopping Centres Vacancy

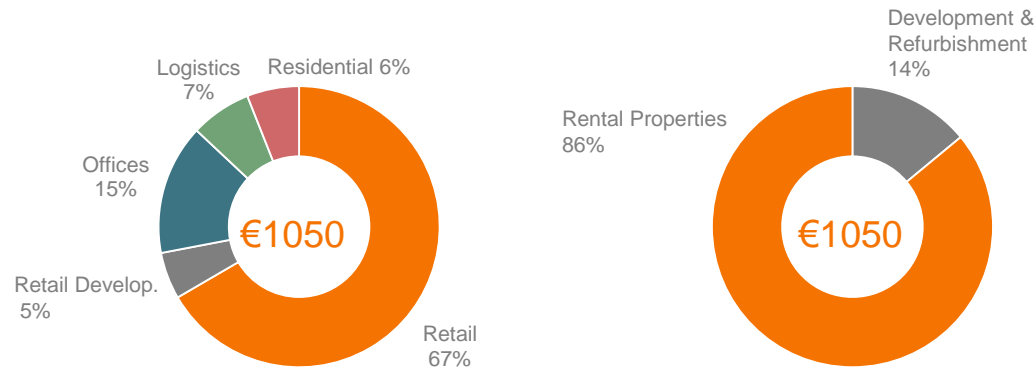
% Average Vacancy



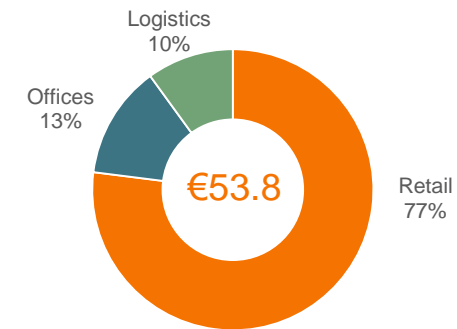
Source PMA

Portfolio at a glance

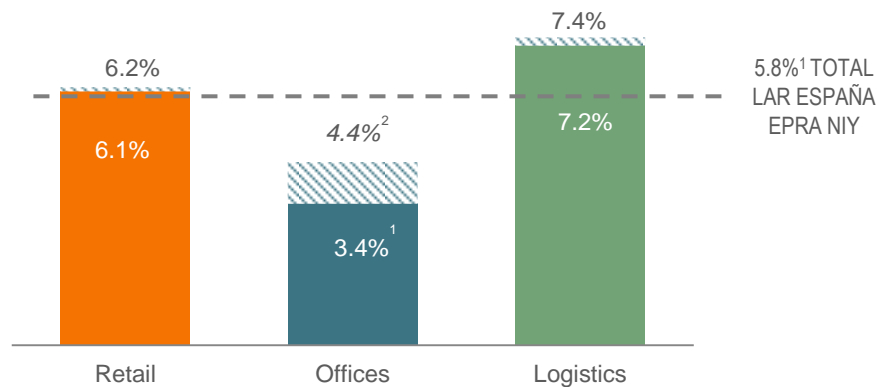
GAV (Mn€)



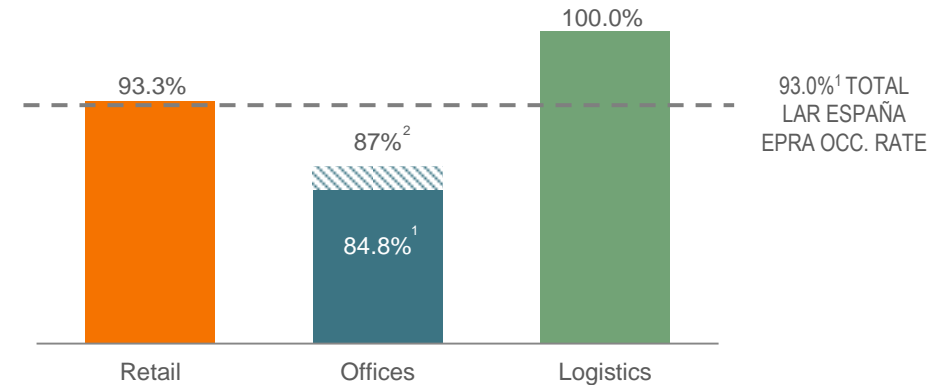
Rental Income (Mn€)



EPRA NIY & EPRA Topped-up NIY



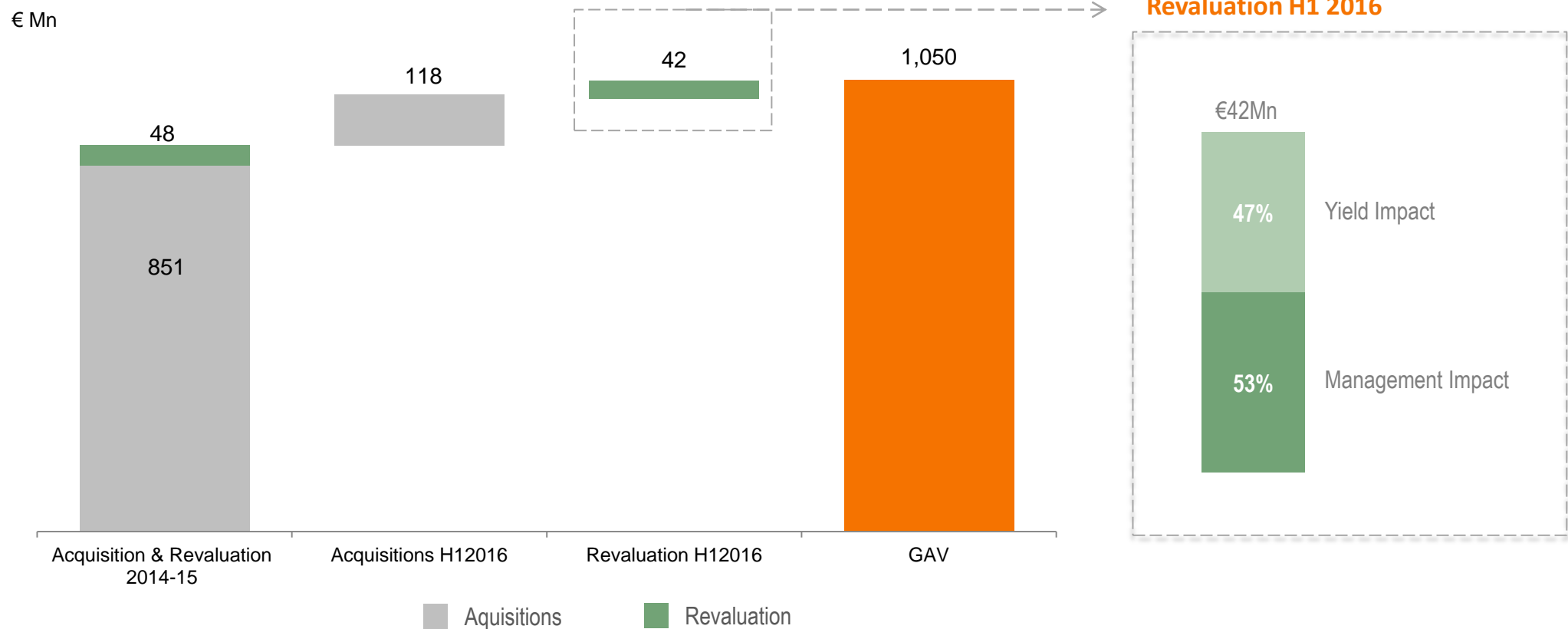
EPRA Occupancy Rate



1. Marcelo Spinola's EPRA NIY and EPRA Occupancy rate is not calculated due to the lack of representativeness. The refurbishment was started during Q2 2015 and has been finished in Q3 2016. To calculate the NIY for the total portfolio we have excluded the data from Marcelo Spinola.
2. Office EPRA NIY & Topped-up NIY excludes Marcelo Spinola. Office EPRA Occupancy Rate is 84.8%. Nevertheless, 87% is excluding non-recurring effects.

Strong Valuation Performance on the back of value added initiatives

Valuation Bridge Since Acquisition



¹ Market Value determined by JLL and C&W as of 30 June 2016.

Top tenants showing great interest in both our operating and under development assets

High quality and diversified tenant base

Carrefour 

8.15% TOTAL RENTS

INDITEX

6.05% TOTAL RENTS

MediaMarkt

5.32% TOTAL RENTS

ineco

5.11% TOTAL RENTS

DECATHLON

3.57% TOTAL RENTS

El Corte Inglés

3.02% TOTAL RENTS



2.70% TOTAL RENTS

H&M

2.21% TOTAL RENTS

ToysRUs

2.08% TOTAL RENTS

New tenants improve profitability and risk adjusted returns of our assets

Signed in H1 2016



lefties

Albacenter
1,044 Sqm

Portal de la Marina
562 Sqm



Vidanova Parc
(Sagunto)
9,472 Sqm

H&M

Txingudi
2,309 Sqm

MANGO

As Termas
837 Sqm

Txingudi
495 Sqm

New Openings in H1 2016



Las Huertas
541 Sqm

Soloptical

As Termas
146 Sqm

Txingudi
150 Sqm

Koröshi.

Txingudi
398 Sqm

El Rosal
346 Sqm

women'secret

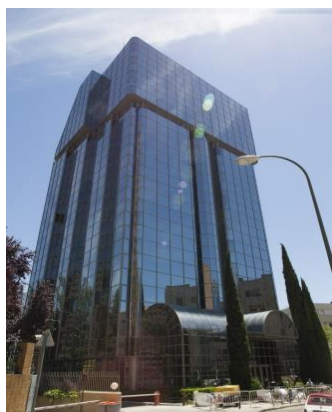
Txingudi
152 Sqm

Torre Spinola: first class offices in Madrid business centre

- *Works completed*
- *BREEAM certification*
- *The best office building in a consolidated office area*
- *Great visibility from M-30 ring, the most travelled highway in Madrid*
- *Stunning city views*
- *Commercialization started (CBRE & Aguirre Newman co-exclusive, main real estate agents in Spain, focused on corporate headquarters demand)*
- *Confirmation of the technical expertise of the manager*

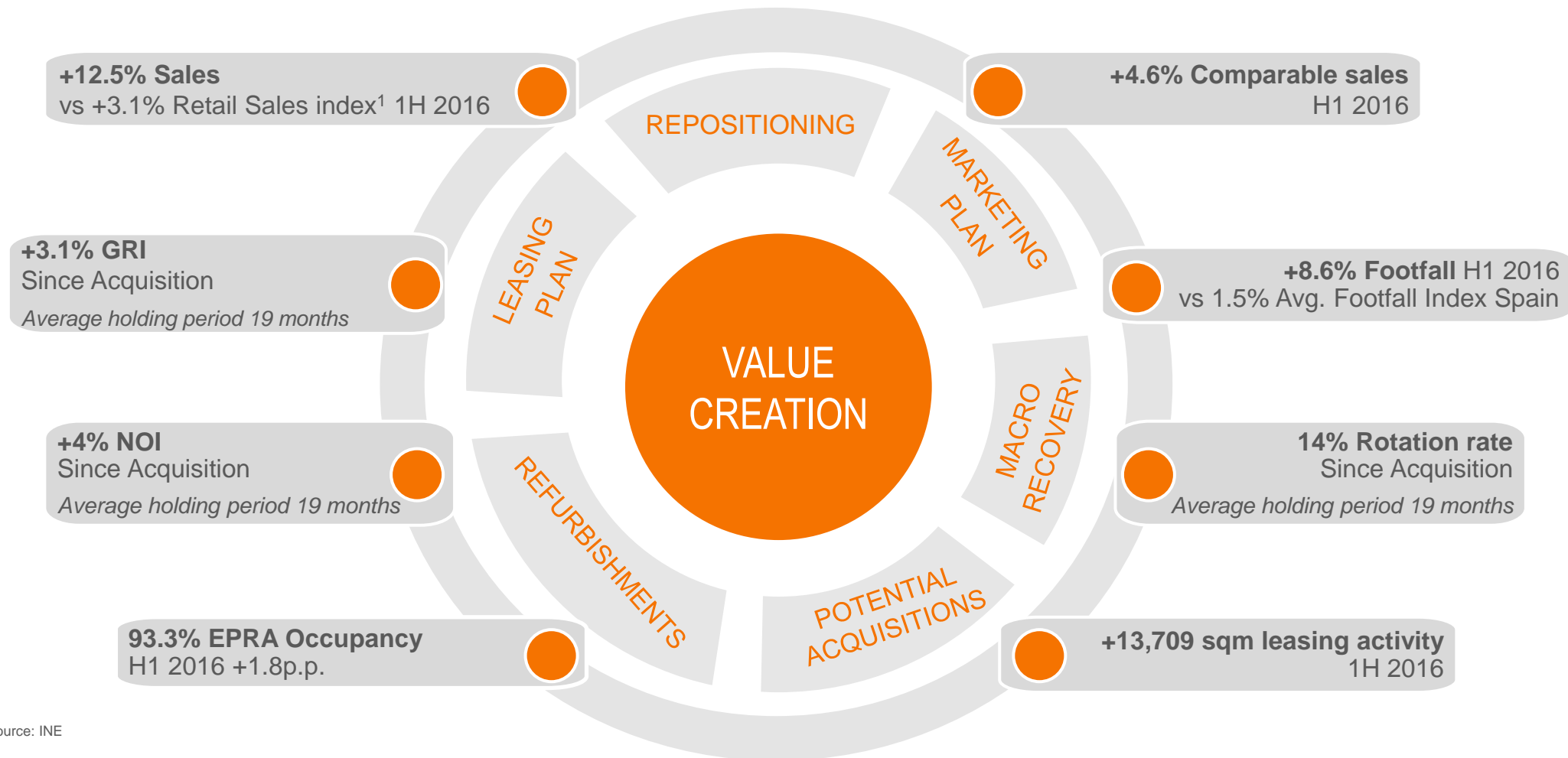


GLA	Acquisition price	Redevelopment Capex	Total cost per sqm.	Expected yield
8,875 sqm.	EUR 19.0 Mn	EUR 9.6 Mn	EUR 3,222/sqm	> 7.5%



Retail

Outperforming the market on an intense letting activity and excellent operating performance

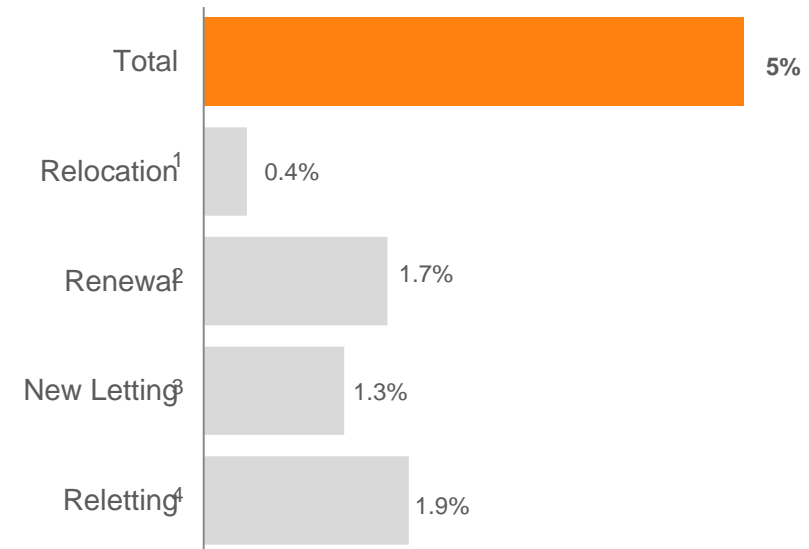
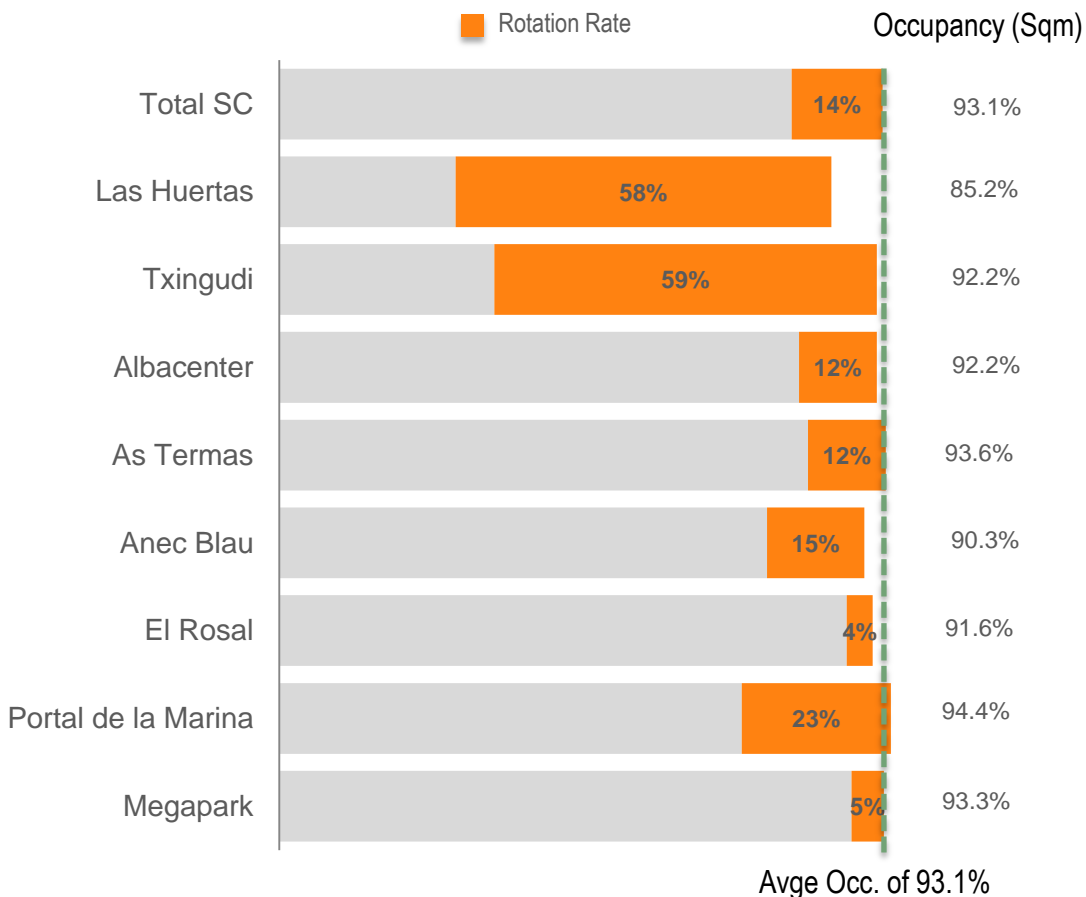
¹ Source: INE

Retail

Rotation rate in SC is increasing the quality of Occupancy

+1.4 p.p in physical Occupancy since acquisition of the SC platform
High Rotation rate of 14% since acq. due to active management to increase tenant quality

Rotation Rate in H1 2016



New Rent 19% up vs previous in H12016









65 signed contracts during H12016

Notes:

1. Relocation = deal signed with existing tenant on another unit (empty or previously rented)
2. Renewal = deal signed with existing tenant to renew its lease agreement on the same unit
3. New letting = deal signed with a tenant leasing the unit that was empty at acquisition
4. Reletting = Deal signed with a new tenant replacing an existing tenant

Portfolio of high quality assets dominant in their catchment area with strong growth

LAR España largest assets represent
90% of its retail
GAV

	Megapark	Palmas Altas	Portal de la Marina	El Rosal	Aneclau	As Termas	Albacenter	Vistahermosa
								
Dominant in its catchment area	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
% of High Quality Tenants ¹	98%	n.a.	95%	89%	98%	99%	99%	100%
Value Add Potential	<ul style="list-style-type: none"> Occupancy Tenant mix 	<ul style="list-style-type: none"> Development 	<ul style="list-style-type: none"> Extension Reposition 	<ul style="list-style-type: none"> Tenant mix Reposition 	<ul style="list-style-type: none"> Reposition 	<ul style="list-style-type: none"> Occupancy Extension 	<ul style="list-style-type: none"> Tenant mix Reposition 	<ul style="list-style-type: none"> Occupancy Reposition
Initial Yield on Cost	6.3%	8.0% ⁴	6.6%	6.3%	6.1%	6.2%	6.9%	5.7%
Location	Bilbao	Seville	Alicante Coast	Ponferrada	Great Barcelona	Lugo	Albacete	Alicante City
Ownership	100% RP+FOC	100%	100%	100%	100%	100% SC ⁶	100%	100%
Asset Type	Retail Complex	Shopping Centre	Shopping Centre	Shopping Centre	Shopping Centre	Shopping Centre	Shopping Centre	Retail Park
GLA³	128,000 sqm ²	60,000 sqm	40,083 sqm	51,022 sqm	28,651 sqm	35,165 sqm	27,892 sqm	33,550 sqm
GAV³	€178 Mn	€36 Mn	€99 Mn	€93 Mn	€87 Mn	€72 Mn	€46 Mn	€43 Mn
Initial Occupancy	96.2%	N.A.	93.0%	92.6%	93.3%	94.0%	91.1%	84.5%
Footfall	10 Mn	N.A.	3.8 Mn	5.5 Mn	5.5 Mn	3.8 Mn	4.9 Mn	4.4 Mn
Catchment Area ⁵	3 Mn	1.5 Mn	216,000	200,000	1 Mn	250,000	280,000	466,000

Notes:

1. GLA of international retailers, franchises and retailers with multiple points of presence in Spain, as % of total GLA, excluding vacancies

2. GLA of 100% of asset of which LRE owns 63,666 sqm

3. As of 2016 Q2, Cushman & Wakefield and JLL

4. Yield on Cost for Palmas Altas is based on an estimation by the company

5. Catchment area may differ between assets depending on the amount of inhabitant living within a driving distance

6. Excludes the Hypermarket

Retail

Lar España ranks first in Retail by Ownership rate and third retail platform by total GLA

#3 Retail Player in Spain

Ranking #3 when we finish our current developments

Tenants showing great interest in both our operating and under development assets

Advantages of Location and Size of our SC

Low Competition: dominant asset often is the only comparable player in its catchment area

Barriers to entry: capital values prevent newer and larger developments

Higher Active Management: Shopping experience destinations through repositioning specially impactful in those markets

Valuable management team

Off-market deal-sourcing network untapping the best available investment opportunities

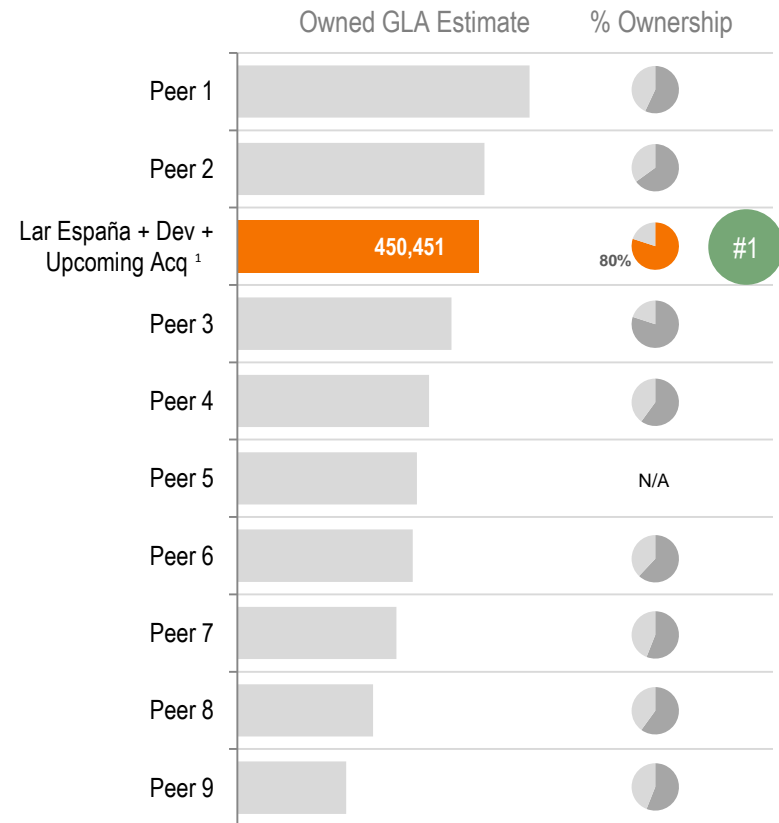
Operational track record credits Manager and Asset Strategy

36,754 Average GLA per Shopping Centre



#3

Top retail players by GLA owned in Spain



1. Includes development projects (Palmas Altas and Vidanova) and the upcoming acquisition of Gran Vía de Vigo Shopping Centre

Source: CBRE & Grupo Lar as of July 2016 (all reported figures are estimates)
Assets included: Shopping centres, retail parks (excl. Standalone units) & hypermarkets

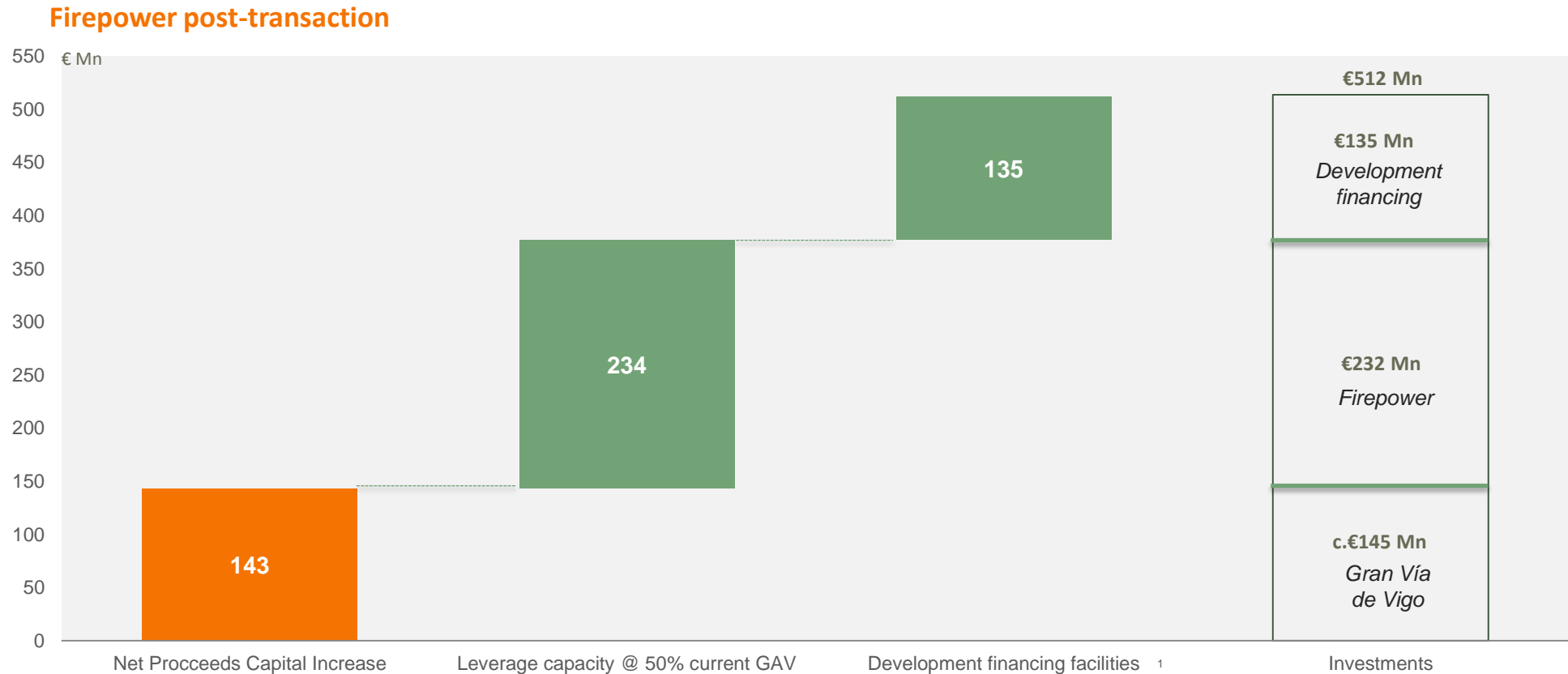


4

Growth Drivers

Marcelo Spínola Office Building, Madrid

Last Transaction accretive in NRI (c.+20%) / c.80% growth in NRI on the back of the investment in development projects and new investments



¹ Raising of Development financing facilities according to the progress of the projects @ a LTV of 80%, while respecting the overall Leverage limits stated in the IPO Prospectus.

Attractive recent investments enhance the existing portfolio

Vistahermosa



- ✓ Consolidated retail area in **Alicante**, a **touristic hotspot** in the Mediterranean during the whole year
- ✓ Population living in the area are consumers with **mid to high purchasing power**
- ✓ **Adjusted risk-return assets**: 75% of total rent generated by the three top tenants **with WAULT over 7 years**

GLA (Sqm)	33,550	Exp. 2016 Footfall	6 Mn Visitors
No. tenants	9	Occupancy ¹	80%
Catchment Area	c.466,000	Yield on Cost (run rate)	6.7%
Date of Opening	2002	Acq. Price	€42.5 Mn



¹ Q1 2016 ² Full year 2015, ³ As of 30 June 2016

Gran Vía de Vigo



- ✓ **Large, dominant and prime urban shopping center** in the heart of Vigo - large catchment area
- ✓ Strong Commercial Mix with **dominant international retailers**
- ✓ **100% ownership** to ensure decisions do not depend on 3rd parties
- ✓ Off-market transaction at attractive terms and **target returns expected** to be above our target threshold of **12%**
- ✓ Room for **targeted capex** and other **active asset management** initiatives
- ✓ **Strong cash flow generation** and limited risk expected

GLA (Sqm)	41,384	Footfall ²	7.2 Mn Visitors
No. tenants	133	Occupancy ³	94%
Catchment Area	c.500,000	Net Yield on Cost	6 - 6.8% (run rate)
Date of Opening	2006	Acq. Price	c. €145 Mn



Retail

Investment in developments will improve our existing portfolio

Vidanova Parc (Sagunto)



- ✓ **New and modern retail complex with a strong retail mix**, becoming the largest retail centre in Sagunto, with the nearest retail park located 19 km away.
- ✓ **Strong catchment area** with very good visibility and accessibility, and benefiting from tourists during the summer season.
- ✓ **+50% of GLA Pre-let. High interest from international retailers. Leroy Merlin will operate 9,472 GLA along with other top tenants.**



GLA (Sqm)	43,626
Expected Opening Date	Q1 2018
Expected development costs	€26 Mn
Expect. Net Initial Yield	> 9%
Acq. Price	€14 Mn

Palmas Altas (Seville)



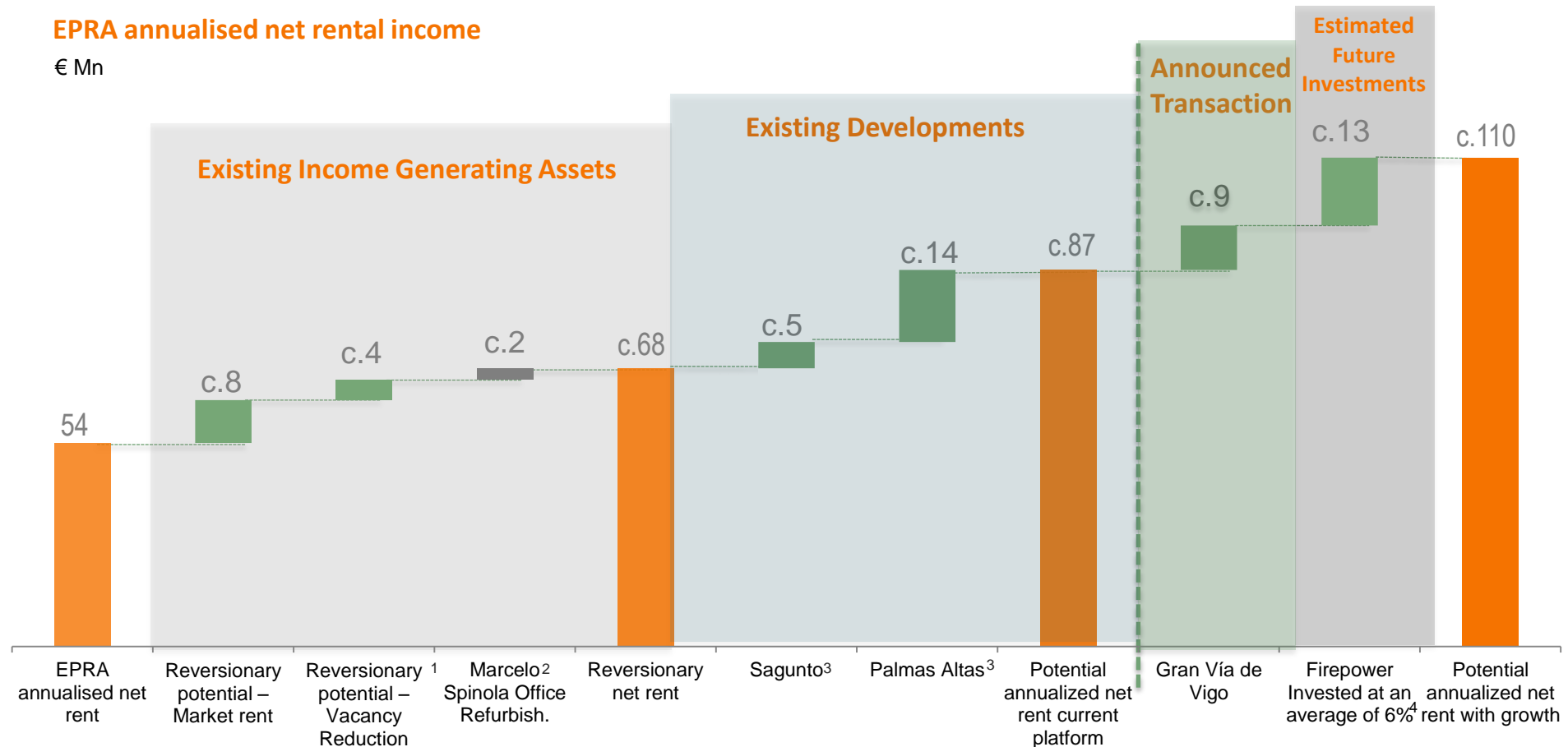
- ✓ An **iconic, sustainable and upscale centre in Seville**, where our guests will enjoy shopping (75% GLA in fashion/ electronics/ home) and leisure (25% GLA restaurants/ leisure and outdoors activities).
- ✓ **No dominant shopping center** in Seville.
- ✓ All **licenses and permits** in force.
- ✓ Will benefit from **growth plans of all major international operators.**

GLA (Sqm)	123,000 (Close & Open areas)
Expected Opening Date	Q1 2019
Expected development costs	€109 Mn
Expect. Net Initial Yield	> 8%
Acq. Price	€36 Mn

Significant potential upside in rents from reversion potential and developments project – *For illustrative purposes* –

EPRA annualised net rental income

€ Mn



¹ Illustrative potential additional rent in H1 2016 calculated as the difference between the market net rent estimated by the Company's appraisal done by Cushman & JLL, as part of their valuation exercise and the annualized net rent obtained by the Company in H1 2016. Difference applied only to the current occupancy rate, considering the occupancy rate of the Company's properties as of 30 June 2016

² Illustrative potential additional rent in H1 2016 calculated, assuming the full occupancy of the Company's properties, as the application of the market net rent estimated by the Company's appraisers as part of their valuation exercise with respect to the vacant spaces in each of the Company's properties. Full occupancy has been estimated at 97% for Shopping Centres given structural vacancy and 100% for the remaining portfolio

³ Potential rent that may be derived from certain of the Company's assets under development (Sagunto and Palmas Altas) based on the announced yield at the moment of their respective acquisition (9.2% and 8.0% respectively) as applied to the acquisition price and building capex for each asset

⁴ Estimated Rental Income assuming an average yield of assets acquired @ 6%

5 Closing Remarks



Closing Remarks

- Attractive portfolio of **€1050Mn** of rental assets that generate **€53.8Mn** of annualised Net Rental Income, an EPRA NIY of **5.8%** & EPRA Topped-up NIY of **6.1%**
- **Unique exposure to real estate retail assets** and the Spanish consumer recovery
- **Upside potential from acquisitions** done at attractive capital values with **potential for revaluation**
- Medium term value drivers: **Lagasca 99** on good track and **retail developments** attracting international tenants
- Proven recurrent access to **off-market transactions**

