# Corporate Presentation

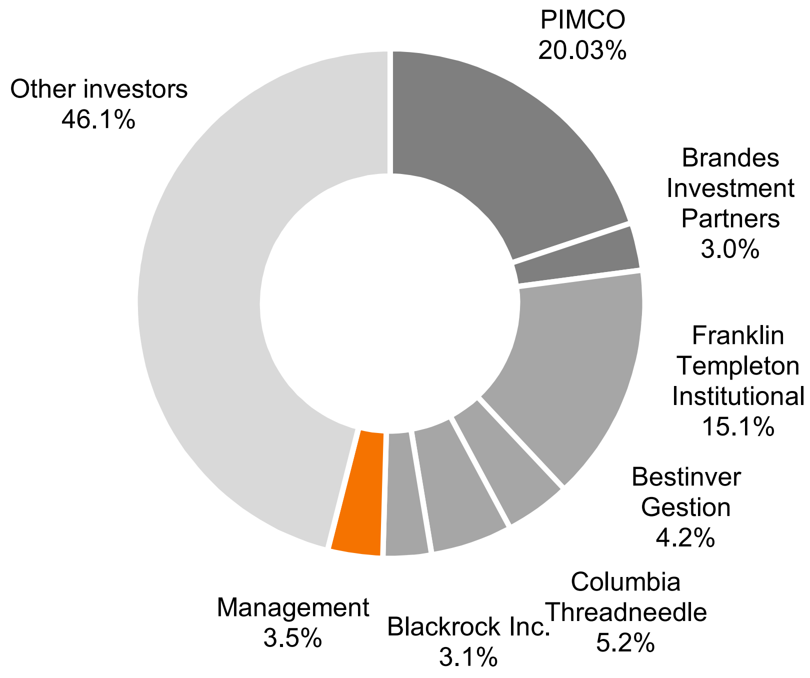
www.larespana.com

**December 2016**

# Snapshot

- ✓ First IPO of a Spanish REIT listed on the Spanish Stock Exchanges
- ✓ Focused on creating both sustainable income and strong capital returns for shareholders
- ✓ Lar España is externally managed by Grupo Lar, private Real Estate Asset Manager, Investor and Developer with a 40 year track record of international experience
- ✓ Lar España  is a leader in retail, due to the size of the portfolio and the quality of the assets as well as the capacity and quality of its management
- ✓ A clear investment opportunity in a unique shopping experience platform

## Shareholder Structure



# Governance Structure

## Independent and experienced Board: 4 independent directors (4 out of 5)

**José Luis del Valle**
Chairman and Independent Director

**Roger Cooke**
Independent Director

**Pedro Luis Uriarte**
Independent Director

**Alec Emmott**
Independent Director

**Miguel Pereda**
Grupo Lar

**Juan Gomez-Acebo**
Secretary Non Member

## Critical Activities internalized

**Sergio Criado**
CFO

**Jon Armentia**
Corporate Manager

**Susana Guerrero**
Legal Manager

**Hernán San Pedro**
Head of Investor Relations

**José Díaz Morales**
Internal Audit

# Retail platform + non-retail assets

## Retail

Top retail player

Leading Shopping Centres in their catchment area

Retail parks with proven demand and profitability potential

Good quality properties with excellent access and visibility

75%
GAV

## Offices

Offices in consolidated locations of Madrid and Barcelona with good connections / public transport

Recurrent activity with selective rotation

14%
GAV

## Logistics

Focus on logistic properties on a selective basis with low rents, low capital values and high yields

6%
GAV

## Residential

Development of first homes in prime niche markets without zoning risk, limited supply and clear demand

5%
GAV

lar España Real Estate

# Portfolio distribution

## Location by asset class

15 RETAIL

75% GAV

5 OFFICES

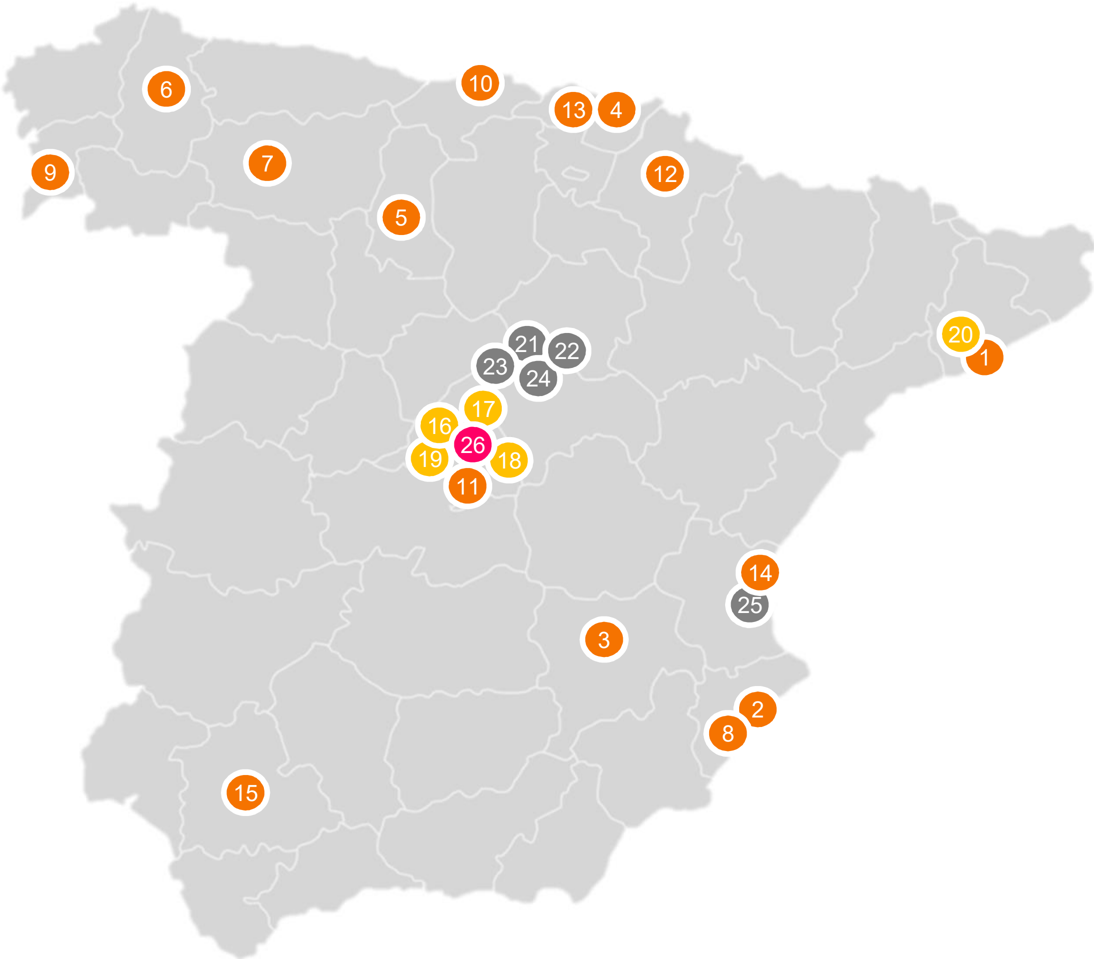
14% GAV

5 LOGISTICS

6% GAV

1 RESIDENTIAL

5% GAV

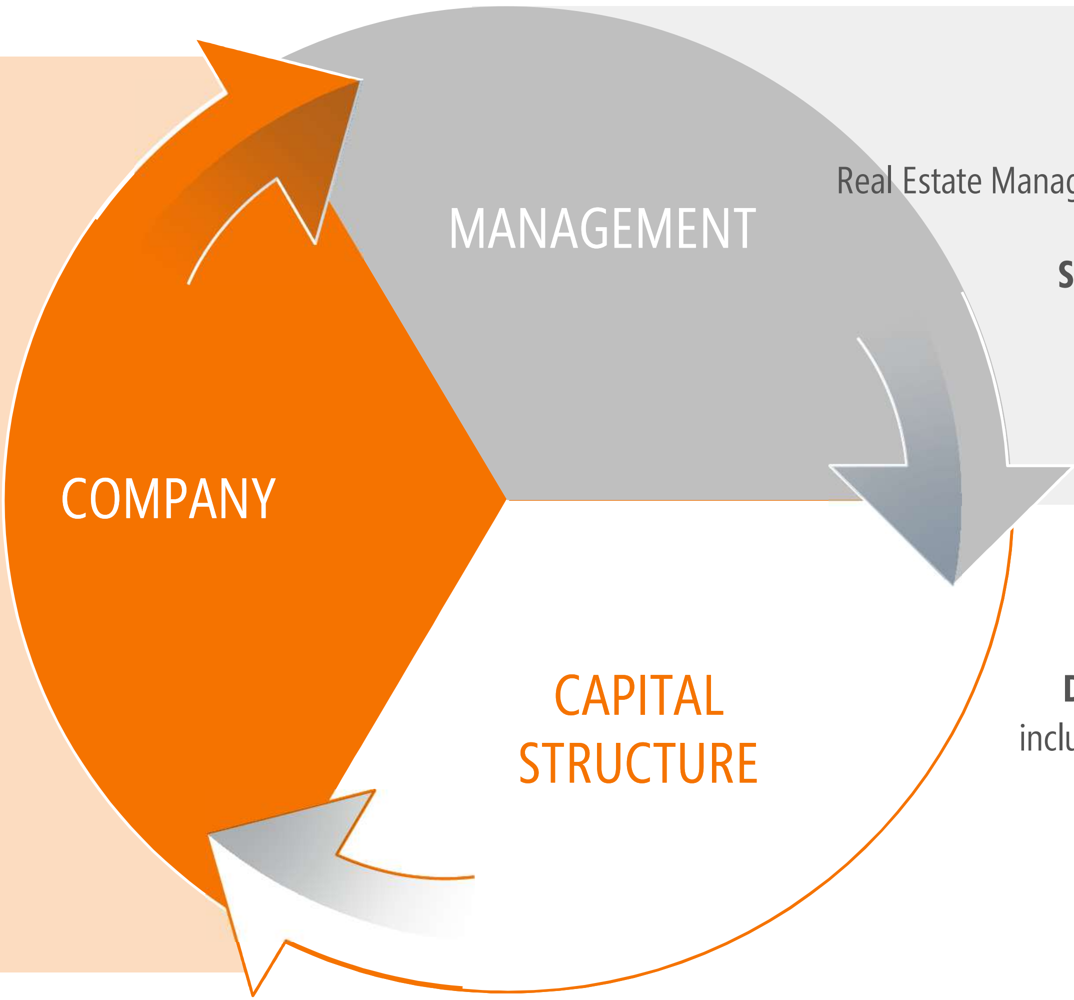


# Lar España Strategy

**First IPO of a Spanish REIT** listed on the Spanish Stock Exchanges

**Company's business strategy** is to acquire primarily retail property with high return potential for rental purposes

Focused on creating both **sustainable income** and **strong capital returns** for shareholders




Special focus on **under managed assets**

Real Estate Manager with objective of implementing an **Active Management Strategy** in order to deliver "Alpha"

**>100 Real Estate experts** contributing to Lar España's value delivery

**35% Net LTV**

**Diversification** of sources of funding including bank and debt capital markets

Highly compelling **2.24% cost of debt**

**Back loaded** debt amortization profile

# Retail Assets

## 1 Focus on shopping centres and retail parks

### Key assets in their catchment areas

- Prime assets in their area of influence
- Close to 500,000 sqm GLA

### Locations

Locations selected based on:

- Level of competition
- Current GDP per capita and future growth outlook
- Impact of tourism as an additional factor in some assets

### Unique platform

A unique platform, which provides an attractive position with retailers and the opportunity to consolidate existing economies of scale

### Strength of the portfolio

Strength based on:

- Size of the portfolio (top-3)
- Average size of the centres (2nd in Spain)
- Quality and attractiveness of assets

# Non-Retail Assets

## 2 Opportunistic approach to other assets

### Core locations

- Luxury residential for sale
- Offices in Madrid and Barcelona
- Logistics in main markets as a good complement to retail

### Focus on value added assets

Management as a key element to make acquisitions and generate differential value, taking advantage of Grupo Lar's platform in Spain

## 3 All assets

### Development

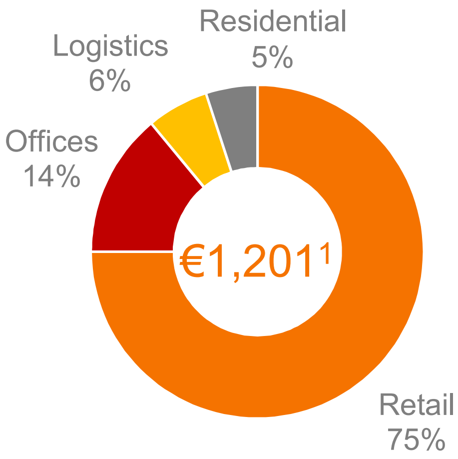
Using experience and capacity of development as a differentiating element to achieve better returns with moderate risk

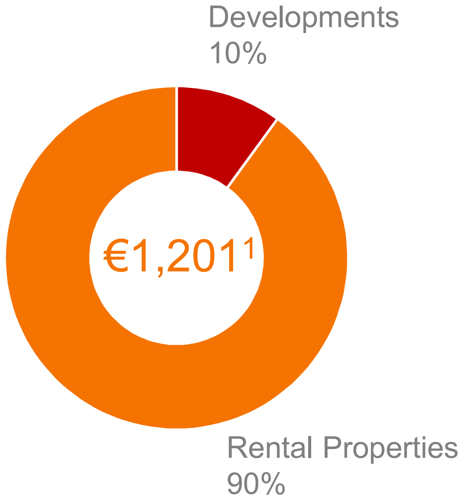
### Asset Rotation

Rotation of assets held for at least three years based on value generation and returns

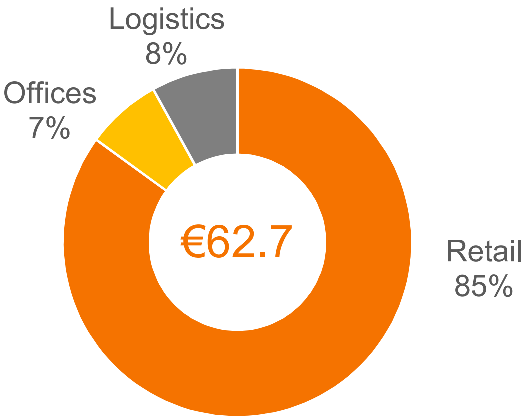
# Main Figures

## GAV (€ Mn)

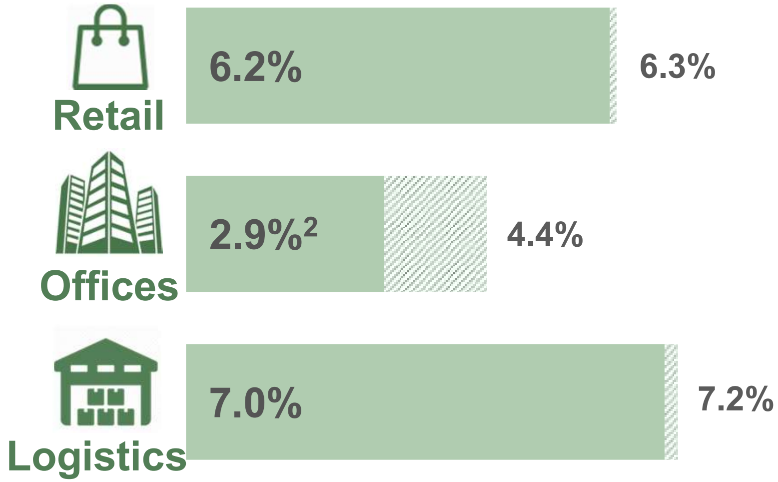


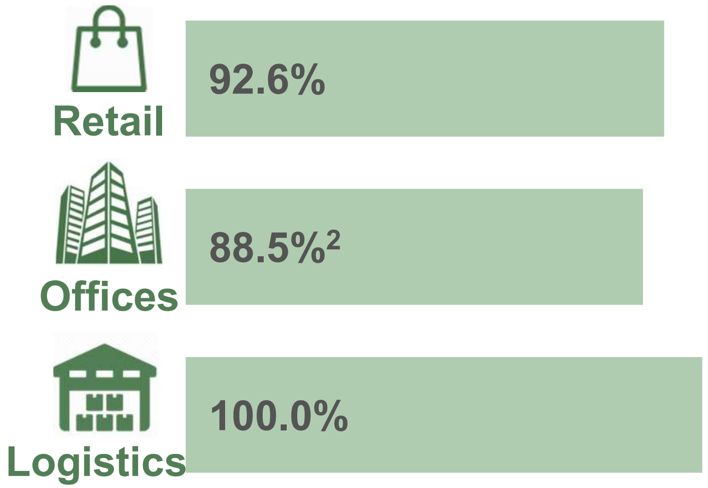

## EPRA Annualized Net Rent (€ Mn)




## EPRA Net Initial Yield: 5.8% & EPRA Topped-up NIY




## EPRA Occupancy Rate: 92.8%

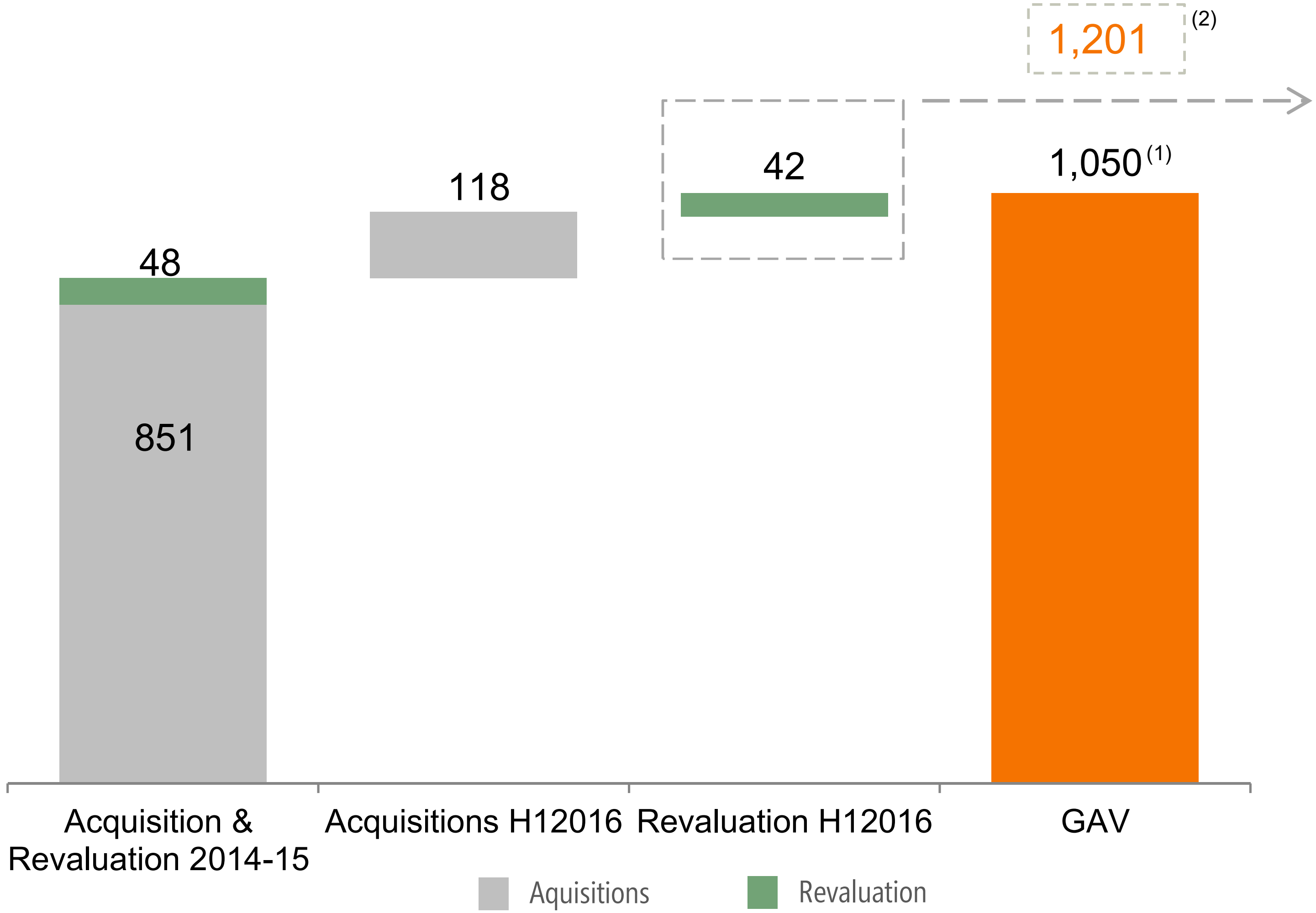



1. Total GAV = Valuation of assets as of 30th June + acquisition price Gran Vía de Vigo + invested Capex (€10 Mn)
2. Marcelo Spínola's EPRA NIY and EPRA Occupancy rate is not calculated due to the lack of representativeness. To calculate the NIY for the total portfolio we have excluded the data from Marcelo Spínola

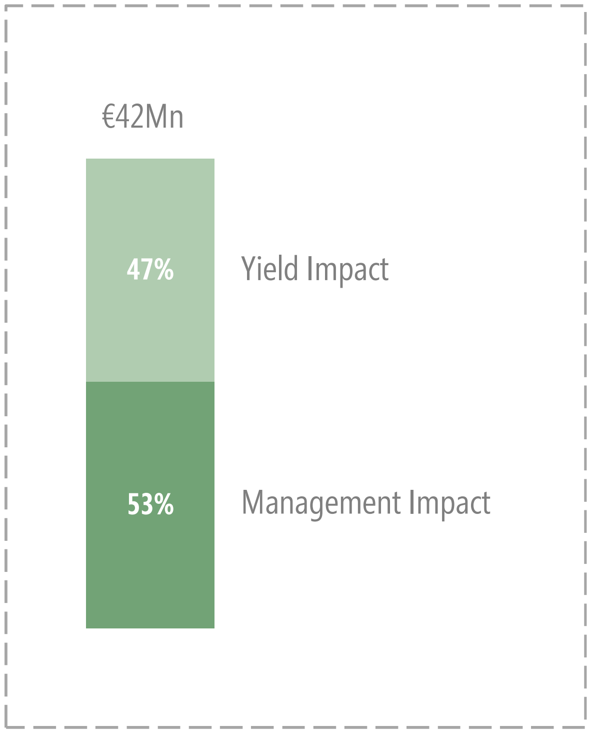
# Valuation

## Valuation Bridge Since Acquisition

**€ Mn**




**Revaluation H1 2016**




1. Market Value determined by JLL and C&W as of 30 June 2016
2. € m 1.201 included Gran Via de Vigo.

# 9M 2016 Highlights

**€1,201 Mn** GAV [1] +71% vs Q3 2015

**€42.2 Mn** Rental Income +80% vs Q3 2015

**35%** Net LTV[2] 2.24% Cost of Debt

**+9.2%** Tenants Sales Growth outperforming the market 9M 2016

**+6.5%** Footfall outperforming the market 9M 2016

**10%** ROE[4]

**6%** ROA[4]

EPRA

FINANCIAL REPORTING

**€8.4** EPRA NAV per share

**€757.9** EPRA NAV (€ '000s)

**6.1%** EPRA "topped-up" NIY

**5.8%** EPRA Net Initial Yield

**€18.8 Mn** EPRA Earnings +56% vs 9M 2015

**€62.7 Mn** EPRA Annualised Net Rent[3]

**34.6%** EPRA Cost Ratio

**92.8%** EPRA Occupancy Rate

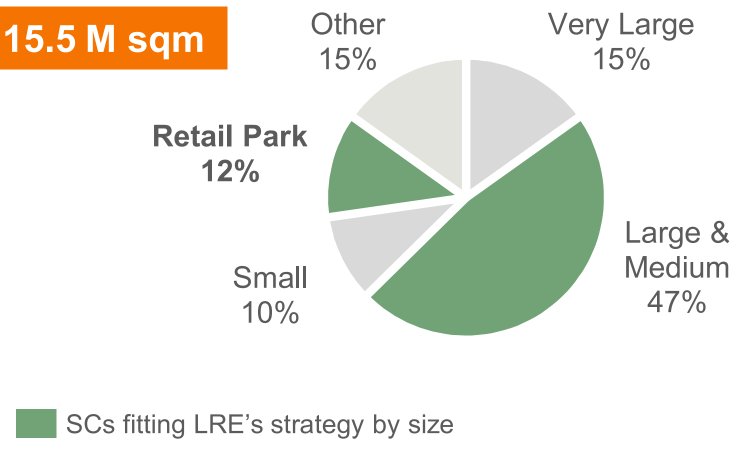
1. Total GAV = Valuation of assets as of 30th June + Gran Vía de Vigo + invested Capex (€10 Mn)
2. Net LTV as of 30 September 2016
3. Includes only operating assets generating rents by the end of September 2016
4. Indicators calculated using the figures from the last 12 months

# LAR España has a clear objective

## Consolidate among the top 3 retail operators in Spain: Target to selectively increasing GLA to generate revenue synergies

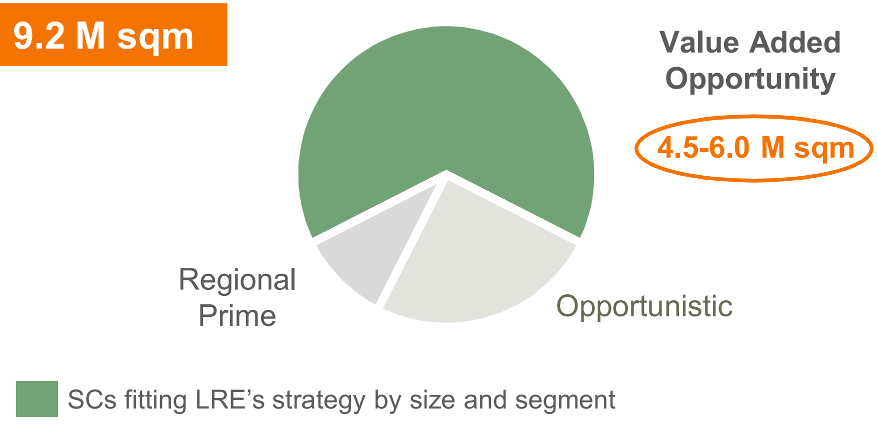
### Spain Total Retail GLA by Size

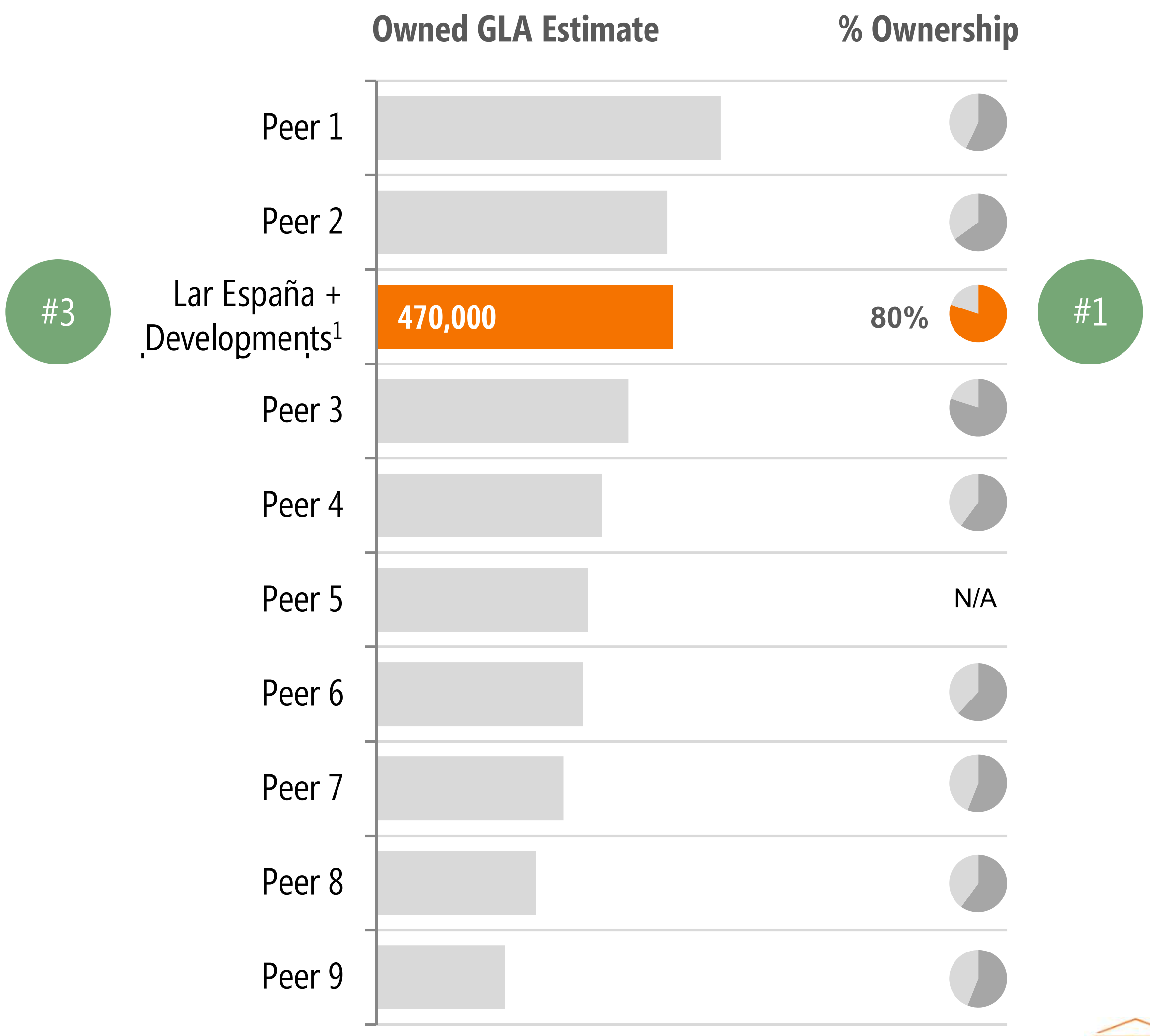
**15.5 M sqm**




### Fit LRE Size and Value Added Strategy

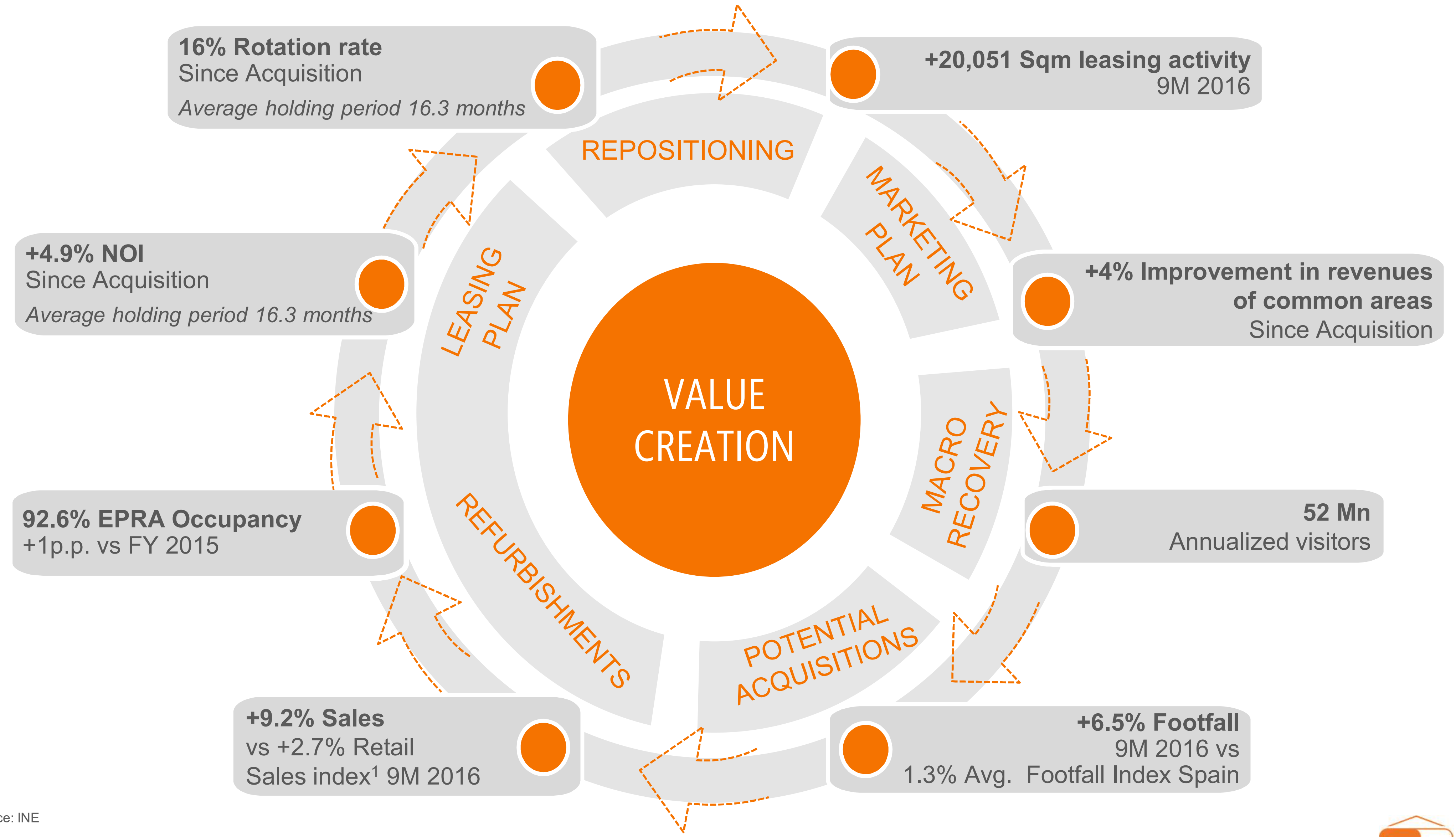
**9.2 M sqm**



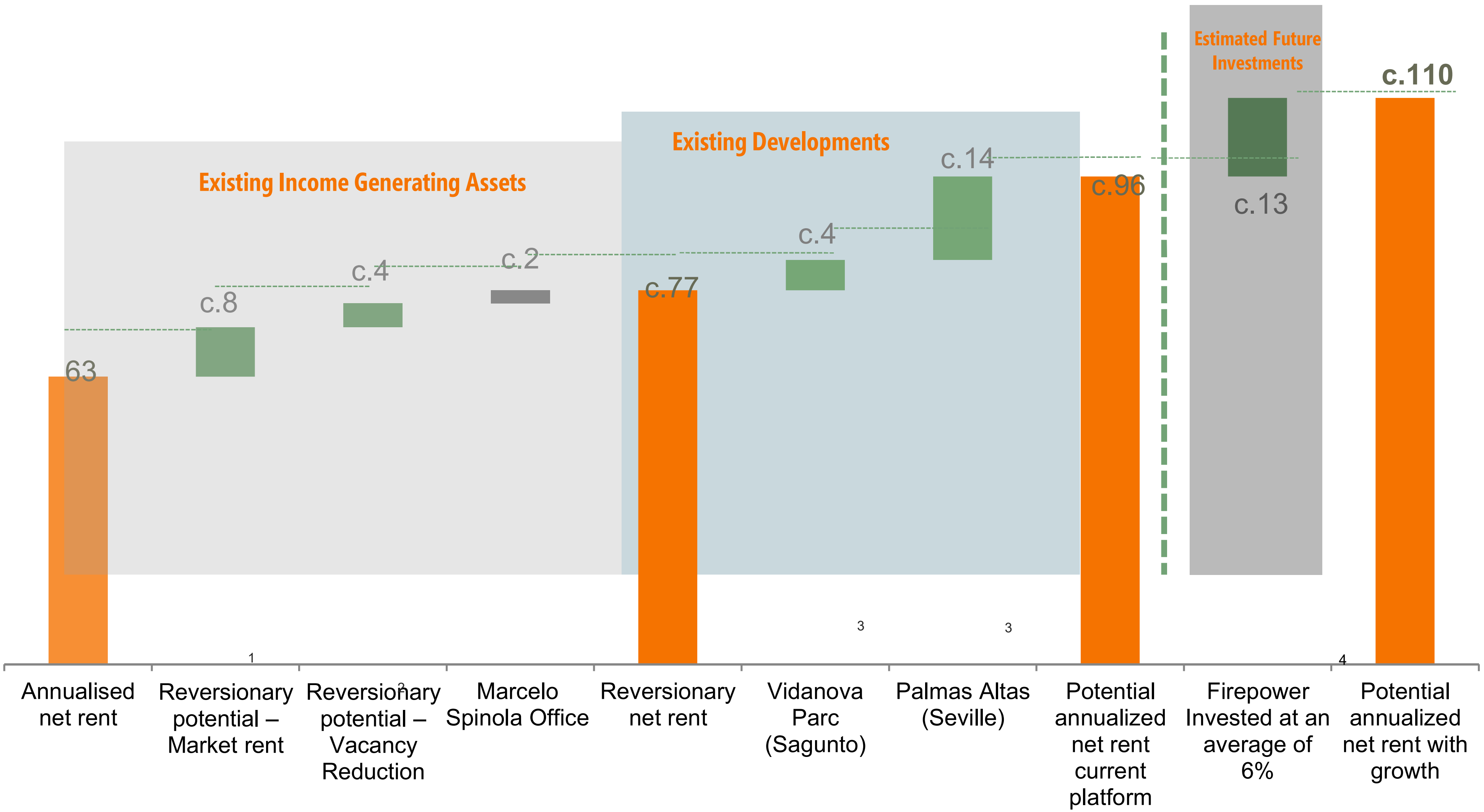

1. Lar España Includes development projects (Palmas Altas and Vidanova Parc)

# Retail Operating Performance




1. Source: INE

# Portfolio Annualized Rental Growth




1. Illustrative potential additional annualised rent calculated as the difference between the market net rent estimated in 1H 2016 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 annualised rent calculated, assuming the full occupancy of the Company's properties, as the application of the market net rent estimated by the Company's appraisers in H1 2016 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%

# Key targets & assumptions 2017-2020

| Return Targets | Expected 2016 End | Expected Average Growth per annum |
|---|---|---|
| **Total Annual Return** | >12% | ▲ >12% |
| **NAV** | c. €780 Mn | ▲ c. 9-10% |

| Business Plan Assumptions | Expected 2016 End | Expected Average Growth per annum |
|---|---|---|
| **Annualized GRI** | c. €70 Mn | ▲ c. 14% |
| **Annualized NOI**[1] | c. €63 Mn | ▲ c. 15% |
| **Non Recoverable/ GRI Expenses** | 10% | ▼ c. -10% (till 7% target) |
| **Occupancy** | 93% | ▲ c. 1% (till 97% target) |

1. In accordance with EPRA BPR

# Dividends

## Dividend policy objectives

- ✓ **Predictable and sustainable dividend and distribution schedule**
- ✓ **Competitive in the International Real Estate market**
- ✓ **Attractive vs Spanish equity market**
- ✓ **As a result of a solid cash flow generation**

### 1 Dividend Yield

2016

More than **4%**[1] **over NAV** (> 5% on current Market Cap)

2017 - Onwards

c. **5% over NAV**

### 2 Extraordinary dividends

Lagasca 99 delivery

Other divestments, according to the Business Plan execution and conditions

1. 4% Dividend yield over Average of 2016 quarterly NAV

# Closing Remarks

- ✓  Unique exposure to real estate retail assets and the Spanish consumer recovery
- ✓  Resilient prime dominant shopping centres in attractive catchment areas
- ✓  Recurrent cash flow generation from a 5.8% Net Initial Yield
- ✓  Upside potential from acquisitions done at attractive capital values with potential for revaluation
- ✓  Upside from our value added approach including repositioning and selectively development to create unique shopping experience destinations
- ✓  A complementary opportunistic approach on logistics and office investments
- ✓  Proven recurrent access to off-market transactions
- ✓  Top management team with strong track record and delivering results
- ✓ Digital 360º project aimed at linking and enhancing off line and on line retail platform

Investment Opportunity

Value is our DNA

lar España Real Estate

# Going forward

## 1 RIGHT TIMING

Cycle
Opportunity

## 2 RIGHT RESOURCES

Operational
Financial
Know-How

## 3 RIGHT PLATFORM

Size
Synergies
Developments
Rotation potential

Future

## RESULTS

Operation
Revaluation
Dividends

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