# Corporate Presentation

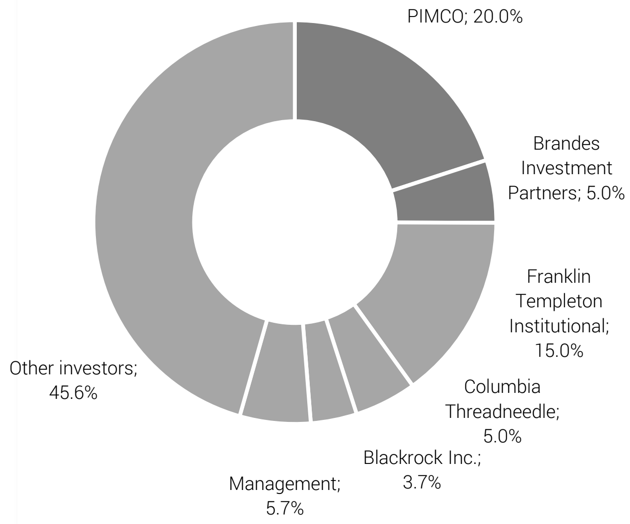
www.larespana.com

**September 2017**

# Snapshot

- ✓ First IPO of a Spanish REIT listed on the Spanish Stock Exchange
- ✓ Focused on creating both sustainable income and strong capital returns for shareholders
- ✓ Lar España is 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




Source: CNMV

# Board of Directors & Critical Activities

## Independent and experienced Board: 5 independent directors (5 out of 7)

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

**Roger Cooke**
Independent Director

**Pedro Luis Uriarte**
Independent Director

**Alec Emmott**
Independent Director

**Isabel Aguilera**
Independent director

**Laurent Luccioni**
PIMCO

**Miguel Pereda**
Grupo Lar

**Juan Gomez-Acebo**
Secretary Non Member

**Susana Guerrero**
Vice-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**
Interim 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

77% GAV

## Offices

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

Recurrent activity with selective rotation

12% 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 niche markets without zoning risk, limited supply and clear demand

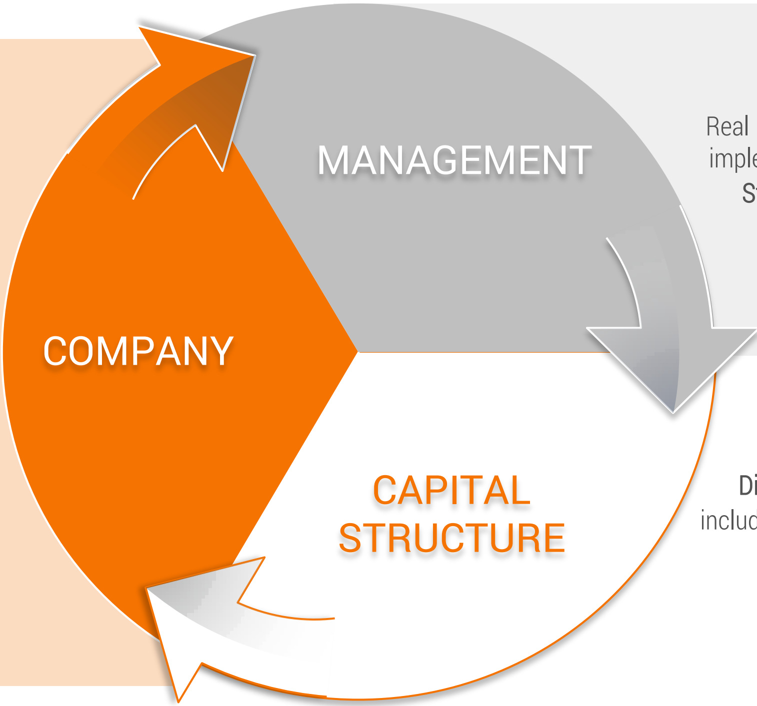
5% GAV

# 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

**39%[1] Net LTV**

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

Highly compelling **2.18% cost of debt**

**Back loaded** debt amortization profile

1. Net LTV calculated as at June 2017

# Retail Assets

## 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:

- #1 Controlling Stake
- #2 Investment Volumes
- #2 GLA Acquired

# Non-Retail Assets

## 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

### Development

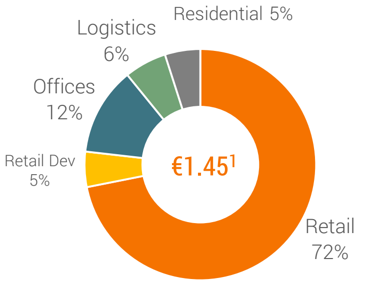
Using experience and capacity of development as a differentiating element to achieve better returns with moderate risk

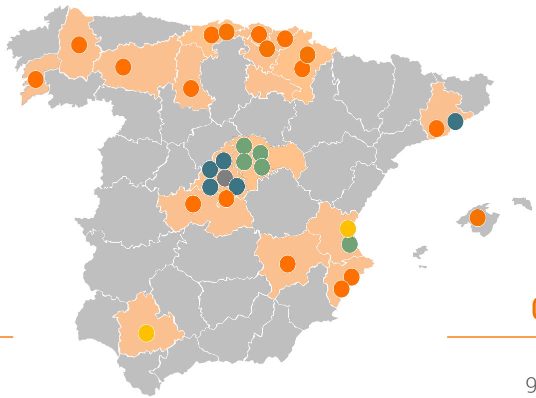
### Asset Rotation

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

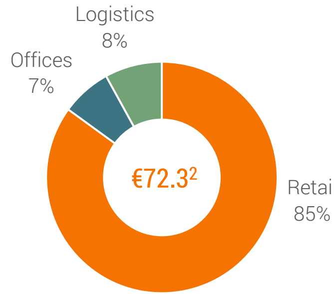
# Portfolio at a glance

## GAV (€Bn)

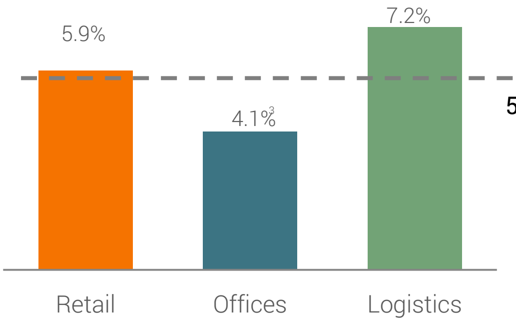


## EPRA Annualized Net Rent (€Mn)



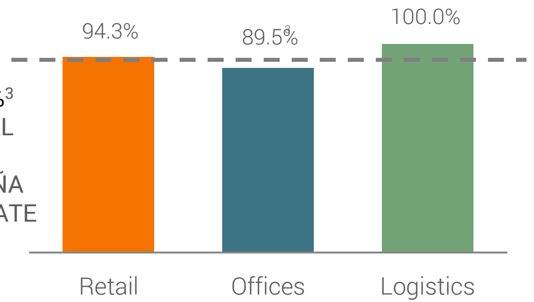

## EPRA Topped-up NIY




5.8%[3] TOTAL LAR ESPAÑA EPRA Topped-up NIY

## Occupancy Rate

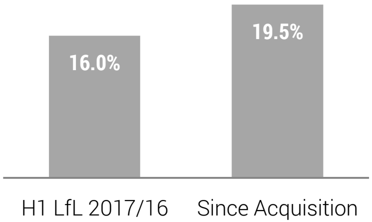
94.3%[3] TOTAL LAR ESPAÑA OCC. RATE



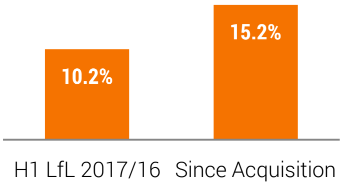

1. Total GAV = Asset valuation as of 30th June 2017.
2. EPRA annualized rent as of 30th June 2017.
3. To calculate the Topped-up NIY for the total portfolio we have excluded the data from Marcelo Spínola and Eloy Gonzalo due to the lack of representativeness.

# Strong valuation performance in all asset classes

## Total Portfolio



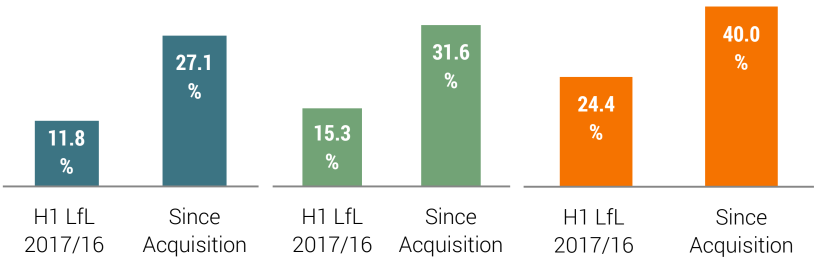

## Retail



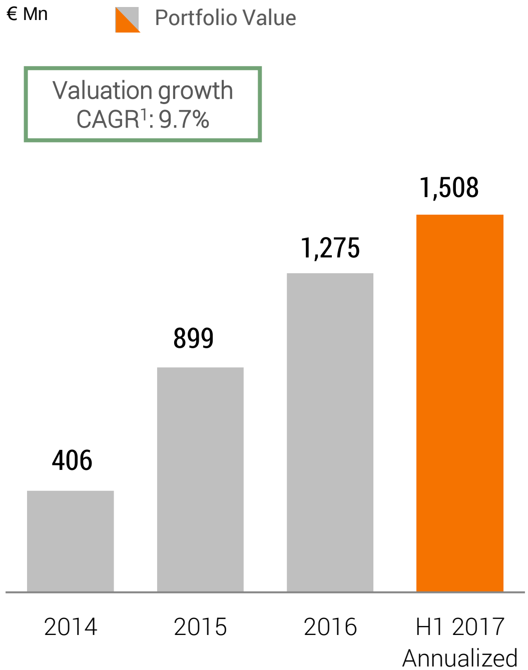

## Offices

## Logistics

## Developments

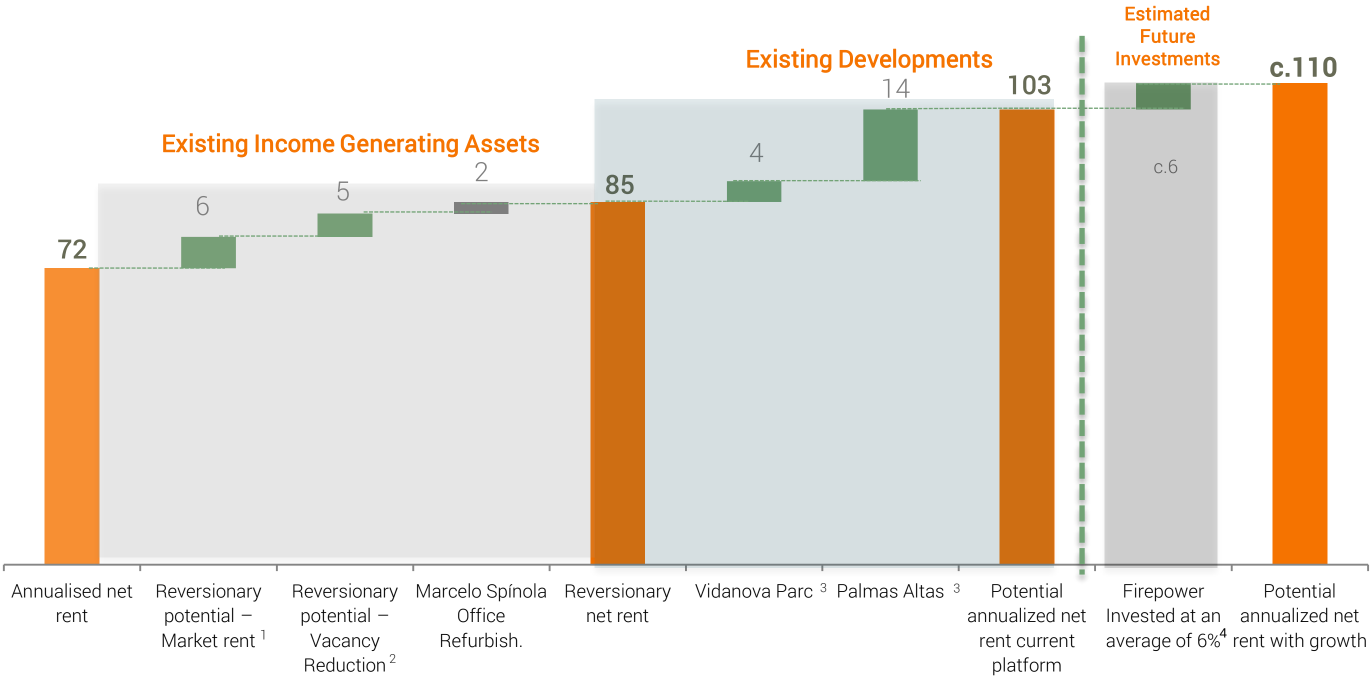



## Portfolio Value evolution




1. Compounded Annual Growth Rate

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




1. Illustrative potential additional rent in H1 2017 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 2016. Difference applied only to the current EPRA occupancy rate, considering the occupancy rate of the Company's properties as of 30 June 2017.
2. Illustrative potential additional rent in H1 2017 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 (Vidanova Parc 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 net initial yield of assets acquired @ 6%

# The value of a retail platform

## 501,505 sqm, 850 shops, c.53 Mn visitors, 16 cities

| | |
|---|---|
| Retail Leaders in Spain | **#1 Controlling Stake** |
| | #2 Investment Volumes |
| | #2 GLA Acquired |
| Portfolio **Size** gives us benefits in: | **Synergies** in procurement of services |
| | Global **Negotiations** with tenants |

Present in most regions of the Spanish territory

Millions of physical and digital customer contacts

Attraction for the development of new commercial formulas

**Top 10 players own 159 shopping centres which represent c.25% of the total Spanish market**

| | Total Assets: Owned GLA Estimate | Total Assets: No. Assets | GLA per Asset (sqm) |
|---|---|---|---|
| Peer 1 | | 14 | 37,785 |
| Lar España + Dev[1] | 501,505 | 15 | 33,434 |
| Peer 2 | | 15 | 29,501 |
| Peer 3 | | 69 | 4,857 |
| Peer 4 | | 14 | 23,138 |
| Peer 5 | | 6 | 46,617 |
| Peer 6 | | 9 | 28,395 |
| Peer 7 | | 3 | 83,293 |
| Peer 8 | | 7 | 30,668 |
| Peer 9 | | 7 | 30,429 |
| **Total** | 3,344,913 | **159** | **21,037** |

Source : AECC 2014, CBRE 2016 & Grupo Lar as of March 2017 (all reported figures are estimates)

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

# On track in the delivery of our developments

**After phase 1 & 2, Construction phase to start on August 2017**

**Construction licenses approved to start works in Palmas Altas**

**11,300**
New sqm leased

VidaNova Parc

PALMAS ALTAS

**c.85%**
GLA signed & committed [1]

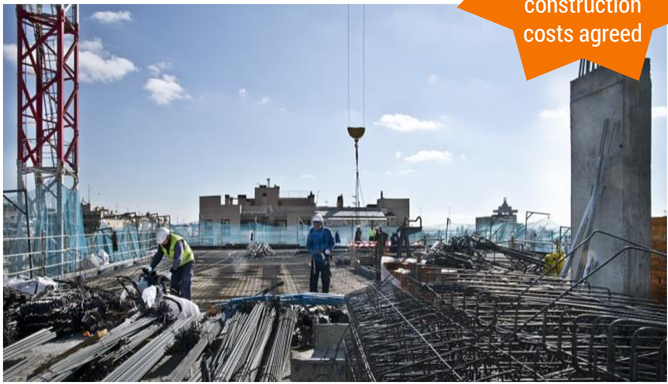
**+2**
Operations signed in H1 2017

**+41%**
GLA signed and committed[1]

**+5**
Operations signed in H1 2017

1. As of t July 2017..

# Non-retail assets – Lagasca 99



Financing of 100% of construction costs agreed

**Q2 2018**

Estimated delivery date

## Construction works on schedule

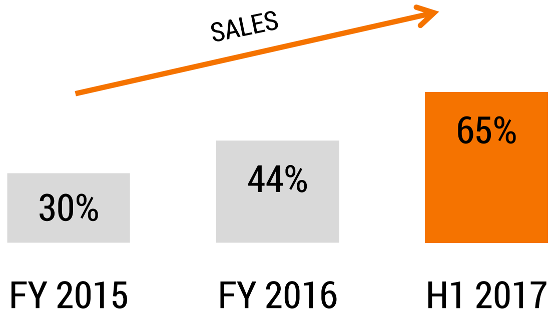
100% structure completed

Façade and rest of the building on progress on schedule

BREEAM In process

High interest from national and international investors

Price c.11,000 €/sqm



# Financial Results – H1 2017

*Lagasca 99 Residential Development, Madrid*

# Successful & Strong Key Facts delivered in H1 2017

| | | |
|---|---|---|
| 1.448 Mn | GAV [1] | +38% vs H1 2016 |
| 65 Mn | EBT | +50% vs H1 2016 |
| 37.5 Mn | Rental Income | +40% vs H1 2016 |
| 30 Mn | Dividend 2016 | €0.33 dividend per share |
| 39% | Net LTV [2] | 2.18% Cost of Debt |

EPRA

EPRA BPR GOLD FINANCIAL REPORTING

| | | | |
|---|---|---|---|
| €9.28 | EPRA NAV per share | 859.2 | EPRA NAV (€ Mn) |
| 5.8% | EPRA "topped-up" NIY | 5.6% | EPRA Net Initial Yield |
| 94.3% | Occupancy Rate | 72.3 Mn | EPRA Annualised Net Rent |

| | | | | | |
|---|---|---|---|---|---|
| 14.03% | ROE [3] | 8.29% | ROA [3] | 1.0 | Solvency ratio |

1. Total GAV = Asset valuation as of 30th June 2017.
2. Net LTV as of 30th June 2017.
3. Indicator calculated using figures from the last 12 months.

## Consolidated Income Statement (Thousands of €)

| | H1 2017 | | | Recurrent 1H17/1H16 | H1 2016 | | |
|---|---|---|---|---|---|---|---|
| | Recurring | Non-Recurring | Total | | Recurring | Non-Recurring[1] | Total |
| Rental Income | 37,547 | - | 37,547 | +40.0% | 26,872 | - | 26,872 |
| Other income | 1,002 | - | 1,002 | | 794 | - | 7,772 |
| Property Operating Expenses | (6,303) | - | (6,303) | | (4,966) | - | (4,966) |
| Base Fee | (4,482) | - | (4,482) | | (3,113) | - | (3,113) |
| **Property Operating Results** | **27,763** | **-** | **27,763** | +41.5% | **19,586** | **-** | **19,586** |
| Corporate Expenses | (1,451) | (1,154) | (2,605) | | (1,733) | (586) | (2,318) |
| Other Results | - | 653 | 653 | | - | 6,978 | - |
| **EBITDA (pre performance fee)** | **26,313** | **(501)** | **25,812** | +47.3% | **17,853** | **6,392** | **24,246** |
| Changes in the Fair Value | 46,903 | - | 46,903 | | 29,066 | - | 29,066 |
| **EBIT (pre performance fee)** | **73,216** | **(501)** | **72,715** | +56.1% | **46,919** | **6,392** | **53,312** |
| Financial Result | (4,456) | - | (4,456) | | (3,694) | (4,104) | (7,798) |
| Share in profit (loss) for the period of equity-acc.companies | (712) | - | (712) | | (1,773) | - | (1,773) |
| Impaiment and gains/(losses) on disposal of fin instruments | - | - | - | | - | 29 | 29 |
| **EBT (pre performance fee)** | **68,048** | **(501)** | **67,547** | | **41,452** | **2,318** | **43,770** |
| Income Tax | - | - | - | +64.2% | - | - | - |
| **Profit for the Period (pre performance fee)** | **68,049** | **(501)** | **67,547** | | **41,452** | **2,318** | **43,770** |
| FFO *(EBITDA – Financial Result)* | 21,857 | (501) | 21,356 | | 14,159 | 2,288 | 16,448 |
| % FFO Annualized Yield /NAV | 5.09% | - | 4.97% | | 4.64% | - | 5.39% |
| Performance fee | (2,550) | - | (2,550) | | (443) | - | (443) |
| % Performance fee/profit for the period | 3.89% | - | 3.92% | +59.7% | 1.07% | - | 1.01% |
| **Profit for the Period (post performance fee)** | **65,498** | **(501)** | **64,997** | | **41,009** | **2,318** | **43,327** |

1. H1 2016 Non-Recurring P&L mainly affected by remaining stake acquisition in Portal de la Marina

# Solid Company performance in H1 2017

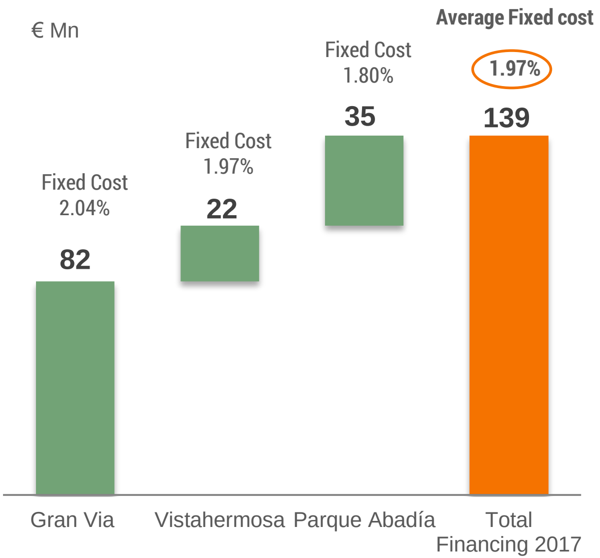
| | | | |
|---|---|---|---|
| 01 | **Solid H1 2017 Results and Balance Sheet** | 37.5 Mn Revenues | **+40% vs H1 2016** |
| | | 65.0 Mn EBT (Net Profit) | **+50% vs H1 2016** |
| | | 17.0 Mn EPRA Earnings | **+49% vs H1 2016** |
| | | 859.2 Mn EPRA NAV | **€9.28 p.s.[1]** |
| | | 39% net LTV; 590.7 Mn Gross Debt | **2.18% cost of debt** |
| 02 | **Lar España Value Add performance** | Retail NOI lfl improvement | **+4.7% LfL** |
| | | Epra Ann.Net Rent vs H1 Semester | **72.3 Mn; +34%** |
| | | Office enhanced valuation confirms next asset rotation to unlock value | **+27.1% since acq.** |
| 03 | **Asset Growth & Return enhancement** | Two excellent group of assets acquired for €112.9 Mn in the semester | **@6.7% yield on cost** |
| | | Palmas Altas construction works to start immediately following license granted | **+41% of GLA signed & committed** |
| | | Lagasca99 progresses above expectations | **65% already sold** |

1. Take into account the dividend's shareholders remuneration amounting €30 Mn relating to 2016 financial year.

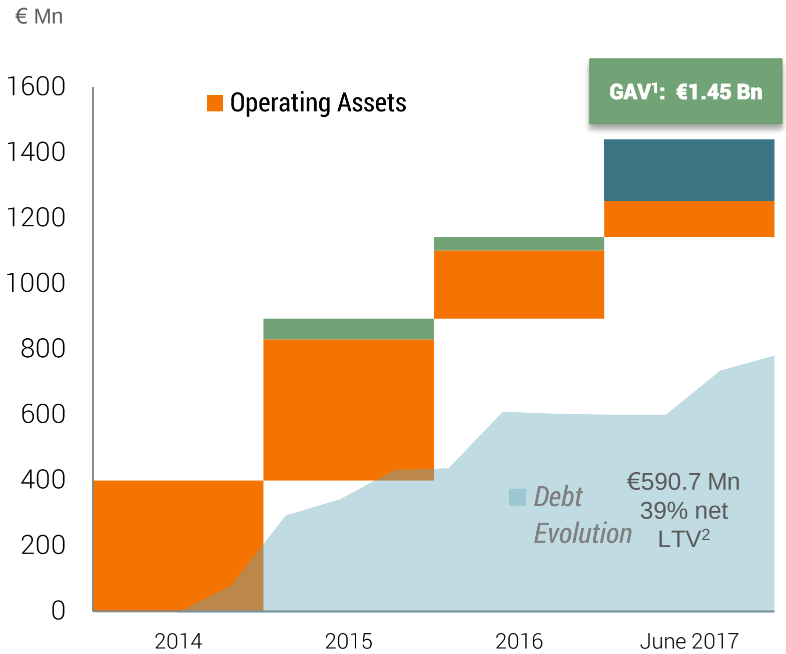
# Creating value through wise debt management

## €139 Mn of financing @ avge fixed rate < 2%

- ✓ Besides, In April 2017, **refinancing of €20Mn in Lagasca99 & Financing of 100% of construction costs** agreed
- ✓ Better terms, lowering costs and longer payback period




## Disciplined and prudent financing targeted at creating value




1. Total GAV = Valuation of assets as of 30th June 2017
2. Net LTV calculated as at June 2017

# Lar España's Debt Profile

## Key Figures of the financing [1]

**39%** Net Loan to Value (LTV)

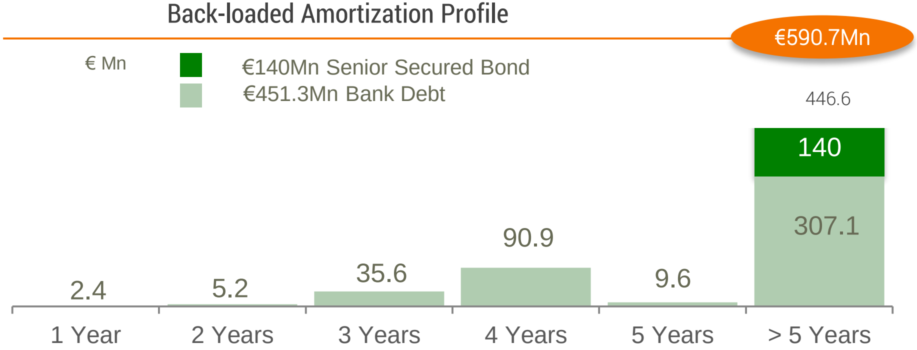
**2.18%** Average Cost of Debt[2]

***-42 b.p since H1 2015***

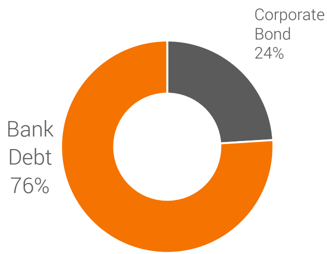
**5.8x** Interest Cover Ratio[3] (ICR)

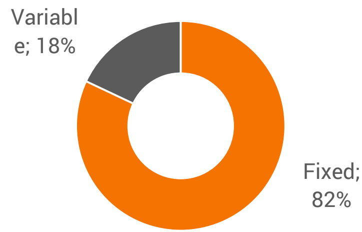
**6.2 Y** Debt duration

## Back-loaded Amortization Profile




## Diversification of sources




1. All figures according to Last Reported Results on H1 2017
2. Ebitda (excluding revaluation) / Financial result
3. Ebitda (pre-revaluation) / Interest Expenses

# ESG - Creating value

## Environment

- **Positive effect on the community.**
  Creating employment :
  **>17,500 direct jobs**
- **Promoting responsible investment.**
  Investing in sustainable assets:
  **+72% of the portfolio** has or in process of obtaining **BREEAM® certification.**
- **Fighting and reducing the effect of Climate Change.**
  **-56% CO2 emissions** across the portfolio (since Dec 2015).

## Social Capital

People's talent forms the cornerstone of the economic model and the company's value

**Partners**

**Supply chain**

**Clients**

**Employees**

## Assets (Portfolio)

Our properties have a positive effect on their urban surroundings

- **Sustainability strategy.**
  As at April 2017, **69% of the portfolio has been audited.**
- **Sustainability certification.**
  **+72% of the portfolio** has or in process of obtaining **BREEAM®** certification & **100%** of properties have **energy certification.**
- **Investing in innovation.**
  Collaboration with Training and research centres.

## Corporate Governance

Having a positive effect on the environment and society

**Good Governance**

**Ethics/Integrity**

**Transparency**

**Risk Management**

# Closing Remarks

- ✓ Positive assets evolution during 2nd Quarter of 2017
- ✓ Active Management keeps supporting NOI increase in Retail assets
- ✓ Last Asset valuation appraisal yielded a LfL growth of 4.5%, up to €1.45 Bn
- ✓ New accretive acquisitions of €112.9 Mn in 1H 2017 pushes annualised net rent by 15%, up to €72.3 Mn
- ✓ Lar España has the option to increase its logistic portfolio with more than 100k sqm GLA in an outstanding location
- ✓ +30% of new long term debt in H1 2017, €139.4 Mn from three assets at a fixed cost c.1.9%; including financing of 100% of construction works of Lagasca 99
- ✓ Imminent start of construction of Palmas Altas following license granted by the city council
- ✓ Excellent progress in the development of Lagasca 99 and the Retail developments
- ✓ €0.33 p.s of dividend and yield1 of 4.7% in 2017, paving the way for an increasing remuneration for the next years

Investment Opportunity | Value is our DNA

# Contact us

**Corporate Presentation**

www.larespana.com

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