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Retail Strategy
A value creation story

Investor Day
Jose Manuel Llovet
Grupo Lar Head of Retail

www.larespana.com
October 2016
LEADING SHOPPING CENTRES IN STRONG CATCHMENT AREAS
The forefront of our strategy is to create shopping destinations for consumers and retailers, increasing shareholders value and deliver strong long-term returns.
Did you know that...
Year-on-year Consumption Rates have been positive for the last 29 months...

Notes:
1. Year-on-year consumption variation compared to the same period in previous year, starting to count only positive variations from November 2013 till July 2016.
Previously we had 72 months in negative?

Notes:
1. Year-on-year consumption variation compared to the same period in previous year, starting to count only negative variations from March 2008 till October 2013.
2. *3 months in 2010 had a minimum increase.
Consumption Index at July 2016 is still 12% below 2007’s level (room for growth)?

Notes: Comparing accumulated consumption figures Jan-Jul 2007 and Jan-Jul 2016.
Market yields of our target SC in the peak were 5.25% and now are 6% whilst Offices and High-Street are already the same?
Lar España is the first MOST ACTIVE BUYER (second including corporate deals) in Retail since Jan 2014?
Lar España has the biggest Portfolio of Dominant Value Add Centres in Spain?
Lar España capital value per m² of €2,244 is 15% below its Replacement Cost and 22% below other Socimis SC’s, having better quality and more balanced portfolio?
Our top 10 Tenants represent 40% of total income and their sales increased by +8% YTD?
WAULT is 3... in theory we can rotate all of our tenants in 3 years?
Turnover Rents are 4% of Total Gross Income and Specialty Leasing is 2.7%?
Asset Selection
LAR España has a clear objective

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

Top 10 players own 167 shopping centres which represent c.25% of the total Spanish market

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>Owned GLA Estimate</th>
<th>No. Assets</th>
<th>GLA per Asset (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peer 1</td>
<td></td>
<td>14</td>
<td>38,985</td>
</tr>
<tr>
<td>Peer 2</td>
<td></td>
<td>15</td>
<td>30,743</td>
</tr>
<tr>
<td>Lar España + Dev¹</td>
<td>450,451</td>
<td>12</td>
<td>37,538</td>
</tr>
<tr>
<td>Peer 3</td>
<td></td>
<td>7</td>
<td>57,100</td>
</tr>
<tr>
<td>Peer 4</td>
<td></td>
<td>15</td>
<td>23,848</td>
</tr>
<tr>
<td>Peer 5</td>
<td></td>
<td>69</td>
<td>4,857</td>
</tr>
<tr>
<td>Peer 6</td>
<td></td>
<td>10</td>
<td>32,742</td>
</tr>
<tr>
<td>Peer 7</td>
<td></td>
<td>3</td>
<td>98,960</td>
</tr>
<tr>
<td>Peer 8</td>
<td></td>
<td>8</td>
<td>31,710</td>
</tr>
<tr>
<td>Peer 9</td>
<td></td>
<td>14</td>
<td>14,499</td>
</tr>
</tbody>
</table>

Total: 3,360,899 167 21,742

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

Source: AECC 2014, CBRE 2015 & Grupo Lar as of July 2016 (all reported figures are estimates)
### Well defined investment strategy

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Shopping centres and retail parks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset Quality and Location</strong></td>
<td>Prime dominant assets in their catchment areas</td>
</tr>
<tr>
<td></td>
<td>Large properties for their catchment (30,000 – 100,000 sqm)</td>
</tr>
<tr>
<td></td>
<td>Located in high density population areas, with</td>
</tr>
<tr>
<td><strong>Segment</strong></td>
<td>Value added: Creating shopping experience destinations</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Ownership of 100% of each asset</td>
</tr>
<tr>
<td><strong>Target Return</strong></td>
<td>Target levered(^1) &gt;12%</td>
</tr>
</tbody>
</table>

\(^1\) This is a target only and not a profit forecast. There can be no assurance that this target can be or will be met
Vision

Portfolio Selection

Operational Execution

Strong Financial Foundation

- Invest in higher-growth assets
- Dominant in its area
- Resilient centres. Recovery capture
- Develop higher-return assets (2-digit IRRs)
- Upgrade retail quality
- Sales Increase / Occupancy increase
- Re-letting at higher market rents. Reversionary
- Strong Marketing and converting space to retail use
- Drive continued progress in NOI
- Tight expense control
- Bad Debt Management
- Retail Credit risk management
Vision

- Invest in higher-growth assets
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- Tight expense control
- Bad Debt Management
- Retail Credit risk management
Our Portfolio

Portal de la Marina Shopping Centre, Alicante
Our Portfolio

Geographically diversified...

...and in the wealthiest regions

Direct catchment area of 6 Mn inh.
15% of Total Spanish Population

Interest in areas with Low Density, Above avg in GDP and impact of Tourism
Portfolio Key Metrics

GLA
350,000 sqm Operating
120,000 sqm Development

Number of units
850 + 250 (Dev)

NMV
€847 Mn
(June 2016)
(Operating Centres)

Occupancy
(June 16)
93%

Footfall
c. 50 Mn
(Sep15-Aug16)

Sales growth
+5%
vs National index 3% (June 16)

Notes:
1. GLA, NMV, Number of units and Footfall include upcoming acquisition deal.
2. TDC – Total Development Cost including Acquisition Costs
# Portfolio of high quality assets & growth

LAR España largest assets represent **90%** of its retail GAV

<table>
<thead>
<tr>
<th>Location</th>
<th>Ownership</th>
<th>Asset Type</th>
<th>GLA (^3)</th>
<th>GAV (^3)</th>
<th>Initial Occupancy</th>
<th>Footfall</th>
<th>Catchment Area (^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilbao</td>
<td>100%</td>
<td>RP+FOC Retail Complex</td>
<td>128,000 sqm</td>
<td>€178 M</td>
<td>96.2%</td>
<td>10 Mn</td>
<td>3 Mn</td>
</tr>
<tr>
<td>Seville</td>
<td>100%</td>
<td>Shopping Centre</td>
<td>60,000 sqm</td>
<td>€36 M</td>
<td>N.A.</td>
<td>N.A.</td>
<td>1.5 Mn</td>
</tr>
<tr>
<td>Alicante Coast</td>
<td>100%</td>
<td>Shopping Centre</td>
<td>40,083 sqm</td>
<td>€99 M</td>
<td>93.0%</td>
<td>3.8 Mn</td>
<td>216,000</td>
</tr>
<tr>
<td>Ponferrada</td>
<td>100%</td>
<td>Shopping Centre</td>
<td>51,022 sqm</td>
<td>€93 M</td>
<td>92.6%</td>
<td>5.5 Mn</td>
<td>200,000</td>
</tr>
<tr>
<td>Great BCN</td>
<td>100%</td>
<td>Shopping Centre</td>
<td>28,651 sqm</td>
<td>€87 M</td>
<td>93.3%</td>
<td>5.5 Mn</td>
<td>1 Mn</td>
</tr>
<tr>
<td>Lugo</td>
<td>100% SC (^6)</td>
<td>Shopping Centre</td>
<td>35,165 sqm</td>
<td>€72 M</td>
<td>94.0%</td>
<td>3.8 Mn</td>
<td>250,000</td>
</tr>
<tr>
<td>Vigo</td>
<td>100%</td>
<td>Shopping Centre</td>
<td>41,384 sqm</td>
<td>€141 M</td>
<td>96.0%</td>
<td>7.2 Mn</td>
<td>482,100</td>
</tr>
<tr>
<td>Alicante City</td>
<td>100%</td>
<td>Retail Park</td>
<td>33,550 sqm</td>
<td>€43 M</td>
<td>84.5%</td>
<td>4.4 Mn</td>
<td>466,000</td>
</tr>
</tbody>
</table>

**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. Gran Vía de Vigo acquisition price.
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
Ongoing Development Projects

### PALMAS ALTAS

**Asset Strategic Positioning**
- Best possible location in **Seville** → urban site
- Catchment area: **1.5 Mn people**
- Low commercial offer in the area
- **Sustainable, modern, family oriented**

**Rents and Leasing status**
- Anchoring Phase: 25% of GLA pre-leased by Dec´16
- **€13 Mn** of annual rental income
- Expected **opening** – Q1 2019

**Main figures**
- Land acquisition cost of **€37.1 Mn** (1)
- Total investment volume of approx. **€141 Mn**
- NIY on Cost: >8%

---

### VidaNova Parc

**Asset Strategic Positioning**
- Best possible location in **Sagunto** → urban site
- Touristic destination: **triple population** in Summer
- **Balanced tenants mix, modern, family oriented**

**Rents and Leasing status**
- Leases signed with anchors: Leroy Merlin and Urban Planet
- 60% of GLA signed and pre-signed
- **€4 Mn** of annual rental income
- Expected **opening** – H1 2018

**Main figures**
- Land acquisition cost of **€13.5 Mn** (1)
- Total investment volume of approx. **€40 Mn**
- NIY on Cost: >8%

---

(1) Purchase costs included.
The value of a retail platform

350,000 sqm, 850 shops, 50,000,000 visitors, 13 cities

Retail Leaders in Spain

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
Value Creation

As Termas Shopping Centre, Lugo
Value Creation. Our 4 Pillars

- Best Retailers
- City meeting point
- New Decoration
- Strong and disruptive Marketing

- Transform prime under-managed SC
- Shopping experience, Image enhancement, services improvement
- Investment partnership with anchors
- Capex of €41Mn the next 3 years

- Beacons & Cameras for flow understanding
- Web & App for services and client’s preferences
- Own Market Place for Online Shopping for our retailers

- Sustainable Developments and Refurbishments
- Energy Efficiency
- Breeam* certificate
- Accessibility DIGA* certificate

*Breeam and DIGA are international certifications.
1. Experience vs Convenience

Top 10 Retailers generate 40% of the rents

Best Retailers per activity.
Leaders in sales, visits and customer service
1. Experience vs Convenience

Creating Dining Experience through Marketing Events

ANEC BLAU
9,000 visitors
€56,000 economic impact
400 K followers

Photos
QuackXef
2. Repositioning Capex

Refurbishment Projects Timeline:

- Las Huertas: Nov 2016
- Albacenter: May 2017
- Megapark: June 2017
- El Rosal: Q4 2017
- Txingudi: June 2016
- Vistahermosa: TBD
- P. Marina: TBD
- AnecBlau: TBD
3. Technology

Omnichannel presence to enhance Shopping and Social Experience

Online/Offline Market Place

Contact with your Client

Know your Client

Seeketing (beacons)

Footfall

Market Surveys

Online Market Place

Delivery Online Shopping

Wi-Fi

Facebook

App

Youtube

Other Social Networks

Web

Twitter

Online/Offline Market Place

Omnichannel presence to enhance Shopping and Social Experience

Online Market Place

Delivery Online Shopping

Wi-Fi

Facebook

App

Youtube

Other Social Networks

Web

Twitter

Online/Offline Market Place

Omnichannel presence to enhance Shopping and Social Experience

Online Market Place

Delivery Online Shopping

Wi-Fi

Facebook

App

Youtube

Other Social Networks

Web

Twitter
3. Technology
4. Sustainability

Committed to being a sustainable and socially responsible business

BREEAM Environmental Certifications

Accessibility Certifications

1. 2016-2017 Target
Results

Albacenter Shopping Centre, Albacete
Key Financials of Our Portfolio

Footfall

+8.6% vs. 1.5
Av. Footfall Index Spain H1 2016

Sales

+4.6% LfL
+12.5% vs. 3.1
Sales Index Spain H1 2016

GLA Leased

13,709 sqm 65 deals signed H1 2016
+19% Rent Uplift

14% Rotation since acquisition
1.4% Increase in occupancy

Discounts Reduction

-20% vs. Acquisition

Bad Debt Improvement

-55% vs. Acquisition

NOI Growth

+4% vs. Acquisition

Gross Market Value Increase

+11% vs. Purchase Price

Notes:
1. As of H1 2016
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