LAR ESPAÑA - GRUPO LAR
INVESTMENT MANAGEMENT AGREEMENT EXTENSION

June 2021
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Main reasons to extend the Investment Management Agreement:

Seven years after Lar España’s IPO, the present extension of the investment management agreement represents the commitment with the business plan and the best formula to obtain and protect value for the company and the assets.

In these seven years, the management agreement that is being extended has been quantitatively and qualitatively significant for the development and strengthening of Lar España.

Grupo Lar’s capabilities and more than 50 years of real estate experience have continued to be an important lever for Lar España’s development. In addition, Grupo Lar has completed and increased its value proposition by becoming the second largest shareholder of the SOCIMI, with more than 11% of its capital.

The agreement to extend the contract until 2026 has been unanimously approved by the Board of Directors of Lar España, which has valued the significant cost reduction implicit, in accordance with the company strategy, current real estate situation and the economic environment.
Highlights of the Investment Management Agreement extension

- The extended IMA has been **unanimously approved** by the six members of the Board not conflicted (5 independents + 1 proprietary).

- **Five year term** effective from 1 January 2022, that provides the continuity required to execute the present strategy.

- The **cost structure** inherent to the IMA has been further improved. In terms of both the base fee and performance fee.

- **Alignment** of interests between Grupo Lar and our shareholders by linking part of the performance to the change in market capitalization over the year.

- Overall, an investment management agreement that **observes best-in-class practices across European REITs**.
External management by Grupo Lar continues to be the optimal strategy for Lar España

Retail property requires skilled, hands-on management...

Operationally Intensive
- Granular unit configuration and diverse tenant base
- Requires greater time and skill than other asset classes (e.g. offices, logistics)

Active Management
- Active asset management will continue to be key to delivering returns in the coming years

Responding to Change
- Retail sector facing new market demands
- Essential to innovate and adapt to ensure enduring appeal to retailers and consumers

...which Grupo Lar is uniquely qualified to provide

Scale
- External management provides scalability and cost-efficiency

Expertise
- Grupo Lar has more than 50 years of experience in the Spanish property market
- Full range of expertise through sourcing, investing, developing and managing across sectors and retail in particular
Investment Management Agreement
Investment Management Agreement timeline

- **IPO**: MAR 2014
  - **Base Fee Reduction**: From 1.25% of EPRA NAV
    - 1.25% of EPRA NAV up to €600m
    - 1.00% of EPRA NAV over €600m

- **OCT 2016**
  - **Performance fee**:
    - Manager to subscribe shares at EPRA NAV per share – effectively a 24% fee reduction

- **DEC 2016**
  - **Addendum to performance fee accrual**:
    - i) €10m cap in FY2017
    - ii) Remainder of performance fee accrued in FY2018 subject to divestments totaling at least €100m

- **DEC 2017**
  - **Improved cost structure**: Removal of promote, cap of performance fee and lower management fee

- **DEC 2018**
  - **IMA Extension and renewal of conditions**

- **FEB 2018**
  - **IMA Entry into force**

- **JUN 2021**
  - **Extended IMA Entry into force**

- **JAN 2022**
  - **Extended IMA Maturity**

- **DEC 2026**
  - **Extended IMA Maturity**

**Note:**
- **Investment Management Agreement (IMA)**
- **Modified IMA** Announcement
- **IMA Extension**
- **IMA Extension**
# Investment Management Agreement – Key Differences

<table>
<thead>
<tr>
<th>IMA</th>
<th>Modified IMA</th>
<th>Extended IMA</th>
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<tbody>
<tr>
<td><strong>Base Fee</strong></td>
<td><strong>The higher of:</strong></td>
<td><strong>0.62% p.a. of EPRA NAV (excl. net cash)</strong></td>
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<td>- The sum of:</td>
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<td></td>
<td>- 1.25% p.a. of the portion of EPRA NAV (excl. net cash) &lt; €600m, plus</td>
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<tr>
<td></td>
<td>- 1.00% p.a. of the portion of EPRA NAV (excl. net cash) &gt; €600m</td>
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<td>- Initial minimum fee €2m p.a.</td>
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Investment Management Agreement – Key Differences (cont’d)

IMA

- Based on Shareholder Return Outperformance, being the amount by which EPRA NAV at the end of the year exceeds EPRA NAV at the end of the previous year.
- Promote equal to the lesser of:
  - 20% of Shareholder Return Outperformance in excess of 10% of EPRA NAV at the end of the previous financial year.
  - 20% of the High Water Mark Outperformance.
- Plus a promote equalization equal to 20% of the portion of Shareholder Return between 12% and 22% of EPRA NAV at the end of the previous year.
- No cap on performance fee.
- Payable in cash, with which the Manager shall subscribe for new shares, the number of which to be determined by the share price.

Modified IMA

- Based on a combination of NAV Shareholder Return Outperformance and Market Capitalization ("MC") Shareholder Return Outperformance, defined as the annual change in NAV and MC in excess of 10%.
- Promote equal to the lesser of:
  - The sum of:
    - 16% of the NAV Shareholder Return Outperformance in excess of 10% of the EPRA NAV at the end of the previous financial year.
    - 4% of the MC Shareholder Return Outperformance in excess of 10% of the MC at the end of the previous financial year.
  - 20% of the High Water Mark Outperformance.
- No promote equalization.
- Performance fee capped at 3.0% of EPRA NAV at the end of the previous year.
- Number of shares for which the Manager will subscribe based on the share price or EPRA NAV per share, whichever would result in fewer shares being issued.

Extended IMA

- Based on a combination of NAV Shareholder Return Outperformance and Market Capitalization ("MC") Shareholder Return Outperformance, defined as the annual change in NAV and MC in excess of 8.5% from 2022 onwards.
- Promote equal to the lesser of:
  - The sum of:
    - 8% of the NAV Shareholder Return Outperformance in excess of 10% of the EPRA NAV at the end of the previous financial year.
    - 2% of the MC Shareholder Return Outperformance in excess of 10% of the MC at the end of the previous financial year.
  - 10% of the High Water Mark Outperformance.
- No promote equalization.
- Performance fee capped at 1.5 times the annual base fee.
- Payable, at the discretion of the Company, in cash or treasury shares valued at their closing price at an agreed date.

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1. At year end, adjusted for the net proceeds of any share issuance, plus distributions over the year.
2. High Water Mark Outperformance being the €m amount by which adjusted EPRA NAV at the end of the year exceeds the Relevant High Water Mark, being the adjusted EPRA NAV plus distributions since the end of the most recent year when a performance fee was paid.
### Investment Management Agreement – Key Differences (cont’d)

#### #3 Variable fee for special actions

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<thead>
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<th>Investment Management Agreement (IMA)</th>
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<th>Extended IMA</th>
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<tbody>
<tr>
<td>• 5 years from March 2014</td>
<td>• 4 years from January 2018 (3 years since termination of the previous IMA)</td>
<td>• 5 years from January 2022 (5 years since termination of the previous IMA)</td>
</tr>
<tr>
<td>• Thereafter, to continue for consecutive three-year renewal periods until terminated by either the Company or the Investment Manager, giving not less than six months’ prior notice by 30 June of the relevant year</td>
<td>• No automatic renewal periods</td>
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<tr>
<td>• Cannot be terminated prematurely</td>
<td>• Can be terminated prematurely by Lar España at a cost of:</td>
<td>• Can be terminated prematurely by Lar España at a cost of:</td>
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<td>- 1.5% of the last reported EPRA NAV(^{1}) giving not less than 12 months’ prior notice</td>
<td>- 0.50% of the last reported EPRA NAV(^{1}) giving not less than 12 months’ prior notice</td>
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<td>- 2.0% giving not less than 6 months’ prior notice</td>
<td>- 0.75% giving not less than 6 months’ prior notice</td>
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<td></td>
<td>In the event of a Change of Control, Lar España can opt to terminate the agreement giving not less than 6 months’ notice at a cost of:</td>
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<td>- 1.5% of the last reported EPRA NAV(^{1})</td>
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<td></td>
<td>- 2.0% if the offer price exceeds the last reported EPRA NAV by more than 5%</td>
<td>- 1.0% if the offer price exceeds the last reported EPRA NAV by more than 5%</td>
</tr>
</tbody>
</table>

1. Adjusted for the net proceeds of any share issuance, plus distributions up to the date of notification of termination.

#### #4 Early termination fees

- • 5 years from March 2014
- • Thereafter, to continue for consecutive three-year renewal periods until terminated by either the Company or the Investment Manager, giving not less than six months’ prior notice by 30 June of the relevant year
- • Cannot be terminated prematurely

For those cases in which the Company undertakes asset developments or extensions of its current assets, there would be a new additional variable fee as a percentage of their all-in-cost (CAPEX excluding land). The applicable percentage will be of:
- • 4% of all-in-costs below or up to 40 million euro; and
- • 3% of all-in-costs above 40 million euro.

Refurbishments will not give rise to variable fee and will be covered by the base fee.

- • 5 years from January 2022 (5 years since termination of the previous IMA)
- • No automatic renewal periods
- • Can be terminated prematurely by Lar España at a cost of:
  - 0.50% of the last reported EPRA NAV\(^{1}\) giving not less than 12 months’ prior notice
  - 0.75% giving not less than 6 months’ prior notice
- • In the event of a Change of Control, Lar España can opt to terminate the agreement giving not less than 6 months’ notice at a cost of:
  - 0.50% of the last reported EPRA NAV\(^{1}\)
Closing remarks
Final summary

- Commitment of Lar España and Grupo Lar with the business model and the best in class management practices
- External management with Grupo Lar as the best option for the next 5 years
- Strong commitment of Grupo Lar with Lar España, becoming the second largest shareholder of the SOCIMI, with more than 11% of its capital.
- Adaptation of the economic conditions to the market, the economic situation and the company’s situation:
  - Base fee is reduced to 0.62% of the NAV
  - The performance fee applicable rate is reduced from 20% to 10%
  - The applicable hurdle rate for the performance fee will be set at 8.5% from 2022 onwards
  - There will be no catch-up in the performance fee

The extension of the IMA demonstrates the commitment of Lar España and Grupo Lar to strategy, asset management, shareholders, corporate governance and best practices in the European market.