



## COMISIÓN NACIONAL DEL MERCADO DE VALORES

En cumplimiento de los deberes de información previstos en el artículo 228 del texto refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, Lar España Real Estate SOCIMI, S.A. (en adelante, “Lar España” o la “Sociedad”) pone en conocimiento de la Comisión Nacional del Mercado de Valores el siguiente

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### HECHO RELEVANTE

En el día de hoy la Sociedad ha suscrito un acuerdo con su sociedad gestora, Grupo Lar Inversiones Inmobiliarias, S.A. (la "Sociedad Gestora"), con el objeto de novar los términos del contrato de gestión de inversiones o *investment manager agreement* firmado por ambas partes el 12 de febrero de 2014 (el "IMA").

Conforme a la referida novación, el IMA (que originalmente expiraba el 12 de febrero de 2019) tendrá una efectividad de 4 años a contar desde el 1 de enero de 2018. Adicionalmente, ciertas previsiones del IMA han sido modificadas con el propósito de actualizar su contenido en línea con la experiencia acumulada en la práctica y el crecimiento experimentado por el mercado de las SOCIMIs en España desde la fecha de suscripción inicial del IMA. Las modificaciones más relevantes son las siguientes:

- Estrategia de inversión:

Con efectos a 1 de enero de 2018, las inversiones inmobiliarias de la Sociedad deben distribuirse entre activos *retail*, activos logísticos seleccionados y otras propiedades que podrían representar un máximo del 10% del GAV (*gross asset value*) total de los activos que formen parte del portfolio inmobiliario de la Sociedad (en todos los casos, ubicados en España). La Sociedad no acometerá inversiones que consistan en propiedades formadas principalmente por oficinas o unidades residenciales.

La Sociedad centrará su objetivo en activos que presenten potencial para la creación de valor o que constituyan oportunidades para la gestión activa, incluyendo proyectos de desarrollo inmobiliario.

- Exclusividad de la Sociedad Gestora y representación en el Consejo:

La Sociedad Gestora conservará sus obligaciones de exclusividad frente a Lar España, cuyo alcance se ha adaptado en línea con la nueva estrategia de inversión definida en el IMA.

La Sociedad Gestora tendrá derecho a nombrar un miembro no ejecutivo del Consejo de Administración de Lar España (actualmente, D. Miguel Pereda), independientemente del número de consejeros que formen parte del Consejo en cada momento.

- Comisiones de gestión:

La estructura de las comisiones correspondientes a la Sociedad Gestora (comisión fija o *base fee* y comisión variable o *performance fee*) ha sido modificada con el objetivo de mejorar la estructura de costes de la Sociedad y reforzar el alineamiento existente entre los intereses de la Sociedad Gestora y de los accionistas de la Sociedad.

A partir del ejercicio 2018, el *base fee* a abonar a la Sociedad Gestora se calculará sobre la base de un importe anual equivalente al que resulte más elevado entre (i) 2 millones de euros, o (ii) la suma de (a) el 1.00% del valor del EPRA NAV (EPRA *net asset value*) (excluyendo efectivo neto) a 31 de diciembre del ejercicio anterior hasta un importe inferior o igual a 1.000 millones de euros, y (b) el 0,75% del valor del EPRA NAV (excluyendo efectivo neto) a 31 de diciembre del ejercicio anterior en relación con el importe que supere los 1.000 millones de euros.

Igualmente, a partir del ejercicio 2018 el *performance fee* a abonar a la Sociedad Gestora se calculará en función del EPRA NAV y de la capitalización bursátil de la Sociedad, y se encontrará sujeto a un límite total equivalente al 3% del EPRA NAV de la Sociedad a 31 de diciembre del ejercicio precedente. La presentación anexa a esta comunicación incluye información adicional en relación con el cálculo y el pago del *performance fee*.

- Terminación:

Tras esta novación, el IMA otorga a la Sociedad el derecho de resolver el contrato de manera unilateral en cualquier momento anterior a su fecha de expiración, asumiendo el pago de una comisión de terminación que puede ascender a entre el 1,50% y el 2% del último EPRA NAV de la Sociedad comunicado al mercado (ajustado en función de las adquisiciones y ventas de activos inmobiliarios que se produzcan hasta la fecha de terminación), dependiendo de las circunstancias y del plazo de preaviso que se haya otorgado.

Lo que se comunica como Hecho Relevante a los efectos oportunos en Madrid, a 19 de febrero de 2018.

Lar España Real Estate SOCIMI, S.A.

Don José Luis del Valle Doblado,

Presidente del Consejo de Administración



# New Investment Management Agreement



The Spanish Retail Specialist Player

[www.larespana.com](http://www.larespana.com)

**February 2018**

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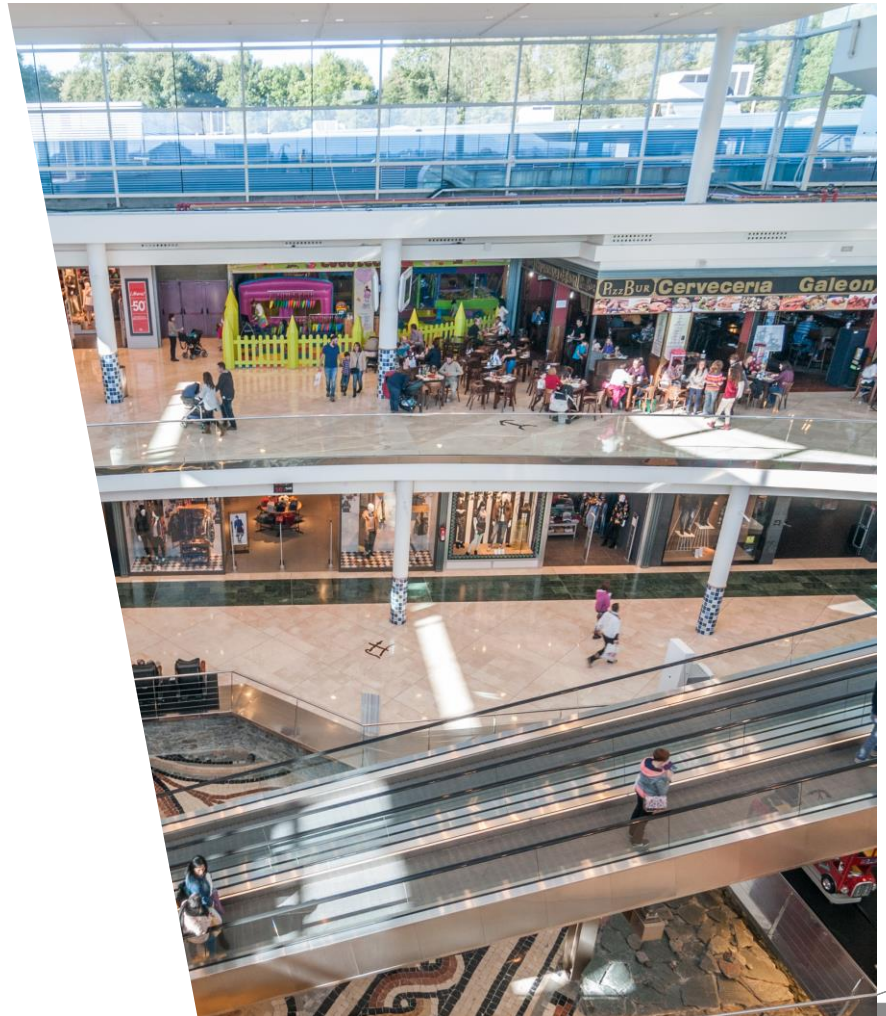
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# 01

## Executive Summary



# Highlights of the new Investment Management Agreement



Overall, an investment management agreement that observes best-in-class practices across European REITs

## Highlights of the new Investment Management Agreement (cont'd)

The new IMA has been **unanimously approved** by the seven members of the Board (5 independents + 2 proprietary)

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The new IMA has been agreed in conjunction with a number of refinements to the Investment Strategy set out in December 2017 – the company will continue to invest in **retail** property across Spain on a selective basis targeting annual returns of **12%** or higher

**Four year term** effective from 1 January 2018, which is aligned with the Business Plan period (2018-2021) and provides the continuity required to execute the investment strategy

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**Improved cost structure** through the removal of the promote equalisation mechanism and a cap on the overall performance fee, together with a lower management fee

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Further **alignment** of interest between Grupo Lar and our shareholders by linking part of the performance to the change in market capitalisation over the year

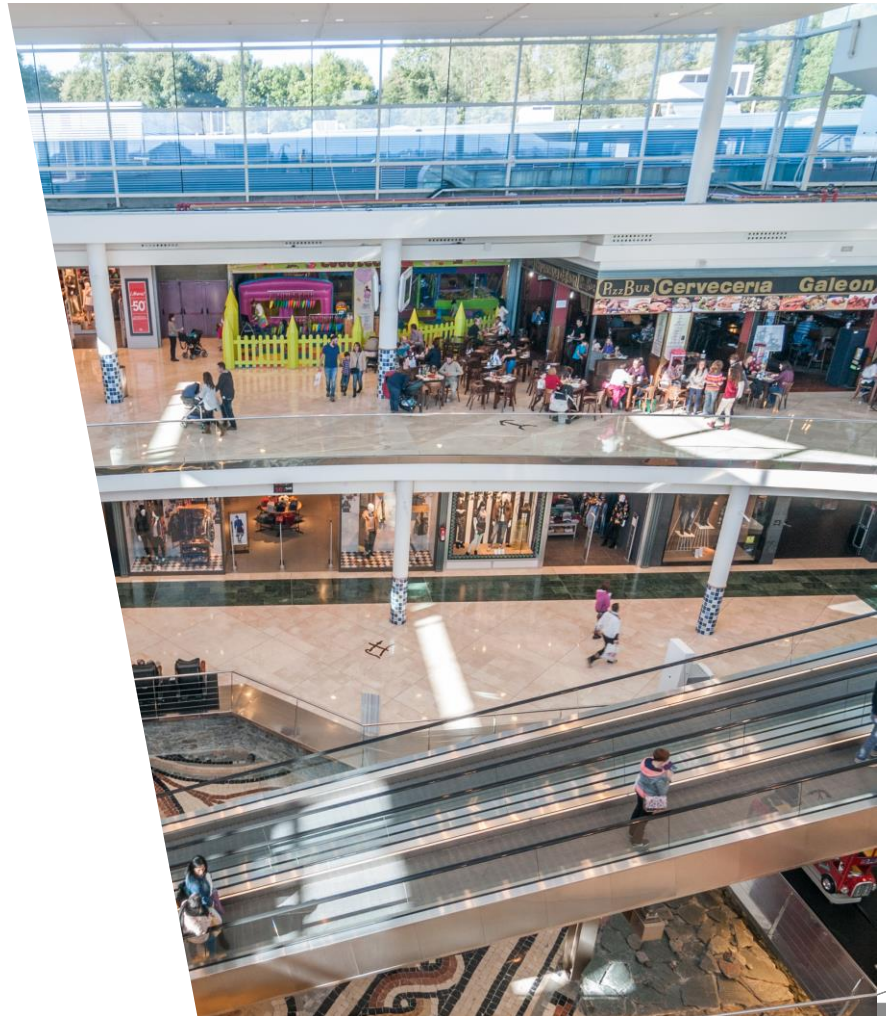
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Reinforcing presence of **Independent Directors** in the Board – the right of manager to nominate Board members reduced from two to one



# 02

## New Investment Management Agreement





## Strategy in line with December Analyst Day guidance, with minor refinements agreed alongside the new IMA

### Target Returns

- **12% Target Annual Return** on investments

### Divestments

- **€380m of divestments** over the **next 24 months** from the **office, residential and non-core retail assets**
- In addition, **over €90m of divestments** from all **logistics assets**

### Capex Investment

- **Finance all existing capex commitments**, consisting of **€49m for refurbishment** of existing **assets and €247m for developments** already underway

### New Investments

- **€220m of new investments** on a selective basis and **mainly focused in retail assets**, which should be dominant in their catchment areas and have active asset management potential

### Distributions<sup>1</sup>

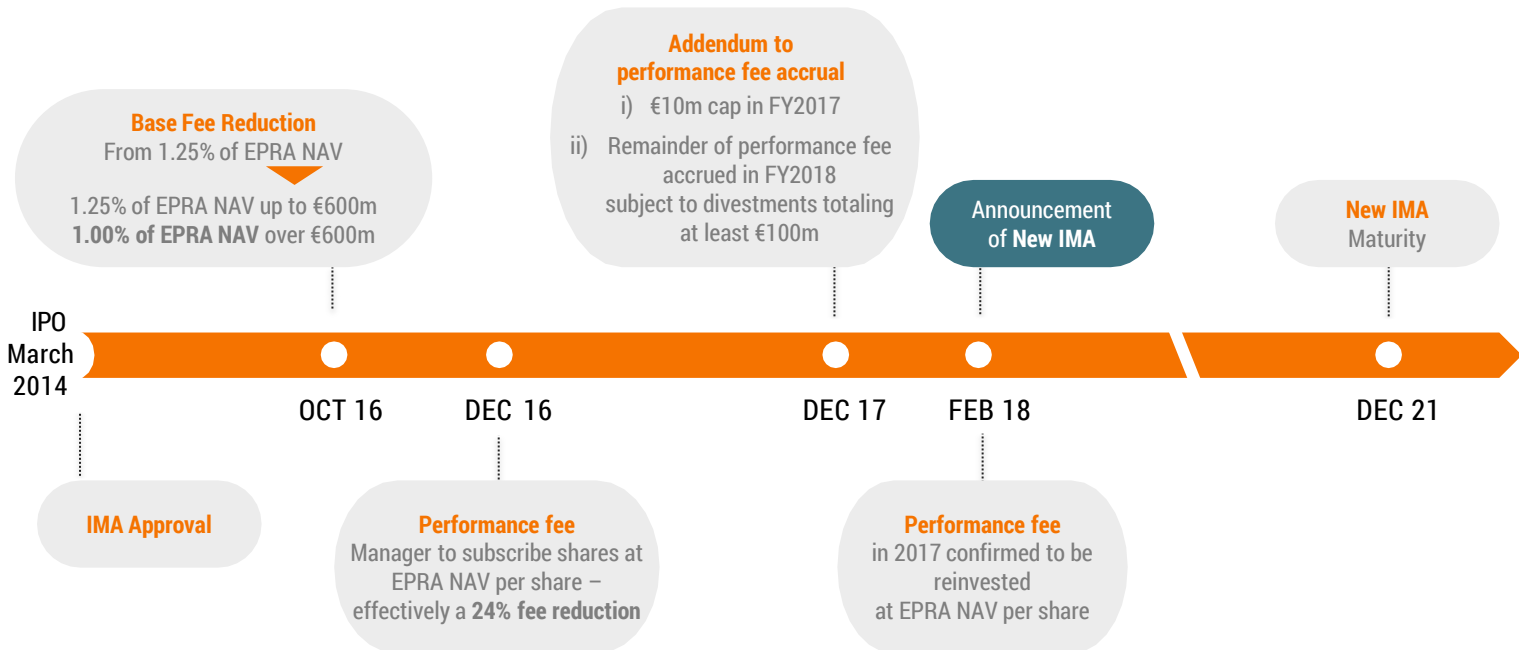
- **Ordinary dividend of 5% of NAV**
- **Maximise distributions** to shareholders through dividends and / or share buy-backs, including extraordinary dividend upon sale of Lagasca 99 and other distributions linked to divestments

### ESG

- **Responsible** asset management focused on **consumptions and emissions, accessibility and society-based initiatives**
- **Risk control and management** system in place to **mitigate** the **risk exposure**
- **Ethics and Compliance** to guarantee ethical conduct and enforce regulatory compliance

1. To be submitted to shareholders for approval

# LERE has been addressing market inputs by renegotiating certain terms of the IMA on an ongoing basis

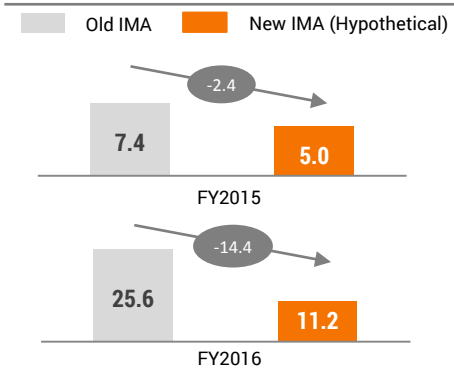


# Lower and capped performance fee, which will be partially linked to share price evolution

Four key changes to the performance fee mechanism creating stronger alignment between shareholders and the Manager:

- Removal of the promote equalisation feature
- 20% of promote based on change in market capitalisation
- Capped at 3.0% of EPRA NAV at the end of the previous financial year
- Manager shares to be subscribed based on share price or NAV per share whichever will result in fewer shares

## Old vs New IMA Performance Fees Paid (€m)



### Worked Example - Scenario

Illustrative benchmarks at end of previous financial year:

- EPRA NAV: €900m
- Market Capitalisation: €900m

If both NAV and MC shareholder return equaled 20%, the performance fee would be €14m lower under the new IMA compared to the old IMA (€18m vs. €32m)

### Performance Fee (€m) – New IMA

NAV Shareholder Return <sup>1</sup>	MC Shareholder Return <sup>2</sup>				
	10%	15%	20%	25%	30%
	90	135	180	225	270
10%	-	2	4	5	7
15%	7	9	11	13	14
20%	14	16	18	20	22
25%	22	23	25	27	27
30%	27	27	27	27	27

Note: A red dashed arrow points from the '18' value in the 20% MC Shareholder Return row to a red box containing '€14m' with a downward arrow, indicating the difference between the old IMA value (€32m) and the new IMA value (€18m).

### Performance Fee (€m) – Old IMA

NAV Shareholder Return <sup>1</sup>	Promote	Equalisation	Total	
	10%	-	-	-
	15%	9	5	14
	20%	18	14	32
	25%	27	18	45
30%	36	18	54	

Note: A red dashed arrow points from the '32' value in the 20% NAV Shareholder Return row to the same '€14m' box as in the New IMA table, indicating the difference between the old IMA value (€32m) and the new IMA value (€18m).

1. The amount by which EPRA NAV at the end of the year exceeds EPRA NAV at the end of the previous year, adjusted for the net proceeds of any share issuance, plus distributions over the year.  
 2. The amount by which Market Cap at the end of the year exceeds Market Cap adjusted for the net proceeds of any share issuance, plus distributions over the year.



# 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

- **60% of value uplift<sup>(1)</sup>** to date has resulted from active asset 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

- Lar España can draw upon the expertise of Grupo Lar's **investment professionals**
- External management provides **scalability and cost-efficiency**

Expertise

- Grupo Lar has over **45 years of experience** in the Spanish property market
- Full range of expertise through **sourcing, investing, developing and managing** across sectors and retail in particular

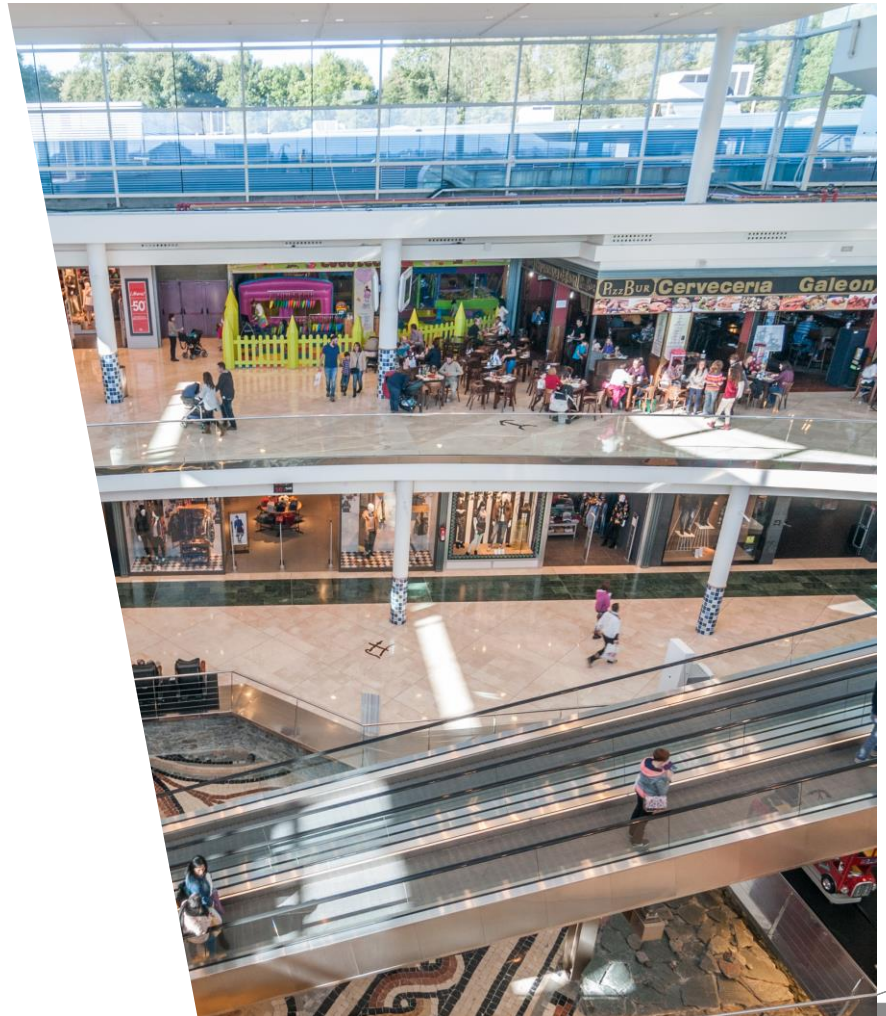
Profitability

- Access to **extensive platform** allowing LERE to pursue **accretive opportunities**
- **Relevant savings** for LERE since the agreement will take effect **15 months before** the previous agreement **ends**

1. In accordance with last independent appraisal as of December 2017.

# 03

## Closing Remarks



# The new IMA will provide LERE with the continuity and flexibility to execute the Business Plan

1 Agreement of a new IMA with our existing manager, with a material improvement in terms for our shareholders

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2 The Manager has been highly successful in identifying, acquiring, developing, managing and realising unique opportunities across Spain in retail, logistics, offices and residential property, enabling Lar España to continue delivering attractive returns to our investors

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3 The Board believes that external management, delivered by Grupo Lar, coupled with an active complementary involvement from LERE's management, continues to be the optimal management structure for the company

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4 Best-in-class corporate governance, with Independent Directors – and particularly the Chairman – to play a more active role not only on decision-making but also on direct communication to investors and shareholders



# 04

## Appendix



# Investment Management Agreement – Key Differences

1

## Investment Strategy

### Old IMA

- **Over 80% of GAV invested in commercial property**
  - Office properties across Spain, focusing on Madrid and Barcelona
  - Retail properties across Spain
  - Other properties, including industrial properties, representing a limited amount of GAV
- **Up to 20% of GAV invested in residential property**

### New IMA

- **Invest selectively in retail properties across Spain**
- **No investment in office or residential properties**

2

## Base Fee

- **The sum of:**
  - **1.25% p.a.** of the portion of EPRA NAV (excl. net cash) < €600m, **plus**
  - **1.00% p.a.** of the portion of EPRA NAV (excl. net cash) > €600m
- **Initial minimum fee €2m**

- **The higher of:**
  - **The sum of:**
    - **1.00% p.a.** of the portion of EPRA NAV (excl. net cash) < €1bn
    - **0.75% p.a.** of the portion of EPRA NAV (excl. net cash) > €1bn
  - **€2m p.a.**

## Investment Management Agreement – Key Differences (cont'd)

3

### Performance Fee

#### Old IMA

- **Based on Shareholder Return Outperformance**, being the amount by which EPRA NAV<sup>(1)</sup> 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<sup>(2)</sup>**
- **Plus a promote equalisation** 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**

#### New IMA

- **Based on a combination of NAV Shareholder Return Outperformance and Market Capitalisation (“MC”) Shareholder Return Outperformance**, defined as the annual change in NAV<sup>(1)</sup> and MC<sup>(1)</sup> 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<sup>(2)</sup>**
- **No promote equalisation**
- **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<sup>(3)</sup>

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

3. Either the average closing price on the 20 Madrid business days prior to the invoice date, or the EPRA NAV per share at the end of the financial year, adjusted for any dividends up to the date of issue.

## Investment Management Agreement – Key Differences (cont'd)

4

### Term / Termination

#### Old IMA

- **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**

#### New IMA

- **4 years** from January 2018 (3 years since termination of the previous IMA)
- No automatic renewal periods
- **Can be terminated prematurely by Lar España at a cost of:**
  - **1.5%** of the last reported EPRA NAV<sup>(1)</sup> giving not less than **12 months'** prior notice
  - **2.0%** giving not less than **6 months'** prior notice
- **In the event of a Change of Control, Lar Espana can opt to terminate the agreement giving not less than 6 months' notice at a cost of:**
  - **1.5%** of the last reported EPRA NAV<sup>(1)</sup>
  - **2.0%** if the **offer price** exceeds the last reported EPRA NAV by **more than 5%**

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

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# New Investment Management Agreement

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