

**FOR INFORMATION PURPOSES ONLY. Spanish Version prevails.**

**TO THE NATIONAL SECURITIES MARKET COMMISSION (*COMISIÓN NACIONAL DEL MERCADO DE VALORES*)**

MERLIN Properties, SOCIMI, S.A. (“MERLIN”), in compliance with the applicable legislation, hereby notifies the following

**RELEVANT INFORMATION**

MERLIN will hold a conference call with analysts and institutional investors, today, Wednesday 28 February, 2018, at 3 p.m. Madrid/CET time, which can be followed on line, through audio and video conference, with the following link and access code:

Webex Link:

<https://merlinproperties.webex.com/merlinproperties/onstage/g.php?MTID=efd273f085d21c854ecec75bab5a88751>

Event number: 15173351

Participant Dial in numbers:

Spain +34 91 414 3675

France 0170700781

Germany 06922222625

UK +44 (0) 2071 928338

USA 18778709135

Canada 18669250818

Netherlands 0207956614

Italy 0236006670

Attached you will find the press release and supporting documentation for the presentation that is also available on MERLIN’s corporate website ([www.merlinproperties.com](http://www.merlinproperties.com))

Madrid, February 28<sup>th</sup> 2018.

**MERLIN Properties SOCIMI, S.A.**



# FY 2017 RESULTS PRESENTATION

28 FEBRUARY 2018



**MERLIN**  
PROPERTIES

## DISCLAIMER

---



This presentation has been prepared by MERLÍN Properties, SOCIMI, S.A. (the Company) for informational use only.

The information contained in this presentation does not purport to be comprehensive or to contain all the information that a prospective purchaser of securities of the Company may desire or require in deciding whether or not to purchase such securities, and has not been verified by the Company or any other person. The information contained in this document is subject to change without notice. Neither the Company nor any of affiliates, advisors or agents makes any representation or warranty, express or implied, as to the accuracy or completeness of any information contained or referred to in this document. Each of the Company and its employees, officers, directors, advisors, agents or affiliates expressly disclaims any and all liabilities whatsoever (in negligence or otherwise, whether direct or indirect, in contract, tort or otherwise) for any loss howsoever arising from any use of this presentation, the information contained or referred to therein, any errors therein or omissions therefrom or otherwise arising in connection with this presentation. Neither the Company, nor any of its affiliates, advisors or agents undertakes any obligation to provide the recipients with access to additional information or to update this document or to correct any inaccuracies in the information contained or referred to therein.

Certain statements in this document regarding the market and competitive position data may be based on the internal analyses of the Company, which involve certain assumptions and estimates. These internal analyses may have not been verified by any independent sources and there can be no assurance that the assumptions or estimates are accurate. Additionally, certain information in this presentation may be based on management accounts and estimates of the Company and may have not been audited or reviewed by the Company's auditors, whereas the information on Metrovacesa S.A. and on certain competitors contained herein is based on publicly available information which has not been verified by the Company. Accordingly, recipients should not place undue reliance on this information.

This information is provided to the recipients for informational purposes only and recipients must undertake their own investigation of the Company. The information providing herein is not to be relied upon in substitution for the recipient's own exercise of independent judgment with regard to the operations, financial condition and prospects of the Company.

Neither this presentation nor any copy of it shall be taken, transmitted into, disclosed, diffused, sent, published or distributed in the United States, Canada, Australia or Japan. The distribution of this

presentation in other jurisdictions may also be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions. In particular, any offer that might result from the transaction herein described will not be made, directly or indirectly, in the United States of America, or by use of mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telephone and internet) of interstate or foreign commerce of, or any facilities of any national securities exchange of, the United States, Canada, Australia or Japan. The securities of the Company have not been and, should there be an offering, will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) and, subject to certain exceptions, may not be offered or sold in the United States. The securities of the Company have not been and, should there be an offering, will not be registered under the applicable securities laws of any state or jurisdiction of Canada or Japan and, subject to certain exceptions, may not be offered or sold within Canada or Japan or to or for the benefit of any national, resident or citizen of Canada or Japan.

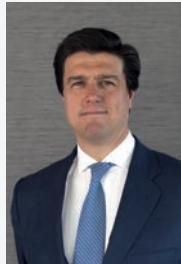
THIS PRESENTATION DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER FOR SALE OR SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR IN ANY OTHER JURISDICTION, NOR SHALL IT OR ANY PART OF IT FORM THE BASIS OF OR BE

RELIED ON IN CONNECTION WITH ANY CONTRACT OR COMMITMENT TO SELL OR PURCHASE SHARES. ANY DECISION TO SELL OR PURCHASE SHARES IN ANY OFFERING SHOULD BE MADE SOLELY ON THE BASIS OF PUBLICLY AVAILABLE INFORMATION.

This presentation may include forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause such actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Company and the environment in which they expect to operate in the future. Forward-looking statements speak only as of the date of this presentation and the Company expressly disclaim any obligation or undertaking to release any update of, or revisions to, any forward-looking statements in this presentation, any change in their expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

In reviewing this presentation, the recipient is agreeing to, and accepting, the foregoing restrictions and limitations.





**ISMAEL CLEMENTE**  
CEO



**MIGUEL OLLERO**  
GM / COO



**DAVID BRUSH**  
CIO



## CONTENTS

- Introduction
- FY 17 Financial Results
- Portfolio performance
  - Offices
  - Shopping centers
  - Logistics
- Valuation and debt position
- Value creation
- Outlook 2018
- Closing remarks



## Financial performance

- **+2.0% FFO per share YoY, equivalent to 11.9% LfL growth** after overcoming net € 0.05 per share due to the balance of 2016 disposals and 2017 acquisitions
- **+18.0% EPRA NAV YoY**, capturing the value created across the portfolio
- Capital structure: **reduced leverage** and limited **exposure to future interest rate hikes**

## Operating performance

- **Excellent performance** in office, shopping centers and logistics, with **positive LfL growth and release spread across the board**
- **Occupancy growing** at a steady pace in office and shopping centers and accelerated growth in logistics

## Value creation

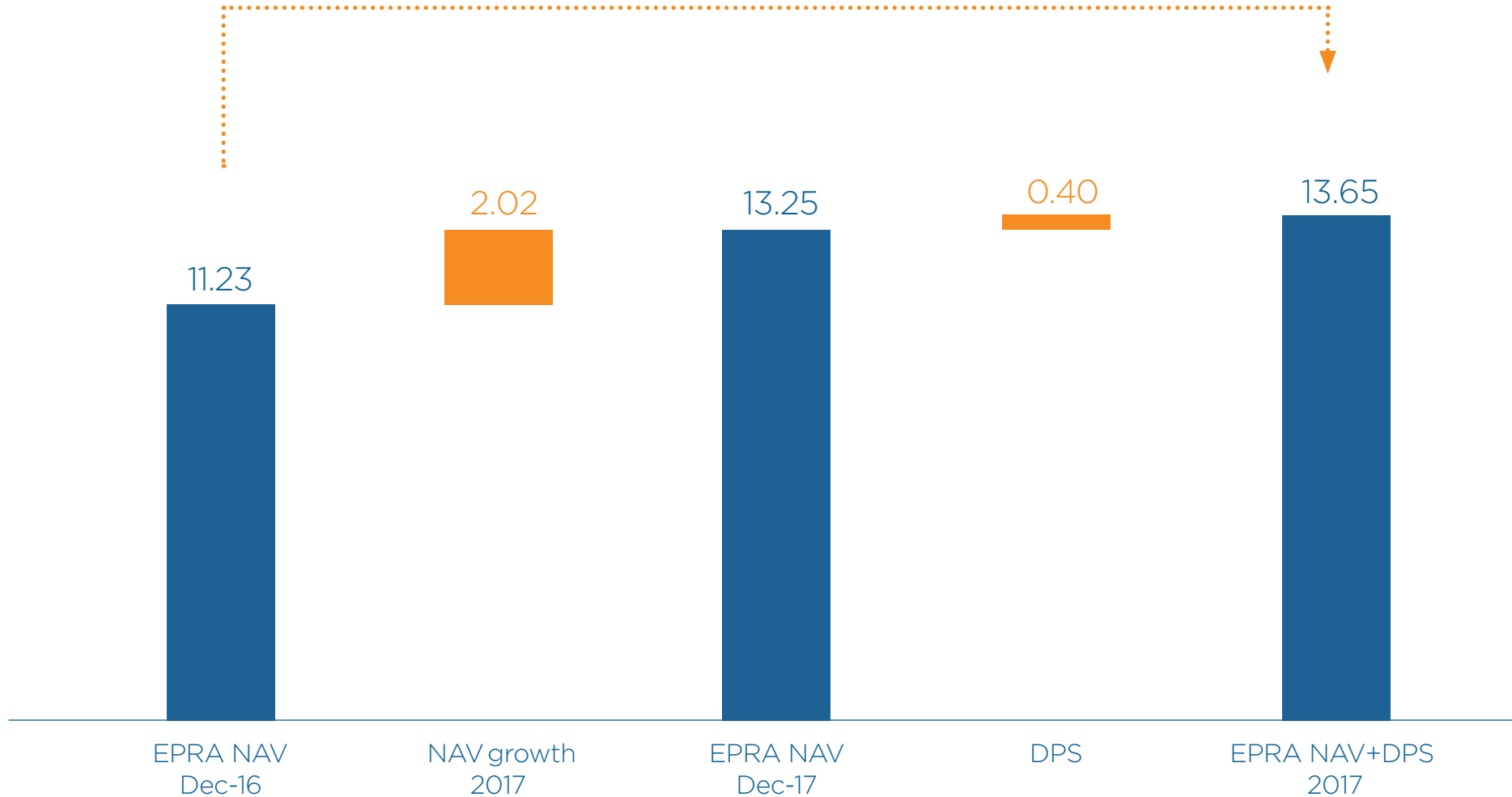
- **Substantial** value creation from WIP and refurbished **assets delivered** in the period
- Development and refurbishment plan being **executed on target**
- Outstanding **21.6% total shareholders return**



COMPELLING RETURN TO SHAREHOLDERS ACHIEVED IN FY 2017

(€ per share)

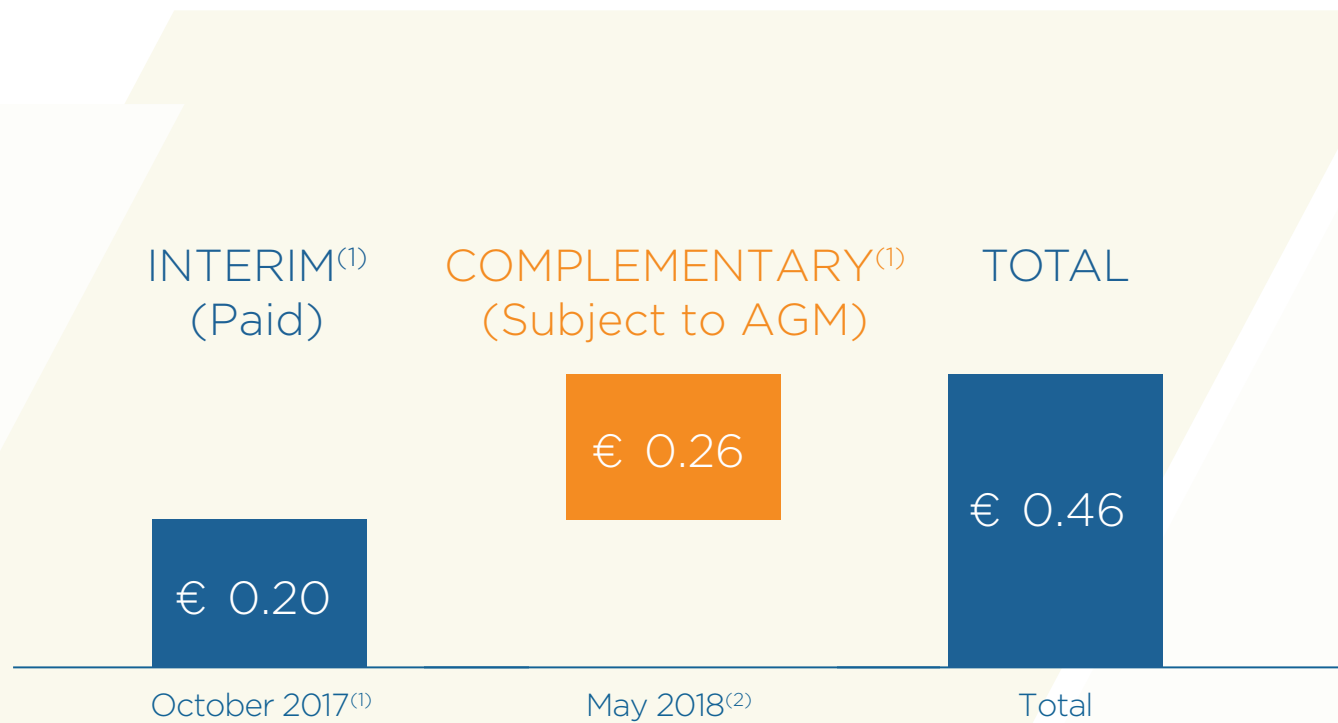
TSR + 21.6%



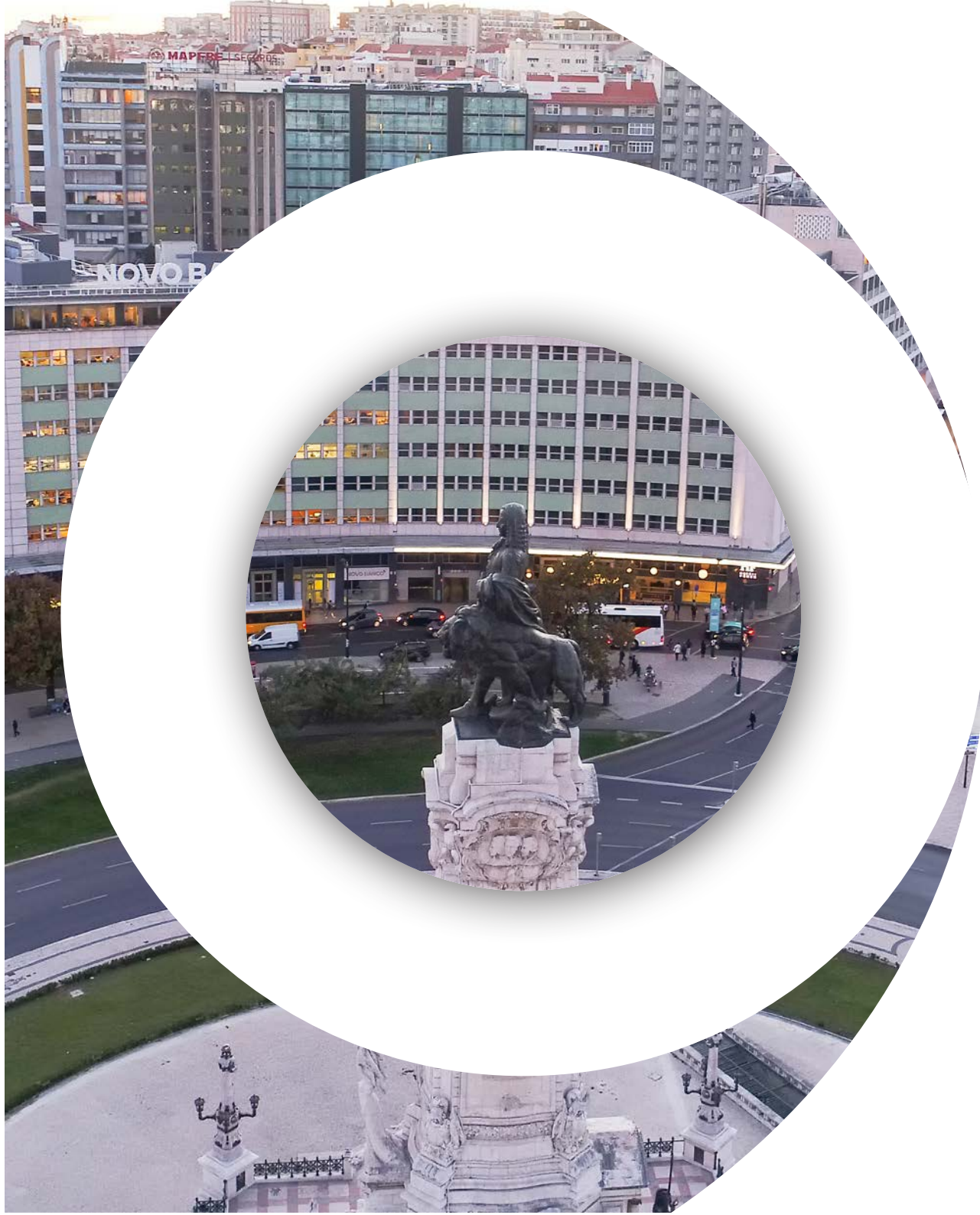


FY 2017 DIVIDEND TO REACH €216 M, AHEAD OF GUIDANCE (€ 207M)

MERLIN FY 17  
DIVIDEND  
**€ 216M**



Source: Company  
<sup>(1)</sup> Dividend holders are 469.7m shares



# FY 17 FINANCIAL RESULTS





## +18% INCREASE IN EPRA NAV PER SHARE AND +47% IN IFRS EPS

(€ million)	31/12/17	31/12/16	YoY
<b>Gross rents</b>	469.4	351.0	+33.7%
<b>Net rents</b>	415.2	323.5	+28.4%
<b>EBITDA<sup>(1)</sup></b>	392.6	303.6	+29.3%
<b>FFO<sup>(2)</sup></b>	289.2	221.0	+30.9%
<b>AFFO</b>	270.9	n.a.	n.a.
<b>IFRS net profit</b>	1,100.4	582.6	+88.9%
<b>EPRA NAV</b>	6,224.7	5,274.7	+18.0%

(€ per share) <sup>(3)</sup>	31/12/17	31/12/16	YoY
<b>FFO</b>	0.62	0.60	+2.0%
<b>AFFO</b>	0.58	n.a.	n.a.
<b>IFRS EPS</b>	2.34	1.59	+47.1%
<b>EPRA NAV</b>	13.25	11.23	+18.0%

Source: Company

<sup>(1)</sup> Excludes non-recurring items (€ 5.0m) plus LTIP accrual (€ 43.8m)

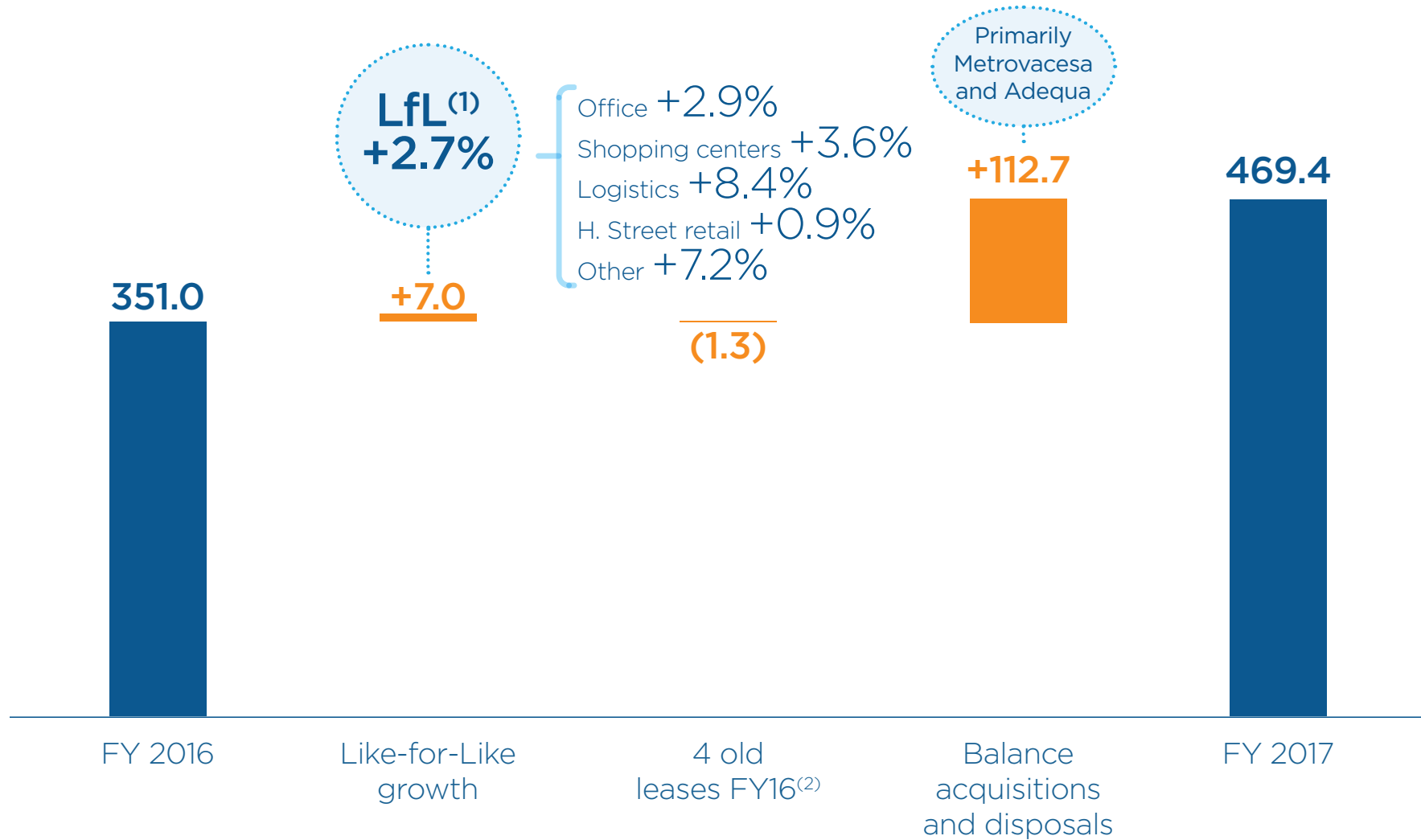
<sup>(2)</sup> FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method. FFO reported in FY16 has been rebased in accordance with this methodology

<sup>(3)</sup> Weighted number of outstanding shares in the period, 469.7m for 2017 and 365.9m for 2016



OFFICE AND SHOPPING CENTERS SHOWING ROBUST UPWARDS TREND,  
ACCELERATED GROWTH IN LOGISTICS

(€m)

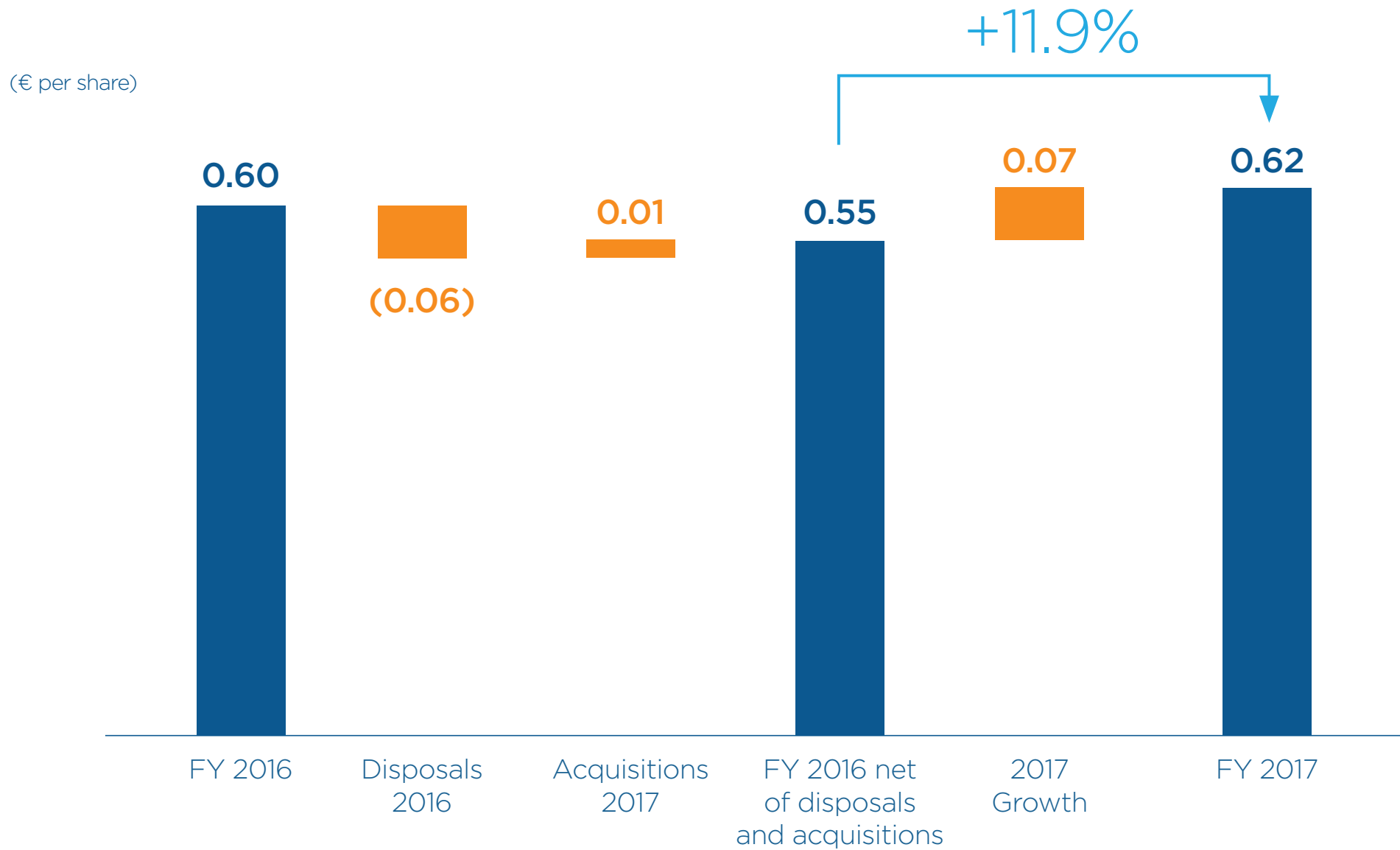


<sup>(1)</sup> Portfolio in operation for FY16 (€ 257.6m GRI) and for FY17 (€ 264.7m GRI)

<sup>(2)</sup> Vestas, Endesa-Sevilla, UPS and Logista



MEANINGFUL FFO GROWTH OVERCOMING CASH FLOW LOST DUE TO 2016 DISPOSALS



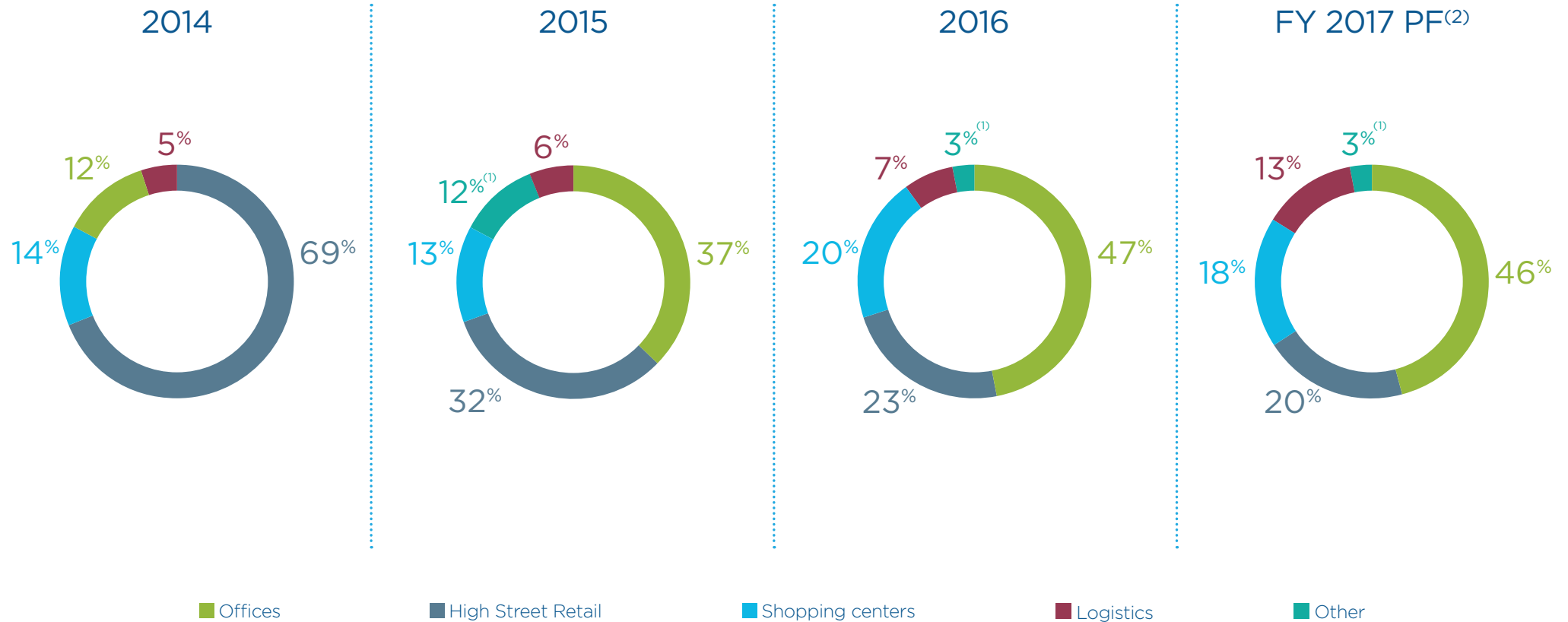


# PORTFOLIO PERFORMANCE





LOGISTICS, THE FASTEST GROWING ASSET CATEGORY SINCE 2015



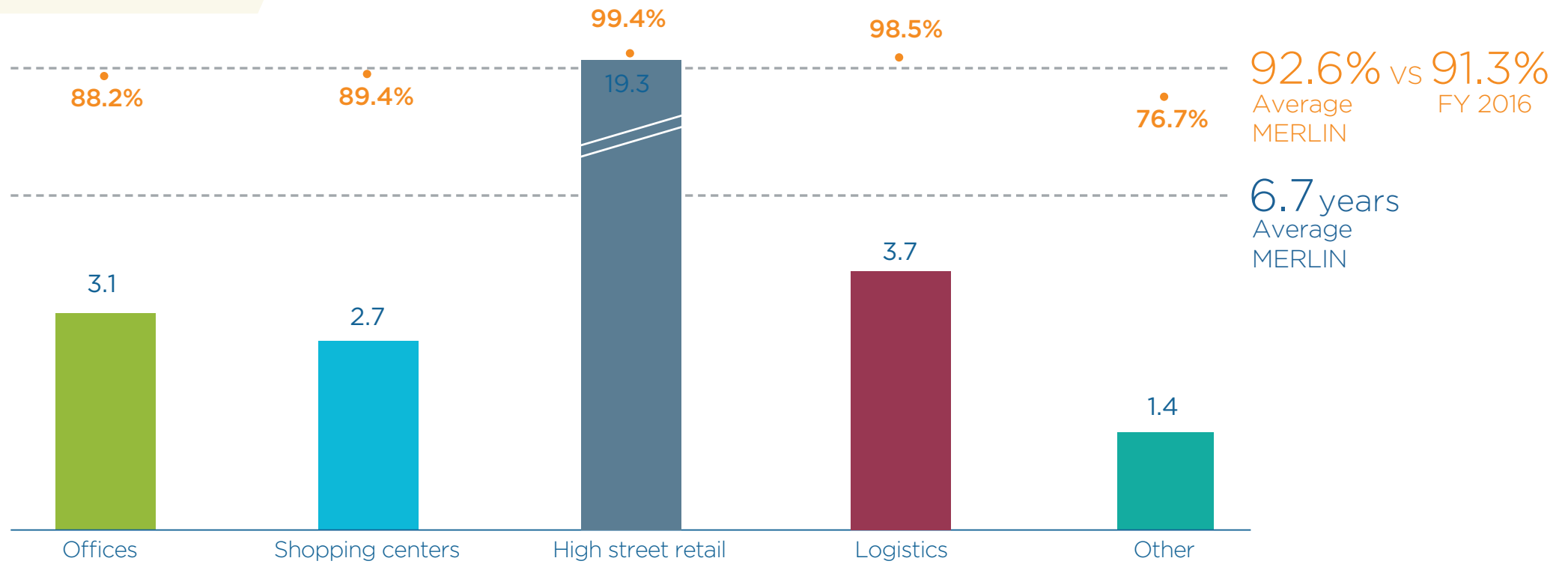
<sup>(1)</sup> Other includes hotels, non core land and miscellaneous. 2015 also includes rented residential

<sup>(2)</sup> Pro-forma to include logistics WIP and office WIP



+132 BPS OCCUPANCY IMPROVEMENT IN FY 17

Occupancy and WAULT per asset type<sup>(1)</sup>

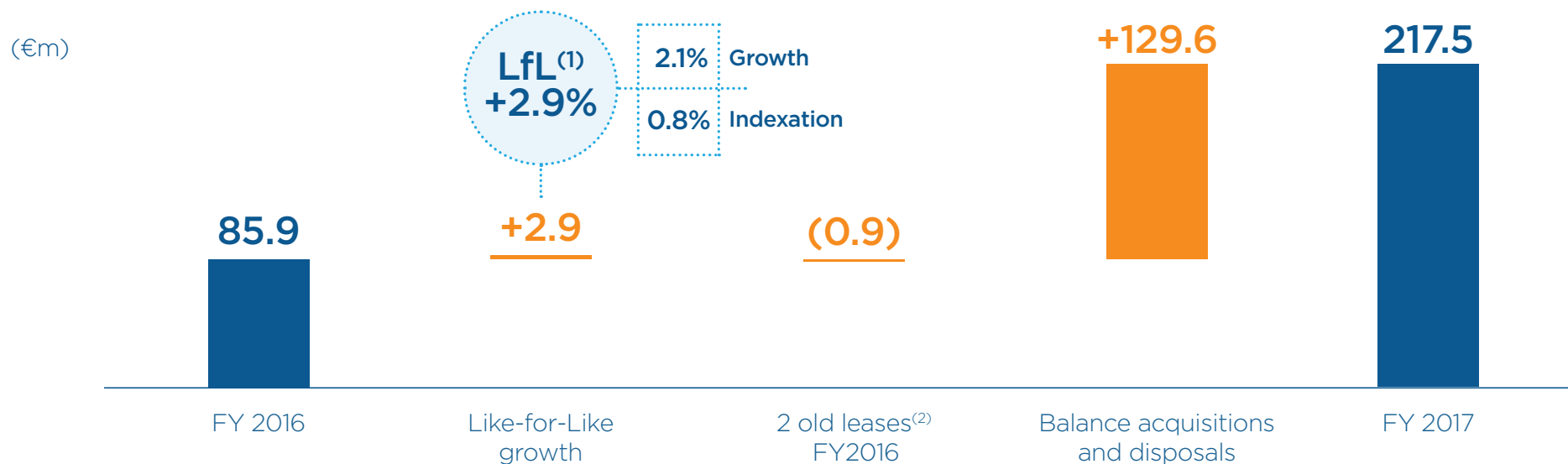


Source: Company

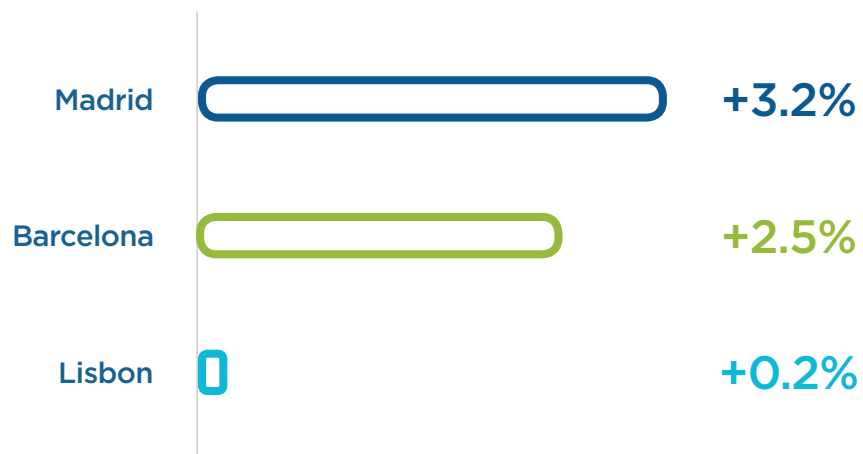
<sup>(1)</sup> WAULT by rents means the weighted average unexpired lease term, calculated as of 31 December 2017



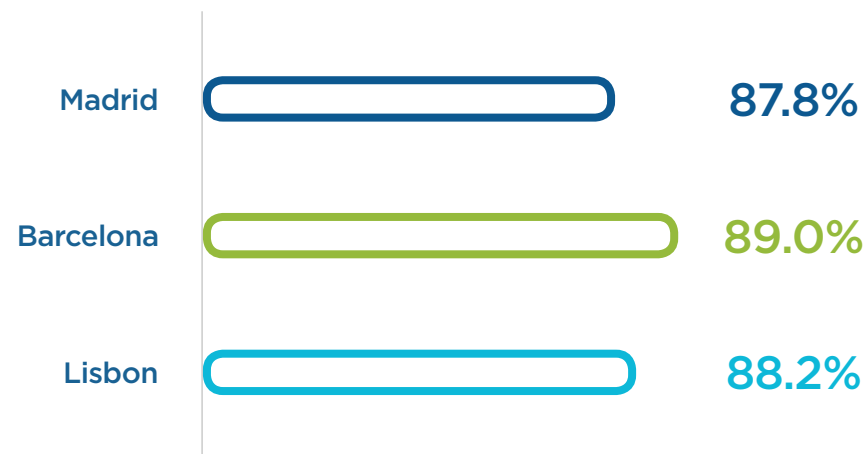
# OFFICES



Lfl growth by area



Occupancy by area



<sup>(1)</sup> Office portfolio in operation for the FY16 (€ 97.0m of GRI) and for the FY17 (€ 99.8m of GRI)

<sup>(2)</sup> Vestas and Endesa-Sevilla





GOOD PERFORMANCE IN OUR 3 CORE MARKETS, WITH +3.4% RELEASE SPREAD

	Contracted sqm	Release spread	# contracts	Tenants
Madrid	390,438	+3.3%	169	
Barcelona	63,121	+4.5%	64	
Lisbon	3,362	+5.1%	4	
<b>TOTAL<sup>(1)</sup></b>	<b>456,921<sup>(2)</sup></b>	<b>+3.4%</b>	<b>237</b>	

<sup>(1)</sup> Excluding other

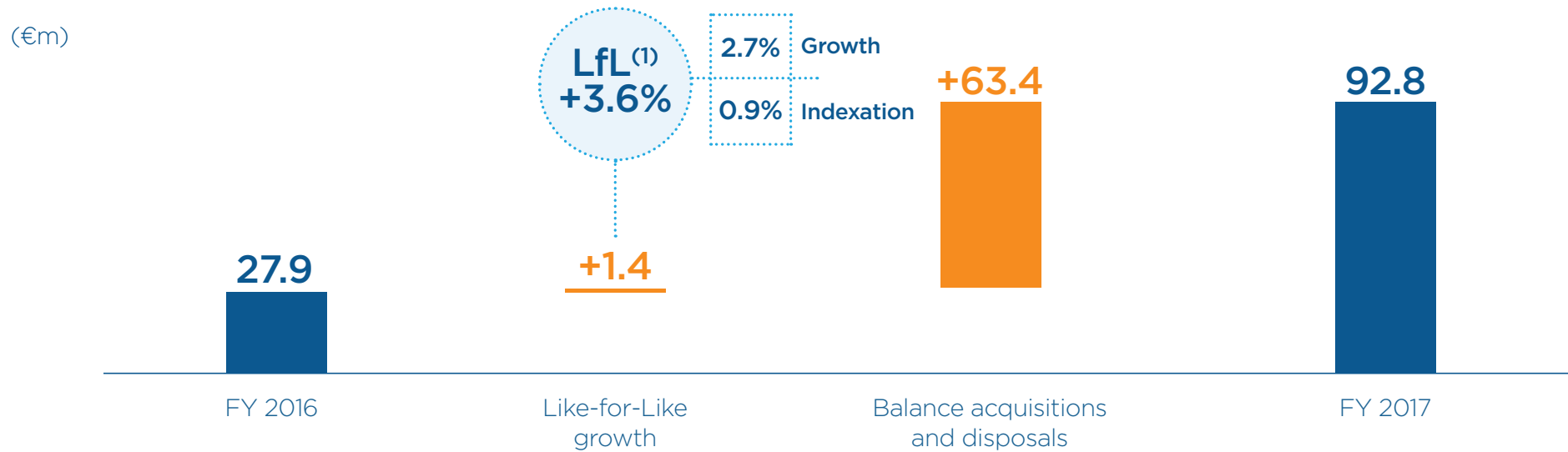
<sup>(2)</sup> Including 65,115 sqm of roll-overs not considered for the release spread analysis



# SHOPPING CENTERS

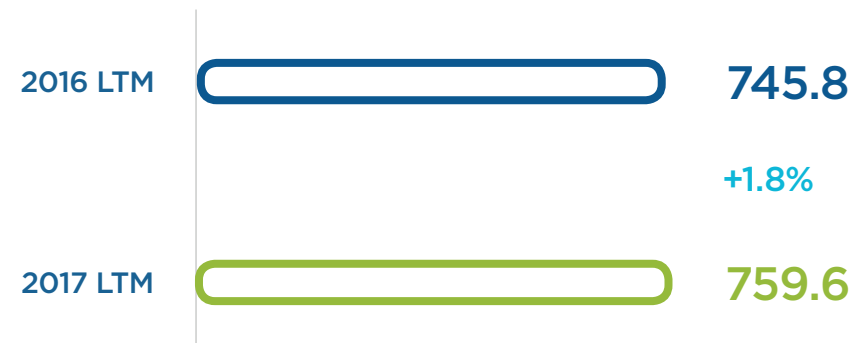
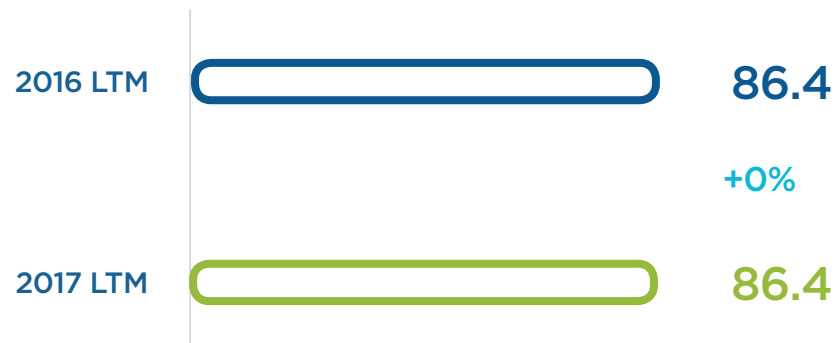


A **DOMINANT AND URBAN** PORTFOLIO SHOWING **STRENGTH**, IMPACTED BY THE SITUATION IN CATALONIA



Visitors<sup>(2)</sup> (million)

Tenant sales<sup>(2)</sup> (million)







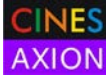


<sup>(1)</sup> Shopping centers portfolio in operation for FY16 (€ 39.1m GRI) and for FY17 (€ 40.5m GRI)

<sup>(2)</sup> Excluding Porto Pi (opening effect), Bonaire and Monumental



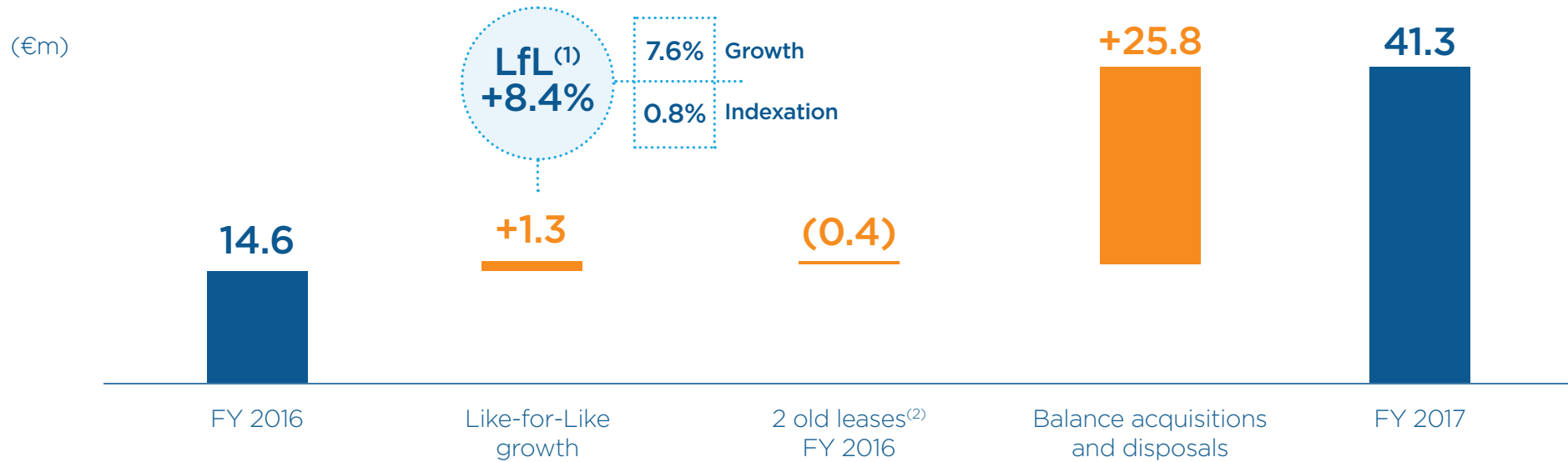
UPWARDS TREND IN PERFORMANCE WITH A **RELEASE SPREAD OF +4.7%**

	Release spread		#contracts		Main tenants	
<b>All portfolio</b>	<b>+4.7%</b>		<b>166</b>			
						
					<b>CALZEDONIA</b>	<b>TOUS</b>
					<b>RODILLA</b> <small>DESDE 1939</small>	Massimo Dutti
	Contracted sqm	Net Absorption	Occupancy 31/12/17	Change vs 31/12/16 (bps)	<b>nickelodeon</b>	
<b>All portfolio</b>	<b>108,411</b>	<b>+3,703</b>	<b>89.4%</b>	<b>+78</b>	<i>DECIMAS</i>	
					<b>The Phone House</b>	LATERAJ
					<i>Sprinter</i>	
					ZARA	OYSHO



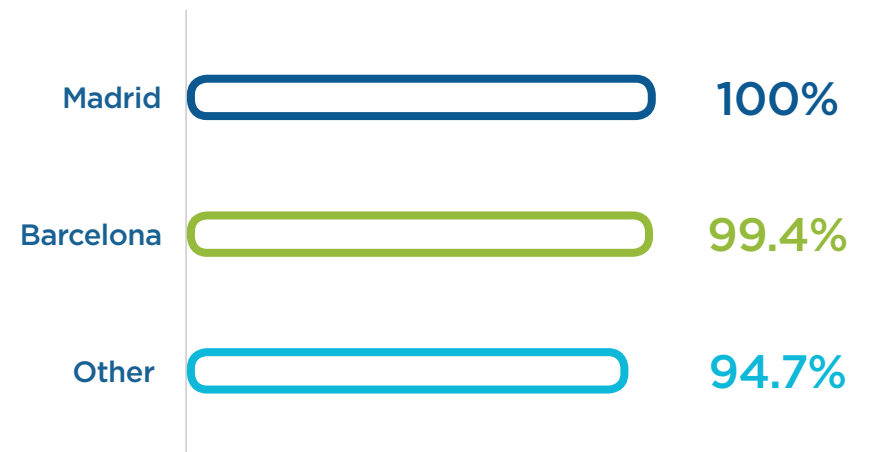
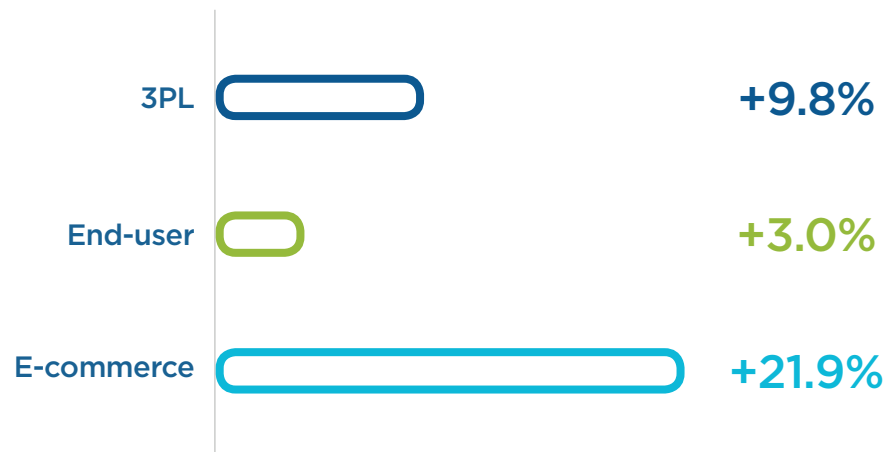


LOGISTICS



LfL growth by tenant type

Occupancy by area



<sup>(1)</sup> Logistics portfolio in operation for FY16 (€ 15.7m) and for FY17 (€ 17.1m)

<sup>(2)</sup> UPS and Logista

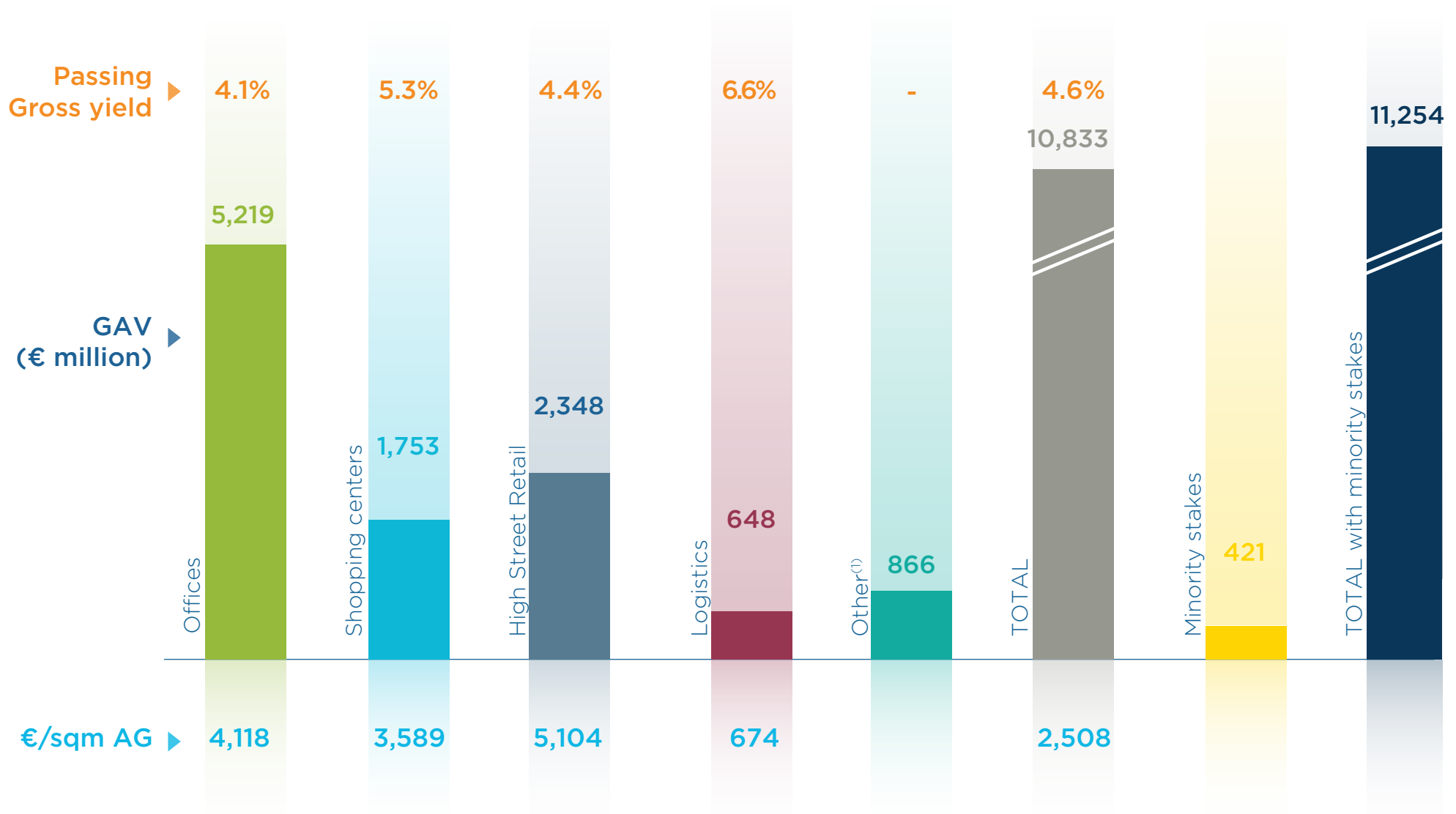


STRONG MARKET DYNAMICS DRIVING A VERY POSITIVE RELEASE SPREAD

	Contracted sqm	Release spread	# contracts	Tenants
Madrid	208,974	+3.1%	8	
Barcelona	43,571	+22.0%	4	
Other	32,121	-	1	
<b>TOTAL</b>	<b>284,667</b>	<b>+13.4%</b>	<b>13</b>	



# VALUATION AND DEBT POSITION



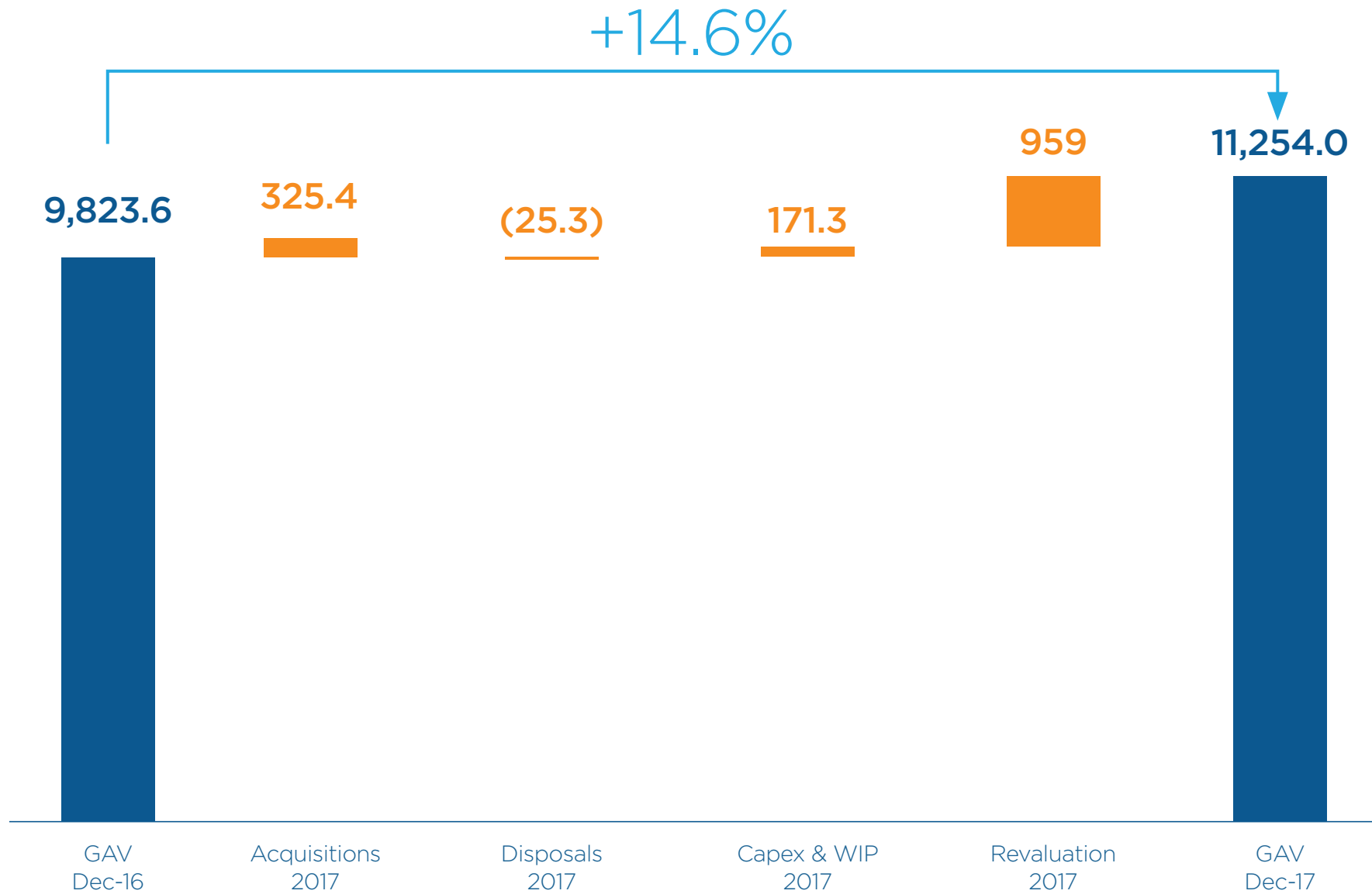
Source: Company

<sup>(1)</sup> Other includes logistics WIP, land for development, non-core land, hotels and miscellaneous



STRONG ASSET REVALUATION IN THE PERIOD (+€ 959M)

(€m)



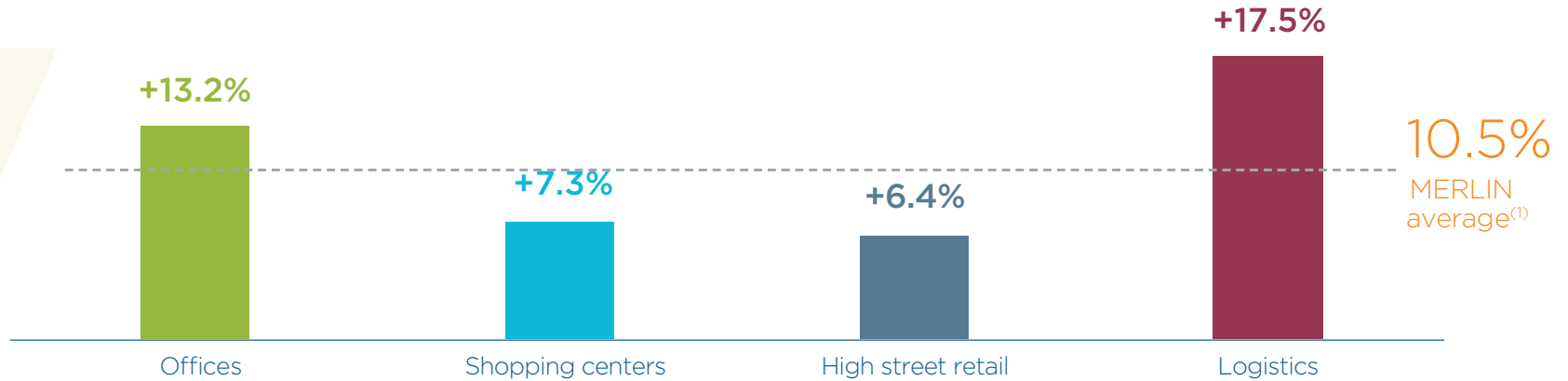
Source: Company



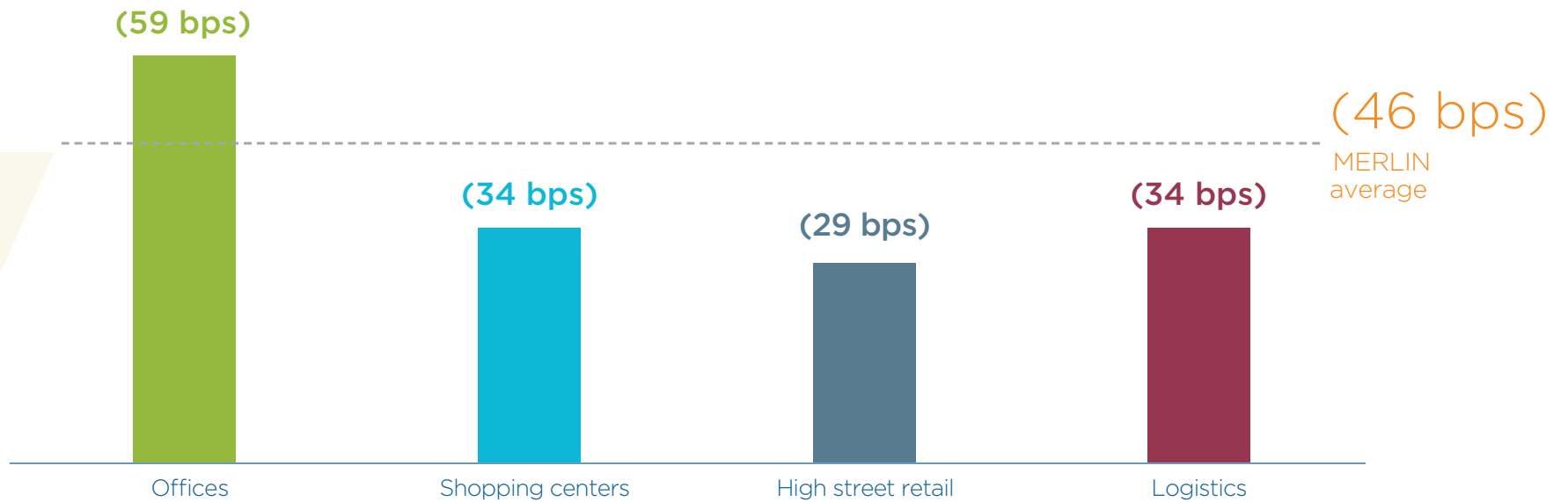


APRAISSALS PROGRESSIVELY REFLECTING MARKET YIELDS, WITH A NUMBER OF RECENT TRANSACTIONS PROVIDING EXCELLENT BENCHMARKS

GAV like-for-like evolution<sup>(1)</sup>



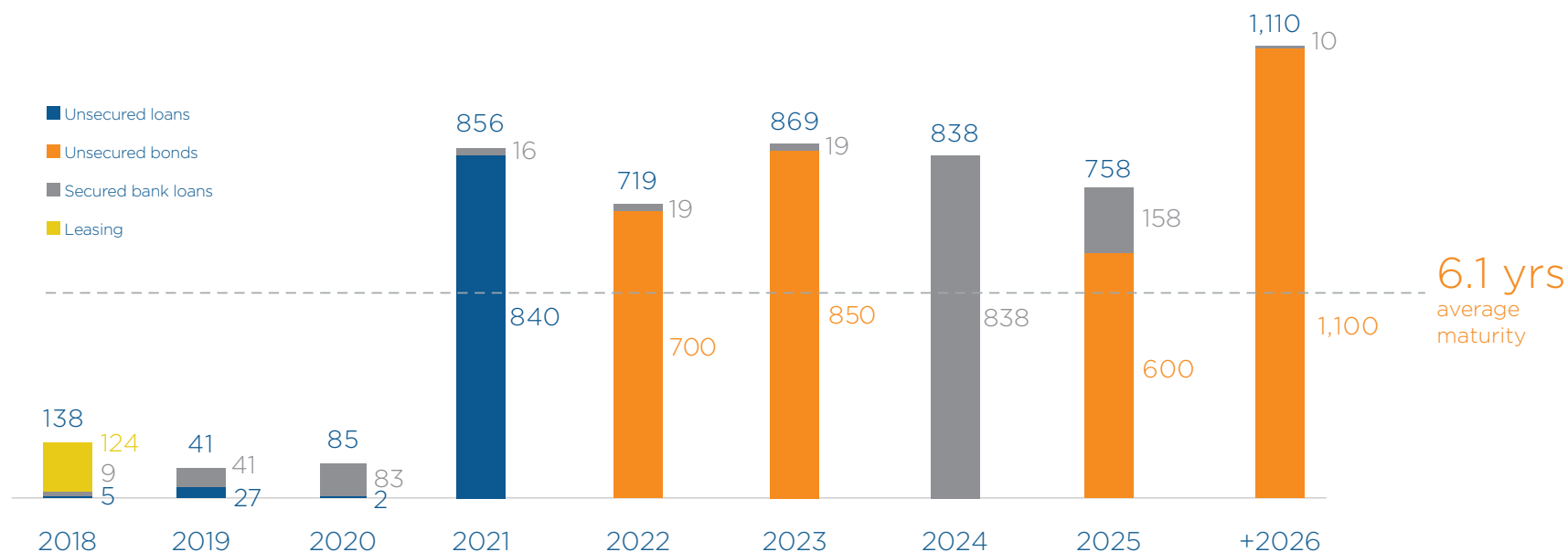
Yield compression



<sup>(1)</sup> GAV of WIP projects included under offices and logistics for LfL purposes



## FURTHER LEVERAGE REDUCTION AND LIMITED EXPOSURE TO INTEREST RATE MOVEMENTS



(€ million)	31/12/2017	31/12/2016
Gross financial debt	5,413	5,193
Cash <sup>(1)</sup>	509	722
Net financial debt	4,904	4,471
<b>LTV</b>	<b>43.6%</b>	<b>45.5%</b>
Average cost (fully loaded with hedging) <sup>(3)</sup>	2.23%	2.26%
Fixed interest rate	99.6%	88.7%
Liquidity <sup>(2)</sup>	929	949
Non-mortgage debt	78.5%	75.6%

<sup>(1)</sup> Including cash and net proceeds from the sale of hotels

<sup>(2)</sup> Including available treasury plus hotels sale receivable and unused credit facilities (€ 420m)

<sup>(3)</sup> Average cost of 1.88% in 2017 excluding hedging



# VALUE CREATION



VALUATION INCREASE IN ASSETS REFURBISHED OR DEVELOPED IN 2017

Office

Shopping centers

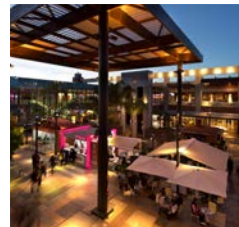
Logistics

Minority stakes



Puerta de las Naciones 3

**+18%**



Thader

**+44%**



Cabanillas Park I

**+33%**



Testa Residencial

**+18%**



Eucalipto 33

**+15%**



Madrid-Pinto

**+27%**



Zal Port

**+42%**



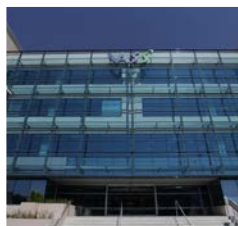
Juan Esplandiu

**+24%**



Madrid-Meco II

**+56%**



Avda. Europa 1A

**+34%**



Office

Shopping centers

2018



Torre Chamartín



Torre Glòries

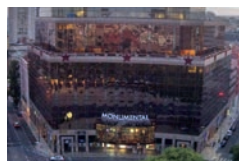


Larios

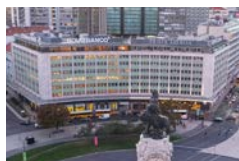


Arturo Soria Plaza

2019



Monumental



Marqués de Pombal 3



El Saler



Tres Aguas



X-Madrid

2020



Adequa



Diagonal 605



Porto Pi

2021



Alcalá 40



Plaza Ruiz Picasso



Artea

Pending Capex



€ 310.3m

Expected rents



€ 41.1m





2018



Madrid-Meco II



Madrid-Pinto II B



Madrid San Fernando I



Madrid-Getafe (Gavilanes)



Sevilla Zal WIP I

2019



Madrid San Fernando II



Madrid Azuqueca II



Guadalajara Cabanillas Park I F



Zaragoza Plaza Logistics

2020



Madrid-Azuqueca III

2021



Guadalajara Cabanillas Park II

Pending Capex



€ 213.7m

Expected rents



€ 24.6m

Additional GLA



+ 566K sqm

Yield on Cost<sup>(1)</sup>



8.0%

<sup>(1)</sup> Total investment of logistics WIP is € 306.9m, out of which are pending € 213.7m as from 31/12/17





## Investment activity

- Compelling, return-enhancing pipeline of ca. € 500m
- Seeking to expand in **logistics** and add footprint in **Portugal**



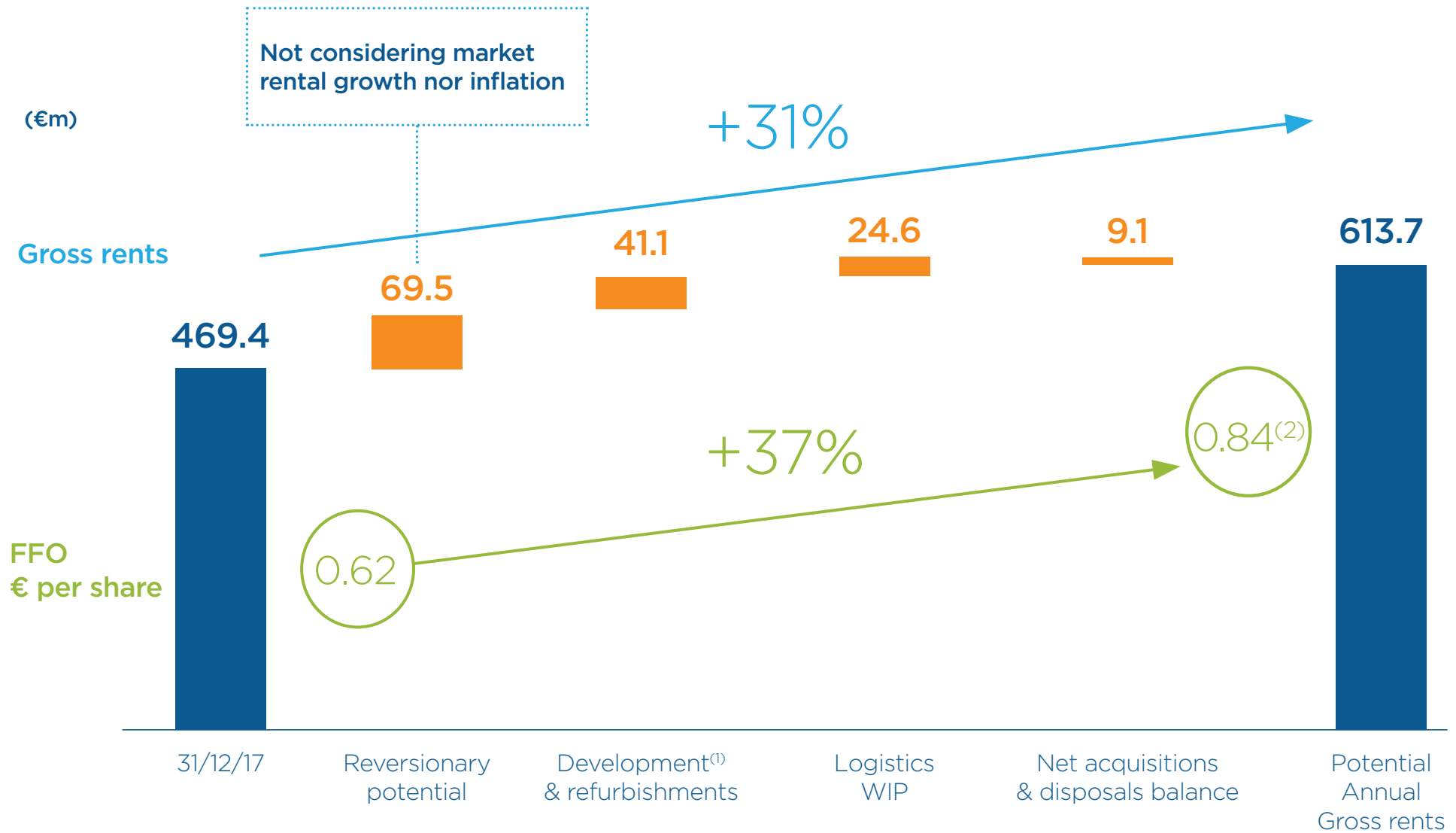
+€ 28m  
expected rents

## Divestment activity

- + € 550m **non-core** disposal program:
  - Testa Residencial IPO
  - Aedas homes 1.7%
  - Selected non-core assets



-€ 19m  
passing rents

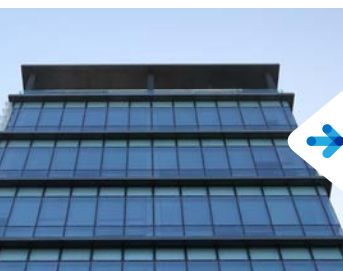


<sup>(1)</sup> Includes Torre Glòries, Torre Chamartín, Adequa and X-Madrid

<sup>(2)</sup> Assuming an EBITDA margin of 84% over gross rents and € 120m of net financial expense



# OUTLOOK 2018



→ Office

- Employment growth driving **positive trend in occupancy and rents**
- **Incentives subtracting cash flow** due to commercialization of vacancy but well **below peers**
- **Capex program** intensifying



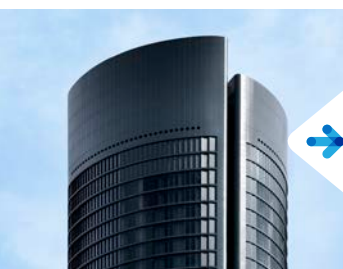
→ Shopping Centers

- Private consumption growth driving footfall and retail **sales increase**
- **Better occupancy** expected in 2018 but cash flow impacted by fit out contributions as tenants come in
- **Refurbishment activity** with the imminent delivery of Arturo Soria and the progress in Larios and X-Madrid



→ Logistics

- Spain expected to be one of the countries where **on-line sales** will grow the most
- Prices on new contracts and release spreads expected to **continue increasing**
- **Footprint pushed forward through WIP program** (+ 566k sqm of which +200k sqm in 2018) to satisfy rapidly growing demand



→ Corporate

- Future investments focused in **expanding footprint in Portugal**: target to become a leading office and logistics player combined with gaining presence in prime retail
- After one-year “divestment freezing” due to the Socimi regime, activity will resume in 2018: **Testa Residencial, Aedas Homes** and **non-core**
- Higher critical mass will translate into lower overheads expense which will be reduced from **0.6% of NAV to 0.575%** for 2018 and 2019 (0.55% from 2020 onwards)
- Prudent management of balance sheet to **continue reducing leverage**



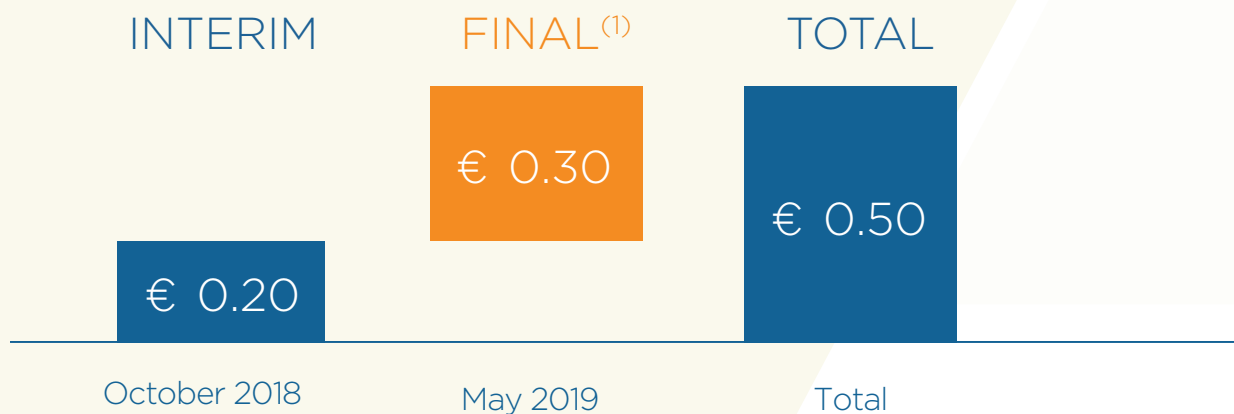
DPS GUIDANCE REPRESENTS +9% GROWTH YOY 2018 VS 2017

**MERLIN DIVIDEND GUIDANCE**  
CALCULATED ON THE BASIS OF  
**80% OF AFFO**  
+  
**PROCEEDS FROM SALES**

MANAGEMENT GUIDANCE FOR DISTRIBUTION **FY 2018:**  
**MINIMUM OF € 235M**  
**(€ 0.50 PER SHARE)**

€ 0.46 from AFFO  
€ 0.04 from Disposals

- Payment in two instalments:
- All cash
- Minimum guidance



Source: Company

<sup>(1)</sup> Following approval by AGM of 2018 accounts





# CLOSING REMARKS





## → Value creation

- **+18% EPRA NAV** per share YoY
- **DPS of € 0.46** exceeding Feb-17 guidance (€ 0.44)
- Very high **TSR of 21.6%**
- **Leverage reduced to 43.6%** with 99% of interest rate fixed

## → Performance

- **Offices.** Increase in rents (+3.4% release spread). Progressive portfolio clean-up in advance of rent acceleration
- **Shopping centers.** Tenants sales rising to maintain OCR at sound levels. Meaningful increase in rents of +4.7%
- **Logistics.** A very strong market prompting meaningful rise in all metrics. Stock increasing at +200k sqm pace YoY

## → Investment activity

- Clear shift towards **extracting value from existing portfolio** after 3 years of intense acquisition activity
- **Excellent progress in our Capex program**, proving our capacity to increase value (+ 26% value increase in capexed assets achieved in 2017)
- Most of our acquisition activity has been focused on **Portugal and logistics**

## → Outlook

- **Positive market environment** in all asset categories
- **Strong release spread in 2017** will underpin positive 2018 like-for-like prospect figures
- **Divestment activity** will be **intensified**
- **DPS guidance of € 0.50** (+9% YoY)



# MERLIN

---

PROPERTIES

Paseo de la Castellana, 257  
28046 Madrid  
+34 91 769 19 00  
info@merlinprop.com  
**[www.merlinproperties.com](http://www.merlinproperties.com)**