

A LA COMISIÓN NACIONAL DEL MERCADO DE VALORES

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Adjunto se remite la nota de prensa y la documentación soporte a la presentación, que están igualmente disponible a través de la página web corporativa de MERLIN (www.merlinproperties.com)

Madrid, 28 de febrero de 2018.

MERLIN Properties SOCIMI, S.A.

FY 2017 RESULTS PRESENTATION

28 FEBRUARY 2018



MERLIN

PROPERTIES

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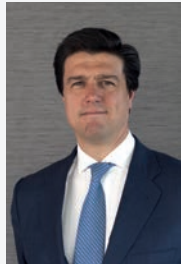
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CIO



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

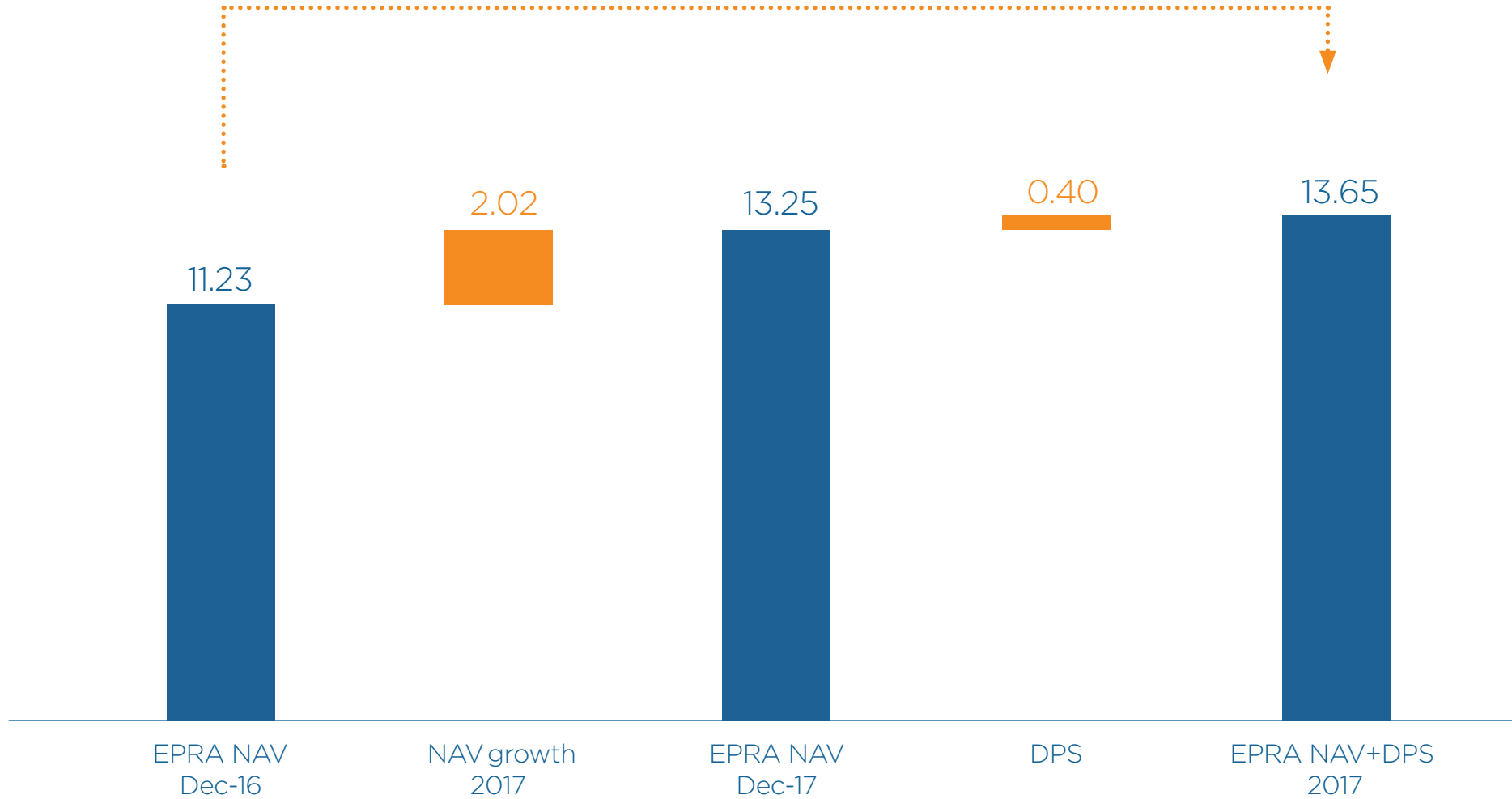
- **Substantial** value creation from WIP and refurbished **assets delivered** in the period
- Development and refurbishment plan being **executed on target**
- Outstanding **21.6% total shareholders return**



COMPELLING RETURN TO SHAREHOLDERS ACHIEVED IN FY 2017

(€ per share)

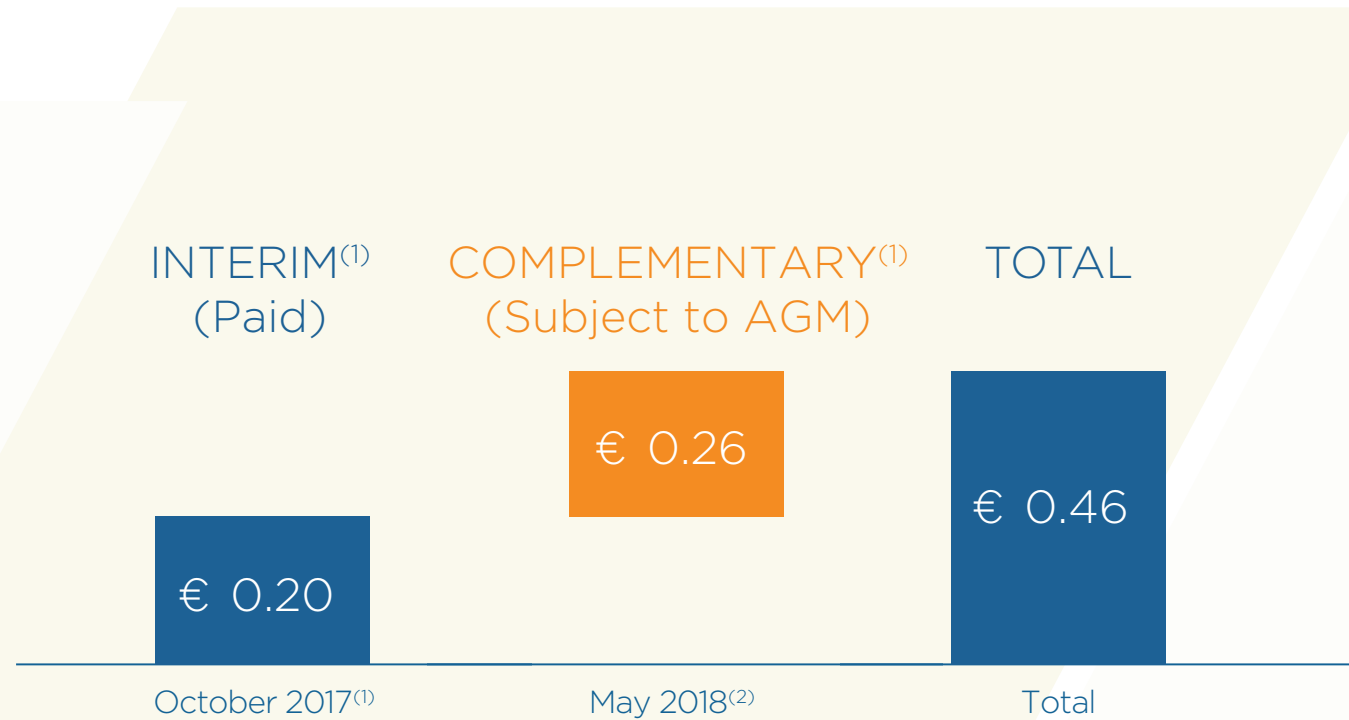
TSR + 21.6%





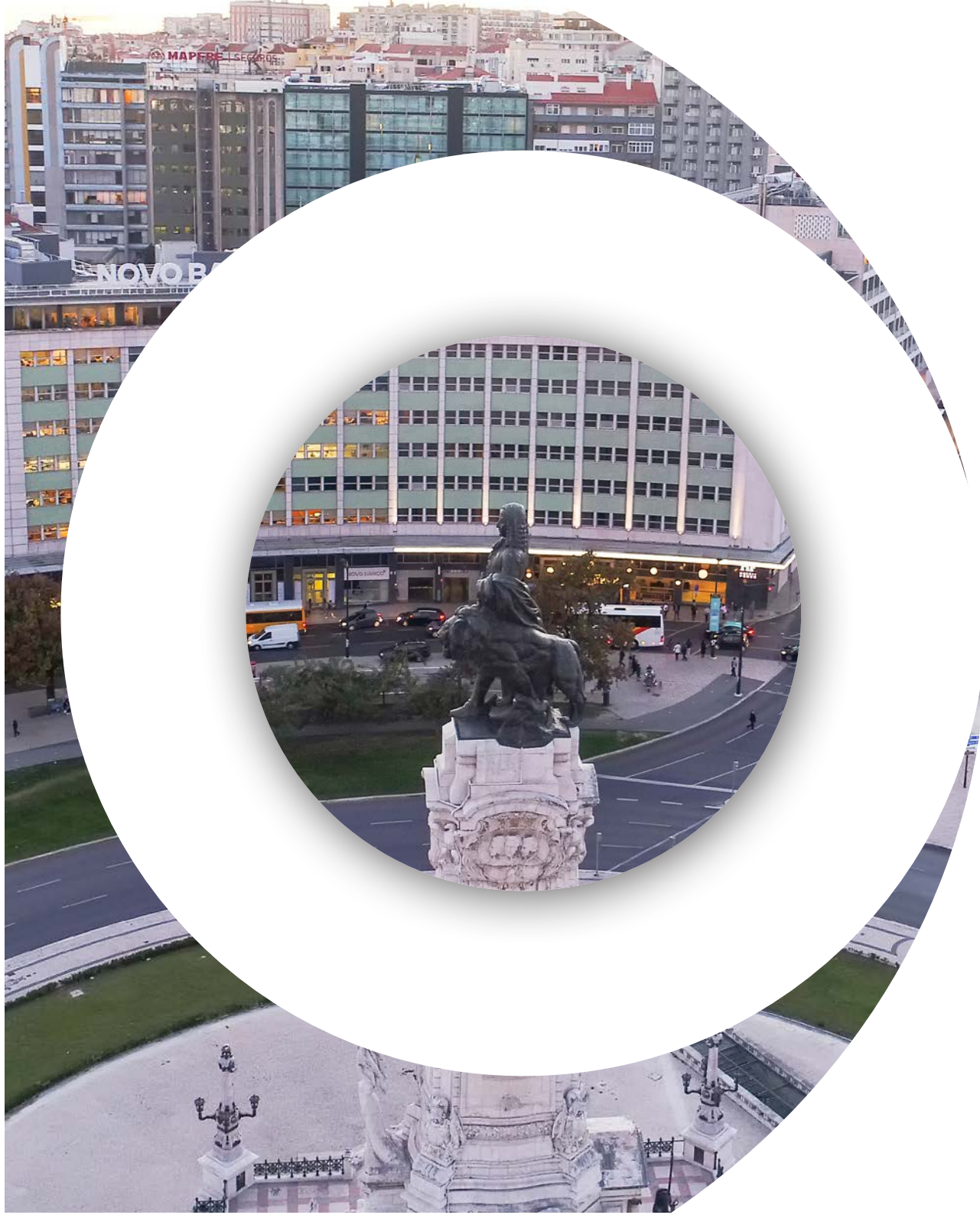
FY 2017 DIVIDEND TO REACH €216 M, AHEAD OF GUIDANCE (€ 207M)

MERLIN FY 17
DIVIDEND
€ 216M



Source: Company

⁽¹⁾ 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
Gross rents	469.4	351.0	+33.7%
Net rents	415.2	323.5	+28.4%
EBITDA ⁽¹⁾	392.6	303.6	+29.3%
FFO ⁽²⁾	289.2	221.0	+30.9%
AFFO	270.9	n.a.	n.a.
IFRS net profit	1,100.4	582.6	+88.9%
EPRA NAV	6,224.7	5,274.7	+18.0%

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

Source: Company

⁽¹⁾ Excludes non-recurring items (€ 5.0m) plus LTIP accrual (€ 43.8m)

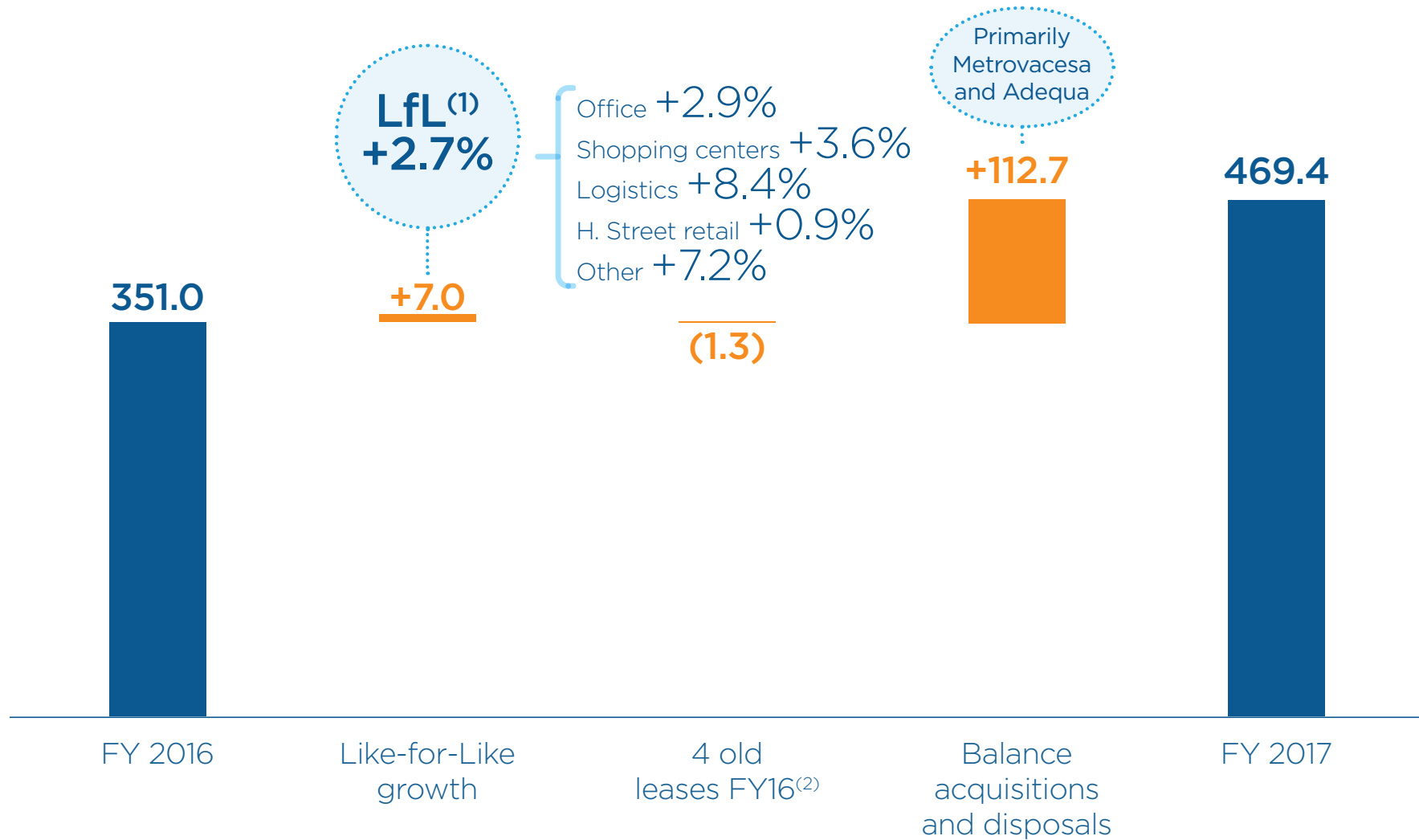
⁽²⁾ FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method. FFO reported in FY16 has been rebased in accordance with this methodology

⁽³⁾ 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)

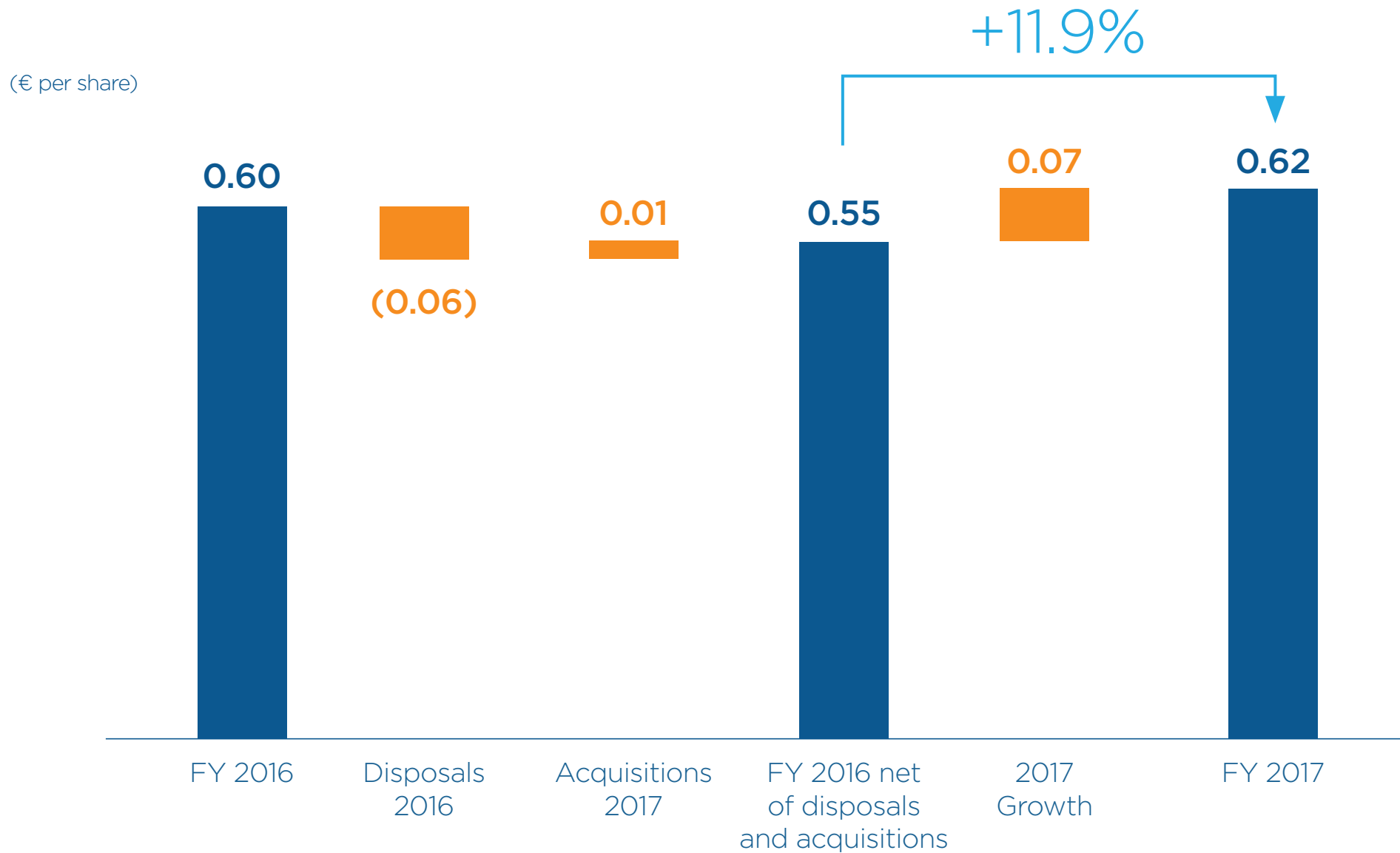


⁽¹⁾ Portfolio in operation for FY16 (€ 257.6m GRI) and for FY17 (€ 264.7m GRI)

⁽²⁾ Vestas, Endesa-Sevilla, UPS and Logista



MEANINGFUL FFO GROWTH OVERCOMING CASH FLOW LOST DUE TO 2016 DISPOSALS

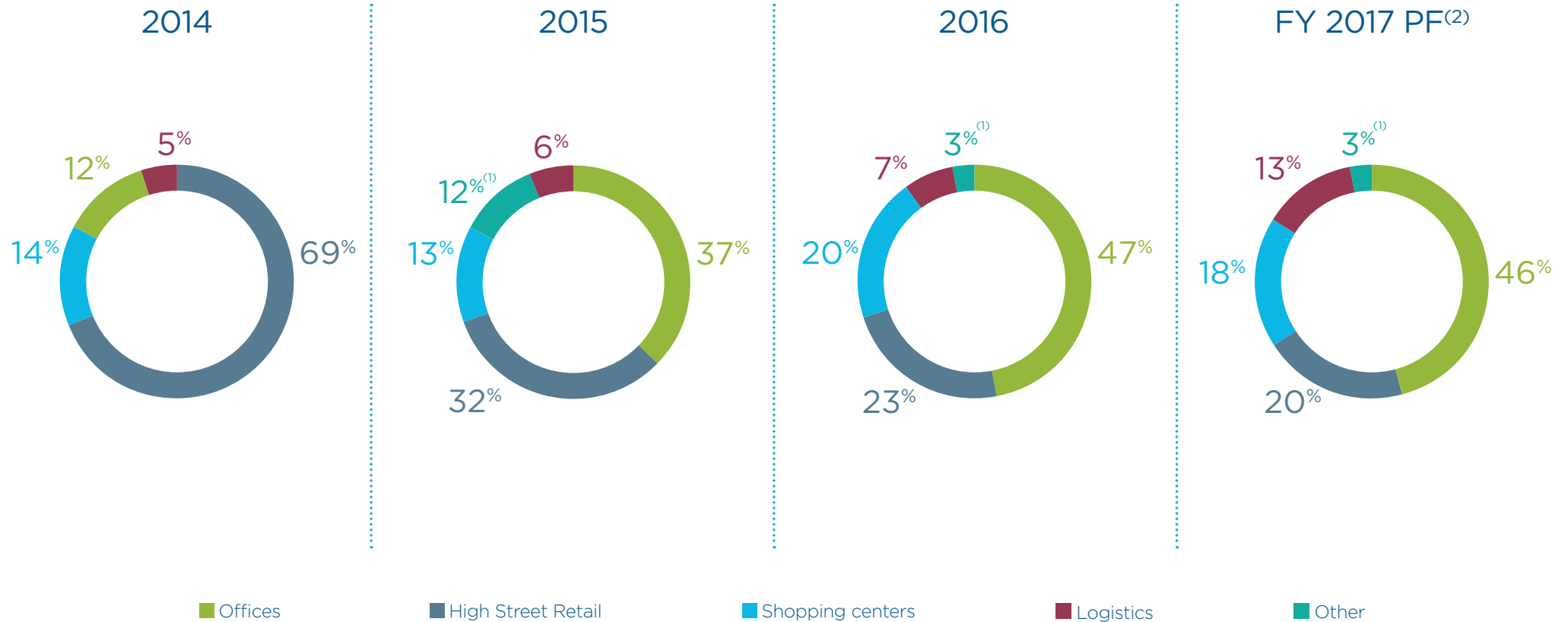




PORTFOLIO PERFORMANCE



LOGISTICS, THE FASTEST GROWING ASSET CATEGORY SINCE 2015



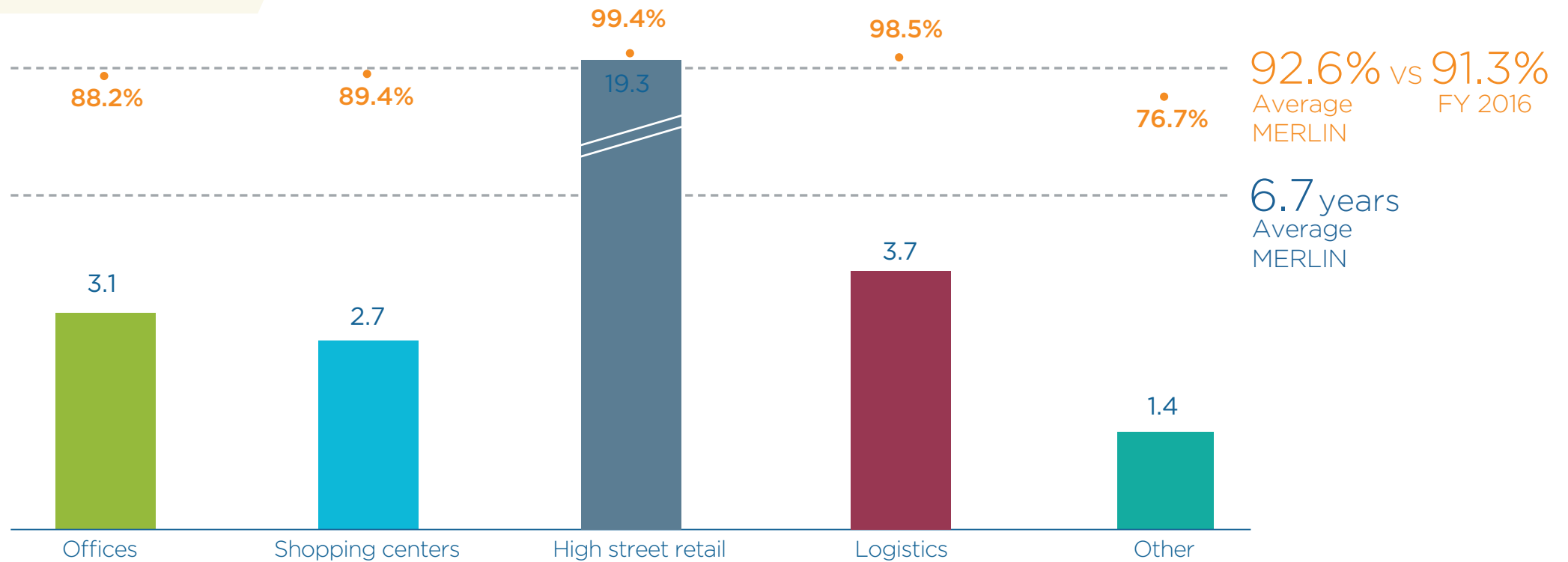
⁽¹⁾ Other includes hotels, non core land and miscellaneous. 2015 also includes rented residential

⁽²⁾ Pro-forma to include logistics WIP and office WIP



+132 BPS OCCUPANCY IMPROVEMENT IN FY 17

Occupancy and WAULT per asset type⁽¹⁾

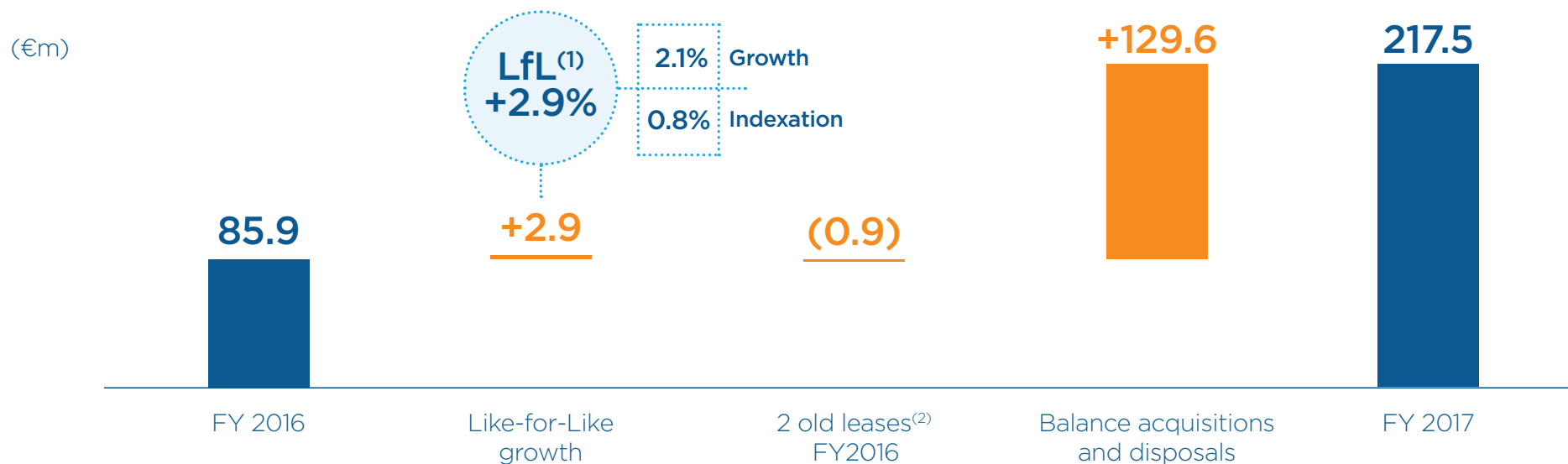


Source: Company

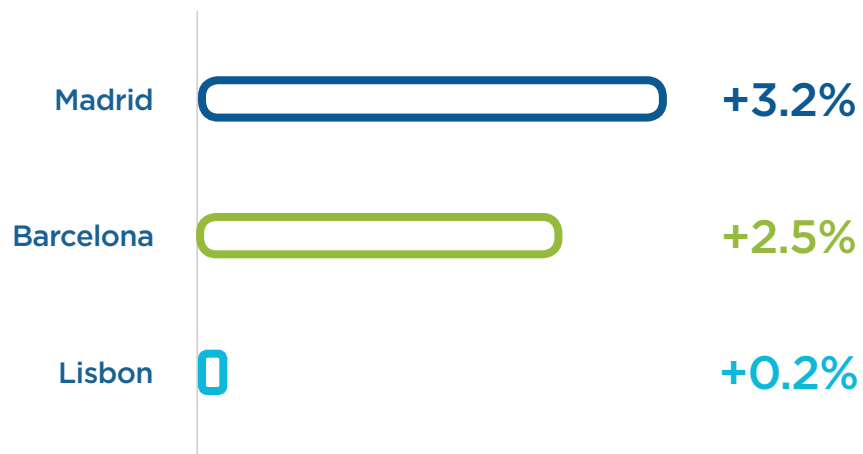
⁽¹⁾ WAULT by rents means the weighted average unexpired lease term, calculated as of 31 December 2017



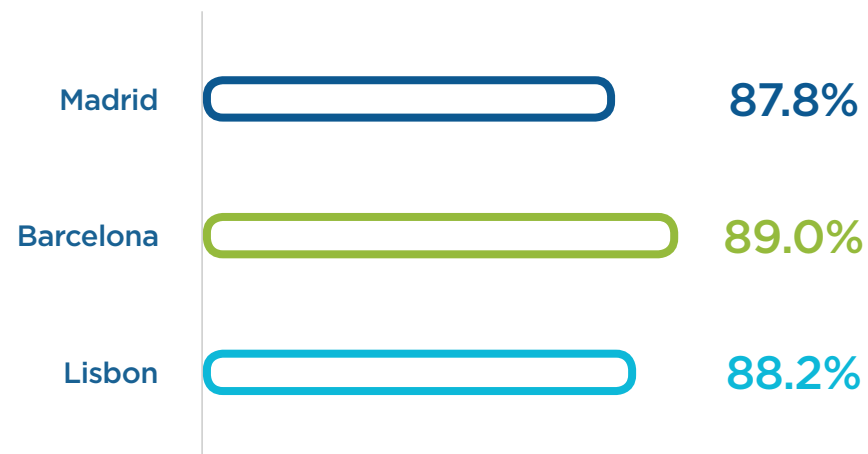
OFFICES



Lfl growth by area



Occupancy by area



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

⁽²⁾ 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	
TOTAL⁽¹⁾	456,921⁽²⁾	+3.4%	237	

⁽¹⁾ Excluding other

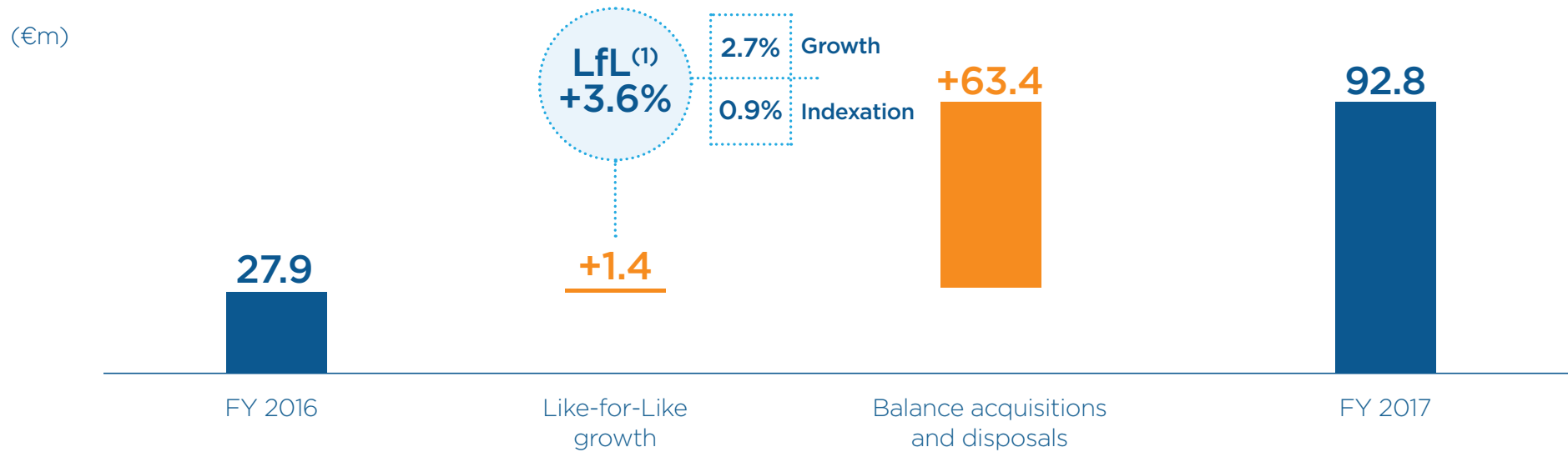
⁽²⁾ Including 65,115 sqm of roll-overs not considered for the release spread analysis



SHOPPING CENTERS

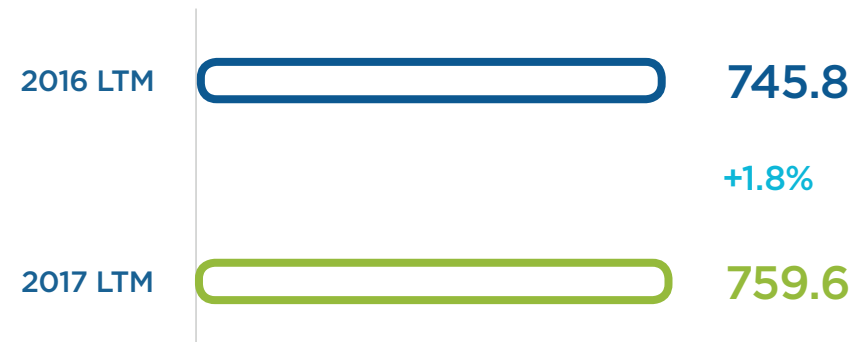
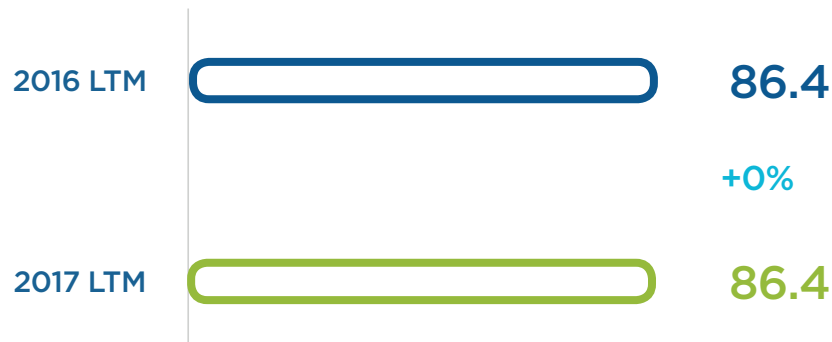


A **DOMINANT AND URBAN** PORTFOLIO SHOWING **STRENGTH**, IMPACTED BY THE SITUATION IN CATALONIA



Visitors⁽²⁾ (million)

Tenant sales⁽²⁾ (million)










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

⁽²⁾ Excluding Porto Pi (opening effect), Bonaire and Monumental

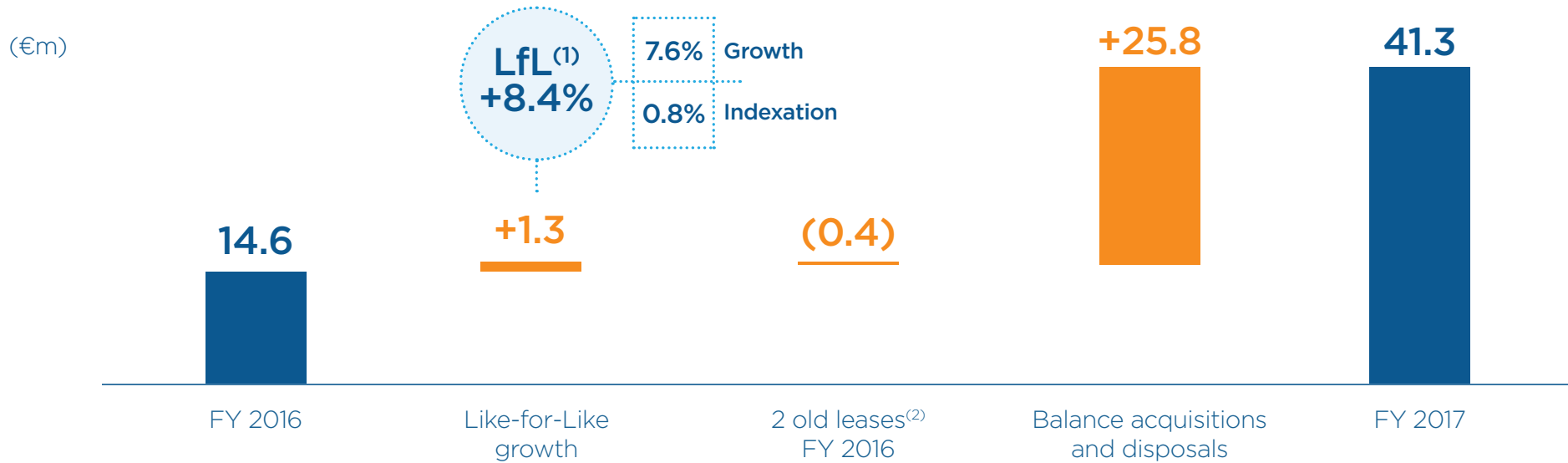


UPWARDS TREND IN PERFORMANCE WITH A **RELEASE SPREAD OF +4.7%**

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

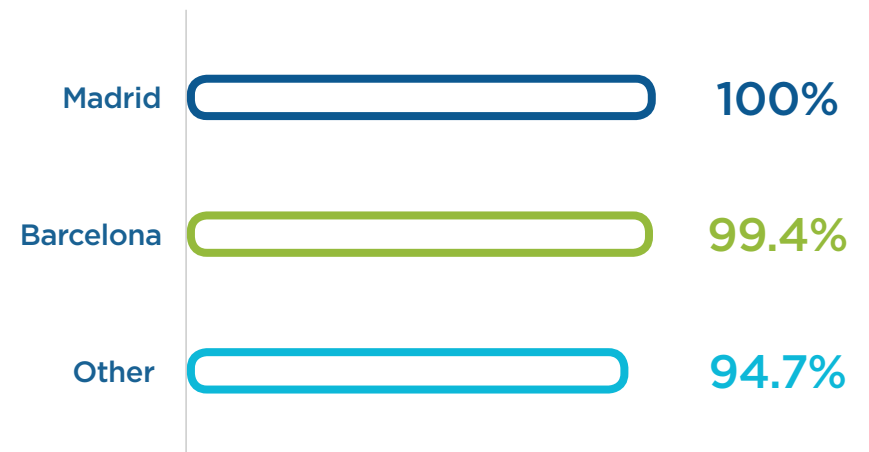
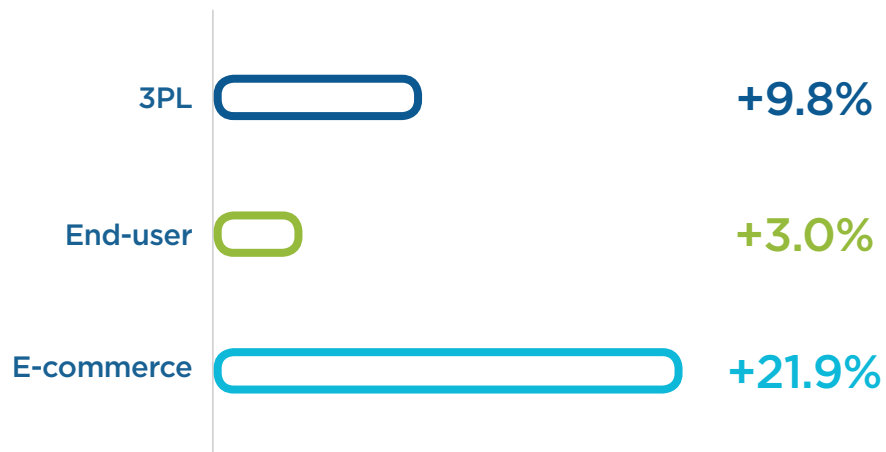


LOGISTICS



LfL growth by tenant type

Occupancy by area



⁽¹⁾ Logistics portfolio in operation for FY16 (€ 15.7m) and for FY17 (€ 17.1m)

⁽²⁾ UPS and Logista

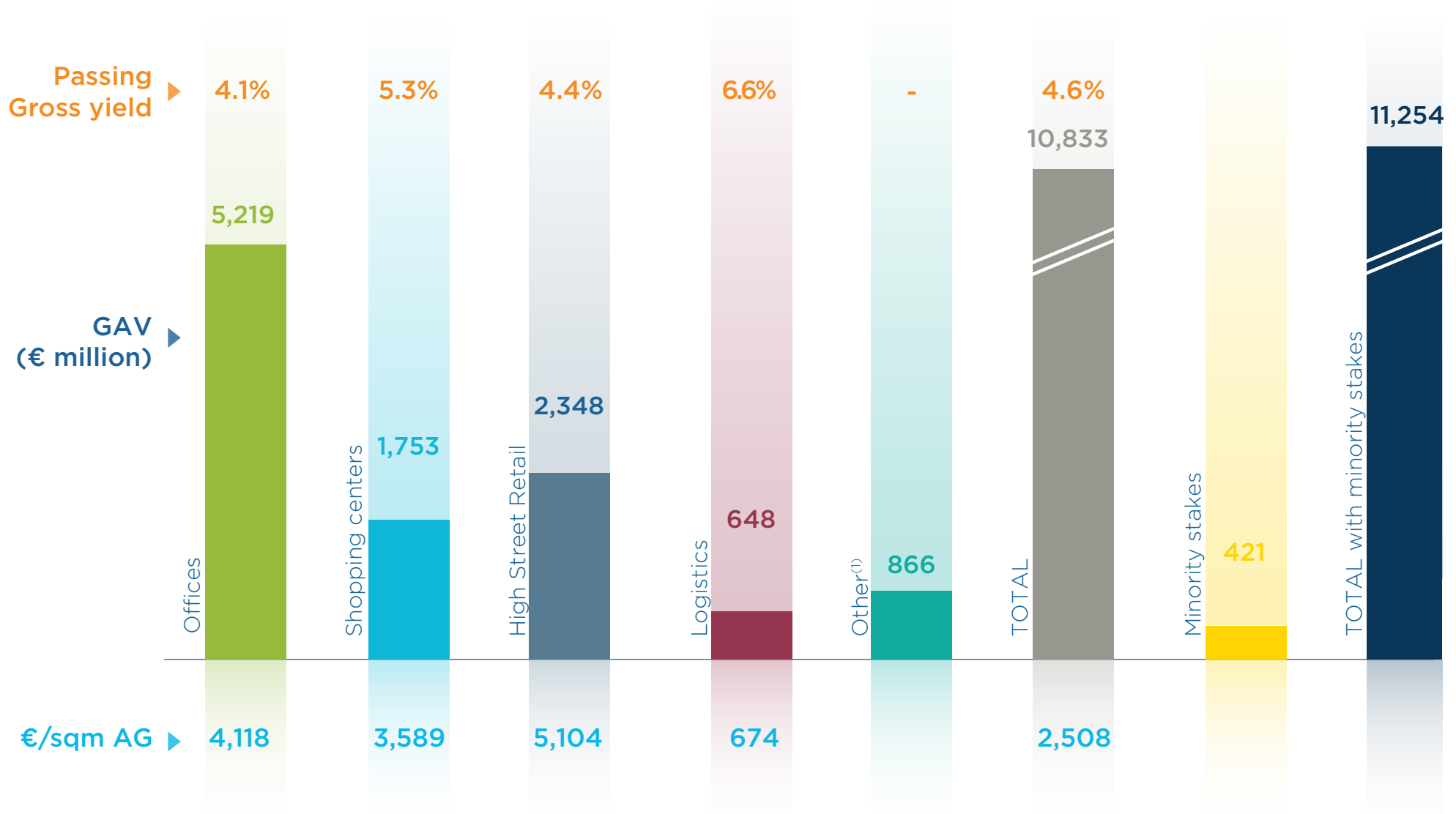


STRONG MARKET DYNAMICS DRIVING A VERY POSITIVE RELEASE SPREAD

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



VALUATION AND DEBT POSITION



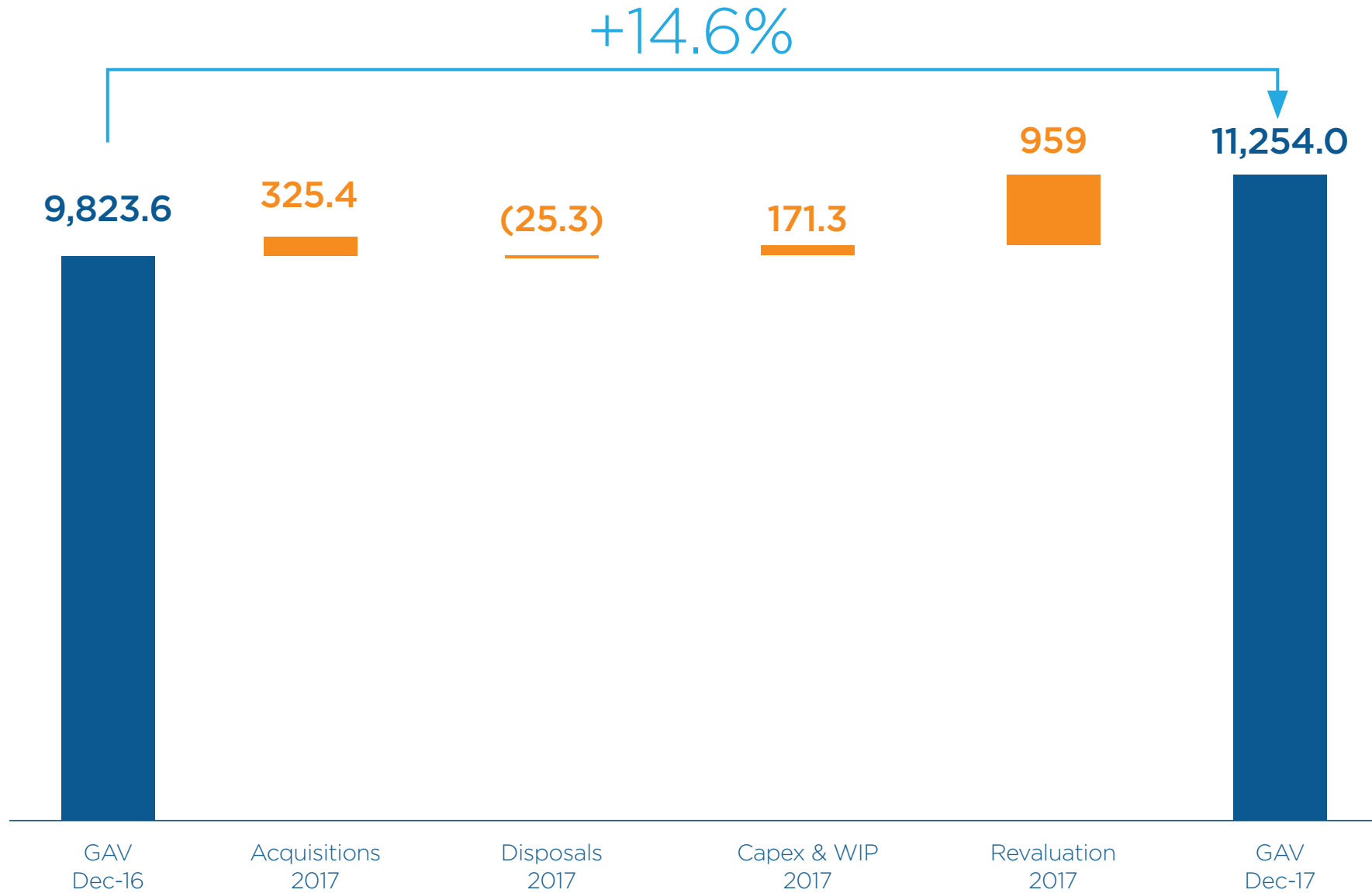
Source: Company

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



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

(€m)

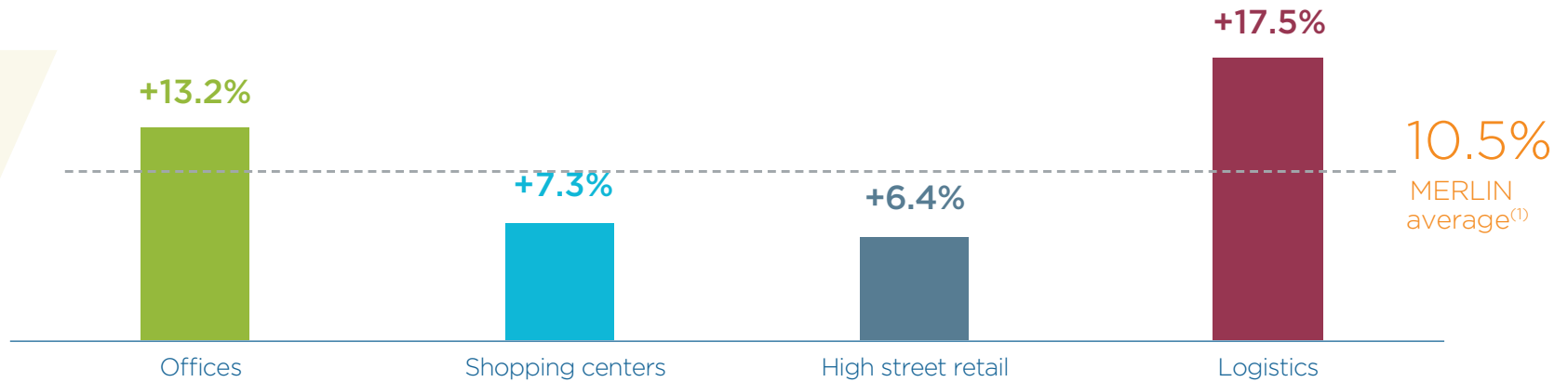


Source: Company

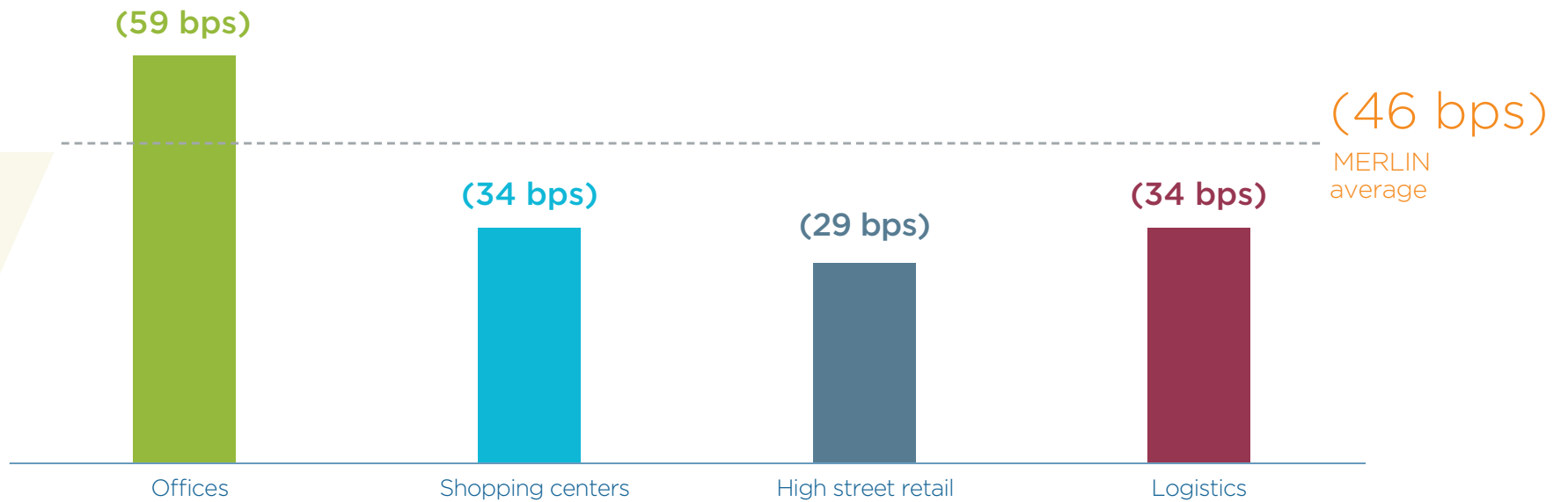


APRAISSALS PROGRESSIVELY REFLECTING MARKET YIELDS, WITH A NUMBER OF RECENT TRANSACTIONS PROVIDING EXCELLENT BENCHMARKS

GAV like-for-like evolution⁽¹⁾



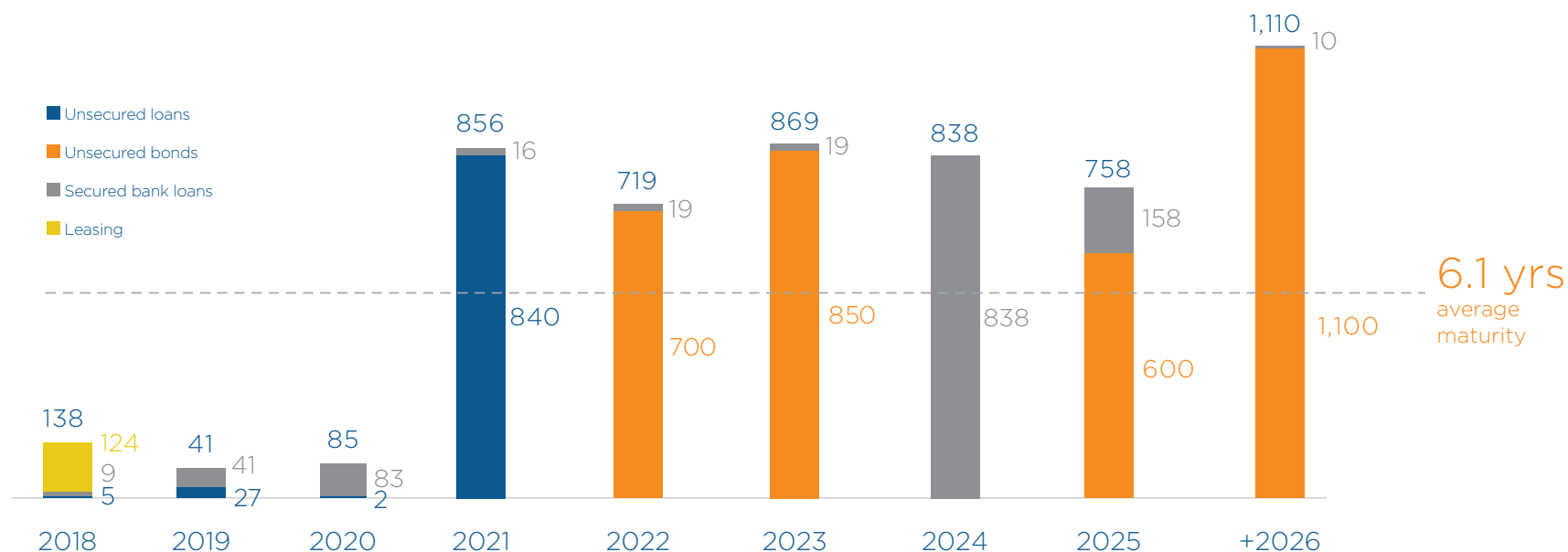
Yield compression



⁽¹⁾ 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 ⁽¹⁾	509	722
Net financial debt	4,904	4,471
LTV	43.6%	45.5%
Average cost (fully loaded with hedging) ⁽³⁾	2.23%	2.26%
Fixed interest rate	99.6%	88.7%
Liquidity ⁽²⁾	929	949
Non-mortgage debt	78.5%	75.6%

⁽¹⁾ Including cash and net proceeds from the sale of hotels

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

⁽³⁾ Average cost of 1.88% in 2017 excluding hedging



VALUE
CREATION



VALUATION INCREASE IN ASSETS REFURBISHED OR DEVELOPED IN 2017

Office

Shopping centers

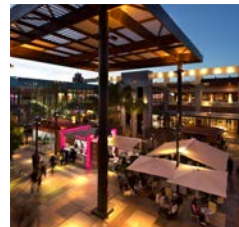
Logistics

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%



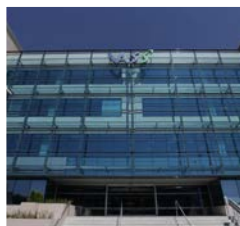
Juan Esplandiu

+24%



Madrid-Meco II

+56%



Avda. Europa 1A

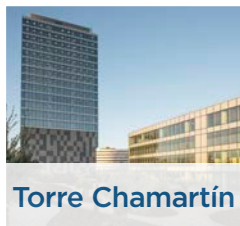
+34%



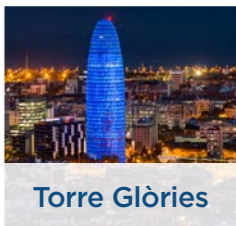
Office

Shopping centers

2018



Torre Chamartín



Torre Glòries

2019

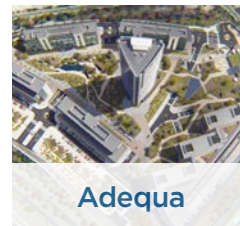


Monumental



Marqués de Pombal 3

2020



Adequa



Castellana 83-85

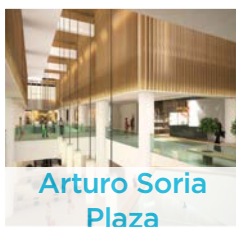
2021



Alcalá 40



Larios



Arturo Soria Plaza



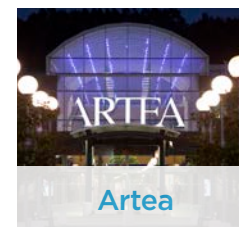
El Saler



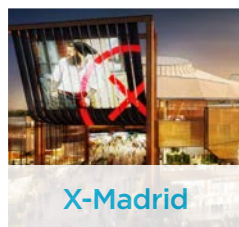
Tres Aguas



Porto Pi



Artea



X-Madrid

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⁽¹⁾ 8.0%

⁽¹⁾ 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**



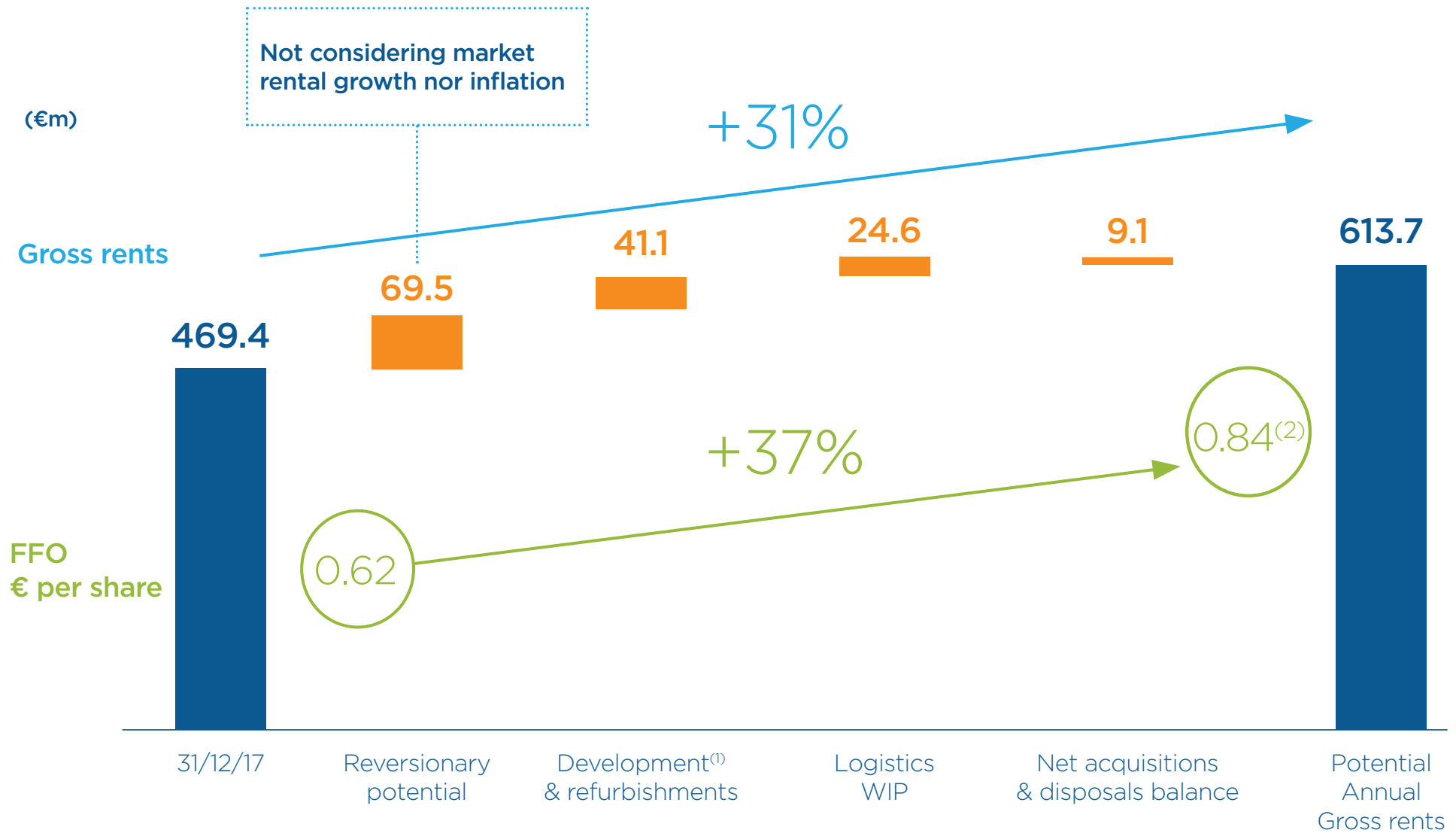
+€ 28m
expected rents

Divestment activity

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



-€ 19m
passing rents

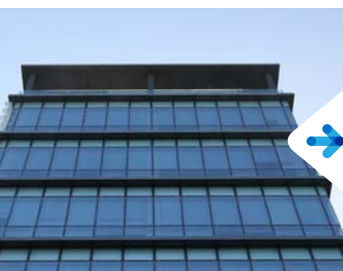


⁽¹⁾ Includes Torre Glòries, Torre Chamartín, Adequa and X-Madrid

⁽²⁾ 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



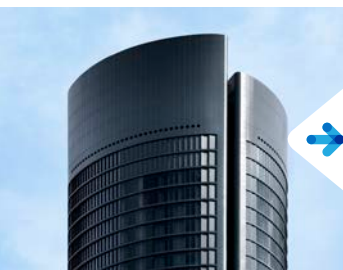
→ Shopping Centers

- 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

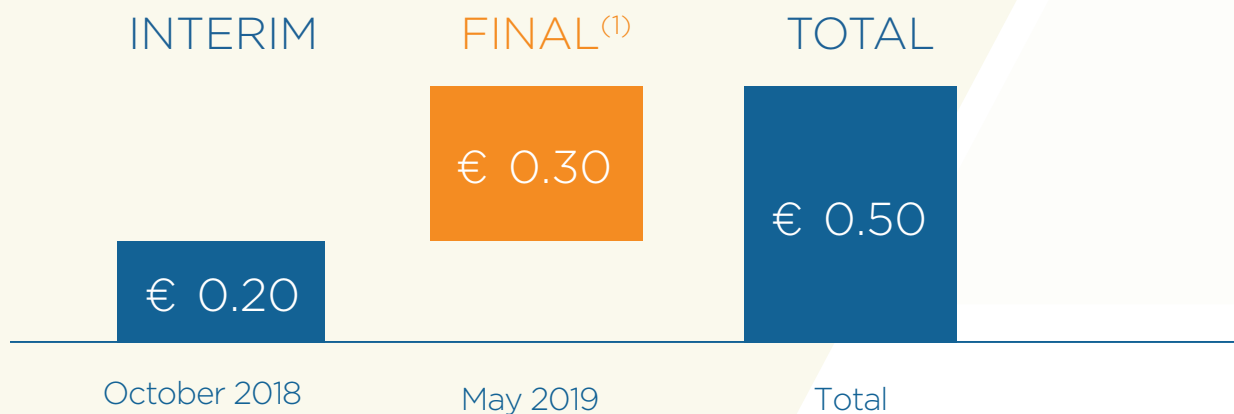
MERLIN DIVIDEND GUIDANCE

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

⁽¹⁾ 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)



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