TO THE NATIONAL SECURITIES MARKET COMMISSION

Merlin Properties, SOCIMI, S.A. ("MERLIN"), in compliance with article 228 of the revised Securities Market Law approved by Legislative Royal Decree 4/2015, of October 23, notifies the following

RELEVANT INFORMATION

With respect to the presentation with analysts and institutional investors to be held on **Thursday, May 12, 2016, at 15:00 Madrid/CET time**, announced by way of relevant event number 238452, please find attached the supporting documentation for the presentation.

This information will also be available on MERLIN's corporate website (www.merlinproperties.com).

Madrid, May 12, 2016.

Merlin Properties SOCIMI, S.A.

MERLIN PROPERTIES

# 1Q 2016
# RESULTS PRESENTATION


12 MAY 2016

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MERLIN
PROPERTIES

# 1Q 2016
# RESULTS PRESENTATION

- Introduction and highlights
  Ismael Clemente. CEO
- Financial results 1Q 2016
  Miguel Ollero. CFO / COO
- Portfolio performance
  David Brush. CIO
- Assets disposals
  Ismael Clemente. CEO

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# MERLIN Fast facts (31/03/16)

MERLIN PROPERTIES

| | | | |
|---|---|---|---|
| GLA<br>**1,901,589 sqm**<br>IN STOCK | GLA<br>**452,915 sqm**<br>EXPANSION PROJECTS | GRI(1)<br>**€ 310.1 m**<br>ANNUALIZED | ATTRIBUTED GRI(2)<br>**€ 325.5 m**<br>ANNUALIZED |
| 1Q 16<br>**€ 76.8 m**<br>GROSS RENTS | 1Q 16<br>**€ 67.0 M**<br>EBITDA | 1Q 16<br>**€ 48.5 m**<br>RECURRING FFO(3) | 1Q 16<br>**€ 49.6 m**<br>EPRA EARNINGS |
| EPRA<br>**5.3%**<br>GROSS YIELD | EPRA<br>**4.9%**<br>NET YIELD | EPRA<br>**€ 3,218.3 m**<br>NAV | EPRA<br>**9.96**<br>NAV/SHARE |
| GAV(4)<br>**€ 6,202.5** | MAR 16<br>**€ 3,137.8 m**<br>NET DEBT | MAR 16<br>**50.6%**<br>LTV(5) | SPOT<br>**2.3%**<br>COST OF DEBT |

Source: Company
(1) Annualized gross rents/net rents calculated as passing gross rent/net rent as of March 31, multiplied by 12. GRI and net rents include fully consolidated assets.
(2) Minority stakes would proportionally add € 15.4 m of gross rents to a total of € 325.5 million.
(3) FFO calculated as EBITDA (€ 66.9m) minus P&L financial expenses (€ 12.2m) minus changes in equity due to interests associated with business combinations (€ 6.7m).
(4) No revaluation of assets has been done. Includes Dec-15 Savills/CBRE appraisals plus total acquisition costs for assets acquired in 1Q 16 and Capex of this quarter.
(5) Under no new appraisal of assets, like this quarter, LTV ratio is temporarily influenced by the mathematical effect of increasing numerator and denominator by the same absolute amount, which increases the ratio outcome.

# FINANCIAL RESULTS 1Q 2016

# Consolidated profit and loss

## Consolidated profit and loss

| | 1Q 2016 | 1Q 2015 |
|---|---|---|
| **Gross rents** | **€76.8 m** | **€32.2 m** |
| Office | €28.5 m | €3.7 m |
| High street retail | €24.0 m | €22.3 m |
| Shopping centers | €10.5 m | €4.7 m |
| Logistics | €4.9 m | €1.5 m |
| Hotels | €5.7 m | €0.0 m |
| Rented residential | €2.4 m | €0.0 m |
| Other | €0.8 m | €0.0 m |
| **Net rents(2)** | **€70.6 m** | **€31.3 m** |
| **EBITDA** | **€67.0 m** | **€29.7 m** |
| **FFO(3)** | **€48.0 m** | **€22.2 m** |
| **Recurring EBITDA(4)** | **€67.4 m** | **€29.7 m** |
| **Recurring FFO(5)** | **€48.5 m** | **€22.2 m** |
| **EPRA net earnings** | **€49.6 m** | **€22.2 m** |
| **IFRS net profit** | **€45.2 m** | **€19.6 m** |

Passing Gross rents annualized

**€ 310.1 m[1]**

Passing Net rents annualized

**€ 287.5 m[1]**

## Per share

Recurring EBITDA **€ 0.21**

Recurring FFO **€ 0.15**

EPRA EPS **€ 0.15**

IFRS EPS **€ 0.14**

Source: Company

(1) Annualized gross rents and net rents have been calculated as passing gross / net rent as of March 31st, multiplied by 12.

(2) Gross rents net of property expenses not recharged to tenants, incentives and collection loss.

(3) FFO calculated as EBITDA (€66,951 thousand) less debt interest expense of €18,928 thousand (€12,223 thousand recorded in P&L and €6,705 thousand recorded in equity net worth due to business combinations of Tree and Testa).

(4) Recurring EBITDA equals EBITDA less non-recurrent one-off expenses.

(5) Recurring FFO equals FFO less non-recurrent one-off expenses.

## EPRA performance metrics

| | 1Q 2016 | |
|---|---|---|
| | € m | Per share |
| EPRA earnings | 49.6 | € 0.15 |
| EPRA NAV | 3,218.3 | € 9.96 |
| EPRA NNNAV | 2,927.2 | € 9.06 |
| **EPRA net initial yield[(1)]** | **4.9%** | |
| **EPRA "topped-up" NIY[(2)]** | **5.0%** | |
| **EPRA vacancy** | **5.5%** | |
| **Recurring EPRA Costs** | **14.3%** | |

Includes

| | |
|---|---|
| Property expenses | 6.3% |
| Incentives + collection loss | 1.8% |
| Personnel | 4.2% |
| Recurrent general expenses | 2.0% |

Source: Company

(1) Calculated as annualized net rents after incentives and collection loss (passing net rents as of March 31st, multiplied by 12), divided by commercial portfolio GAV

(2) Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)

## Debt summary (after bond issuance)

MERLIN PROPERTIES

| | Mar-2016 | | |
|---|---|---|---|
| **€ million** | **L/T** | **S/T** | **TOTAL** |
| Unsecured bank loans | 850.0 | - | 850.0 |
| Corporate bonds | 850.0 | - | 850.0 |
| Mortgage bank loans | 1,142.8 | 11.0 | 1,153.8 |
| Mortgage non-bank loans | 133.6 | - | 133.6 |
| Leasings | 160.9 | 11.8 | 172.6 |
| Non-core debt | 110.4 | 1.0 | 111.4 |
| **Total gross debt** | **3,247.7** | **23.8** | **3,271.5** |
| Cash | - | - | (450.6) |
| Pending payment to Sacyr 22.68% Testa | - | - | 316.8 |
| **Total Net debt** | **-** | **-** | **3,137.8** |
| **LTV** | | | **50.6%** |

Av. maturity **7.0 years**

Av. interest rate **2.3%**

Unsecured debt **59%**

Fixed rate debt **87%**

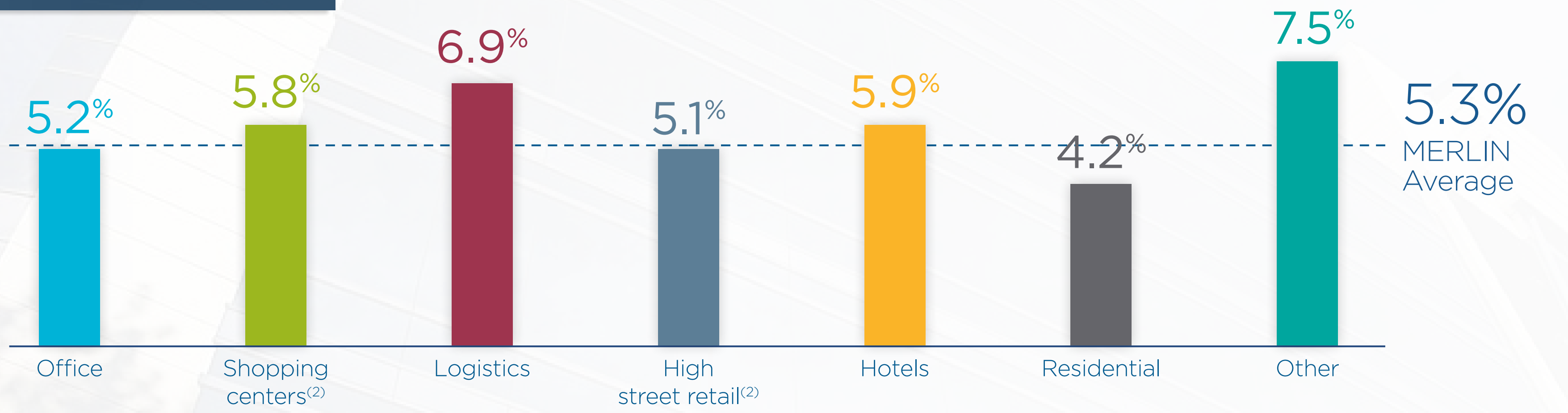
Source: Company

# PORTFOLIO PERFORMANCE

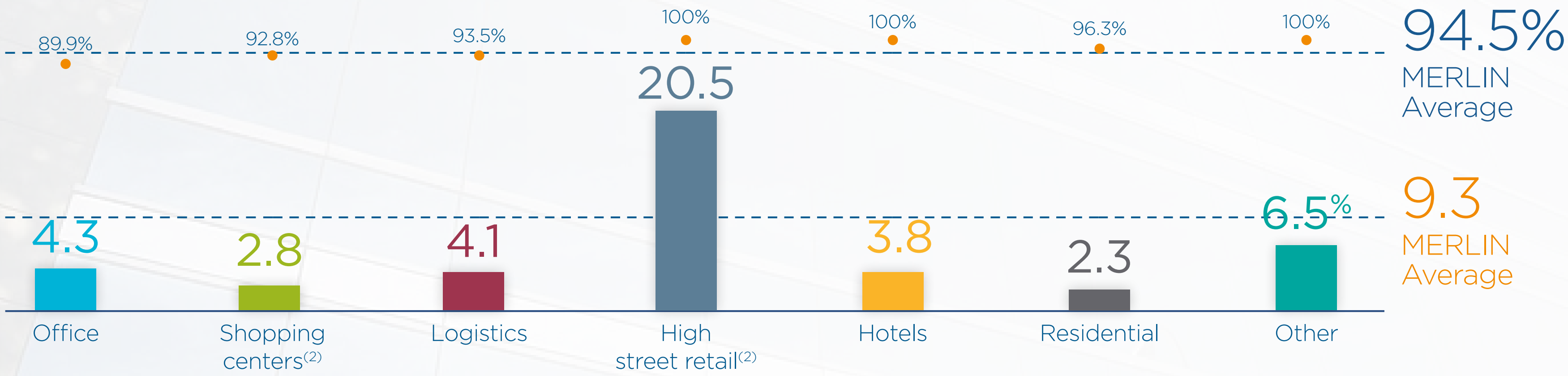
## Portfolio performance

1Q 2016 Yields, occupancy and WAULT

### EPRA Gross Yield per asset type[1]




### Occupancy and WAULT per asset type[3]



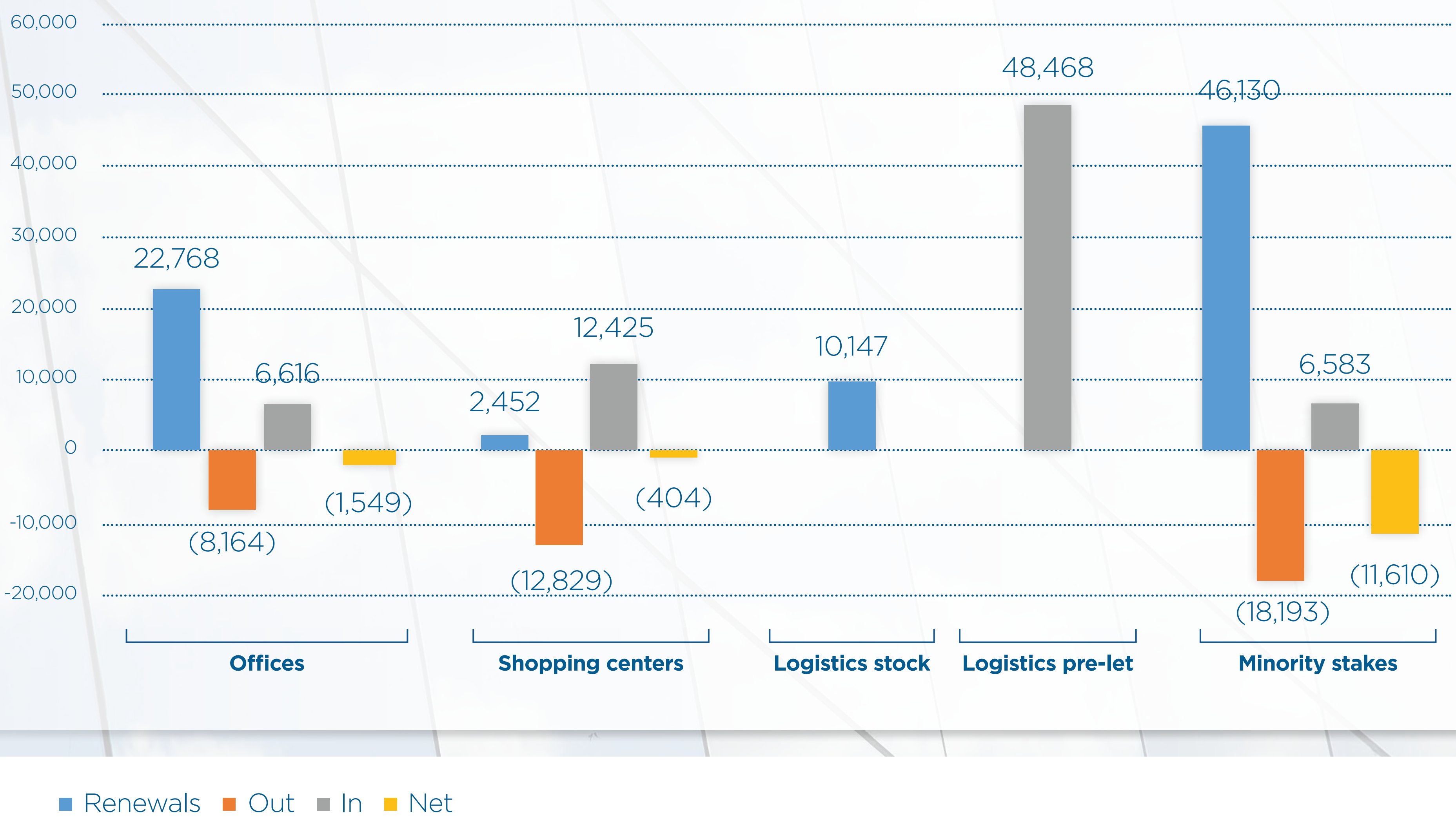

Source: Company

[1] Gross yield is calculated dividing annualized gross monthly rents by GAV

[2] Princesa (Pza. de los Cubos) retail units has been reclassified from shopping centers to high street retail

[3] WAULT by Rents means the weighted average unexpired lease term, calculated as of 31 March 2016

## 156K SQM SIGNED, OUT OF WHICH 103K SQM CORRESPOND TO FULLY CONSOLIDATED ASSETS AND 53K SQM TO MINORITY STAKES. NEW CONTRACTS ACCOUNT FOR 74K SQM AND RENEWALS AMOUNT TO 81K SQM



# 1Q 2016 Leasing highlights

MERLIN PROPERTIES

## Office

amazon
IN
1,694 sqm
CASTELLANA 83-85

P&G
RENEWAL
7,267 sqm
AV. BRUSELAS 24

MediaMarkt
IN
1,089 sqm
MUNTADAS I

endesa
RENEWAL
13,037 sqm
SEVILLA - BORBOLLA

## Shopping centers

LEROY MERLIN
IN
11,984 sqm
MARINEDA

ZARA
RENEWAL
2,026 sqm
LARIOS

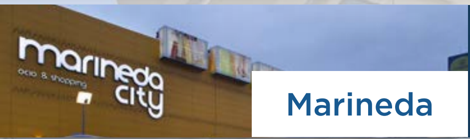
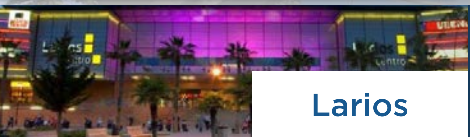
## Logistics

Luis Simões
IN
48,468 sqm
CABANILLAS II

ups
RENEWAL
7,171 sqm
COSLADA COMPLEX

DSV
RENEWAL
2,976 sqm
COSLADA COMPLEX

# STEADY GROWTH IN SALES AND FOOTFALL CONTINUES (+8.3% FOOTFALL / +7.3% SALES)

| | LTM Footfall (million) | LTM Footfall evolution | LTM Sales (million) | LTM Sales evolution |
|---|---|---|---|---|
|   Marineda | 16.7 | +8.2% | 166.6 | +7.5% |
|  Porto Pi | 8.7 | +15.0% | 88.0 | +12.9% |
|  Larios | 10.8 | +6.5% | 56.8 | +5.9% |
|  Centro Oeste | 6.8 | +4.1% | 44.6 | -0.2% |
|  Arturo Soria | 4.7 | +2.5% | 25.2 | +3.3% |
|  Monumental | 2.2 | +20.8% | 8.5 | +13.8% |
| MERLIN | 49.9 | +8.3% | 389.7 | +7.3% |

MERLIN PROPERTIES

# POSITIVE LFL RENTAL GROWTH IN OFFICES, HIGH STREET RETAIL AND HOTELS

Commercial annualized LfL rent evolution (passing 31/03/16 vs. passing 31/12/15)

| | | | LfL | | |
|---|---|---|---|---|---|
| €'000 | Change | Occupancy | CPI | Rent | % |
| Offices[1] | (56) | (102) | (151) | 197 | 0.18% |
| Shopping centers | (223) | (148) | (29) | (46) | (0.12%) |
| Logistics | (91) | - | (44) | (47) | (0.24%) |
| High Street Retail | 74 | - | - | 74 | 0.08% |
| Hotels | 1.039 | - | (46) | 1,085 | 4.67% |
| **TOTAL** | **744** | **(250)** | **(270)** | **1,264** | **0.44%** |

[1] Excluding ENDESA Av. Borbolla in Seville, LfL rent increase in offices amounts to €587k (+0.53%)

# 3 NEW LEED CERTIFICATES OBTAINED TO A TOTAL OF 6 OFFICE BUILDINGS (1 PRE-CERTIFIED)

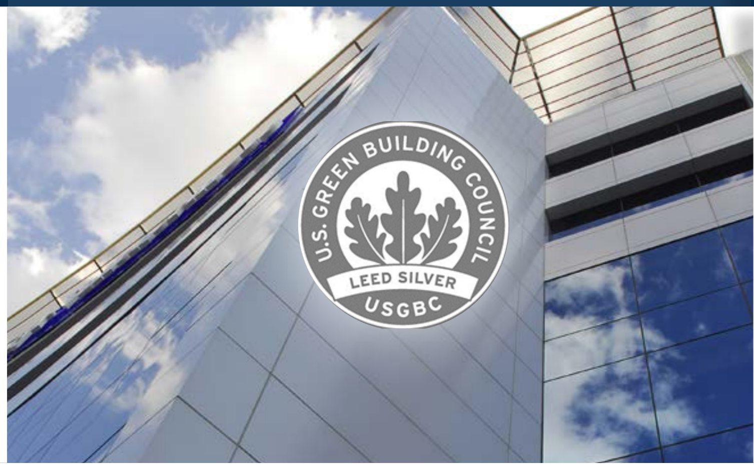
## EUCALIPTO 25


## EUCALIPTO 33


## PARTENON 16-18


## AV. BRUSELAS 33


## PEDRO VALDIVIA 10




## PARTENON 12-14

# INVESTMENT ACTIVITY

MERLIN PROPERTIES



## DESCRIPTION

Mixed used property (office and retail) located in the **Duque the Saldanha square, one of the top prime areas in Lisbon for both office and retail.**

The **office** area comprises a total **GLA 16,892 sqm** and is currently let at 88.6% to top multinational companies such as KMPG and Marsh.

The **retail** area comprises a total **GLA of 5,495 sqm** and is currently occupied at 96% by local and international retail brands.

## KEY FACTS

- 100% Percent Ownership
- 91% Occupancy
- Title Freehold
- €3.9m Annual GRI[1]
- 22,387 sqm GLA
- €60.0m Acq. price

## LOCATION


DESCRIPTION

Office building part of **Lisboa Business Park,** an office complex that includes 8 buildings (7 office buildings and 1 hospital).

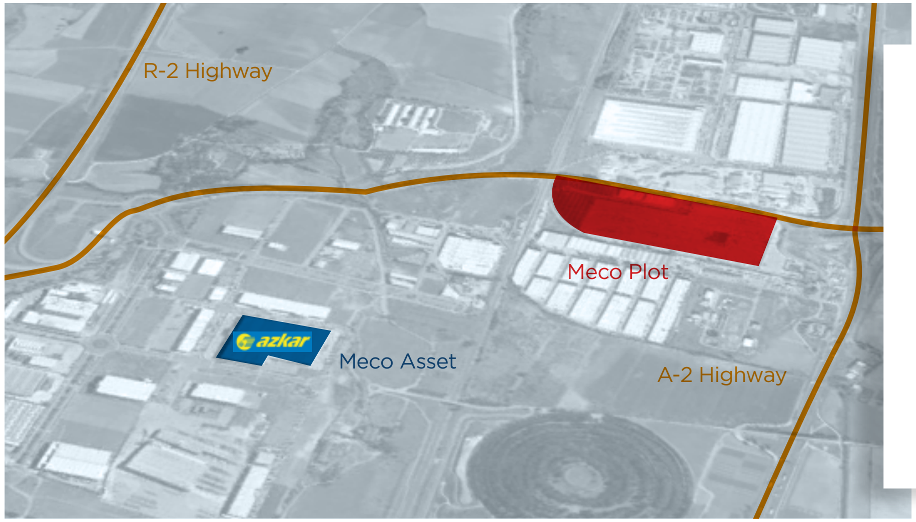
**Strategically located in the intersection of Segunda Circular** (Lisbon main ring road) and the IP-7 highway, 5 minutes from the airport and 10 minutes from the city centre.

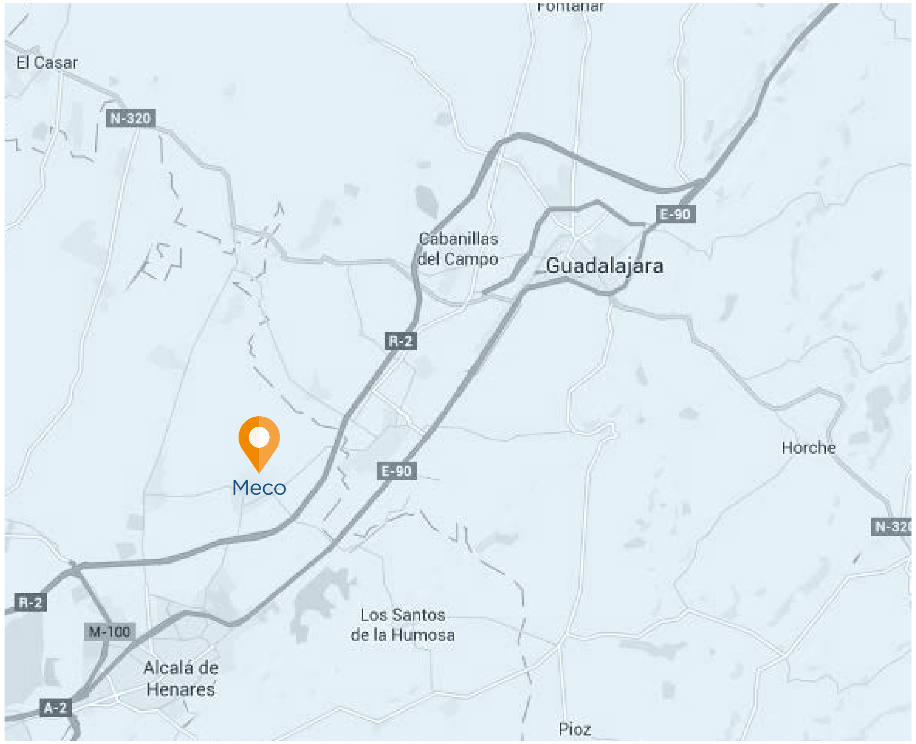
The building comprises a **GLA of 13,715 sqm and is 100% leased to Galp Energia** on a long-term basis (until August 2023) which uses the premises as its headquarters.

KEY FACTS

- 100% Percent Ownership
- 100% Occupancy
- Title Freehold
- €2.8m Annual GRI[1]
- 13,715 sqm GLA
- €43.0m Acq. price

LOCATION




## DESCRIPTION

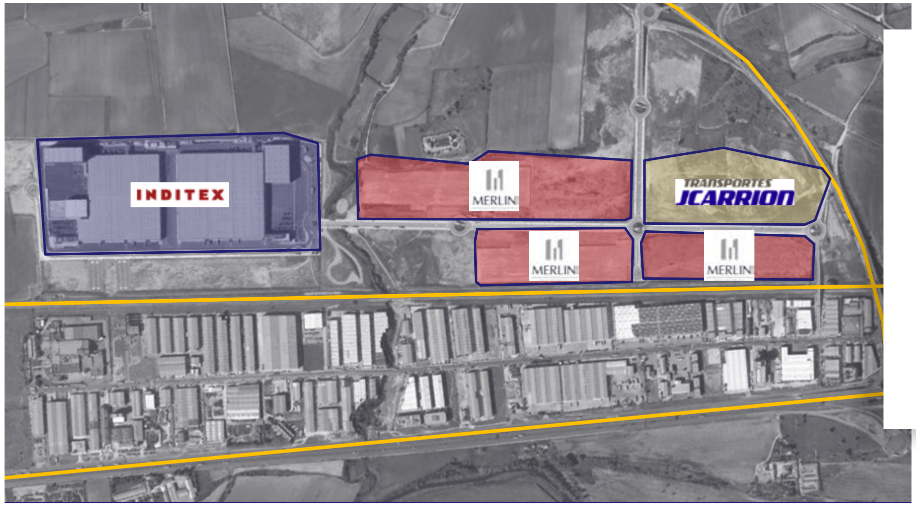
Plot with approved logistics use, located in a highly consolidated logistics park. The plot benefits from excellent visibility from the **A-2 corridor and has good accessibility to both the A-2 and R-2 highways.** The driving distance is approximately 17 km from Madrid city centre and 40 km from Barajas airport.

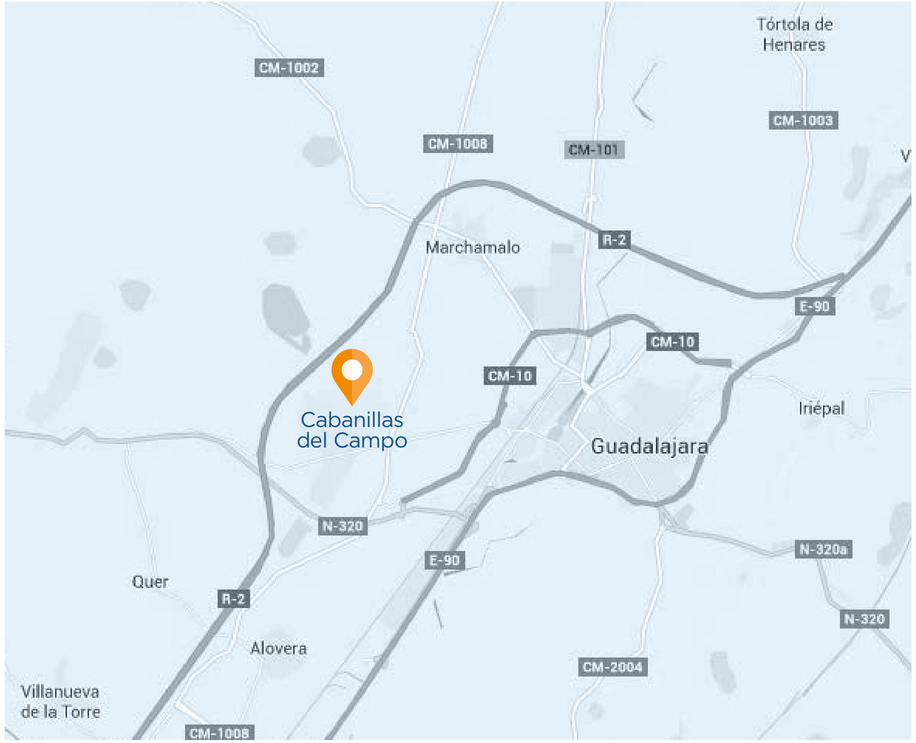
Our business strategy consists in developing **4 flexible logistics sheds (2 with c.12,000 sqm and 2 with c.18,000 sqm).** MERLIN will act as developer and will initiate construction works in Q2 2016, with a view to deliver by Q1 2017.

## KEY FACTS

- 100%
  Percent Ownership
- €43.0m
  Acq. price
- Title
  Freehold
- €2.6m
  Annual GRI[1]
- 59,891 sqm
  Buildability
- €18.7m
  Devl. cost

## LOCATION




## DESCRIPTION

Plot with approved logistic use in Cabanillas del Campo, in the same logistics park where MERLIN is already engaged in several turn-key projects. The warehouses will benefit from **good accessibility from the A-2 highway and R-2 radial.** The driving distance is approximately 50 km from Madrid city centre and 35 km from the airport.

The deal consists in a turn-key project, to be delivered before June-17. **The warehouses (of 49,795 sqm) can be divided into modules of at least 12,000 sqm** in order to offer more flexibility.

## KEY FACTS

- 100%
  Percent Ownership
- Title
  Freehold
- 49,795 sqm
  Buildability
- €24.0m
  Acq. price
- €2.6m
  Annual GRI[1]

## LOCATION

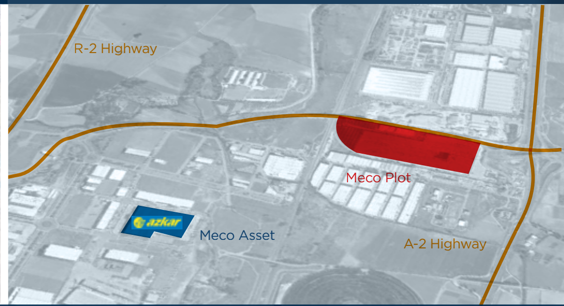
MERLIN PROPERTIES

# ADDITIONAL RENTS OF +€24M **DERIVING FROM DEVELOPMENT PROJECTS**

## 2016-2017 CABANILLAS II
GLA: 151,809 sqm
Expected Rents: € 5.9m
Delivery: Dec-16 / Jun-17
Pending Capex: € 52.3 m

## 2017 GAVILANES
GLA: 39,576 sqm
Expected Rents: € 2.7m
Delivery: Mar-17
Pending Capex: € 32,1 m

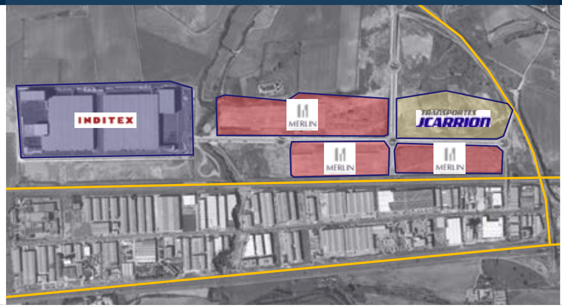

## 2017 MECO II
GLA: 59,891 sqm
Expected Rents: € 2.6m
Delivery: Jul-17
Pending Capex: € 18.7 m




## 2017 PINTO
GLA: 70.000 sqm
Expected Rents: € 1.7m
Delivery: Jun-17
Pending Capex: € 6.1 m

## 2018 ISLA CHAMARTIN
GLA: 16,639 sqm
Expected Rents: € 4.9m
Delivery: Sep-18
Pending Capex: € 52.5 m

## 2018 CABANILLAS III
GLA: 49,795 sqm
Expected Rents: € 1.9m
Delivery: Jan-18
Pending Capex: € 24.0 m




## 2018 AZUQUECA
GLA: 100,000 sqm
Expected Rents: € 4.4m
Delivery: Dec-18
Pending Capex: € 39.8 m

# ASSETS DISPOSALS

MERLIN PROPERTIES

# MISCELLANEOUS ASSETS BEING DISPOSED ON TRACK WITH MERLIN'S TARGET: CAPITAL GAIN + PORTFOLIO QUALITY ENHANCEMENT

- 33 offers received for BBVA bank branches and 1 non-core asset
- BBVA branches buyers value:
  - The strength of the lease contract.
  - The credit quality of BBVA.
  - The future yield increase due to inflation multiplier.
  - The downside protection through deflation floor.
  - The protection against branch closures.
  - The compelling yields in this market environment.

**34** Assets → **€50.3M** Sales proceeds
→ **+22.6%** over Dec-15 GAV

**BBVA** bank branches → **90%** outside Madrid & Barcelona
→ **±75BPS** yield compression over Dec-15 appraisal

MERLIN
PROPERTIES

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