



CONSOLIDATED PERFORMANCE

+5.1%

Gross rents YoY

+71.5%

EPS YoY

+18.8%

NAV YoY

- **Solid set of results** affected by capitalization of fees at Testa Residencial (TR) and the foreseen exit of Huawei
- **The capitalization of the service contract** means an increase in **TR stake from 12.7% to 17.0%** with two impacts: (i) extraordinary net gain of € 53.6m, (hence strong EPS growth YoY) and (ii) loss of ca. € 2.0m of recurring EBITDA in the quarter
- Gross to net margin affected by the loss of 2016 variable rent of the hotel portfolio, invoiced in 3M17 (€ 0.9m), and € 2.6m higher incentives and fit out contributions in 3M18 vs 3M17, owing to lease activity
- **AFFO** (€ 0.15 per share in the quarter) **on track to meet full year 2018 guidance** (€ 0.58 per share)

BUSINESS PERFORMANCE

+2.7%

Rents like-for-like⁽³⁾ YoY

+4.0% | **+3.4%** | **+13.5%**

Office | S. Centers | Logistics
Release spread

-24 bps

Occupancy vs 31/12/17

92.4%

- **Office:** 108,966 sqm contracted. **LfL⁽³⁾** of **-0.6%** and **release spread** of **+4.0%**
- **Shopping centers:** 32,887 sqm contracted. **LfL⁽³⁾** of **+6.5%** and **release spread** of **+3.4%**
- **Logistics:** 210,396 sqm contracted. **LfL⁽³⁾** of **+7.6%** and **release spread** of **+13.5%**

⁽¹⁾ Excludes non-recurring items (€ 0.2m) plus LTIP accrual (€ 11.0m)

⁽²⁾ FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method. FFO reported in 3M17 has been rebased in accordance with this methodology

⁽³⁾ Portfolio in operation for the 3M17 (€ 113.8m of GRI) and for the 3M18 (€ 116.9m of GRI)

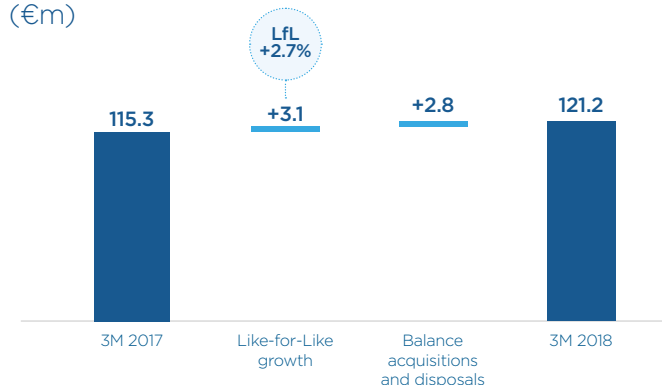
(€ million)	3M18	3M17	YoY
Total revenues	124.1	119.9	+3.5%
Gross rents	121.2	115.3	+5.1%
Net rents	103.6	102.9	+0.7%
Gross-to-net margin	85.5%	89.3%	
EBITDA ⁽¹⁾	97.5	99.4	(2.0%)
Margin	80.5%	86.3%	
FFO ⁽²⁾	70.2	74.2	(5.3%)
AFFO	68.5	71.1	(3.7%)
Net earnings	114.1	66.6	+71.5%

(€ per share)	3M18	3M17	YoY
FFO	0.15	0.16	(5.3%)
AFFO	0.15	0.15	(3.7%)
EPS	0.24	0.14	+71.5%
NAV	13.49	11.36	+18.8%

	Contracted sqm	Rent 3M18		Leasing activity	Occ. vs 31/12/17
		€m	LfL change	Release spread	bps
Office	108,966	54.5	(0.6%)	+4.0%	(122)
Shopping centers	32,887	24.0	+6.5%	+3.4%	(50)
High street retail	n.a.	27.2	+4.0%	n.m.	-
Logistics	210,396	11.9	+7.6%	+13.5%	+25
Other	n.a.	3.6	+8.9%	n.m.	(10)
Total	352,248	121.2	+2.7%		(24)

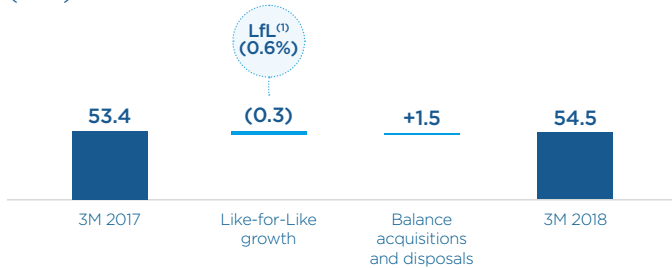
Gross rents bridge

(€m)



OFFICES

Gross rents bridge (€m)



Rents breakdown

	Gross rents 3M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	43.0	16.8	3.1
Barcelona	7.8	13.9	3.7
Lisbon	3.0	18.3	3.1
Other	0.7	10.8	8.1
Total	54.5	16.3	3.3

Leasing activity

- **Good performance** in our 3 core markets, delivering **+4.0% release spread** on average
- **3M leasing activity highlights:**
 - 2,056 sqm new lease with Vass in Avenida de Europa 1B, Madrid
 - 1,800 sqm new lease with Ahorro Corporación in Eucalipto 25, Madrid
 - 2,907 sqm new lease with Vanderlande in WTC6, Barcelona
 - 11,007 sqm renewed with Schneider Electric in Poble Nou 22@, Barcelona
 - 9,315 sqm renewed with the Government of Spain in Alcalá 40, Madrid

	Contracted Sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	73,715	(51,817)	34,347	39,368	(17,470)	+2.9%	171
Barcelona	25,188	(1,934)	4,608	20,580	2,674	+8.5%	77
Lisbon	10,063	(1,211)	564	9,499	(647)	+8.0%	14
Total	108,966	(54,962)	39,519	69,447⁽²⁾	(15,443)	+4.0%	262

Occupancy

- **Transitory decrease in occupancy in Madrid** due to the exit of Huawei in Las Tablas (-16,545 sqm)
- **Excellent performance in Barcelona** (+128 bps), driven by the new leases in WTC6, Sant Cugat I and Citypark Cornellá
- **Slight decrease in Lisbon, taken on voluntarily** in anticipation of the upcoming refurbishment of Monumental
- **Best performer** in the period has been **Barcelona NBA 22@**

Existing	1,267,343 sqm
WIP	97,017 sqm
Stock incl. WIP	1,364,360 sqm



	Occupancy rate		Change bps
	31/03/18	31/12/17	
Madrid	86.0%	87.8%	(180)
Barcelona	90.3%	89.0%	+128
Lisbon	87.2%	88.2%	(108)
Other	100.0%	100.0%	-
Total	87.0%	88.2%	(122)

⁽¹⁾ Office portfolio in operation for the 3M17 (€ 53.3m of GRI) and for the 3M18 (€ 53.0m of GRI)

⁽²⁾ Excluding roll-overs

OFFICES (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

WIP	GLA (sqm)	Scope	Acquisition	Capex	% executed	Delivery
	Torre Glòries 37,614	Development	€ 142m	€ 15m	71%	Jul-18
	Torre Chamartín 17,733	Development	€ 31m	€ 31m	98%	Apr-18

LANDMARK I

	GLA (sqm)	Scope	Budget	% executed
	Balmes 6,187	Full refurb	€ 1.8m	16%
	Monumental 22,387	Full refurb (incl. SC)	€ 23.0m	4%
	Adequa #1 27,399	Urbanization works	€ 3.3m	7%
	Marqués de Pombal 12,460	Lobby + common areas + exterior terrace	€ 3.0m	2%
	Diagonal 605 14,795	Full refurb	€ 8.0m	3%

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents 3M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
MERLIN	24.0	19.1	2.8

Footfall and tenant sales

	3M18 LTM	YoY
Footfall	94.4m	(0.7%)
Tenant sales	€ 879.2m	+0.7%
OCR	12.9%	

Leasing activity

- **Very positive Lfl growth** driven mainly by the increase in rents
- **3M leasing activity highlights:**
 - 3,761 sqm renewal with Zara in Porto Pi
 - 3,693 sqm new lease with Yelmo Cines in Artea
 - 3,110 sqm renewal with H&M in La Fira
 - 2,597 sqm renewal with Mercadona in Vilamarina
 - 1,264 sqm extension with Lefties in Marineda

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	32,887	(7,020)	4,886	28,000	(2,134)	+3.4%	198

Occupancy

- **Slight decrease in occupancy** (-50 bps) due to the beginning of the **works in Larios and Porto Pi**
- **Best performer** in the quarter has been La Vital

Stock	441,108 sqm
X-Madrid+Tres Aguas ⁽¹⁾	114,433 sqm
Stock with X-Madrid+Tres Aguas	555,542 sqm

	Occupancy rate		Change bps
	31/03/18	31/12/17	
Total	88.9%	89.4%	(50)

⁽¹⁾ Shopping centers portfolio in operation for the 3M17 (€ 22.4m of GRI) and for the 3M18 (€ 23.8m of GRI)

SHOPPING CENTERS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

INVESTMENTS

One retail unit has been acquired in Porto Pi

Shopping center	GLA (sqm)	Price (€ m)
Porto Pi	228	0.8

WIP

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
X-Madrid Full revamp	€ 31.8m	13%	47,424	May-19	70%

FLAGSHIP

Scope	Budget ⁽¹⁾	% executed	GLA (sqm)	Delivery
Arturo Soria Façade, accesses, installations, lighting and floors	€ 4.7m	82%	6,959	Apr-18 Phase I

Larios Full refurb	€ 21.2m	8%	45,076	Dec-18
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El Saler Extension (+2,700 sqm), façade and accesses	€ 15.2m	8%	47,013	Dec-19
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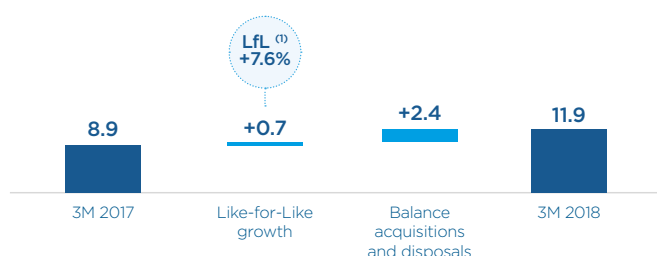
Porto Pi Full refurb	€ 16.0m	7%	58,779	Mar-20
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⁽¹⁾ GLA and Capex budget for shopping centers refurbishments include 100% of the asset, regardless of the stake owned by MERLIN in the owners' community

LOGISTICS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents 3M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	6.1	3.8	5.0
Barcelona	3.1	5.2	2.7
Other	2.7	3.6	6.5
Total	11.9	4.1	4.2

Leasing activity

- **Excellent LfL growth** driven by meaningful increase in both rents and occupancy
- **Outstanding release spread** in Barcelona (+24.6%), Seville (+15.9%) and Madrid (+9.2%)
- **3M leasing activity highlights:**
 - 59,814 sqm new lease with Leroy Merlin in Meco II, Madrid
 - 19,151 sqm new lease with Coca-Cola in Getafe (Gavilanes), Madrid
 - 15,412 sqm new lease with IDLogistics in Getafe (Gavilanes), Madrid
 - 11,179 sqm new lease with GLS in San Fernando I, Madrid
 - 6,859 sqm renewal with Molenbergntatie in PLZF, Barcelona

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	161,595	-	110,408	51,186	110,408	+9.2%	7
Barcelona	18,038	(7,145)	5,596	12,442	(1,549)	+24.6%	6
Other	30,763	(7,724)	15,646	15,117	7,922	+15.9%	5
Total	210,396	(14,869)	131,650	78,745	116,781	+13.5%	18

Occupancy

- **Virtually full occupancy across the entire logistics portfolio**
- **Projects** incorporated in our balance sheet after development are **fully let** (i.e. Meco II, Madrid-Getafe Gavilanes, San Fernando I)

Stock	1,076,619 sqm
WIP	493,210 sqm
Stock incl. WIP	1,569,829 sqm
ZAL PORT	467,930 sqm
ZAL PORT WIP	60,024 sqm
Stock managed	2,097,783 sqm

	Occupancy rate		Change bps
	31/03/18	31/12/17	
Madrid	100.0%	100.0%	-
Barcelona	98.6%	99.4%	(76)
Other	95.8%	94.7%	+110
Total	98.8%	98.5%	+25

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

INVESTMENTS

	GLA (sqm)	GRI (annual)	YoC	Investment
Cabanillas X	21,544	€ 0.9m	7.4%	€ 11.5m
Toledo-Seseña	28,541	€ 1.1m	8.1%	€ 14.0m

WIP delivered in 3M18

	GLA (sqm)	GRI (annual)	YoC	Investment
Meco II	59,814	€ 2.6m	8.9%	€ 29.4m
Sevilla ZAL I	5,400	€ 0.2m	7.9%	€ 2.7m
Madrid-Getafe (Gavilanes)	39,415	€ 2.6m	8.1%	€ 32.6m
Madrid-San Fernando I	11,165	€ 0.7m	7.5%	€ 9.9m

BEST II (as from 31/03/18)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Madrid-Pinto II B	29,473	1.1	10.9	9.7%
Madrid-San Fernando II	34,224	1.8	20.3	8.7%
Guadalajara-Azuqueca II	98,000	4.3	47.6	9.0%
Guadalajara-Azuqueca III	51,000	2.2	29.6	7.5%
Guadalajara-Cabanillas Park I F	19,750	0.8	10.4	7.5%
Guadalajara-Cabanillas Park II	210,678	8.3	109.6	7.6%
Guadalajara-Cabanillas X	21,544	0.9	11.5	7.4%
Toledo-Seseña	28,541	1.1	14.0	8.1%
Total	493,210	20.5	253.9	8.1%

BALANCE SHEET

- **Repayment of leasings** upon maturity for € 123.6m
- **Leverage reduced** by 20 bps by end of the quarter at 43.4%
- **Testa Residencial** valued at € 295.7m **(+67% or € 119m of value created in 2 years)**

	€ million
GAV (no revaluation in the period)	11,384
Gross financial debt	5,286
Cash ⁽¹⁾	(350)
Net financial debt	4,937
NAV	6,338

Ratios	31/03/2018	31/12/2017
LTV	43.4%	43.6%
Av. interest rate	2.21%	2.23%
Av. Maturity (years)	6.0	6.1
Unsecured debt to total debt	78.0%	78.5%
Interest rate fixed	99.3%	98.6%
Liquidity position ⁽²⁾ (€m)	770	949

Corporate rating		Outlook
S&P Global	BBB	Stable
Moody's	Baa2	Stable

INVESTMENTS, DIVESTMENTS AND CAPEX

- Low investment activity
- Launch of the 4-yrs capex plans: **Landmark I, Flagship and Best II**

	Office	Retail	Logistics	€ million
Acquisitions	Endesa leasings	Porto Pi unit	Getafe-Gavilanes San Fernando I	49.9
Development & WIP	Torre Chamartin Torre Glòries	X-Madrid	Cabanillas X Toledo-Seseña Madrid-Meco II	20.4
Refurbishment	Adequa, Balmes Marques de Pombal Diagonal 605	Arturo Soria Porto Pi		2.7
Like-for-like portfolio (Defensive Capex) ⁽³⁾				2.3
Total				75.3

⁽¹⁾ Includes cash and receivable of hotels disposal (€ 50.8m)

⁽²⁾ Includes available cash plus receivable of hotels disposal and unused credit facilities (€ 420m)

⁽³⁾ € 1.7m are capitalized in balance sheet and € 0.6m are expensed in P&L

SUSTAINABILITY

- **Excellent progression of the portfolio certification program**, having obtained 12 new LEED/BREEAM certificates in 3M2018 (8 since last reported)
- **6 of the LEED certificates obtained are Gold**



POST CLOSING EVENTS

- On April 17, MERLIN acquired **Zen Tower**, a **10,190 sqm** office building located in the Expo area of **Lisbon** and fully let to best-in-class tenants. Acquisition price was **€33.3 million**, representing a **6.4% yield**
- On May 7, MERLIN held the AGM. All the items of the agenda were approved, including a **distribution** to shareholders of **€ 0.26 per share**, which will be paid on May 25th
- Since 31/03/18, MERLIN has **signed three large leases**: (i) **9,135 sqm** with CCC to lease 8 floors in Torre Glòries with the option to extend the lease by **5,642 sqm** of additional space, (ii) **6,176 sqm** with Allfunds Bank (GIC subsidiary) to fully occupy Avda Burgos 210 as their Spanish HQ, and (iii) Gloval Advisory has signed **1,842 sqm** in Eucalipto 33, recently refurbished

APPENDIX

1. Consolidated Profit and loss
2. Consolidated Balance sheet
3. Alternative measures of performance

1. Consolidated Profit and loss account

(€ thousand)	31/03/18	31/03/17
Gross rents	121,191	115,293
Office	54,535	53,356
High street retail	27,162	26,143
Shopping center	23,979	22,587
Logistics	11,942	8,907
Other	3,573	4,300
Other income⁽¹⁾	92,645	4,607
Total revenues	213,836	119,900
Incentives	(5,581)	(3,557)
Collection loss	(213)	(33)
Total Operating Expenses	(32,016)	(24,941)
Propex	(11,750)	(8,759)
Personnel expenses	(6,940)	(5,523)
Opex recurring	(2,132)	(2,582)
Opex non-recurring	(234)	(952)
LTIP Provision	(10,960)	(7,125)
EBITDA	176,026	91,369
Depreciation	(2,598)	(1,768)
Gain/(losses) on disposals of assets	(197)	(338)
Provision surpluses	9,141	-
EBIT	182,372	89,263
Net financial expense	(28,757)	(25,249)
Debt amortization cost	(2,315)	(2,449)
Gain/(losses) on disposal of financial instruments	(134)	216
Change in fair value of financial instruments	(1,615)	5,380
Share in earnings of equity method investees ⁽¹⁾	(34,868)	474
PROFIT BEFORE TAX	114,683	67,635
Income taxes	(489)	(804)
PROFIT (LOSS) FOR THE PERIOD	114,194	66,831
Minorities	(45)	(280)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	114,149	66,551

⁽¹⁾ Includes the booking of Testa Residencial increased stake, for a net amount of € 52,866 thousand (€ 89,721 thousand in other income and -€ 36,854 thousand in share of equity method)

2. Consolidated Balance sheet

(€ thousand)

ASSETS	31/03/18	EQUITY AND LIABILITIES	31/03/18
NON CURRENT ASSETS	11,517,171	EQUITY	5,834,267
Intangible assets	240,617	Subscribed capital	469,771
Property plant and equipment	3,673	Share premium	3,970,842
Investment property	10,426,912	Reserves	1,410,259
Investments accounted for using the equity method	426,261	Treasury stock	(12,274)
Non-current financial assets	275,589	Other equity holder contributions	540
Deferred tax assets	144,119	Interim dividend	(93,457)
		Valuation adjustments	(31,730)
		Profit for the period	114,148
		Minorities	6,168
		NON CURRENT LIABILITIES	5,999,758
		Long term debt	5,337,807
		Long term provisions	69,496
		Deferred tax liabilities	592,456
CURRENT ASSETS	470,670	CURRENT LIABILITIES	153,816
Trade and other receivables	94,200	Short term debt	74,039
Short term investments in group companies and associates	66,321	Short term provisions	867
Short term financial assets	7,150	Trade and other payables	59,849
Cash and cash equivalents	295,121	Other current liabilities	19,061
Other current assets	7,877		
TOTAL ASSETS	11,987,841	TOTAL EQUITY AND LIABILITIES	11,987,841

3. Alternative measures of performance

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the alternative measures of performance are described as follows.

Glossary

Average debt maturity (years)

It represents the average debt duration of the Company until maturity.

Average Passing Rent

It represents the rent for sqm/month to which an asset or category of assets is rented as of 31 March.

EBITDA

Earnings before net revaluations, amortizations, provisions, interest and taxes.

EPRA costs

Recurring running costs of the Company divided by recurring rents.

EPRA Earnings (€ thousand)

Recurring earnings from core operational activities.

EPRA NAV (€ thousand)

EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated shareholders' equity of the Group adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a longterm investment property business model, as per EPRA's recommendations.

EPRA NNNAV (€ thousand)

EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes.

EPRA Net Initial Yield

Annualised rental income based on the cash passing rents at the balance sheet date, less nonrecoverable property operating expenses, divided by the market value of the property, increased with acquisition costs.

EPRA "topped-up" NIY

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

EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

FFO

Recurring result of the Company calculated as EBITDA less debt interest expenses of the period.

GAV

Value of the commercial portfolio in accordance with the latest external valuation available as of 31 December 2017 plus advanced payments for turn-key projects and developments and capex invested in 3M18.

Gross annualized rents

Passing rent as of 31 March multiplied by 12.

Gross yield

It represents the gross yield of an asset or category of assets. It is calculated by dividing the annualized gross rent between the latest available GAV.

Recurring EBITDA

EBITDA less non-recurring general expenses of the Company.

Recurring FFO

FFO less non-recurring general expenses of the Company.

Release Spread

Difference between the new rent signed and the old prevailing rent on renewals (same space, same tenant) or relets (same space, different tenant) during last twelve months.

Rents Like-for-Like

Difference between the rents received in the period of analysis and the rents received on the similar period one year before for the same perimeter of assets.

WAULT

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 March 2018, until the lease contract expiration, weighted by the gross rent of each individual lease contract.



MERLIN

PROPERTIES

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