



AT A GLANCE

In 2017 MERLIN Properties achieved **excellent results in cash flow generation and portfolio value** pushing **shareholder return to a very high level**

TOTAL SHAREHOLDER RETURN (TSR)

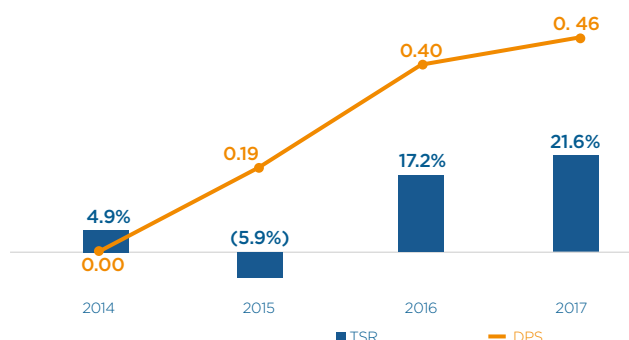
Highest TSR achieved in the company's history

€ 0.46 per share (+14% YoY)

Dividends of the period

21.6%

TSR rate



NAV PER SHARE

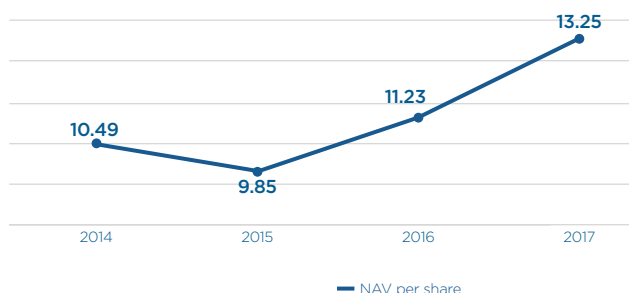
Strong growth in assets revaluation

€ 13.25 (+18.0% YoY)

EPRA NAV per share increase

€ 959.0m

Assets revaluation⁽¹⁾



FFO PER SHARE / EPS

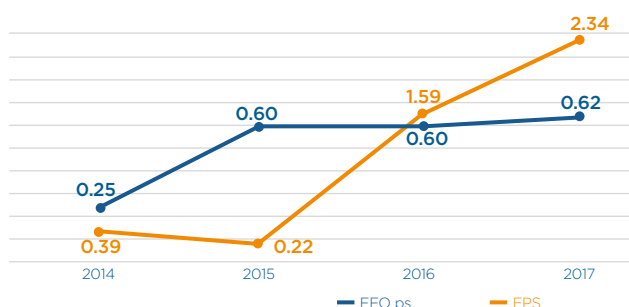
Excellent year in cash flow generation meeting upgraded guidance and offsetting loss of € 0.06 of 2016 sales

€ 0.62 (+2.0%⁽²⁾ YoY)

FFO ps

€ 2.34 (+47.1%)

EPS



FINANCIAL DEBT

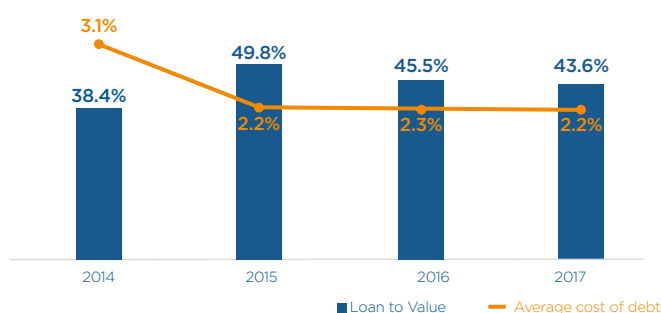
Proactive management of the debt side resulting in lower leverage, extended maturities and lower exposure to interest rate fluctuations

43.6%

Loan to Value

2.23%

Average cost of debt



⁽¹⁾ € 897.4m asset revaluation of investment property in P&L + off-balance sheet revaluations

⁽²⁾ 2016 FFO rebased to deduct recurring taxes

CONSOLIDATED PERFORMANCE

+2.0%
FFO per share YoY

+10.6%
YoY PF⁽¹⁾

+47.0%
EPS YoY

+18.0%
EPRA NAV YoY

- **Excellent results** in both cash flow generation and net assets revaluation
- **FFO per share** of **€ 0.61** (+1.3% YoY) and **EPRA NAV per share** at **€ 13.25** (+18.0% YoY)
- **AFFO** meets full year upgraded **2017 guidance** (€ 0.57 per share)

(€ million)	FY17	FY16	YoY
Total revenues	484.3	362.8	+33.5%
Gross rents	469.4	351.0	+33.7%
Net rents	415.2	323.5	+28.4%
Gross-to-net margin	88.5%	92.1%	
EBITDA ⁽²⁾	392.6	303.6	+29.3%
Margin	83.6%	86.5%	
FFO ⁽³⁾	289.2	221.0	+30.9%
AFFO	270.9	n.a.	n.a.
Net earnings	1,100.4	582.6	+88.9%

(€ per share)	FY17	FY16	YoY
FFO	0.62	0.60	+2.0%
AFFO	0.58	n.a.	n.a.
EPS	2.34	1.59	+47.1%
NAV	13.25	11.23	+18.0%

BUSINESS PERFORMANCE

+2.7%
Rents like-for-like⁽⁴⁾ YoY

Same perimeter as FY16 (Excludes MVC)

+3.4% Office
+4.7% S. Centers
+13.4% Logistics
Release spread

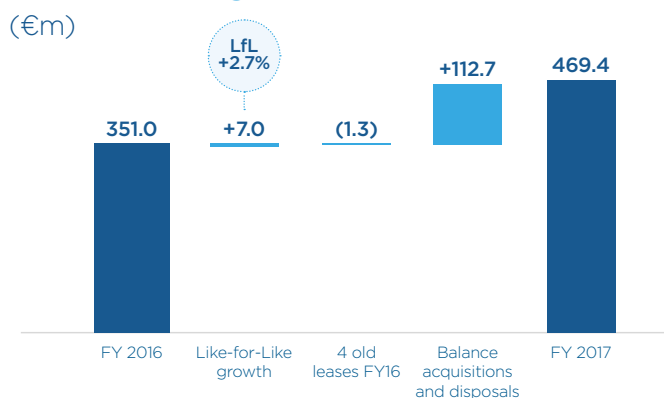
All portfolio in FY17

+132 bps Occupancy vs 31/12/16 → **92.6%**

- **Office:** 456,921 sqm contracted. **LfL⁽⁴⁾** of **+2.9%** and **release spread** of **+3.4%**
- **Shopping centers:** 108,411 sqm contracted. **LfL⁽⁴⁾** of **+3.6%** and **release spread** of **+4.7%**
- **Logistics:** 284,667 sqm contracted. **LfL⁽⁴⁾** of **+8.4%** and **release spread** of **+13.4%**

	Contracted sqm	Rent FY17		Leasing activity	Occ. vs 31/12/16
		€m	LfL change	Release spread	bps
Office	456,921	217.5	+2.9%	+3.4%	+28
Shopping centers	108,411	92.8	+3.6%	+4.7%	+78
High street retail	n.a.	104.1	+0.9%	n.m.	(59)
Logistics	284,667	41.3	+8.4%	+13.4%	+315
Other	n.a.	13.7	+7.2%	n.m.	+20
Total	849,999	469.4	+2.7%		+132

Gross rents bridge



⁽¹⁾ After deducting € 0.06 related to 2016 disposals from € 0.60 of 2016 FFO per share

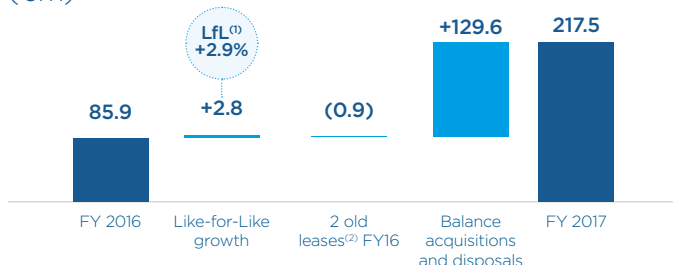
⁽²⁾ Excludes non-recurring items (€ 5.0m) plus LTIP accrual (€ 43.8m)

⁽³⁾ 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

⁽⁴⁾ Portfolio in operation for FY16 (€ 257.7m GRI) and for FY17 (€ 264.7m GRI)

OFFICES

Gross rents bridge (€m)



Rents breakdown

	Gross rents FY17 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	174.7	16.6	2.9
Barcelona	29.8	13.5	3.7
Lisbon	10.0	17.9	2.9
Other	3.0	10.7	8.3
Total	217.5	16.0	3.1

Leasing activity

- **Good performance** in our 3 core markets, delivering **+3.4% release spread** on average
- **4Q leasing activity highlights:**
 - 9,502 sqm new lease with Publicis in Partenon 12-14, Madrid
 - 5,644 sqm new lease with Paradigma in Atica 2, Madrid
 - 5,559 sqm renewed with Atento in Santiago de Compostela 94, Madrid
 - 2,637 sqm renewed with Bodas.net in Sant Cugat I, Barcelona

	Contracted Sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	390,438	(90,981)	90,033	300,404	(948)	+3.3%	169
Barcelona	63,121	(12,040)	19,104	44,017	7,064	+4.5%	64
Lisbon	3,362	(991)	1,445	1,917	454	+5.1%	4
Total	456,921	(104,012)	110,583	346,338⁽³⁾	6,571	+3.4%⁽⁴⁾	237⁽⁴⁾

Occupancy

- **Good occupancy trend in Madrid**
The year has been impacted by the programmed exit of Renault from Adequa (-14,793 sqm net impact)
- **Excellent performance in Barcelona** (+328 bps), driven by the new leases in Sant Cugat I, Diagonal 458 and Citypark Cornella
- Lisbon perimeter changed after the acquisition of Marques de Pombal, 3, with 64% occupancy
- **Barcelona CBD has been the best performer in the year**, reaching full occupancy

Stock	1,267,344 sqm
WIP	95,923 sqm
Stock incl. WIP	1,363,267 sqm

	Occupancy rate		Change bps
	31/12/17	31/12/16	
Madrid	87.8%	87.9%	(9)
Barcelona	89.0%	85.7%	+328
Lisbon	88.2%	94.2%	(595)
Other	100.0%	100.0%	-
Total	88.2%	87.9%	+28

⁽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

⁽³⁾ Including 65,115 sqm of roll-overs not considered for the release spread analysis

⁽⁴⁾ Excluding other

OFFICES (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

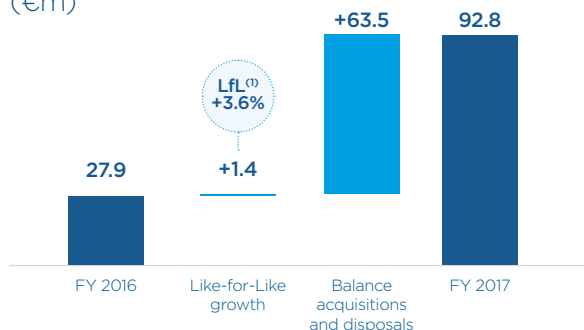
Investments		GLA (sqm)	GRI	YoC	Acquisition		
	Marqués de Pombal 3	12,460	€ 3.9m [Ⓞ]	6.5%	€ 60.5m		
	Central Office	10,310	€ 2.0m	6.8%	€ 29.0m		
WIP		GLA (sqm)	Scope	Acquisition	Capex	% executed	Delivery
	Torre Glòries	37,614	Development	€ 142m	€ 15m	60%	Jul-18
	Torre Chamartín	16,639	Development	€ 31m	€ 31m	91%	Mar-18
Refurbishments		GLA (sqm)	Scope	Budget	Pre-let		
	Puerta de las Naciones	10,619	Full refurb	€ 6.4m	100%		
	Eucalipto 33	7,185	Full refurb	€ 3.6m	-		
	Juan Esplandiú	28,008	Façade + lobby + individual floors	€ 1.8m	85%		
	Avenida Europa 1A	12,605	Full refurb	€ 6.5m	100%		
		GLA (sqm)	Scope	Budget	% executed	Pre-let	
On-going		6,187	Full refurb	€ 1.8m	9%	100%	
		7,185	Full refurb (incl. SC)	€ 19.1m	4%	Initial phase	

[Ⓞ]ERV

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents FY17 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
MERLIN	92.8	18.9	2.7

Footfall and tenant sales⁽²⁾

	FY17	YoY
Footfall	86.4m	-
Tenant sales	€ 759.4m	+1.5%
OCR ⁽³⁾	13.1%	

Leasing activity

- **Excellent performance of the portfolio:** positive footfall, tenant sales, release spread and like for like growth despite a negative 4Q in Catalonia
- **4Q leasing activity highlights:**
 - 1,878 sqm renewal with H&M in Artea
 - 1,624 sqm renewal with C&A in La Fira
 - 426 sqm new lease with Zara in Marineda

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	108,411	(22,405)	26,108	82,303 ⁽⁴⁾	3,703	+4.7%	166

Occupancy

- **Positive move in occupancy** (+78 bps)
- **Best performers** in the year have been Marineda, Thader and Arturo Soria

Stock	440,880 sqm
X-Madrid	47,424
Tres Aguas ⁽⁵⁾	67,009 sqm
Stock with X-Madrid+Tres Aguas	555,313 sqm

	Occupancy rate		Change bps
	31/12/17	31/12/16	
Total	89.4%	88.6%	+78

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

⁽²⁾ Excluding Monumental, Factory & medianas Bonaire as well as assets impacted by the "opening effect" of a new shopping center in the previous 24 months (Porto Pi)

⁽³⁾ Excluding assets impacted by the "opening effect" of new shopping center in the previous 24 months (Porto Pi)

⁽⁴⁾ Including 43,375 sqm of roll-overs not considered for the release spread analysis

⁽⁵⁾ Tres Aguas at 100% allocation

SHOPPING CENTERS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Investments

Several retail units have been acquired throughout the year:

Shopping center	GLA (sqm)	Price (€ m)
El Saler	3,175	12.2
Larios	16,928	16.1
Porto Pi	5,095	13.8
Total	25,198	42.1

Refurbishments⁽¹⁾

Delivered in 2017

Scope	Budget	% executed	GLA (sqm)	Pre-let
Marineda Sports area	€ 2.5m	100%	3,402	91%

Thader Nickelodeon park and common areas	€ 8.9m	100%	5,096	100%
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On-going

Scope	Budget	% executed	GLA (sqm)	Delivery	% Occupancy
Arturo Soria Façade, accesses, installations, lighting and floors	€ 4.7m	81%	6,959	Apr-19 Phase I	98.3%

Larios Full refurb	€ 21.2m	4%	45,076	Dec-18	97.3%
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X-Madrid Full revamp	€ 31.8m	8%	47,424	May-19	70% ⁽²⁾
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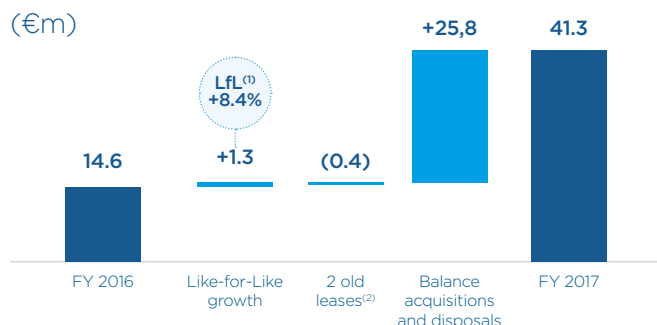
El Saler Extension (+2,700 sqm), façade and accesses	€ 15.2m	8%	47,013	Jun-19	89.3%
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Porto Pi Full refurb	€ 16.0m	4%	58,779	Mar-20	96.7%
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⁽¹⁾ GLA and Capex budget for shopping centers refurbishments include 100% of the asset, regardless of the stake owned by MERLIN in the owners' community
⁽²⁾ Pre-let

LOGISTICS

Gross rents bridge



Rents breakdown

	Gross rents FY17 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	19.5	3.6	4.0
Barcelona	11.1	5.0	2.8
Other	10.7	3.6	6.4
Total	41.3	3.9	3.7

Leasing activity

- **Outstanding release spread** in Madrid (+13.1%) and Barcelona (+22.0%)
- **4Q leasing activity highlights:**
 - 4,065 sqm new lease with XPO in Sevilla-ZAL
 - 3,081 sqm new lease with Sending in PLZF, Barcelona
 - 2,275 sqm renewed with Bergé in PLZF, Barcelona

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	208,974	-	90,435	118,539	90,435	+13.1%	8
Barcelona	43,571	(2,492)	29,811	13,761	27,318	+22.0%	4
Other	32,121	(13,583)	9,849	22,272	(3,734)	-	1
Total	284,667	(16,075)	130,095	154,571⁽³⁾	114,020	+13.4%	13

Occupancy

- **Madrid and Barcelona portfolios are fully occupied**
- Sevilla ZAL lost occupancy due to the exit of two local operators

Stock	960,825 sqm
WIP	565,669 sqm
Stock incl. WIP	1,526,494 sqm
ZAL Port	467,930 sqm
ZAL Port WIP	60,024 sqm
Stock managed	2,054,448 sqm

	Occupancy rate		
	31/12/2017	31/12/16	Change bps
Madrid	100.0%	100.0%	-
Barcelona	99.4%	86.6%	+1.282
Other	94.7%	96.8%	(204)
Total	98.5%	95.4%	+315

⁽¹⁾ Logistics portfolio in operation for FY16 (€ 15.8m GRI) and for FY17 (€ 17.1m GRI)

⁽²⁾ UPS and Logista

⁽³⁾ Including 22,309 sqm of roll-overs not considered for the release spread analysis

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Investments

	GLA (sqm)	GRI p.a	YoC	Investment
Cabanillas Park I	202,607	€ 7.8m	8.2%	€ 96.1m
Madrid-Pinto	70,115	€ 2.6m	9.8%	€ 26.0m

In addition, MERLIN has increased its stake in its three participated companies ZAL Port, Parc Logístico de la Zona Franca (PLZF) and Sevilla-ZAL

	Stake increase	Resulting stake	Investment
Zal Port	16.5%	48.5%	€ 39.1m
PLZF	14.4%	90%	€ 11.8m
Sevilla ZAL	10%	100%	€ 2.8m

WIP (as from 31/12/17)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Madrid-Meco II	59,891	2.6	29.5	8.9%
Madrid-Pinto II B	29,473	1.1	10.9	9.7%
Madrid-San Fernando I	11,165	0.7	9.9	7.5%
Madrid-San Fernando II	34,224	1.8	20.3	8.7%
Madrid-Getafe (Gavilanes)	39,576	2.3	32.1	7.0%
Madrid-Azuqueca II	98,000	4.3	47.6	9.0%
Madrid-Azuqueca III	51,000	2.2	29.6	7.5%
Guadalajara-Cabanillas Park I F	15,000	0.6	7.7	7%
Guadalajara-Cabanillas Park II	210,678	8.3	109.6	7.6%
Sevilla Zal WIP I	5,400	0.2	2.7	7.9%
Zaragoza-Plaza Logistics	11,262	0.5	7.1	7.2%
Total	565,669	24.6	306.9	8.0%

BALANCE SHEET

- The Company continues deleveraging having achieved a **reduction** of 194 bps in the period, ending 2017 with a **LTV of 43.6%**
- The Company has actively managed its balance sheet resulting in **the improvement of all financial ratios**

Ratios	31/12/2017	31/12/2016
LTV	43.6%	45.5%
Av. interest rate	2.23%	2.26%
Av. Maturity (years)	6.1	6.2
Unsecured debt to total debt	78.5%	75.6%
Interest rate fixed	98.6%	88.7%
Liquidity position ⁽²⁾ (€m)	929	949

	€ million
GAV	11,254
Gross financial debt	5,413
Cash ⁽¹⁾	(509)
Net financial debt	4,904

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

VALUATION

- **€ 11,254m GAV. +10.5% LfL growth**, showing a strong revaluation in the year
- By asset category, **+13.2%** LfL growth in **office**, **+7.3%** in **shopping centers**, **+6.4%** in **high street retail** and **+17.5%** in **logistics**

	GAV	LfL Growth ⁽³⁾	Gross yield	Yield compression
Office	5,219	+13.2%	4.1%	59 bps
Shopping centers	1,753	+7.3%	5.3%	34 bps
Logistics	648	+17.5%	6.6%	34 bps
High street retail	2,348	+6.4%	4.4%	29 bps
Land under development	455	n.a.		
Other ⁽⁴⁾	411	+0.8%	4.2%	27 bps
Equity method	421	+12.2%		
Total	11,254	+10.5%	4.6%	46 bps

⁽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⁾ GAV of WIP projects included under offices and logistics for LfL growth purposes

⁽⁴⁾ Including Non-core land

INVESTMENTS, DIVESTMENTS AND CAPEX

- **€ 325.4m acquisitions and € 29.2m assets divested** in the period (+15% premium vs latest reported appraisal)
- **Swift execution of the development & WIP program and the refurbishment plan** launched at the beginning of the year

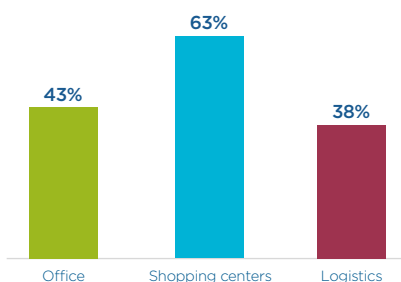
	Office	Retail	Logistics	€ million
Acquisitions	Torre Glories Central Office Marqués de Pombal 3	Porto Pi retail units El Saler retail unit Larios retail unit	Stake in Zal Port ⁽²⁾ Stake in PLZF Stake in Sevilla-ZAL	325.4
Development & WIP	Torre Chamartin Torre Glòries		Madrid-Meco II Madrid-Pinto Guadalajara-Azuqueca Guadalajara-Cabanillas Park I ⁽³⁾ Guadalajara-Cabanillas Park II Madrid-Getafe Gavilanes Sevilla-ZAL Madrid-San Fernando I	107.4
Refurbishment	Juan Esplandiú Avda. Europa 1A Eucalipto 33 Puerta de las Naciones Monumental Adequa 1	Marineda El Saler Arturo Soria Larios Porto Pi X-Madrid Thader		42.8
Like-for-like portfolio (Defensive Capex) ⁽¹⁾				21.2
Total				496.7

SUSTAINABILITY

- Excellent progression of the portfolio certification program, having obtained 22 new LEED/BREEAM certificates in the year (4 since last reported)
- Remarkable achievements such as Madrid-Meco, first logistics platform awarded LEED platinum in Spain

Pedro de Valdivia 10	Arenas	WTC 8	La Fira	Artea
				
Gold	Good	Gold	Very Good	Very Good

% GAV certified



⁽¹⁾ € 18.3m are capitalized in balance sheet and €2.9m are expensed in P&L

⁽²⁾ Equity method

⁽³⁾ Modules B, C, D, E and F

POST CLOSING EVENTS

- On January 19 2018, the service level agreement with Testa Residencial was cancelled. In exchange for that early cancellation, MERLIN Properties will increase its stake in Testa Residencial to 16.95%
- On 13 February 2018, MERLIN fully repaid € 122.6m of property leaseings



MERLIN

PROPERTIES

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