



AT A GLANCE

In 2018 MERLIN Properties has reported an **excellent cash flow and a sound net asset revaluation**, pushing **shareholder return above 15%**

TOTAL SHAREHOLDER RETURN (TSR)

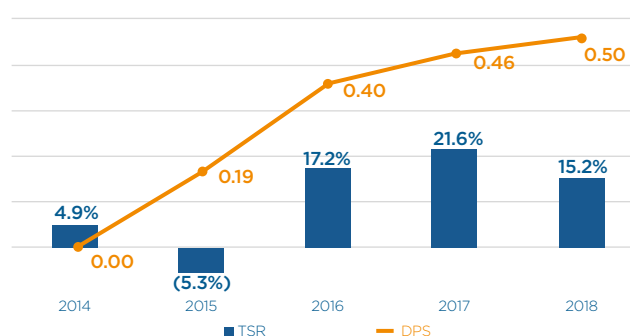
Double digit TSR achieved in the period

€ 0.50 per share (+9% YoY)

Dividends of the period

15.2%

TSR rate



NAV PER SHARE

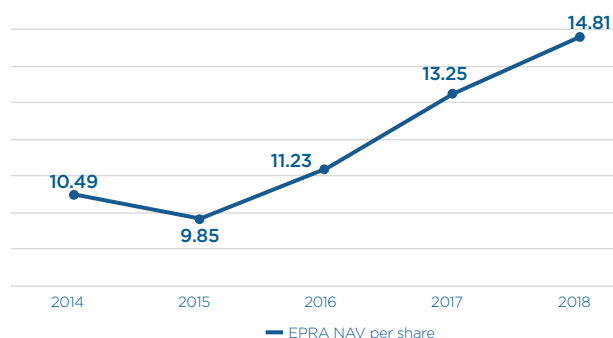
Strong growth in assets revaluation

€ 14.81 (+11.7% YoY)

EPRA NAV per share increase

6.1%

LfL GAV growth



FFO PER SHARE / AFFO PER SHARE

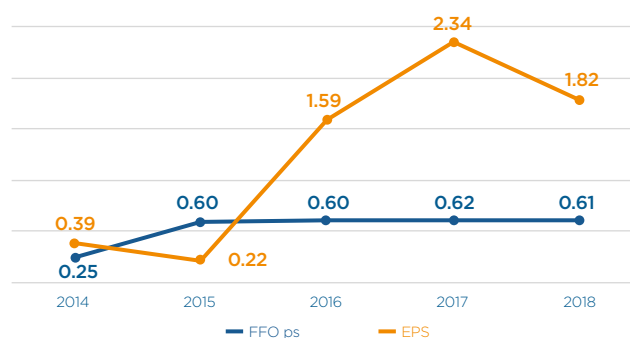
Excellent year in cash flow generation, meeting guidance and overcoming the drag effect of the cancellation of the service contract with Testa Residencial

€ 0.61

FFO ps

€ 0.58

AFFO ps



FINANCIAL DEBT

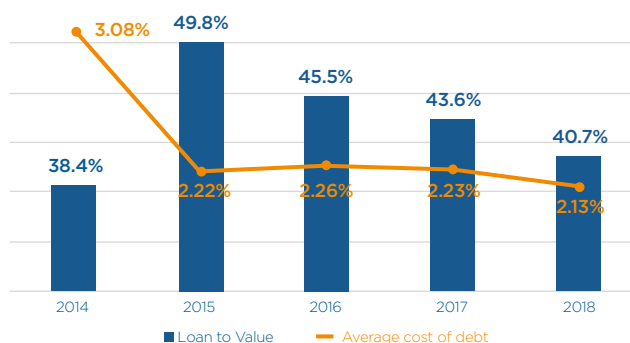
Proactive management of the debt side resulting in significant reduction of leverage, reduced cost of debt and exposure to interest rate fluctuations

40.7%

Loan to Value

2.13%

Average cost of debt



CONSOLIDATED PERFORMANCE

+6.5%

Gross rents YoY

+2.8%

EBITDA YoY

+11.7%

EPRA NAV YoY

- **Excellent business performance in 2018**, with positive LfL, release spread and occupancy growth across the board
- **FFO per share (€ 0.61) and AFFO per share (€ 0.58) meeting FY 2018 guidance**

(€ million)	FY18	FY17	YoY
Total revenues	509.5	484.3	+5.2%
Gross rents	499.7	469.4	+6.5%
Gross rents after incentives	475.6	452.7	+5.1%
Net rents after propex	433.5	415.2	+4.4%
<i>Gross-to-net margin</i>	91.1%	91.7%	
EBITDA ⁽¹⁾	403.7	392.6	+2.8%
<i>Margin</i>	80.8%	83.6%	
FFO ⁽²⁾	286.9	289.2	(0.8%)
AFFO	270.5	270.9	(0.2%)
Net earnings	854.9	1,100.4	(22.3%)

(€ per share)	FY18	FY17	YoY
FFO	0.61	0.62	(0.8%)
AFFO	0.58	0.58	(0.2%)
EPS	1.82	2.34	(22.3%)
EPRA NAV	14.81	13.25	+11.7%

BUSINESS PERFORMANCE

+3.1%

Rents like-for-like⁽³⁾ YoY

+6.5% | +3.5% | +9.2%

Office S. Centers Logistics
Release spread

+80 bps

Occupancy vs 31/12/17

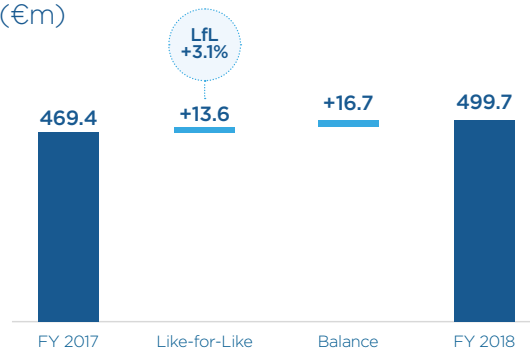
93.4%

- **Office:** 300,707 sqm contracted. LfL⁽³⁾ of +1.2% and **release spread** of +6.5%
- **Shopping centers:** 93,918 sqm contracted. LfL⁽³⁾ of +4.1% and **release spread** of +3.5%
- **Logistics:** 402,196 sqm contracted. LfL⁽³⁾ of +6.3% and **release spread** of +9.2%

	Contracted sqm	Rent		Leasing activity	Occ. vs 31/12/18
		€ m	LfL change	Release spread	Bps
Offices	300,707	224.4	+1.2%	+6.5%	+179
Shopping centers	93,918	103.6	+4.1%	+3.5%	+164
High street retail	n.a.	106.7	+4.0%	n.m.	(22)
Logistics	402,196	50.3	+6.3%	+9.2%	(27)
Other	n.a.	14.8	+12.4%	n.m.	(267) ⁽⁴⁾
Total	796,821	499.7	+3.1%		+80

Gross rents bridge

(€m)



⁽¹⁾ Excludes non-overhead costs items (€ 5.0m), Aedas service fee (€ 22.2m), Testa Residencial net gain (€ 53.0m) and LTIP accrual (€ 43.4m)

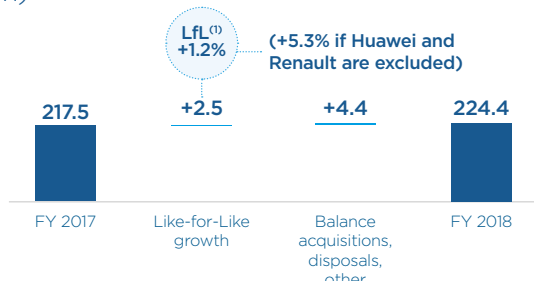
⁽²⁾ FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method

⁽³⁾ Portfolio in operation for FY17 (€ 443.4m of GRI) and for FY18 (€457.0m of GRI)

⁽⁴⁾ Decrease in occupancy due to the disposal of Sant Boi de Lluçanes

OFFICES

Gross rents bridge (€m)



Rents breakdown

	Gross rents FY18 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	173.0	17.0	2.8
Barcelona	34.2	14.5	3.7
Lisbon	14.3	19.4	3.5
Other	2.9	10.8	7.3
Total	224.4	16.5	3.1

Leasing activity

- **Significant acceleration of rental growth in 2018**, delivering +6.5% release spread on average (vs +3.4% in FY17)
- **4Q leasing activity highlights:**
 - 8,494 sqm new lease with Media Markt in Muntadas I, Barcelona
 - 1,789 sqm new lease (expansion) with American Express in Partenon 12-14, Madrid
 - 1,188 sqm new lease with Tecnicas Reunidas (expansion) in Adequa 3, Madrid
 - 1,160 sqm new lease with Construcia in PE Via Norte, Madrid
 - 5,934 sqm renewed with Capgemini in Diagonal 199, Barcelona
 - 1,800 sqm renewed with TBWA in Juan Esplandiu 11-13, Madrid

	Contracted Sqm	Out	In	Renewals ⁽²⁾	Net	Release spread	# Contracts
Madrid	191,085	(82,729)	95,652	95,433	12,923	+4.3%	135
Barcelona	79,298	(15,417)	42,264	37,033	26,487	+14.1%	54
Lisbon	30,324	(2,086)	3,908	26,416	1,822	+7.4%	24
Total	300,707	(100,230)	141,824	158,883	41,592	+6.5%	213

Occupancy

- **Excellent performance in the year, accelerated in the second half**, having increased occupancy by 216 bps as compared to 6M18 (+179 bps vs FY17)
- **Steady growth in Madrid** (+86 bps vs FY17) overcoming Huawei departure
- **Outstanding performance in Barcelona (+519 bps) and Lisbon (+ 483 bps)**
- **Barcelona has experienced an intense lease activity in 4Q18**, with the leases signed in Muntadas I and Muntadas II

Stock	1,272,032 sqm
WIP	117,811 sqm
Stock incl. WIP	1,389,843 sqm

	Occupancy rate ⁽³⁾		
	31/12/18	31/12/17	Change bps
Madrid	88.6%	87.8%	+86
Barcelona	94.2%	89.0%	+519
Lisbon	93.1%	88.2%	+483
Other	100.0%	100.0%	-
Total	90.0%	88.2%	+179

⁽¹⁾ Office portfolio in operation for FY17 (€ 215.8m of GRI) and for FY18 (€ 218.3m of GRI)

⁽²⁾ Excluding roll-overs totalling 82,007 sqm

⁽³⁾ MERLIN policy: buildings under complete refurbishment are excluded from stock up until 12 months after completion of works. Buildings excluded this period are Torre Chamartin, Torre Glories, Adequa (2 land plots for development and a small building under full refurbishment) and the recently acquired Costa Brava 6-8



OFFICES (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS





Investments	GLA (sqm)	GRI	YoC	Acquisition
 Zen Tower	10,207	€ 2.1m	6.4%	€ 33.2m
 Costa Brava 6-8	14,000	n.a	n.a	€ 28.0m

WIP

2018 planned works **executed on time and budget. Increased scope of works** in (i) Glòries now includes amenities & flex space plus the observation area, (ii) Torre Chamartín now includes new parking plus the works to provide direct access to the A-1

	GLA (sqm)	Scope	Acquisition	Capex	% executed	Delivery
 Torre Glòries	37,614	Development	€ 142m	€ 27m	Phase I 100%	Q3-18
					Phase II 10%	Q2-19
					Observation area	Q2-20
 Torre Chamartín	18,295	Development	€ 31m	€ 38m	Phase I 100%	Q2-18
					Phase II 36%	Q3-19

Landmark Plan I (on-going)

	GLA (sqm)	Scope	Budget
 Monumental	22,387	Full refurb (incl. SC)	€ 28.9m
 Castellana 85	15,254	Full refurb	€ 25.2m
 Marqués de Pombal	12,460	Lobby + common areas + exterior terrace	€ 1.6m
 Diagonal 605	14,795	Double height lobby + common areas + new retail sapce	€ 8.6m

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents FY18 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
MERLIN	103.6	20.7	2.5

Footfall and tenant sales

	FY18 LTM	YoY
Tenant sales	€ 1,123m	+1.2%
Footfall	108m	(1.2%)
OCR	12.8%	

Leasing activity

- Rental growth continues, delivering a positive release spread of +3.5% in the year
- 4Q leasing activity highlights:
 - 1,349 sqm new lease with Worten in Larios
 - 1,107 sqm new lease with MGI in Vilamarina
 - 825 sqm new lease with A Loja do Gato Preto in Almada
 - 2,740 sqm renewal with Casino Mallorca in Porto Pi

	Contracted	Out	In	Renewals ⁽²⁾	Net	Release spread	# Contracts
Total	93,918	(24,387)	30,852	63,066	6,465	+3.5%	173

Occupancy

- Excellent growth in occupancy (+164 bps), driven by LfL growth (+ 51 bps) and Almada very high occupancy (+ 113 bps). Voluntary vacancy due to Flagship Plan amounts to 3,616 sqm in aggregate
- Best performers in 2018 have been Larios and Vilamarina

Stock	501,537 sqm
X-Madrid+Tres Aguas ⁽³⁾	115,115 sqm
Stock with X-Madrid+Tres Aguas	616,652 sqm

	Occupancy rate		
	31/12/18	31/12/17	Change bps
Total	91.0%	89.4%	+164

⁽¹⁾ Shopping centers portfolio in operation for FY17 (€ 89.2m of GRI) and for FY18 (€ 92.9m of GRI)

⁽²⁾ Excluding roll-overs totalling 86,701 sqm

⁽³⁾ Tres Aguas at 100% allocation

SHOPPING CENTERS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Investments

	GLA ⁽¹⁾ (sqm)	GRI	YoC	Acquisition
Almada	81,951	€ 24.0m	5.9%	€ 406.7m

WIP

Scope	Budget	GLA (sqm)	Delivery	Pre-let
X-Madrid	€ 35.2m	47,424	Q3-19	85%

Flagship Plan⁽¹⁾

Scope	Budget ⁽²⁾	GLA ⁽¹⁾ (sqm)	Delivery
Arturo Soria	€ 5.4m	6,959	Q3-19 Phase II

Larios	€ 28.1m	45,076	Q2-19
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Tres Aguas	€ 20.2m	67,690	Q4-19
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El Saler	€ 25.1m	47,013	Q2-20
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Porto Pi	€ 21.1m	58,779	Q1-21
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⁽¹⁾ GLA includes 100% of the asset, regardless of the stake owned by MERLIN in the owners' community

⁽²⁾ MERLIN share with the exception of Treas Aguas (100%)

LOGISTICS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents FY18 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	26.2	3.9	4.4
Barcelona	12.3	5.5	2.9
Other	11.8	3.6	5.1
Total	50.3	4.1	4.0

Leasing activity

- Outstanding performance in the year, with virtual full occupancy bringing strong pricing tension
- Excellent release spread (+9.2%) in all markets, with Barcelona being the top performer (+12.2%)
- 4Q leasing activity highlights:
 - 2,275 sqm new lease with Luis Simoes in PLZF, Barcelona
 - 14,911 sqm renewal with Reckitt Beckinser in PLZF, Barcelona
 - 4,520 sqm renewal with HVM in Sevilla-ZAL

	Contracted	Out	In	Renewals ⁽²⁾	Net	Release spread	# Contracts
Madrid	229,135	(18,907)	113,258	115,877	94,351	+8.0%	13
Barcelona	85,784	(26,825)	27,338	58,446	513	+12.2%	10
Other	87,277	(11,814)	27,885	59,392	16,071	+8.3%	12
Total	402,196	(57,546)	168,481	233,714	110,936	+9.2%	35

Occupancy

- Portfolio enjoying virtual full occupancy

Stock	1,101,243 sqm
WIP	493,210 sqm
Stock incl. WIP	1,594,453 sqm
ZAL Port	468,743 sqm
ZAL Port WIP	250,632 sqm
Stock managed	2,313,827 sqm

	Occupancy rate		
	31/12/18	31/12/17	Change bps
Madrid	97.4%	100.0%	(257) ⁽³⁾
Barcelona	99.6%	99.4%	+22
Other	99.1%	94.7%	+437
Total	98.2%	98.5%	(27)

⁽¹⁾ Logistics portfolio in operation for FY17 (€ 35.1m of GRI) and for FY18 (€ 37.3m of GRI)

⁽²⁾ Excluding roll-overs totalling 37,376 sqm

⁽³⁾ Mainly due to the insolvency of one tenant, Souto

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Investments

	GLA (sqm)	GRI (annual)	YoC	Investment
Vitoria-Jundiz II + Guadalajara-Cabanillas II	41,850	€ 1.4m	6.9%	€ 20.9m

WIP

Guadalajara-Cabanillas III	21,544	€ 0.9m	7.4%	€ 11.8m
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Toledo-Seseña	28,541	€ 1.2m	7.6%	€ 15.2m
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WIP Delivered in FY18

Madrid-Meco II	59,814	€ 2.6m	8.9%	€ 29.4m
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Sevilla ZAL I	5,400	€ 0.2m	7.9%	€ 2.7m
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Madrid-Getafe (Gavilanes)	39,415	€ 2.6m	8.1%	€ 32.6m
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Madrid-San Fernando I	11,165	€ 0.7m	7.5%	€ 9.9m
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Best II (as from 31/12/18)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Madrid-Pinto II B	29,473	1.2	13.7	8.5%
Madrid-San Fernando II	34,244	1.9	21.6	8.9%
Guadalajara-Azuqueca II	98,000	4.5	51.2	8.7%
Guadalajara-Azuqueca III	51,000	2.3	30.1	7.5%
Guadalajara-Cabanillas Park I F	19,750	0.8	10.7	7.6%
Guadalajara-Cabanillas Park II	210,678	8.5	112.4	7.5%
Guadalajara-Cabanillas III	21,544	0.9	11.8	7.4%
Toledo-Seseña	28,541	1.2	15.2	7.6%
Total	493,210	21.1	266.6	7.9%

BALANCE SHEET

- The Company continues deleveraging having achieved a **reduction** of 290 bps in the period, ending with a **LTV of 40.7%**
- The Company has actively managed its balance sheet resulting in **the improvement of all financial ratios and cost of debt**

	€ million
GAV	12,041
Gross financial debt	5,252
Cash ⁽¹⁾	(350)
Net financial debt	4,902
NAV	6,956

Ratios	31/12/2018	31/12/2017
LTV	40.7%	43.6%
Av. interest rate	2.13%	2.23%
Av. Maturity (years)	5.9	6.1
Unsecured debt to total debt	81.3%	78.5%
Interest rate fixed	96.3%	98.6%
Liquidity position ⁽²⁾ (€m)	634	929

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

VALUATION

- **€ 12,041m of GAV. +6.1% LfL growth**, showing a sound revaluation in the year
- By asset category, **+6.7% Lfl growth in office, +2.3% in shopping centers, +5.7% in high street retail and +12.4% in logistics**

	GAV	LfL Growth	Gross yield	Yield compression
Offices	5,513	+6.7%	4.1%	(5) bps
Shopping centers	2,265	+2.3%	5.2%	(8) bps
Logistics	830	+12.4%	6.2%	(50) bps
High street retail	2,220	+5.7%	4.3%	(9) bps
WIP & land	589	n.a.	n.a.	
Other	422	+3.4%	4.4%	(2) bps
Equity method	201	+11.2%	n.a.	
Total	12,041	+6.1%	4.6%	(9) bps

⁽¹⁾ Includes cash, pending receivable of Testa Residencial (€ 121.1m) and treasury stock (€ 56.0m)

⁽²⁾ Includes available cash plus pending receivable of Testa Residencial, treasury stock and unused credit facilities (€ 284m)

INVESTMENTS, DIVESTMENTS AND CAPEX

- **€ 569.5m acquisitions and € 594.4m divestments** in the year, thus exceeding the target for the year
- The three plans of the Company, Landmark I, Flagship and Best II **continue progressing properly**

	Offices	Retail	Logistics	€ million
Acquisitions ⁽¹⁾	Endesa leasings Zen Tower Costa Brava 6-8	Almada Porto Pi unit	Vitoria-Jundiz II Guadalajara-Cabanillas II	569.5
Development & WIP	Torre Chamartin Torre Glòries	X-Madrid	Madrid-Getafe (Gavilanes) Madrid-San Fernando I Madrid-Meco II Guadalajara-Cabanillas III Toledo-Seseña Guadalajara-Cabanillas Park I F Sevilla Zal I	88.7
Refurbishment	Balmes Adequa 1 Juan Esplandiú Princesa 5 Eucalipto 33	Larios Arturo Soria Porto Pi		27.4
Like-for-like portfolio (Defensive Capex) ⁽²⁾				19.5
Total				705.2

- **Successful divestments in the period:** € 594.4m sales proceeds, delivering a **3.1% premium**

Asset	Sales price (€ m)	Latest GAV	Premium
Testa Residencial	321.2	316.3	1.5%
Tree portfolio	258.9	246.5	5.0%
Miscellaneous non-core ⁽³⁾	14.3	13.7	4.9%
Total	594.4	576.5	3.1%

⁽¹⁾ Excluding the acquisition of 10% of PLZF shares (€ 10.9m) to own 100% of the subsidiary. The acquisitions of Madrid-Getafe (Gavilanes) and Madrid-San Fernando I have been reclassified to Development and WIP

⁽²⁾ € 16.4m capitalized in balance sheet and € 3.1m expensed in P&L

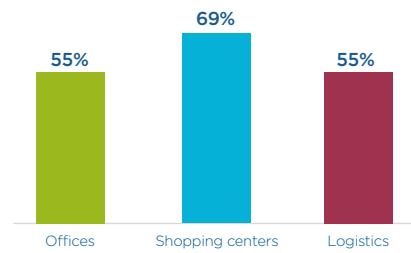
⁽³⁾ Including Granada del Penedés (logistics) and Sant Boi de Lluçanès (other)

SUSTAINABILITY

- **Excellent progression of the portfolio certification program**, having obtained **33 new LEED/BREEAM** certificates in 2018
- Out of the 22 of the LEED certificates obtained, **2 are Platinum and 18 are Gold**

Torre Chamartín	Avenida de Europa	Madrid-Getafe (Gavilanes)	El Saler
			
Platinum	Platinum	Gold	Good

% GAV certified



POST CLOSING

- On January 17, MERLIN completed the **acquisition of the Art and TFM buildings in Lisbon**. The assets, located in Dom Joao II, the main avenue in Parque das Nações, comprise 29,985 sqm of gross lettable area, featuring grade A specifications and 3 meters floor-to-ceiling height. The acquisition price amounts to € 112.2 million representing a 5.4% gross yield over the passing € 6.1m gross rents, with strong reversionary potential delivering an **ERV yield of 6.2%**
- In February, MERLIN has signed the **renewal of Tecnicas Reunidas** in Adequa, totalling **43,515 sqm**. The contract has been renewed until 2022, at the same rent



MERLIN

PROPERTIES

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