MERLIN PROPERTIES

Press release

28 February 2017

Reports FY2017 net profit of € 1,100 million, with recurring net earnings of €289 million euros and provides guidance towards 50 cents of dividend per share in 2018 (+9%)

MERLIN Properties delivers outstanding results and increases its dividend guidance for 2018

- Gross rents: € 469.4 million (+34%)
- Recurring EBITDA: € 392.6 million (+29%)
- Recurring FFO: € 289.2 million (+15%)
- Gross asset value: € 11,254 million (+15%)
- EPRA net asset value: € 13.25 (+18%)
- Guidance to shareholder distributions in 2018: € 50 cents per share (+9.0%)

• MERLIN reports a record IFRS net profit of € 1,100.4 million, and recurrent net earnings of € 289.2 million. The portfolio's gross asset value ("GAV") has revalued to over €11,254 million, representing a 10% increase on a like-for-like (LfL) basis versus 2016.

• Net asset value in accordance with EPRA recommendations ("EPRA NAV") amounts to €13.25 per share, a 18% increase versus last year (€11.23).

• Through a combination of dividends and value growth, the Company has created significant value to its shareholders for an aggregate amount of € 1,138 million, delivering an implicit total annual shareholders return (TSR) of 21.6%.

• MERLIN announces a complementary dividend in May of 26 cents per share, up to a total of 46 cents in FY2017, 15% above FY2016. The company also provides guidance for shareholders distributions of € 235 million or 50 cents per share in FY2018 (+9% vs 2017).

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Madrid, 28 February.- MERLIN Properties has reported FY2017 figures, with revenues of € 484.3 million, recurring EBITDA of € 392.6 million, recurring FFO of € 289.2 million (€0.62 per share) and an IFRS net profit of € 1,100.4 million (€2.34 per share).

Announcement of the complementary dividend for 2017 and guidance towards estimated shareholder distributions in 2018 (50 cents per share, +9% versus 2017)

MERLIN announces a complementary dividend to be paid in May amounting to 26 cents per share, which together with the 20 cents already distributed, totals 46 cents per share of distributions to shareholders in 2017, versus 40 cents distributed in 2016 (+15%). The referred complementary dividend will be paid after approval by the AGM, which is expected to take place on April 26th.

The Company guides to a shareholder distribution of at least € 235 million in 2018. This remuneration, which will be fully paid in cash, will amount to a minimum of 50 cents per share, distributed partly as a dividend and partly as a share premium refund, and represents an increase of 9% over 2017.

The shareholders remuneration for 2018 will be paid in two instalments, October 2018 and May 2019, after approval of the previous year's accounts at the AGM.

Substantial increase in portfolio value

Very significant increase in gross asset value of the portfolio which, as of December 31st 2017, amounts to € 11,254 million, according to the appraisals performed by Savills and CBRE, versus a GAV of € 9,824 million in 2016. The like-for-like valuation increase of the portfolio compared to December 31st 2016 appraisal is 10.5%, which reflects the excellent asset management initiatives undertaken, the value creation derived from the on-going refurbishments and the positive market environment.

In accordance with EPRA standards, net asset value amounts to € 6,225 million, equivalent to € 13.25 per share, representing an extraordinary 18% increase over 2016 EPRA NAV per share (€11.23), certifying the significant value created to shareholders during 2017.

Offices

This asset category has shown a very good performance, with average release spread of 3.4% in the leases renewed during the period (+3.3% in Madrid, +4.5% in Barcelona, +5.1% in Lisbon). Occupancy also increases from 87.9% to 88.2%.

During 2017 the Company acquired Torre Glories in Barcelona and increased its exposure to Portugal, through the acquisitions of Central Office and Marqués de Pombal 3 in Lisbon. The buildings under refurbishment that have been completed and delivered in 2016 are: Puerta de las Naciones 3 (let to Ferrovial), Juan Esplandiu (let to Cellnex), Avenida Europa 1A (let to Renault) and Eucalipto 33 (in advanced negotiations). Torre Chamartín is near completion, with the asset expected to be delivered by end of Q1 2018.

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Shopping centres

2017 has seen a strong release spread in renewals, with an average increase in rents renewed of 4.7% together with a rise in the occupancy of the portfolio, from 88.6% to 89.4%.

The refurbishment program is being executed on track. In 2017, the new sports-related themed area in Marineda was successfully opened, with over 91% occupancy, as well as Nickelodeon's first amusement park located within a shopping center, inaugurated in Thader (Murcia) on December 1st.

Logistics

The positive dynamics in this asset category have boosted MERLIN's portfolio to reach almost full occupancy, coupled with an outstanding average release spread of 13.4%.

Two large projects were completed and delivered in 2017. Cabanillas I Logistics Park, with 202,600 sqm of gross lettable area was inaugurated in May, fully let. This park is the largest logistics development executed in Spain since 2007. Madrid – Pinto, with 70,115 sqm of GLA, was also delivered in 2017 and fully let to Media Markt.

Future Outlook

MERLIN continues to extract the value from its portfolio, with special focus on three pillars:

(i) Refurbishment program and selective developments. Among the most imminent deliveries, in 2018 the perimeter will grow through the addition of Torre Chamartín and Torre Glories, as well as the completed refurbishments of Arturo Soria Plaza and Larios shopping centres.

(ii) Continue the fast execution of the committed program of forward logistics developments in order to satisfy the booming demands from logistics operators. MERLIN will increase its footprint in over 550,000 sqm of GLA in the short to medium term.

(iii) Investment activity and asset rotation. MERLIN, following the pace of 2017, will be very selective in its acquisitions, with a special focus on Portugal, which is showing a clear upwards trend and offers highly attractive opportunities; and logistics, given the excellent market dynamics and the Company's target to reach a 20% over the total portfolio (currently 13% proforma). With regards to asset rotation, 2018 will be an intense year, including Testa Residencial's IPO (17% owned by MERLIN), the award of Aedas' shares following the services rendered by the company (1.7% owned by MERLIN) and the disposal of certain non-core assets.

Remarkable value created to shareholders

The financial structure of the company has been further optimized. The loan to value ratio has improved to 43.6% (versus 45.5% in 2016), while maintaining the average interest rate in 2.2% coupled with extensive hedging of its interest rates (99% fixed for over 6 years), thus reducing the exposure to future interest rate fluctuations.

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The value creation to shareholders in 2017 amounts to € 1,138 million, through a combination of dividends in the calendar year (€ 188 million) and EPRA NAV growth (€ 950 million), representing an annual shareholders return rate of 21.6%.

In line with the excellent business performance, MERLIN Properties increases its guidance for shareholders distributions with respect to 2018 to at least €235 million euros or €50 cents per share (+9% vs 2017).

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About MERLIN Properties

MERLIN Properties SOCIMI, S.A. (MC:MRL) is the largest real estate company trading on the Spanish Stock Exchange, with a market capitalization of approximately 5,300 million euros, specialized in the acquisition and management of commercial property in the Iberian region. MERLIN Properties mainly invests in offices, shopping centers and logistics facilities, within the Core and Core Plus segments, forming part of the benchmark IBEX-35, Euro STOXX 600, FTSE EPRA/NAREIT Global Real Estate, GPR Global Index, GPR-250 Index, and MSCI Small Caps indices.

Please visit www.merlinproperties.com to learn more about the company.

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