MERLIN PROPERTIES

Press release

27 February 2019

Provides guidance towards 52 cents of dividend per share in 2019 (+4%)

MERLIN Properties maintains operating cash flow and increases the dividend

- Gross rents: € 499.7 million (+7%)
- Recurring EBITDA: € 403.7 million (+3%)
- Gross asset value: € 12,041 million (+7%)
- EPRA net asset value per share: € 14.81 (+12%)
- Loan to Value: 40.7% (reduction of 287 bps in the period)
- Guidance to dividend in 2019: € 52 cents per share (+4%)

• MERLIN Properties reports same level of EPRA net earnings (€ 287 million) in 2018, despite the disposal of Testa Residencial. Accounting net earnings amount to € 854.9 million (-22% due to lower assets revaluation)

• Excellent business performance. Occupancy ends the period at 93.4%. Occupancy increases in both offices and shopping centers to 90% and 91% respectively. Logistics remains with virtual full occupancy. Rents also increase in all the asset categories, with average release spread of 6.5% in offices, 3.5% in shopping centers and 9.2% in logistics

• In accordance with EPRA standards, the net asset value amounts to € 14.81 per share, representing a 12% increase year on year. Aggregating dividends and value growth, the Company has created € 947 million of value to its shareholders in 2018 (total shareholder return of 15.2%)

• Construction and refurbishment plans for value creation (Landmark I, Flagship and Best II) are delivering excellent results in the most advanced assets. MERLIN launches Best III plan, with over half a million of sqm in logistics for future development, to accommodate the strong demand in the market

• MERLIN announces a complementary dividend of € 30 cents per share to be paid in May, up to a total dividend of € 50 cents per share in FY2018, 9% above FY2017. In addition, The Company also provides guidance for shareholder distributions of € 244 million or € 52 cents per share in 2019 (+ 4% vs 2018).

MERLIN Properties SOCIMI, S.A
www.merlinproperties.com
info@merlinprop.com

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Madrid, 27 February. – MERLIN Properties has reported FY2018 results, with revenues of € 509.4 million, recurring EBITDA of € 403.7 million, recurring FFO of € 286.9 million (€0.61 per share) and an IFRS net profit of € 854.9 million (€ 1.82 per share).

Announcement of the complementary dividend for 2018 and guidance towards estimated shareholder distributions in 2019 (52 cents per share, +4% versus 2018)

MERLIN announces a complementary dividend to be paid in May amounting to 30 cents per share, which together with the 20 cents already distributed, totals 50 cents per share of distribution to shareholders in 2018 (+9% vs 2017). The referred complementary dividend will be paid after approval by the AGM, which is expected to take place on April 10th.

The Company guides to a shareholder distribution of at least € 244 million (€ 52 cents per share) in 2019. This remuneration will be fully paid in cash and represents an increase of 4% over 2018.

The shareholders remuneration for 2019 will be paid in two instalments, one in October 2019 and another in 2020, after approval of the 2019 annual accounts at the AGM.

Significant increase in portfolio value

Increase of 7% in gross asset value ("GAV") of MERLIN portfolio, which as of December 31st 2018, amounts to € 12,041 million, following the appraisals performed by Savills and CBRE, versus a GAV of € 11,254 million in 2017. This reflects the excellent asset management initiatives undertaken, the value created from Landmark I, Flagship and Best II plans, as well as the positive market environment.

In accordance with EPRA standards, the net asset value of the portfolio amounts to € 6,956 million, equivalent to € 14.81 per share, representing an outstanding 12% increase over 2017 EPRA NAV per share (€13.25), evidencing the significant value created to shareholders during 2018.

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Offices

Excellent year in occupancy, having increased up to 90.0% vs 88.2% in 2017. Significant acceleration of rental growth, delivering 6.5% release spread on average, vs 3.4% in FY2017. By markets, the growth has been 4.3% in Madrid, 14.1% in Barcelona and 7.4% in Lisbon, calculated as the average increase of the total number of renewals, including exits and entries in the same space during the period.

During 2018, the Company acquired Zen Tower in Lisbon and completed the works in Torre Glóries (phase 1) and Torre Chamartin. Torre Glóries has outperformed underwriting expectations in rental priced and has already reached 97% occupancy with tech-oriented tenants such as Facebook, Oracle, Dynatrace, Travelperk or Beazley. Landmark I, focused on refurbishing assets with prime locations and high rental growth potential, continues its implementation. 2019 will bring significant progress in emblematic buildings such as Castellana 85 in Madrid, Diagonal 605 in Barcelona, Monumental and Marques de Pombal 3 in Lisbon.

Shopping centres

2018 was characterized by a relevant increase in both occupancy and rents. 2018 ends with 91.0% occupancy vs. 89.4% in 2017. In addition, the release spread on renewals has reached 3.5%.

The acquisition of Almada shopping center in Lisbon was a great achievement in 2018. Almada is an undisputed dominant shopping and leisure destination in Portugal with 81,951 sqm GLA, receiving more than 14.4 million visitors per year, with annual gross rents of € 24 million and full occupancy. The Flagship Plan is progressing well. Arturo Soria Plaza has been completed, with 3.4% increase in sales after refurbishment and 11% yield on cost. The groundbreaking concept of X-Madrid is gaining great receptiveness in the market, with 85% of the space pre-let 7 months before its opening, due in September. Larios, in Malaga, is close to completing its full refurbishment, due in June, with a 6.4% yield on cost, including the acquisition of additional GLA. The Tres Aguas refurbishment is also progressing at a good pace, with completion expected by the end of 2019.

Logistics

Logistics continues being the fastest growing market. MERLIN, from his privileged leadership position, continues expanding its footprint, with 2.3 million sqm now in stock, virtual full occupancy and an outstanding 9.2% release spread.

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In reaction to the strong demand, MERLIN has launched Best III program, even before Best II ends, adding half a million sqm for development in the next few years, targeting to expand the footprint more broadly in Iberia with projects in Valencia, Sevilla, Zaragoza, País Vasco and Lisbon. Besides, Best II is progressing well, with 100.000 sqm to be delivered for operation in 2019.

Outstanding value created to shareholders

The Company has significantly reduced its loan to value ratio to 40.7% (versus 43.6% in 2017) and has repaid € 160 million in financial debt. All financial ratios have improved.

The value creation to shareholders in 2018 amounts to over € 947 million, through a combination of dividends in the calendar year (€ 216 million) and EPRA NAV growth (€ 731 million), representing an annual shareholders return rate of 15.2%.

In line with the excellent business performance, MERLIN Properties increases its guidance for shareholders distributions with respect to 2019 to a minimum of €244 million euros or €52 cents per share (+4% vs 2018).

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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