



CONSOLIDATED PERFORMANCE

+8.0%

Gross rents YoY

+11.6%

FFO per share YoY

+7.5%

EPRA NAV per share YoY

- **Excellent set of results** showing strong **growth in cash flow generation** and delivering total return to shareholders of **+11.0% LTM**
- **Business performance delivering solid growth** in occupancy, LfL rents and release spread across the board
- Very attractive margins achieved in operations, resulting in a **compelling FFO margin of 60%**
- **AFFO** (€ 0.32 per share in the period) **on track to surpass FY19 guidance** (€ 0.60 per share)
- Net earnings not comparable YoY due to the extraordinary gain in 6M18 related to the capitalization of Testa Residencial service contract

(€ million)	6M19	6M18	YoY
Total revenues	265.2	247.3	+7.3%
Gross rents	262.7	243.2	+8.0%
Gross rents after incentives	253.0	232.2	+9.0%
Net rents after propex	228.2	210.7	+8.3%
<i>Gross-to-net margin</i>	90.2%	90.8%	
EBITDA ⁽¹⁾	210.4	195.9	+7.4%
<i>Margin</i>	80.1%	80.5%	
FFO ⁽²⁾	157.2	140.9	+11.6%
<i>Margin</i>	59.8%	57.9%	
AFFO	151.6	136.1	+11.4%
Net earnings	262.0	479.7	(45.4%)

(€ per share)	6M19	6M18	YoY
FFO	0.33	0.30	+11.6%
AFFO	0.32	0.29	+11.4%
EPS	0.56	1.02	(45.4%)
EPRA NAV	15.11	14.06	+7.5%

BUSINESS PERFORMANCE

+5.7%

Rents like-for-like⁽³⁾ YoY

+6.1%

Office

+2.9%

S. Centers

+5.0%

Logistics

Release spread

+37 bps

Occupancy vs 31/03/19

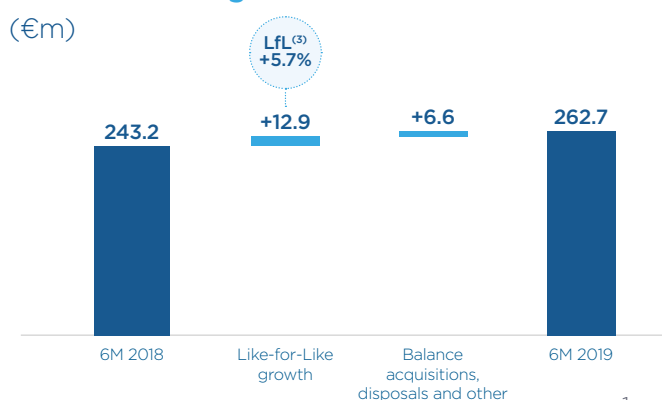
92.9%

- **Office:** 245,979 sqm contracted. LfL of **+8.3%** and **release spread** of **+6.1%**
- **Shopping centers:** 51,405 sqm contracted. LfL of **+3.9%** and **release spread** of **+2.9%**
- **Logistics:** 66,824 sqm contracted. LfL of **+6.2%** and **release spread** of **+5.0%**

6M19	Contracted sqm	Rent		Leasing activity	Occ. vs 31/03/19
		€ m	LfL ⁽³⁾ change	Release spread	Bps
Office	245,979	120.3	+8.3%	+6.1%	+13
Shopping centers	51,405	61.1	+3.9%	+2.9%	+184
High street retail	n.a.	48.7	+2.7%	n.m.	+63
Logistics	66,824	26.2	+6.2%	+5.0%	+7
Other	n.a.	6.5	(5.3%)	n.m.	-
Total	364,208	262.7	+5.7%		+37

Gross rents bridge

(€m)



⁽¹⁾ Excludes non-overhead costs items (€ 1.6m) plus LTIP accrual (€ 22.1m)

⁽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 the 6M19 (€ 241.5m of GRI) and for the 6M18 (€ 228.6m of GRI)

OFFICES

Gross rents bridge (€m)



Rents breakdown

	Gross rents 6M19 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	88.8	17.3	2.6
Barcelona	19.5	15.2	3.4
Lisbon	10.5	19.0	3.7
Other	1.5	10.9	6.9
Total	120.3	16.8	2.9

Leasing activity

- **Rental growth continues robust**, delivering +6.1% release spread in the period
- **2Q leasing activity highlights:**
 - New leases with Travelperk, Dynatrace and Webcargo of 1,128 sqm each in Torre Glories, Barcelona
 - 2,120 sqm new lease with Solvia in PE Cristalia, Madrid
 - 1,127 sqm new lease with Sacyr in Partenon 16-18, Madrid
 - 1,089 sqm renewed with Mediamarkt in Muntadas I, Barcelona
 - 6,582 sqm renewed with Homeserve in PE Los Gamos, Madrid
 - 3,853 sqm renewed with Bristol-Myers in PE Via Norte, Madrid
 - 1,431 sqm renewed with Huawei and 652 sqm new lease (extension) in Art, Lisbon
 - 764 sqm renewed with Credit Suisse in Diagonal 605, Barcelona

6M19 (sqm)	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	207,506	(15,311)	13,421	194,085	(1,890)	+5.0%	145
Barcelona	30,553	(3,606)	21,167	9,386	17,561	+14.9%	35
Lisbon	7,920	-	2,076	5,844	2,076	+10.5%	17
Total	245,979	(18,917)	36,664	209,315⁽²⁾	17,747	+6.1%	197

Occupancy

- **Increase in occupancy in Madrid and Lisbon. Excellent performance in Lisbon (+78 bps vs 3M19), now at full occupancy**
- **Barcelona temporary drop in occupancy** is due to **voluntary vacancy** pursued in **Diagonal 605** ahead of the imminent commencement of works (1,075 sqm)
- **Torre Glóries, now part of the inventory, is almost fully occupied after a very strong second quarter**, with leases signed with Travelperk, Dynatrace and Webcargo plus the LOOM space
- **By markets, best performer this quarter has been Lisbon CBD Expo**

Stock	1,316,129 sqm
WIP	105,722 sqm
Stock incl. WIP	1,421,851 sqm

	Occupancy rate ⁽³⁾		Change bps
	30/06/19	31/03/19	
Madrid	88.4%	88.3%	+11
Barcelona	93.4%	94.0%	(58)
Lisbon	100.0%	99.2%	+78
Other	100.0%	100.0%	-
Total	90.3%	90.1%	+13

⁽¹⁾ Office portfolio in operation for the 6M19 (€ 115.3m of GRI) and for the 6M18 (€ 106.5m of GRI)

⁽²⁾ Excluding roll-overs

⁽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, Arturo Soria 343, Monumental, Costa Brava 6-8, LOOM 22@ Ferreteria and Adequa (2 land plots for development)

OFFICES (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

INVESTMENTS IN 6M19

	GLA (sqm)	GRI	YoC	Acquisition
 Art	22,150	€ 4.6m	5.4%	€ 84.9m
 TFM	7,837	€ 1.6m	5.7%	€ 27.3m
 LOOM 22@ Ferreteria	2,018	€ 0.4m ⁽¹⁾	6.1% ⁽¹⁾	€ 4.0m

LANDMARK I

WIP	GLA (sqm)	Scope	Budget	Delivery
 Torre Chamartín	18,295	Development	€ 38.0m	3Q19 Phase II
 Monumental	22,287	Full refurb (incl. SC)	€ 28.9m	1Q21

IN STOCK

 Castellana 85	15,254	Full refurb	€ 25.2m	1Q21
 Marqués de Pombal	12,460	Lobby + common areas + exterior terrace	€ 1.6m	1Q20
 Diagonal 605	14,795	Double height lobby + common areas + new retail space	€ 8.6m	4Q20

⁽¹⁾ ERV rent of € 0.4m. Yield on cost calculated over purchase price plus estimated Capex

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents 6M19 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
MERLIN	61.1	20.8	2.5

Footfall and tenant sales⁽²⁾

	6M19 LTM	YoY
Footfall	107.9m	+ 0.1%
Tenant sales	€ 1,139.6m	+2.0%
OCR	12.9%	

Leasing activity

- Steady growth in rents, with a positive release spread of +2.9%
- 2Q leasing activity highlights:
 - 8,266 sqm new lease (extension) with Primark in Larios
 - 1,064 sqm new lease with Dock39 in Thader
 - 1,090 sqm renewal with Cortefiel in Porto Pi
 - 318 sqm renewal with Inside in La Vital

6M19 (sqm)	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	51,405	(13,301)	19,295	32,110	5,994	+2.9%	153

Occupancy

- Meaningful increase in occupancy in the period (+184 bps vs 3M19)
- Best performer in 2Q has been Thader

Stock	490,996 sqm
WIP + Tres Aguas ⁽²⁾	120,610 sqm
Stock incl. WIP + Tres Aguas	611,606 sqm

	Occupancy rate		Change bps
	30/06/19	31/03/19	
Total	92.6%	90.8%	+184







⁽¹⁾ Shopping centers portfolio in operation for the 6M19 (€ 47.7m of GRI) and for the 6M18 (€ 45.9m of GRI)

⁽²⁾ WIP includes X-Madrid and Monumental SC. Tres Aguas at 100% allocation

SHOPPING CENTERS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

FLAGSHIP⁽¹⁾

WIP		GLA (sqm)	Scope	Budget	Delivery
	X-Madrid	47,424	Full revamp	€ 35.2m	3Q19
IN STOCK					
	Arturo Soria	7,054	Façade, accesses, installations, terraces, floors and parking	€ 5.4m	3Q19 Phase II
	Larios	41,460	Full refurb	€ 28.1m	3Q19
	Tres Aguas	67,690	Common areas, exterior plaza, restaurants area	€ 20.2m	4Q19
	El Saler	47,471	Full refurb	€ 25.1m	3Q20
	Porto Pi	58,779	Full refurb	€ 21.1m	1Q21

⁽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 6M19 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	14.1	3.9	5.2
Barcelona	5.8	6.0	2.6
Other	6.2	3.7	4.6
Total	26.2	4.1	4.3

Leasing activity

- **Solid LfL growth** driven by increase in rents
- **Good release spread** in all markets, with Madrid being the top performer (+7.3%)
- **2Q leasing activity highlights:**
 - 21,879 sqm new lease with Logisfashion in Guadalajara-Cabanillas III
 - 4,855 sqm new lease with Logiters in Madrid-Getafe (Gavilanes)
 - 27,995 sqm renewal with Dachser in Guadalajara-Azuqueca
 - 5,583 sqm renewal with Telefonica in PLZF, Barcelona

6M19 (sqm)	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	59,424	(28,965)	28,719	30,704	(245)	+7.3%	5
Barcelona	5,583	(4,549)	-	5,583	(4,549)	+5.2%	5
Other	1,818	(2,098)	1,818	-	(280)	+0.7%	4
Total	66,824	(35,612)	30,537	36,287	(5,074)	+5.0%	14

Occupancy

- Occupancy remains at the same level than end of first quarter
- Important pre-lets signed for Best II & III assets including the 11,421 sqm warehouse in Zaragoza-Plaza II pre-let to DSV and two other projects (+133,749 sqm) signed in July (see Post-Closing)

Stock	1,086,702 sqm
Best II⁽²⁾	566,390 sqm
Best III	509,423 sqm
Stock incl. WIP	2,162,515 sqm
ZAL PORT	468,745 sqm
ZAL PORT WIP	257,981 sqm
Stock managed	2,889,241 sqm

	Occupancy rate		
	30/06/2019	31/03/19	Change bps
Madrid	94.1%	93.6%	+50
Barcelona	96.5%	98.4%	(191)
Other	99.0%	98.4%	+64
Total	95.7%	95.7%	+7

⁽¹⁾ Logistics portfolio in operation for 6M19 (€ 23.3m of GRI) and for 6M18 (€ 21.9m of GRI)

⁽²⁾ Cabanillas III has been added to existing inventory and Cabanillas Park I extension has been added to Best II

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND CAPEX

In June 2019, MERLIN has acquired a **land plot** for the development of four logistics warehouses **adjacent to MERLIN Cabanillas Park I**, with a total **GLA of 92,994 sqm**. The project will be delivered in two phases in 2020 and 2021. This development will further grow **MERLIN's footprint** in this dynamic hub for national e-commerce distribution to **ca. 320,000 sqm** to become the **largest logistics park in Madrid**, with 10 state-of-the-art logistics warehouses and best-in-class 3PLs tenants. The project will be included as part of Best II

Best II (as from 30/06/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Delivered				
Guadalajara-Cabanillas III ⁽¹⁾	21,879	0.9	11.8	7.4%
In progress				
Madrid-Pinto II B	29,473	1.2	13.7	8.5%
Madrid-San Fernando II	34,224	1.9	21.7	8.9%
Guadalajara-Azuqueca II	98,757	4.4	54.7	8.1%
Guadalajara-Azuqueca III	51,000	2.3	30.1	7.5%
Guadalajara-Cabanillas Park I F	20,723	0.8	10.7	7.6%
Guadalajara-Cabanillas Park II	210,678	8.5	112.4	7.5%
Toledo-Seseña	28,541	1.2	15.5	7.5%
Guadalajara-Cabanillas Park I Extension	92,994	3.9	56.0	6.9%
Total	588,269	25.0	326.6	7.7%

Best III (as from 30/06/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Valencia-Ribarroja	34,992	1.9	25.5	7.4%
Zaragoza-Plaza II	11,421	0.5	7.1	7.2%
Madrid San Fernando III	98,942	5.0	52.3	9.7%
Sevilla ZAL WIP	42,632	2.0	24.0	8.5%
Lisbon Park	224,864	10.7	147.6	7.2%
Valencia	96,572	4.1	51.6	7.9%
Total	509,423	24.2	308.2	7.9%

⁽¹⁾ Delivered and reclassified as part of the existing stock

BALANCE SHEET

- On April, MERLIN completed the refinancing of its existing term loan and revolving credit facility (RCF) through a **€ 1.55bn ESG indexed financing**, being the largest of its kind in the European REIT spectrum. The facility consists of a € 850m term loan and a € 700m RCF. As a result, **average cost of debt has been reduced and average maturity extended**
- Distribution of € 0.30 per share paid to shareholders on May 7th

	€ million
GAV	12,375
Gross financial debt	5,292
Cash ⁽¹⁾	(216)
Net financial debt	5,076
EPRA NAV	7,097

Ratios	30/06/2019	31/12/2018
LTV	41.0%	40.7%
Av. Interest rate	2.04%	2.13%
Av. Maturity (years)	6.0	5.9
Unsecured debt to total debt	81.5%	81.3%
Interest rate fixed ⁽²⁾	95.4%	96.3%
Liquidity position	706	634

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

VALUATION

- € 12,375m GAV.** +1.6% LfL growth year to date. Logistics developments (Best II & III) are valued at cost and revaluation is only captured at completion
- By asset category, **+1.9%** LfL growth in **office**, **+1.2%** in **shopping centers**, **+0.4%** in **high street retail** and **+4.1%** in **logistics**

	GAV (€ m)	LfL Growth	Gross yield	Yield compression
Office	6,096	+1.9%	4.1%	4 bps
Shopping centers	2,292	+1.2%	5.3%	(11) bps
Logistics	847	+4.1%	5.9%	17 bps
High street retail	2,229	+0.4%	4.4%	2 bps
WIP	285	n.a.	n.a.	
Other and non core land	424	+0.3%	4.4%	3 bps
Equity method	202	+0.8%	n.a.	
Total	12,375	+1.6%	4.5%	2 bps

⁽¹⁾ Includes cash, pending receivable of Testa Residencial (€ 69.6m) and treasury stock (€ 56.9m)

⁽²⁾ 99.3% excluding the RCF for 30/06/19 and 99.1% excluding the RCF for 31/12/18

INVESTMENTS, DIVESTMENTS AND CAPEX





- Investment activity year to date has been mainly focused in Lisbon (Art & TFM) and logistics (Cabanillas Park I extension)
- The three plans of the Company, Landmark I, Flagship and Best II & III continue progressing steadily

	Office	Retail	Logistics	€ million
Acquisitions	Art TFM LOOM 22@ Ferreteria		Cabanillas Park I extension	134.5
Development & WIP	Torre Chamartin Torre Glòries	X-Madrid	Madrid-Pinto IIB Guadalajara-Cabanillas III Toledo-Seseña Sevilla ZAL WIP Lisbon Park	42.2
Refurbishment	Diagonal 605 Castellana 85 Adequa Balmes Eucalipto 33	Larios El Saler		18.1
Like-for-like portfolio (Defensive Capex) ⁽¹⁾				6.9
Total				201.8

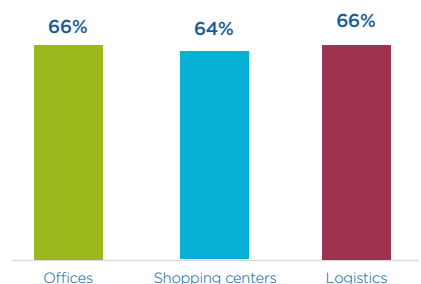
In May, **2 non-core logistics assets were sold**, Castellbisbal and Lliça del Val, totalling 36,419 sqm, at an aggregate price of € 26.2m **(+9.5% premium to latest appraisal)**

SUSTAINABILITY

- Progression continues in the portfolio certification program**, having obtained 13 new LEED/BREEAM certificates in 6M19
- The 7 BREEAM certificates obtained are scored **very good**

Arturo Soria 128	Plaza Ruiz Picasso	Diagonal 199	Guadalajara Cabanillas Park I F
			
BREAAAM Very Good	LEED Silver	LEED Silver	LEED Silver

% GAV certified



⁽¹⁾ € 5.5m are capitalized in balance sheet and € 1.4m are expensed in P&L

POST CLOSING

- In July, MERLIN has signed a 6,365 sqm extension of **Deloitte in Torre Chamartin** (plus the option to extend +2,121 sqm in addition), bringing the occupancy rate to 83% **(94% if option executed)**
- In July, MERLIN has signed the **largest ever logistics lease in Spain with Carrefour**, the entire lease-up of **Guadalajara-Azuqueca II** (Best II), with a GLA of **98,757 sqm**. The turn-key project, currently under construction, will be delivered by the beginning of 2021, featuring state-of-the-art specifications with the latest technology available in the market. Carrefour will cover national distribution of non-consumable goods from this core hub
- In July, MERLIN has signed the full lease-up of Valencia-Ribarroja (part of Best III) with Dachser, totalling 34,992 sqm, in a turn-key scheme

APPENDIX

1. Consolidated Profit and loss
2. Consolidated Balance sheet

1. Consolidated Profit and loss

(€ thousand)	30/06/19	30/06/18 ⁽¹⁾
Gross rents	262,748	243,246
Offices	120,317	110,217
Shopping centers	61,095	47,207
Logistics	26,168	24,254
High street retail	48,675	54,148
Other	6,493	7,419
Other income	2,497	4,007
Total revenues	265,245	247,253
Incentives	(9,714)	(11,096)
Total operating expenses	(68,785)	(64,156)
Propex ⁽²⁾	(24,788)	(21,466)
Personnel expenses	(15,979)	(14,500)
Opex general expenses	(4,330)	(4,257)
Opex non-overheads	(1,567)	(846)
LTIP provision	(22,121)	(21,919)
ACCOUNTING EBITDA	186,746	173,169
Depreciation	(856)	(770)
Gain / (losses) on disposal of assets	36	(459)
Provision surpluses	(313)	8,239
Change in fair value of investment property	159,469	321,215
Difference on business combination	(2,865)	19
EBIT	342,217	501,412
Net financial expenses	(55,357)	(58,780)
Debt amortization costs	5,077	(6,874)
Gain / (losses) on disposal of financial instruments	64	(167)
Change in fair value of financial instruments	(21,408)	(34,022)
Share in earnings of equity method investments	2,523	37,479
Testa Residencial service agreement cancellation	-	53,027
PROFIT BEFORE TAX	273,116	492,075
Income taxes	(11,111)	(11,624)
PROFIT (LOSS) FOR THE PERIOD	262,005	480,452
Minorities	-	(772)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	262,005	479,679

⁽¹⁾ Restated in accordance with IFRS 16 and 9. See note 2.2.1 of the Interim Condensed Consolidated Financial Statements for the period ended on June 30, 2019

⁽²⁾ Includes collection loss

2. Consolidated Balance sheet

(€ thousand)

ASSETS	30/06/19	EQUITY AND LIABILITIES	30/06/19
NON CURRENT ASSETS	12,554,852	EQUITY	6,482,611
Intangible assets	723	Subscribed capital	469,771
Property plant and equipment	9,283	Share premium	3,813,409
Investment property	12,076,232	Reserves	2,078,281
Investments accounted for using the equity method	170,729	Treasury stock	(56,866)
Non-current financial assets	209,637	Other equity holder contributions	540
Deferred tax assets	88,248	Profit for the period	262,005
		Valuation adjustments	(84,529)
		Minorities	-
		NON CURRENT LIABILITIES	6,129,541
		Long term debt	5,389,071
		Long term provisions	64,890
		Deferred tax liabilities	675,580
CURRENT ASSETS	223,356	CURRENT LIABILITIES	166,056
Trade and other receivables	114,090	Short term debt	47,605
Short term investments in group companies and associates	1,158	Short term provisions	851
Short-term financial assets	6,600	Trade and other payables	97,421
Cash and cash equivalents	85,398	Other current liabilities	20,179
Other current assets	16,110		
TOTAL ASSETS	12,778,208	TOTAL EQUITY AND LIABILITIES	12,778,208

APM: definitions and reconciliation of APMs to the latest audited financial accounts can be found on page 59 of Interim Management Report for the period ended on June 30, 2019



MERLIN

PROPERTIES

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