



## CONSOLIDATED PERFORMANCE

**+5.3%**

Gross rents YoY

**+1.4%**

EPS YoY

**+19.2%**

NAV per share YoY

- **Excellent business performance** in the quarter, with positive LfL, release spread and occupancy growth across the board
- Slight decline in recurring EBITDA YoY due to the dragging effect of the **cancellation of the service contract with Testa Residencial**
- **AFFO** (€ 0.15 per share in the quarter) **on track to surpass FY 2018 guidance** (€ 0.58 per share)

(€ million)	9M18	9M17	YoY
Total revenues	376.1	364.0	+3.3%
Gross rents	371.0	352.3	+5.3%
Gross rents after incentives	353.8	339.8	+4.1%
Net rents after propex	319.9	311.3	+2.8%
<i>Gross-to-net margin</i>	<i>90.4%</i>	<i>91.6%</i>	
EBITDA <sup>(1)</sup>	296.4	297.7	(0.4%)
<i>Margin</i>	<i>79.9%</i>	<i>84.5%</i>	
FFO <sup>(2)</sup>	212.7	221.6	(4.1%)
AFFO	205.5	212.1	(3.1%)
Net earnings	481.8	475.3	+1.4%

(€ per share)	9M18	9M17	YoY
FFO	0.45	0.47	(4.1%)
AFFO	0.44	0.45	(3.1%)
EPS	1.03	1.01	+1.4%
NAV	14.33	12.02	+19.2%

## BUSINESS PERFORMANCE

**+2.8%**

Rents like-for-like<sup>(3)</sup> YoY

**+6.8%**

Office

**+4.1%**

S. Centers

**+9.2%**

Logistics

Release spread

**+128 bps**

Occupancy vs 30/06/18

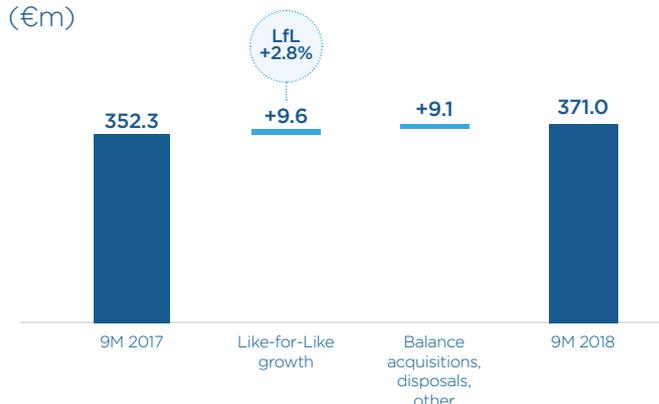
**93.4%**

- **Office:** 235,746 sqm contracted. LfL of **+0.3%** and **release spread** of **+6.8%**
- **Shopping centers:** 71,209 sqm contracted. LfL of **+3.9%** and **release spread** of **+4.1%**
- **Logistics:** 347,874 sqm contracted. LfL of **+8.2%** and **release spread** of **+9.2%**

9M18	Contracted sqm	Rent		Leasing activity	Occ. vs 30/06/18
		€ m	LfL <sup>(3)</sup> change	Release spread	Bps
Office	235,746	166.8	+0.3%	+6.8%	+79
Shopping centers	71,209	74.4	+3.9%	+4.1%	+235
High street retail	n.a.	81.1	+3.8%	n.m.	(6)
Logistics	347,874	37.1	+8.2%	+9.2%	+85
Other	n.a.	11.7	+14.7%	n.m.	(8)
<b>Total</b>	<b>654,829</b>	<b>371.0</b>	<b>+2.8%</b>		<b>+128</b>

### Gross rents bridge

(€m)



<sup>(1)</sup> Excludes non-recurring items (€ 1.9m) plus LTIP accrual (€ 32.9m)

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

<sup>(3)</sup> Portfolio in operation for the 9M17 (€ 342.8m of GRI) and for the 9M18 (€ 352.4m of GRI)

# OFFICES

## Gross rents bridge (€m)



## Rents breakdown

	Gross rents 9M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	129.1	17.0	2.8
Barcelona	25.2	14.6	3.7
Lisbon	10.3	19.3	3.6
Other	2.2	10.8	7.6
<b>Total</b>	<b>166.8</b>	<b>16.6</b>	<b>3.1</b>

## Leasing activity

- **Significant acceleration of rental growth in the quarter**, delivering +6.8% release spread on average (vs +4.7% in 6M18 and +3.4% in FY17)
- **3Q leasing activity highlights:**
  - 6,046 sqm new lease with Deloitte in Torre Chamartin, Madrid
  - 3,385 sqm new lease with Oracle in Torre Glòries, Barcelona
  - 2,139 sqm new lease with Servdebt in Marques de Pombal 3, Lisbon
  - 1,780 sqm new lease (expansion) signed with American Express in Partenon 12-14, Madrid
  - 7,531 sqm renewed with Ferrovial in Via Norte, Madrid
  - 6,042 sqm renewed with Sitel in 22@ Llull, Barcelona
  - 5,665 sqm renewed with Univ. Rioja in Beatriz de Bobadilla, Madrid

9M18	Contracted Sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	157,865	(76,092)	72,807	85,058	(3,285)	+4.6%	125
Barcelona	57,144	(11,806)	29,123	28,021	17,317	+17.2%	56
Lisbon	20,738	(1,846)	3,804	16,934	1,958	+6.4%	21
<b>Total</b>	<b>235,747</b>	<b>(89,744)</b>	<b>105,734</b>	<b>130,013<sup>(2)</sup></b>	<b>15,990</b>	<b>+6.8%</b>	<b>202</b>

## Occupancy

- **Occupancy hike in all markets in 3Q18**
- **Excellent performance in Madrid** (+73 bps vs 2Q18), driven by a wide array of new leases throughout the whole portfolio, **and Lisbon**, driven by the new lease with Servdebt
- **Barcelona has seen an intense lease activity in 3Q18**, with the leases signed in 22@: Sitel in 22@ Llull and Oracle in Torre Glòries<sup>(3)</sup>
- By markets, **best performer this quarter has been Lisbon Prime**

<b>Stock</b>	1,272,182 sqm
<b>WIP</b>	97,579 sqm
<b>Stock incl. WIP</b>	1,369,761 sqm

	Occupancy rate <sup>(3)</sup>		Change bps
	30/09/18	30/06/18	
Madrid	87.6%	86.9%	+73
Barcelona	90.7%	90.5%	+21
Lisbon	93.3%	89.8%	+346
Other	100.0%	100.0%	-
<b>Total</b>	<b>88.6%</b>	<b>87.9%</b>	<b>+79</b>

<sup>(1)</sup> Office portfolio in operation for the 9M17 (€ 162.5m of GRI) and for the 9M18 (€ 163.0m of GRI)

<sup>(2)</sup> Excluding roll-overs

<sup>(3)</sup> 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 and Adequa (2 land plots for development)

# OFFICES (CONT.)

## INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

### INVESTMENTS IN 9M18

	GLA (sqm)	GRI	YoC	Acquisition
 <b>Zen Tower</b>	10,207	€ 2.1m	6.4%	€ 33.3m

### WIP

	GLA (sqm)	Scope	Acquisition	Capex	% executed	Delivery
 <b>Torre Glòries</b>	37,614	Development	€ 142m	€ 19.4m	Phase I 100% Phase II 10%	Jul-18 Jun-19
 <b>Torre Chamartín</b>	18,295	Development	€ 31m	€ 31.0m	100%	Completed in May-18 Opening license received in June

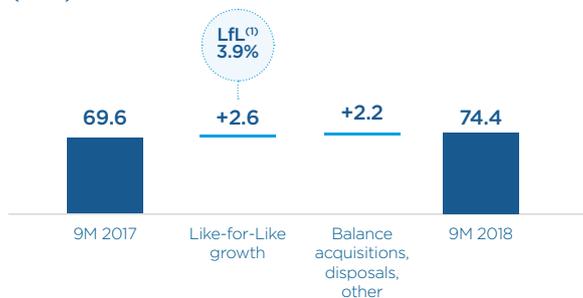
### LANDMARK I (on-going)

	GLA (sqm)	Scope	Budget	% executed
 <b>Monumental</b>	22,387	Full refurb (incl. SC)	€ 28.0m	6%
 <b>Adequa Phase I</b>	27,399	Refurbishment of former Renault and integration in the complex	€ 4.7m	100%
 <b>Marqués de Pombal</b>	12,460	Lobby + common areas + exterior terrace	€ 1.6m	5%
 <b>Diagonal 605</b>	14,795	Full refurb	€ 8.6m	6%

# SHOPPING CENTERS

## Gross rents bridge

(€m)



## Rents breakdown

	Gross rents 9M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
MERLIN	74.4	20.6	2.5

## Footfall and tenant sales

	9M18 LTM	YoY
Footfall	111.3m	(2.4%)
Tenant sales	€ 1,140.1m	+0.1%
OCR	12.6%	

## Leasing activity

- Rental growth continues with a positive release spread of +4.1%
- 3Q leasing activity highlights:
  - 4,425 sqm new lease with Zara in Larios
  - 1,680 sqm new lease with Rocka Furniture in Vilamarina
  - 844 sqm new lease with Mango in La Vital
  - 6,698 sqm renewal with Neocine in Thader

9M18	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	71,209	(21,819)	24,485	46,724	2,666	+4.1%	189

## Occupancy

- **Excellent quarter in occupancy** (+235 bps), driven by LfL growth (+ 127 bps) and Almada (+ 108 bps). Voluntary vacancy due to Flagship Plan amounts to 4,328 sqm in aggregate
- **Best performer** in relative terms in 3Q has been Vilamarina

Stock	510,051 sqm
X-Madrid	47,424 sqm
Tres Aguas <sup>(2)</sup>	67,972 sqm
<b>Stock with X-Madrid+Tres Aguas</b>	<b>616,786 sqm</b>

	Occupancy rate		Change bps
	30/09/18	30/06/18	
Total	90.5%	88.2%	+235

<sup>(1)</sup> Shopping centers portfolio in operation for the 9M17 (€ 66.9m of GRI) and for the 9M18 (€ 69.5m of GRI)

<sup>(2)</sup> Tres Aguas at 100% allocation

# SHOPPING CENTERS (CONT.)

## INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

### INVESTMENTS IN 9M18

	GLA <sup>(1)</sup> (sqm)	GRI	YoC	Acquisition
<b>Almada</b>	81,951	€ 24.0m	5.9%	€ 406.7m

### WIP

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
<b>X-Madrid</b>	€ 36.3m	28%	47,424	Jun-19	80%

### FLAGSHIP PLAN<sup>(2)</sup>

Scope	Budget	% executed	GLA (sqm)	Delivery
<b>Arturo Soria</b>	€ 5.1m	96%	6,959	Apr-19 Phase II

<b>Larios</b>	€ 24.8m	32%	45,076	May-19
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<b>El Saler</b>	€ 22.4m	8%	47,013	Jun-20
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<b>Porto Pi</b>	€ 20.1m	7%	58,779	Dec-20
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<sup>(1)</sup> 60,049 sqm attributable

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<sup>(2)</sup> 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 9M18 (€ m)	Passing rent (€/sqm/m)	Wault (yrs)
Madrid	19.4	3.8	4.7
Barcelona	9.1	5.4	2.9
Other	8.7	3.6	5.4
<b>Total</b>	<b>37.1</b>	<b>4.0</b>	<b>4.0</b>

## Leasing activity

- Business performance remains strong, in both rents and occupancy
- Excellent release spread in all markets, with Seville being the top performer in the quarter (+17.1%)
- 3Q leasing activity highlights:
  - 13,684 sqm new lease with Acciona in PLZF, Barcelona
  - 4,320 sqm new lease with Rhenus in Sevilla-ZAL
  - 35,285 sqm renewal with Dachser in Madrid-Meco

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	229,135	(18,907)	113,258	115,877	94,351	+7.0%	8
Barcelona	66,567	(24,550)	25,063	41,504	513	+11.0%	7
Other	52,172	(11,814)	27,885	24,287	16,071	+17.1%	6
<b>Total</b>	<b>347,874</b>	<b>(55,271)</b>	<b>166,206</b>	<b>181,667</b>	<b>110,936</b>	<b>+9.2%</b>	<b>21</b>

## Occupancy

- Good performance in the quarter with occupancy increase across all markets

Stock	1,118,001 sqm
WIP	493,210 sqm
Stock incl. WIP	1,611,211 sqm
ZAL PORT	468,743 sqm
ZAL PORT WIP	145,859 sqm
Stock under management	2,225,813 sqm

	Occupancy rate		
	30/09/18	30/06/18	Change bps
Madrid	97.4%	97.4%	+6
Barcelona	99.6%	96.5%	+311
Other	99.1%	98.0%	+107
<b>Total</b>	<b>98.2%</b>	<b>97.4%</b>	<b>+85</b>

<sup>(1)</sup> Logistics in operation for 9M17 (€ 25.5m of GRI) and for 9M18 (€ 27.6m of GRI)

# LOGISTICS (CONT.)

## INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

### INVESTMENTS

	GLA (sqm)	GRI (annual)	YoC	Investment
<b>Vitoria-Jundiz II + Guadalajara-Cabanillas II</b>	41,850	€ 1.4m	6.9%	€ 20.9m
<b>Cabanillas III</b>	21,544	€ 0.9m	7.4%	€ 11.5m
<b>Toledo-Seseña</b>	28,541	€ 1.1m	8.1%	€ 14.0m

### WIP DELIVERED IN 9M18

	GLA (sqm)	GRI (annual)	YoC	Investment
<b>Meco II</b>	59,814	€ 2.6m	8.9%	€ 29.4m
<b>Sevilla ZAL I</b>	5,400	€ 0.2m	7.9%	€ 2.7m
<b>Madrid-Getafe (Gavilanes)</b>	39,415	€ 2.6m	8.1%	€ 32.6m
<b>Madrid-San Fernando I</b>	11,165	€ 0.7m	7.5%	€ 9.9m

### BEST II (AS FROM 30/09/18)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
Madrid-Pinto II B	29,473	1.1	10.9	9.7%
Madrid-San Fernando II	34,224	1.8	20.3	8.7%
Guadalajara-Azuqueca II	98,000	4.3	47.6	9.0%
Guadalajara-Azuqueca III	51,000	2.2	29.6	7.5%
Guadalajara-Cabanillas Park I F	19,750	0.8	10.4	7.5%
Guadalajara-Cabanillas Park II	210,678	8.3	109.6	7.6%
Guadalajara-Cabanillas III	21,544	0.9	11.5	7.4%
Toledo-Seseña	28,541	1.1	14.0	8.1%
<b>Total</b>	<b>493,210</b>	<b>20.5</b>	<b>253.9</b>	<b>8.1%</b>

## BALANCE SHEET

- **Testa Residencial** sales agreement implies its reclassification to asset held for sale, with **LTV pro-forma at 43.0%**
- **S&P upgraded the outlook** for MERLIN's BBB rating from stable to **positive**

	€ million
GAV	12,248
Gross financial debt	5,627
Cash <sup>(2)</sup>	(189)
Net financial debt	5,439
EPRA NAV	6,733

Ratios	30/09/2018 <sup>(1)</sup>	31/12/2017
LTV	43.0%	43.6%
Av. interest rate	2.20%	2.23%
Av. Maturity (years)	5.5	6.1
Unsecured debt to total debt	78.2%	78.5%
Interest rate fixed	98.6%	98.6%
Liquidity position <sup>(3)</sup> (€m)	567	949

Corporate rating		Outlook
<b>S&amp;P Global</b>	BBB	Positive
<b>Moody's</b>	Baa2	Stable

## INVESTMENTS, DIVESTMENTS AND CAPEX

- Investment activity propelled this quarter by Almada acquisition
- The three plans of the Company, Landmark I, Flagship and Best II continue progressing properly

	Office	Retail	Logistics	€ million
Acquisitions	Endesa leasings Zen Tower	Almada Porto Pi unit	Getafe-Gavilanes San Fernando I Vitoria-Jundiz II Guadalajara-Cabanillas II	562.4
Development & WIP	Torre Chamartin Torre Glòries	X-Madrid	Cabanillas III Toledo-Seseña Madrid-Meco II	33.1
Refurbishment	Adequa Juan Esplandiu Castellana 85 Diagonal 605	Larios Arturo Soria Porto Pi		17.0
Like-for-like portfolio (Defensive Capex) <sup>(4)</sup>				9.3
<b>Total</b>				<b>621.8</b>

- Intense divestment activity to surpass the target for the year. € 588m sales proceeds, including Tree portfolio of 166 branches (post-closing), delivering a 2.5% premium

Asset	Sales price (€ m)	Latest GAV <sup>(6)</sup>	Premium
Testa Residencial	321.2	316.3	1.5%
Tree portfolio	252.0	243.3	3.6%
Miscellaneous non-core <sup>(5)</sup>	14.8	14.0	5.4%
<b>Total</b>	<b>588.0</b>	<b>573.6</b>	<b>2.5%</b>

<sup>(1)</sup> Pro-forma after Testa Residencial disposal. On 30/09, still classified as asset held for sale, LTV stands temporarily at 44.4%

<sup>(2)</sup> Includes cash and pending receivable of hotels disposal (€ 1.6m)

<sup>(3)</sup> Includes available cash plus pending receivable of hotels disposal (€ 1.6m), Testa Residencial net proceed and unused credit facilities (€ 70m)

<sup>(4)</sup> € 7.1m are capitalized in balance sheet and € 2.2m are expensed in P&L

<sup>(5)</sup> Granada del Penedés and Sant Boi (logistics), two Tree branches sold to an individual investor

<sup>(6)</sup> Testa Residencial NAV basis (equity stake).

## SUSTAINABILITY

- **Excellent progression of the portfolio certification program**, having obtained **31 new LEED/BREEAM** certificates 9M18 (17 since last reported)
- Out of 20 LEED certificates, **2 are Platinum and 15 are Gold**



## POST CLOSING

- In October, MERLIN distributed an **interim dividend to shareholders of € 0.20 gross per share**, representing a total outflow of **€ 93.5m**
- In October, MERLIN received the **early repayment of the € 65.2m loan to Tres Aguas** following its refinancing
- In November, **MERLIN received 817,727 shares of Aedas Homes** as a fee for the successful set-up and IPO of the company
- In November, MERLIN has reached an agreement with BBVA for the **sale of 166 branches for a price of € 252m (+3.6% premium vs latest appraisal as of June 30)**

# APPENDIX

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1. Consolidated Profit and loss
2. Consolidated Balance sheet
3. Alternative measures of performance

## 1. Consolidated Profit and loss account

(€ thousand)	30/9/18	30/9/17
<b>Gross rents</b>	<b>370,971</b>	<b>352,257</b>
Offices	166,765	163,806
Shopping centers	74,355	69,588
Logistics	37,114	29,865
High street retail	81,057	78,176
Other	11,680	10,822
<b>Other income</b>	<b>5,084</b>	<b>11,703</b>
<b>Total revenues</b>	<b>376,055</b>	<b>363,961</b>
Incentives	(17,195)	(12,467)
Collection loss	(624)	(1,116)
<b>Total Operating Expenses</b>	<b>(96,664)</b>	<b>(96,528)</b>
Propex	(33,289)	(27,406)
Personnel expenses	(22,153)	(18,542)
Opex recurring	(6,433)	(6,779)
Opex non-recurring	(1,910)	(3,676)
LTIP Provision	(32,879)	(40,125)
<b>EBITDA</b>	<b>261,572</b>	<b>253,849</b>
Depreciation	(7,883)	(5,781)
Gain / (losses) on disposal of assets	(500)	(705)
Provision surpluses	7,724	-
Absorption of the revaluation of investment property	-	(9,839)
Change in fair value of investment property	313,031	332,610
Difference on business combination	(31,568)	(5,313)
<b>EBIT</b>	<b>542,376</b>	<b>564,821</b>
Net financial expense	(87,755)	(78,795)
Debt amortization cost	(6,972)	(10,226)
Gain / (losses) on disposal of financial instruments	(189)	63
Change in fair value of financial instruments	(32,623)	(5,148)
Share in earnings of equity method investees	25,357	8,674
Testa Residencial service agreement cancellation	53,027	-
<b>PROFIT BEFORE TAX</b>	<b>493,221</b>	<b>479,389</b>
Income taxes	(11,289)	(3,450)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>481,932</b>	<b>475,939</b>
Minorities	142	594
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE</b>	<b>481,790</b>	<b>475,345</b>

## 2. Consolidated Balance sheet

(€ thousand)

ASSETS	30/09/18	EQUITY AND LIABILITIES	30/09/18
<b>NON CURRENT ASSETS</b>	<b>12,047,673</b>	<b>EQUITY</b>	<b>6,110,607</b>
Intangible assets	237,389	Subscribed capital	469,771
Property, plant and equipment	3,461	Share premium	3,858,623
Investment property	11,281,919	Reserves	1,335,863
Investments accounted for using the equity method	132,844	Treasury stock	(12,274)
Non-current financial assets	248,077	Other equity holder contributions	540
Deferred tax assets	143,983	Profit for the period	481,790
		Valuation adjustments	(29,971)
		Minorities	6,265
		<b>NON CURRENT LIABILITIES</b>	<b>6,414,137</b>
		Long term debt	5,661,689
		Long term provisions	62,411
		Deferred tax liabilities	690,037
<b>CURRENT ASSETS</b>	<b>641,579</b>	<b>CURRENT LIABILITIES</b>	<b>164,508</b>
Assets held for sale	316,310	Short term debt	80,864
Trade and other receivables	56,889	Short term provisions	867
Short term investments in group companies and associates	66,345	Trade and other payables	58,112
Short term financial assets	7,321	Other current liabilities	24,665
Cash and cash equivalents	183,201		
Other current assets	11,513		
<b>TOTAL ASSETS</b>	<b>12,689,252</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,689,252</b>

### 3. Alternative measures of performance

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA), the alternative measures of performance are described as follows.

#### Glossary

##### Average debt maturity (years)

It represents the average debt duration of the Company until maturity.

##### Average Passing Rent

It represents the rent for sqm/month to which an asset or category of assets is rented as of 30 September.

##### EBITDA

Earnings before net revaluations, amortizations, provisions, interest and taxes.

##### EPRA costs

Recurring running costs of the Company divided by recurring rents.

##### EPRA Earnings (€ thousand)

Recurring earnings from core operational activities.

##### EPRA NAV (€ thousand)

EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated shareholders' equity of the Group adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a longterm investment property business model, as per EPRA's recommendations.

##### EPRA NNNAV (€ thousand)

EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes.

##### EPRA Net Initial Yield

Annualised rental income based on the cash passing rents at the balance sheet date, less nonrecoverable property operating expenses, divided by the market value of the property, increased with acquisition costs.

##### EPRA "topped-up" NIY

Adjustment to the EPRA Net Initial Yield in respect of the expiration of rentfree periods (or other unexpired lease incentives such as discounted rent periods and step rents).

##### EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.

##### FFO

Recurring result of the Company calculated as EBITDA less debt interest expenses of the period.

##### GAV

Value of the commercial portfolio in accordance with the latest external valuation available as of 30 September 2018 plus advanced payments for turn-key projects and developments and capex invested in 9M18.

##### Gross annualized rents

Passing rent as of 30 September multiplied by 12.

##### Gross yield

It represents the gross yield of an asset or category of assets. It is calculated by dividing the annualized gross rent between the latest available GAV.

##### Recurring EBITDA

EBITDA less non-recurring general expenses of the Company.

##### Recurring FFO

FFO less non-recurring general expenses of the Company.

##### Release Spread

Difference between the new rent signed and the old prevailing rent on renewals (same space, same tenant) or relets (same space, different tenant) during last twelve months.

##### Rents Like-for-Like

Difference between the rents received in the period of analysis and the rents received on the similar period one year before for the same perimeter of assets.

##### WAULT

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 30 September 2018, until the lease contract expiration, weighted by the gross rent of each individual lease contract.



**MERLIN**

PROPERTIES

Paseo de la castellana, 257  
28046 Madrid  
+34 91 769 19 00  
info@merlinprop.com  
**www.merlinproperties.com**