MERLIN PROPERTIES

FY23 RESULTS
Trading Update

AT A GLANCE

- **Strong year at an operational level,** with overall rents growing at +6.5% LfL and FFO up +9.6% pro-forma
- **Succesful delivery of Plaza Ruiz Picasso 11, Cerro de los Gamos and 3 Data Centers;** while completing all urban planning milestones for our **logistics landbank to be fully ready-to-build**
- The company has met the **updated guidance on FFO** and has achieved **strong operating performance in all key metrics,** reaching record high occupancy (96.2% +110 bps YoY)
- The slightly negative Total Shareholder Return (-1.0% YoY) reflects the **significant yield expansion** (+42 bps YoY to 5.1%). Since FY20, passing yields have expanded by 95 bps

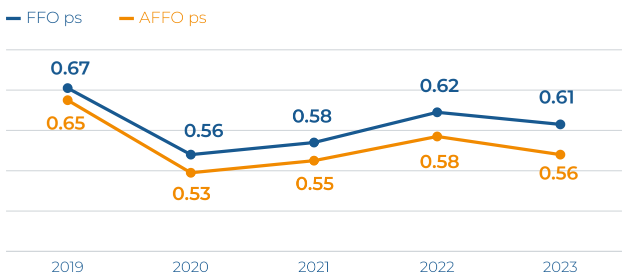
FFO PER SHARE / AFFO PER SHARE

FFO guidance met; almost compensating the effect of 1H22 rents from BBVA

€ 0.61 (-2.1% YoY)
FFO ps

+9.6% PF
Excl. Tree disposal

€ 0.56 (-2.9% YoY)
AFFO ps

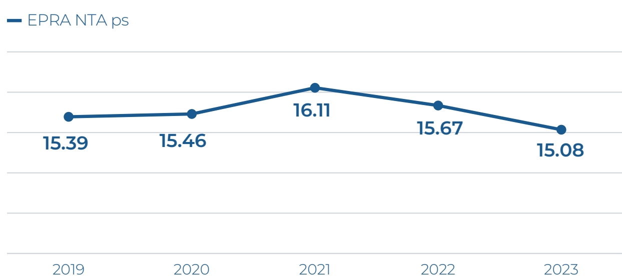


EPRA NTA PER SHARE

EPRA NTA impacted by the yield expansion and the cash dividend distribution (€ 0.44 per share)

€ 15.08 (-3.8% YoY)
EPRA NTA per share evolution

-3.4%
LfL GAV evolution

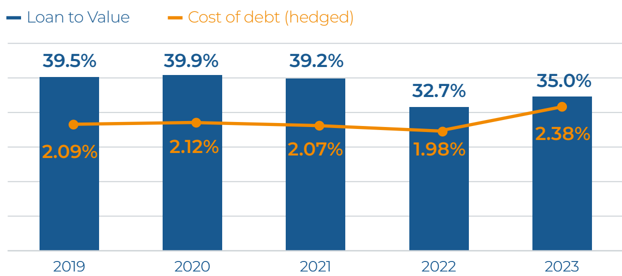


FINANCIAL DEBT

Solid financial structure, no maturities in 2024 and the 2025 bond (€ 600m) is already covered

35.0%
Loan to Value

2.71% spot (2.38% hedged)
Cost of debt



CONSOLIDATED PERFORMANCE

+6.5%
Gross rents like-for-like YoY

(2.1%)
FFO per share YoY

+9.6% PF
Excl. Tree disposal

(3.8%)
EPRA NTA per share YoY

- Strong operating performance leading to **compelling rental growth (+6.5% LfL)**
- **FFO impacted by the disposals executed in 2022** (-2.1% FFO vs FY22)
- **Occupancy reaching 96.2%,** a new milestone for the company
- **€ 38.3m in non-core divestments**
- **High financial visibility:** 2023 and 2025 bonds tackled and RCF extended until 2028 at attractive terms, with no further maturities until November 2026
- **42 bps yield expansion during the period** to 5.1% with limited impact on valuation due to strong operating tailwinds and value creation on deliveries
- **Madrid, Barcelona and Arasur** Data Centers operational and delivered to the anchor tenant
- **NTA per share** standing at **€ 15.08**

(€ million)	FY23	FY22	YoY
Total revenues	488.3	460.7	6.0%
Gross rents	475.6	452.8	5.0%
Gross rents after incentives	447.2	428.2	4.5%
Net rents after propex & collection losses	403.7	378.9	6.6%
Gross-to-net margin[1]	*90.3%*	*88.5%*	
EBITDA[2]	367.0	334.7	9.7%
Margin	*77.2%*	*73.9%*	
FFO[3]	284.2	290.5	(2.1%)
Margin	*59.8%*	*64.1%*	
AFFO	263.4	271.2	(2.9%)
Net earnings	(83.5)	263.1	n.m.

(€ per share)	FY23	FY22	YoY
FFO	0.61	0.62	(2.1%)
AFFO	0.56	0.58	(2.9%)
EPS	(0.18)	0.56	n.m.
EPRA NTA	15.08	15.67	(3.8%)

BUSINESS PERFORMANCE

Rents like-for-like YoY

+6.1% Offices | **+4.8%** Logistics | **+7.7%** S. Centers

Release spread

+1.2% Offices | **+5.2%** Logistics | **+12.1%** S. Centers

Occupancy vs 31/12/2022

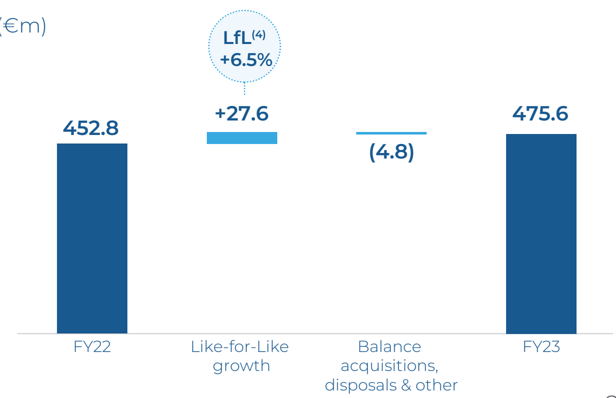
+110 bps → **96.2%**

- **Offices:** 301,798 sqm contracted. **LfL** of **+6.1%** and **release spread** of **+1.2%**
- **Logistics:** 297,902 sqm contracted. **LfL** of **+4.8%** and **release spread** of **+5.2%**
- **Shopping centers:** 38,672 sqm contracted. **LfL** of **+7.7%** and **release spread** of **+12.1%**

FY23	Contracted	Rent		Leasing activity	Occ. vs 31/12/22
	sqm	€m	Lfl change	Release spread	Bps
Offices	301,798	254.8	+6.1%	1.2%	(7)
Logistics	297,902	80.3	+4.8%	5.2%	+201
Shopping centers	38,672	125.8	+7.7%	12.1%	+122
Data Centers	n.a.	0.5	n.a.	n.a.	n.a.
Other	n.a.	14.2	+12.8%	n.m.	+72
Total	**638,373**	**475.6**	**+6.5%**		**+110**

Gross rents bridge

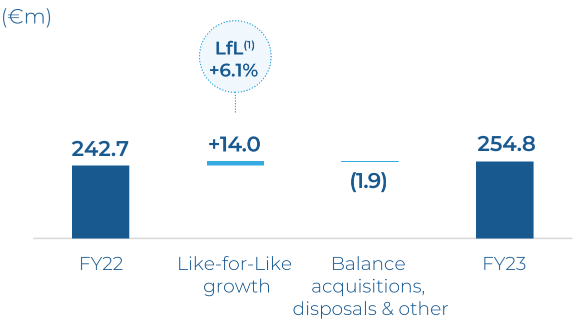
(€m)



[1] Net of incentives
[2] Excludes non-overhead costs items (€ 2.7m) plus LTIP accrual (€ 2.8m)
[3] FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method
[4] Portfolio in operation for FY22 (€ 424.8m of GRI) and for FY23 (€ 452.4m of GRI)

OFFICES

Gross rents bridge



Rents breakdown

	Gross rents FY23 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	173.9	20.1	3.3
Barcelona	44.1	21.2	2.9
Lisbon	34.2	21.7	3.8
Other	2.6	11.8	5.8
Total	**254.8**	**20.3**	**3.3**

Leasing activity

- **Positive release spread (+1.2%) despite the high indexation captured in 2022-2023**
- **4Q23 leasing activity highlights:**
  - 10,493 sqm new lease with IBM in Plaza Ruiz Picasso 11, Madrid
  - 2,623 sqm renewal with Casino Canoe in Castellana 93, Madrid
  - 2,128 sqm new lease with Cegid in San Cugat I, Barcelona
  - 2,112 sqm renewal with IQVIA in Juan Esplandiu 11-13, Madrid
  - 1,789 sqm new lease (extension) with American Express in Partenon 12-14, Madrid
  - 1,571 sqm new lease (extension) with Elecnor in Arturo Soria 343, Madrid
  - 1,541 sqm renewal with Abbott Laboratories in PE Via Norte, Madrid

						LTM	
sqm	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	227,743	(47,782)	69,822	157,921	22,040	+0.7%	102
Barcelona	69,729	(15,505)	13,898	55,831	(1,607)	+2.5%	44
Lisbon	4,326	(2,524)	2,342	1,984	(182)	+1.2%	4
Total	**301,798**	**(65,811)**	**86,062**	**215,736**	**20,251**	**+1.2%**	**150**

Occupancy

- **Resilient occupancy (92.5%)**
- By markets, **best performer this quarter has been Madrid NBA A-1,** reaching an all time high occupancy figure after improving 1,297 bps since 2018

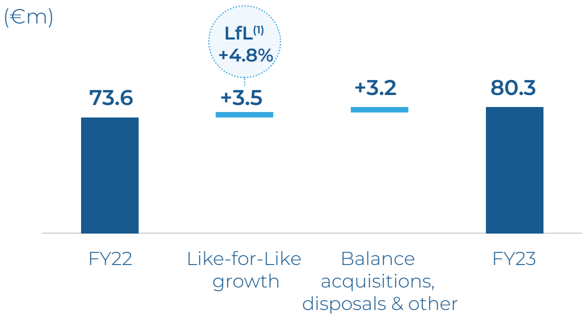
Stock	1,157,332 sqm
WIP	163,789 sqm
Stock incl. WIP	1,321,121 sqm

	Occupancy rate(2)		
	FY23	FY22	Change bps
Madrid	91.1%	90.6%	+47
Barcelona	92.7%	94.4%	(174)
Lisbon	99.9%	100.0%	(15)
Other	100.0%	100.0%	-
Total	**92.5%**	**92.5%**	**(7)**

(1) Portfolio in operation for FY22 (€ 228.7m of GRI) and for FY23 (€ 242.7m of GRI)
(2) MERLIN policy excludes buildings under complete refurbishment. Buildings excluded this period are Plaza Ruiz Picasso, Plaza Ruiz Picasso extension, Torre Lisboa, Cerro de los Gamos 2, 3 & 5, PLZFA and Josefa Valcarcel 48

LOGISTICS

Gross rents bridge



Rents breakdown

	Gross rents FY23 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	51.0	4.3	3.7
Barcelona	11.6	7.5	2.7
Other	17.7	4.5	1.9
Total	**80.3**	**4.7**	**3.1**

Leasing activity

- **Very good organic performance (+4.8% LfL) thanks to full occupancy (99%), indexation and rental increases on renewals (+5.2%)**
- **4Q23 leasing activity highlights:**
  - 66,385 sqm renewal with Luis Simoes in Cabanillas Park I B & C

						LTM	
sqm	**Contracted**	**Out**	**In**	**Renewals**	**Net**	**Release spread**	**# Contracts**
Madrid	251,987	(13,306)	38,054	213,933	24,748	+2.9%	9
Barcelona	26,564	(8,964)	14,123	12,441	5,159	+12.7%	3
Other	19,351	(10,123)	10,564	8,787	441	-	1
Total	**297,902**	**(32,393)**	**62,741**	**235,161**	**30,348**	**+5.2%**	**13**

Occupancy

- **Existing portfolio in operation close to full occupancy,** MERLIN efforts are now focused on the development of the Landbank

Stock	1,463,379 sqm
WIP(2)	604,779 sqm
Best II	214,467 sqm
Best III	390,312 sqm
Stock incl. WIP	2,068,158 sqm
ZAL Port	757,003 sqm
Stock managed	2,825,161 sqm

	Occupancy rate		
	FY23	**FY22**	**bps**
Madrid	98.6%	96.1%	+258
Barcelona	98.6%	94.7%	+391
Other	100.0%	100.0%	-
Total	**99.0%**	**97.0%**	**+201**

(1) Portfolio in operation for FY22 (€ 72.0m of GRI) and for FY23 (€ 75.5m of GRI)
(2) WIP includes in progress and Landbank Best II & III

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Logistics development program (as from 31/12/2023)

- **478k sqm** of Best II and III projects have been delivered to date achieving an YoC average of **7.8%**
- **A2-Cabanillas Park II B** (47k sqm) finished and fully let in 1Q24
- **557k sqm of Landbank,** all of which have reached **ready-to-build status,** distributed among selected locations in Madrid, Lisbon, Valencia and Seville

Logistics pipeline as of FY23

	GLA (sqm)	Pending capex (€m)	Expected GRI (€m)	YoC[1] (%)	Yield on Pending Capex (%)
Near term pipeline by 2Q25	189k	78	10.4	7.6%	13.3%
Medium term pipeline (2026-2027)	98k	61	6.1	7.6%	10.0%
Non-committed long-term pipeline[2]	318k	162	17.7	±7.0%	11.0%

DATA CENTERS

- **MAD01-GET, BCN01-PLZF and BIO03-ARA** Data Centers **fully operational** and delivered to the anchor tenant, proving to market best-in-class technical specifications (1.15 PUE and 0.0 WUE)
- **LIS01-VFX** Data Center **license expected in 1Q24**
- Given the **increase in the demand due to Generative AI,** the company is accelerating its IT MEP procurement and repowering facilities where the opportunity arises

Data Centers pipeline (up to 60 MW IT capacity) w/o Lisbon

Capex invested as of FY23 (€m)	2024 Capex (€m)	2025-2026 Capex (€m)	Expected stabilized GRI (€m)	Stabilized GRI YoC[1] (%)	Stabilized NOI YoC (%)
258[3]	144	163	81	14.4%	>10%

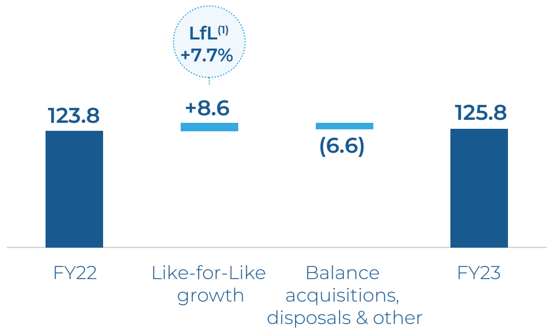
- **Land and power available** for an additional **178 MW of IT capacity**

[1] Including land cost
[2] To be developed on a pre-let basis
[3] € 306m including down payments and pre-orders

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents FY23 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
MERLIN	125.8	24.7	2.3

Footfall and tenant sales[2]

	vs FY22	vs FY19
Tenant sales	+10.7%	+14.0%
Footfall	+5.0%	+1.2%
OCR	11.7%	

Leasing activity

- **Footfall** (+5.0% vs FY22) and **sales** (+10.7% vs FY22) **have performed strongly**
- **Refurbished assets, fully adapted to ESG and customer demands, paired with affordable rents** (11.7% OCR in FY23) are a guarantee of resiliency
- **4Q23 leasing activity highlights:**
  - 2,740 sqm renewal with Casino de Mallorca in Porto Pi
  - 891 sqm renewal with Climbat in X-Madrid
  - 765 sqm renewal with Ducati in X-Madrid
  - 686 sqm new lease with Cortefiel in Almada
  - 429 sqm renewal with Chido in X-Madrid
  - 428 sqm renewal with El Kiosko in X-Madrid

						LTM	
sqm	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	38,672	(24,533)	23,562	15,111	(971)	+12.1%	84

Occupancy

- **Occupancy stands at 96.2%**
- **Best performer** this quarter has been **Saler**

Stock	431,349 sqm
Tres Aguas[3]	67,940 sqm
Stock with Tres Aguas	499,289 sqm

	Occupancy rate		
	FY23	FY22	bps
Total	96.2%	95.0%	+122

[1] Portfolio in operation for FY22 (€ 111.8m of GRI) and for FY23 (€ 120.4m of GRI)
[2] Given the normalization in footfall and sales, the company will discontinue reporting the figures compared to 2019 from 2024 onwards
[3] Tres Aguas at 100% allocation

BALANCE SHEET

- **LTV stands at 35.0%**
- 2023 maturity (€ 744.5m) refinanced.
- **The May 2025 bond maturity has been covered,** with a mix of banking debt and bond financing, under satisfactory terms (MS + 125 bps).
- **No further maturities until November 2026**

Ratios	31/12/2023	31/12/2022
LTV (Incl. TC)	35.0%	32.7%
Av. Interest rate	2.38%	1.98%
Av. Maturity (years)	5.1	4.9
Unsecured debt to total debt	90.4%	98.0%
Interest rate fixed	99.7%	99.6%
Liquidity position (€m)[1]	1,309	1,856

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

	€ million
GAV	11,269.6
Gross financial debt	4,526
Cash and equivalents[2]	(477)
Net financial debt	4,050
NTA	7,083

VALUATION

- **€ 11,270m GAV, (3.4%) LfL** as compared to December 2022
- **Substantial decline in valuations accross the board** despite the strong operating performance, partially offset by the revaluation of the logistics developments (including ZAL Port within equity method) and Data Centers (€ 83.5m revaluation captured in 2H23)
- **Yields have expanded by 42 bps** during the year across all asset classes, now exceeding 5% gross on average. **Since FY20, passing yields have expanded by 95 bps** while still delivering positive TSR during the period, with alpha offsetting yield expansion

	GAV (€ m)	LfL Growth	Gross yield	Yield expansion /(compression)[3]
Offices	6,191	(4.7%)	4.7%	+34
Logistics	1,410	3.0%	5.6%	+39
Shopping centers	2,006	(5.2%)	6.1%	+54
Logistics WIP & Office landbank	294	n.a.	n.a.	
Data Centers	342	n.a.	n.a.	n.a.
Others	354	(12.2%)	4.9%	+105
Equity method	673	7.0%	n.a.	
Total	**11,270**	**(3.4%)**	**5.1%**	**+42**

(1) Includes cash (€ 461.2m) and treasury stock (€ 15.4m) and undrawned credit facilities (€ 832.4m) in FY23
(2) Includes cash (€ 461.2m) and treasury stock (€ 15.4m)
(3) Bps based on passing rent

INVESTMENTS, DIVESTMENTS AND CAPEX

- **€ 38.3m in non-core disposals in FY23** including 2 secondary shopping centers, 1 residential unit, 1 supermarket and 1 industrial asset
- **Muted acquisitions during FY23.** Opportunistic acquisition of a department store in Marineda to expand our shopping center by 18,232 sqm. Retrofitting works have already started with expected delivery in 2025
- Capex efforts continue to be focused on **Best II & III and Digital Infrastructure Plan** (Mega). 3 Data Centers have been delivered during the year:
  - **MAD01-GET:** 3 MW installed IT capacity out of total 20 MW
  - **BCN01-PLZF:** 3 MW installed IT capacity out of total 16 MW
  - **BIO03-ARA:** 3 MW installed IT capacity out of total 24 MW
- Regarding Offices, Cerro de los Gamos (Phase I) and Atica 1 totalling 17,894 sqm have been delivered during the year. Plaza Ruiz Picasso 11 (36,899 sqm) has started the delivery of space to its first tenants (10,493 sqm to IBM in December 2023)

	Offices	Retail	Logistics	Data Centers	€ million
Acquisitions		Marineda extension Porto Pi unit	Valencia-Betera		22.8
Greenfield development			A2-Cabanillas Park II Lisboa-Park	BIO03-ARA (Data Center) MAD01-GET (Data Center) BCN01-PLZF (Data Center) LIS-01 VFX (Data Center)	167.6
Refurbishments	Plaza Ruiz Picasso PE Cerro Gamos PLZFA		A4-Pinto II A2-Cabanillas I		96.9
Like-for-like portfolio (Defensive Capex)[(1)]					26.1
Total					**313.5**

POST CLOSING

- In January, MERLIN signed a € 150m secured bank loan maturing in 2034 @130 bps margin. The loan is expected to be drawn down in March 2024
- In January, MERLIN issued a € 100m tap on the 2.375% note due in September 2029 (3.93% cost)
- On February 21st 2024, MERLIN signed in agreement the conclusions of a tax inspection opened in 2022. As a result, the company shall pay an amount of € 1.6 million to the Tax Authority and the Tax Authority shall reimburse MERLIN with € 14.0 million as a result of the application of the Constitutional Court ruling of January 19th, 2024

(1) € 20.8m are capitalized in balance sheet and € 5.3m are expensed in P&L

APPENDIX

1. Consolidated Profit and Loss

(€ thousand)	31/12/2023	31/12/2022
Gross rents	**475,614**	**452,842**
Offices	254,831	242,716
Logistics	80,273	73,563
Shopping centers	125,776	123,840
Data Centers	539	-
Other	14,196	12,723
Other income	**12,654**	**7,881**
Total Revenues	**488,268**	**460,723**
Incentives	(28,407)	(24,688)
Total Operating Expenses	**(98,461)**	**(107,838)**
Propex	(43,500)	(49,276)
Personnel expenses	(31,759)	(35,659)
Opex general expenses	(17,651)	(16,446)
Opex non-overheads	(2,747)	(2,443)
LTIP Provision	(2,804)	(4,014)
Accounting EBITDA	**361,400**	**328,197**
Depreciation	(2,075)	(1,885)
Gain / (losses) on disposal of assets	(7,023)	11,561
Provisions	(7,410)	(160)
Change in fair value of investment property	(335,984)	(249,272)
EBIT	**8,907**	**88,441**
Net financial expenses	(109,185)	(91,532)
Debt amortization costs	(8,405)	(13,729)
Gain / (losses) on disposal of financial instruments	-	(283)
Change in fair value of financial instruments	(6,232)	41,226
Share in earnings of equity method instruments	39,923	24,033
PROFIT BEFORE TAX	**(74,992)**	**48,156**
Income taxes	(8,505)	(6,800)
PROFIT (LOSS) FOR THE PERIOD RECURRING OPERATIONS	**(83,497)**	**41,356**
Result from discontinued operations	-	221,731
Minorities	-	-
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	**(83,497)**	**263,087**

2. Consolidated Balance Sheet

(€ thousand)

ASSETS	31/12/2023	EQUITY AND LIABILITIES	31/12/2023
NON CURRENT ASSETS	**11,465,445**	**EQUITY**	**6,539,038**
Intangible assets	1,570	Subscribed capital	469,771
Property, plant and equipment	7,142	Share premium	3,541,379
Investment property	10,639,763	Reserves	2,729,403
Investments accounted by the equity method	537,288	Treasury stock	(15,410)
Non-current financial assets	202,109	Other equity holder contributions	540
Deferred tax assets	77,573	Interim dividend	(93,673)
		Profit for the period	(83,497)
		Valuation adjustments	(9,475)
		NON-CURRENT LIABILITIES	**5,311,701**
		Long term debt	4,678,330
		Long term provisions	20,181
		Deferred tax liabilities	613,190
CURRENT ASSETS	**599,966**	**CURRENT LIABILITIES**	**214,672**
Trade and other receivables	62,598	Short term debt	32,863
Short term investments in group companies and associates	3,149	Trade and other payables	171,599
Short-term financial assets	1,842	Other current liabilities	10,211
Cash and cash equivalents	461,223		
Other current assets	71,155		
TOTAL ASSETS	**12,065,411**	**TOTAL EQUITY AND LIABILITIES**	**12,065,411**

APM: definitions and reconciliation of APMs to the latest audited financial accounts can be found on page 60 of https://ir.merlinproperties.com/wp-content/uploads/2024/02/Results-report-FY23-4-1.pdf

MERLIN PROPERTIES

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