





The solid  
fundamental of the  
business have led to  
**excellent cash flow  
generation in 2019**

A year of important  
progress in  
Landmark, Flagship  
and Best II & III

# 2019 RESULTS REPORT



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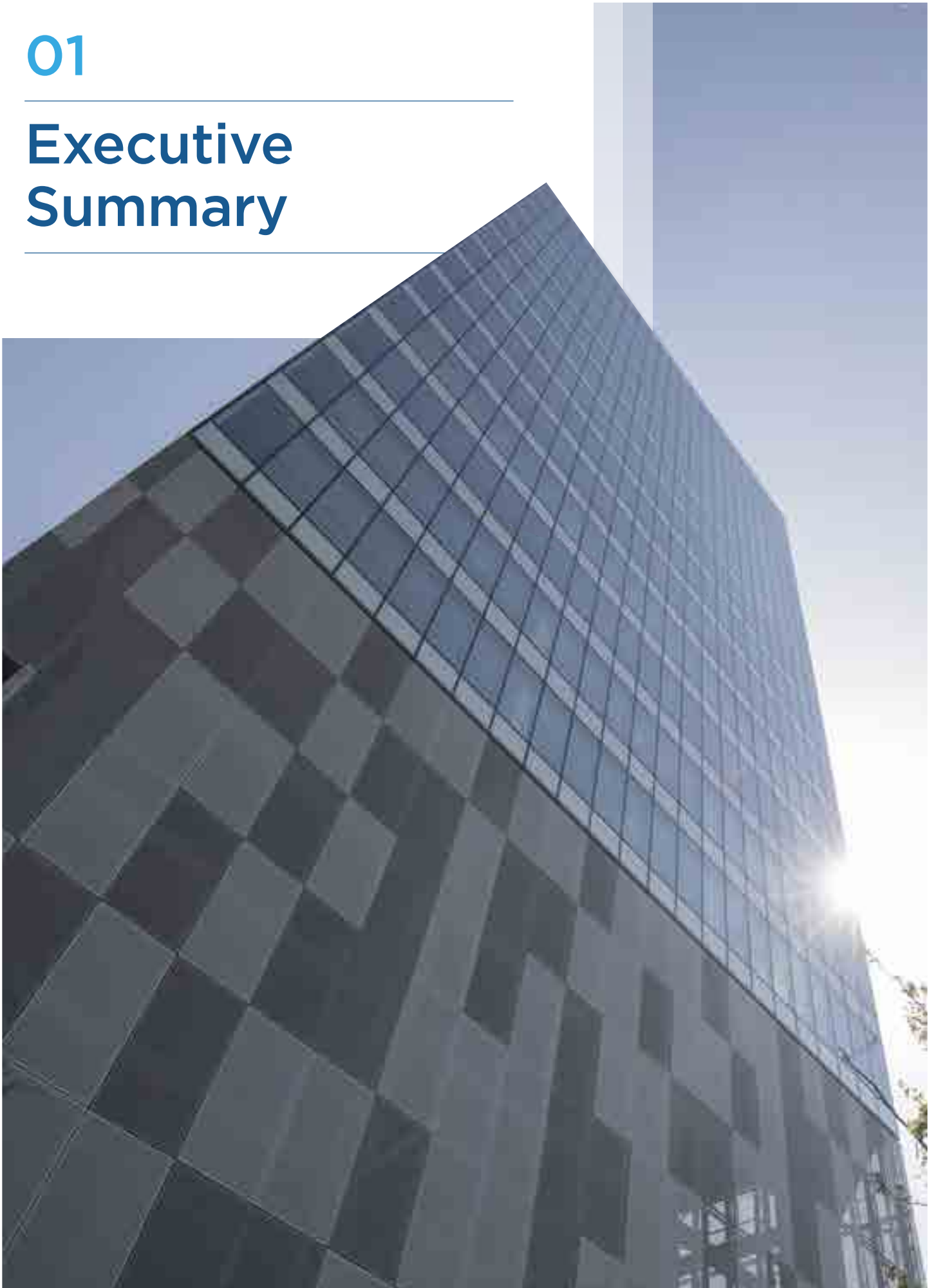
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01

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# Executive Summary

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## Executive Summary

### AT A GLANCE

In 2019 MERLIN Properties has reported **excellent results in all key financial and operative metrics** including occupancy (94.8% +140 bps YoY) rental income (€ 525.9m, +5.2% YoY) and cash flow generation (€ 303.3m in AFFO, +12.1% YoY)

#### TOTAL SHAREHOLDER RETURN (TSR)

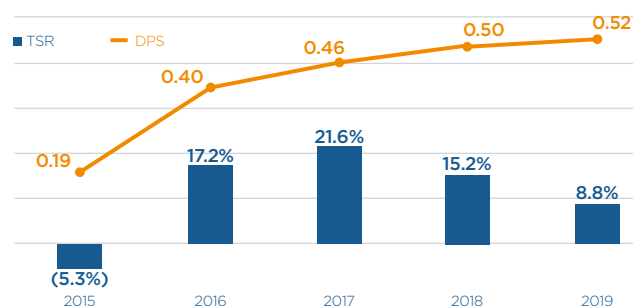
Another year **delivering the target return**

**€ 0.52 per share (+4% YoY)**

Dividends of the period

**8.8%**

TSR rate



#### NAV PER SHARE

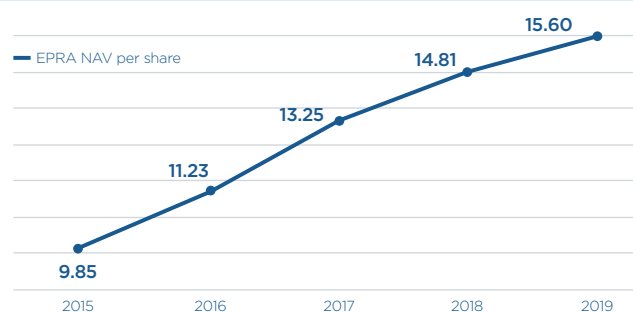
Assets revaluation **capturing rental growth**

**€ 15.60 (+5.4% YoY)**

NAV per share increase

**3.3%**

LfL GAV increase



#### FFO PER SHARE / AFFO PER SHARE

**Outstanding year in cash flow generation**

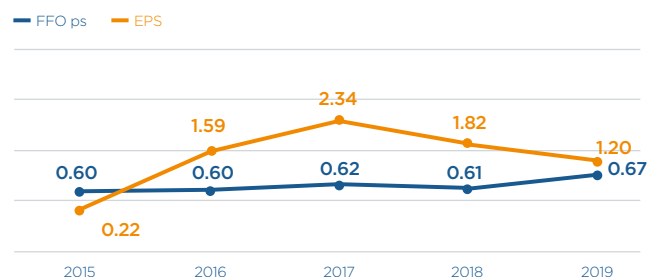
exceeding guidance

**€ 0.67 (+9.2% YoY)**

FFO ps

**€ 0.65 (+12.1% YoY)**

AFFO ps



#### FINANCIAL DEBT

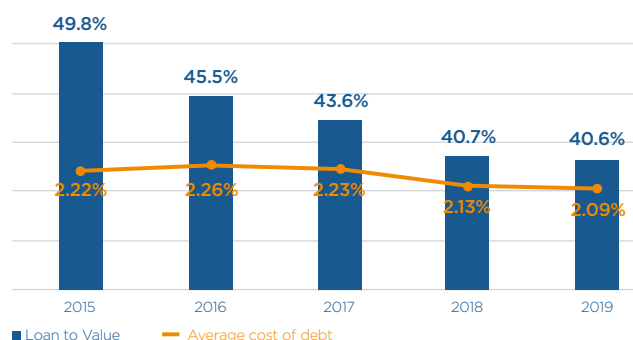
Proactive management of the debt side resulting in **lower leverage and lower cost of debt** and increasing average maturity

**40.6%<sup>(1)</sup>**

Loan to Value

**2.09%**

Average cost of debt



<sup>(1)</sup> 39.5% including transfer costs

## CONSOLIDATED PERFORMANCE

### +5.2%

Gross rents YoY

### +9.2%

FFO per share YoY

### +5.4%

EPRA NAV per share YoY

- **Excellent business performance in 2019**, with solid growth in occupancy, LfL rents and release spread across the board
- **Strong growth in cash flow** generation, with FFO per share of € 0.67 and AFFO per share of € 0.65, exceeding FY 2019 guidance
- **Improvement in cash flow margins** due to lower incentives and financial expenses
- Net earnings not comparable YoY due to the extraordinary gain in FY2018 related to the capitalization of Testa Residencial service contract

(€ million)	FY19	FY18	YoY
Total revenues	530.6	509.5	+4.1%
Gross rents	525.9	499.7	+5.2%
Gross rents after incentives	511.5	475.6	+7.5%
Net rents after propex	463.3	433.5	+6.9%
<i>Gross-to-net margin</i>	90.6%	91.1%	
EBITDA <sup>(1)</sup>	425.5	403.7	+5.4%
<i>Margin</i>	80.9%	80.8%	
FFO <sup>(2)</sup>	313.3	286.9	+9.2%
<i>Margin</i>	59.6%	57.4%	
AFFO	303.3	270.5	+12.1%
Net earnings	563.6	854.9	(34.1%)
(€ per share)	FY19	FY18	YoY
FFO	0.67	0.61	+9.2%
AFFO	0.65	0.58	+12.1%
EPS	1.20	1.82	(34.1%)
EPRA NAV	15.60	14.81	+5.4%

## BUSINESS PERFORMANCE

### +4.5%

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

### +7.2% | +4.2% | +7.6%

Offices      S. Centers      Logistics  
Release spread

### +140 bps

Occupancy vs 31/12/18

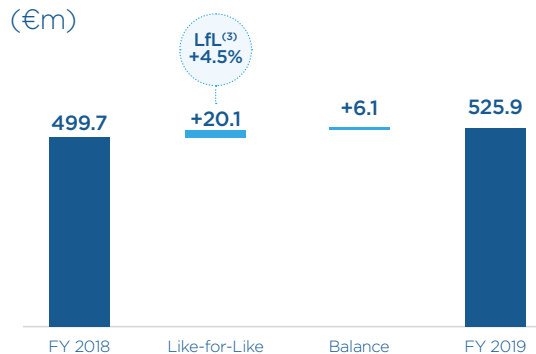
94.8%

- **Offices:** 346,548 sqm contracted. **LfL** of **+7.3%** and **release spread** of **+7.2%**
- **Shopping centers:** 78,306 sqm contracted. **LfL** of **+3.1%** and **release spread** of **+4.2%**
- **Logistics:** 258,638 sqm contracted. **LfL** of **+3.6%** and **release spread** of **+7.6%**

	Contracted sqm	Rent		Leasing activity	Occ. vs 31/12/18
		€ m	LfL change	Release spread	Bps
Offices	346,548	243.4	+7.3%	+7.2%	+264
Shopping centers	78,306	127.3	+3.1%	+4.2%	+204
Net leases	n.a.	87.0	+1.2%	n.m.	-
Logistics	258,638	53.8	+3.6%	+7.6%	(56)
Other	n.a.	14.4	(1.8%)	n.m.	(15)
<b>Total</b>	<b>683,492</b>	<b>525.9</b>	<b>+4.5%</b>		<b>+140</b>

### Gross rents bridge

(€m)



<sup>(1)</sup> Excludes non-recurring items (€ 5.0m), plus Aedas service fee (€ 22.2m), plus Testa Residencial net gain (€ 53.0m) plus LTIP accrual (€ 43.4m) in 2018, and non-recurring items (€ 4.9m) plus LTIP accrual (€ 44.2m) in 2019

<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 FY18 (€ 443.6m of GRI) and for the FY19 (€463.7m of GRI)

## OFFICES

### Gross rents bridge (€m)



### Rents breakdown

	Gross rents FY19 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	178.9	17.7	2.7
Barcelona	39.6	17.3	3.2
Lisbon	21.9	17.9	4.4
Other	3.0	10.9	6.3
<b>Total</b>	<b>243.4</b>	<b>17.5</b>	<b>3.0</b>

### Leasing activity

- **Accelerated rental growth in 2019, both in LfL terms** (+7.3% in 2019 vs +1.2% in 2018) **and release spread** (+7.2% in 2019 vs +6.5% in 2018)
- **4Q leasing activity highlights:**
  - 4,787 sqm new lease with Alcon in WTC6 & WTC8, Barcelona
  - 3,379 sqm new lease with Boston Scientific in PE Puerta de las Naciones, Madrid
  - 3,177 sqm renewed with FIIAPP in PE Churruca, Madrid
  - 1,541 sqm new lease with Zoetis in PE Vía Norte, Madrid
  - 1,096 sqm new lease signed with Inmoglaciari in Castellana 93, Madrid
  - 968 sqm renewed with United Colors of Benetton in Diagonal 605, Barcelona

	Contracted Sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	290,017	(23,306)	50,661	239,356	27,355	+6.0%	142
Barcelona	44,494	(8,469)	28,418	16,076	19,949	+19.5%	24
Lisbon	12,037	-	2,076	9,961	2,076	+11.2%	14
<b>Total</b>	<b>346,548</b>	<b>(31,775)</b>	<b>81,155</b>	<b>265,393<sup>(2)</sup></b>	<b>49,380</b>	<b>+7.2%</b>	<b>180</b>

### Occupancy

- **Outstanding performance in the year**, having increased occupancy by 264 bps YoY (186 bps like-for-like)
- **Significant progress in Madrid and Barcelona** (+219 bps and +184 bps vs FY18 respectively) after a very strong last quarter of the year
- **Stellar performance in Lisbon** (+714 bps) reaching full occupancy of the portfolio
- By markets, **best performer in the year has been Prime CBD Barcelona**

<b>Stock</b>	1,193,364 sqm
<b>WIP</b>	125,752 sqm
<b>Stock incl. WIP</b>	1,319,116 sqm

	Occupancy rate <sup>(3)</sup>		Change bps
	31/12/19	31/12/18	
Madrid	91.0%	88.8%	+219
Barcelona	96.0%	94.2%	+184
Lisbon	100.0%	92.9%	+714
Other	100.0%	100.0%	-
<b>Total</b>	<b>92.8%</b>	<b>90.1%</b>	<b>+264</b>

<sup>(1)</sup> Office portfolio in operation for the FY18 (€ 198.3m of GRI) and for the FY19 (€ 212.8m 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: Plaza Ruiz Picasso, Arturo Soria 343, Monumental, LOOM 22@ Ferreteria and Castellana 85. 2018 figures have been restated after the reclassification

## OFFICES (CONT.)

### INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS


#### INVESTMENTS

		GLA (sqm)	GRI	YoC	Acquisition
	<b>Nestlé HQ</b>	12,260	€ 1.4m	7.0% <sup>(1)</sup>	€ 19.5m <sup>(1)</sup>
	<b>Art</b>	22,150	€ 4.6m	5.4%	€ 84.9m
	<b>TFM</b>	7,835	€ 1.6m	5.7%	€ 27.3m
	<b>LOOM 22@ Ferreteria</b>	2,018	€ 0.4m	6.1% <sup>(2)</sup>	€ 6.9m <sup>(2)</sup>

#### LANDMARK I

WIP		GLA (sqm)	Scope	Budget	Delivery
	<b>Torre Chamartín</b>	18,295	Development	€ 38.0m	Finished
	<b>Marqués de Pombal</b>	12,460	Lobby + common areas + exterior terrace	€ 1.6m	3Q20
	<b>Castellana 85</b>	15,254	Full refurb	€ 32.1m	4Q20
	<b>Monumental</b>	22,387	Full refurb (incl. SC)	€ 34.8m	1Q21

#### IN STOCK

	<b>Diagonal 605</b>	13,244	Double height lobby + common areas + new retail space	€ 8.7m	4Q20
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<sup>(1)</sup> Yield on cost calculated over purchase price (€12.5m) plus estimated Capex (€7.0m)

<sup>(2)</sup> Yield on cost calculated over purchase price (€4.0m) plus estimated Capex (€2.9m)





## SHOPPING CENTERS

### Gross rents bridge

(€m)



### Rents breakdown

	Gross rents FY19 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
MERLIN	127.3	21.4	2.4

### Footfall and tenant sales

	FY19	YoY
Tenant sales	€ 1,167.8m	+4.0%
Footfall	109.4m	+1.7%
OCR	12.6%	

### Leasing activity

- **Tenant sales and footfall outperforming 2018**
- **Rental growth has accelerated in the year**, with a release spread of +4.2% (vs +3.5% in 2018)
- **4Q leasing activity highlights:**
  - 1,349 sqm renewal with Worten in Larios
  - 484 sqm new lease with JD in Larios
  - 375 sqm new lease with United Colors of Benetton in El Saler

	Contracted Sqm	Out	In <sup>(2)</sup>	Renewals	Net <sup>(2)</sup>	Release spread	# Contracts
Total	78,306	(29,692)	38,710	39,596	9,018	+4.2%	139

### Occupancy

- **Excellent growth in occupancy (+204 bps).**  
Voluntary vacancy due to Flagship Plan amounts to 3,203 sqm in aggregate
- **Best performer** in 2019 has been Larios which is capitalizing the upside of a successful refurbishment

Stock	500,056 sqm
X-Madrid+Tres Aguas <sup>(3)</sup>	114,861 sqm
Stock with X-Madrid+Tres Aguas	614,917 sqm

	Occupancy rate		
	31/12/19	31/12/18	Change bps
Total	93.3%	91.2%	+204

<sup>(1)</sup> Shopping centers portfolio in operation for the FY18 (€ 97.4m of GRI) and for the FY19 (€ 100.4m of GRI)

<sup>(2)</sup> Excluding the contracts signed in X-Madrid







<sup>(3)</sup> Tres Aguas at 100% allocation

## SHOPPING CENTERS (CONT.)

### FLAGSHIP

WIP		GLA (sqm)	Scope	Budget	Delivery
	<b>X-Madrid</b>	47,170	Full revamp	€ 46.4m	Finished

### FLAGSHIP PLAN<sup>(1)</sup>

	<b>Arturo Soria</b>	7,054	Façade, accesses, installations, terraces, floors and parking	€ 5.4m	Finished
	<b>Larios</b>	41,595	Full refurb	€ 27.5m	Finished
	<b>Tres Aguas</b>	67,690	Common areas, exterior plaza, restaurants area	€ 24.2m	Finished
	<b>El Saler</b>	47,853	Full refurb	€ 24.0m	3Q20
	<b>Porto Pi</b>	58,779	Full refurb	€ 26.6m	1Q21
	<b>Callao 5</b>	11,629	Full refurb	€ 20.5m	4Q21

<sup>(1)</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 FY19 (€ m)	Passing rent (€/sqm/m)	WAULT (yr)
Madrid	29.4	4.0	4.7
Barcelona	11.0	6.0	2.3
Other	13.4	3.8	4.1
<b>Total</b>	<b>53.8</b>	<b>4.2</b>	<b>4.0</b>

## Leasing activity

- **Strong performance**, both in **pricing** and **volume**, with ca. 100,000 sqm net absorption during the year
- **Excellent release spread (+7.6%)** in all markets, with Barcelona being the top performer (+9.4%)
- **4Q leasing activity highlights:**
  - 7,131 sqm new lease with Biogran in Toledo-Seseña
  - 4,307 sqm renewal with Aldisca in PLZF, Barcelona
  - 3,494 sqm new lease with WP Walkers in Valencia Almussafes
  - 2,275 sqm new lease with Advanced Nutrients in PLZF, Barcelona

	Contracted sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	195,522	(40,453)	101,042	94,480	60,589	+7.3%	4
Barcelona	14,025	(8,271)	4,136	9,889	(4,135)	+9.4%	2
Other	49,091	(5,592)	49,091	-	43,499	-	-
<b>Total</b>	<b>258,638</b>	<b>(54,316)</b>	<b>154,269</b>	<b>104,369</b>	<b>99,953</b>	<b>+7.6%</b>	<b>6</b>

## Occupancy

- Occupancy has remained fairly stable after a very strong last quarter of the year (+199 bps vs 9M19)

<b>Stock</b>	1,160,289 sqm
<b>Best II<sup>(2)</sup></b>	537,107 sqm
<b>Best III<sup>(2)</sup></b>	465,554 sqm
<b>Stock incl. WIP</b>	2,162,951 sqm
<b>ZAL PORT</b>	469,370 sqm
<b>ZAL PORT WIP</b>	258,138 sqm
<b>Stock managed</b>	2,890,459 sqm

	Occupancy rate		
	31/12/2019	31/12/2018	Change bps
Madrid	97.2%	97.4%	(22)
Barcelona	96.6%	99.6%	(302)
Other	99.1%	99.1%	+1
<b>Total</b>	<b>97.7%</b>	<b>98.2%</b>	<b>(56)</b>

<sup>(1)</sup> Logistics portfolio in operation for FY18 (€ 47.9m) and for FY19 (€ 49.6m of GRI)

<sup>(2)</sup> Pinto IIB, Valencia-Ribarroja and Sevilla ZAL (Amazon) have been added to existing inventory

## LOGISTICS (CONT.)

### INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

#### Best II (as from 31/12/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
<b>Delivered</b>				
Guadalajara-Cabanillas III <sup>(1)</sup>	21,879	0.9	11.8	7.8%
Madrid-Pinto II B <sup>(1)</sup>	29,473	1.2	13.7	8.6%
<b>In progress</b>				
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	7.7%
Guadalajara-Cabanillas Park I F	20,723	0.9	10.8	7.9%
Guadalajara-Cabanillas Park II	210,678	9.2	114.2	8.1%
Toledo-Seseña	28,731	1.2	15.5	7.7%
Guadalajara-Cabanillas Park I Extension	92,994	3.8	56.0	6.8%
<b>Total</b>	<b>588,459</b>	<b>25.9</b>	<b>328.4</b>	<b>7.9%</b>

#### Best III (as from 31/12/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
<b>Delivered</b>				
Valencia-Ribarroja <sup>(1)</sup>	34,992	1.9	26.3	7.2%
<b>In progress</b>				
Zaragoza-Plaza II	11,421	0.5	7.1	7.2%
Madrid San Fernando III	98,942	5.1	54.9	9.3%
Sevilla ZAL WIP <sup>(2)</sup>	42,632	2.0	24.4	8.4%
Lisbon Park	224,864	10.5	147.6	7.1%
Valencia	96,572	4.4	56.2	7.8%
<b>Total</b>	<b>509,423</b>	<b>24.5</b>	<b>316.5</b>	<b>7.7%</b>

<sup>(1)</sup> Reclassified as part of the existing stock

<sup>(2)</sup> 8,787 sqm already delivered and let to Amazon and reclassified as part of the existing stock





## BALANCE SHEET

- **Leverage further reduced** to reach 40.6% LTV (39.5% including transfer costs)
- **Further improvement** of all financial ratios and cost of debt

	€ million
GAV	12,751
Gross financial debt	5,567
Cash <sup>(1)</sup>	(385)
Net financial debt	5,182
NAV	7,331

Ratios	31/12/2019	31/12/2018
LTV	40.6%	40.7%
Av. interest rate	2.09%	2.13%
Av. Maturity (years)	6.4	5.9
Unsecured debt to total debt	82.7%	81.3%
Interest rate fixed	99.5%	96.3%
Liquidity position <sup>(2)</sup> (€m)	1,085	634

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

## VALUATION

- **€ 12,751m of GAV +3.3% LfL growth**, capturing rental growth across all asset categories
- By asset category, **+4.8% LfL** growth in **office**, **(0.1%)** in **shopping centers**, **+0.5%** in **net leases** and **+9.0%** in **logistics**

	GAV	LfL Growth	Gross yield	Yield compression <sup>(3)</sup>
Offices	6,161	+4.8%	4.1%	27 bps
Shopping centers	2,540	(0.1%)	5.1%	(9) bps
Logistics	939	+9.0%	5.8%	42 bps
Net leases	1,873	+0.5%	4.6%	0 bps
WIP	301	n.a.	n.a.	
Other	453	+1.1%	4.1%	2 bps
Equity method <sup>(4)</sup>	484	+5.3%	n.a.	
<b>Total</b>	<b>12,751</b>	<b>+3.3%</b>	<b>4.5%</b>	<b>14 bps</b>

<sup>(1)</sup> Includes cash and treasury stock (€ 56.9m) and Juno's receivable (€ 70.0m)

<sup>(2)</sup> Includes available cash plus pending receivable of Juno, treasury stock and unused and undrawn credit facilities (€ 700m RCF) in 2019 and available cash plus pending receivable of Testa Residential, treasury stock and unused credit facilities (€ 284m) in 2018

<sup>(3)</sup> Based on the exit yields

<sup>(4)</sup> Including DCN and the DCN loan (€ 255.3m)

## INVESTMENTS, DIVESTMENTS AND CAPEX

- **€ 450.0m acquisitions in the year.** Main acquisitions are a stake in Distrito Chamartin Norte (DCN) and offices in Lisbon
- **€ 281.1m of successful divestments in the period:** MERLIN has sold Juno office portfolio, 15 BBVA branches, 2 retail units in Bonaire (Valencia) and 2 non-core logistics units. The average premium of those sales achieved over latest appraisal is 4.3%
- The three plans of the Company, **Landmark I, Flagship and Best (II & III)** continue progressing properly, with 11 projects delivered

	Offices	Retail	Logistics	€ million
Acquisitions	Art TFM LOOM 22@ Ferreteria Nestlé HQ DCN	Artea unit	Cabanillas Park I extension	450.0
Development & WIP	Torre Chamartin Torre Glòries	X-Madrid	Madrid-Pinto IIB Guadalajara-Cabanillas III Toledo-Seseña Sevilla ZAL Lisbon Park Valencia Ribarroja	102.4
Refurbishment	Diagonal 605 Castellana 85 Adequa Balmes Eucalipto 33 Monumental Arturo Soria 343 Plaza Ruiz Picasso	Larios Arturo Soria El Saler		54.1
Like-for-like portfolio (Defensive Capex) <sup>(1)</sup>				13.4
<b>Total</b>				<b>619.9</b>

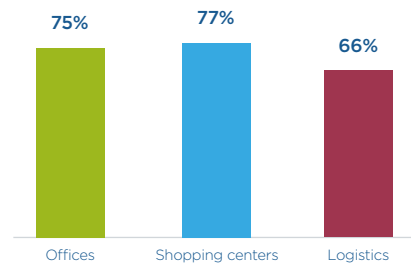
<sup>(1)</sup> € 9.9m are capitalized in balance sheet and € 3.5m are expensed in P&L

## SUSTAINABILITY

- MERLIN has obtained an **excellent mark in the 2019 GRESB edition**, with an 82/100 score
- Progression continues in the portfolio certification program, having **obtained 37 new LEED/BREEAM certificates** during 2019

Torre Chamartin	PE Puerta de las Naciones	Valencia Ribarroja	Marineda
			
LEED Platinum	LEED Platinum	BREEAM Very Good	BREEAM Very Good

### % GAV certified

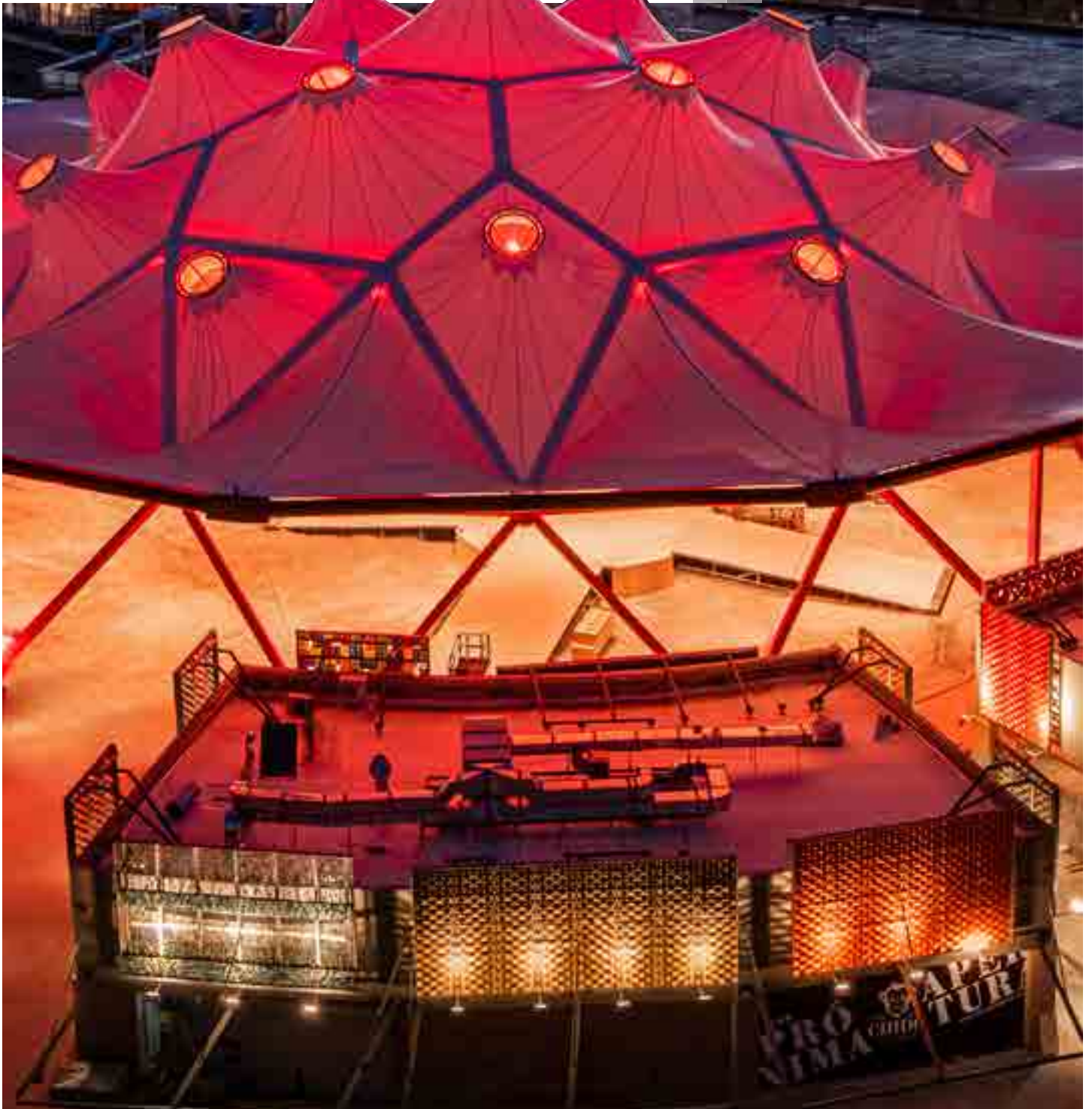


## POST CLOSING

- On February 27, MERLIN signed the **contribution of 3 secondary retail assets (Thader, La Fira and Nassica)** to Silicius Socimi, a multi-product vehicle externally managed by Mazabi. The transaction has been on a NAV neutral basis, and in exchange MERLIN has received 34.4% of Silicius. As a result of this transaction, **MERLIN's overall exposure to shopping centers has been reduced to 18.9%**, while secondary shopping centers account for 4.9% of MERLIN's retail portfolio (0.9% of the total portfolio)
- On January 17, MERLIN completed the **acquisition of Plaza de Cataluña 9 in Barcelona**. The historical asset, located in one of the most touristic and emblematic squares in Barcelona, comprises **3,048 sqm of GLA** and will be used as a Loom. The acquisition price amounts to **€ 15.0 million** (+ € 3.0 million estimated Capex) representing a 4.5% ERV yield
- In February, MERLIN signed a lease agreement with BBVA comprising **9,135 sqm in PE Las Tablas**
- In January, **Cilsa (ZAL Port)** delivered a **35,144 sqm unit to Damm** and a **25,024 sqm unit to UPS**, achieving the 500k sqm GLA under operations milestone
- On January 15, MERLIN was listed in **Euronext Lisbon Stock Exchange**
- On February 7, MERLIN issued a **€ 100 million tap of its 15-year bond at 102%** of the notional value and 1.875% coupon

02

# Organization and structure





## Organization and structure

### Strategy

MERLIN Properties Socimi, S.A. (“MERLIN”, “MERLIN Properties” or the “Company”) is a company devoted to delivering sustainable return to shareholders through

the acquisition, active management and selective rotation of high quality commercial real estate assets in the “Core” and “Core plus” segments.

**1.**  
CORE  
& CORE PLUS  
SPAIN &  
PORTUGAL

**2.**  
INVESTMENT  
GRADE  
CAPITAL  
STRUCTURE

**3.**  
DIVIDEND  
POLICY:  
80% OF AFFO

**4.**  
ONE OF THE  
WORLD'S MOST  
COST EFFICIENT  
REIT'S

**5.**  
BEST  
GOVERNANCE  
PRACTICES



**45%**

#### Offices

Breadth of prime space Madrid, Barcelona and Lisbon



**20%**

#### Shopping Centers

Urban or Dominant National scale



**20%**

#### Logistics

National footprint “One-stop shop” solution for 3PL



**15%**

#### Net leases

High triple net cash flow Inflation multiplier

## Positioning



### #1 Offices

- Flexibility to offer multitenant or headquarter buildings
- Capacity to adapt to the needs of the tenant

### #1 Shopping Centers

- Mainly urban footprint in high GDP/ capita areas in Spain
- Critical mass with retail brands

### #1 Logistics

- “One-stop-shop” solution for logistics operators wishing to operate across Spain
- Big footprint to match the rapid development of 3PL activity

### #1 Net leases

- Excellent conditions of BBVA lease agreement triple net lease with 1.5x HICP annual uplift

Full Consolidation<sup>(1)</sup>

Existing

**123 ASSETS**  
**1,319K SQM**  
**€ 6,161M GAV**  
**€ 237M GRI**

**17 ASSETS**  
**547K SQM**  
**€ 2,540M GAV**  
**€ 128M GRI**

Existing

**47 ASSETS**  
**1,160K SQM**  
**€ 939M GAV**  
**€ 55M GRI**

**715 ASSETS**  
**363K SQM**  
**€ 1,873M GAV**  
**€ 87M GRI**

WIP

**12 PROJECTS**  
**1,002K SQM**  
**€ 577M GAV<sup>(3)</sup>**  
**€ 45M GRI<sup>(3)</sup>**

Equity method<sup>(2)</sup>

**Tres Aguas 50%**  
**1 ASSET**  
**68K SQM**  
**€ 9M GRI**

**Zal Port 48.5%**  
**50 ASSETS**  
**469K SQM**  
**(+258K SQM WIP)**  
**€ 46M GRI<sup>(4)</sup>**

<sup>(1)</sup> Not including other and non-core land

<sup>(2)</sup> Data for minority stakes are reported for 100% of the subsidiary

<sup>(3)</sup> Total expected investment and gross rent

<sup>(4)</sup> Gross annual rent as of 31/12/19, pre ground lease expenses

## Composition

The internal management organization structure can be summarized as follows:

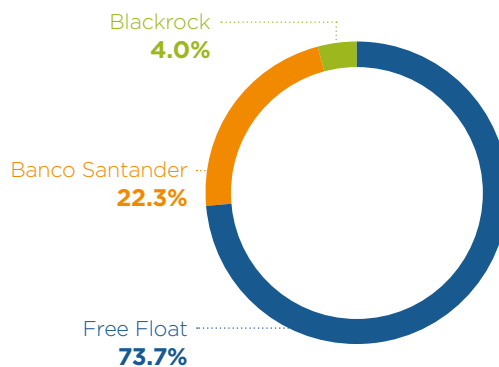
- Board of Directors: consisting of twelve directors, advised by the Audit and Control Committee, the Appointments Committee and the Remuneration Committee.
- Chief Executive Officer: reporting directly to the Board of Directors and forming part of it.
- Investment Committee: reporting to the CEO and consisting of the executive team, with a right of veto by the Chief Investment Officer.



### Capital structure key data

Number of ordinary shares	469,770,750
Number of weighted shares	469,770,750
Total equity (€m)	6,709
GAV (€m)	12,751
Net debt (€m)	5,182
Net debt / GAV	40.6%

Data as of 26 February 2020, according to the communications made to the CNMV

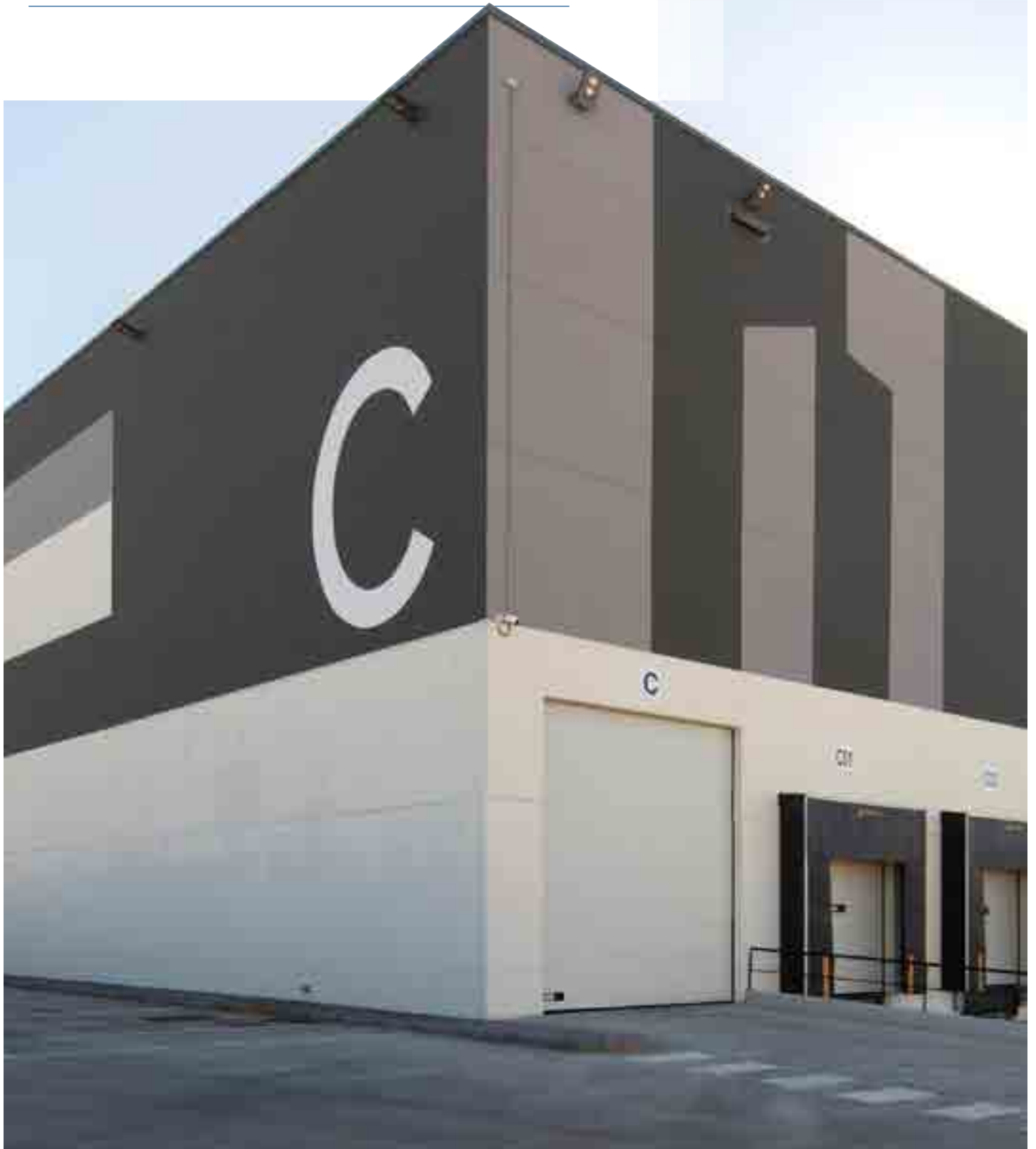


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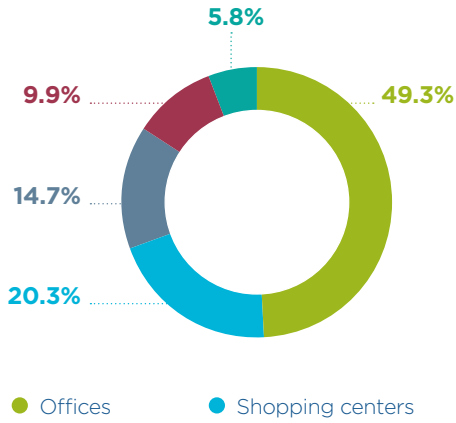
# Business performance

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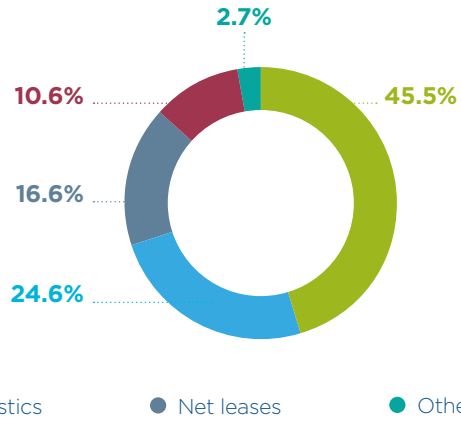


## Business performance

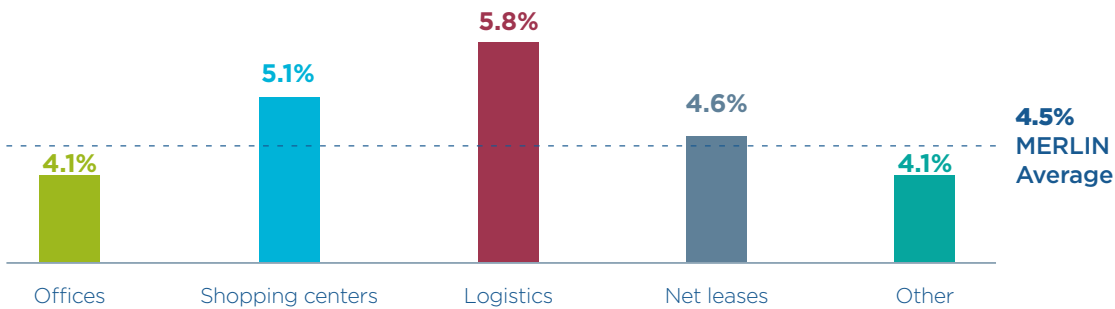
**| GAV PER ASSET CLASS<sup>(1)</sup>**



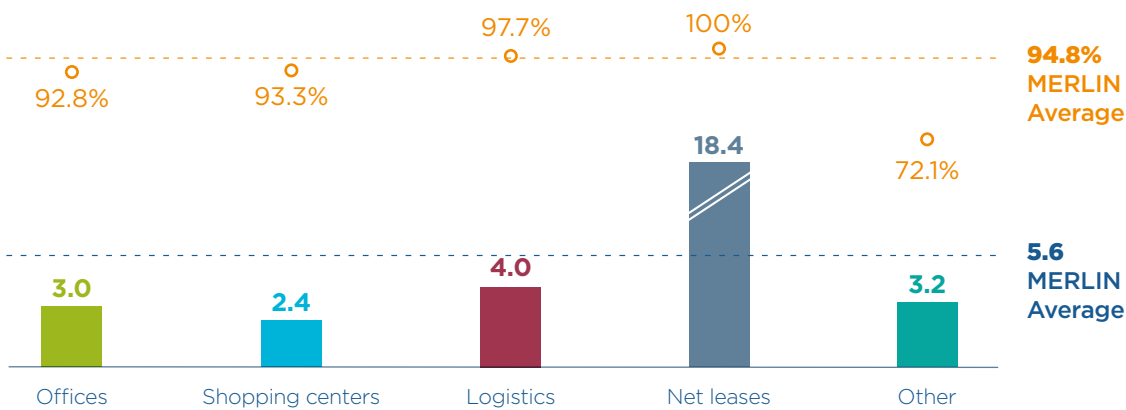
**| GROSS RENTS PER ASSET CLASS<sup>(2)</sup>**



**| GROSS YIELD PER ASSET CLASS**



**| OCCUPANCY AND WAULT (YEARS) PER ASSET CLASS**



<sup>(1)</sup> GAV of land under development and NAV of equity method included in its respective category (offices, shopping centers and logistics)  
<sup>(2)</sup> Gross annualized rent on full consolidated assets

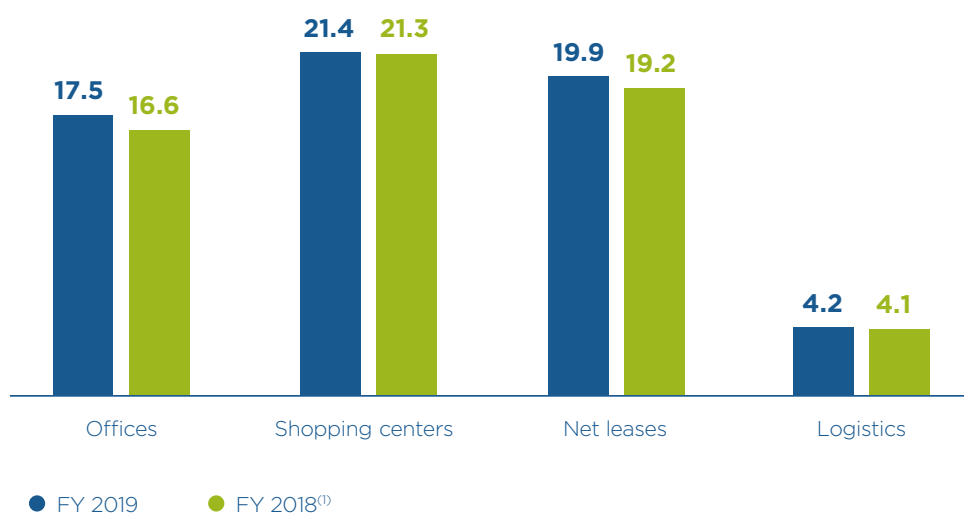
## RENTS

Gross rents in the period amount to € 525,918 thousand with respect to € 499,708 thousand in FY18.

### | GROSS RENTS BREAKDOWN

	FY19	FY18	YoY (%)
Offices	243,431	228,127	6.7%
Shopping centers	127,300	108,905	16.9%
Logistics	53,796	50,327	6.9%
Net leases	86,962	96,721	(10.1%)
Other	14,429	15,628	(7.7%)
<b>Total</b>	<b>525,918</b>	<b>499,708</b>	<b>5.2%</b>

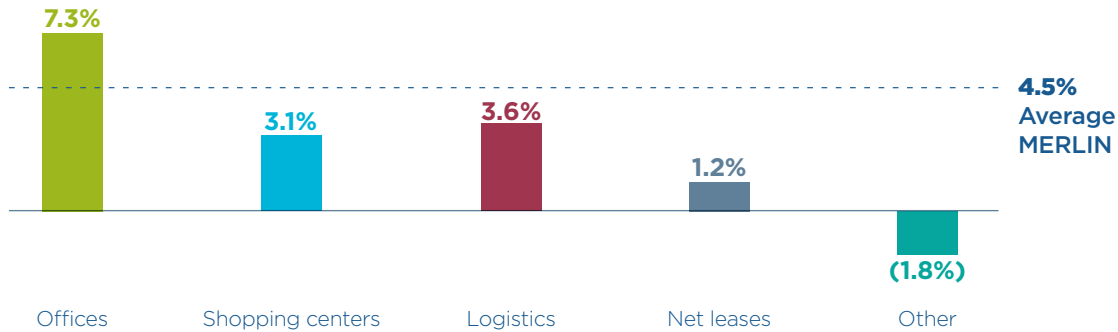
### | AVERAGE PASSING RENT (€/SQM/MONTH)



<sup>(1)</sup> Restated after the reclassification

Gross rents have increased by 4.5% on a like-for-like basis. Per asset category the like-for-like evolution is shown below:

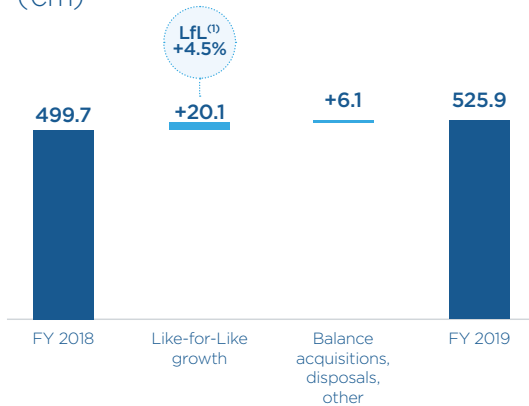
## LIKE-FOR-LIKE INCREASE



Bridge of FY18 gross rents to FY19, for MERLIN and by asset category:

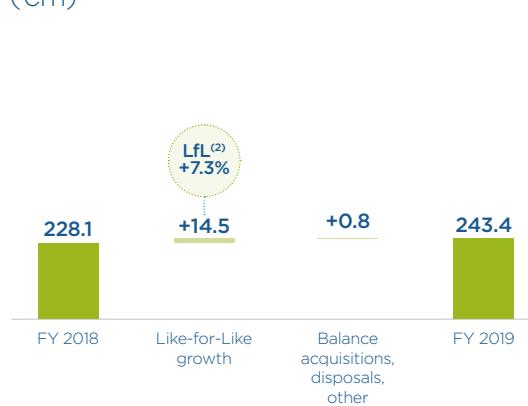
### MERLIN

(€m)



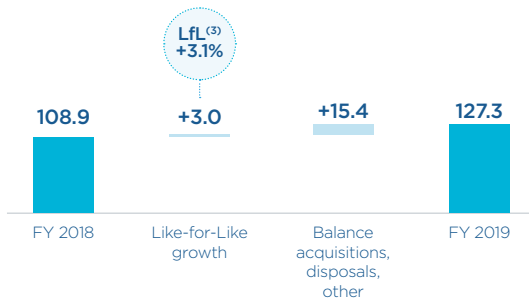
### Offices

(€m)



### Shopping centers

(€m)



### Logistics

(€m)



<sup>(1)</sup> Portfolio in operation for the FY18 (€ 443.6m of GRI) and for the FY19 (€463.7m of GRI)

<sup>(2)</sup> Office portfolio in operation for the FY18 (€ 198.3m of GRI) and for the FY19 (€ 212.8m of GRI)

<sup>(3)</sup> Shopping centers portfolio in operation for the FY18 (€ 97.4m of GRI) and for the FY19 (€ 100.4m of GRI)

<sup>(4)</sup> Logistics portfolio in operation for FY18 (€ 47.9m) and for FY19 (€ 49.6m of GRI)

## OCCUPANCY

Stock G.L.A. of MERLIN as of 31 December 2019 amounts to 3,303,736 sqm. Stock as of 31 December 2018 amounted to 3,379,177 sqm, resulting in a net decrease of the stock during the period of 75,441 sqm.

Occupancy rate as of 31 December 2019 is 94.8% <sup>(1)</sup>.

	31/12/2019	31/12/2018	Change YoY Bps
<b>Offices</b>			
Total G.L.A. (sqm)	1,193,364	1,291,055	
G.L.A. occupied (sqm)	1,106,939	1,163,464	
Occupancy rate (%) <sup>(1)</sup>	92.8%	90.1%	+264
<b>Shopping centers</b>			
Total G.L.A. (sqm) <sup>(2)</sup>	500,056	507,671	
G.L.A. occupied (sqm)	461,073	451,297	
Occupancy rate (%) <sup>(3)</sup>	93.3%	91.2%	+204
<b>Logistics</b>			
Total G.L.A. (sqm)	1,160,289	1,101,243	
G.L.A. occupied (sqm)	1,133,278	1,081,808	
Occupancy rate (%)	97.7%	98.2%	(56)
<b>Net leases</b>			
Total G.L.A. (sqm)	362,509	365,978	
G.L.A. occupied (sqm)	362,509	365,978	
Occupancy rate (%)	100.0%	100.0%	-
<b>Other<sup>(4)</sup></b>			
Total G.L.A. (sqm)	87,518	113,229	
G.L.A. occupied (sqm)	63,107	81,820	
Occupancy rate (%)	72.1%	72.3%	(15)
<b>MERLIN</b>			
<b>Total G.L.A. (sqm)</b>	<b>3,303,736</b>	<b>3,379,177</b>	
<b>G.L.A. occupied (sqm)</b>	<b>3,126,909</b>	<b>3,144,368</b>	
<b>Occupancy rate (%)<sup>(1) (3)</sup></b>	<b>94.8%</b>	<b>93.4%</b>	<b>+140</b>

<sup>(1)</sup> Excluding assets being or to be developed (Castellana 85, Monumental, Plaza Ruiz Picasso, Arturo Soria 343, and Loom 22@ Ferreteria)

<sup>(2)</sup> Excluding X-Madrid

<sup>(3)</sup> Excluding vacant units acquired under refurbishment (13,026 sqm in FY18 and 5,763 sqm in FY19)

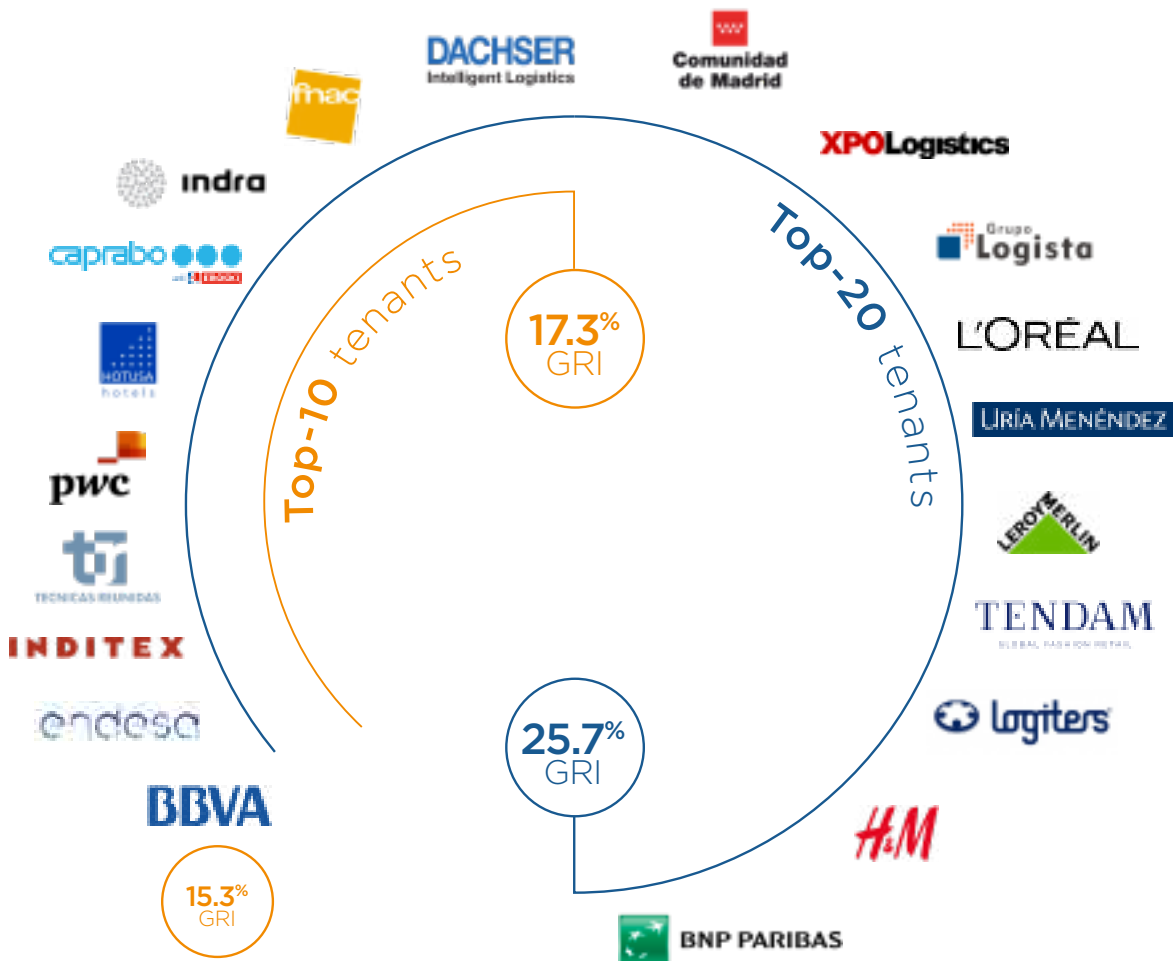
<sup>(4)</sup> Including an asset under property, plant and equipment



## TENANTS

MERLIN enjoys a high quality tenant base, broadly diversified. Top 10 tenants represent a 17.3% of the gross annualized rents (plus an additional 15.3% from BBVA), while top 20 tenants represent a 25.7% of gross annualized rents (excluding BBVA)

Tenant	Years as tenant
BBVA	11
Endesa	17
Inditex	29
Técnicas Reunidas	14
PWC	10
Hotusa	19
Caprabo	28
Indra	18
Fnac	23
Dachser	7

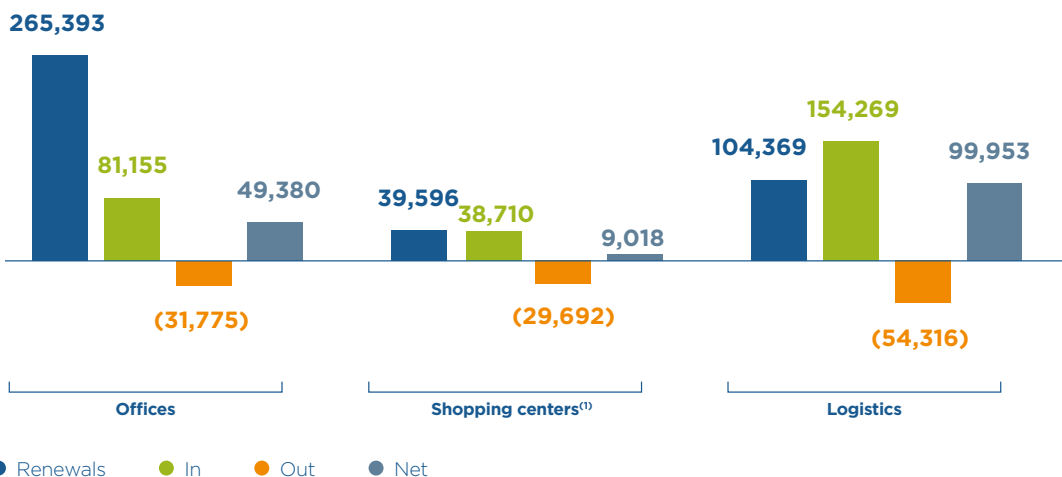


## LEASING ACTIVITY

Since the beginning of 2019, or since the acquisition date for the assets acquired during the year, until 31 December 2019, MERLIN has signed lease agreements amounting to 683,492 sqm, out of which 274,134 sqm corresponds to new leases and 409,358 sqm to renewals.

The total of contracts expired in the period amounts to 695,525 sqm, of which 579,742 have been renovated or released, therefore the retention ratio in the period amounts to 83.4%.

The breakdown per asset category is as follows:



<sup>(1)</sup> Excluding X-Madrid



## I OFFICES

Total take-up amounts to 346,548 sqm out of which 81,155 sqm correspond to new contracts and 265,393 sqm to renewals. Exits amounted to 31,775 sqm, and therefore the net take up is positive by 49,380 sqm.

Main contracts signed in 2019 are the following:

Asset	Tenant	G.L.A. (sqm)
Adequa	Tecnicas Reunidas	42,327
PE Puerta de las Naciones	Roche Farma	11,444
Castellana 278	Icex	11,262
Principe de Vergara 187	Uría Menendez	10,732
Avenida de Europa	Vass	10,495
PE Sanchinarro	Initec	8,595
Torre Chamartin	PM&S Recursos (Deloitte)	7,906
PE Cerro Gamos	Homeserve	6,582
Avenida de Burgos 210	Allfunds	6,176
Adequa	Audi	5,978
Vegacincio	Industria de Turbo Propulsores	5,496
Cristalia	Aktua Soluciones Financieras	5,394

The release spread achieved in the contracts renewed or relet in the period amount to 7.2%, mainly driven by the excellent performance of our core markets, Madrid, Barcelona and Lisbon

	Release spread	# contracts
Madrid	6.0%	142
Barcelona	19.5%	24
Lisbon	11.2%	14
<b>Total</b>	<b>7.2%</b>	<b>180</b>

## I SHOPPING CENTERS

Total take-up amounts to 78,306 sqm out of which 38,710 sqm correspond to new contracts (excluding contracts signed in X-Madrid, still not forming part of the inventory) and 39,596 sqm renewals.

Exits amounted to 29,692 sqm, and therefore the net take-up is 9,018 sqm. Main new contracts signed are the following:

Asset	Tenant	G.L.A. (sqm)
Marineda	Leroy Merlin	11,979
Larios	Primark	8,266
X-Madrid <sup>(1)</sup>	Ocine	4,251
X-Madrid <sup>(1)</sup>	Ozone bowling	2,959
Larios	H&M	2,763
Vilamarina	Mercadona	2,597
X-Madrid <sup>(1)</sup>	Ongravity	2,380
Marineda	Maisons du Monde	2,029
Artea	H&M	1,878
Marineda	Boleras Pleno	1,751

The release spread achieved in the contracts renewed or relet in the period amount to 4.2%.

Top performers in the period have been Larios and Marineda.

<sup>(1)</sup> Not included in the take-up figures





## I LOGISTICS

Total take-up amounts to 258,638 sqm out of which 154,269 sqm correspond to new contracts and 104,369 sqm to renewals.

Exits amounted 54,316 sqm, therefore net take-up amounts to 99,953 sqm. Main contracts signed in 2019 are the following:

Asset	Tenant	G.L.A. (sqm)
Madrid-Meco	Dachser	35,285
Valencia-Ribarroja	Dachser	34,992
Madrid-Pinto II	Media Markt	29,473
Madrid-Coslada	Dachser	28,491
Guadalajara-Azuqueca	Dachser	27,995
Guadalajara-Cabanillas III	Logishfashion	21,879
Madrid-Getafe (Gavilanes)	Mercadona	19,324

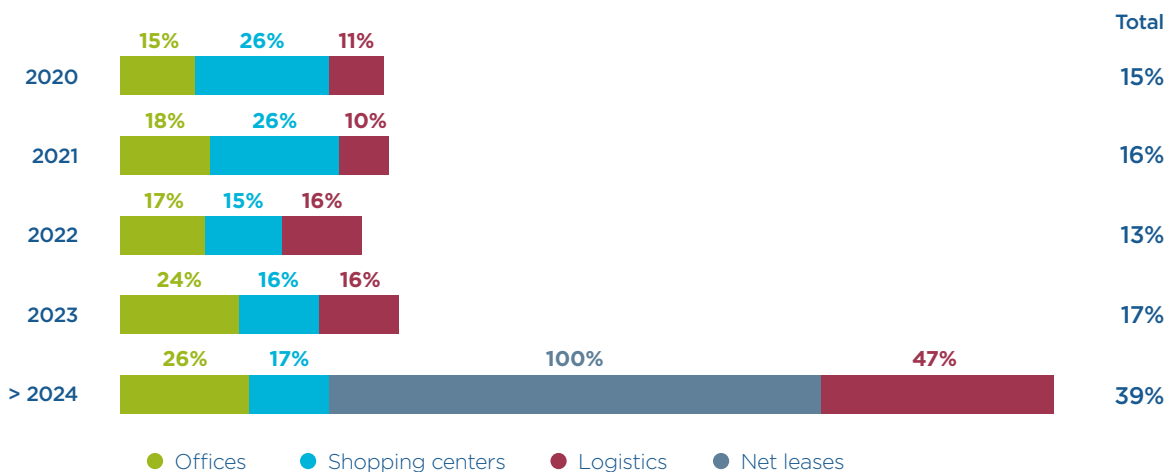
The release spread achieved in the contracts renewed or relet in the period amount to 7.6%, driven by an excellent performance in all markets.

	Release spread	# contracts
Madrid	7.3%	4
Barcelona	9.4%	2
Other	-	-
<b>Total</b>	<b>7.6%</b>	<b>6</b>

## I LEASE MATURITY PROFILE

The chart of lease contracts maturity (next break) shows a balanced profile.

In aggregated terms, in the following three years, the gross rents that have a break option amount to 15% in 2020, 16% in 2021 and 13% in 2022.



# 04

## Acquisitions, refurbishments and developments



## Acquisitions, refurbishments and developments

2019 has been an intense year in extracting value from the portfolio of assets. The activity has been focused in continue expanding the exposure in Portugal, the growth of the logistics footprint propelled by the WIP program in place and the implementation of the Landmark and Flagship refurbishment programs

	Offices	Retail	Logistics	€ million
<b>Acquisitions</b>	Art TFM LOOM 22@ Ferreteria Nestlé HQ DCN	Artea unit	Cabanillas Park I extension	450.0
<b>Development &amp; WIP</b>	Torre Chamartin Torre Glòries	X-Madrid	Madrid-Pinto IIB Guadalajara-Cabanillas III Toledo-Seseña Sevilla ZAL Lisbon Park Valencia Ribarroja	102.4
<b>Refurbishment</b>	Diagonal 605 Castellana 85 Adequa Balmes Eucalipto 33 Monumental Arturo Soria 343 Plaza Ruiz Picasso	Larios Arturo Soria El Saler		54.1
<b>Like-for-like portfolio (Defensive Capex)<sup>(1)</sup></b>				13.4
<b>TOTAL</b>				<b>619.9</b>

<sup>(1)</sup> € 9.9m are capitalized in balance sheet and € 3.5m are expensed in P&L



## ACQUISITIONS

### I OFFICES

#### Acquisition of Art and Torre Fernando Magalhães (TFM)

In January, MERLIN completed the acquisition of Art and TFM.

- Art is an “U” shaped building overlooking the river Tagus, located in Parque das Nações - EXPO (Lisbon). With an occupancy rate of 100%, the main tenants are BNP Paribas, Huawei, Sage or DHL.

- TFM is also located in Parque das Nações - EXPO (Lisbon), adjacent to Zen Tower and Central Office buildings. With an occupancy rate of 97%, the main tenants are Webhelp and Bold International.

The acquisition price amounts to € 112.2 million representing a 5.4% gross yield.

	<b>Art and TFM</b>
Acquisition Price <sup>(1)</sup> (€ thousand)	112,205
ERV (€ thousand)	6,936
ERV Yield	6.2%
Annualized gross rent 2019 (€ thousand)	6,114
Gross yield	5.4%
<b>Total G.L.A. (sqm)</b>	<b>29,987</b>

<sup>(1)</sup> Excluding transaction costs





### Acquisition of LOOM 22@ Ferreteria

In May, MERLIN acquired Loom 22@ Ferreteria, an office building located in the 22@ district of Barcelona with a total GLA of 2,018 sqm. The asset, formerly a hardware store, enjoys a special charm, ideal for corworking.

It will be let to our subsidiary LOOM and will benefit from synergies with LOOM Glòries. The acquisition price amounts to € 4.0 million and all in investment totals € 6.9 million, representing a 6.1% gross yield over € 0.4 million of gross rents.

<b>LOOM 22@ Ferreteria</b>	
Acquisition Price of the asset <sup>(1)</sup> (€ thousand)	4,000
Estimated Capex (€ thousand)	2,900
Total cost (€ thousand)	6,900
ERV (€ thousand)	424
Gross yield <sup>(2)</sup>	6.1%
<b>Total G.L.A. (sqm)</b>	<b>2,018</b>

### Acquisition of Nestlé's HQ

In September, MERLIN has completed the acquisition of Nestlé's HQ in Lisbon. The asset, located in the highly dynamic "western corridor" (A5 motorway), counts with 12,260 sqm of gross lettable area and 303 parking spaces, with the building divided into two wings connected by a common hall at the center.

The asset is 100% let to Nestlé. The acquisition price amounts to € 12.5 million representing a 7% gross yield, once our commitment to invest in the improvement of the campus is accomplished.

<b>NESTLÉ's HQ</b>	
Acquisition Price (€ thousand)	12,500
Estimated Capex (€ thousand)	7,000
Total cost (€ thousand)	19,500
Annualized gross rent 2019 (€ thousand)	1,369
Gross yield	7.0%
<b>Total G.L.A. (sqm)</b>	<b>12,260</b>

<sup>(1)</sup> Excluding transaction costs

<sup>(2)</sup> Yield on cost calculated over purchase price plus estimated capex

## I LOGISTICS

### Acquisition of Cabanillas Park I extension

In June, MERLIN 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.

<b>Cabanillas Park I Extension</b>	
G.L.A. (sqm)	92,994
Acquisition price <sup>(1)</sup> (€ thousand)	16,875
Estimated Capex (€ thousand)	39,084
<b>Total cost (€ thousand)</b>	<b>55,959</b>
ERV (€ thousand)	3,823
ERV yield <sup>(2)</sup>	6.9%
<b>Delivery date</b>	<b>Dec 20 / Oct 21</b>

### Acquisition of Valencia-Ribarroja

In July, MERLIN completed the acquisition of a 34,992 sqm turnkey logistic asset in Valencia. The warehouse, located in Ribarroja's industrial park, a consolidated logistics park renowned for its accessibility (A-3 and A-7 highways) and proximity to the city center. The asset is 100% let to Dachser.

The acquisition price amounts to € 26.3 million representing a 7.2% gross yield.

<b>Valencia-Ribarroja</b>	
Acquisition Price of the asset (€ thousand)	26,288
Annualized gross rent 2019 (€ thousand)	1,890
Gross yield <sup>(3)</sup> (€ thousand)	7.2%
<b>Total G.L.A. (sqm)</b>	<b>34,992</b>

<sup>(1)</sup> Excluding transaction costs

<sup>(2)</sup> Calculated as ERV divided by acquisition price plus estimated Capex

<sup>(3)</sup> Calculated as Annualized gross rent divided by acquisition price

## DEVELOPMENTS / WORK IN PROGRESS (WIP)

### | LANDMARK I PLAN (OFFICES)

#### WIP



Castellana 85

GLA (sqm) **15,254**

Scope **Full refurb**

Budget **€ 32.1m**

Delivery **4Q20**



Monumental

GLA (sqm) **22,387**

Scope **Full refurb (incl. SC)**

Budget **€ 34.8m**

Delivery **1Q21**

#### IN STOCK



Torre Chamartín

GLA (sqm) **18,295**

Scope **Development**

Budget **€ 38.0m**

Delivery **Finished**



Marqués de Pombal

GLA (sqm) **12,460**

Scope **Scope Lobby +  
common areas  
+ exterior terrace**

Budget **€ 1.6m**

Delivery **3Q20**



Diagonal 605

GLA (sqm) **13,244**

Scope **Scope Double height  
lobby  
+ common areas  
+ new retail space**

Budget **€ 8.7m**

Delivery **4Q20**

## FLAGSHIP PLAN (SHOPPING CENTRES)

### WIP

GLA (sqm) **47,170**  
 Scope **Full revamp**  
 Budget **€ 46.4m**  
 Delivery **Finished**



X-Madrid

### FLAGSHIP PLAN<sup>(1)</sup>

GLA (sqm) **7,054**  
 Scope **Façade, accesses, installations, terraces, floors and parking**  
 Budget **€ 5.4m**  
 Delivery **Finished**



Arturo Soria

GLA (sqm) **41,595**  
 Scope **Full refurb**  
 Budget **€ 27.5m**  
 Delivery **Finished**



Larios

GLA (sqm) **67,690**  
 Scope **Common areas, exterior plaza, restaurants area**  
 Budget **€ 24.2m**  
 Delivery **Finished**



Tres Aguas

GLA (sqm) **47,853**  
 Scope **Full refurb**  
 Budget **€ 24.0m**  
 Delivery **3Q20**



El Saler

GLA (sqm) **58,779**  
 Scope **Full refurb**  
 Budget **€ 26.6m**  
 Delivery **1Q21**



Porto Pi

GLA (sqm) **11,629**  
 Scope **Full refurb**  
 Budget **€ 20.5m**  
 Delivery **4Q21**



Callao 5

<sup>(1)</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

## I BEST II & III PLANS (LOGISTICS)

MERLIN continues expanding its logistics footprint through the developments / WIP program in logistics. As of 31 December 2019, main assets under Best II & Best III Plans are the following:

### Best II (as from 31/12/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
<b>Delivered</b>				
Guadalajara-Cabanillas III <sup>(1)</sup>	21,879	0.9	11.8	7.8%
Madrid-Pinto II B	29,473	1.2	13.7	8.6%
<b>In progress</b>				
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	7.7%
Guadalajara-Cabanillas Park I F	20,723	0.9	10.8	7.9%
Guadalajara-Cabanillas Park II	210,678	9.2	114.2	8.1%
Toledo-Seseña	28,731	1.2	15.5	7.7%
Guadalajara-Cabanillas Park I Extension	92,994	3.8	56.0	6.8%
<b>Total</b>	<b>588,459</b>	<b>25.9</b>	<b>328.4</b>	<b>7.9%</b>

### Best III (as from 31/12/19)

	GLA (sqm)	ERV (€m)	Investment (€m)	ERV YoC
<b>Delivered</b>				
Valencia-Ribarroja	34,992	1.9	26.3	7.2%
<b>In progress</b>				
Zaragoza-Plaza II	11,421	0.5	7.1	7.2%
Madrid San Fernando III	98,942	5.1	54.9	9.3%
Sevilla ZAL WIP <sup>(2)</sup>	42,632	2.0	24.4	8.4%
Lisbon Park	224,864	10.5	147.6	7.1%
Valencia	96,572	4.4	56.2	7.8%
<b>Total</b>	<b>509,423</b>	<b>24.5</b>	<b>316.5</b>	<b>7.7%</b>

<sup>(1)</sup> Delivered and reclassified as part of the existing stock

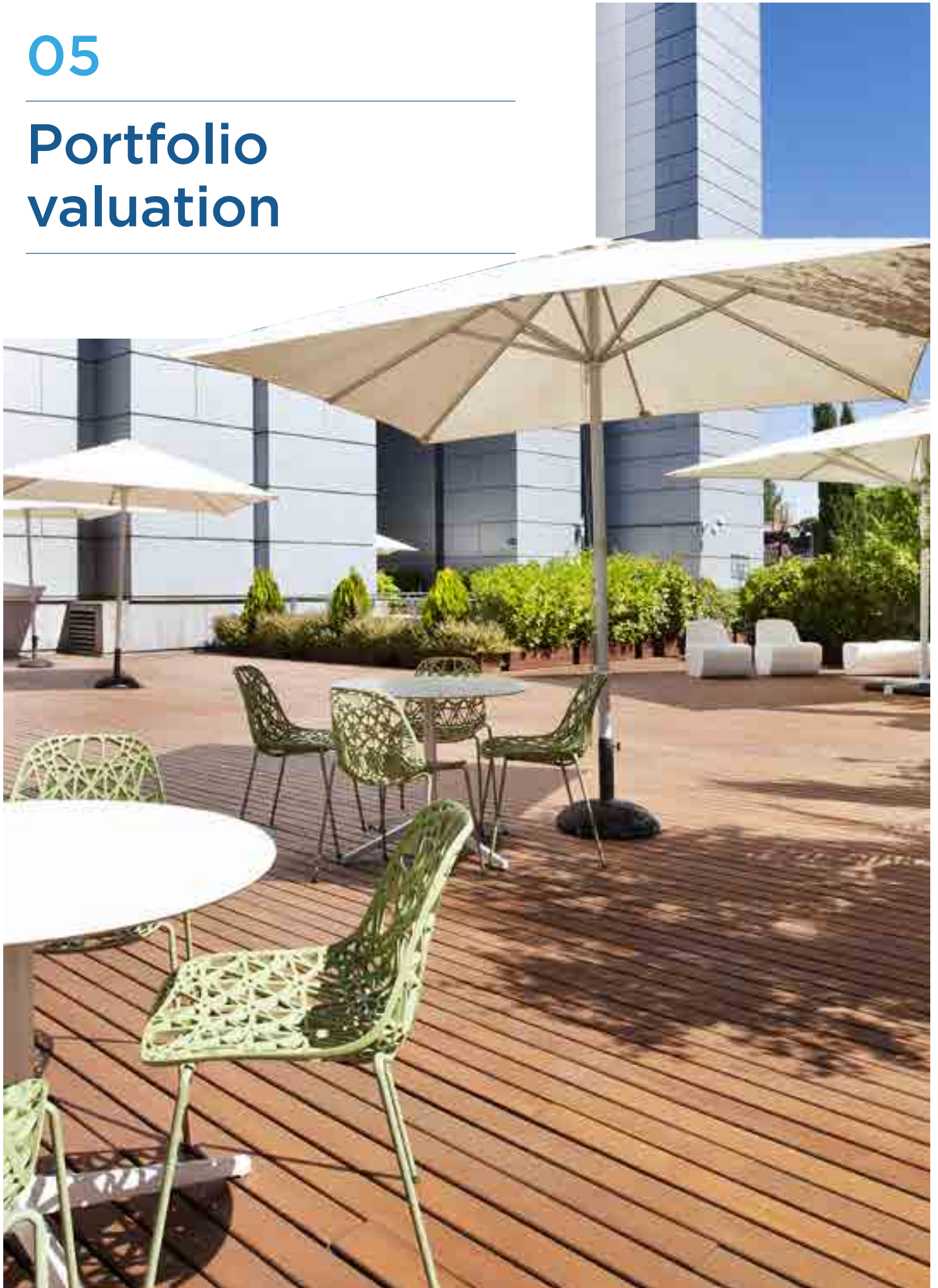
<sup>(2)</sup> 8,787 sqm already delivered and let to Amazon

05

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# Portfolio valuation

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## Portfolio valuation

MERLIN portfolio has been appraised by CBRE, Savills and JLL, for a total GAV of € 12,751m. GAV breakdown is the following:

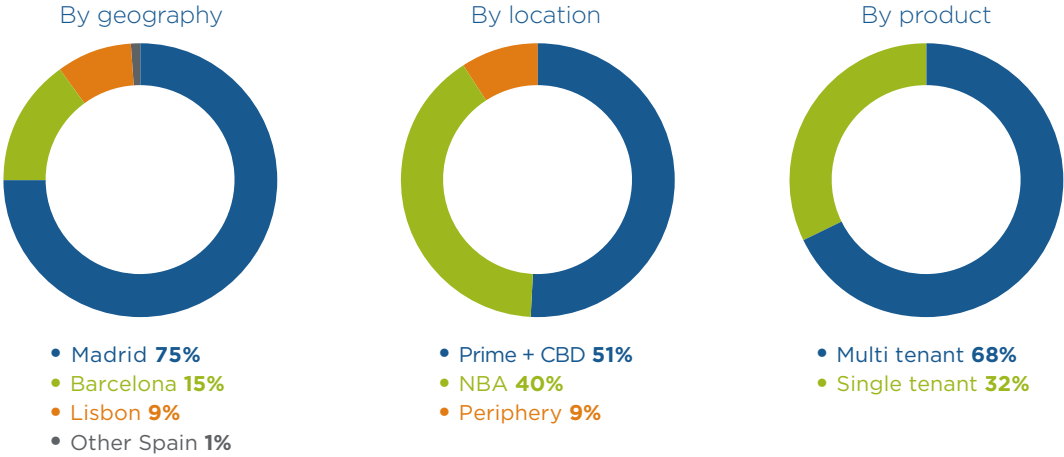
	<b>GAV</b>	<b>LfL Growth</b>	<b>Gross yield</b>	<b>Yield compression<sup>(1)</sup></b>
Offices	6,161	+4.8%	4.1%	27 bps
Shopping centers	2,540	(0.1%)	5.1%	(9) bps
Logistics	939	+9.0%	5.8%	42 bps
Net leases	1,873	+0.5%	4.6%	0 bps
WIP & land	301	n.a	n.a	
Other	453	+1.1%	4.1%	2 bps
Equity method <sup>(2)</sup>	484	+5.3%	n.a	
<b>Total</b>	<b>12,751</b>	<b>+3.3%</b>	<b>4.5%</b>	<b>14 bps</b>

<sup>(1)</sup> Based on exit yield

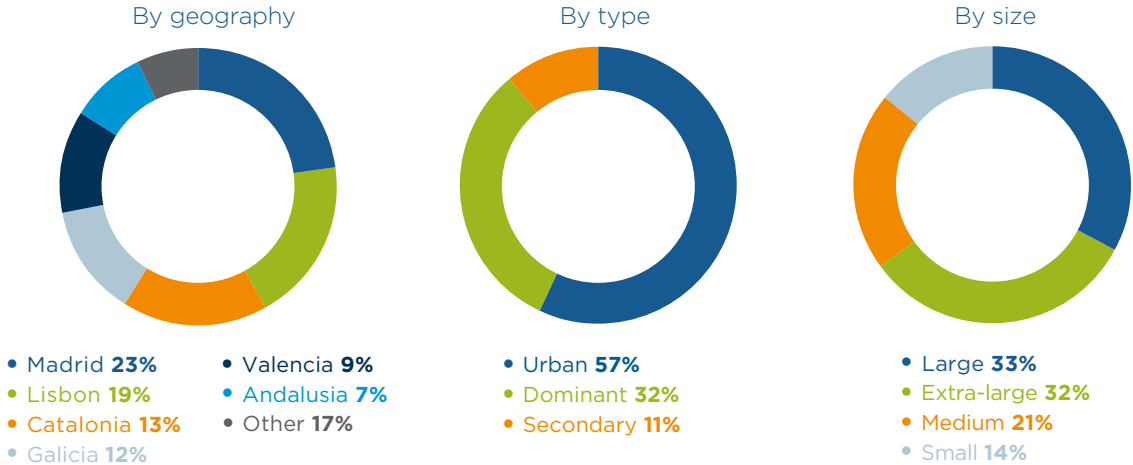
<sup>(2)</sup> Including DCN and the DCN loan (€ 255.3m)

A broader analysis of the asset portfolio by valuation in the different categories is shown below:

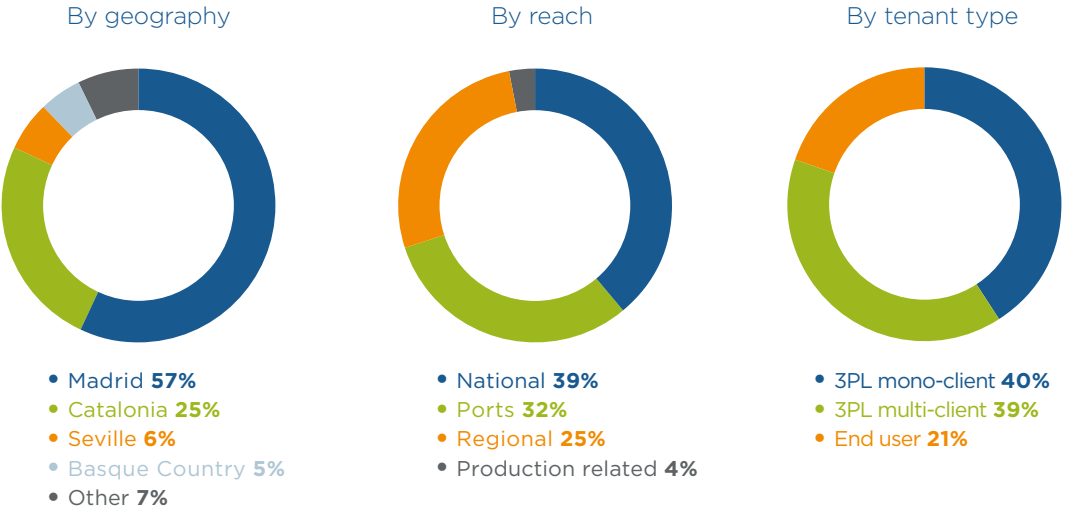
**OFFICES (BY GAV)**



**SHOPPING CENTERS (BY GAV)**



**LOGISTICS (BY GAV)**

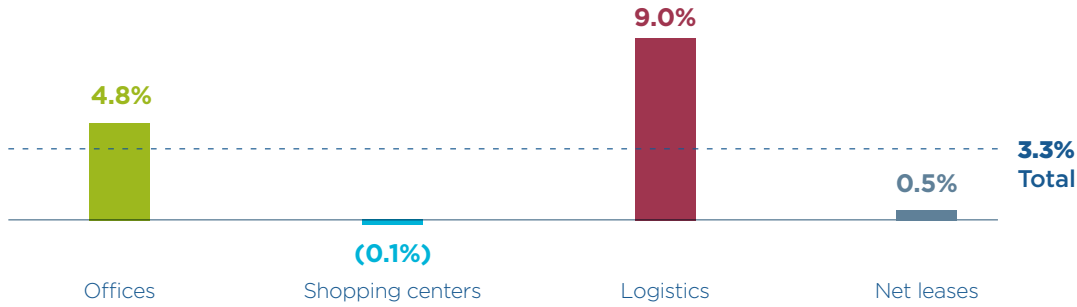






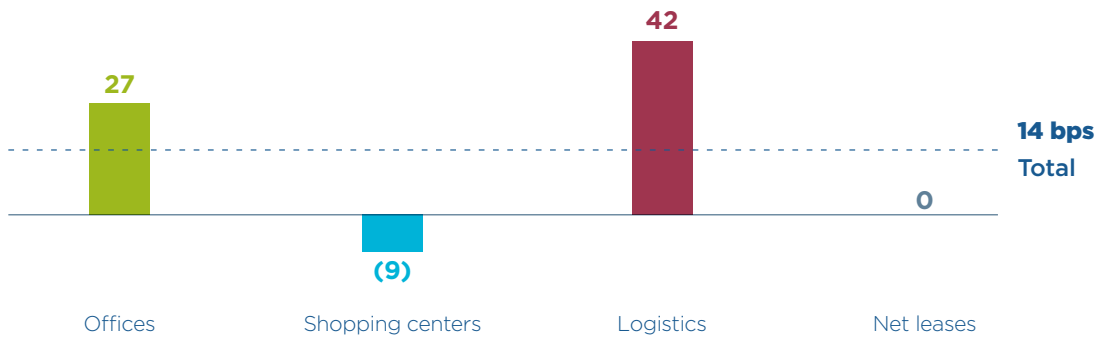
## GAV EVOLUTION

GAV has increased by € 710m, raising from a GAV of € 12,041m as of 31 December 2018 to € 12,751m. The like-for-like increase of GAV from 31 December 2018 is +3.3%.



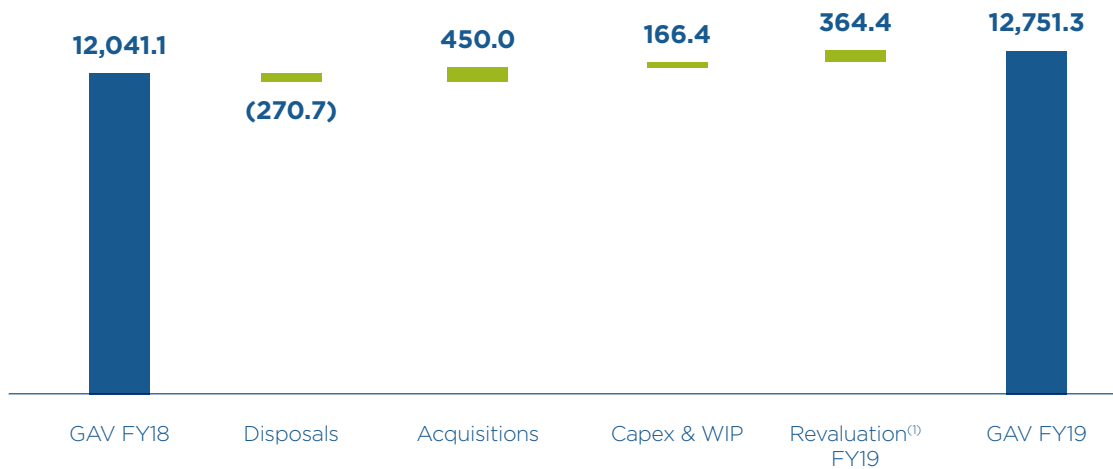
## YIELD COMPRESSION

Exit yields have compressed by 14 bps since December 2018



## GAV BRIDGE

(€ millions)



<sup>(1)</sup> € 364.4m revaluation FY19 = € 355.0m P&L revaluation + € 10.6m equity method revaluation + € 2.4m Tree derivative - € 3.5m IFRS 16 adjustment

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# Financial statements

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## Financial statements

### CONSOLIDATED INCOME STATEMENT

(€ thousand)	31/12/19	31/12/18 <sup>(1)</sup>
<b>Gross rents</b>	<b>525,918</b>	<b>499,708</b>
Offices	243,431	228,127
Shopping centers	127,300	108,905
Logistics	53,796	50,327
Net leases	86,962	96,721
Other	14,429	15,628
<b>Other income</b>	<b>4,713</b>	<b>9,800</b>
<b>Total Revenues</b>	<b>530,631</b>	<b>509,508</b>
Incentives	(14,393)	(24,062)
<b>Total Operating Expenses</b>	<b>(139,914)</b>	<b>(130,214)</b>
Propex <sup>(2)</sup>	(48,263)	(42,172)
Personnel expenses	(32,284)	(30,408)
Opex recurring	(10,186)	(9,181)
Opex non-overheads	(4,939)	(5,018)
LTIP Provision	(44,242)	(43,435)
<b>EBITDA</b>	<b>376,324</b>	<b>355,232</b>
Depreciation	(2,123)	(1,572)
Gain / (losses) on disposal of assets	(19,063)	6,815
Provision surpluses	87	13,554
Change in fair value of investment property	354,972	629,184
Difference on business combination	(2,866)	(20,523)
<b>EBIT</b>	<b>707,331</b>	<b>982,690</b>
Net financial expenses	(112,415)	(119,298)
Debt amortization costs	(3,163)	4,306
Gain / (losses) on disposal of financial instruments	(40)	4,198
Change in fair value of financial instruments	(11,068)	(80,750)
Share in earnings of equity method instruments	10,065	46,610
Testa Residencial service agreement cancellation	-	53,027
Aedas service fee	-	22,242
<b>PROFIT BEFORE TAX</b>	<b>590,710</b>	<b>913,025</b>
Income taxes	(27,071)	(58,146)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>563,639</b>	<b>854,879</b>
Minorities	-	-
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE</b>	<b>563,639</b>	<b>854,879</b>

<sup>(1)</sup> Re-stated to include the asset reclassification

<sup>(2)</sup> Includes collection loss

## I NOTES TO THE CONSOLIDATED INCOME STATEMENT

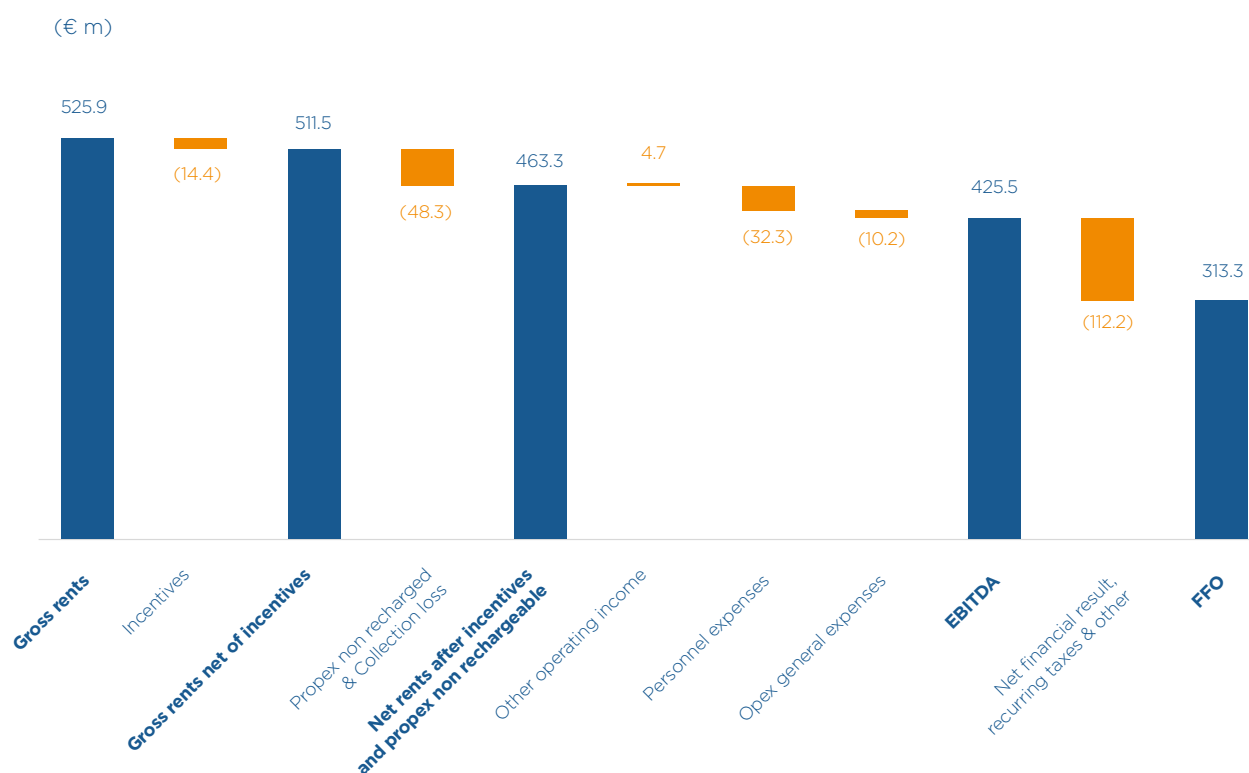
Gross rents (€ 525,918 thousand) less incentives of € 14,393 thousand equals to gross rents net of incentives of € 511,525 thousand. After deducting portfolio operating expenses not recharged to the tenants & collection loss (€48,263 thousand) the resulting amount is € 463,262 thousand of net rents.

The total amount of operating expenses of the Company in the period is € 91,651 thousand, with the following breakdown:

- i. € 32,284 thousand correspond to personnel expenses.
- ii. € 10,186 thousand of general expenses.
- iii. € 44,242 thousand corresponding to the long-term incentive plan (LTIP) accrued.

iv. € 4,939 thousand of non-overheads operating expenses. They correspond mainly to expenses related to financing and refinancing activity and to expenses for the acquisition of portuguese asset companies.

The sum of the personnel expenses (excluding the amount accrued for the LTIP) and the Opex general expenses of the Company are within the threshold of overheads of the Company, prevailing this period the 0.575% of the EPRA NAV of the Company. The reconciliation between gross rents of the period and FFO is as follows:



## CONSOLIDATED BALANCE SHEET

(€ thousand)

ASSETS	31/12/19	EQUITY AND LIABILITIES	31/12/19
<b>NON CURRENT ASSETS</b>	<b>12,993,010</b>	<b>EQUITY</b>	<b>6,708,700</b>
Intangible assets	797	Subscribed capital	469,771
Property, plant and equipment	11,683	Share premium	3,813,409
Investment property	12,169,157	Reserves	2,094,275
Investments accounted for using the equity method	346,973	Treasury stock	(56,860)
Non-current financial assets	376,622	Other equity holder contributions	540
Deferred tax assets	87,778	Interim dividend	(92,939)
		Profit for the period	563,639
		Valuation adjustments	(83,135)
		Minorities	-
		<b>NON-CURRENT LIABILITIES</b>	<b>6,383,028</b>
		Long term debt	5,661,666
		Long term provisions	33,708
		Deferred tax liabilities	687,654
<b>CURRENT ASSETS</b>	<b>312,721</b>	<b>CURRENT LIABILITIES</b>	<b>214,003</b>
Trade and other receivables	30,484	Short term debt	59,533
Short term investments in group companies and associates	1,055	Short term provisions	778
Short-term financial assets	6,668	Trade and other payables	145,845
Cash and cash equivalents	254,016	Other current liabilities	7,847
Other current assets	20,498		
<b>TOTAL ASSETS</b>	<b>13,305,731</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13,305,731</b>

## I NOTES TO THE CONSOLIDATED BALANCE SHEET

Fair value of the portfolio corresponds to the appraisal value delivered by CBRE, Savills and JLL as of 31 December 2019. The referred appraisal value is reflected in the following accounting Items:

€ million	Notes	
Investment property	7	12,169.2
Derivatives (in non-current assets)	7	124.7
Equity method	9	347.0
Non current financial assets <sup>(1)</sup>	10	103.9
Non-current assets	n.a	0.9
<b>Total balance sheet items</b>		<b>12,745.6</b>
IFRS-16 (concessions)	7	(27.8)
Equity method adjustment	n.a	33.2
Non-current assets adjustment	n.a	0.4
<b>Total valuation</b>		<b>12,751.3</b>

## FINANCIAL DEBT

During the period, MERLIN has refinanced:

I. Its existing term loans and revolving credit facilities (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.

II. A € 67.9m secured bank loan on 7 logistics assets.

Additionally, MERLIN issued unsubordinated ordinary bonds for an aggregate principal amount of 500 million Euros. The Notes have been issued with a maturity of 15 years, at an issue price of 99.174% of nominal value, and an annual coupon of 1.875% (midswap + 165 bps).

This 15 year bond is the longest issuance executed by an Spanish real estate company as the issuance date. As a result, average cost of debt has been reduced and average maturity extended.

The balance of long term debt and short term debt includes Company's outstanding financial debt, mark-to-market of interest-rate and inflation hedging contracts and other financial liabilities, corresponding to guarantees and legal deposits received. The breakdown of gross financial debt is as follows:

## I FINANCIAL DEBT BREAKDOWN

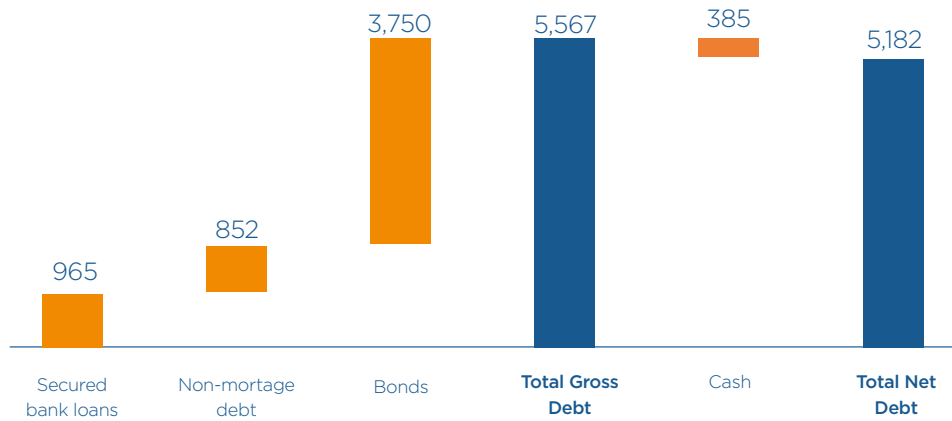
€ Thousand	Long term	Short term	Total
Financial debt	5,552,612	14,604	5,567,216
Loan arrangement costs	(107,105)	(3)	(107,109)
Debt interest expenses	-	37,126	37,126
Mark-to-market of interest-rate hedging contracts	95,695	1,231	96,926
Other financial liabilities (i.e. legal deposits)	120,464	6,576	127,040
<b>Total debt</b>	<b>5,661,666</b>	<b>59,533</b>	<b>5,721,199</b>

<sup>(1)</sup> Includes DCN loan and Aedas stake



MERLIN's net financial debt as of 31 December is € 5,182,491 thousand. This implies a Loan To Value of 40.6%, which represents a reduction of 7 bps since 31/12/2018 (40.7%). The breakdown of MERLIN's debt is the following:

(€ million)



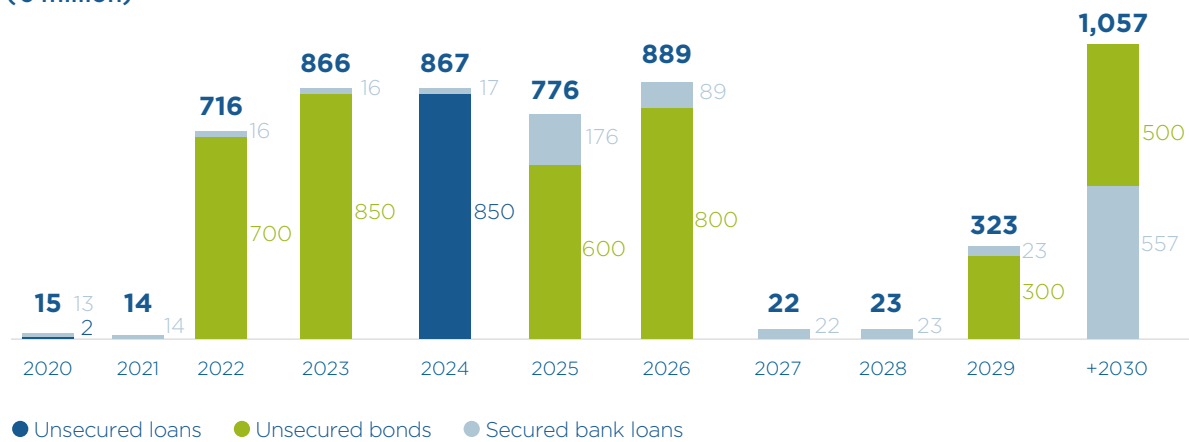
% Gross financial debt	17.3%	15.3%	67.4%	<b>100.0%</b>
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Average cost (%)	2.60%	1.65%	2.07%	<b>2.09%</b>
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% interest rate hedged	98.6%	98.6%	100.0%	<b>99.5%</b>
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MERLIN'S debt has an average maturity period of 6.4 years. The chart with debt maturity is the following:

(€ million)



MERLIN's debt as of 31 December has an average cost of 2.09% (spot 1.79% plus derivatives cost). Nominal debt with interest rate hedged amounts to 99.5%. Key debt ratios are shown below:

€ million	31/12/2019	31/12/2018
Gross financial debt	5,567	5,252
Cash <sup>(1)</sup>	(385)	(350)
Net financial debt	5,182	4,902
GAV	12,751	12,041
LTV	40.6%	40.7%
Average cost	2.09%	2.13%
Hedged debt <sup>(2)</sup>	99.5%	96.3%
Average maturity (years)	6.4	5.9
Liquidity <sup>(3)</sup>	1,085	634
Non-mortgage debt	82.7%	81.3%

## SHAREHOLDERS RETURN

The Shareholder Return for a given year is equivalent to the sum of (a) the change in the EPRA NAV per share of the Company during such year; and (b) the total dividends per share (or any other form of remuneration or distribution to the Shareholders) that are paid in such year (the "Shareholder Return").

The Shareholder Return Rate is defined as the Shareholder Return for a given year divided by the EPRA NAV of the Company as of 31 December of the immediately preceding year (the "Shareholder Return Rate"). In accordance with these definitions, the Shareholder Return in 2019 amounts to € 1.30 per share (or € 607 million of value created in absolute terms) and the Shareholder Return Rate amounts to 8.8%.

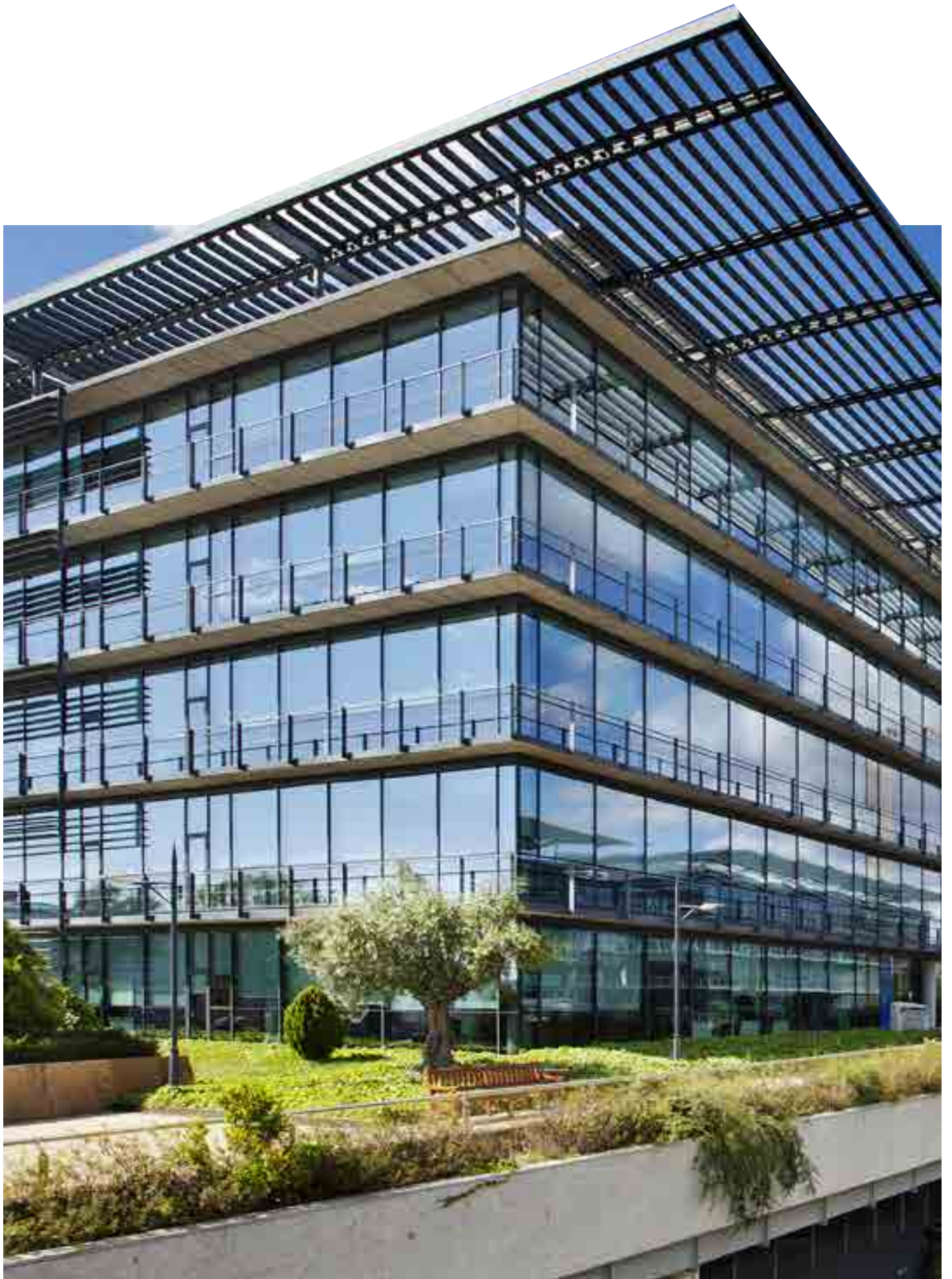
	Per share (€)	€ million
<b>EPRA NAV 31/12/2018</b>	<b>14.81</b>	<b>6,956</b>
NAV growth in 2019	0.80	375
<b>EPRA NAV 31/12/2019</b>	<b>15.60</b>	<b>7,331</b>
DPS	0.50	232
NAV growth + DPS (Shareholder Return)	1.30	607
<b>Shareholder Return Rate</b>	<b>8.8%</b>	<b>8.8%</b>

<sup>(1)</sup> Including cash, pending receivable of Juno (€ 70.0m) and treasury stock (€ 56.9m) in 2019 and cash, pending receivable of Testa Residencial (€ 121.1m) and treasury stock (€ 56.0m) in 2018

<sup>(2)</sup> If RCF was excluded, the % hedged would increase to 99.1% in FY18

<sup>(3)</sup> Including available cash plus pending receivables (Juno in 2019 and Testa in 2018), treasury stock and unused credit facilities (€ 700m in 2019 and € 284m in 2018)





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# EPRA Metrics



## EPRA Metrics

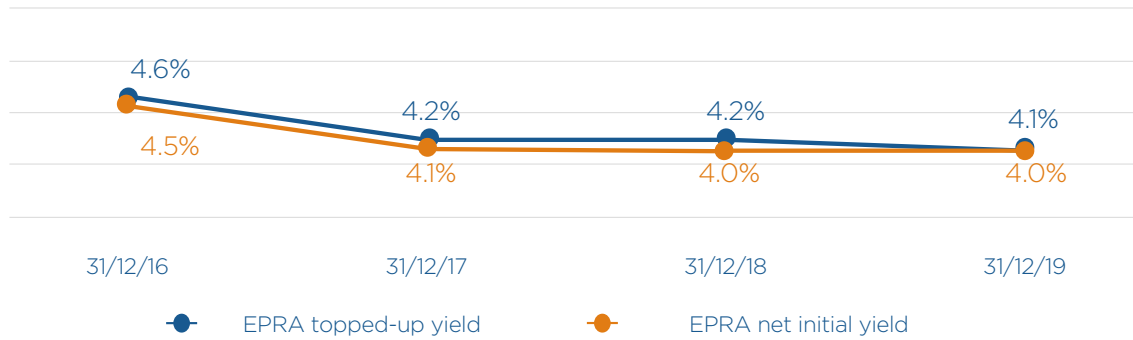
Performance Measure	Definition	31/12/2019	
		€ million	€ per share
EPRA Earnings (€ million)	Earnings from core operational activities	313.3	0.67
EPRA NAV (€ million)	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated shareholders' equity of the Group adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model, as per EPRA's recommendations	7,330.7	15.60
EPRA NNAV (€ million)	EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes	6,742.2	14.35
EPRA Net Initial Yield	Annualized rental income based on the cash passing rents at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	4.0%	
EPRA "topped-up" NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	4.1%	
EPRA vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	5.2%	
EPRA costs	Running costs of the Company divided by recurring rents	18.7%	
EPRA costs (excluding non-recurring costs)	Recurring running costs of the Company divided by recurring rents	17.7%	



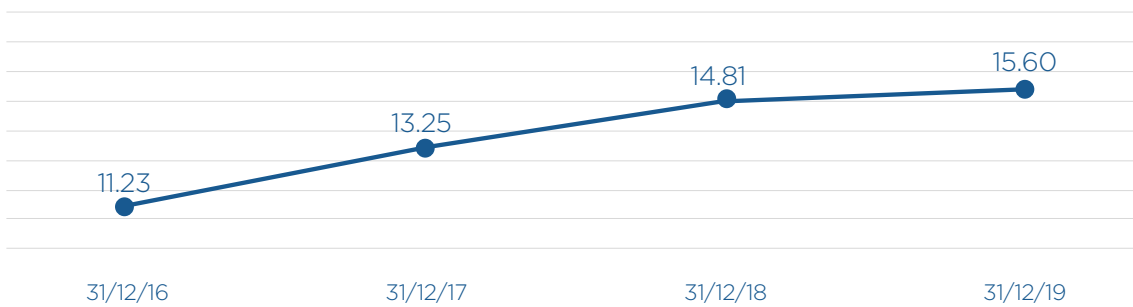
MERLIN Properties has been awarded by EPRA with the gold award of best practices in financial reporting. It is the highest recognition for an outstanding compliance with the best practices.

The evolution of EPRA metrics from 31 December 2016 has been the following:

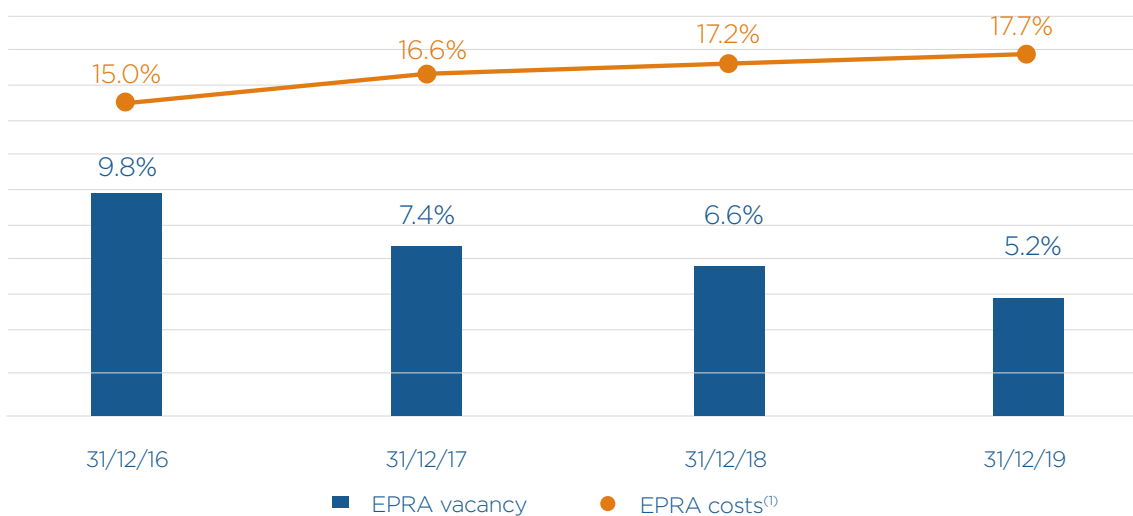
### EPRA YIELDS



### EPRA NAV/SHARE



### EPRA VACANCY/COSTS



<sup>(1)</sup> EPRA costs excluding non recurring costs. Past reported has been rebased in order to deduct incentives from gross rents

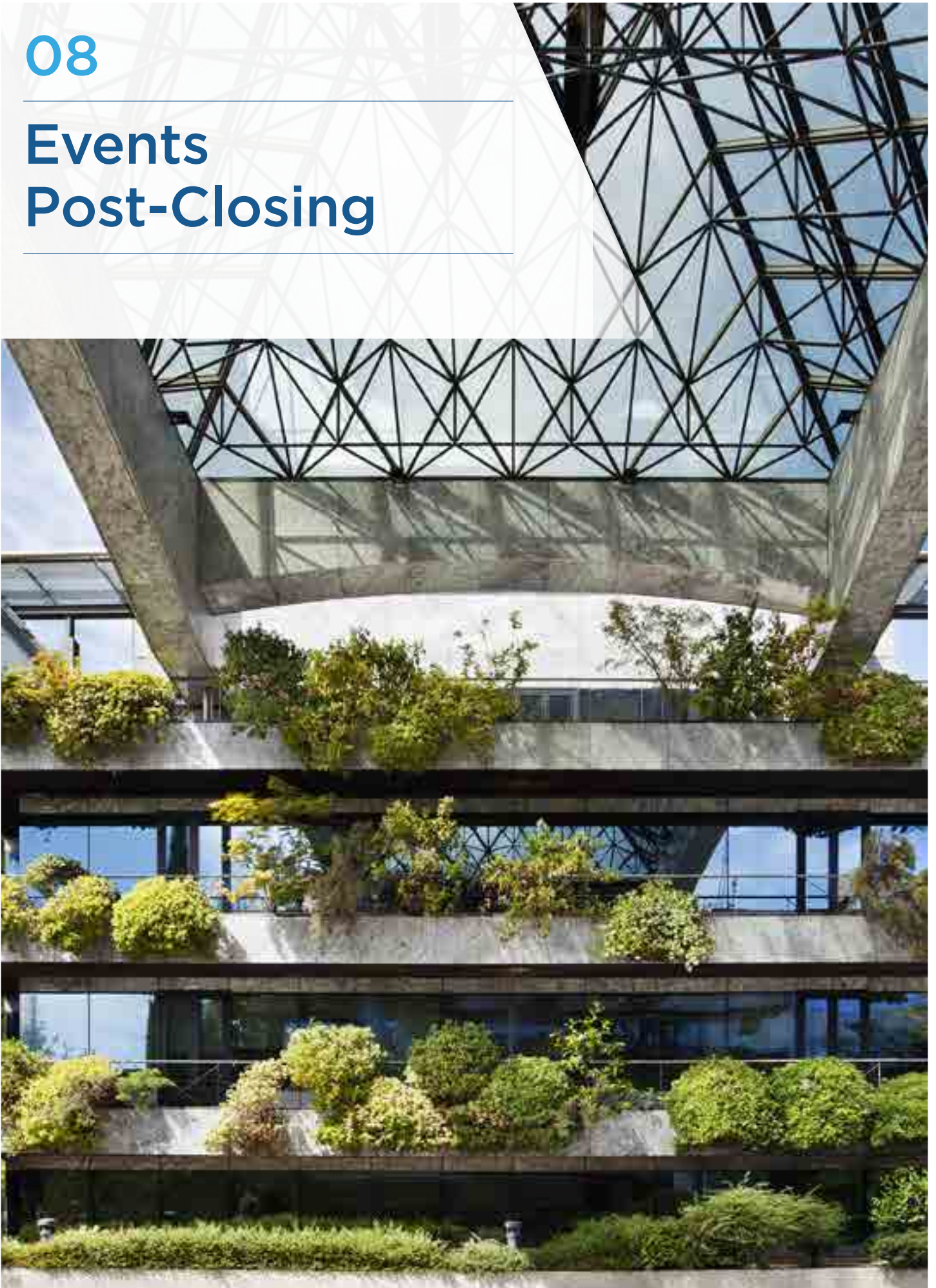


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# Events Post-Closing

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## Events Post-Closing

- On February 27, MERLIN signed the contribution of 3 secondary retail assets (Thader, La Fira and Nassica) to Silicius Socimi, a multi-product vehicle externally managed by Mazabi. The transaction has been on a NAV neutral basis, and in exchange MERLIN has received 34.4% of Silicius. As a result of this transaction, MERLIN's overall exposure to shopping centers has been reduced to 18.9%, while secondary shopping centers account for 4.9% of MERLIN's retail portfolio (0.9% of the total portfolio)
- On January 17, MERLIN completed the acquisition of Plaza de Cataluña 9 in Barcelona. The historical asset, located in one of the most touristic and emblematic squares in Barcelona, comprises 3,048 sqm of GLA and will be used as a Loom. The acquisition price amounts to € 15.0 million (+ € 3.0 million estimated Capex) representing a 4.5% ERV yield
- In February, MERLIN signed a lease agreement with BBVA comprising 9,135 sqm in PE Las Tablas
- In January, Cilsa (ZAL Port) delivered a 35,144 sqm unit to Damm and a 25,024 sqm unit to UPS, achieving the 500k sqm GLA under operations milestone
- On January 15, MERLIN was listed in Euronext Lisbon Stock Exchange
- On February 7, MERLIN issued a € 100 million tap of its 15-year bond at 102% of the notional value and 1.875% coupon

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# Stock exchange evolution





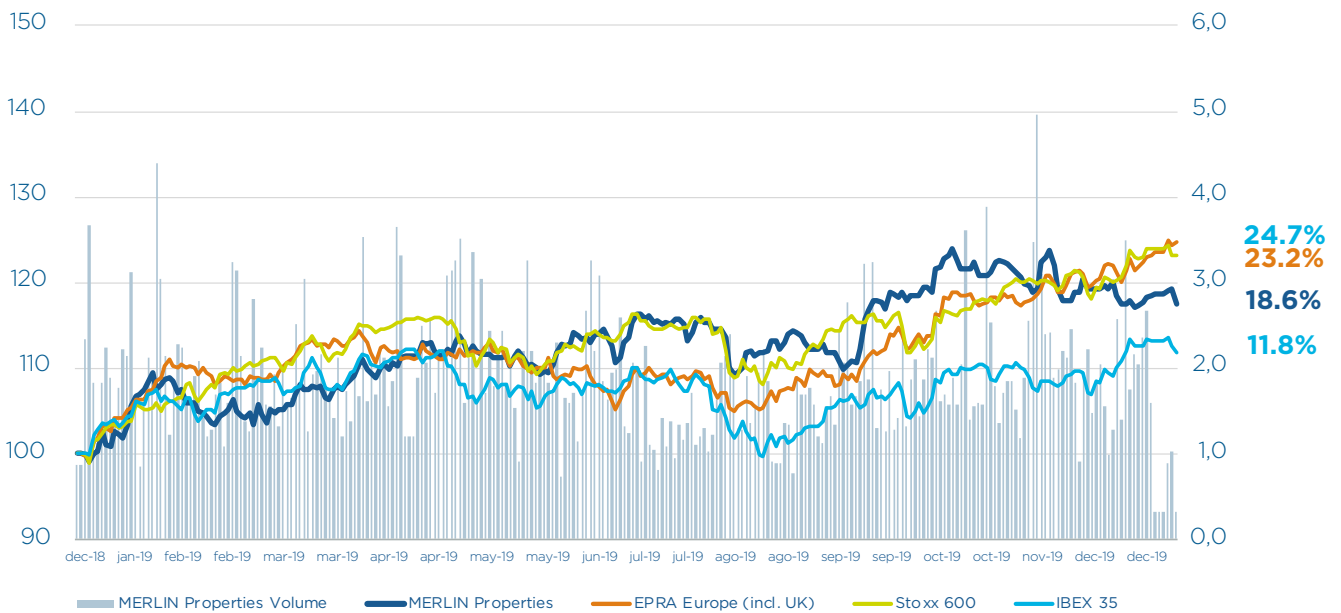
## Stock exchange evolution

MERLIN shares closed on 31 December 2019 at € 12.79, an increase of 18.6% versus 31 December 2018 closing price (€ 10.78).

The share has outperformed the IBEX-35 (+11.8%) and slightly underperformed the sectorial EPRA Europe reference index (+24.7%) and Euro Stoxx 600 (+23.2%).

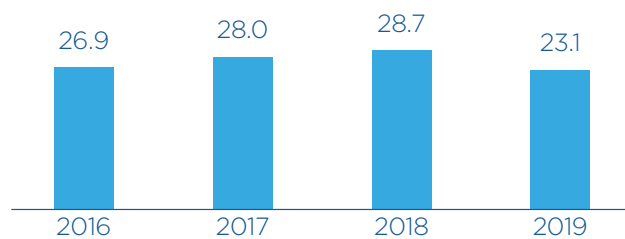
### MERLIN SHARE PRICE PERFORMANCE VS REFERENCE INDICES

From 31st December 2018 to 31st December 2019, Rebased to 100



### AVERAGE DAILY TRADING VALUE (€ M)

Average daily trading volume during the period has been € 23.1 million, which represent a 0.4% of the average market capitalization of 2019.



As of the date of this report, MERLIN is covered by a wide variety of 26 equity research houses. Consensus target price is € 14.02

## TARGET PRICES AND ANALYST RECOMMENDATIONS

Broker	Report date	Recommendation	Target price
 MIRABAUDI	14-02-20	Neutral	14.10
 JBCapitalMarkets	05-02-20	Neutral	15.80
J.P.Morgan	16-01-20	Buy	14.50
 BANK OF AMERICA	14-01-20	Neutral	13.10
 BPI	25-11-19	Neutral	13.65
 Banco de España	20-11-19	Buy	16.20
bankinter	15-11-19	Buy	14.10
 Sabadell	25-10-19	Buy	15.79
 ODDO BHF	22-10-19	Buy	14.55
ALANTRA	17-10-19	Buy	14.65
 intermoney valores sv	17-10-19	Buy	14.50
 Güldenrich Sührs	17-10-19	Sell	10.70
 KEMPEN & CO	11-10-19	Buy	15.00
 BARCLAYS	04-09-19	Neutral	11.50
 Green Street Advisors	05-07-19	Buy	15.10
BBVA	04-07-19	Buy	13.60
 AXANE BNP PARIBAS	31-05-19	Buy	13.90
 Korber Chevroux	23-05-19	Buy	14.30
 GVC Gaesco	14-05-19	Buy	14.49
Morgan Stanley	13-05-19	Buy	15.00
renta4	06-05-19	Buy	14.16
 Santander	28-03-19	Buy	14.90
 ING	08-03-19	Buy	13.80
 citi	24-01-19	Sell	9.60
fidentiis	17-01-19	Buy	14.50
 UBS	31-07-18	Buy	13.00
<b>Average</b>			<b>14.02</b>



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# Dividend policy

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## Dividend policy

The Company maintains a dividend policy that takes into account sustainable levels of distributions, and shows the Company's forecast in relation to obtaining recurring profits. The Company does not intend to create reserves that cannot be distributed to the shareholders, other than those required by law.

According to the Spanish regime for REIT's, the Company will be obligated to adopt agreements to distribute the profits obtained in this financial year in the form of dividends to shareholders, after complying with any relevant requirement of the Spanish Corporation Law. The Company will be obligated to agree its distribution within six months of the close of each financial period, in the following manner: (i) at least 50% of the profits derived from the transfer of real properties, shares, or shareholdings in qualified affiliates, provided that the remaining profits are reinvested in other real estate assets within a maximum period of three years from the date of transmission or, if not, 100% of the profits must be distributed as dividends at the end of this three year period; (ii) 100% of the profits obtained by receiving dividends paid by qualified subsidiaries; (iii) at least 80% of

the rest of the obtained profits. If the dividend distribution agreement is not adopted within the legal timeframe, the Company will lose its REIT status during the financial year to which the dividends refer.

In accordance with the Prospectus, MERLIN Properties targets to deliver a dividend yield of between 4% and 6% over the initial IPO price. The Company's dividend policy is established as the distribution of a minimum of the 80% cash flow from operations less the payment of interests and less the payment of recurring expenses of maintaining assets (AFFO). The distributions to MERLIN's shareholders during 2019 are shown in the chart. The Board of Directors of MERLIN Properties agreed to distribute a dividend on account of 2019 results for a gross amount of € 0.20 per share paid on October 28 2019. The management team of MERLIN Properties will propose a complimentary dividend on account of 2019 results, being subject to the 2020 General Shareholders Meeting. The complimentary dividend would be a gross amount of 0.32 euros per share, expected to be distributed in May 2020, for a total of 0.52 euros per share versus 0.50 euros per share in 2018.

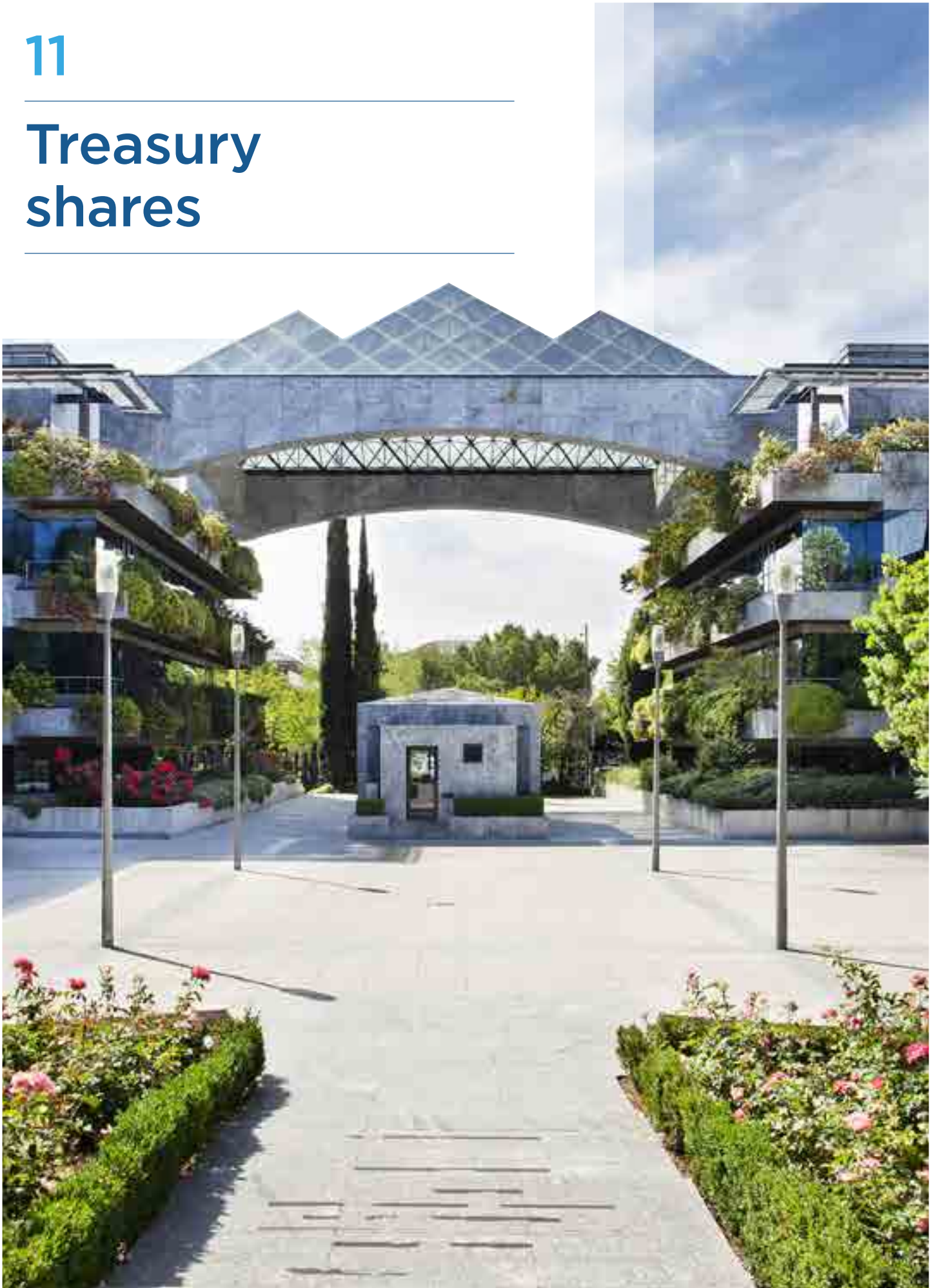
Type	Date	Concept	€ per share
Interim 2015	28-oct-15	Dividend	0.0775
Final 2015	27-apr-16	Dividend	0.005692
Final 2015	27-apr-16	Share premium distribution	0.102608
<b>Total 2015</b>			<b>0.19</b>
Interim 2016	25-oct-16	Dividend	0.185
Interim 2016	25-oct-16	Share premium distribution	0.02
Final 2016	18-may-17	Dividend	0.10071014
Final 2016	18-may-17	Share premium distribution	0.09928767
<b>Total 2016</b>			<b>0.40</b>
Interim 2017	25-oct-17	Dividend	0.20
Final 2017	25-may-18	Dividend	0.02053654
Final 2017	25-may-18	Share premium distribution	0.23946346
<b>Total 2017</b>			<b>0.46</b>
Interim 2018	25-oct-18	Dividend	0.20
Final 2018	07-may-19	Dividend	0.20270039
Final 2018	07-may-19	Share premium distribution	0.09729961
<b>Total 2018</b>			<b>0.50</b>
Interim 2019	28-oct-19	Dividend	0.20
Final 2019	Pending AGM approval		0.32
<b>Total 2019</b>			<b>0.52</b>

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# Treasury shares

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## Treasury shares

As of 31/12/2019 the Company owned 5,077,369 treasury shares. During 2019, the following events have occurred in relation to the treasury stock:

- In accordance with the delivery conditions of the 2016 long term incentive plan, 1,072,502 shares have been delivered to the beneficiaries in March
- 52,905 shares were delivered to the employees as part of the “flexible remuneration program”

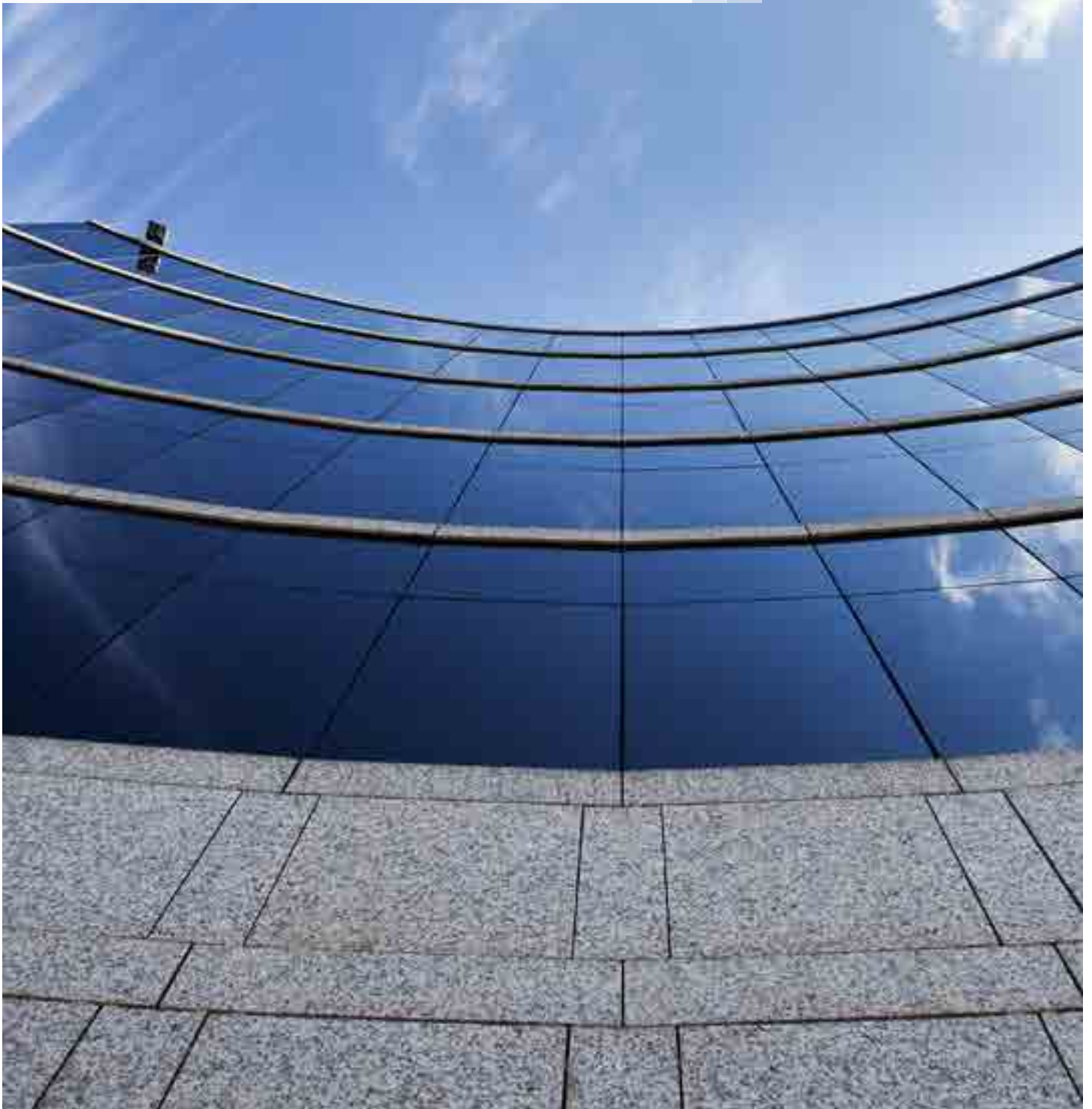
- The Company has acquired a total of 52,776 shares in 2019

Below we show a breakdown of the variations during the year of the balance of treasury shares

	Acquisitions	Disposals	Total
<b>31/12/2018 Balance</b>			<b>6,150,000</b>
March 2019		(1,125,278)	(1,125,278)
April 2019	52,776		52,776
June 2019		(33)	52,743
July 2019		(32)	(32)
September 2019		(64)	(64)
<b>31/12/2019 Balance</b>			<b>5,077,369</b>
<b>% Total shares</b>			<b>1.1%</b>

12

Outlook / R+D  
information /  
other





## Outlook / R+D information / other

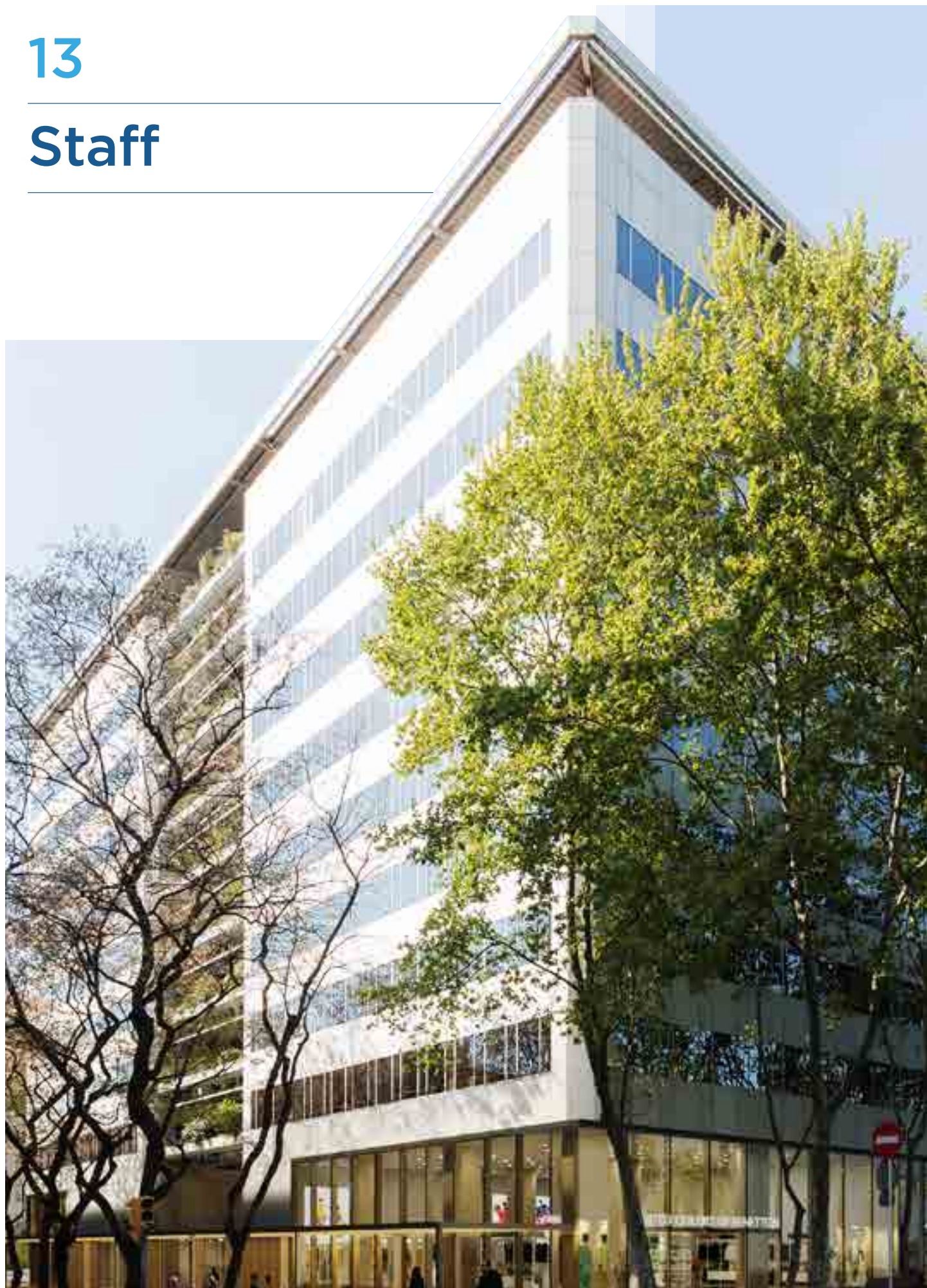
In 2020, MERLIN expects to continue with high occupancy rates and the maintenance of strong cash flow due to the long remaining lease period (5.6 years from 31 December 2019, weighted by each tenant rents) The Company also expects to continue with the acquisition of assets that fit within its investment strategy. To this end, it holds a cash position of € 384.7 million. In this regard, in 2019, in accordance to our best estimates, average payment period to suppliers was 34 days. The Company uses interest rates hedging financial instruments to manage the exposure to the interest rates fluctuation in its financing. The Company Policy consists of maintaining the net non-current financial debt from third parties at fix rate. To achieve the target, the Company operates with interest rates swaps that hedge their corresponding loans.

Regarding R + D and other innovative initiatives, MERLIN has promoted several technological projects to position the company in the vanguard of customer solutions and internal management. Among them it can be highlighted:

- **Special projects:**
  - Sensorisation program for office buildings (in partnership with signify) and shopping centers (in partnership with Vodafone)
  - Last mile logistics
  - Implementation of third-party technologies (e.g. KeepEyeOnBall, Mayordomo and Fillit)
  - Customer experience app
- **Mentoring:** Proptech Challenge organized with ISDI
- **Sponsoring:** agreement with Fifth Wall, the largest venture capital firm focused on the global real estate industry and property technology for the Built World

13

# Staff



## Staff

### EMPLOYEES

	2019	vs 2018
Number of employees	218	+24%
Female employees	44.5%	+3 percentage points
Employees on indefinite contracts	99.6%	+0.2 percentage points

#### 2019 Milestones

- Access to the purchase of shares through the flexible remuneration plan for all the employees of the Company.
- Integration of LOOM's workforce into the Company.
- Group's second all-employees meeting in Madrid.
- Strengthening training courses offers and number of employee training hours.

#### Future challenges

- Improvement of fringe benefits for employees.
- Design of an employee portal to enhance internal communication.
- Fostering of CSR actions among MERLIN's employees.
- Creation of an offer and discount program for employees.
- Talks on health insurance benefits for employees.

## I Differential aspects that set our human team

Human capital is a key, differential factor of the Company. MERLIN's professionals are highly trained and skilled to carry out their duties and show a high level of commitment to the Company, performing their work with honesty and integrity. In addition,

MERLIN's employees, and particularly the management team, have a long professional experience on the field. Despite their varied professional profiles, all the employees share the Company's philosophy and are aligned to achieve its objectives.

### Distinctive features of MERLIN's human capital

# 26.8

average years  
of management  
team experience

#### Excellence

MERLIN has a team of top-notch professionals who are highly skilled and experienced in the real estate industry in both Spain and Portugal. This track record is particularly significant in the case of the management team.

# 66M€

GAV per employee<sup>(1)</sup>

#### Efficiency

MERLIN's professionals manage a volume of assets 2.5 times larger than other similar companies, in line with our policy of growth and efficiency.

# 36.0%

of employees  
have received  
Company's shares

#### Commitment

The Company's professionals are firmly committed to the business project, as reflected in the high percentage of employees who have opted to receive a part of their remuneration in the form of Company shares.

# 92.2%

of employees  
have received  
training

#### Independence

The Company has a team of proactive, responsible professionals who are equipped with the necessary skills and independence to make decisions.

<sup>(1)</sup> Excluding Loom employees

## Human team steadily growing

MERLIN's professionals are the Company's primary asset. At present, the MERLIN Group's human team is formed by a total of 218 employees divided only into two categories, in view of MERLIN's horizontal structure strategy:

- **Management Team.** Comprising 12 employees (6% of the total) under the executive management of the CEO. They have considerable experience in the real

estate business and expert knowledge of the Spanish and Portuguese markets, with a proven capacity to create value while seeking to enhance operational efficiency.

- **Other professionals.** 206 employees. We have a team of highly-trained, experienced industry professionals committed to and aligned with the enterprise's business objectives.

		2019		2018		2017	
		Men	Women	Men	Women	Men	Women
Management team	<30 years	-	-	-	-	-	-
	30-50 years	4	1	7	1	8	1
	>50 years	7	-	4	-	3	-
Other professionals	<30 years	11	12	4	4	4	5
	30-50 years	71	64	67	54	58	51
	>50 years	28	20	21	14	20	12
<b>Total</b>		<b>218</b>		<b>176</b>		<b>162</b>	

## Current profile of a MERLIN Properties' employee<sup>(1)</sup>



- I represent **44%** of the workforce.
- I represent **55%** of recruitments in 2019.
- I am between **30 and 50 years old** (67% of women).
- I have an **indefinite** contract (99%).
- I received 11.5 hours of **training** in 2019.
- I work in **Spain** (98% of women).



- I represent **56%** of the workforce.
- I represent **45%** of recruitments in 2019.
- I am between **30 and 50 years old** (62% of men).
- I have an **indefinite** contract (100%).
- I received 17.0 hours of **training** in 2019.
- I work in **Spain** (96% of men).

<sup>(1)</sup> At 31 December 2019.

## | Diversity and equal opportunities

As reflected in the Company's Code of Conduct, MERLIN promotes equal opportunity and non-discrimination in all phases of the working relationship with employees, as regards to access to employment, training, promotion and working conditions.

A clear evidence are female employees, that currently account for 44% of the workforce and are present in all professional categories as well as on the Board of Directors, of which 33.3% are women, in line with the Unified Code of Good Governance recommendations and above the average for IBEX35 companies.

In particular, MERLIN has a strong commitment to integrate people with different capabilities into the workforce, there being a total of 5 disabled employees representing over 2% of MERLIN's human capital. All these professionals have indefinite, part-time contracts and perform duties that are needed and valued by the Company. They have been part of MERLIN's workforce since the outset, reflecting the value they bring to the Company and the importance of the work they perform.

## | Professionals joining the Company

MERLIN regards its employees as critical to their business success, therefore suitable measures are initiated to attract and retain the best talent.

The Company selects new professionals on the basis of their skills, knowledge and alignment with its corporate values and objectives, assuring equal opportunities and transparency in the recruitment processes.

During our growth and expansion process, Merlin endeavours to harness the knowledge and experience of professionals from the companies that join the organisation, so nearly all new joiners are experienced employees. This may be observed in the new hirings completed in 2019, the workforce having grown by 24% due mainly to the integration of the LOOM professionals and to new employees in Portugal, in line with the Company's expansion process in Portugal. 55% of these new joiners are women, entailing a considerable rise in the number of women in the workforce.

### The LOOM integration, a key aspect of 2019

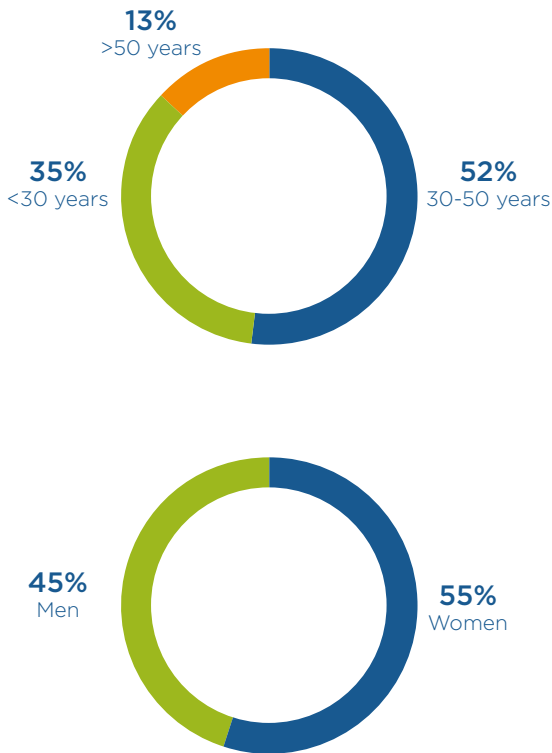
One of MERLIN's main milestones in 2019 was the successful integration of LOOM into the workforce. Aware of the added value that the LOOM team's differential diversity and experience could bring to the Company's human capital, MERLIN decided to retain the professionals by offering LOOM's employees the same employment terms that enjoy MERLIN's professionals, providing greater job stability through 100% indefinite contracts and increased benefits, such as a health and life insurance, training programmes and the flexible remuneration plan.

Cooperation and team integration were promoted by means of visits to some properties and invitations to events and activities at the coworking centres to spread the open, community culture reflected in LOOM's philosophy.

Despite the huge challenge of integrating such different work methods, the professionals from both organisations proved to be highly versatile and adaptable, perceiving this process as an opportunity for mutual growth and learning so as to allow the rapid identification and harnessing of current and potential team synergies.



**Profile of MERLIN's hirings in 2019**



This is complemented by MERLIN's focus on young talent, as reflected in the fact that 35% of new hirings are aged below 30. In particular, MERLIN promotes the recruitment of graduates looking for their first job under agreements with leading educational establishments.

Arrangements of this kind allow new young talent to be identified for inclusion in the workforce. Two of the eight graduates became permanent employees following the end of the job training period in 2019.

**Talent retention mechanisms**

As the Company seeks to bring new professionals into the workforce, MERLIN's goal is for them to identify with the long-term philosophy and objectives. With this in mind, MERLIN continuously studies how to motivate and reward its professionals for their involvement and commitment to the business project, in 3 main ways:

**1. Remuneration in line with performance**

Remuneration is a key tool to attract and retain the best talent. The Company's remuneration system prioritises performance over any other variable, which requires the permanent monitoring of each employee's progress.

In 2019, the Long-Term Incentive Plan (LTIP) was further consolidated. At present, 58 employees are covered by the LTIP. The employees were also allowed to voluntarily opt for share-based remuneration in 2019. As a result, 36% of indefinite employees received shares, demonstrating a high level of commitment to MERLIN's project.

In addition, all the employees have access to a family medical insurance reimbursement policy providing the same coverage, regardless of their professional category and length of service at the Company.

MERLIN has flexible remuneration mechanisms available for all its employees, which currently include training, nursery vouchers, travel passes and meal vouchers.

**2. Ongoing professional development**

The proactiveness of MERLIN's professionals is the key to their advancement. The Company's horizontal structure and youth also allow professionals to define the pace and direction of development based on their capabilities and aspirations. During their time at the Company, all professionals have the opportunity to move between different employment occupations and take on new responsibilities. MERLIN also provides employees with post-specific training to boost their career development. The Company currently applies the following training approaches:

- External training: by means of external providers, the employees are trained in matters regarded as priorities for the performance of their duties. This type of training relates mainly to languages, a total of 78 employees having followed courses in 2019. During the year, MERLIN

increased the number of hours of English classes in response to employee's demands and extended the language offering to Spanish for employees of the Portuguese subsidiaries, in view of the Company's expansion in Portugal. Cybersecurity courses were provided for 191 employees in 2019.

- In-house training: MERLIN's own employees teach courses to their colleagues, supported by external experts where necessary. By this means, the Company shares and enhances the knowledge gained by employees during their professional careers. As an example, a total of 43 employees received SAP training in 2019 as part of this programme.
- Personalised training: MERLIN gives employees the opportunity to select the courses most suited to their specific needs. Employees and/or their superiors identify a need and submit a request to HR.

### 3. A direct relationship with the employees

One of the main reasons for MERLIN's desire to keep its current structure is our direct relationship with the employees. Nonetheless, and despite maintaining this philosophy, the Company's growth has led to the design of certain processes that allow our professionals' concerns and opinions to be heard while also keeping them up to date with the professional project.

- The employee satisfaction survey was again launched in 2019, placing special emphasis on knowing their training needs. LOOM employees and Portuguese employees took

part for the first time, allowing MERLIN to identify the work climate and the perception of new joiners in relation to the Company.

- The second annual all-employees meeting was also held in Madrid, while the fourth asset management meeting took place in Valdecañas, attended by 85 employees from the executive team, asset portfolio managers and corporate departments, so as to build a common culture among the different teams, obtain first-hand knowledge of the assets and analyse synergies.
- Driven by the LOOM integration, team spirit was also fomented through visits to MERLIN's and LOOM's assets, as well as by inviting MERLIN employees to attend LOOM events.
- MERLIN continued to develop and consolidate the usual communication channels with employees, such as emails or daily press summaries, which allows our professionals to keep abreast of the most relevant news stories affecting the Company and the industry.

Also, in 2019, new ways to interact with employees were applied so as to carry on fostering a sense of belonging to the Company.

The "School day-off" activity was introduced for the first time in 2019. The employees were given the chance to take their children to the Madrid offices and to participate in different activities, as well as visiting one of the urban farms managed by the Company; 38 children aged between 3 and 14 participated.



**27%**  
of employees have joined  
the Company's Long-Term  
Incentive Plan



**2,950 h**  
of training in 2019



### MERLIN's commitment to its employees and their families

MERLIN's commitment to its employees and their families. Some of our employees' children who are young adults still in the education system have had the opportunity to work on a temporary basis in the Company's facilities on the preparation and organisation of events. This gave them their first contact with the working world and their first job interview.





### MERLIN'S CORPORATE SOCIAL RESPONSIBILITY PLAN.

61

Foundations benefited

13%

Employees involved

> 410 k€

In donations

Through the CSR Plan, as a framework for the Company to earmark a percentage of its income (up to an overall maximum of 0.1% of gross income for the year) to social projects or programmes, MERLIN donated close to €265,642.

Under the CSR Plan, MERLIN also matches contributions to social projects or programmes made by employees, executives or directors. Contributions thanks to this second aspect of the Plan, which may be financial or in the form of volunteering, totalled around €150,000.

As a result of both direct donations and employees donates duplication, MERLIN has helped 61 different foundations.

### VOLUNTARY TRAINING BY MERLIN'S PROFESSIONALS

96 hours

Eighteen MERLIN professionals have, for the third year in a row, voluntarily delivered training as part of the university degree "Intensificación en Planificación y Gestión Inmobiliaria" of the Quantity Surveyor's School of the Universidad Politécnica de Madrid, donating the associated course fees to academic grants for the course's best students.

#### The Company's community engagement

MERLIN is aware that its professionals value being part of an organisation that knows its activities are conducted in an environment that is not always favourable and uses available tools and resources to help to improve it.

In this context, the Company has consolidated programmes to boost the social involvement of MERLIN and its employees.

Through these actions, MERLIN seeks to promote professional involvement in its local communities, encouraging community development and supporting underprivileged people.

#### Safe, healthy work environment

The Company considers the promotion of employee's health and well-being in the workplace to be particularly significant. Improvements in this area also clearly boost productivity and reduce sick leave.

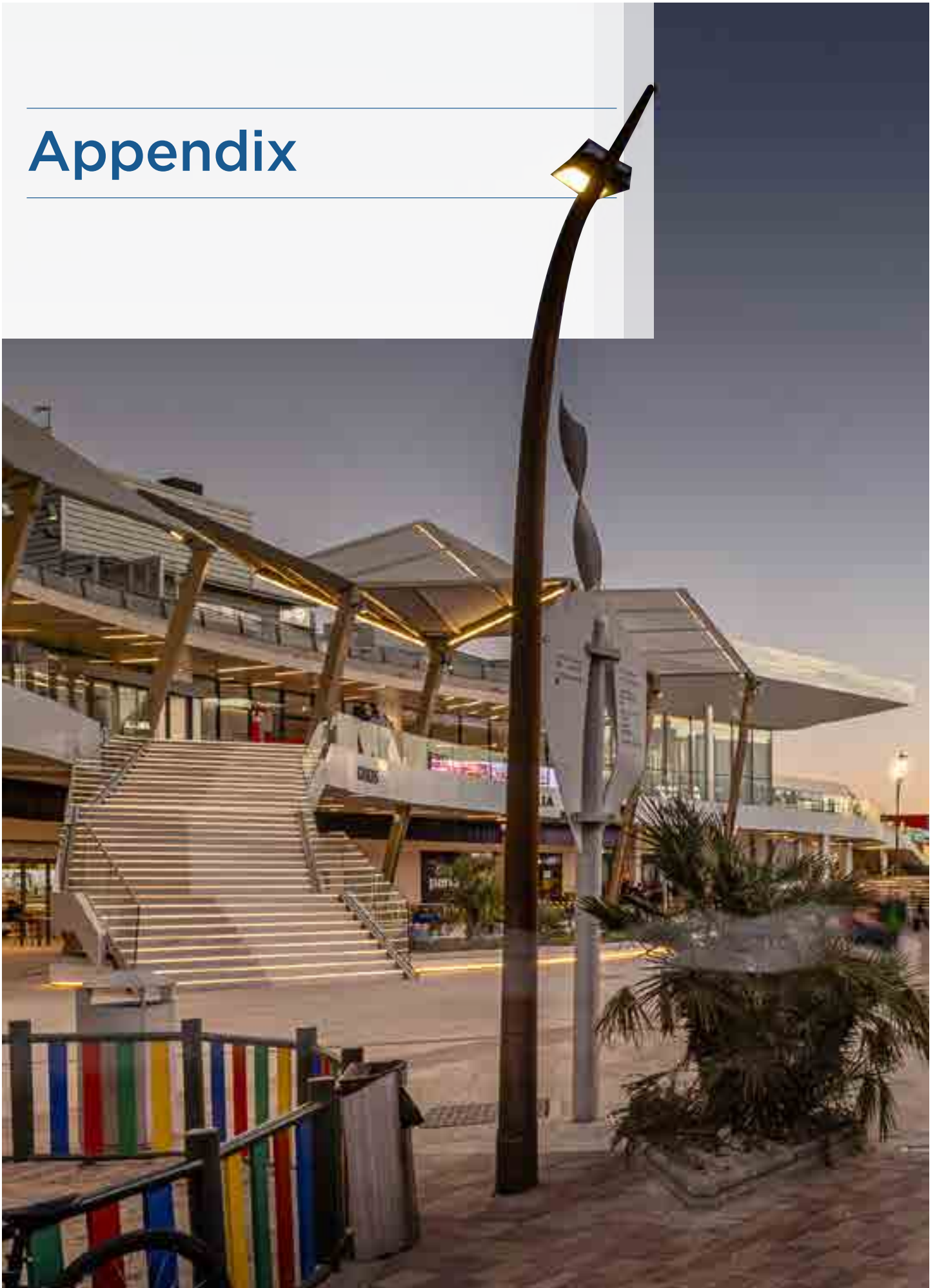
As part of our Occupational Risk Prevention activities, MERLIN performs an annual workstation evaluation covering aspects such as the noise level, lighting and humidity. The appropriate measures can then be adopted, if necessary, to comply with applicable legislation.

Furthermore, during 2019, MERLIN also replaced conventional laptop computers with surface laptops, lighter models which are more convenient for employees while outside MERLIN's offices.

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# Appendix

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## EPRA METRICS

### I EPRA EARNINGS

(€ thousand)	Notes	
<b>Consolidated net profit in accordance with IFRS</b>		<b>563,639</b>
Adjustments to calculate EPRA earnings		(299,543)
(i) changes in value of investment properties	7 and consolidated income statement	(352,936)
(ii) gain/(losses) on disposal of assets	7	19,063
(iii) absorption of revaluation on investment properties		-
(iv) non recurring taxes	n.a	21,041
(v) share in equity method investees	n.a	(4,053)
(vi) difference in business combination	3	2,866
(vii) changes in fair value of financial instruments and cancellation costs	10	14,436
(viii) impairment of fiscal credit		-
(ix) gain/(losses) on disposal of financial instruments	Consolidated income statement	40
Minority interests in respect of previous adjustments		-
<b>EPRA net earnings pre-specific adjustments</b>		<b>264,096</b>
<b>EPRA net earnings per share pre-specific adjustments</b>		<b>0.56</b>
Company specific adjustments:		49,181
(i) LTIP provision	18 c	44,242
(ii) Opex non-overheads	18 b and c	4,939
<b>EPRA net earnings post-specific adjustments</b>		<b>313,277</b>
<b>EPRA net earnings per share post-specific adjustments</b>		<b>0.67</b>

### I EPRA NAV

(€ thousand)	Notes	
<b>Equity in balance sheet</b>	13.5	<b>6,708,700</b>
Derivatives Mark-to-market	14	95,695
Deferred taxes Mark-to-market:		599,876
Deffered tax assets	(87,778) 17 a	
Deffered tax liabilities	687,654 17 a	
Cost of debt	14.5	(107,109)
Revaluations not recorded in the financial statements		33,511
Adjustment in tangible assets	357 n.a	
Adjustment in equity method	33,154 n.a	
<b>EPRA NAV</b>		<b>7,330,673</b>
<b>Shares</b>	13.1	<b>469,770,750</b>
<b>EPRA NAV/ share</b>		<b>15.60</b>

## EPRA YIELDS

(€ million)	Offices	Shopping centers	Logistics
Gross asset value	6,160.8	2,540.4	939.0
Exclude			
WIP & Land	(507.2) <sup>(1)</sup>		
Commercial property portfolio GAV	5,653.6	2,540.4	939.0
<b>Gross rents annualized</b>	<b>231.0<sup>(1)</sup></b>	<b>128.3</b>	<b>54.7</b>
Exclude:			
Propex not recharged to tenants	(19.9)	(16,5)	(3.3)
<b>“Topped-up” net rents annualized</b>	<b>211.1</b>	<b>111.7</b>	<b>51.4</b>
Exclude:			
Incentives	(6.1)	(4.0)	(1.5)
<b>Net rents annualized</b>	<b>205.0</b>	<b>107.7</b>	<b>49.9</b>
<b>EPRA “topped-up” yield</b>	<b>3.7%</b>	<b>4.4%</b>	<b>5.5%</b>
<b>EPRA net initial yield</b>	<b>3.6%</b>	<b>4.2%</b>	<b>5.3%</b>



<sup>(1)</sup> Excluding assets under full refurbishment



Net Leases	Other	WIP	TOTAL
1,873.2	452.5	301.3	12,267.3
	(105.8)	(301.3)	(914.3)
1,873.2	346.7	-	11,352.9
<b>86.6</b>	<b>14.1</b>	-	<b>514.6</b>
(0.6)	(1.6)	-	(41.9)
<b>86.0</b>	<b>12.5</b>	-	<b>472.8</b>
(0.4)	(1.2)	-	(13.1)
<b>85.7</b>	<b>11.3</b>	-	<b>459.7</b>
<b>4.6%</b>	<b>3.6%</b>		<b>4.2%</b>
<b>4.6%</b>	<b>3.3%</b>		<b>4.1%</b>

## I EPRA COST RATIO

(€ thousand)	Notes	12/31/2019
Property expenses not recharged to tenants	18 b	(47,780)
Collection loss	18 b	(483)
Personnel expenses	18 c	(76,526)
Opex general expenses	18 b	(10,186)
Opex non-overhead general expenses	18 b and 18 c	(4,939)
LTIP accrual	18 c	44,242
<b>Exclude:</b>		
Investment property depreciation		-
Ground rent costs		-
Service charge recovered through rents but not invoiced separately		-
Expenses related to 3rd party asset management services		-
<b>EPRA cost ratio (including direct vacancy costs)</b>		<b>(95,672)</b>
Gross rents	8.2	525,918
Less: incentives	n.a	(14,393)
Less: service fee if part of gross rents		-
Add: income o Joint-Ventures		-
<b>Gross rental income</b>	18 a	<b>511,525</b>
<b>EPRA Cost ratio</b>		<b>18.7%</b>
<b>EPRA Cost ratio (excluding non-overhead general expenses)</b>		<b>17.7%</b>

## I RECONCILIATION OF THE ALTERNATIVE PERFORMANCE MEASURES WITH CONSOLIDATED FINANCIAL STATEMENTS

(€ thousand)	Notes	2019	2018
Total revenues	6 and 18	514,853	590,431
Other operating income	Consolidated income statement	2,799	6,978
Personal expenses	18.c	(76,854)	(73,941)
Other operating expenses	18.b	(64,473)	(56,274)
Extraordinary income (Testa Residencial)			(89,721)
Extraordinary income (Aedas)			(22,242)
<b>Accounting EBITDA</b>		<b>376,324</b>	<b>355,232</b>
<i>Costs related to acquisition and disposals</i>	18.b	4,492	4,802
<i>Other costs</i>	18.b	120	118
<i>Severances</i>	18.c	328	98
Non-overhead costs	18.b and 18.c	4,939	5,018
Long term incentive plan	18.c	44,242	43,435
<b>EBITDA</b>		<b>425,505</b>	<b>403,685</b>
Financial expenses excluding debt arrangement costs	18.d	(112,415)	(119,298)
Equity method net income	n.a	6,012	6,987
Minorities			
Current taxes	n.a	(6,030)	(4,517)
Extraordinary financial income	n.a	205	
<b>FFO</b>		<b>313,277</b>	<b>286,857</b>
Non-overhead costs		(4,939)	(5,018)
<b>Accounting FFO</b>		<b>308,338</b>	<b>281,839</b>
<b>(€ thousand)</b>	<b>Notes</b>	<b>2019</b>	<b>2018</b>
Gross rental income	8,2	525,918	499,708
Revenue from rendering of services	18.a	3,327	114,785
Extraordinary income (Testa Residencial)			(89,721)
Extraordinary income (Aedas)			(22,242)
Other net operating income	18.b and consolidated income statement	1,387	6,978
<b>Revenues</b>		<b>530,631</b>	<b>509,508</b>

APM definitions and reconciliation of APMs to the latest audited financial accounts can be found on note 14 of the Consolidated Management Report for the year ended on December 31-2019



## LIST OF ASSETS

Asset	Location	G.L.A sqm AG
Torre Castellana 259	Madrid	21,390
Castellana 280	Madrid	16,918
Castellana 278	Madrid	14,468
Castellana 93	Madrid	11,650
Castellana 85*	Madrid	15,254
Plaza Pablo Ruíz Picasso*	Madrid	31,576
Alcala 40	Madrid	9,315
Principe de Vergara 187	Madrid	10,732
Alfonso XI	Madrid	9,945
Pedro de Valdivia 10	Madrid	6,721
Beatriz de Bobadilla 14	Madrid	17,055
Princesa 3	Madrid	17,810
Princesa 5	Madrid	5,693
Plaza de los Cubos	Madrid	13,528
Ventura Rodriguez 7	Madrid	10,071
Juan Esplandiu 11-13	Madrid	28,008
Eucalipto 33	Madrid	7,301
Eucalipto 25	Madrid	7,368
Santiago de Compostela 94	Madrid	13,130
Parking Princesa**	Madrid	-
<b>Total Madrid Prime + CBD</b>		<b>267,932</b>
Ulises 16-18	Madrid	9,576
Josefa Valcarcel 48	Madrid	19,893
Alvento	Madrid	32,928
Cristalia	Madrid	11,712
Trianon	Madrid	18,400
Ribera del Loira 36-50	Madrid	39,150
Ribera del Loira 60	Madrid	54,960
Partenon 12-14	Madrid	19,609
Partenon 16-18	Madrid	18,343
Arturo Soria 128	Madrid	3,226
<b>Total Madrid NBA A2</b>		<b>227,798</b>

\*Project under development

\*\*Below ground surface has not been taken into account for G.L.A. purposes.

Asset	Location	G.L.A sqm AG
Torre Chamartin	Madrid	18,295
Arturo Soria 343*	Madrid	6,615
Manoteras 18	Madrid	7,515
Fuente de la Mora	Madrid	4,482
Aquamarina	Madrid	10,685
Via Norte	Madrid	37,224
María de Portugal 9-13	Madrid	17,191
Las Tablas	Madrid	27,073
Avenida de Burgos 210	Madrid	6,176
Manuel Pombo Angulo 20	Madrid	3,623
Avenida de Bruselas 24	Madrid	9,163
Avenida de Bruselas 26	Madrid	8,895
Avenida de Bruselas 33	Madrid	33,718
Avenida de Europa 1A	Madrid	12,606
Avenida de Europa 1B	Madrid	12,605
Maria de Portugal T2	Madrid	17,139
Adequa 1	Madrid	27,399
Adequa 2**	Madrid	3,710
Adequa 3	Madrid	15,937
Adequa 5	Madrid	13,790
Adequa 6	Madrid	13,789
Adequa 4*	Madrid	15,793
Adequa 7*	Madrid	32,108
<b>Total Madrid NBA A1</b>		<b>351,281</b>
Francisco Delgado 9A	Madrid	5,496
Francisco Delgado 9B	Madrid	5,400
Atica 1	Madrid	7,080
Atica 2	Madrid	5,644
Atica 3	Madrid	5,746
Atica 4	Madrid	4,936
Atica 5	Madrid	9,526
Atica 6	Madrid	3,434
Atica XIX	Madrid	15,411
Cerro Gamos 1	Madrid	36,105
Alvia	Madrid	23,567
<b>Total Madrid Periphery</b>		<b>122,344</b>
Diagonal 605	Catalonia	13,244
Diagonal 514	Catalonia	9,664
Diagonal 458	Catalonia	4,174

\*Project under development

\*\*Excluded from perimeter





Asset	Location	G.L.A sqm AG
Balmes 236-238	Catalonia	6,187
Vilanova 12-14	Catalonia	16,494
Gran Vía Cortes Catalanas 385	Catalonia	5,190
Diagonal 211 (Torre Glòries)	Catalonia	37,614
Diagonal 199	Catalonia	5,934
Llull 283 (Poble Nou 22@)	Catalonia	31,337
Loom 22@ Ferrreteria*	Catalonia	2,018
<b>Total Barcelona Prime + CBD</b>		<b>131,855</b>
WTC6	Catalonia	14,461
WTC8	Catalonia	14,597
Av. Parc Logistic 10-12 (PLZFA)	Catalonia	11,411
Av. Parc Logistic 10-12 (PLZFB)	Catalonia	10,652
<b>Total NBA WTC</b>		<b>51,121</b>
Sant Cugat I	Catalonia	15,377
Sant Cugat II	Catalonia	10,008
<b>Total Periphery</b>		<b>25,385</b>
Monumental*	Lisbon	22,387
Marques de Pombal 3	Lisbon	12,460
Torre Lisboa	Lisbon	13,715
Central Office	Lisbon	10,310
Torre Zen	Lisbon	10,207
Art	Lisbon	22,150
TFM	Lisbon	7,837
Lisbon Expo	Lisbon	6,740
<b>Total Lisbon Prime + CBD</b>		<b>105,806</b>
Nestlé	Lisbon	12,260
<b>Total Lisbon NBA</b>		<b>12,260</b>
Lerida - Mangraners	Catalonia	3,228
Zaragoza - Aznar Molina	Zaragoza	4,488
Sevilla - Borbolla	Andalusia	13,037
Granada - Escudo del Carmen	Andalusia	2,041
<b>TOTAL OFFICES</b>		<b>1,319,116<sup>(*)</sup></b>

\*Project under development

<b>Asset</b>	<b>Location</b>	<b>G.L.A sqm AG</b>
Marineda	Galicia	100,242
Arturo Soria	Madrid	6,069
Centro Oeste	Madrid	10,876
Tres Aguas	Madrid	67,691
Leroy Merlin Getafe*	Madrid	10,007
X-Madrid**	Madrid	47,170
Callao 5	Madrid	11,629
Larios	Andalusia	37,957
Porto Pi	Mallorca	32,963
Artea	Basque Country	25,922
Arenas	Catalonia	31,905
Vilamarina	Catalonia	32,191
La Fira*	Catalonia	29,013
El Saler	Valencian C.	28,861
La Vital	Valencian C.	20,878
Bonaire	Valencian C.	14,455
Thader*	Murcia	46,990
Almada	Lisbon	60,098
<b>TOTAL SHOPPING CENTERS</b>		<b>614,917</b>

\*Contributed to Silicius Socimi in February 2020

\*\*Adequa 2 is excluded from the perimeter (1,322,826 if included)



Asset	Location	G.L.A sqm AG
Madrid-Coslada	Madrid	28,491
Madrid-Coslada Complex	Madrid	36,234
Madrid-Getafe	Madrid	16,100
Madrid-Getafe (Los Olivos)	Madrid	11,488
Madrid-Meco I	Madrid	35,285
Madrid-Pinto I	Madrid	11,099
Madrid-Pinto II	Madrid	58,990
Madrid-Getafe (Gavilanes)	Madrid	34,224
Madrid-Meco II	Madrid	59,814
Madrid-San Fernando I	Madrid	11,179
Madrid-San Fernando II*	Madrid	33,423
Madrid- San Fernando III*	Madrid	98,942
Toledo-Seseña	Castilla La Mancha	28,731
Guadalajara-Alovera	Castilla La Mancha	38,763
Guadalajara-Azuqueca I	Castilla La Mancha	27,995
Guadalajara-Azuqueca II*	Castilla La Mancha	98,757
Guadalajara-Azuqueca III*	Castilla La Mancha	51,000
Guadalajara-Cabanillas I	Castilla La Mancha	70,134
Guadalajara-Cabanillas II	Castilla La Mancha	15,078
Guadalajara-Cabanillas III	Castilla La Mancha	21,879
Guadalajara-Cabanillas Park I A	Castilla La Mancha	38,054
Guadalajara-Cabanillas Park I B	Castilla La Mancha	17,917
Guadalajara-Cabanillas Park I C	Castilla La Mancha	48,468
Guadalajara-Cabanillas Park I D	Castilla La Mancha	47,892
Guadalajara-Cabanillas Park I E	Castilla La Mancha	49,793
Guadalajara-Cabanillas Park I F*	Castilla La Mancha	20,723
Guadalajara-Cabanillas Park II*	Castilla La Mancha	210,678
Guadalajara-Cabanillas Park Extension*	Castilla La Mancha	92,994
Barcelona-ZAL Port	Catalonia	727,508
Barcelona-Sant Esteve	Catalonia	16,811
Barcelona-PLZF	Catalonia	132,796
Zaragoza-Pedrola	Zaragoza	21,579
Zaragoza-Plaza	Zaragoza	20,764
Zaragoza-Plaza II*	Zaragoza	11,421
Valencia*	Valencian C.	96,572
Valencia-Almussafes	Valencian C.	26,613
Valencia-Ribarroja	Valencian C.	34,992
Vitoria-Jundiz	Basque Country	72,717
Vitoria-Jundiz II	Basque Country	26,774
Sevilla Zal	Andalusia	156,760
Lisbon Park	Lisbon	224,864
<b>TOTAL LOGISTICS</b>		<b>2,890,459</b>

\*Project under development

Asset	Location	G.L.A sqm AG
Tree		298,257
Caprabo	Catalonia	64,252
<b>TOTAL NET LEASES</b>		<b>362,509</b>
Eurostars Torre Castellana 259	Madrid	31,800
General Ampudia 12*	Madrid	-
Yunque	Madrid	1,780
San Francisco de Sales	Madrid	171
Amper	Madrid	22,508
Local Plaza Castilla	Madrid	311
Locales Torre Madrid	Madrid	4,344
Torre Madrid residencial	Madrid	120
Novotel Diagonal 199	Catalonia	15,332
Jovellanos 91	Catalonia	4,067
Rambla Salvador Sama 45-47-49	Catalonia	1,140
Hotel Marineda	Galicia	5,898
Parking Palau*	Valencian C.	-
Bizcargi 1 1D	Basque Country	46
<b>TOTAL OTHER</b>		<b>87,517</b>

\*Below ground surface has not been taken into account for G.L.A. purposes





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