



Translation of Merlin Properties SOCIMI, S.A financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Group in Spain and Management Report (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

Translation of Consolidated financial statements originally issued in Spanish and prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Consolidated Management Report (see Notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails.

The following documents have been translated into English:

- 2019 Consolidated Independent Auditor's report.
- 2019 Consolidated Annual Accounts.
- 2019 Consolidated Management Report.
- 2019 Merlin Properties SOCIMI, S.A. Independent Auditor's report.
- 2019 Merlin Properties SOCIMI, S.A. Annual Accounts.
- 2019 Merlin Properties SOCIMI, S.A. Management Report

The 2019 Annual Corporate Governance Report it is only available in the Spanish version in the website of the CNMV (www.cnmv.com) and the Merlin's corporate website (www.merlinproperties.com).

Merlin Properties SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December
2019 and Directors' Report, together
with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails (see Notes 2 and 25).

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails (see Notes 2 and 25).

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Merlin Properties SOCIMI, S.A.,

Opinion

We have audited the consolidated financial statements of Merlin Properties SOCIMI, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compliance with the REIT tax regime

Description

On 22 May 2014, the Parent applied to be included in the REIT (Spanish "SOCIMI") tax regime, which was applicable from 1 January 2014. Therefore, in 2019 the Merlin Properties SOCIMI, S.A. and subsidiaries Group was regulated by Spanish Real Estate Investment Trusts (SOCIMI) Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December. One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the income obtained each year, which require significant judgements and estimates to be made by the directors, since failure to comply with any of these requirements will result in the loss of entitlement to the special tax regime unless the cause of the non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the consolidated financial statements and shareholder returns, since the business model of the Parent and its Group is based on continuing to qualify for taxation under the REIT regime.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with compliance with the REIT tax regime, as well as tests to verify that the aforementioned controls operate effectively.

We obtained and reviewed the documentation prepared by the Group's directors on compliance with the obligations associated with this special tax regime, and we involved our internal experts from the tax area, who assisted us in analysing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 5.12 and 23 to the consolidated financial statements contained the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Parent and of its subsidiaries.

Valuation of investment property

Description

The Group manages a portfolio of urban property assets earmarked for lease (offices, shopping centres, logistics parks, etc.) located in Spain and Portugal. Investment property is stated at its fair value at the reporting date and is not depreciated. At 31 December 2019, the portfolio of property assets was valued at EUR 12,169 million.

The Group periodically uses third parties independent of the Group as experts to determine the fair value of its property assets. The aforementioned experts have substantial experience in the markets in which the Group operates and employ valuation methodologies and standards widely used in the market.

The valuation of the property portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty. Specifically, the discounted cash flow method is generally applied to the valuation of the rental property assets, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the internal rate of return or opportunity cost used when discounting;
- the residual value of the assets at the end of the projection period (exit yield).

In addition, small percentage changes in the key assumptions used for the valuation of the property assets could give rise to significant changes in the consolidated financial statements.

Therefore, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation of investment property, as well as tests to verify that the aforementioned controls operate effectively. In particular, those controls used by the directors to supervise and approve the hiring of and the work performed by the experts engaged for this purpose, and to ensure no influence is exercised over the findings and conclusions of those experts.

We obtained the valuation reports of the experts engaged by the Group to value the entire property portfolio and evaluated the competence, capability and objectivity of the experts and the adequacy of their work for use as audit evidence. In this connection, with the assistance of our internal valuation experts, we:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged by the Group's directors;
- performed a review of a sample of assets, chosen from among those of most significance in the Group's portfolio and those whose change in value might imply an atypical characteristic with respect to the available market information and the other property assets, and assessed, in conjunction with our internal experts, the matters involving the highest level of risk, including the occupancy rates and expected returns on the property assets. When performing the review, we took into consideration the information available on the industry and transactions with property assets similar to the property asset portfolio owned by the Company;
- held meetings with the experts engaged by the Group's directors, in order to check the findings of our work and obtain the necessary explanations.

Valuation of investment property

Description

Procedures applied in the audit

Lastly, we also checked that the disclosures made by the Group in relation to these matters, included in Note 5.1 and Note 7 to the consolidated financial statements for 2019, contained the information required in this connection by the applicable financial reporting framework.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 27 February 2020.

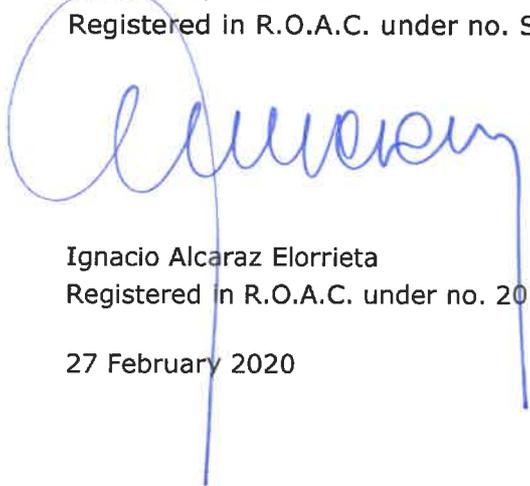
Engagement Period

The Annual General Meeting held on 10 April 2019 appointed us as auditors for a period of one year from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.

Registered in R.O.A.C. under no. S0692



Ignacio Alcaraz Elorrieta

Registered in R.O.A.C. under no. 20.687

27 February 2020

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Merlin Properties SOCIMI, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Consolidated Management Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Group in Spain (see notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails

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**MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(Thousand euros)

ASSETS	Notes	31-12-19	31-12-18	EQUITY AND LIABILITIES	notes	31-12-19	31-12-18
NON-CURRENT ASSETS				EQUITY:	Note 13		
Other intangible assets		797	941	Share capital		469,771	469,771
Property, plant and equipment		11,683	3,267	Share premium		3,813,409	3,858,624
Investment property	Note 7	12,169,157	11,740,461	Reserves		2,094,275	1,416,773
Investments accounted for using the equity method	Note 9	346,973	169,133	Other equity holder contributions		540	540
Non-current financial assets	Note 10	376,622	212,248	Valuation adjustments		(83,135)	(36,906)
Derivatives		124,684	123,087	Treasury shares		(56,860)	(68,322)
Other financial assets		251,938	89,161	Interim dividend		(92,939)	(93,522)
Deferred tax assets	Note 17	87,778	88,415	Profit for the period attributable to equity holders of the Parent		563,639	854,878
Total non-current assets		12,993,010	12,214,465	Equity attributable to equity holders of the Parent		6,708,700	6,401,836
				Total equity		6,708,700	6,401,836
				NON-CURRENT LIABILITIES:			
				Debt instruments and other marketable securities	Note 14	3,723,414	3,225,540
				Non-current bank borrowings	Note 14	1,817,788	1,932,468
				Other financial liabilities	Note 15	120,464	113,297
				Deferred tax liabilities	Note 15 y 17	687,654	666,563
				Provisions	Note 15	33,708	56,441
				Total non-current liabilities		6,383,028	5,994,309
				CURRENT LIABILITIES:			
				Provisions	Note 15	778	867
CURRENT ASSETS				Debt instruments and other marketable securities	Note 14	34,631	34,007
Inventories		221	1,286	Bank borrowings	Note 14	18,326	42,802
Trade and other receivables	Notes 10 y 11	30,263	167,481	Other current financial liabilities	Note 15	6,576	6,175
Other current financial assets	Note 10	7,723	8,888	Trade and other payables	Note 16	144,732	69,383
Other current assets		20,498	11,552	Current tax liabilities	Notes 17	1,113	16,036
Cash and cash equivalents	Note 12	254,016	169,025	Other current liabilities	Note 15	7,847	7,282
Total current assets		312,721	358,232	Total current liabilities		214,003	176,552
TOTAL ASSETS		13,305,731	12,572,697	TOTAL EQUITY AND LIABILITIES		13,305,731	12,572,697

The accompanying explanatory Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of financial position as at 31 December 2019

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

**MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE
PERIOD ENDED ON DECEMBER 31 2019**

(Thousand euros)

	Notes	Period 2019	Period 2018
CONTINUING OPERATIONS:			
Revenue	Notes 6 y 18	514,853	590,431
Other operating income		2,799	6,978
Personal expenses	Note 18.c	(76,854)	(73,941)
Other operating expenses	Note 18.b	(64,473)	(56,274)
Gains/(losses) on disposals of assets	Note 7	(19,063)	6,815
Depreciation and amortisation		(2,123)	(1,572)
Provision surpluses		86	13,554
Impairment of goodwill:		-	-
<i>Absorption of the revaluation of investment property</i>		-	-
Change in fair value of investment property	Note 7	354,972	629,184
Negative difference on business combinations	Note 3	(2,866)	(20,523)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		707,331	1,094,652
Change in fair value of financial instruments		(11,068)	(80,750)
<i>Change in fair value of financial instruments - Embedded derivative</i>	Note 10	2,397	(61,960)
<i>Change in fair value of financial instruments - Other</i>	Notes 10 y 15	(13,465)	(18,790)
Finance income	Note 18.d	664	511
Gains or losses on disposals of financial instruments		(40)	4,198
Finance expenses	Note 18.d	(116,242)	(115,503)
Share in profit/(loss) of companies accounted for using the equity method	Note 9	10,065	9,916
PROFIT/(LOSS) BEFORE TAX		590,710	913,024
Income tax	Note 17	(27,071)	(58,146)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		563,639	854,878
Attributable to shareholders of the Parent		563,639	854,878
EARNINGS PER SHARE (in euros)		1.21	1.83
BASIC EARNINGS PER SHARE (in euros)		1.21	1.83
DILUTED EARNINGS PER SHARE (in euros)		1.20	1.82

The accompanying explanatory Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of financial position as at 31 December 2019

**MERLIN PROPERTIES SOCIMI, S.A.
Y SOCIEDADES DEPENDIENTES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE
PERIOD ENDED ON DECEMBER 31 2019**

(Thousand euros)

	Notes	Period 2019	Period 2018
PROFIT/(LOSS) FOR THE PERIOD (I)		563,639	854,878
OTHER COMPREHENSIVE INCOME:			
Income and expenses recognised directly in equity-			
From cash flow hedges (*)		(57,470)	(19,618)
From translation differences			
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)		(57,470)	(19,618)
Amounts transferred to income statement		11,241	18,518
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)		11,241	18,518
TOTAL COMPREHENSIVE INCOME (I+II+III)		517,410	853,778
Attributable to equity holders of the Parent		517,410	853,778

(*) Amounts to be transferred to the profit and loss account in subsequent years

The accompanying explanatory Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of financial position as at 31 December 2019

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

**MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
ENDED DECEMBER 31 2019
(Thousand euros)

	Share capital	Share premium	Reserves	Shareholder contributions	Profit / (loss) for the year	Interim dividend	Valuation adjustments	Translation differences	Treasury shares	Equity attributed to the Parent Company	Non-controlling interests	Total Equity
Balances as of 31 December 2017	469,771	3,970,842	330,232	540	1,100,418	(93,457)	(35,806)	-	(24,881)	5,717,659	6,124	5,723,783
IFRS 9 Transition Impact	-	-	30,592	-	-	-	-	-	-	30,592	-	30,592
IFRS 16 Transition Impact	-	-	39,756	-	-	-	-	-	-	39,756	-	39,756
Balances as of 1 January 2018	469,771	3,970,842	400,580	540	1,100,418	(93,457)	(35,806)	-	(24,881)	5,788,007	6,124	5,794,131
Consolidated comprehensive profit/(loss) 2018	-	-	-	-	854,878	-	(1,100)	-	-	853,778	-	853,778
Distribution of 2017 profit	-	-	1,006,961	-	(1,100,418)	93,457	-	-	-	-	-	-
Transactions with shareholders- Distribution of dividends	-	(112,218)	(9,624)	-	-	(93,522)	-	-	-	(215,364)	-	(215,364)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(56,048)	(56,048)	-	(56,048)
Recognition of share-based payments	-	-	48,255	-	-	-	-	-	-	48,255	-	48,255
Delivery of shares - 2016 stock plan	-	-	(24,340)	-	-	-	-	-	12,607	(11,733)	-	(11,733)
Other transactions (Note 3)	-	-	(5,059)	-	-	-	-	-	-	(5,059)	(6,124)	(11,183)
Balances as of 31 December 2018	469,771	3,858,624	1,416,773	540	854,878	(93,522)	(36,906)	-	(68,322)	6,401,836	-	6,401,836
Consolidated comprehensive profit/(loss) 2019	-	-	-	-	563,639	-	(46,229)	-	-	517,410	-	517,410
Distribution of 2018 profit	-	-	761,356	-	(854,878)	93,522	-	-	-	-	-	-
Transactions with shareholders- Distribution of dividends	-	(45,215)	(94,193)	-	-	(92,939)	-	-	-	(232,347)	-	(232,347)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(633)	(633)	-	(633)
Recognition of share-based payments	-	-	32,025	-	-	-	-	-	-	32,025	-	32,025
Delivery of shares - 2016 stock plan and flexible retribution	-	-	(21,686)	-	-	-	-	-	12,095	(9,591)	-	(9,591)
Balances as of 31 December 2019	469,771	3,813,409	2,094,275	540	563,639	(92,939)	(83,135)	-	(56,860)	6,708,700	-	6,708,700

The accompanying explanatory Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of changes in equity as at 31 December 2019

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31 2019

(Thousand euros)

	Notes	Period 2019	Period 2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:		294,862	254,437
Profit/(loss) for the period before tax		590,710	913,024
Adjustments for-		(159,858)	(498,170)
Depreciation and amortisation		2,123	1,572
Changes in fair value of investment property	Note 7	(354,972)	(629,184)
Changes in provisions		60,150	45,153
Gains/(losses) on disposals of assets	Notes 7 y 3	19,063	(11,013)
Finance income		(664)	(511)
Finance expenses		116,242	115,503
Changes in fair value of financial instruments		11,068	80,750
FX differences		-	-
Share in profit/(loss) of investments accounted for using the equity method	Note 9	(10,065)	(9,916)
Impairment of goodwill		-	-
Other income and expenses		(5,669)	(111,047)
Negative difference on business combinations		2,866	20,523
Changes in working capital-		(10,591)	(30,027)
Inventories		1,065	(711)
Trade and other receivables		2,265	27,093
Other current assets		(9,993)	(5,598)
Trade and other payables		4,665	(8,980)
Other assets and liabilities		(8,594)	(41,831)
Other cash flows from/(used in) operating activities-		(125,399)	(130,390)
Interest paid		(110,711)	(121,681)
Interest received		236	511
Income tax paid		(14,923)	(9,220)
CASH FLOWS FROM INVESTING ACTIVITIES:		(277,781)	(100,163)
Payments for investments-		(613,749)	(623,066)
Net cash outflow from business acquisitions	Note 3	(113,485)	(427,209)
Investment property		(230,758)	(191,930)
Property, plant and equipment		(8,945)	(1,427)
Intangible assets		(971)	(473)
Financial assets		(259,590)	(2,027)
Proceeds from sales of investments-		335,968	522,903
Financial assets		134,470	186,737
Investment property		201,499	270,996
Property, plant and equipment		-	-
Other financial assets		-	65,170
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		67,911	(439,285)
Proceeds and payments from equity instruments-		(232,981)	(271,412)
Treasury stock acquisitions	Note 13	(633)	(56,048)
Share premium refund		(45,215)	(112,218)
Dividends paid	Note 4	(187,132)	(103,146)
Aportaciones de socios		-	-
Proceeds and payments from financial liabilities-		300,892	(167,873)
Bank debt issuance		1,051,912	350,000
Debt instruments issuance		493,621	-
Bank debt repayment		(1,244,641)	(517,873)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		84,991	(285,011)
Cash and cash equivalents at beginning of period		169,025	454,036
Cash and cash equivalents at end of period		254,016	169,025

The accompanying explanatory Notes 1 to 25 and Appendix I are an integral part of the consolidated statement of cash flows for the period ended as at 31 December 2019

Merlin Properties SOCIMI, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

1. Nature and activity of the Group

Merlin Properties SOCIMI, S.A. (“the Parent”) was incorporated in Spain on 25 March 2014 under the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). On 22 May 2014, the Parent requested to be included in the tax regime for real estate investment trusts (SOCIMIs), effective from 1 January 2014.

On 27 February 2017, the Parent changed its registered office from Paseo de la Castellana 42 to Paseo de la Castellana 257, Madrid.

The Parent’s corporate purpose, as set out in its Articles of Association, is as follows:

- The acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per Spanish Law 37/1992, of 28 December, on Value-Added Tax (*Ley 37/1992, de 28 de diciembre, del Impuesto sobre el Valor Añadido*);
- Stakeholdings in real estate investment trusts (“SOCIMIs”) or in other non-resident entities in Spain with the same corporate purpose and that operate under a similar regime as that established for SOCIMIs with regard to the mandatory profit distribution policy stipulated by law or by the Articles of Association;
- Stakeholdings in other resident or non-resident entities in Spain whose main corporate purpose is to acquire urban real estate for subsequent leasing, and that operate under the same regime as that established for SOCIMIs with regard to the mandatory profit distribution policy enforced by law or by the Articles of Association, and that fulfil the investment requirements stipulated for these companies; and
- The holding of shares or equity interests in collective real estate investment undertakings regulated by Spanish Law 35/2003, of 4 November, on collective investment undertakings (*Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*), or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, these being any that generate income representing less than 20%, taken as a whole, of its income in each tax period, or any that can be classified as ancillary activities in accordance with the legislation that applies at any given time.

The activities included in the Parent’s corporate purpose may be indirectly carried on, either wholly or in part, through the ownership of shares or equity interests in companies with a similar or identical corporate purpose.

The direct and, where applicable, indirect performance of any activities that are reserved under special legislation are excluded. If the law prescribes the need for a professional qualification, prior administrative authorisation, entry in a public registry, or any other requirement for the purpose of exercising any of the activities within the corporate purpose, no such activity can be exercised until all the applicable professional or administrative requirements have been met.

Merlin Properties SOCIMI, S.A. and Subsidiaries (“the Group”) engage mainly in the acquisition and management (through leasing to third parties) of offices, industrial buildings, logistic centres, local premises and shopping centres, and may also invest to a lesser extent in other assets for lease.

On 30 June 2014, the Parent was listed on the Spanish stock market through a capital increase amounting to EUR 125,000 thousand, with a share premium of EUR 1,125,000 thousand. Merlin Properties SOCIMI, S.A.’s shares/securities have been listed on the electronic trading system of the Spanish stock exchanges since 30 June 2014.

The tax regime of the Parent and the majority of its subsidiaries is governed by Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs (*Ley 16/2012, de 27 de diciembre, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*). Section 3 of this Act sets out the investment requirements for these types of companies, namely:

1. At least 80% of a SOCIMI's assets must be invested in urban real estate for leasing purposes and/or in land to be developed for leasing purposes provided such development starts within three years of acquisition, along with investments in the capital or equity of other entities referred to in section 2.1 of the aforementioned Act.

The value of the assets will be determined based on the average of the individual balance sheets for each quarter of the year, whereby the SOCIMI may opt to calculate such value by taking into account the market value of the assets included in such balance sheets instead of their carrying amount, in which case that value would apply to all balance sheets for the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in this last case, the reinvestment period referred to in section 6 of the aforementioned Act has expired.

2. Furthermore, at least 80% of the income for the tax period, excluding income arising from the transfer of equity interests and real estate that are earmarked for pursuit of the main corporate purpose, once the holding period referred to below has elapsed, must arise from the lease of properties and dividends or shares in profits obtained from these holdings.

This percentage is calculated based on consolidated profit if the company is the parent of a group, as defined in section 42 of the Spanish Commercial Code (*Código de Comercio*), irrespective of the place of residence and the obligation to prepare consolidated financial statements. This group will be formed only by SOCIMIs and the other entities referred to in section 2.1 of this Act.

3. The SOCIMI's real estate assets must be leased for at least three years. The time that the properties have been offered for lease, up to a maximum of one year, will be included for the purposes of this calculation.

This period will be calculated:

- a) In the case of properties that are included in the SOCIMI's assets before it avails itself of the regime, from the date of commencement of the first tax period in which the special tax regime set forth in this Act is applied, provided that the property is leased or offered for lease at that date. Otherwise, the provisions of the following paragraph will apply.
- b) In the case of properties developed or acquired subsequently by the SOCIMI, from the date on which they were leased or offered for lease for the first time.
- c) In the case of shares or equity interests in entities referred to in section 2.1 of this Act, they must be held as assets of the SOCIMI for at least three years from acquisition or, where applicable, from the commencement of the first tax period in which the special tax regime set forth in this Act is applied.

As established in transitional provision one of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, these companies may opt to apply the special tax regime under the terms and conditions established in section 13 of this Act, even when the requirements stipulated therein are not fulfilled, under the condition that such requirements are met within two years of the date application of the SOCIMI tax regime is sought.

SOCIMIs are taxed at a rate of 0% for income tax. However, where dividends distributed to an equity holder owning at least 5% of the SOCIMI's share capital are exempt from taxation or taxed below 10%, such SOCIMI will be subject to a special charge of 19% of the dividends distributed to the equity holder, in respect of corporate income tax. If considered applicable, this special charge will be paid by the SOCIMI within two months after the dividend distribution date.

The transitional period in which the Parent had to meet all requirements of this tax regime ended in 2017. At 31 December 2019, the Parent met all the requirements established under the current law and, as it had failed the income test in 2018, was in the process of rectifying this situation, in accordance with section 13 of the Spanish SOCIMI Act. In this regard, Group management, with the support of its tax advisers, performed an assessment of compliance with the regime's requirements, concluding that all requirements had been met as of 31 December 2019.

The consolidated financial statements of the Group and the separate financial statements of the Parent for 2019, which were prepared by the directors under the SOCIMI regime, have not yet been approved by the shareholders at the Annual General Meeting. The Parent's directors consider that the aforementioned financial statements will be approved without any material changes.

Furthermore, the 2019 financial statements of the Group companies have not yet been authorised for issue by their directors and are expected to be approved by the shareholders at their respective Annual General Meetings within the periods established in applicable legislation.

The separate and consolidated financial statements of Merlin Properties SOCIMI, S.A. for 2018, prepared by its directors, were approved by the shareholders at the Annual General Meeting on 10 April 2019.

The 2018 separate financial statements of the Group companies, which were prepared by their respective directors, were approved by the shareholders at their respective Annual General Meetings within the periods established in applicable legislation.

In view of the business activities currently carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with regard to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

2. Basis of presentation of the consolidated financial statements and basis of consolidation

2.1 Regulatory framework

The regulatory financial reporting framework applicable to the Group consists of the following:

- The Spanish Commercial Code and all other Spanish commercial law.
- International Financial Reporting Standards (IFRSs) as adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Spanish Law 62/2003, of 30 December, on tax, administrative and social security measures (*Ley 62/2003, de 30 de diciembre, de medidas fiscales, administrativas y de orden social*), as well as applicable rules and circulars of the Spanish National Securities Market Commission (CNMV).
- Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, and other commercial law.
- All other applicable Spanish accounting legislation.

2.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements for 2019 were obtained from the accounting records of the Parent and consolidated companies, and have been prepared in accordance with the regulatory financial reporting framework described in Note 2.1 and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2019 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

Given that the accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2019 may differ from those applied by some of the Group companies, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union.

In order to uniformly present the various items composing the consolidated financial statements, the accounting policies and measurement bases used by the Parent were applied to all the consolidated companies.

2.2.1 Adoption of Financial Reporting Standards and Interpretations effective as from 1 January 2019

In 2019 the following standards, amendments and interpretations came into force, which, where applicable, were used by the Group in preparing these financial statements:

Standards, amendments and interpretations	Description	Mandatory application in the years beginning on or after:
IFRS 16, Leases	Supersedes IAS 17 and the related interpretations. The main development is that it introduces a single lessee accounting model in which all leases will be recognised in the balance sheet (with specific exceptions) with an impact similar to that of current financial leases (right-of-use assets will be depreciated and an expense will be recognised for the depreciated cost of the liability).	1 January 2019
Amendments to IFRS 9, Prepayment Features with Negative Compensation	This amendment allows the measurement at amortised cost of certain financial assets with prepayment features that can be paid for an amount lower than the principal and interest on the principal amount outstanding.	1 January 2019
IFRIC 23, Uncertainty over Income Tax Treatments	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether a certain tax treatment used by the entity will be accepted by the tax authorities.	1 January 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures	It clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
Improvements to IFRSs, 2015-2017 Cycle	Amendments to a series of standards	1 January 2019
Amendments of IAS 19, Plan Amendment, Curtailment or Settlement	It clarifies how to determine current service cost and net interest for the remainder of the annual reporting period after a defined benefit plan amendment, curtailment or settlement.	1 January 2019

The Group applied IFRS 16 Leases, the mandatory application of which comes into force in 2019, early in 2018.

This standard, which replaces IAS 17, establishes a single lessee accounting model that will include all leases on the balance sheet (with specific exceptions) as if they were financed purchases, i.e., with an impact similar to that of the financial leases. Otherwise, lessors will continue to use a dual model, similar to that currently set forth in IAS 17.

As a result of the early adoption of IFRS 16 in the previous year, IAS 40 (Investment property) was amended such that the rights of use that the Group operates under leases and that, under the previous standard, were classified as intangible assets and measured at cost, are classified and measured as of its application, i.e., 1 January 2018, in the same manner as other investment property (at fair value). The Group changed its accounting policies and updated the classification and measurement of concession projects under "Investment property" and has applied the same measurement bases since the beginning of 2018. These changes were applied retrospectively, without

restating the comparative information, recognising the cumulative effect of first-time application as an adjustment to the beginning balance at 1 January 2018.

The impact for each item of the early application of IFRS 16 and the application of IFRS 9 on the statement of financial position of 1 January 2018 is as follows:

Thousands of euros	Thousands of euros			
	Balance sheet 01/01/2018	Application of IFRS 16	Application of IFRS 9	Balance sheet at 01/01/2018 Post IFRS 9 and 16
Total assets	12,005,039	67,582	-	12,072,621
Concession projects	242,166	(242,166)	-	-
Investment property	10,352,415	296,738	-	10,649,153
Investments accounted for using the equity method	371,408	13,010	-	384,418
<i>Total non-current assets</i>	<i>11,390,461</i>	<i>67,582</i>	-	<i>11,458,043</i>
Equity attributable to the Parent	5,723,783	39,756	30,592	5,794,131
Other financial liabilities	88,194	22,092	-	110,286
Deferred tax liabilities (a)	592,418	3,308	-	595,726
Long-term bank borrowings	2,032,678	-	(30,592)	2,002,086
Other current financial liabilities	18,807	2,426	-	21,233
Total equity and liabilities	12,005,039	67,582	-	12,072,621

(a) Tax effect arising from the recognition at fair value of the Parc Logistic de la Zona Franca, S.A. "PLZF" concession asset since the subsidiary did not apply the SOCIMI regime at the date of first-time application.

The other standards and amendments did not have a significant impact on 2019.

All accounting policies and measurement bases with a significant effect on the condensed consolidated financial statements were applied.

2.2.2 Standards not yet in force in 2019

The following standards were not yet in force in 2019, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union.

Standards, amendments and interpretations	Description	Mandatory application in the years beginning on or after:
Amendments to IFRS 3 - Definition of a business	Clarifications to the definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 - Definition of "material"	Amendments to IAS 1 and IAS 8 to align the definition of "material" with that contained in the conceptual framework	1 January 2020 (1)
Amendments to IFRS 9, IFRS 39 and IAS 7 - Interest rate benchmark reform	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing reform of the benchmark rates.	1 January 2020 (1)
IFRS 17, Insurance Contracts	It will replace IFRS 4. It includes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	1 January 2021 (1) (2)

(1) Pending adoption by the European Union

(2) The IASB has proposed its deferral to 1 January 2022

The Group is currently assessing the impacts that the future application of these standards, which must be applied for all periods beginning on or after 1 January 2020, may have on the consolidated financial statements once they enter into force, although the impacts are not expected to be material.

2.3 Functional currency

These consolidated financial statements are presented in euros, since the euro is the functional currency in the area in which the Group operates.

2.4 Comparative information

The information relating to 2018 contained in these notes to the consolidated financial statements is presented solely for comparison purposes with similar information relating to the year ended 31 December 2019.

2.5 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In the Group's consolidated financial statements for 2019 estimates were occasionally made by senior management of the Group and of the consolidated companies, later ratified by the directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

1. The market value of the net assets acquired in business combinations (see Note 3).
2. The market value of the Group's real estate assets (see Note 5.1). The Group obtained valuations from independent experts at 31 December 2019.
3. The fair value of certain financial instruments (see Notes 5.4 and 5.5).
4. The assessment of provisions and contingencies (see Note 5.10).
5. Management of financial risk and, in particular, of liquidity risk (see Note 23).
6. The recovery of deferred tax assets and the tax rate applicable to temporary differences (see Note 5.12).
7. The definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets (see Note 3).
8. Compliance with the requirements that govern real estate investment trusts (SOCIMs) (see Note 1).

Changes in estimates:

Although these estimates were made on the basis of the best information available at 31 December 2019 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.6 Basis of consolidation

All companies over which effective control is exercised by virtue of holding of a majority of the voting rights in their representation and decision-making bodies and the power to determine the company's financial and operational policies were fully consolidated; and companies in which the Group owns more than a 20% interest and exercises significant influence without holding a majority of the voting rights were accounted for using the equity method (see Note 9).

A number of adjustments have been made in order to bring the accounting principles and measurement bases of Group companies into line with those of the Parent, including most notably the application of International Financial Reporting Standards to all Group companies and associates.

It was not necessary to unify accounting periods since the balance sheet date of all the Group companies and associates is 31 December of each year.

2.6.1 Subsidiaries

Subsidiaries are considered to be those companies over which the Parent directly or indirectly exercises control through subsidiaries. The Parent has control over a subsidiary when it is exposed or has rights to variable returns

from its involvement with the subsidiary, and when it has the ability to use its power to affect its returns. The Parent has power when the voting rights are sufficient to give it the ability to direct the relevant activities of the subsidiary. The Parent is exposed or has rights to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Third party interests in the Group's equity and profit or loss are recognised under "Non-controlling interests" in the consolidated statement of financial position, the consolidated income statement and consolidated statement of comprehensive income, respectively.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of acquisition or until the effective date of disposal, as appropriate.

2.6.2 Associates

The companies listed in Appendix I, over which Merlin Properties, SOCIMI, S.A. does not exercise control but rather has a significant influence, are included under "Investments accounted for using the equity method" in the accompanying consolidated statement of financial position and are measured using the equity method, which consists of the value of the net assets and any goodwill of the associate. The share of these companies' net profit or loss for the year is included under "Share of results of associates accounted for using the equity method" in the accompanying consolidated income statement.

2.6.3 Transactions between Group companies

Gains or losses on transactions between consolidated companies are eliminated on consolidation and deferred until they are realised with third parties outside the Group. The capitalised expenses of Group work on non-current assets are recognised at production cost, and any intra-Group results are eliminated. Receivables and payables between consolidated Group companies and any intra-Group income and expenses were eliminated.

2.6.4 First-time consolidation differences

At the date of an acquisition, the assets and liabilities of a subsidiary are measured at their fair values at that date. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If a deficiency of the acquisition cost below the fair values of the identifiable net assets acquired (i.e., a discount on acquisition) is disclosed, the measurements of the net assets are reviewed and, where appropriate, the deficiency is credited to profit or loss in the period in which the acquisition is made.

2.6.5 Business combinations

The Group accounts for business combinations using the purchase method. The date of acquisition is the date on which the Group takes control of the acquiree.

The consideration paid is calculated at the date of acquisition as the sum of the fair values of the assets delivered, the liabilities incurred and assumed and the equity instruments issued by the Group in exchange for control of the business acquired. Acquisition costs, such as professional fees, do not form part of the cost of the business combination, but are taken directly to the consolidated income statement.

Where applicable, the contingent consideration is recognised at the acquisition-date fair value.

Subsequent changes to the fair value of the contingent consideration are taken to the consolidated income statement unless this change arises within the period of 12 months established as the provisional accounting period, in which case the change is recognised in the business combination.

Goodwill is calculated as the excess of the aggregate of the consideration transferred, any non-controlling interests, and the fair value of any previously acquired interest less the net identifiable assets acquired.

If the acquisition cost of the identifiable net assets is more than their fair value, the related difference is recognised in the consolidated income statement for the year.

2.6.6 Scope of consolidation

The companies composing the Merlin Group at 31 December 2019, along with information relating to the consolidation method, are listed in Appendix I of the consolidated financial statements.

3. Changes in the scope of consolidation

2019

Business combinations

- 1) *Torre Arts, Investimentos imobiliários, S.A. (formerly Edifício 160 Arts, S.A.)*

The Parent acquired 100% of the ownership interest in Torre Arts, Investimentos imobiliários, S.A. for EUR 85,781 thousand.

	Main line of business	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
<i>Torre Arts, Investimentos imobiliários, S.A.</i>	Acquisition and development of urban properties for subsequent management and lease	17/01/2019	100%	85,781

The detail of the net assets acquired is as follows:

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Investment property	82,935	2,456	85,391
Current assets	1,243	-	1,243
Non-current and current liabilities	(350)	-	(350)
Deferred tax liabilities	-	(503)	(503)
Total net assets	83,828	1,953	85,781
Consideration transferred			85,781

The main line of business of the acquired company is the lease of offices. Its only asset is the Arts building in Lisbon that is 97% leased and has a surface area of 22,150 square metres. Its fair value according to an independent appraiser amounted was EUR 85,391 thousand at the date of purchase. The purpose of this business combination is to increase the Group's presence in the office market in Lisbon.

To determine the fair value of the property, the Group used the appraisal performed by independent experts.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the date of the business combination using a market discount rate. The residual value at the end of year 10 is calculated by applying an exit yield or cap rate to the net income projections for year 11.

The main assumptions used in the calculation were a discount rate of 7.06% and a cap rate of 5.25%.

The Group identified the various assets and liabilities acquired and then determined their fair value. The Group did not find any significant differences in the values of the assets and liabilities acquired, with the exception of the office building, compared to the carrying amounts at which they were recognised in the financial statements of the businesses acquired. There are no contingent consideration assets or liabilities related to this business combination.

The fair value of the receivables acquired, which are mainly trade receivables, is EUR 157 thousand and does not differ from the gross contractual amounts. When determining the fair value of these receivables, the Group individually analysed them to determine if there were any indications of impairment. The Parent's directors do not consider there to be any indications at the date of acquisition that these receivables would not be collected in full.

The valuation adjustment to liabilities of EUR 503 thousand corresponds mainly to the deferred tax liability associated with the valuation adjustments.

The net result and income generated in 2019 and included in the consolidated income statement for 2019 amounted to EUR 13,445 thousand and EUR 4,471 thousand, respectively, whereby there was no significant difference with the full financial year of the acquired company.

Net cash flow from the acquisition-

	Thousands of euros
Cash paid	85,781
Less: cash and cash equivalents	(1,187)
Total	84,594

2) *Torre Fernão Magalhães Investimentos imobiliários, S.A. (formerly Edifício 048 Magellexpo, S.A.)*

The Parent acquired 100% of the ownership interest in Torre Fernão Magalhães Investimentos imobiliários, S.A. for EUR 27,555 thousand.

	Main line of business	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
<i>Torre Fernão Magalhães Investimentos imobiliários, S.A.</i>	Acquisition and development of urban properties for subsequent management and lease	17/01/2019	100%	27,555

The detail of the net assets acquired is as follows:

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Investment property	26,662	793	27,455
Current and non-current financial assets	552	-	552
Non-current and current liabilities	(284)	-	(284)
Deferred tax liabilities	-	(168)	(168)
Total net assets	26,930	625	27,555
Consideration transferred			27,555

The main line of business of the acquired company is the lease of offices. Its only asset is the Torre Magallanes building in Lisbon that is 100% leased and has a surface area of 7,837 square metres. Its fair value according to an independent appraiser was EUR 27,455 thousand at the date of purchase. The purpose of this business combination is to increase the Group's presence in the office market in Lisbon.

To determine the fair value of the property, the Group used the appraisal performed by independent experts.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the date of the business combination using a market discount rate. The residual value at the end of year 10 is calculated by applying an exit yield or cap rate to the net income projections for year 11.

The main assumptions used in the calculation were a discount rate of 7.06% and a cap rate of 5.25%.

The Group identified the various assets and liabilities acquired and then determined their fair value. The Group did not find any significant differences in the values of the assets and liabilities acquired, with the exception of the office building, compared to the carrying amounts at which they were recognised in the financial statements of the businesses acquired. There are no contingent consideration assets or liabilities related to this business combination.

The fair value of the receivables acquired, which are mainly trade receivables, is EUR 200 thousand and does not differ from the gross contractual amounts. When determining the fair value of these receivables, the Group individually analysed them to determine if there were any indications of impairment. The Parent's directors do not consider there to be any indications at the date of acquisition that these receivables would not be collected in full.

The valuation adjustment to liabilities of EUR 168 thousand corresponds mainly to the deferred tax liability associated with the valuation adjustments.

The net result and income generated in 2019 and included in the consolidated income statement for 2019 amounted to EUR 7,093 thousand and EUR 2,279 thousand, respectively, not differing significantly from the total impact for the year of the acquired company.

Net cash flow from the acquisition-

	Thousands of euros
Cash paid	27,555
Less: cash and cash equivalents	(314)
Total	27,241

3) *Innovación Colaborativa, S.L.*

On 26 March 2019, the Parent acquired 53.97% of Innovación Colaborativa, S.L. for EUR 1,667 thousand. With this acquisition, the Parent now holds 100% of the share capital of this company. The core business of the acquired company is flexible office space management. The aim of this business combination is to integrate a growing business line and offer more services to the Group's customers. The contribution to profit for the year was not significant. Likewise, no significant first-time consolidation differences were identified.

In accordance with IFRS 3 (Business Combinations), the Group has a period of twelve months to carry out the definitive allocation of the above acquisitions. At 2019 year-end, the Parent's directors considered the aforementioned allocations of the assets identified and the liabilities assumed to be definitive.

4) *Corporate restructuring of subsidiaries and acquisitions*

On 5 July 2019, the managing bodies of the absorbing and absorbed companies approved the plan for the downstream merger by absorption of Merlin Parques Logísticos, S.A. by Parc Logistic de la Zona Franca, S.A. This process was completed in 2019 and did not have any effect on the Group's consolidated financial statements.

In 2019, the Group company Holding Jaureguizar 2002, S.A.U. was dissolved, with no effect on the Group's consolidated financial statements.

On 30 October 2019, the Parent acquired a 14.46% interest in Distrito Castellana Norte, S.A. ("DCN") from Desarrollos Urbanísticos Udra, S.A.U. (a company of the San José Business Group) for EUR 168,893 thousand. Its current activity consists of preparing the future urban development of the land owned by ADIF (Administrador de Infraestructuras Ferroviarias) and RENFE- operator of sites in the APR 08.03 "Castellana Extension" and APE 05.27 "Colonia Campamento" urban areas under the current General Plan of Madrid for its subsequent real estate operation. After the acquisition, DCN was 75.54% owned by Inverahorro, S.L. (an investee wholly owned by Banco Bilbao Vizcaya Argentaria, S.A.), 10% owned by Desarrollos Urbanísticos Udra, S.A.U. (belonging to the San José Business Group) and 14.46% owned by the Parent. This acquisition was accounted for using the equity method, since it was considered that the Parent has significant influence as a result of its indirect presence on the Board of Directors and presence of in the management bodies of this company even though the percentage of ownership interest is less than 20% (see Note 9).

2018

The changes in the scope of consolidation in 2018 were as follows:

Business combinations

1) *Torre Dos Oceanus Investimentos Imobiliários, S.A.*

The Parent acquired 100% of the ownership interest in Torre Dos Oceanus Investimentos Imobiliários, S.A., the share capital of which amounted to EUR 50,000, which was fully paid and represented by 50,000 shares of EUR 1 par value each, for a total of EUR 15,912 thousand. At the time of the purchase, the business acquired had a loan with the previous owner amounting to EUR 17,294 thousand, which was paid simultaneously with the purchase price.

	Main line of business	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
<i>Torre Dos Oceanus Investimentos Imobiliários, S.A</i>	Acquisition and development of urban properties for subsequent management and lease	17/04/2018	100%	33,206 (a)

(a) Consideration transferred taking into account settled loans of the former owner. There are no contingent consideration assets or liabilities related to this business combination.

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Investment property	19,445	15,929	35,374
Non-current assets	352	(352)	-
Current assets	1,349	(321)	1,028
Non-current and current liabilities	(811)	-	(811)
Deferred tax liabilities	-	(2,846)	(2,846)
Total net assets	20,335	12,410	32,745
Consideration transferred			33,206
Loss incurred as a result of the business combination			(461)

The main line of business of the acquired company is the lease of offices. Its only asset is the Torre Zen building in Lisbon that is 100% leased and has a surface area of 10,207 square metres. Its fair value according to an independent appraiser was EUR 35,374 thousand at the date of purchase. The purpose of this business combination is to increase the Group's presence in the office market in Lisbon.

To determine the fair value of the property, the Group used the appraisal performed by independent experts.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the date of the business combination using a market discount rate. The residual value was obtained by applying a cap rate to the net result of the last year projected of the net income in year 11.

The main assumptions used in the calculation were a discount rate of 6.75% and a cap rate of 6.00%.

The Group identified the various assets and liabilities acquired and then determined their fair value. The Group did not find any significant differences in the values of the assets and liabilities acquired, with the exception of the office building, compared to the carrying amounts at which they were recognised in the financial statements of the businesses acquired. No contingent liability was recognised in the business combination.

The fair value of the receivables acquired, which are mainly trade receivables, was EUR 29 thousand and did not differ from the gross contractual amounts. When determining the fair value of these receivables, the Group individually analysed them to determine if there were any indications of impairment. The Parent's directors did not consider there to be any indications at the date of acquisition that these receivables would not be collected in full.

The valuation adjustment to liabilities of EUR 2,846 thousand corresponded mainly to the deferred tax liability associated with the valuation adjustments.

The net result and income generated in 2018 and included in the consolidated income statement for 2018 amounted to EUR 3,057 thousand and EUR 1,409 thousand, respectively.

Had the acquisition taken place on 1 January 2018, the net result would have increased by EUR 126 thousand and the income contributed to the Group would have been approximately EUR 553 thousand higher compared to the figures recognised in these consolidated financial statements. When calculating these amounts, the directors considered that the revenue generated and expenses incurred between 1 January 2018 and the acquisition date, along with the acquisition costs, did not vary.

Net cash flow from the acquisition-

	Thousands of euros
Cash paid	33,206
Less: cash and cash equivalents	(903)
Total	32,303

2) *Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda*

The Parent acquired 100% of the ownership interest in Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda, the share capital of which amounted to EUR 5,000, and is fully paid and represented by 5,000 shares of EUR 1 par value each. This company has an ownership interest in Forum Almada II, S.A., the share capital of which amounted to EUR 10,000 thousand and is fully paid and represented by 10,000,000 shares of the EUR 1 par value each, in this document referred to as the Almada Group for a total of EUR 31,533 thousand. At the time of the purchase, the business acquired had a loan with the previous owner amounting to EUR 375,118 thousand, which was paid simultaneously with the purchase price.

	Main line of business	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda,	Acquisition and development of urban properties for subsequent management and lease	20/07/2018	100%	406,651 (a)

(a) Consideration transferred taking into account settled loans of the former owner. There are no contingent consideration assets or liabilities related to this business combination.

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Investment property	362,624	110,133	472,757
Non-current assets	3,258	(3,153)	105
Current assets	17,558	(1,394)	16,164
Non-current and current liabilities	(9,324)	1,729	(7,595)
Deferred tax liabilities	-	(95,321)	(95,321)
Total net assets	374,116	11,994	386,110
Consideration transferred			406,651
Loss incurred as a result of the business combination			(20,541)

The main line of business of the Almada Group is the lease of shopping centres. It owns the Almada shopping centre in Lisbon that is 98% leased and has a gross leasable surface area of 60,049 square metres. Its fair value according to an independent appraiser was EUR 472,757 thousand at the date of purchase. The purpose of this business combination was to give the Group a presence in the shopping centre market in Lisbon.

To determine the fair value of the property, the Group used the appraisal performed by independent experts.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the date of the business combination using a market discount rate. The residual value was obtained by applying a cap rate to the net result of the last year projected of the net income in year 11.

The main assumptions used in the calculation were a discount rate of 7.00% and a cap rate of 5.00%.

The Group identified the various assets and liabilities acquired and then determined their fair value. The Group did not find any significant differences in the values of the assets and liabilities acquired, with the exception of the shopping centre, compared to the carrying amounts at which they were recognised in the financial statements of the businesses acquired. No contingent liability was recognised in the business combination.

The fair value of the receivables acquired, which are mainly trade receivables, was EUR 4,460 thousand and does not differ from the gross contractual amounts. When determining the fair value of these receivables, the Group individually analysed them to determine if there were any indications of impairment. The Parent's directors do not consider there to be any indications at the date of acquisition that these receivables would not be collected in full.

The valuation adjustment to liabilities of EUR 95,321 thousand corresponded mainly to the deferred tax liability associated with the valuation adjustments.

The net result and income generated in 2018 and included in the consolidated income statement for 2018 amounted to a loss of EUR 14,095 thousand and income of EUR 9,341 thousand.

Had the acquisition taken place on 1 January 2018, the net result would have increased by EUR 7,423 thousand and the income contributed to the Group would have been approximately EUR 13,023 thousand higher compared to the figures recognised in these consolidated financial statements. When calculating these amounts, the directors considered that the revenue generated and expenses incurred between 1 January 2018 and the acquisition date, along with the acquisition costs, did not vary.

Net cash flow from the acquisition-

	Thousands of euros
Cash paid	406,651
Less: cash and cash equivalents	(11,745)
Total	394,906

The business combinations described above revealed differences between the considerations transferred and the fair value of the assets acquired. The aforementioned positive differences arose mainly from the recognition of the tax effect of the adjustments to the fair value of the net assets acquired. In accordance with current expectations with regard to the real estate market's performance, the absence of evidence of the materialisation of synergies in the assets acquired, as well as the business plans prepared, the Group does not consider that the recovery of the aforementioned goodwill is adequately demonstrated and, therefore, following a conservative approach, it has adjusted its value in the business combination.

3) Corporate restructuring of subsidiaries and acquisitions

On 27 June 2018, the management bodies of the absorbing and absorbed companies approved the plan for the merger by absorption of the following companies belonging to the Merlin Group:

- Metropolitana Castellana, S.L.U., Merlin Properties Adequa, S.L.U. and Belkyn West Company, S.L.U. by Merlin Oficinas, S.L.U.
- Obraser, S.A.U. by Merlin Retail, S.L.U.
- Merlin Logística II, S.L.U. by Merlin Logística I, S.L.U.

These processes were completed in 2018 and did not have any effect on the Group's consolidated financial statements.

On 29 November 2018, the Group acquired 26,168 shares representing 10% of the share capital in the subsidiary Parc Logistic de la Zona Franca, S.A. "PLZF", for EUR 10,900 thousand, thus giving the Group a 100% interest in the share capital of this company. The acquisition of the additional interest did not have any effect on the consolidation method, given that the Group has exercised control over this company since 31 December 2017. The change in the ownership interest over this subsidiary gave rise to a decrease in non-controlling interests and the difference with regard to the price paid was recognised under reserves.

In 2018 the Group companies Gesfitesta, S.L., Acoghe, S.L. and Inmobiliaria Metrogolf, S.A. were dissolved and this did not have any impact on the consolidated financial statements of the Group. In 2018 the Group also sold the

50% ownership interest it held in PK Inversiones 22, S.L. and this did not have any impact on the consolidated financial statements of the Group.

4. Distribution of the profit of the Parent

The distribution of profit proposed by the Parent's directors for approval by its shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit for the year	179,397
Distribution:	
Legal reserve	17,940
Interim dividend	92,939
Dividends	68,518

Interim dividend

On 10 October 2019, the Parent's Board of Directors resolved to distribute EUR 92,939 thousand as an interim dividend with a charge to profit for 2019. This interim dividend was paid to shareholders on 28 October 2019.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends was as follows:

	Thousands of euros
Profit before tax at 30 September 2019	166,568
Less: required transfer to the legal reserve	(16,657)
Profit that may be distributed with a charge to income for 2019	149,911
Interim dividend to be distributed	93,954
Forecast of cash for the period from 30 September 2019 to 30 September 2020:	
- Cash balance at 30 September 2019 (*)	547,898
- Projected proceeds	607,153
- Projected payments, including the interim dividend.	(789,515)
Projected cash balance	365,536

(*) Includes the amount of undrawn credit lines

Other dividends distributed

On 10 April 2019, the shareholders at the Annual General Meeting approved the distribution of a dividend out of 2018 profit in the amount of EUR 94,194 thousand, and the distribution of an additional dividend with a charge to the share premium for EUR 45,215 thousand.

Over the past five years, the Company has distributed the following dividends, including share premium refunds (in thousands of euros):

	2019	2018	2017	2016	2015
Dividends paid	232,347	215,364	187,411	101,202	25,035

5. Accounting policies

The main accounting policies and measurement bases applied in preparing the Group's consolidated financial statements, which comply with the IFRSs in force at the date thereof, are as follows:

5.1 Investment property

Investment property comprises buildings under construction and development for use as investment property (held by the owner or by the lessee as a right-of-use asset), which are partially or fully held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, or for the Group's administrative purposes or sale in the ordinary course of business.

All assets and rights of use (through the corresponding administrative concession or surface right granted by a public body) classified as investment property are being operated with various tenants. These properties are earmarked for leasing to third parties. The Parent's directors do not plan to dispose of these assets within 12 months and have therefore decided to recognise them as investment property in the consolidated statement of financial position.

Investment property is carried at fair value at the reporting date and is not depreciated. Investment property includes land, buildings, rights of use of concession projects, or other constructions held to earn rentals or for the obtainment of gains on the sale as a result of future increases in the respective market prices.

Gains or losses arising from changes in the fair value of investment property are included in the income statement for the year in which they arise.

While construction work is in progress, the costs of construction work and finance costs are capitalised. The aforementioned assets are recognised at fair value when they become operational.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property items at that date. This fair value is determined on a half-yearly basis based on the appraisals carried out by independent experts.

The market value of the Group's investment property at 31 December 2019, calculated on the basis of appraisals carried out by Savills, JLL and CBRE, independent appraisers not related to the Group, amounted to EUR 12,250,730 thousand (see Note 7).

5.2 Investments accounted for using the equity method

At 31 December 2019, this heading in the consolidated statement of financial position included the amount corresponding to the percentage of shareholders' equity of the investee relating to the Parent and accounted for using the equity method. In addition, and after accounting for these investments using the equity method, the Group decides whether or not an additional impairment loss needs to be recognised with regard to the Group's net investment in the associate.

5.3 Leases

At inception of a contract, the Group assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

5.3.1 Lessee

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group will allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The relative stand-alone price of lease and non-lease components will be determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group will estimate the stand-alone price, maximising the use of observable information.

The Group opted not to apply the subsequent recognition and measurement requirements indicated in IFRS 16 to short-term leases for which the underlying asset is of low value, recognising the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Initial recognition

At the commencement date, a lessee will recognise a right-of-use asset and a lease liability.

At the commencement date, a lessee will measure the right-of-use asset at cost. The cost of the right-of-use asset will comprise:

- (a) the amount of the initial measurement of the lease liability, measured at the commencement date, at the present value of the lease payments not paid by that date. The lease payments will be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee will use the lessee's incremental borrowing rate.
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee may incur the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent measurement of the right-of-use asset

After the commencement date, the Group will measure its right-of-use assets applying the cost model unless it applies the fair value model under IAS 40 "Investment Property" to its investment property and rights of use that meet the definition of investment property (see Note 5.1). If right-of-use assets relate to a class of property, plant and equipment to which the lessee applies the revaluation model in IAS 16, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

Subsequent measurement of the lease liability

After the commencement date, the Group will measure the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

5.3.2 Lessor

A lessor will classify each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance leases

At the commencement of the lease term, the Group recognises finance leases in the consolidated statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used.

The cost of assets acquired under finance leases is presented in the consolidated statement of financial position on the basis of the nature of the leased asset. These assets relate in full to investment property and are measured in accordance with that established in Note 5.1.

Operating leases

A lessor will recognise lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor will apply another systematic basis if that basis is more representative of the structure in which benefit from the use of the underlying asset is diminished.

The Group will recognise costs, including depreciation, incurred in earning the lease income as an expense. It will also add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

5.4 Financial instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. As of 1 January 2018, the Group has classified its financial assets in accordance with IFRS 9 “Financial Instruments”.

The classification criteria for financial assets depend both on how an entity manages its financial instruments (its business model) and on the existence and characteristics of contractual cash flows for the financial assets. On that basis, an asset is measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss for the period, in the following manner:

- If the objective of the business model is to hold a financial asset in order to collect contractual cash flows and, depending on the terms of the contract, cash flows that are solely payments of principal and interest on the principal amount outstanding are received on specified dates, the financial asset is measured at amortised cost.
- If the objective of the business model is both to obtain contractual cash flows and sell financial assets and, depending on the terms of the contract, cash flows that are solely payments of principal and interest on the principal amount outstanding are received on specified dates, the financial asset is measured at fair value through other comprehensive income (equity).

Any assets not meeting the above criteria will be measured at fair value through profit or loss. All equity instruments (e.g., shares) are recognised in this category by default. This is because their contractual flows do not fulfil the characteristics of being solely payments of principal and interest. Financial derivatives are also classified as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

For measurement purposes, financial assets must be classified in one of the following categories in accordance with the accounting policies indicated for each below.

1. Financial assets at amortised cost: after their initial recognition, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by any impairment loss. They are recognised in the consolidated income statement for the period in which the financial asset is derecognised or has become impaired, or due to exchange rate differences. Interest calculated using the effective interest method is recognised under “Finance income” in the income statement.
2. Financial assets at fair value through profit or loss: financial assets at fair value through profit or loss are initially and subsequently recognised at fair value, not including transaction costs, which are taken to the income statement. Gains and losses arising from changes in fair value are recognised in the income statement under “Changes in fair value of financial instruments” in the period in which they arose. Any dividends or interest are also taken to financial profit or loss.
3. Debt instruments at fair value through other comprehensive income: they are subsequently recognised at their fair value, with any changes in fair value recognised under “Other comprehensive income”. Interest income, impairment losses, and exchange differences are recognised in the consolidated income statement. When they are sold or derecognised, cumulative fair value adjustments recognised under “Other comprehensive income” are included in the income statement as other finance income / (costs).

4. Equity instruments at fair value through other comprehensive income: they are subsequently measured at fair value. Only dividends are taken to profit or loss, unless these clearly represent a recovery of the investment cost. Other gains or losses are taken to "Other comprehensive income" and are never reclassified to profit or loss.

Impairment of financial assets

The impairment model applies to financial assets measured at amortised cost that include "Trade and other receivables".

The impairment model is based on a dual measurement approach, where a provision is made for impairment based on expected losses over the next 12 months or based on expected losses over the asset's entire lifetime. The event that triggers the change from the first to the second approach is a significant worsening in the credit quality.

There has been no significant impairment of the Group's receivables, taking into account that the risk of default is less than 1% of billings and that tenants provide the Group with the security deposits as collateral for their loan.

Financial liabilities

The main financial liabilities held by the Group companies are held-to-maturity financial liabilities, which are measured at amortised cost. The financial liabilities held by the Group companies are classified as:

1. Bank and other loans: loans from banks and other lenders are recognised at the proceeds received, net of transaction costs.

Borrowings are subsequently measured at amortised cost. Any difference between the income earned (net of transaction costs) and the repayment value is recognised in the income statement over the term of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the year as other finance income or costs.

Exchanges of debt instruments between the Group and the counterparty or substantial changes in the liabilities initially recognised are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms. The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Where an exchange is recognised as an extinguishment of the original financial liability, the costs or fees are recognised in the consolidated income statement as part of profit or loss. Otherwise, the modified flows are discounted at the original effective interest rate, and any difference from the previous carrying amount is recognised in profit or loss. Similarly, the costs or fees incurred adjust the carrying amount of the financial liability and are amortised using the amortised cost method over the remaining term of the modified liability.

The Group recognises the difference between the carrying amount of the financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in profit or loss.

The Group recognises exchanges of debt instruments with a lender, provided the instruments have substantially different terms, as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it will be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, including any non-cash asset transferred or liability assumed, is recognised in profit or loss for the year.

If it is determined that the new terms or changes to a financial liability are not substantially different from those that currently exist, and therefore the change is determined not to be substantial, the existing financial liability will not be derecognised. The Group will recalculate the gross carrying amount of the financial liability and will recognise a gain or loss as a result of the change in profit or loss for the year. The gross carrying amount of the financial liability will be recalculated as the present value of the renegotiated

or modified contractual cash flows, discounted using the original effective interest rate of the financial liability.

2. Trade and other payables: trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when the obligations giving rise to them cease to exist.

5.5 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge the risks to which its future activities, transactions and cash flows are exposed. Basically, these risks relate to changes in interest rates. Among the various transactions, the Group uses certain financial instruments as economic hedges.

Derivatives are initially recognised at fair value on the date on which the derivative contract is signed and are subsequently measured at fair value at each reporting date. Subsequent changes in fair value are recognised depending on whether the derivative has been designated as a hedging instrument and, if it has, on the nature of the item being hedged.

At the start of the hedge relationship, the Group documents the financial relationship between the hedging instruments and the hedged items, including whether the changes in the cash flows of the hedging instruments are expected to offset the changes in the cash flows of the hedged items. The Group documents its risk management objective and the strategy to undertake its hedging transactions.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised in the cash flow hedge reserve in equity. Any gain or loss relating to the ineffective portion is immediately recognised in "Other gains/(losses)" in the consolidated income statement for the year.

The gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognised in the cash flow hedge reserve in equity. Changes in the time value of the option contracts that are related to the hedged item ("aligned time value") are recognised under other comprehensive income in the costs of the hedging reserve in equity.

When forward contracts are used to hedge forecast transactions, the Group generally only designates the change in the fair value of the forward contract related to the spot component as the hedging instrument. The gains or losses related to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve in equity. Changes in the forward element of the contract related to the hedged item are recognised under other comprehensive income in the costs of the hedging reserve in equity. In some cases, the gains or losses corresponding to the effective portion of the change in the fair value of the full forward contract are recognised in the cash flow hedge reserve in equity.

- Cash flow hedges: in hedges of this nature, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is recognised in the income statement in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a non-financial asset or a non-financial liability, in which case the amounts recognised in equity are included in the initial cost of the asset or liability when it is acquired or assumed.
- Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and provided that the host contracts are not measured at fair value by recognising changes in fair value in the consolidated statement of comprehensive income.

The fair value of the various derivative financial instruments is calculated using the valuation techniques described in Note 5.6 below.

5.6 Valuation techniques and applicable assumptions to measure fair value

The fair value of financial assets and liabilities is calculated as followed:

- The fair value of financial assets and liabilities with standard terms and conditions and that are traded on active, liquid markets is calculated by reference to prices quoted in the market.
- The fair value of financial assets and liabilities (except derivative instruments) is calculated in accordance with the generally accepted valuation models on the basis of discounted cash flows using the prices of observable market transactions and the contributor prices of similar instruments.
- The fair value of interest rate swaps is calculated by discounting future settlements between fixed and floating interest rates to their present value, in line with implicit market interest rates, obtained from long-term interest rate swap curves. Implicit volatility is used to calculate the fair values of caps and floors using option valuation models.

Consideration must be given when valuing financial derivative instruments that the derivative must also effectively offset the exposure inherent to the hedged item or position throughout the expected term of the hedge, and there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effectiveness was intended to be achieved and measured. Moreover, pursuant to IFRS 13 and due to the inherent risk, the credit risk of the parties to the contract (both their own risk and that of the counterparty) must be included in the valuation of the derivatives. The Group applied the discounted cash flow method, considering a discount rate affected by the Merlin Group's own credit risk.

In particular, the Group estimated the value of the embedded derivative of the rent based on an estimate of total future cash flows from the contract adjusted for counterparty credit risk. Future rental income was estimated based on the inflation swaps of the eurozone (HICP in the eurozone excluding tobacco) at the time of analysis and takes into account the corresponding counterparty credit risk. The measurement approach used was based on the discounted cash flow model.

To determine the value of the embedded derivative of the rental income (Note 10), the following information is used:

- Forward curve of the Harmonised Index of Consumer Prices (HICP) excluding tobacco in the eurozone.
- The volatility of the HICP to calculate the value of the land (0%) recognised in the lease agreements.
- EUR discount factors to calculate the present value of the future rental income (sum of the components of the future rental income and the value of the land).
- Credit risk rates (Credit Default Swap) to calculate the credit valuation adjustment (CVA) for counterparty credit risk.

HICP forward curve

To build the curve, the zero coupon swap up to 30 years is used. Year to year, the annual rates are integrated and interpolated applying seasonal adjustments to obtain the forward curve.

HICP volatility

As initial data 0% is taken as the land premium. Subsequently, the volatility of each future settlement or year-on-year forward (floorlet) is calculated. Once the volatilities and forwards are obtained, the land component amount is determined.

EUR discount factors

Given that the market standard requires that swaps be discounted at the overnight indexed swap (OIS) rate, both Euribor and Eonia rates are included in the yield curve data. In this connection, the yield curve data used for the calculations are:

Deposit rates: 1D, 2D, 3D

Euribor fixing: 1M, 3M and 6M

Euribor futures: between 6M and 2Y

Euribor swap rates: from 2Y to 30Y

Base EONIA swap rates: up to 30Y

Credit Default Swap (CDS) rates

We use CDS market data and interpolate for the specific terms or periods of the leases. We use the current exposure method to calculate the CVA.

Financial instruments measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: those measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: those measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: those measured using valuation techniques, including inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets and liabilities measured at fair value at 31 December 2019 are as follows:

2019

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Note 14.3)	-	(96,926)	-	(96,926)
Embedded derivatives (Note 10)	-	124,684	-	124,684
Available-for-sale financial assets (Note 10)	17,540	-	-	17,540
	17,540	27,758	-	45,298

2018

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Note 14.3)	-	(40,930)	-	(40,930)
Embedded derivatives (Note 10)	-	123,087	-	123,087
Available-for-sale financial assets (Note 10)	18,121	-	-	18,121
	18,121	82,157	-	100,278

Note 7 also provides information on calculating the fair value of investment property.

5.7 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Parent after deducting all of its liabilities.

Capital instruments issued by the Parent are recognised in equity at the proceeds received, net of issue costs.

The Parent's equity instruments acquired by the Group are recognised separately at acquisition cost and deducted from equity in the consolidated statement of financial position, regardless of why they were acquired. No gains or losses from transactions involving own equity instruments are recognised in the consolidated income statement.

If the Parent's own equity instruments are subsequently retired, capital is reduced by the nominal amount of these treasury shares and the positive or negative difference between the acquisition price and nominal amount of the shares is debited from or credited to reserves.

The transaction costs related to own equity instruments are recognised as a decrease in equity, net of any related tax effect.

5.8 Distributions to shareholders

Dividends are paid in cash and recognised as a reduction in equity when the payouts are approved by the shareholders at the Annual General Meeting.

The Parent is subject to the special regime for SOCIMIs. As established in section 6 of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, the SOCIMIs opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders in the form of dividends, once the related commercial and corporate obligations have been fulfilled. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the payout is agreed.

Moreover, as specified in Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, the Parent must distribute the following as dividends:

- 100% of the profit from dividends or shares in profits distributed by the entities referred to in section 2.1 of Spanish Law 11/2009.
- At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in section 2.1 of Spanish Law 11/2009, once the periods referred to in section 3.2 of Spanish Law 11/2009 have elapsed, which are used to pursue the Company's main corporate purpose. The rest of the profit must be reinvested in other properties or shares that are used to pursue this purpose, within a period of three years following the date of transfer. Failing this, the profit must be distributed in full together with, if applicable, the profit generated during the year in which the reinvestment period ends. If the items to be reinvested are transferred prior to the end of the holding period, that profit must be distributed in full together with, if applicable, the profit generated during the year in which the items were transferred. The obligation to distribute profit does not apply to the portion of the profit attributable to prior years in which the Company was not included under the special tax regime established in this Act.
- At least 80% of the remaining profits obtained. When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime has been applied, they must be distributed as set out above.

5.9 Cash and cash equivalents

The Group includes under this heading cash and short-term highly liquid investments maturing in less than three months that are readily convertible to cash and that are subject to an insignificant risk of changes in value. The interest income associated with these transactions is recognised as income when accrued while unmatured interest is presented in the consolidated statement of financial position as an addition to the balance of the aforementioned heading.

5.10 Provisions

When preparing the consolidated financial statements, the Parent's directors made a distinction between:

- Provisions: credit balances covering present obligations arising from past events, the settlement of which is likely to cause an outflow of resources, but which are uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Group's control.

The consolidated financial statements include all the provisions with regard to which it is likely that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements but rather are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the Group is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

5.11 Revenue recognition

Revenue and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Rental income is measured at the fair value of the consideration received, net of discounts and taxes.

Discounts (rent waivers and rebates) granted to lessees are recognised as a reduction in rental income when it is probable that conditions precedent will be fulfilled requiring them to be granted.

Discounts are recognised by expensing the total rent waiver or rebate on a straight-line basis over the term of the lease agreement in force. If a lease agreement is cancelled earlier than expected, any outstanding rent waiver or rebate is recognised in the last period prior to the end of the agreement.

Leasing of investment property to third parties

The Group companies' principal activity comprises the acquisition and leasing of primarily shopping malls, logistics units and offices. The Group's revenue is generated by leasing this investment property to third parties.

Revenue from the leasing of investment property is recognised taking into account the stage of completion of the transaction at the reporting date, provided the result of the transaction can be reliably estimated. The Group's rental income is recognised by the companies on a monthly basis pursuant to the terms and amounts agreed with the lessees in the various agreements. This income is only recognised when it can be measured reliably and it is probable that the economic benefits from the lease will be received.

Where the outcome of services rendered cannot be measured reliably, revenue is recognised to the extent that the expenses incurred are considered recoverable.

Service charges rebilled to lessees are recognised net of other operating expenses.

5.12 Income tax

5.12.1 General regime

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Group as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill, goodwill for which amortisation is not deductible for tax purposes or the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (tax losses, temporary differences and tax credit carryforwards) are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

5.12.2 SOCIMI regime

The special tax regime for SOCIMIs, as amended by Spanish Law 16/2012, of 27 December, is based on the application of a 0% income tax rate, provided certain requirements are met. Particularly noteworthy is the requirement that at least 80% of their assets must be made up of urban real estate intended for lease and acquired through full ownership or through holdings in Spanish or foreign companies, regardless of whether or not they are listed on organised markets, that meet the same investment and profit distribution requirements. Likewise, the main sources of income for these entities must come from the real estate market, either through leasing the properties, their subsequent sale after a minimum lease period, or the income generated from holdings in entities with similar characteristics. However, tax is accrued in proportion to the dividends distributed. Dividends received by the shareholders are exempt, unless the recipient is a legal person subject to corporate income tax or a permanent establishment of a foreign entity, in which case a tax credit is taken, so that these earnings are taxed at the tax rate applicable to the shareholder. However, the remaining earnings will not be taxed so long as they are not distributed to shareholders.

As established in Transitional Provision Nine of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, the Company will be subject to a special tax rate of 19% on the total dividends or shares in profit distributed to shareholders that have an ownership interest in the Company's share capital equal to or greater than 5%, when these dividends, in reference to the shareholders, are exempt or are taxed at a rate less than 10%. Accordingly, the Group has established a procedure that guarantees confirmation by shareholders of their tax status, and withholds, where appropriate, 19% of the dividend distributed to shareholders that do not meet the aforementioned tax requirements.

On 10 April 2019, the shareholders at the Company's Annual General Meeting resolved to pay an ordinary dividend out of the profit for 2018, with regard to which the exemption established in section 21 of Spanish Law 27/2014, of 27 November, on corporation tax (Corporation Tax Act, *LIS*), could be applied to those shareholders who met the requirements stipulated in that provision.

Since the Santander Group was a significant shareholder of the Company at the date of distribution of the aforementioned dividend, it was able to partially benefit from the exemption established in section 21 of this Act, which led to the accrual of the special tax envisaged in section 9.2 of Spanish Law 11/2009, of 26 October, regulating SOCIMIs, for that portion of the dividend received by the Santander Group to which the exemption of section 21 of the Corporation Tax Act was applicable. This special tax amounted to EUR 1,099 thousand.

5.13 Share-based payments

The Parent recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

In 2016, the Parent had a commitment to award an annual variable remuneration incentive to the management team, as determined by the Appointments and Remuneration Committee, which compensates senior management and executive directors based on the returns obtained by the Group's shareholders (the "2016 Share Plan"). In accordance with the terms and conditions of this plan, members of senior management must remain at the Group and provide their services for a period of three years, whereby the shares will be delivered on the fifth year.

In addition, at the Annual General Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the management team and other important members of the Group's workforce (which includes among others the executive directors and senior management), the measurement period of which is from 1 January 2017 to 31 December 2019 ("2017-2019 Incentive Plan"). In accordance with that established in this plan, beneficiaries may be entitled to receive (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Parent, provided that certain objectives are met.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Parent's share plus the dividends distributed to shareholders by the Company during the measurement period; and

- the increase in the EPRA NAV per share of the Parent plus the dividends distributed to shareholders by the Company during the measurement period; and

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%, as detailed below:

TSR NAV / TSR share price	Percentage assigned to beneficiaries ("PR")	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the beneficiaries in accordance with the above table will be applied to the result of multiplying the TSR by the share price multiplied by the number of shares of the Company as of 31 December 2019; (ii) the result of this transaction will be balanced through an adjustment mechanism in favour of the beneficiaries, as, once a minimum return is reached, the beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date of calculation of the amount of the NAV-based incentive and the amount of the share-based incentive will be 31 December 2019. The maximum amount to be received for the share-based incentive from 2017 to 2019 will amount to EUR 37.5 million. If the incentive is larger than the aforementioned limit, it will supplement the NAV-based incentive — if the latter is lower than the maximum amount established. In this regard, at 2019 year-end, the Group reclassified EUR 35,526 thousand to current liabilities relating to the share-based incentive, which will be settled and paid on the fifth business day following the date of authorisation for issue of these financial statements.

Likewise, the maximum amount of the EPRA NAV-based incentive will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. Lastly, if the value of the maximum number of shares allocated to the plan were below the aforementioned EPRA NAV-based incentive, the difference would be paid in cash.

At 31 December 2019, the date of the measurement period, taking into account the final reference price, i.e., the Company's average closing price over the 90 trading sessions prior to 31 December 2019, 5,874,111 shares will be delivered. 50% of the shares allocated and, where applicable, the cash amount and the excess will be paid on the second settlement and payment date, i.e., within two business days following the authorisation for issue of the financial statements for 2020. The remaining 50% of the shares allocated will be settled and paid within two business days following the authorisation for issue of the financial statements for 2021

5.14 Employee obligations

Under current labour legislation, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

When a restructuring plan is approved by the directors, made public and communicated to employees, the Group recognises the provisions required to meet any future payments resulting from their application. These provisions are calculated in accordance with the best estimates available of the foreseeable costs.

At 31 December 2019, the Group had no commitments in this regard and there is no collective redundancy plan in force.

5.15 Current assets and liabilities

The Group classifies its assets and liabilities as current and non-current in the consolidated statement of financial position. To this end, current assets and current liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realised, or are intended for sale or consumption, over the course of the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they are expected to be realised within twelve months after the reporting date, or when they constitute cash and cash equivalents, except in cases where they cannot be exchanged or used to settle a liability for at least twelve months after the reporting date.

- Liabilities are classified as current when they are expected to be settled over the course of the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they must be settled within twelve months after the reporting date, or when the Group does not have an unconditional right to defer repayment of the liabilities for twelve months after the reporting date.
- Derivative financial instruments not held for trading are classified as current or non-current depending on when they are due to mature or to be settled.

5.16 Segment reporting

The Group groups its segments based on the nature of the assets in the various areas in which it develops its strategy. In this regard, each operating segment is a component of the Group that carries out business activities from which it can obtain revenue and incur expenses. The profit or loss from operations for each segment is regularly reviewed by Group management to decide what resources should be allocated to each segment, to assess their performance and for which separate financial information is available.

5.17 Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies.

The Group calculates diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the Parent and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, the Group takes the profit or loss attributable to ordinary equity holders of the Parent, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

5.18 Environmental matters

The Group carries out activities whose primary purpose is to prevent, mitigate or repair environmental damage caused by its operations.

Expenses incurred in connection with these environmental activities are recognised as other operating expenses in the year in which they are incurred. However, because of their nature, the Group's business activities do not have a significant environmental impact.

5.19 Consolidated statements of cash flows

The consolidated statements of cash flows have been prepared using the indirect method and the terms used are defined as follows:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the consolidated companies and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

6. Segment reporting

a) Basis of segmentation

Group management has segmented its activities into the business segments detailed below based on the type of assets acquired and managed:

- Office buildings

- Net lease
- Shopping centres
- Logistics assets
- Other

Any revenue or expense that cannot be attributed to a specific line of business or relate to the entire Group are attributed to the Parent as a "Corporate unit/Other", as are the reconciling items arising from the reconciliation of the result of integrating the financial statements of the various lines of business (prepared using a management approach) and the Group's consolidated financial statements.

The profits of each segment, and each asset within each segment, are used to measure performance as the Group considers this information to be the most relevant when evaluating the segments' results compared to other groups operating in the same businesses.

The Group carried out its business activities in Spain and Portugal in the year ended 31 December 2019.

b) Basis and methodology for segment reporting

The segment information below is based on monthly reports prepared by Group management, which are generated using the same computer application that prepares all the Group's accounting information. The accounting policies applied to prepare the segment information are the same as those used by the Group, as described in Note 5.

Segment revenue relates to ordinary revenue directly attributable to the segment plus the relevant proportion of the Group's general income that can be allocated on a reasonable basis to that segment. Ordinary revenue of each segment does not include interest or dividend income, gains on the disposal of investment property, or on debt redemption or repayment transactions.

Segment expenses are calculated as the directly attributable expenses incurred in the operating activities, plus the corresponding proportion of the expenses that can be reasonably allocated to the segment.

The segment profit or loss is shown before any adjustment for non-controlling interests.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed thereto using the aforementioned allocation system, and include the proportional part of the assets and liabilities of joint ventures.

In 2019 the Group changed certain segment distribution criteria, in accordance with its business management information, which led to a change in the name of the segment previously known as "High street retail" to "Net lease". This change also meant reclassifying certain assets that were classified as "High street retail" in the other segments, maintaining the "Net lease" segment exclusively for certain unique assets. The amounts reclassified were not material. However, in order to facilitate the comparability of the segment information, the Parent's directors have standardised the 2018 information with the criteria used in 2019 and, therefore, this information differs from that included in the 2018 financial statements.

Segment reporting

Segment information about these businesses at 31 December 2019 is presented below:

2019	Thousands of euros						
	Office buildings	Net lease	Shopping centres	Logistics	Other	Corporate Unit	Group total
Rental income	237,705	86,612	121,492	51,593	14,124	-	511,526
Revenue from the rendering of services	1,093	-	302	-	-	1,932	3,327
Revenue	238,798	86,612	121,794	51,593	14,124	1,932	514,853
Other operating income	270	-	316	148	64	2,001	2,799
Staff costs	-	-	-	-	-	(76,854)	(76,854)
Operating expenses	(27,752)	(757)	(18,136)	(2,695)	(1,904)	(13,229)	(64,473)
Gains or losses on disposal of non-current assets	(20,058)	414	182	553	(154)	-	(19,063)
Depreciation and amortisation charge	(281)	(2)	(73)	(3)	(10)	(1,754)	(2,123)
Excess provisions	47	-	-	(115)	-	154	86
Changes in fair value of investment property	264,378	7,701	(1,867)	80,974	3,786	-	354,972
Negative goodwill on business combinations	(2,865)	-	-	-	-	(1)	(2,866)
Profit/(Loss) from operations	452,537	93,968	102,216	130,455	15,906	(87,751)	707,331
Changes in fair value of financial instruments-							
Changes in fair value of financial instruments - Embedded derivative	-	2,397	-	-	-	-	2,397
Changes in fair value of financial instruments - Other	-	(2,687)	-	(1,476)	-	(9,302)	(13,465)
Finance income	5	-	4	-	2	653	664
Profit/(loss) on disposal of financial instruments	5	-	-	31	-	(76)	(40)
Finance costs	(492)	(22,762)	(3,972)	(4,909)	-	(84,107)	(116,242)
Share of results of companies accounted for using the equity method	-	-	-	-	-	10,065	10,065
Profit/(Loss) before tax	452,055	70,916	98,248	124,101	15,908	(170,518)	590,710
Income tax	(21,186)	321	(6,635)	380	151	(102)	(27,071)
Profit/(Loss) for the year	430,869	71,237	91,613	124,481	16,059	(170,620)	563,639

At 31 December 2019	Thousands of euros						
	Office buildings	Net lease	Shopping centres	Logistics	Other	Corporate Unit	Group total
Investment property	6,291,960	1,748,544	2,540,437	1,136,961	451,255	-	12,169,157
Non-current financial investments-	23,210	137,623	18,276	11,378	1,216	184,919	376,622
<i>Derivatives</i>	-	124,684	-	-	-	-	124,684
<i>Other financial assets</i>	23,210	12,939	18,276	11,378	1,216	184,919	251,938
Deferred tax assets	312	3,957	788	3,818	-	78,903	87,778
Other non-current assets	3,811	1	75	5,189	929	349,448	359,453
Non-current assets	6,319,293	1,890,125	2,559,576	1,157,346	453,400	613,270	12,993,010
Trade receivables	8,671	1,498	5,282	6,825	2,966	5,021	30,263
Other current financial assets	50	1,277	151	688	-	5,557	7,723
Other current assets	36,764	31,555	64,542	13,729	737	127,408	274,735
Current assets	45,485	34,330	69,975	21,242	3,703	137,986	312,721
Total assets	6,364,778	1,924,455	2,629,551	1,178,588	457,103	751,256	13,305,731
Long-term bank borrowings and debenture issues	18,348	757,792	131,745	66,715	-	4,566,602	5,541,202
Other non-current liabilities	347,848	46,903	242,553	75,446	7,483	121,593	841,826
Non-current liabilities	366,196	804,695	374,298	142,161	7,483	4,688,195	6,383,028
Current liabilities	47,959	15,018	29,223	20,987	1,598	99,218	214,003
Total liabilities	414,155	819,713	403,521	163,148	9,081	4,787,413	6,597,031

Segment information about these businesses at 31 December 2018 is presented below:

2018	Thousands of euros						
	Office buildings	Net lease	Shopping centres	Logistics	Other	Corporate Unit	Group total
Rental income	213,592	96,371	104,279	46,598	14,806	-	475,646
Revenue from the rendering of services	-	-	298	-	18	114,469	114,785
Revenue	213,592	96,371	104,577	46,598	14,824	114,469	590,431
Other operating income	352	-	2,518	46	33	4,029	6,978
Staff costs	-	-	-	-	-	(73,941)	(73,941)
Operating expenses	(22,466)	(2,467)	(15,906)	(2,545)	(1,515)	(11,375)	(56,274)
Gains or losses on disposal of non-current assets	-	7,859	(116)	786	(1,712)	(2)	6,815
Depreciation and amortisation charge	-	(2)	(57)	(4)	(10)	(1,499)	(1,572)
Excess provisions	5	-	-	-	-	13,549	13,554
Changes in fair value of investment property	331,744	115,199	73,676	94,140	14,425	-	629,184
Negative goodwill on business combinations	19	-	(20,542)	-	-	-	(20,523)
Profit/(Loss) from operations	523,246	216,960	144,150	139,021	26,045	45,230	1,094,652
Changes in fair value of financial instruments-							
Changes in fair value of financial instruments - Embedded derivative	-	(61,960)	-	-	-	-	(61,960)
Changes in fair value of financial instruments - Other	(2)	(7,235)	-	(405)	-	(11,148)	(18,790)
Finance income	3	-	23	-	12	473	511
Profit/(loss) on disposal of financial instruments	(25)	-	(22)	(36)	(9)	4,290	4,198
Finance costs	(527)	(13,863)	(3,946)	(4,611)	-	(92,556)	(115,503)
Share of results of companies accounted for using the equity method	-	-	-	-	-	9,916	9,916
Profit/(Loss) before tax	522,695	133,902	140,205	133,969	26,048	(43,795)	913,024
Income tax	(18,950)	(10,732)	(1,631)	(2,418)	(6,239)	(18,176)	(58,146)
Profit/(Loss) for the year	503,745	123,170	138,574	131,551	19,809	(61,971)	854,878

At 31 December 2018	Thousands of euros						
	Office buildings	Net lease	Shopping centres	Logistics	Other	Corporate Unit	Group total
Investment property	6,071,582	1,751,780	2,491,277	971,008	454,814	-	11,740,461
Non-current financial investments-	19,448	137,424	8,899	6,267	1,043	39,167	212,248
<i>Derivatives</i>	-	123,087	-	-	-	-	123,087
<i>Other financial assets</i>	19,448	14,337	8,899	6,267	1,043	39,167	89,161
Deferred tax assets	89	4,207	789	453	3,226	79,651	88,415
Other non-current assets	-	4	147	17	905	172,268	173,341
Non-current assets	6,091,119	1,893,415	2,501,112	977,745	459,988	291,086	12,214,465
Trade receivables	8,937	1,588	6,690	5,164	3,672	141,430	167,481
Other current financial assets	48	1,162	124	1,704	2	5,848	8,888
Other current assets	18,394	14,953	35,749	13,467	1,854	97,446	181,863
Current assets	27,379	17,703	42,563	20,335	5,528	244,724	358,232
Total assets	6,118,498	1,911,118	2,543,675	998,080	465,516	535,810	12,572,697
Long-term bank borrowings and debenture issues	20,026	719,630	131,513	69,901	-	4,216,938	5,158,008
Other non-current liabilities	331,873	47,7804	235,099	63,750	8,813	148,986	836,301
Non-current liabilities	351,899	767,410	366,612	133,651	8,813	4,365,924	5,994,309
Current liabilities	30,535	18,945	21,823	33,275	2,336	69,638	176,552
Total liabilities	382,434	786,355	388,435	166,926	11,149	4,435,562	6,170,861

a) *Geographical segment reporting*

For the purposes of geographical segment reporting, segment revenue is grouped based on the geographical location of the assets. Segment assets are also grouped based on their geographical location.

The following tables summarises, by geographical area, the revenue and non-current investment property for each of the assets held by the Group:

2019

	Thousands of euros			
	Rental income	%	Investment property (a)	%
Madrid	237,038	46%	6,383,215	52%
Catalonia	93,153	18%	2,002,321	16%
Valencia	21,610	4%	410,596	3%
Galicia	20,649	4%	400,275	3%
Andalusia	22,246	5%	451,762	4%
Basque Country	18,530	4%	394,106	3%
Castilla-La Mancha	15,492	3%	448,482	4%
Rest of Spain	36,375	7%	756,671	6%
Portugal	46,433	9%	1,046,413	9%
Total	511,526	100%	12,293,841	100%

(a) Also includes the amount of the embedded derivative described in Note 10.

2018

	Thousands of euros			
	Rental income	%	Investment property (a)	%
Madrid	226,133	48%	6,276,467	53%
Catalonia	85,198	18%	2,038,456	17%
Valencia	23,059	5%	387,793	3%
Galicia	21,747	5%	405,478	3%
Andalusia	20,844	4%	417,424	4%
Basque Country	20,491	4%	386,653	3%
Castilla-La Mancha	14,614	3%	354,385	3%
Rest of Spain	39,485	8%	767,828	7%
Portugal	24,075	5%	829,064	7%
Total	475,646	100%	11,863,548	100%

(a) Also includes the amount of the embedded derivative described in Note 10.

b) Main customers

The table below lists the main lessees at 31 December 2019, and the primary characteristics of each of them:

2019

Position	Name	Type	% of total rental income	% accumulated	Maturing in
1	BBVA	Net lease	15.3%	15.3%	2029-2040
2	Endesa	Offices	4.1%	19.4%	2020-2028
3	Inditex	Shopping centres/Logistics	3.0%	22.4%	2020-2022
4	Técnicas Reunidas	Offices	2.1%	24.5%	2022
5	PricewaterhouseCoopers, S.L.	Offices	1.5%	26.0%	2022
6	Hotusa	Hotels	1.5%	27.5%	2024
7	Caprabo	Net lease	1.3%	28.8%	2026
8	Indra Sistemas, S.A.	Offices	1.3%	30.1%	2024
9	FNAC	Shopping centres	1.3%	31.4%	2022
10	Dachser	Logistics	1.3%	32.7%	2021 – 2024

2018

Position	Name	Type	% of total rental income	% accumulated	Maturing in
1	BBVA	Net lease	15.3%	15.3%	2029-2040
2	Endesa	Offices	4.2%	19.5%	2020-2028
3	Inditex	Shopping centres	3.1%	22.6%	2019-2021
4	Técnicas Reunidas	Offices	2.1%	24.7%	2019
5	PricewaterhouseCoopers, S.L.	Offices	1.5%	26.2%	2022
6	Hotusa	Hotel	1.5%	27.7%	2024
7	Caprabo	Net lease	1.3%	29.0%	2025
8	Indra Sistemas, S.A.	Offices	1.3%	30.3%	2024
9	Madrid	Offices	1.2%	31.5%	2019
10	XPO	Logistics	1.0%	32.5%	2020-2028

7. Investment property

The breakdown of and changes in items included under “Investment property” in the consolidated statement of financial position in 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Beginning balance	11,740,461	10,352,415
Additions due to business combinations (Note 3)	112,846	508,131
Early application of IFRS 16 (Note 2.2.1)	-	296,738
Additions during the year	230,758	191,930
Disposals	(269,880)	(237,937)
Changes in value of the investment property	354,972	629,184
Ending balance	12,169,157	11,740,461

Investment property is recognised at fair value. Income recognised in the consolidated income statement for 2019 from measuring investment property at fair value amounted to EUR 354,972 thousand (EUR 629,184 thousand in 2018).

Investment property mainly includes real estate assets in the office, net lease, shopping centres and logistics segments.

Additions and assets acquired in 2019 are as follows:

Type of asset	Thousands of euros	
	2019	2018
Business combination		
Offices	112,846	35,374
Shopping centres	-	472,757
	112,846	508,131
Acquisitions/Additions		
Logistics	43,111	74,698
Offices	17,737	37,509
Shopping centres	3,028	809
Other	459	-
Improvements to assets	166,423	78,914
	230,758	191,930
	343,604	700,061

The main additions in 2019 relate mainly to the purchase of Nestle’s headquarters in Lisbon for EUR 14 million, the acquisition of land to carry on logistics activities in Cabanillas for EUR 17 million, and the purchase of a turnkey logistics warehouse located in Riba-roja (Valencia) for EUR 26 million. The assets included in the scope of consolidation come from the Portuguese companies acquired in the period (see Note 3).

Other additions for the year refer to the improvement and adaptation work carried out on certain properties owned by the Group, most notably the Larios Shopping Centres in Malaga and X-Madrid, as well as the development of Torre Glóries and Torre Chamartín in the office segment and certain logistics warehouses in Seseña, Cabanillas, Pinto and Seville.

The disposals in 2019 relate mainly to the sale of a set of office real estate assets located in Madrid and Barcelona for EUR 225 million and an associated cost of approximately EUR 217.6 million. This agreement includes certain investment commitments assumed by the Group on the aforementioned assets, which amount to a total of EUR 17.8 million to be executed in accordance with a schedule in 2020 and 2021. The agreement also stipulates that the Group is to grant the buyer a loan amounting to EUR 70 million, accruing interest at market rates and maturing in 2021 (see Note 10). Liabilities associated with the investment obligations assumed by the Group in the amount

of EUR 6 million are currently held. The net expenses associated with the sale and purchase transaction amounted to EUR 9,618 million.

The main asset additions in 2018 relate to the business combinations described in Note 3.

The other asset additions in 2018 related mainly to the turnkey delivery of a logistics park in Gavilanes (Madrid) for EUR 29 million, the acquisition of land and logistics warehouses in Madrid, Vitoria and Guadalajara for EUR 43 million, the acquisition of land for the development of logistics warehouses in Seseña for EUR 4 million, and the acquisition of an office building in Madrid for EUR 28 million. The other additions in 2018 related to the improvement and adaptation work carried out on certain buildings owned by the Group, as well as the development of Torre Chamartín, Torre Glóries and certain logistics buildings.

The disposals in 2018 related mainly to the sale of a group of branches of BBVA, the profit from which did not have a significant impact on the consolidated income statement for 2018.

At 31 December 2019, the Group had pledged real estate assets totalling EUR 2,443,433 thousand (EUR 2,441,389 thousand in 2018) to secure various loans and derivative financial instruments, the balances of which at 31 December 2019 amounted to EUR 965,312 thousand and EUR 91,366 thousand, respectively (EUR 984,075 thousand and EUR 34,564 thousand in 2018) (see Note 14). The Group holds no rights of use, attachments or similar situations with regard to its investment property.

On 13 February 2018, the Parent cancelled the finance leases that it had at the end of the previous year and that did not exist in 2019.

All properties included under "Investment property" were insured as of 31 December 2019.

At 31 December 2019, the Group had firm purchase commitments for investment property amounting to EUR 56,050 thousand, disregarding the amounts indicated above associated with the sales for the year. In 2019 and 2018 no significant finance costs were capitalised in the cost of constructing the properties.

Fair value measurement and sensitivity

All investment property leased or earmarked for lease through operating leases is classified as investment property.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property items at that date. This fair value is determined each year based on the appraisals undertaken by independent experts.

The market value of the Group's investment property at 31 December 2019 and 2018, calculated on the basis of appraisals carried out by Savills Consultores Inmobiliarios, S.A., CBRE Valuation Advisory, S.A. and Jones Lang LaSalle, S.A., independent appraisers not related to the Group, amounted to EUR 12,250,730 thousand (EUR 11,824,199 thousand in 2018). This valuation includes the value of the embedded derivative of the rent in the lease agreement with BBVA amounting to EUR 124,684 thousand and EUR 123,087 thousand in 2019 and 2018, respectively. It does not include any prepayments made by the Group to third parties for the purchase of assets in the amount of EUR 15,283 thousand (EUR 15,027 thousand in 2018) and does not include the value of the rights of use recognised pursuant to IFRS 16 amounting to EUR 27,828 thousand. The valuation was carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Council (IVSC).

The method used to calculate the market value of investment property, except the BBVA portfolio, involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual value at the end of year 10 is calculated by applying an exit yield or cap rate to the net income projections for year 11. The market values obtained are analysed by calculating and assessing the capitalisation of the returns implicit in these values. The projections are intended to reflect the best estimate of future income and expenses from the real estate assets. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

The method used by CBRE to value the BBVA portfolio analyses each property individually, without making any adjustments for inclusion in a large portfolio of properties. For each property, a capitalisation rate has been assumed for the estimated market rent and subsequently adjusted on the basis of the following parameters:

- Term of the lease agreement, the terms and conditions and guarantees granted, and creditworthiness of the lessee.
- Location of the premises within the municipality (central area, metropolitan area or suburbs).

- Immediate vicinity of the property.
- Level of upkeep of the property (outside and inside).
- Above and below-ground distribution of the floor area.
- Façade on one street or more than one (corner, three-sided).
- Lease situation with regard to current market rent.

In any event, the situation of the rental property market could lead to material differences between the fair value of the Group's investment property and their effective realisable values.

Fees paid by the Group to valuers for valuation services conducted up to 31 December 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Valuation services	656	650
Total	656	650

Breakdown of fair value of investment property

The detail of assets measured at fair value by their level in the fair value hierarchy is as follows:

2019

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
<i>Investment property</i>				
Offices				
- Land	2,159,968			2,159,968
- Buildings	4,131,992			4,131,992
Net lease				
- Land	389,223			389,223
- Buildings	1,359,321			1,359,321
Shopping centres				
- Land	584,853			584,853
- Buildings	1,955,584			1,955,584
Logistics				
- Land	292,042			292,042
- Buildings	844,919			844,919
Other				
- Land	212,622			212,622
- Buildings	238,633			238,633
Total assets measured at fair value	12,169,157			12,169,157

2018

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
<i>Investment property</i>				
Offices				
- Land	2,221,123			2,221,123
- Buildings	3,850,459			3,850,459
Net lease				
- Land	391,941			391,941
- Buildings	1,359,839			1,359,839
Shopping centres				
- Land	589,270			589,270
- Buildings	1,902,007			1,902,007
Logistics				
- Land	219,474			219,474
- Buildings	751,534			751,534
Other				
- Land	215,560			215,560
- Buildings	239,254			239,254
Total assets measured at fair value	11,740,461			11,740,461

No assets were reclassified from one level to another during 2019 or 2018.

At 31 December 2019, the gross surface areas and occupancy rates of the assets were as follows:

	Square metres (*)										Occupancy rate (%)
	Gross leasable area										
2019	Madrid	Catalonia	Valencia	Galicia	Andalusia	Basque Country	Castilla-La Mancha	Rest of Spain	Portugal	Total	
Offices	850,253	227,866	-	-	15,078	-	-	4,488	95,679	1,193,364	92.8
Net lease	63,476	109,783	27,201	17,049	27,766	23,291	8,354	85,589	-	362,509	100.0
Shopping centres	38,580	93,109	64,193	100,242	37,957	25,922	-	79,953	60,098	500,056	93.3
Logistics	308,268	149,607	61,604	-	123,004	99,491	375,972	42,343	-	1,160,289	97.7
Other	59,254	20,540	-	5,898	-	46	-	-	-	85,738	71.5
Total surface area	1,319,831	600,905	152,998	123,189	203,805	148,750	384,326	212,373	155,777	3,301,956	
% weight	40.0%	18.2%	4.6%	3.7%	6.2%	4.5%	11.7%	6.4%	4.7%	100.0%	

(*) Does not include square metres of projects in progress or land

	Square metres (*)										Occupancy rate (%)
	Gross leasable area										
2018	Madrid	Catalonia	Valencia	Galicia	Andalusia	Basque Country	Castilla-La Mancha	Rest of Spain	Portugal	Total	
Offices	981,138	214,532	-	-	15,078	-	-	4,488	75,819	1,291,055	90.1
Net lease	63,476	111,106	27,459	17,217	27,976	24,100	8,354	86,291	-	365,979	100.0
Shopping centres	38,512	93,137	72,151	100,242	37,822	24,323	-	81,386	60,098	507,671	88.9
Logistics	278,791	185,785	26,613	-	114,128	99,491	354,093	42,342	-	1,101,243	98.2
Other	59,256	46,249	-	5,898	-	46	-	-	-	111,449	71.8
Total surface area	1,421,173	650,809	126,223	123,357	195,004	147,960	362,447	214,507	135,917	3,377,397	
% weight	42.1%	19.3%	3.7%	3.7%	5.8%	4.4%	10.7%	6.3%	4.0%	100.0%	

(*) Does not include square metres of projects in progress or land

Assumptions used in the measurement

The material unobservable inputs used to measure the fair value of investment property corresponded to the lease payments, exit yields and the rate used for discounting the cash flows of the projections. The following is quantitative information on the material unobservable inputs used for measuring the fair value.

2019

	Exit yield	Discount rate
Offices	3.00% - 7.25%	4.00% - 8.30%
Net lease	5.00% - 7.00% (*)	6.75% - 8.75% (*)
Shopping centres	3.50% - 7.50%	5.75% - 10.50%
Logistics	4.75% - 7.45%	6.72% - 15.00%
Other	4.00% - 7.50%	4.00% - 16.00%

(*) This does not apply to BBVA because they are measured by directly capitalising the rent.

2018

	Exit yield	Discount rate
Offices	3.50% - 8.00%	4.00% - 9.00%
Net lease	5.00% - 7.00% (*)	7.00% - 9.00% (*)
Shopping centres	3.50% - 7.50%	6.00% - 10.50%
Logistics	5.25% - 7.50%	7.25% - 16.00%
Other	4.21% - 8.50%	4.00% - 16.00%

(*) This does not apply to BBVA because they are measured by directly capitalising the rent.

With regard to rental income, the amounts per square metre used in the valuation have ranged between EUR 2.85 and EUR 67.35 depending on the type of asset and location. The growth rates of the rents used in the projections are based mainly on the CPI.

Analysis of sensitivity of assumptions

The effect of one-quarter, one-half or one point change in the required rates of return, calculated as income, on the market value of the assets, on investment property in consolidated assets and in the consolidated income statement, would be as follows:

	Thousands of euros					
	31.12.2019					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in the rate of return	(566,873)	(1,084,859)	(1,997,460)	(566,873)	(1,084,859)	(1,997,460)
Decrease in the rate of return	623,022	1,310,972	2,926,973	623,022	1,310,972	2,926,973

	Thousands of euros					
	31.12.2018					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in the rate of return	(535,204)	(1,025,118)	(1,890,274)	(535,204)	(1,025,118)	(1,890,274)
Decrease in the rate of return	587,080	1,233,963	2,747,831	587,080	1,233,963	2,747,831

The effect of a 1%, 5% and 10% change in the rents considered on the investment property in consolidated assets and in the consolidated income statement would be as follows:

	Thousands of euros					
	31.12.2019					
	Assets			Consolidated profit/(loss) before tax		
	1%	5%	10%	1%	5%	10%
Increase in the rents	74,288	371,439	742,878	74,288	371,439	742,878
Decrease in the rents	(74,288)	(371,439)	(742,878)	(74,288)	(371,439)	(742,878)

	Thousands of euros					
	31.12.2018					
	Assets			Assets		
	1%	5%	10%	1%	5%	10%
Increase in the rents	71,507	357,536	715,071	71,507	357,536	715,071
Decrease in the rents	(71,507)	(357,536)	(715,071)	(71,507)	(357,536)	(715,071)

The effect of a one-quarter and one-half point change in the exit yields considered, in the case based on return calculated as the result of dividing the net operating income for the last year of the period analysed by the estimated exit value, on consolidated assets and on the consolidated income statement, regarding investment property, would be as follows:

	Thousands of euros			
	31.12.2019			
	Assets		Consolidated profit/(loss) before tax	
	0.25%	0.50%	0.25%	0.50%
Increase in the exit yield	(320,321)	(612,931)	(320,321)	(612,931)
Decrease in the exit yield	352,165	741,170	352,165	741,170

	Thousands of euros			
	31.12.2018			
	Assets		Consolidated profit/(loss) before tax	
	0.25%	0.50%	0.25%	0.50%
Increase in the exit yield	(320,990)	(613,961)	(320,990)	(613,961)
Decrease in the exit yield	353,230	743,815	353,230	743,815

Details of "Changes in value of investment property" in the accompanying consolidated income statement are as follows:

Type of asset	Thousands of euros	
	2019	2018
Offices	264,378	331,744
Net lease	7,701	115,199
Shopping centres	(1,867)	73,676
Logistics	80,974	94,140
Other assets	3,786	14,425
	354,972	629,184

Accordingly, the impact on the consolidated income statement of the increases in value of the Group's real estate assets in 2019, taking into consideration all headings affected in the consolidated income statement, is as follows:

	Thousands of euros	
	2019	2018
Changes in fair value of investment property	354,972	629,184
Changes in fair value of derivatives	2,397	(61,960)
Effect on the income statement	357,369	567,224

8. Operating leases

8.1 Operating Leases - Lessee

As lessee, the Group only holds leases that are short-term and have low value that, after the analysis of the application of IFRS 16, are recognised as a straight-line expense over the lease term.

8.2 Operating leases - Lessor

The occupancy rates of the leased buildings at 31 December 2019 were as follows:

	% occupancy	
	2019	2018
Offices	92.8	90.1
Net lease	100.0	100.0
Shopping centres	93.3	88.9
Logistics	97.7	98.2
Other	71.5	71.8

At 31 December 2019, the gross rental income from and the fair value of each of the assets were as follows:

2019

	Thousands of euros	
	Gross rental income (a)	Fair value (b)
Offices	243,431	6,291,960
Net lease	86,962	1,873,228
Shopping centres	127,300	2,540,437
Logistics	53,796	1,136,961
Other	14,429	451,255
Total	525,918	12,293,841

- (a) The gross rental income indicated in the table above refers to the rental income (see Note 7) of the properties accrued since their inclusion in the Group, without taking into account the rebates or straight-line recognition of rentals.
- (b) Includes investment property and the embedded derivative (Note 10)

2018

	Thousands of euros	
	Gross rental income (a)	Fair value (b)
Offices	228,127	6,071,582
Net lease	96,721	1,874,867
Shopping centres	108,905	2,491,277
Logistics	50,327	971,008
Other	15,628	454,814
Total	499,708	11,863,548

- (a) The gross rental income indicated in the table above refers to the rental income (see Note 7) of the properties accrued since their inclusion in the Group, without taking into account the rebates or straight-line recognition of rentals.
- (b) Includes investment property and the embedded derivative (Note 10)

The lease agreements entered into between the Group and its customers include a fixed rent and, where applicable, a variable rent linked to the lessee's performance.

At 31 December 2019, future minimum lease payments under non-cancellable operating leases (calculated at the nominal amount) are as follows:

	Thousands of euros	
	2019	2018
Within one year	472,507	475,065
Between one and five years	1,217,057	1,228,127
More than five years	1,165,643	1,247,161
	2,855,207	2,950,353

9. Investments accounted for using the equity method

The changes in 2019 in investments in companies accounted for using the equity method are as follows:

	Thousands of euros	
	2019	2018
Beginning balance	169,133	371,408
Early application of IFRS 16 (Note 2.2.3)	-	13,010
Additions made during the year	168,893	91,747
Disposals/impairment losses	-	(316,329)
Dividends	(1,118)	(619)
Profit/(Loss) for the year	10,065	9,916
Ending balance	346,973	169,133

The main changes in 2019 were as follows:

On 31 October 2019, the Parent acquired a 14.46% interest in Distrito Castellana Norte, S.A. ("DCN") from Desarrollos Urbanísticos Udra, S.A.U. for EUR 168,893 thousand. In addition, as an integral part of the sale and purchase transaction, the Parent granted Desarrollos Udra, S.A. a loan amounting to EUR 129,109 thousand, which is broken down into two tranches: i) EUR 86,397 thousand maturing in 20 years, and ii) EUR 42,712 thousand maturing in December 2019; both loans accrue interest at an annual rate of 2% and are payable on maturity. At 31 December 2019, the second tranche was collected in full, leaving EUR 86,694 thousand (EUR 86,397 thousand in principal and EUR 298 thousand in interest) under "Other non-current financial assets - Loans to third parties" in the accompanying consolidated balance sheet (see Note 10). This loan is held to secure the ownership interest in DCN held by the aforementioned company.

The main changes in 2018 were as follows:

On 19 January 2018, Testa Residencial SOCIMI, S.A. cancelled the service agreement signed with the Parent early. In accordance with the terms of the aforementioned agreement, the Parent had the right, in the event that a situation like that described above were to occur, to receive compensation, the amount of which was to be determined based on the annual management fee and the remaining years of validity. As a result of the termination of the agreement, the Parent earned income amounting to EUR 89,721 thousand that was settled in full with the delivery of 640,693,342 shares issued in the share capital increase carried out by Testa Residencial SOCIMI, S.A.

The share capital increase in the investee Testa Residencial SOCIMI, S.A. was approved by the shareholders at the Annual General Meeting of 26 March 2018, giving the Parent an ownership interest of 16.95%.

On 14 September 2018, the Parent formalised a sale agreement for its entire ownership interest in Testa Residencial SOCIMI, S.A. The sale price amounted to EUR 321.2 million, and the formalisation of the sale depended on compliance with certain conditions, with such compliance finally taking place in December 2018. As a result of the sale, the Group obtained profit before tax amounting to EUR 4,497 thousand, recognised under "Gains or losses on disposal of financial instruments" in the consolidated income statement for 2018. At 31 December 2018, EUR 134 million had yet to be received, which was collected in full in 2019.

In 2018, the Parent also acquired 1,500 shares of the share capital of G36 Development, S.L. for EUR 1,500 corresponding to 50% of the share capital.

On 1 October 2018, the Parent subscribed the share capital increase of G36 Development, S.L. subscribing 202,500 additional shares of EUR 1 par value each for an amount of EUR 2,025 thousand (this amount includes the share premium). At year-end they were fully subscribed and paid.

The detail of investments in companies accounted for using the equity method and the profit or loss attributable to the Group at 31 December 2019 is as follows:

2019

Associate	Line of business	Registered office	Percentage of ownership interest	Thousands of euros	
				Investment	Profit/(Loss) attributed to the Group
Distrito Castellana Norte, S.A.	Urban development of the "Chamartin operation" and real estate operation	Madrid	14.46%	168,893	-
Centro Intermodal de Logística, S.A.	Management of the port concession of the logistics activity area	Barcelona	48.50%	128,494	8,290
Paseo Comercial Carlos III, S.A.	Shopping centre lease	Madrid	50%	38,200	1,430
Provitae Centros Asistenciales, S.L.	Healthcare services	Madrid	50%	4,080	(25)
Other investees	-	-	-	7,306	370
				346,973	10,065

2018

Associate	Line of business	Registered office	Percentage of ownership interest	Thousands of euros	
				Investment	Profit/(Loss) attributed to the Group
Testa Residencial, SOCIMI, S.A.	Residential lease	Madrid	-	-	(15,520)
Centro Intermodal de Logística, S.A.	Management of the port concession of the logistics activity area	Barcelona	48.50%	121,087	12,395
Paseo Comercial Carlos III, S.A.	Shopping centre lease	Madrid	50%	36,769	12,361
Provitae Centros Asistenciales, S.L.	Healthcare services	Madrid	50%	4,106	(371)
Other investees	-	-	-	7,171	1,051
				169,133	9,916

All companies detailed in the tables above are accounted for using the equity method.

The key business indicators at 100% for the Group's associates (standardised using the regulatory framework applicable to the Group) are as follows:

2019

	Thousands of euros				
	Distrito Castellana Norte, S.A.	Provitae Centros Asistenciales, S.L.	Paseo Comercial Carlos III, S.A.	Centro Intermodal de Logística, S.A. (CILSA)	Other
Non-current assets	6,353	11,250	163,761	469,306	65,701
Current assets	154,715	10	5,726	5,277	4,642
Non-current liabilities	10,235	986	87,294	182,869	26,566
Current liabilities	6,013	2,113	5,794	26,772	3,489
Revenue	-	-	8,816	51,655	5,183
Profit/(Loss) from continuing operations	-	(51)	2,861	17,093	1,073

2018

	Thousands of euros			
	Provitae Centros Asistenciales, S.L.	Paseo Comercial Carlos III, S.A.	Centro Intermodal de Logística, S.A. (CILSA)	Other
Non-current assets	11,250	153,069	397,653	33,015
Current assets	3	4,654	19,779	3,168
Non-current liabilities	988	81,966	151,685	14,402
Current liabilities	2,054	2,219	16,080	1,989
Revenue	-	8,364	50,062	2,613
Profit/(Loss) from continuing operations	(742)	24,723	25,557	3,252

At the end of the year, there were no indications of impairment of the recoverable amount of the investments held.

10. Current and non-current financial assets

The breakdown, by type, of the balance of this heading in the consolidated statement of financial position at 31 December 2019 is as follows:

Classification of financial assets by category:

	Thousands of euros	
	2019	2018
Non-current:		
At fair value-		
Derivative embedded in BBVA lease agreement	124,684	123,087
Available-for-sale assets	17,540	18,121
At amortised cost-		
Equity instruments	1,174	2,223
Loans to third parties	163,630	1,040
Loans to associates	625	625
Deposits and guarantees	68,969	67,152
	376,622	212,248
Current:		
At amortised cost-		
Investments in associates	1,055	1,141
Other financial assets	6,668	7,747
Trade and other receivables	30,263	167,481
	37,986	176,369

The carrying amount of financial assets recognised at amortised cost does not differ from their fair value.

Derivatives

“Derivatives” includes the value of the embedded derivative corresponding to the inflation multiplier included in the lease agreement with BBVA to revise rents annually (see Note 7). The increase in the value of this derivative in 2019 amounted to EUR 1,597 thousand (a decrease of EUR 84,187 thousand in 2018). EUR 800 thousand of this change correspond to the amount collected by the Group as part of the sale of BBVA branches carried out in 2019. The rest of the change, amounting to EUR 2,397 thousand, was recognised under “Changes in fair value of financial instruments” in the accompanying consolidated income statement for 2019. The measurement approach used is described in Note 5.6 and is applicable to Level 2 of the fair value hierarchy established in IFRS 7, as observable inputs but not quoted prices are reflected.

Sensitivity to fluctuations of percentage points in the inflation curves is analysed below:

2019

Scenario	Thousands of euros	
	Assets	Consolidated profit/(loss) before tax
+50 bps	39,943	39,943
-50 bps	(27,807)	(27,807)

2018

Scenario	Thousands of euros	
	Assets	Consolidated profit/(loss) before tax
+50 bps	37,394	37,394
-50 bps	(25,484)	(25,484)

Available-for-sale assets

The ownership interests held by the Group in companies excluded from the scope of consolidation because they are less than 20% and have no material influence are recognised under “Available-for-sale assets”.

At 31 December 2019, this heading included an ownership interest in Aedas Homes, S.A. amounting to EUR 17,540 thousand, equivalent to 1.7% of its share capital. The negative change in 2019 in the fair value of this ownership interest (hierarchy level 1, see Note 5.6) amounting to EUR 581 thousand is recognised under “Changes in fair value of financial instruments”.

The corporate purpose of Aedas Homes, S.A. is the acquisition, development and refurbishment of any real property for their holding, enjoyment, disposal and lease; the acquisition, holding, enjoyment, swap, sale and management of national or foreign marketable securities, as well as any titles or rights of all kinds, such as shareholdings in private limited liability companies.

At 31 December 2019, the Parent held 817,727 shares of Aedas Homes, S.A., representing 1.7% of the share capital.

This company is listed in the Madrid Stock Exchange.

Loans to third parties

On 29 November 2019, as an integral part of the sale of the set of real estate assets (see Note 7), the Parent granted a loan to Juno Holdings 1, S.a.r.l. in the amount of EUR 70,000 thousand, with a bullet maturity in November 2021, accruing interest at an annual rate of 2% and payable on maturity. At 31 December 2019, EUR 70,000 thousand in principal and EUR 127 thousand in interest had yet to be paid.

This heading also includes the loan granted to Desarrollos Urbanísticos Udra, S.A.U. amounting to EUR 86,397 thousand (see Note 9), which accrues interest at market rates. At 31 December 2019, EUR 86,397 thousand in principal and EUR 298 thousand in interest had yet to be paid.

Deposits and guarantees

“Deposits and guarantees” primarily includes the guarantees provided by lessees as security amounting to EUR 66,488 thousand (EUR 64,586 thousand at 31 December 2018), which the Group has deposited with the housing authority (Instituto de la Vivienda) in each region. At 31 December 2019, guarantees provided by lessees as security amounted to EUR 75,563 thousand (EUR 73,686 thousand at 31 December 2018) and were recognised under “Non-current liabilities – Other financial liabilities” on the liability side of the accompanying consolidated statement of financial position for 2019 (see Note 15).

Classification of financial assets by maturity:

The classification of financial assets by maturity at 31 December 2019 and 2018 is as follows:

2019

	Thousands of euros				
	Less than 1 year	1 to 5 Years	More than 5 years	Undetermined	Total
Derivative embedded in BBVA lease agreement	-	-	124,684	-	124,684
Available-for-sale assets	-	17,540	-	-	17,540
Equity instruments	-	-	-	1,174	1,174
Loans to third parties and associates	-	70,874	86,695	6,686	164,255
Deposits and guarantees	-	-	-	68,969	68,969
Investments in Group companies and associates	1,055	-	-	-	1,055
Other financial assets	6,668	-	-	-	6,668
Trade and other receivables	30,263	-	-	-	30,263
Total financial assets	37,986	88,414	211,379	76,829	414,608

2018

	Thousands of euros				
	Less than 1 year	1 to 5 Years	More than 5 years	Undetermined	Total
Derivative embedded in BBVA lease agreement	-	-	123,087	-	123,087
Available-for-sale assets	-	18,121	-	-	18,121
Equity instruments	-	-	-	2,223	2,223
Loans to third parties and associates	-	625	1,040	-	1,665
Deposits and guarantees	-	-	-	67,152	67,152
Investments in Group companies and associates	1,141	-	-	-	1,141
Other financial assets	7,747	-	-	-	7,747
Trade and other receivables	167,481	-	-	-	167,481
Total financial assets	176,369	18,746	124,127	69,375	388,617

11. Trade and other receivables

“Trade and other receivables” included the following items at 31 December 2019:

	Thousands of euros	
	2019	2018
Trade and notes receivable	27,318	26,179
Trade receivables for sales	487	136,380
Associates	340	1,255
Sundry accounts receivable	853	2,832
Employee receivables	184	184
Other accounts receivable from public authorities (Note 17)	11,748	12,575
Impairment of trade receivables	(10,667)	(11,924)
	30,263	167,481

“Trade and notes receivable” in the accompanying consolidated statement of financial position at 31 December 2019 mainly included the balances receivable from leasing investment property. In general these receivables are interest free and the terms of collection range from immediate payment on billing to payment at 30 days, while the average collection period is approximately 5 days (5 days in 2018).

The decrease in “Trade receivables for sales” is due to the collection of the deferred amount of the sale price of Testa Residencial, SOCIMI, S.A. amounting to EUR 134,470 thousand (Note 9).

The analysis of the age of the past-due balances that were not considered to have become impaired at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Less than 30 days	3,541	3,423
31 to 60 days	1,247	1,659
61 to 90 days	747	668
More than 90 days	657	769
	6,192	6,519

At 31 December 2019 and 2018, no collection rights had been transferred to financial institutions.

In accordance with IFRS 9, the Group periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value.

The changes in the impairment losses and bad debt in 2019 and 2018 were as follows:

	Thousands of euros
Balance at 31 December 2017	(11,329)
Changes in the scope of consolidation	(2,355)
Charges for the year	(1,359)
Reversals/amounts used	3,385
Other	(266)
Balance at 31 December 2018	(11,924)
Changes in the scope of consolidation	1,276
Charges for the year	(1,178)
Reversals/amounts used	1,028
Other	131
Balance at 31 December 2019	(10,667)

Losses from bad debts amounted to EUR 333 thousand in 2019.

The majority of impaired receivables are overdue by more than 6 months.

Details of the concentration of customers (customers that account for a significant share of business) are included in the segment information in Note 6.

12. Cash and cash equivalents

"Cash and cash equivalents" includes the Group's cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets does not differ from their fair value.

At 31 December 2019 and 2018, the amount included under "Cash and cash equivalents" is unrestricted, except for EUR 6,749 thousand and EUR 6,743 thousand, respectively. These amounts include a reserve account to cover the payment mainly of the debt service for one quarter of the senior syndicated mortgage loan.

13. Equity

The detail of equity and of the changes therein is presented in the consolidated statement of changes in equity.

13.1 Share capital

At 31 December 2019, the share capital of Merlin Properties SOCIMI, S.A., amounted to EUR 469,771 thousand, represented by 469,770,750 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and confer the holders thereof the same rights.

All the Parent's shares have been admitted to official listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The market price of the Parent's shares at 31 December 2019 and the average market price for the fourth quarter amounted to EUR 12.79 and EUR 12.95 per share, respectively.

At 31 December 2019, according to the information available at the Spanish National Securities Market Commission (CNMV), the significant shareholders of Merlin Properties SOCIMI, S.A. with direct or indirect ownership interests exceeding 3% of share capital, are as follows in accordance with public information:

	Shares			% of capital
	Direct	Indirect	Total	
Banco Santander, S.A.	78,437,100	26,172,125	104.609.225	22.268%
BlackRock, INC	-	18,773,897	18,773,897	3.996%

13.2 Share premium

The consolidated text of the Corporate Enterprises Act expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

This reserve is unrestricted so long as its allocation does not lower equity to below the amount of share capital. In this connection, in 2019 the shareholders at the General Meeting approved the distribution of dividends totalling EUR 45,215 thousand with a charge to the share premium.

13.3 Other reserves

The detail of reserves at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Legal reserve	47,193	26,336
Reserves of consolidated companies	2,001,298	1,354,992
Other reserves	45,784	35,445
Total other reserves	2,094,275	1,416,773

Legal reserve

The legal reserve will be established in accordance with section 274 of the consolidated text of the Corporate Enterprises Act, which stipulates, in all cases, that 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

This reserve cannot be distributed, and if it is used to offset losses, in the event no other reserves are available for this purpose, it must be restored with future profits.

At 31 December 2019, the Group had not yet reached the legally required minimum established in the consolidated text of the Corporate Enterprises Act.

The legal reserve of companies that have chosen to avail themselves of the special tax regime established in Spanish Law 11/2009, of 26 October, regulating SOCIMIs, must not exceed 20% of share capital. The Articles of Association of these companies may not establish any other type of restricted reserves.

Reserves of consolidated companies

The detail of the reserves of consolidated companies is as follows:

	Thousands of euros	
	2019	2018
Merlin Properties SOCIMI, S.A.	780,763	334,099
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	449,073	476,377
Merlin Retail, S.L.U.	121,401	108,701
Merlin Oficinas, S.L.U.	223,962	169,571
Merlin Logística, S.L.U.	211,033	129,448
Merlin Parques Logísticos, S.L.U. (*)	-	9,945
Varitelia Distribuciones, S.L.	43,743	36,121
Metroparque, S.A.	70,317	46,019
La Vital Centro Comercial y de Ocio, S.L.	14,281	11,402
Global Carhuela Patrimonio Comercial, S.A.	2,389	326
Sadorma 2003, S.L.	(5,386)	(5,447)
Parques Logísticos de la Zona Franca, S.A.	8,396	(7,543)
Sevisur Logística, S.A.	17,274	12,182
Desarrollo Urbano de Patraix, S.A.	238	(6,809)
Holding Jaureguizahar 2002, S.A.	-	(3)
Global Murex Iberia, S.L.	(12)	(12)
Exhbitons Company, S.A.U.	(4)	13
Gescentesta, S.L.U.	480	387
MP Monumental, S.A.	37,135	17,227
MP Torre A, S.A.	9,838	8,569
MPCVI- Compra e venda Imobiliária, S.A.	9,665	7,733
MPEP-Properties Escritórios Portugal, S.A.	(31)	(19)
VFX Logística, S.A.	769	1,214
Promosete Investimentos Imobiliarios, S.A.	8,911	5,370
Praça do Marquês-Serviços auxiliares, S.A.	8,101	121
Forum Almada – Gestao Centro Comercial, Lda	(14,095)	-
Torre dos Oceanus Investimentos Imobiliarios, S.A.	3,057	-
	2,001,298	1,354,992

(*) Merged with Parques Logísticos de la Zona Franca, S.A. (Note 3)

Interim dividend

On 10 October 2019, the Parent's Board of Directors resolved to distribute EUR 92,939 thousand as an interim dividend with a charge to profit for 2019. This interim dividend was paid to shareholders on 28 October 2019.

Dividends

On 10 April 2019, the shareholders at the Annual General Meeting approved the distribution of a dividend out of 2018 profit in the amount of EUR 94,194 thousand, and the distribution of an additional dividend with a charge to the share premium for EUR 45,215 thousand.

13.4 Treasury shares

At 31 December 2019, the Parent held treasury shares amounting to EUR 56,860 thousand.

The changes in 2019 were as follows:

	Number of shares	Thousands of euros
Balance at 1 January 2018	2,320,230	24,881
Additions	5,005,395	56,048
Disposals	(1,175,625)	(12,607)
Balance at 31 December 2018	6,150,000	68,322
Additions	52,776	633
Disposals	(1,125,407)	(12,095)
Balance at 31 December 2019	5,077,369	56,860

On 27 April 2017, the shareholders authorised the Board of Directors to acquire shares of the Parent. The shareholders at the Annual General Meeting held on 7 May 2018 revoked the unused portion of the authorisation granted by the shareholders at the General Meeting of April 2017 and authorised the acquisition of treasury shares by the Parent itself or by Group companies pursuant to section 146 et seq. of the Corporate Enterprises Act, complying with the requirements and restrictions established under the current law during the five-year period. The authorisation includes the acquisition of shares that, where applicable, must be handed over directly to employees or directors of the Parent or of Group companies as a result of the purchase option they hold or for the settlement and payment of share-based incentive plans of which they are beneficiaries.

In 2019, the Parent acquired 52,776 treasury shares at an average cost of EUR 11.99 per share. At 31 December 2019, the Parent held treasury shares representing 1.0808% of its share capital.

The disposals of treasury shares, amounting to EUR 12,095 thousand (average cost of EUR 10.75 per share), relate mainly to the delivery of shares made to executive directors, senior management and the rest of the management team corresponding to the variable remuneration incentive in the "2016 Share Plan" agreed upon therewith, in the amount of EUR 11,503 thousand (average cost of EUR 10.73 per share) (see Note 20), and to the delivery of shares to employees as part of the flexible remuneration plan, in the amount of EUR 588 thousand.

13.5 Capital management

The Group's capital management objectives are to safeguard its capacity to continue operating as a going concern so that it can continue to provide returns to shareholders and to benefit interest groups, and to maintain an optimum financial structure to reduce the cost of capital.

In line with the practices of other groups present in the sector, the Group controls its capital structure through the leverage ratio, calculated as net debt divided by total capital. Net debt is determined as the sum of financial liabilities less cash and cash equivalents. Total capital is calculated as the sum of equity plus net debt.

	Thousands of euros	
	2019	2018
Total financial debt	5,567,217	5,251,857
Less - Cash and cash equivalents and Other current financial assets (a)	(384,724)	(375,665)
Net debt	5,182,493	4,876,192
Equity	6,708,700	6,401,836
Total share capital	11,891,193	11,278,028
Debt-to-equity ratio	43.58%	43.24%

(a) This includes the amount of the loan granted by the Parent to Juno Holdings I, S.A.R.L. for EUR 70,000 thousand, as an integral part of the sale of a set of real estate assets (see Note 7). In 2018 it included the account receivable from the sale of Testa Residencial SOCIMI, S.A. for EUR 134,470 thousand, which was collected in full in 2019. Both periods include the amount of treasury shares as other current financial assets.

13.6 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to common equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares.

The detail of the calculation of basic earnings per share is as follows:

	2019	2018
Profit for the year attributable to equity holders of the Parent (thousands of euros)	563,639	854,878
Weighted average number of shares outstanding (thousands)	464,454	467,812
Basic earnings per share (euros)	1.21	1.83

The average number of ordinary shares outstanding is calculated as follows:

	Number of shares	
	2019	2018
Ordinary shares at beginning of period	469,770,750	469,770,750
Treasury shares	(5,077,369)	(6,150,000)
Average adjustment for outstanding shares	(238,899)	4,191,432
Weighted average number of ordinary shares outstanding at 31 December (shares)	464,454,482	467,812,182

Diluted

In accordance with paragraph 41 of IAS 33, potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share from continuing operations.

As indicated in Note 20, the Group has granted its executives a variable remuneration plan that bests in the form of shares if rate of return obtained by shareholders during the three-year period ending in 2019 reaches a certain level. The amount of this variable remuneration is capped at EUR 75 million, payable in the form of a variable number of shares, limited to a maximum of 6 million. Should the maximum amount vest and if it is not covered by the shares delivered (share value being determined by the share price), the Group will settle the difference in cash.

Taking into account the characteristics of the plan (detailed in Note 20) and the fulfilment of its conditions, at 31 December 2019 the plan would have a dilutive effect on earnings per share.

Diluted earnings per share are calculated by adjusting the profit attributable to equity holders of the Parent by the weighted average ordinary shares outstanding after adjusting for the dilutive effects of potential ordinary shares, i.e., as if all potentially dilutive ordinary shares had been converted.

As indicated in paragraph 46 of IAS 33, the potential ordinary shares of the variable remuneration plan have been determined as if the plan consisted of a contract to issue a certain number of ordinary shares at their average market price during the period, which will not have dilutive effect, and a contract to issue the remaining ordinary shares.

The detail of the calculation of the diluted earnings per share is as follows:

	2019		
	Thousands of euros	Thousands of shares	Earnings per share
Profit for the year attributable to equity holders of the Parent (thousands of euros)	563,639		
Weighted average number of shares outstanding (thousands)	-	464,454	1.21
Weighted average number of potential ordinary shares to be delivered under the variable remuneration plan (Note 20)	-	5,874	
Weighted average number of potential ordinary shares not provisions at market prices	-	(2,054)	
Diluted earnings per share (euros)	563,639	468,274	1.20

13.7 Valuation adjustments

This heading of the consolidated statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges. The changes in the balance of this heading in 2019 are as follows:

	Thousands of euros
Balance at 31 December 2017	(35,806)
Changes in the fair value of hedges in the year	(1,100)
Balance at 31 December 2018	(36,906)
Changes in the fair value of hedges in the year	(46,229)
Balance at 31 December 2019	(83,135)

14. Current and non-current financial liabilities

The detail of current and non-current liabilities at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Non-current:		
<i>Measured at amortised cost</i>		
Syndicated loan	850,000	841,905
Syndicated loan arrangement expenses	(17,382)	(3,858)
Total syndicated loans	832,618	838,047
Senior syndicated mortgage loan (Tree)	692,520	707,975
Syndicated mortgage loan arrangement expenses (Tree)	(57,486)	(63,695)
Total senior syndicated mortgage loan (Tree)	635,034	644,280
Revolving credit facility	-	150,000
Mortgage loans	260,093	264,066
Loan arrangement expenses	(5,652)	(3,732)
Total other loans	254,441	410,334
Debentures and bonds	3,750,000	3,250,000
Debenture issue expenses	(26,586)	(24,460)
Total debentures and bonds	3,723,414	3,225,540
Total amortised cost	5,445,507	5,118,201
<i>Measured at fair value</i>		
Derivative financial instruments	95,695	39,807
Total at fair value	95,695	39,807
Total non-current	5,541,202	5,158,008
Current:		
<i>Measured at amortised cost</i>		
Syndicated loans	2,501	26,879
Senior syndicated mortgage loan (Tree)	9,335	9,544
Debentures and bonds	34,631	34,007
Mortgage loans	5,100	4,256
Revolving credit facility	161	1,054
Loan arrangement expenses	(2)	(54)
Total amortised cost	51,726	75,686
<i>Measured at fair value</i>		
Derivative financial instruments	1,231	1,123
Total at fair value	1,231	1,123
Total current	52,957	76,809

There is no material difference between the carrying amount and the fair value of financial liabilities at amortised cost.

On 20 April 2016, the Parent obtained a credit rating of “BBB” with a stable outlook by Standard & Poor’s Rating Credit Market Services Europe Limited. On 24 May 2018, Standard & Poor’s updated its rating to “BBB” with a positive outlook. In addition, on 17 October 2016, the Company obtained an investment grade credit rating of “Baa2” from Moody’s.

14.1 Loans

The detail of loans at 31 December 2019 is as follows:

	Thousands of euros				
	Bank borrowings				
	Initial loan / Limit	Debt arrangement expenses (Note 14.5)	31.12.2019		Current interest
Non-current			Current		
Syndicated loans	881,000	(17,384)	850,000	1,905	596
Revolving credit facilities	700,000	-	-	-	161
Senior syndicated mortgage loan (Tree)	716,894	(57,486)	692,520	8,725	610
Mortgage loans - other assets	268,000	(5,652)	260,093	3,974	1,126
Non-mortgage loan	115,000	-	-	-	-
Total	2,680,894	(80,522)	1,802,613	14,604	2,493

2018

	Thousands of euros				
	Bank borrowings				
	Initial loan / Limit	Debt arrangement expenses (Note 14.5)	31.12.2018		Current interest
Non-current			Current		
Syndicated loans	1,290,000	(3,911)	841,905	25,877	1,002
Revolving credit facilities	420,000	-	150,000	-	1,054
Senior syndicated mortgage loan (Tree)	716,894	(63,695)	707,975	8,919	625
Mortgage loans - other assets	268,000	(3,732)	264,066	3,115	1,141
Non-mortgage loan	51,000	-	-	-	-
Total	2,745,894	(71,338)	1,963,946	37,911	3,822

Syndicated loan and revolving credit facilities - Parent

On 25 April 2019, the Group arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million.

This financing arrangement was used for the early cancellation of the existing corporate financial arrangement, which consisted of two corporate loans and two credit facilities. At the close of 2018, the corporate loans amounted to EUR 530 million and EUR 310 million and the limits of the corporate credit facilities were EUR 100 million and EUR 320 million (EUR 150 million drawn down at 2018 year-end).

This financing arrangement lasts 5 years, and expires in 2024, though two optional one-year extensions can be taken out for the credit facility. The corporate loan accrues interest at a rate of one month EURIBOR + 120 basis points while the revolving credit facility accrues interest at a rate of one month EURIBOR + 90 basis points. Both financing arrangements include a cost adjustment mechanism based on four sustainability criteria.

The Group has assessed the effect of amending the financial arrangement in accordance with IFRS 9, and concluded that there is no substantial modification of that associated with the EUR 850 million corporate loan. The EUR 700 million corporate credit facility has been considered as a substantial modification against the one existing to date for the amount of EUR 150 million.

The Group has recognised the EUR 850 million corporate financing arrangement at its value in accordance with the effective interest rate of the previous corporate debt, which resulted in lower finance costs of EUR 7,797 thousand, included under "Finance costs" for the period. This amount will revert to the income statement for the following years as an increase in finance costs.

This financing arrangement maintains the commitments to maintain certain coverage ratios existing in the previous financing arrangement and in the Group's bonds. The Parent's directors have confirmed that these ratios were met at 31 December 2019 and do not forecast that they will not be fulfilled in the coming years.

Non-mortgage loan - Parent

On 20 December 2018, the Parent arranged a loan that was not secured by a mortgage with the European Investment Bank in an amount of EUR 51,000 thousand maturing in 10 years.. On 4 November 2019, the Parent arranged the second tranche of the loan that was not secured by a mortgage with the European Investment Bank in an amount of EUR 64,000 thousand, with the two tranches amounting to EUR 115,000 thousand. This financing matures in 10 years. This financing will be allocated to the development of logistical assets in the Castilla-La Mancha region. At 31 December 2019, the financing had not been drawn down since this drawdown is subject to the fulfilment of a series of milestones related to the development of the assets, and no related expenses were incurred as a result of not making this drawdown.

Syndicated loans - Subsidiaries

Syndicated loan without a mortgage guarantee arranged by Sevisur Logística, S.A. with a principal of EUR 31,000 thousand and maturing in September 2020. This financing consists of two tranches of EUR 25,000 thousand and EUR 6,000 thousand, with a market interest rate of EURIBOR + 125 and 200 basis points, respectively. At 31 December 2018, EUR 1,562 thousand and EUR 343 thousand had been drawn down against these tranches, respectively. At year-end 2019, the Group complied with the covenants set forth in this agreement.

At 2018 year-end, Parc Logistic de la Zona Franca, S.A. had financing without a mortgage guarantee amounting to EUR 23,336 thousand and maturing in 2019. The company repaid this financing in 2019.

Senior syndicated mortgage loan (Tree):

The senior syndicated mortgage loan of the subsidiary Tree Inversiones Inmobiliarias SOCIMI, S.A. was signed on 29 July 2010 and novated, for the first time, on 30 December 2014.

In this regard, and as indicated in Note 2.2.1, at 1 January 2018 the impact recognised in 2018 of the 2014 financing and the first-time application of IFRS 9 "Financial Instruments" gave rise to an increase in reserves and a decrease in debt amounting to EUR 30,592 thousand, as well as an increase in finance costs amounting to EUR 10,083 thousand in 2018

On 29 November 2018, the senior syndicated loan was novated such that the initial maturity scheduled for 2024 was postponed until 31 March 2031, with the possibility of extending the annual maturity in the next three years until 31 March 2034 This financing accrues interest at a rate of 3-month EURIBOR + 120 basis points.

In accordance with IFRS 9, the Group assessed the nature of the refinancing undertaken in 2018, concluding that it did not represent a substantial modification (10% test). In accordance with IFRS 9, the difference between the value of the old debt at amortised cost and the new debt discounted at the effective interest rate of the old debt was recognised as a net finance expense amounting to EUR 26,099 thousand under "Finance costs" in the consolidated income statement for 2018. This amount will be reversed in the consolidated income statement for subsequent years in accordance with the effective interest rate of the debt.

Overall, in accordance with IFRS 9, at 2018 year-end the Group recognised an increase in reserves of EUR 30,592 thousand and finance income of EUR 16,016 thousand. In 2019, the application of the amortised cost method in relation to these items gave rise to a finance cost of EUR 4,439 thousand.

The financing includes commitments to maintain certain coverage ratios, which are standard in these types of real estate companies, such as the loan-to-value ratio, the ratio of the subsidiary's income used to service the debt (interest coverage ratio, ICR), and a minimum credit rating of BBVA from rating agencies. The Parent's directors have confirmed that these ratios were met at 31 December 2019 and do not forecast that they will not be fulfilled in the coming years.

Mortgage loans - other assets

At 31 December 2019, the Group's subsidiaries had taken out the following mortgage loans:

Financial institution	Thousands of euros				Guarantee
	Original loan	Long term	Short term	Interest	
Allianz Real Estate	133,600	133,600	-	888	Mortgage
Caixabank	21,000	18,462	1,699	76	Mortgage
Caixabank	45,500	40,131	2,275	160	Mortgage
ING	67,900	67,900	-	2	Mortgage
Total	268,000	260,093	3,974	1,126	

2018:

Financial institution	Thousands of euros				Guarantee
	Original loan	Long term	Short term	Interest	
Allianz Real Estate	133,600	133,600	-	888	Mortgage
Caixabank	21,000	20,160	840	81	Mortgage
Caixabank	45,500	42,406	2,275	169	Mortgage
ING	56,670	56,670	-	2	Mortgage
ING	11,230	11,230	-	1	Mortgage
Total	268,000	264,066	3,115	1,141	

On 19 February 2015, the Group entered into a mortgage-backed loan with Allianz Real Estate for the Marineda shopping centre. The principal of the loan taken out amounts to EUR 133,600 thousand, has a term of 10 years, accrues interest at a fixed rate of 2.66% and the principal is repayable in full upon maturity. At year-end 2019, the Group complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

On 26 March 2015, the Group subrogated a mortgage-backed loan taken out with Caixabank, S.A. with a mortgage guarantee on the Alcalá 38-40 office building. This loan has a principal of EUR 21,000 thousand, a term of 15 years, an interest rate of 3-month EURIBOR + 150 basis points, a 4-year grace period for the principal, and the principal is repayable in full using the French method over the following 11 years.

On 2 October 2015, the Group took out a first-ranking floating-rate mortgage-backed loan with Caixabank, S.A. on the portfolio made up of 33 real estate assets in Catalonia. This loan has a principal of EUR 45,500 thousand that will be allocated to finance a portion of the acquisition price of the assets portfolio. It matures in October 2025 and accrues interest tied to 3-month EURIBOR + 150 basis points until the end of the loan, which is payable on a quarterly basis. While the contract is in force, certain ratios relating to debt service coverage and the levels of net debt in relation to GAV of the real estate assets must be met at the end of the year. At year-end 2019, the Group complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

On 26 April 2019, the Group entered into a novation agreement modifying the mortgage loan taken out on 4 December 2015 with ING Bank N.V. by the subsidiary Merlin Logística, S.L.U. The maturity date for this financing arrangement, originally set to be in 2020, was extended until 2026. This financing arrangement accrues interest at a rate of 3-month EURIBOR + 100 basis points; it includes a cost adjustment mechanism based on four sustainability criteria. This loan requires that the company maintain and comply with certain coverage ratios, such as the loan-to-value ratio and the ratio of the company's income used to service the debt (interest coverage ratio, ICR). The Parent's directors have confirmed that these ratios were met at 31 December 2019 and do not forecast that they will not be fulfilled in the coming years.

In accordance with IFRS 9, the Group assessed the nature of the refinancing undertaken for the aforementioned ING loan, concluding that it did not represent a substantial modification. Consequently, the difference between the value of the old debt at amortised cost and the new debt discounted at the effective interest rate of the old debt was recognised as a decrease in finance costs in the amount of EUR 2,291 thousand under "Finance costs" in the consolidated income statement for 2019. This amount will be reversed in the consolidated income statement for subsequent years in accordance with the effective interest rate of the debt.

Maturity of debt

The detail, by maturity, of these loans is as follows:

2019

	Thousands of euros				
	Syndicated loans	Senior syndicated mortgage loan (Tree)	Mortgage loans	Revolving credit facility	Total
2020	1,905	8,725	3,974	-	14,604
2021	-	8,616	5,401	-	14,017
2022	-	10,201	5,914	-	16,115
2023	-	10,049	6,418	-	16,467
2024	850,000	9,899	6,921	-	866,820
More than 5 years	-	653,755	235,439	-	889,194
	851,905	701,245	264,067	-	1,817,217

2018

	Thousands of euros				
	Syndicated loans	Senior syndicated mortgage loan (Tree)	Mortgage loans	Revolving credit facility	Total
2019	25,877	8,919	3,115	-	37,911
2020	1,905	8,808	71,874	-	82,587
2021	840,000	8,699	5,384	150,000	1,004,083
2022	-	10,299	5,877	-	16,176
2023	-	10,145	6,372	-	16,517
More than 5 years	-	670,023	174,559	-	844,582
	867,782	716,893	267,181	150,000	2,001,856

The Group had undrawn loans and credit facilities at 31 December 2019 with a number of financial institutions totalling EUR 700 million (EUR 273 million at 31 December 2018).

None of the Group's debt was denominated in non-euro currencies at 31 December 2019 or 2018.

There are no significant differences between the fair values and carrying amounts of the Group's financial liabilities.

The finance cost for interest on the loans totalled EUR 27,810 thousand in 2019 (EUR 36,343 thousand in 2018) and is recognised in the accompanying consolidated income statement for 2019.

At 31 December 2019 and 2018, the debt arrangement expenses had been deducted from the balance of "Bank borrowings". In 2019 and 2018, the Group recognised a reduction of EUR 1,092 thousand and EUR 8,527 thousand, respectively, associated with the debt under "Finance costs" in the accompanying consolidated income statement (see Note 18.d). This allocation to the accompanying consolidated income statement includes the first-time application of IFRS 9.

14.2 Debenture issues

On 12 May 2017, the Parent subscribed a Euro Medium Term Notes (EMTN) issue programme of up to EUR 4,000 million, which replaced the original bond issue programme and its supplement subscribed on 25 April 2016 and 14 October 2016, respectively, for an overall maximum amount of EUR 2,000 million.

On 18 May 2018, the Parent expanded the Euro Medium Term Notes (EMTN) issue programme to EUR 5,000 million.

On 4 December 2019, a non-subordinated ordinary bond issue was carried out on the Euromarket for a total of EUR 500 million. The bonds were issued at 99.174% of their face value, maturing after 15 years with an annual coupon of 1.875%, payable annually in arrears.

The terms and conditions of the bonds issued by the Group are governed and interpreted in accordance with English law and are listed on the Luxembourg Stock Exchange. The bond issue programme has the same guarantees and ratio compliance obligations as the syndicated loan and the revolving credit facility. At year-end 2019, the Group complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

The detail at 31 December 2019 of the bonds issued by the Parent is as follows (in thousands of euros):

Maturing in	Face value (Millions of euros)	Coupon	Listed price	Return	Market
May 2022	700	2.375%	MS + 32 bp	0.31%	Ireland (a)
April 2023	850	2.225%	MS + 51 bp	0.46%	Luxembourg
May 2025	600	1.750%	MS + 72 bp	0.68%	Luxembourg
November 2026	800	1.875%	MS + 84 bp	0.89%	Luxembourg
September 2029	300	2.375%	MS + 119 bp	1.43%	Luxembourg
December 2034	500	1.875%	MS + 146 bp	1.95%	Luxembourg
	3,750	2.068%			

2018

Maturing in	Face value (Millions of euros)	Coupon	Listed price	Return	Market
May 2022	700	2.375%	MS + 124 bp	1.27%	Ireland (a)
April 2023	850	2.225%	MS + 145 bp	1.55%	Luxembourg
May 2025	600	1.750%	MS + 192 bp	2.31%	Luxembourg
November 2026	800	1.875%	MS + 199 bp	2.56%	Luxembourg
September 2029	300	2.375%	MS + 223 bp	3.09%	Luxembourg
	3,250	2.097%			

(a) Due to the business combination with Metrovacesa carried out in 2016, the Group recognised a bond issue launched by Metrovacesa for EUR 700 million. The terms and conditions of the bonds abide by UK laws and are traded on the Irish Stock Exchange. This issue also includes a series of compliance obligations and guarantees, which is common in these types of transactions. At year-end 2019, the Group complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

The finance cost for interest on the debenture issues amounted to EUR 68,787 thousand (EUR 68,163 thousand in 2018) and is recognised in the accompanying consolidated income statement for 2019. The accrued interest payable at 31 December 2018 amounted to EUR 34,631 thousand (EUR 34,007 thousand in 2018). Debt arrangement expenses taken to the consolidated income statement in 2019 amounted to EUR 4,255 thousand (EUR 4,222 thousand in 2018).

14.3 Derivatives

The detail of the financial instruments at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Non-current		
Interest rate derivatives	95,695	39,807
Total non-current	95,695	39,807
Current		
Interest rate derivatives	1,231	1,123
Total current	1,231	1,123

To determine the fair value of the interest rate derivatives, the Group discounts the cash flows based on the implicit rates determined by the euro interest rate curve in accordance with market conditions on the measurement date.

These financial instruments were classified as Level 2 as per the calculation hierarchy established in IFRS 7.

The detail of the derivative financial instruments included in the consolidated statement of financial position at 31 December 2019 is as follows:

2019

	Thousands of euros	
	Financial assets	Financial liabilities
Non-current		
Interest rate derivatives	-	95,695
Derivative embedded in BBVA lease agreement (Note 10)	124,684	-
Current		
Interest rate derivatives	-	1,231
Total derivatives recognised	124,684	96,926

2018

	Thousands of euros	
	Financial assets	Financial liabilities
Non-current		
Interest rate derivatives	-	39,807
Derivative embedded in BBVA lease agreement (Note 10)	123,087	-
Current		
Interest rate derivatives	-	1,123
Total derivatives recognised	123,087	40,930

At 2019 year-end, the interest rate hedging instruments included mainly the Parent's corporate syndicated loan, which was refinanced in the first half of 2019, and the syndicated mortgage financing of the subsidiary Tree Inversiones Inmobiliarias SOCIMI, S.A.

For the purpose of refinancing the Parent's syndicated loan, a new interest rate swap (IRS) was arranged to hedge the extension of the loan's maturity from 2021 to 2024. The contractual notional amount totalled EUR 850,000 thousand with a cost of 0.0154%.

On 26 April 2019, the subsidiary Merlin Logística, S.L.U., within the framework of refinancing the mortgage loan with ING Bank N.V., arranged a new interest rate swap (IRS) to hedge the extension of the loan's maturity from 2020 to 2026. The contractual notional amount totalled EUR 67,900 thousand with a cost of 0.31%.

On 29 November 2018, after the early repayment of the loan taken out by TREE Inversiones Inmobiliarias SOCIMI, S.A. following the sale of 166 bank branches, the notional amount of the interest rate swap was partially cancelled

early and was reduced to EUR 716,894 thousand. The cost of the cancellation amounted to EUR 6,797 thousand and was recognised under “Finance costs” in the accompanying consolidated income statement for 2018. In addition, as a result of the novation of the loan, on 18 December 2018 a new interest rate swap (IRS) was arranged to hedge the extension of the mortgage loan’s maturity from 2024 to 2031. The contractual notional amount totalled EUR 662,514 thousand with a cost of 1.693%.

The derivatives arranged by the Group and their fair values are as follows (in thousands of euros):

2019

Interest rate	Interest rate arranged	Fair value	Thousands of euros				
			Notional amount each year				Subsequent years
			2019	2020	2021	2022	
Parent syndicated (ending 2021)	0.0981% - (0.12%)	(5,290)	840,000	840,000	-	-	-
Parent syndicated (beginning 2021)	0.0154%	(5,279)			850,000	850,000	850,000
Tree Inversiones (ending 2024)	0.959%	(38,505)	707,553	698,213	688,405	677,196	665,987
Tree Inversiones (beginning 2024)	1.693%	(44,590)	-	-	-	-	660,029
Other subsidiaries	2.085% - 0.25%	(2,031)	110,306	67,900	67,900	67,900	67,900
		(95,695)	1,657,859	1,606,113	1,606,305	1,595,096	2,243,916

2018

Interest rate	Interest rate arranged	Fair value	Thousands of euros				
			Notional amount each year				Subsequent years
			2018	2019	2020	2021	
Parent syndicated	0.0981% - (0.12%)	(5,241)	840,000	840,000	840,000	-	-
Tree Inversiones (ending 2024)	0.959%	(29,130)	716,894	707,553	698,213	688,405	677,196
Tree Inversiones (beginning 2024)	1.693%	(4,368)	-	-	-	-	660,029
Other subsidiaries	2.085% - 0.25%	(1,068)	115,081	110,306	-	-	-
		(39,807)	1,671,975	1,657,859	1,538,213	688,405	1,337,225

The Group has opted to use hedge accounting, adequately designating the hedging relationships in which these derivative instruments are hedging instruments for the financing used by the Group, thereby neutralising changes in the cash flows for interest payments by setting the fixed rate to be paid for the financing. The only derivatives that are highly effective, prospectively and retrospectively, on a cumulative basis, since the date of designation are those associated with the Tree financing and, therefore, their changes in value are recognised under “Equity”.

The Group recognised the fair value of the derivatives that meet the requirements for effectiveness under “Equity”, without taking into consideration any tax effect due to application of the SOCIMI regime. The Group recognised EUR 12,884 thousand (EUR 14,669 thousand in 2018) under “Changes in fair value of financial instruments” in the consolidated income statement as a result of the derivative financial instruments that did not meet the hedging requirements due to ineffectiveness.

On adopting IFRS 13, the Group adjusted the valuation techniques for calculating the fair value of its derivatives. The Group includes a bilateral credit risk adjustment to reflect both the own credit risk and the counterparty risk in the measurement of the fair value of the derivatives. The Group applied the discounted cash flow method, considering a discount rate affected by its own credit risk.

In order to calculate the fair value of the financial derivatives, the Group used generally accepted valuation techniques in the market, which account for current and future expected exposure, adjusted by the probability of default and the potential loss given default affecting the contract. The credit value adjustment (CVA) or counterparty credit risk and debt value adjustment (DVA) or own credit risk were therefore estimated.

Current and expected exposure in the future is estimated using simulations of scenarios of fluctuations in market variables, such as interest rate curves, exchange rates and volatilities as per market conditions at the measurement date.

Furthermore, the Group’s net exposure has been taken into account with regards to each of the counterparties for the credit risk adjustment, if the financial derivatives arranged are included in a framework agreement for financial

transactions that provide for netting-off positions. For counterparties for whom credit information is available, credit spreads have been obtained from the credit default swaps (CDS) quoted in the market; whereas for those with no available information, references from peers have been used. The Group hired Chatham Financial Europe Ltd. to measure the fair value of the derivatives.

The impact on liabilities and profit or loss before tax of a 50 basis point fluctuation in the estimated credit risk rate at 31 December 2019 and 2018 would be as follows:

2019

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit/(loss) before tax
5% rise in credit risk rate	(57,253)	55,476	1,777
5% reduction in credit risk rate	60,114	(46,798)	(13,316)

2018

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit/(loss) before tax
5% rise in credit risk rate	(48,569)	37,060	11,509
5% reduction in credit risk rate	51,257	(32,990)	(18,267)

14.4 Reconciliation of the carrying amount of the liabilities arising from financing activities

The breakdown of the financing activities and their impact on the Group's cash flows in 2019 was as follows:

Thousands of euros						
			No impact on cash			
	31/12/2018	Cash flows from financing activities(net)	Debt reclassifications	Accrued interest	Other adjustments	31/12/2019
Long-term loans	1,813,946	3,271	(14,604)	-		1,802,613
Short-term loans	40,679	(62,315)	14,604	23,968		16,936
Long-term revolving credit facilities	150,000	(150,000)	-	-		-
Short-term revolving credit facilities	1,054	(4,735)	-	3,842		161
Bonds	3,284,007	431,837	-	68,787		3,784,631
	5,289,686	218,058	-	96,597	-	5,604,341

Thousands of euros						
			No impact on cash			
	31/12/2017	Cash flows from financing activities	Debt reclassifications	Accrued interest	Other adjustments	31/12/2018
Long-term loans	2,024,984	(173,126)	(37,911)	-	-	1,813,946
Short-term loans	17,789	(47,882)	37,911	32,861	-	40,679
Long-term revolving credit facilities	-	150,000	-	-	-	150,000
Short-term revolving credit facilities	113	(2,460)	-	3,401	-	1,054
Short-term leases	123,555	(123,578)	-	12	11	-
Bonds	3,284,007	(68,163)	-	68,163	-	3,284,007
	5,450,448	(265,209)	-	104,437	11	5,289,686

	31/12/2019	31/12/2018
Long-term loans	1,802,613	1,813,946
Short-term loans	16,936	40,679
Long-term revolving credit facilities	-	150,000
Short-term revolving credit facilities	161	1,054
Short-term leases	-	-
Bonds	3,784,631	3,284,007
	5,604,341	5,289,686
Non-current derivatives	95,695	39,807
Current derivatives	1,231	1,123
Loan arrangement expenses		
Syndicated loan	(17,382)	(3,911)
Senior syndicated mortgage loan	(57,486)	(63,695)
Debenture issues	(26,586)	(24,460)
Other	(5,654)	(3,732)
Total current and non-current liabilities	5,594,159	5,234,818

Furthermore, within the framework of the interest rate swaps arranged (see Note 14.3), the net balance of the settlements amounted to EUR 13,409 thousand in 2019 (EUR 24,347 thousand in 2018).

14.5 Debt arrangement expenses

The changes in debt arrangement expenses in 2019 and 2018 are as follows:

Thousands of euros					
	31/12/2018	Allocation to profit or loss – Amortised cost	Impact on income statement of IFRS 9	Capitalisation of arrangement expenses	31/12/2019
Syndicated loans	3,912	(2,074)	7,797	7,750	17,384
Senior syndicated loan (Tree)	63,695	(1,771)	(4,439)	-	57,486
Mortgage loans - other assets	3,732	(712)	2,291	340	5,652
Debentures and bonds	24,460	(4,255)	-	6,380	26,586
	95,799	(8,812)	5,649	14,470	107,108

Thousands of euros						
	31/12/2017	Allocation to profit or loss – Amortised cost	Impact on income statement of IFRS 9	Impact on reserves of IFRS 9 (Note 2.2.3)	Capitalisation of arrangement expenses	31/12/2018
Syndicated loans	5,644	(1,732)	-	-	-	3,912
Senior syndicated loan (Tree)	16,283	(4,931)	16,016	30,592	5,735	63,695
Mortgage loans - other assets	4,558	(826)	-	-	-	3,732
Debentures and bonds	28,682	(4,222)	-	-	-	24,460
	55,166	(11,711)	16,016	30,592	5,735	95,799

15. Other current and non-current liabilities

The detail of these headings at 31 December 2019 is as follows:

	Thousand of euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Other provisions	33,708	778	56,441	867
Guarantees and deposits received	92,257	646	88,400	787
Deferred tax liabilities	687,654	-	666,563	-
Other payables	28,207	5,930	24,897	5,388
Other current liabilities		7,847	-	7,282
Total	841,826	15,201	836,301	14,324

“Other provisions” includes the provision for the variable remuneration indicated in Note 20 amounting to EUR 22,825 thousand (EUR 46,253 thousand in 2018) and that will be paid in the long term.

It also includes provisions for the measurement of risk associated with a number of lawsuits and claims filed by third parties arising from the Group’s activity, which were recognised in accordance with the best existing estimates.

This heading also includes liabilities for tax debts for which there are uncertainties as to their amount or timing, whereby it is likely that the Group may have to dispose of resources to cancel these obligations as the result of a present obligation.

“Guarantees and deposits received” primarily includes the amounts deposited by lessees to secure leases and that will be returned at the end of the lease term.

The Parent and the majority of its subsidiaries adhere to the SOCIMI tax regime. Under this regime, gains from the sale of assets are taxed at 0%, provided that certain requirements are met (basically, the assets must have been owned by the SOCIMI for at least three years). Any gains from the sale of assets acquired prior to qualifying for the SOCIMI tax regime will be distributed on a straight-line basis (unless stated otherwise) over the periods in which the asset was owned by the SOCIMI. Gains generated prior to qualifying for the SOCIMI tax regime will be taxed at the standard rate, while a rate of 0% will be applied for the other years. In this regard, the Parent’s directors estimated the tax rate applicable to the tax gain on the assets acquired prior to qualifying for the SOCIMI tax regime (calculated based on the assets’ fair value obtained from the appraisals at the date of the business combination and at 31 December 2019), and recognised the corresponding deferred tax liability.

The Parent's directors do not envisage disposing of any of the investment property acquired after the Parent and its subsidiaries qualified for the SOCIMI tax regime within three years and, therefore, have not recognised the deferred tax liability corresponding to the changes in fair value since the assets were acquired as the applicable tax rate is 0%.

16. Trade and other payables

The detail of "Trade and other payables" at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Current		
Payable to suppliers	69,400	41,173
Sundry accounts payable	13,598	5,195
Remuneration payable	51,922	8,900
Other accounts payable to public authorities (Note 17)		13,379
	9,747	
Customer advances	65	736
Total	144,732	69,383

"Remuneration payable" includes the provision for the variable remuneration, corresponding to the Long Term Incentive Plan 2017 - 2019 indexed to the share price, indicated in Note 20 amounting to EUR 35,526 thousand.

The carrying amount of the trade payables approximates their fair value.

Information on the average period of payment to suppliers. Final provision two of Spanish Law 31/2014, of 3 December:

The information required by additional provision three of Spanish Law 15/2010, of 5 July (amended by final provision two of Spanish Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions, is detailed below.

	2019	2018
	Days	Days
Average period of payment to suppliers	33.6	47.0
Ratio of transactions paid	34.2	46.7
Ratio of transactions payable	24.7	52.9
	Thousands of euros	
Total payments made	154,722	179,583
Total payments pending	11,216	7,452

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Spanish Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the accompanying balance sheet.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum legal payment period applicable to the Group in accordance with Spanish Law 11/2013, of 26 July, was 30 days following the publication of the aforementioned Act (unless the conditions established therein are met, which would enable the maximum payment period to be extended up to 60 days).

17. Tax matters

a) Tax receivables and tax payables

The detail of the main tax receivables and payables at 31 December 2019 is as follows:

2019

	Thousands of euros			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
Tax withholdings and other tax-related items	-	3,909	-	3,321
VAT refundable/payable	-	7,839	-	6,167
Tax assets	87,778	-	-	-
Current tax refundable/payable	-	-	-	1,113
Accrued social security taxes payable	-	-	-	259
Deferred tax liabilities	-	-	687,654	-
	87,778	11,748	687,654	10,860

2018

	Thousands of euros			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
Tax withholdings and other tax-related items	-	5,528	-	3,385
VAT refundable/payable	-	6,930	-	9,790
Tax assets	88,415	-	-	-
Current tax refundable/payable	-	-	-	16,036
Accrued social security taxes payable	-	-	-	205
Deferred tax liabilities	-	-	666,563	-
	88,415	12,458	666,563	29,416

b) Reconciliation of the accounting profit to the taxable profit

At 31 December 2019, the taxable profit was calculated as the accounting profit for the year plus the effect of changes in the fair value of investment property, and temporary differences due to the existing limitations. At the reporting date of these financial statements, the Group did not recognise any deferred tax assets in this regard, as it is generally subject to a tax rate of 0% as the Parent and the majority of the subsidiaries adhere to the SOCIMI regime.

The reconciliation of the accounting profit to consolidated income tax expense for the year at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Profit before tax	590,710	913,024
Permanent differences:		
- Negative goodwill on business combinations	2,866	20,523
- Consolidation adjustments to profit or loss	24,200	193,135
- Tax adjustments to operating profit or loss	194,025	85,486
- Non-deductible finance costs	-	23,842
- Profit or loss of companies accounted for using the equity method	(10,065)	(9,916)
- Tax adjustments other than those from the sale of assets	-	(15,748)
- Other permanent differences	(7,221)	61,960
Temporary differences:		
- Changes in value of investment property	(354,972)	(629,184)
- Adjustments to depreciation and amortisation	(84,709)	(72,866)
Offset of tax losses	-	(29,675)
Adjusted taxable profit	354,834	540,581

The Parent and a significant portion of its subsidiaries are subject to the SOCIMI tax regime. As indicated in Note 5.12, the taxation of this regime is based on a rate of 0%, provided that certain requirements are met.

“Permanent differences - Consolidation adjustments to profit or loss” mainly includes the profit or loss of companies accounted for using the equity method, as well as the depreciation expenses of the investment property not recognised under “Profit before tax” in the accompanying consolidated financial statements.

Temporary differences arose from the change in value of investment property (IAS 40 - Fair value model). In this regard, it should be noted that since the Parent’s directors consider and state that investment property acquired by subsidiaries that already adhere to the SOCIMI regime will not be sold within three years, the fair value adjustment carried out in 2019 and 2018 should be taxed at 0% and, therefore, the deferred tax liability is also zero.

c) Reconciliation of accounting profit to tax expense

	Thousands of euros	
	2019	2018
Expense for increase in value of investment property (a)	(23,016)	(19,029)
Expense for disposal of properties within the SOCIMI regime (b)	(1,526)	(10,732)
Expense for disposal of properties outside the SOCIMI regime (c)	(184)	(22,360)
Expense for gain/(loss) at standard rate	(4,862)	(4,430)
Income from adjustments for prior years’ profit or loss	998	-
Adjustment for deferred tax assets and liabilities (d)	-	(1,503)
Other items	1,519	(92)
Total tax expense	(27,071)	(58,146)

- (a) They relate to the increase in value of the assets of the non-SOCIMI subsidiaries (residents in Portugal that meet the requirements established in section 2.1.c) of the Spanish SOCIMI Act to be considered qualifying assets for the purposes of the aforementioned regime). The amount is the result of applying the tax rate that the directors consider will be applicable to the gain to the increase in value.
- (b) Adjustment in 2018 corresponding to the profit arising from the separate financial statements of Tree Inversiones Inmobiliarias, SOCIMI, S.A. as a result of the sale of the real estate assets (BBVA branches, see Note 7).
- (c) Adjustment in 2018 corresponding to the sale of Testa Residencial SOCIMI, S.A. (see Note 9).

- (d) In 2018 the Group conducted a detailed analysis of the deferred tax assets and liabilities recognised, and adjusted those that it considered would not be recoverable or claimable at year-end. Based on the analysis carried out in 2019, no additional adjustments to those already recognised in the previous year have been made.

d) Deferred tax assets recognised

The detail of the tax loss carryforwards at 31 December 2019 is as follows:

2019

	Thousands of euros	
	Recognised in tax base	Tax assets
<i>Tax losses:</i>		
2009	139,838	34,960
2010	7,516	1,879
2011	109,679	27,420
2018	718	180
2019	461	115
Total tax losses	258,212	64,554
Other deferred taxes recognised	92,899	23,224
Total deferred tax assets capitalised	351,111	87,778

“Other deferred taxes recognised” includes mainly the temporary differences arising from the limit on the depreciation of the assets generated by the acquisition of the Testa subgroup and Metrovacesa and unused tax credits mainly due to reinvestment.

The deferred tax assets indicated above were recognised in the consolidated statement of financial position because the Group’s directors considered that, based on their best estimate of the Group’s future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

The detail of the tax assets not recognised at 31 December 2019 is as follows:

	Thousands of euros
	Not recognised in tax base
<i>Tax losses:</i>	
2009	52,955
2010	5,673
2011	46,174
2012	5,417
2013	440
2014	31,299
2017	291
2018	1,081
Total tax losses	143,330

e) Deferred tax liabilities

As indicated above, the deferred tax liabilities arose mainly from the business combinations carried out in recent years and the increase in value of the assets of Tree Inversiones Inmobiliarias, SOCIMI, S.A. (assets acquired

prior to qualifying for the SOCIMI regime) and the non-SOCIMI subsidiaries (residents in Portugal that meet the requirements established in section 2.1.c) of the Spanish SOCIMI Act to be considered qualifying assets for the purposes of the aforementioned regime).

The changes at 31 December 2019 are as follows:

	Thousands of euros
Total deferred tax liabilities at 31 December 2017	592,418
Increase in value of investment property	19,029
Additions due to business combinations (Note 3)	98,167
Temporary differences	(2,710)
Adjustments to deferred liabilities (Note 17-c)	(40,341)
Total deferred tax liabilities at 31 December 2018	666,563
Increase in value of investment property	23,016
Additions due to business combinations (Note 3)	671
Temporary differences	(2,596)
Total deferred tax liabilities at 31 December 2019	687,654

As stipulated in Note 18.b, the increase in value of investment property acquired by subsidiaries subject to the SOCIMI regime generate temporary differences at a tax rate of 0%, whereby no deferred tax liability has been recognised.

f) Years open for review and tax audits

Under the current law, taxes cannot be considered to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year limitation period has elapsed. At 2019 year-end the Parent and certain of its subsidiaries had all years since their incorporation open for review for all the taxes applicable to them. The rest of the subsidiaries had 2015 to 2018 open for review for income tax and 2016 to 2019 open for review for the other taxes applicable to them. The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying consolidated financial statements. Also, Spanish Law 34/2015, of 21 September, partially amending Spanish Law 58/2003, of 17 December, on General Taxation (*Ley 58/2003, de 17 de diciembre, General Tributaria*), establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the last day of the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

In 2019, the Group company TREE Inversiones Inmobiliarias Socimi, S.A. was notified by the tax authorities of the commencement of a partial tax audit with regard to the deductibility of expenses for income tax purposes for 2014. The directors consider that this audit will not have a material impact on these consolidated financial statements.

The Parent, as the successor of the commercial property business of Metrovacesa, S.A., was subject to a general tax audit for all taxes between 2012 and 2014. This audit was completed with the signing of the tax assessments on an uncontested basis in February 2018, with no material impact on these consolidated financial statements.

g) Disclosure requirements arising from SOCIMI status, Spanish Law 11/2009, as amended by Spanish Law 16/2012

The disclosure requirements arising from the Parent and certain subsidiaries being considered SOCIMIs are included in the related notes of the separate financial statements.

18. Revenue and expenses

a) Revenue

At 31 December 2019, the detail of the Group's revenue is as follows:

	Thousands of euros	
	2019	2018
Rental income	511,526	475,646
Revenue from the rendering of services	3,327	114,785
Total	514,853	590,431

On 3 January 2018, the Group had a management services agreement with Testa Residencial SOCIMI, S.A. Pursuant to the contractual terms of this agreement, the aforementioned company notified the Parent of its early termination effective as of 19 January 2018. Accordingly, the Group recognised revenue from the rendering of services in the amount of EUR 89,721 thousand and an account receivable in the amount of EUR 108,562 (which includes EUR 18,841 of output VAT). This account receivable was settled in full with the delivery of 640,693,342 shares issued in the capital increase carried out by Testa Residencial SOCIMI, S.A., which was approved by the shareholders at the Annual General Meeting on 26 March 2018, giving the Parent an ownership interest of 16.95%, which was sold at 2018 year-end (Note 9).

In addition, and under the terms of the service agreement entered into between the Parent and Castlelake, the Parent had earned income of EUR 22,242 thousand in 2018. This income was paid by Castlelake by means of the delivery of shares of Aedas Homes, S.A. (see Note 10), and was linked to Castlelake's ability to obtain gains from its investment property portfolio, for which the Parent provided management services.

b) Other operating expenses

The detail of "Other operating expenses" in the consolidated income statement at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Non-recoverable expenses of leased properties	47,780	41,749
General expenses		
Professional services	6,869	6,093
Travel expenses	907	700
Insurance	246	181
Other	2,165	2,207
Costs associated with asset acquisitions, sales and financing	4,492	4,802
Losses on, impairment of and change in provisions	483	424
Other expenses	1,531	118
Total	64,473	56,274

c) Staff costs and average headcount

The detail of "Staff costs" at 31 December 2019 is as follows:

	Thousands of euros	
	2019	2018
Wages, salaries and similar expenses	29,498	28,092
Termination benefits	328	98
Social security costs	2,410	1,962
Other employee benefit costs	376	354
Long-term incentive plan	44,242	43,435
Total	76,854	73,941

The average number of employees at the various Group companies in 2019 was 203 (171 in 2018).

The detail of the headcount at 2019 and 2018 year-end, by category, is as follows:

2019

	Women	Men	Total
Executive directors	-	2	2
Senior management (*)	-	6	6
Management team	1	4	5
Middle management	10	43	53
Other employees	86	66	152
Total	97	121	218

(*) Includes the Head of Internal Audit

2018

	Women	Men	Total
Executive directors	-	2	2
Senior management (*)	-	6	6
Management team	1	4	5
Middle management	7	39	46
Other employees	65	52	117
Total	73	103	176

(*) Includes the Head of Internal Audit

The average number of employees at the Group in 2019 with a disability equal to or greater than 33%, by category, was as follows:

Category	2019	2018
Senior management	-	-
Line personnel and middle management	-	-
Clerical staff	5	5
Total	5	5

d) Finance income and costs

The detail of the balances of these headings in the consolidated income statement is as follows:

	Thousands of euros	
	2019	2018
Finance income:		
Interest on deposits and current accounts	664	511
	664	511
Finance costs:		
Interest on loans and other credits	(110,057)	(112,756)
Other finance costs	(6,185)	(2,747)
	(116,242)	(115,503)
Financial loss	(115,578)	(114,992)

Finance costs include mainly the interest corresponding to the bank borrowings and obligations detailed in the Note 14 amounting to EUR 27,810 thousand and EUR 68,787 thousand, respectively. These amounts also include the repayment of the debt arrangement expenses amounting to EUR 3,163 thousand (less expense amounting to EUR 4,306 thousand), as a result of applying the effective interest rate to the financial debt (see Note 14.5), as well as the finance costs associated with the interest rate derivatives amounting to EUR 11,241 thousand.

e) Contribution to consolidated profit

The contribution of each company included in the scope of consolidation to profit for 2019 was as follows:

Company	Thousands of euros	
	2019	2018
Full consolidation:		
Merlin Properties SOCIMI, S.A.	194,163	437,461
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	65,138	116,481
Merlin Retail, S.L.	17,558	23,787
Merlin Oficinas, S.L.	42,623	64,097
Merlin Logística, S.L.	101,046	93,880
Merlin Parques Logísticos, S.A. (1)	-	(5,695)
Varitelia Distribuciones, S.L.U.	10,242	26,202
Metroparque, S.A.	11,276	32,068
La Vital Centro Comercial y de Ocio, S.L.	3,709	5,086
Global Carihuela Patrimonio Comercial, S.L.U.	(2,622)	2,062
Sadorma 2003, S.L.	143	61
Parques Logísticos de la Zona Franca, S.A.	15,954	11,689
Sevisur Logística, S.A.	3,493	6,953
Promosete Invest. Inmobiliaria, S.A.	5,929	3,541
Praça do Marquês - Servicios auxiliares, S.A.	11,879	7,980
MPCVI - Compra e Venda Imobiliária, S.A.	4,267	2,286
MPEP - Properties Escritórios Portugal, S.A	6,369	(12)
MP Monumental, S.A.	5,198	20,130
MP Torre A, S.A.	4,027	1,268
Forum Almada – Gestao Centro Comercial, Lda	29,922	(14,095)
Torre dos Oceanus Investimentos Inmobiliarios, S.A.	9,571	3,057
Torre Arts Investimentos Inmobiliarios, S.A.	13,445	-
Torre Fernão Magalhães Investimentos Inmobiliarios,S.A.	7,093	-
Other companies	(6,849)	6,675
Equity method:		
Testa Residencial SOCIMI, S.A.	-	(15,520)
Paseo Comercial Carlos III, S.A.	1,430	12,361
Centro Intermodal de Logística, S.L.	8,290	12,395
Provitae, S.L.	(25)	(371)
Other investees	370	1,051
Total	563,639	854,878

(1) Merged in 2019 with Parques Logísticos de la Zona Franca, S.A.

19. Related party transactions

In addition to subsidiaries, associates and jointly controlled entities, the Group's "related parties" are considered to be the Company's shareholders, key management personnel (members of the Board of Directors and executives, along with their close relatives), and the entities over which key management personnel may exercise significant influence or control.

The transactions detailed below were part of normal trading and took place under normal market conditions.

The detail of transactions that are significant in amount or material, carried out between the Parent or its Group companies and related parties, is as follows:

2019

Related party	Nature of the relationship	Thousands of euros			
		Income	Expense	Assets	Liabilities
Banco Santander, S.A. (a)	Financing	-	4,338	-	205,076
Banco Santander, S.A. (a)	Cash on hand	-	-	76,055	-
Banco Santander, S.A. (a)	Notional derivatives	-	-	-	466,056 (*)
Banco Santander, S.A. (b)	Lease	1,880	-	-	219
Banco Santander, S.A. (b)	Services	-	50	-	-
Banco Santander, S.A. (c)	Special tax charge	1,099	-	-	-
G36 Developments, S.L. (d)	Financing	2	-	625	-
Total		2,981	4,388	76,680	671,351

(*) This amount did not give rise to a liability at 31/12/2019.

2018

Related party	Nature of the relationship	Thousands of euros			
		Income	Expense	Assets	Liabilities
Banco Santander, S.A.	Financing	4	5,054	-	142,358
Banco Santander, S.A.	Cash on hand	-	-	97,227	-
Banco Santander, S.A.	Notional derivatives	-	-	-	402,235 (*)
Banco Santander, S.A.	Lease	1,894	-	-	243
Banco Santander, S.A.	Services	-	54	-	-
Banco Santander, S.A.	Asset purchases	-	-	28,000	-
Testa Residencial, SOCIMI, S.A.	Services	89,973	-	-	-
Testa Residencial, SOCIMI, S.A.	Other services	80	-	-	-
Testa Residencial, SOCIMI, S.A.	Dividends	-	-	170,677	-
Pº Comercial Carlos III, S.A.	Financing	114	-	-	-
G36 Developments, S.L.	Financing	-	-	625	-
Total		92,065	5,108	296,529	544,836

(*) This amount did not give rise to a liability at 31/12/2018.

Transactions with significant shareholders

In 2019 the only shareholder considered a significant shareholder pursuant to current regulations was Banco Santander, S.A.

(a) Financing transactions

- As of 31 December 2019, the Group had been granted loans from its shareholder Banco Santander, S.A. amounting to EUR 205,076 thousand. The notional amount of the derivatives arranged that are currently in force totalled EUR 466,056 thousand.

These positions relate to the portion held by Banco Santander, S.A. of the loans included in the MERLIN Group's financing transactions, the details of which are included in Note 14.

As indicated in Note 14, on 25 April 2019, the Group arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of

EUR 700 million. Banco Santander participated in this refinancing with EUR 120 million (7.7% of the total), of which EUR 65.8 million correspond to its participation in the corporate loan and EUR 54.2 million in the credit facility, under the same terms as other financial institutions.

- The Group has bank balances deposited at Banco Santander, S.A. amounting to EUR 76,055 thousand (including EUR 6.8 thousand in the accounts under the name of the associate, Paseo Comercial Carlos III, S.A.).
- In 2019, the finance costs incurred in transactions with Banco Santander, S.A. amounted to EUR 4,338 thousand, which included EUR 70 thousand in guarantee fees and EUR 14 thousand in current account management expenses.
- The Group has been granted guarantee lines by the shareholder, Banco Santander, S.A., amounting to EUR 6,577 thousand (EUR 5,061 thousand granted to MERLIN Properties SOCIMI, S.A. and EUR 1,516 thousand granted to the associate Paseo Comercial Carlos III, S.A.).

(b) Transactions for the rendering of services

- The Group has 6 lease agreements with Banco Santander, S.A. in different buildings. The terms of the leases range from 1 to 6 years and in 2019 they generated income amounting to EUR 1,880 thousand, which includes rental income, as well as income from parking spaces and the assignment of space for ATMs in shopping centres. The guarantees deposited to secure these agreements amounted to EUR 219 thousand.
- In addition, the Group contracted General Shareholders Meeting organisation services and the shareholder register services in the amount of EUR 50 thousand.

(c) Special tax charge

- The Group recognised income relating to the special tax envisaged in section 9.2 of Spanish Law 11/2009, of 26 October, regulating SOCIMIs (see Note 5.12.2).

Transactions carried out with companies accounted for using the equity method

(d) G36 Developments, S.L.

- Merlin Properties, SOCIMI, S.A. has an outstanding loan amounting to EUR 625 thousand, granted on 1 October 2018 to the associate G36 Developments, S.L., which engages in the management of co-working spaces. The interest accrued in 2019 amounted to EUR 2 thousand.

Dividends and other profit distributed to related parties (thousands of euros)

	2019	2018
Significant shareholders	52,822	48,470
Banco Santander, S.A.	52,822	48,470
Directors and executives	2,179	1,618
Directors	1,344	1,013
Executives	835	605
Total	55,001	50,088

20. Information relating to directors

The Parent's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with the provisions of section 229 of the consolidated text of the Corporate Enterprises Act.

Remuneration and other benefits of directors

At 31 December 2019 and 2018, salaries, per diem attendance fees and other remuneration earned by members of the Parent's governing bodies totalled EUR 5,812 thousand and EUR 5,623 thousand, respectively, as detailed below:

	Thousands of euros	
	2019	2018
Fixed and variable remuneration	5,802	5,610
Statutory compensation	-	-
Termination benefits	-	-
Per diem attendance fees	-	-
Life and health insurance	10	13
Total	5,812	5,623

At 31 December 2019, the variable remuneration received by executive directors amounted to EUR 2,850 thousand (EUR 2,725 thousand in 2018). The first 50% of this amount is paid ten days after the Group's financial statements are authorised for issued by the Board of Directors. The other 50% will be paid two years after the Company's financial statements were authorised for issue. In this regard, EUR 1,362 thousand corresponding to the bonuses accrued in previous years were paid in 2019.

At 31 December 2019, the amount of variable remuneration paid over the long term amounts to EUR 6,277 thousand, and is recognised under "Long-term provisions" in the accompanying balance sheet.

At 31 December 2019, the amount of variable remuneration paid over the short term amounts to EUR 1,815 thousand, and is recognised under "Trade and other payables" in the accompanying balance sheet.

Likewise, as indicated below in this Note, as members of the management team, executive directors have been awarded a share remuneration plan if they meet certain conditions linked to shareholder return ("2016 Share Plan"). In this regard, as of 31 December 2018 the conditions envisaged in the plan were met in order for executive directors to receive an additional 750,000 shares, equivalent to EUR 8,006 thousand, which were delivered on 31 December 2019 (750,000 shares in 2017 and 750,000 shares in 2016). The remuneration policy approved at the Annual General Meeting held on 26 April 2017 stipulates that shares may be delivered early on the dates of the vesting period.

Lastly, as members of the management team, executive directors are entitled to receive compensation under the new 2017-2019 remuneration plan granted to the management team in 2017, which is described below.

The breakdown, by board member, of the amounts disclosed above is as follows:

Director		Thousands of euros	
		2019	2018
<i>Directors' remuneration</i>			
Javier García Carranza Benjumea	Chairman - Proprietary director	-	-
Ismael Clemente Orrego	CEO	2,450	2,375
Miguel Ollero Barrera	Executive director	2,400	2,350
Maria Luisa Jordá Castro	Independent director	129	117
Ana García Fau	Independent director	129	115
Alfredo Fernández Agras	Independent director	-	35
George Donald Johnston	Independent director	117	112
John Gómez Hall	Independent director	100	100
Fernando Ortiz Vaamonde	Independent director	115	113
Juan María Aguirre Gonzalo	Independent director	134	118
Pilar Cavero Mestre	Independent director	117	110
Francisca Ortega Hernández Agero	Proprietary director	-	-
Emilio Novela Berlín	Independent director	111	65
Total		5,802	5,610

The Parent has granted no advances, loans or guarantees to any of its Board members.

The Parent's directors are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Executives" taken out by the Parent in order to cover possible damages that may be claimed, and that are evidenced as a result of a management error committed by its directors or executives, as well as those of its subsidiaries, in discharging their duties. The premium amounted to an annual total of EUR 122 thousand (EUR 130 thousand in 2018).

Remuneration and other benefits of senior management

The remuneration of the Parent's senior management, including the Head of Internal Audit and excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), in 2019 and 2018 is summarised as follows:

2019

Thousands of euros			
Number of people	Fixed and variable remuneration	Other remuneration	Total
6	5,477	31	5,508

2018

Thousands of euros			
Number of people	Fixed and variable remuneration	Other remuneration	Total
6	5,557	41	5,598

At 31 December 2019, the variable remuneration received by senior management amounted to EUR 3,375 thousand (EUR 3,455 thousand in 2018). The first 50% of this amount is paid ten days after the Group's financial statements are authorised for issued by the Board of Directors. The other 50% will be paid two years after the Company's financial statements were authorised for issue. In this regard, EUR 1,727 thousand corresponding to the bonuses accrued in previous years were paid in 2019.

At 31 December 2019, the amount of variable remuneration paid over the long term amounts to EUR 6,605 thousand, and is recognised under "Long-term provisions" in the accompanying balance sheet.

At 31 December 2019, the amount of variable remuneration paid over the short term amounts to EUR 1,904 thousand, and is recognised under “Trade and other payables” in the accompanying balance sheet.

With regards to guarantee or protective clauses, in the event of dismissal or changes of control in favour of executive directors or members of the senior management of the Parent or its Group, protective clauses have been established which represent a commitment estimated in economic terms at EUR 14,500 thousand at 31 December 2019.

Long term incentive plan

Incentive plan 2016

The Parent also had a commitment to award an additional annual variable remuneration incentive to the management team as determined by the Appointments and Remuneration Committee, linked to the Parent’s shares, which compensates the Parent’s management team based on the returns obtained by the Company’s shareholders (the “2016 Share Plan”). The shareholders at the Annual General Meeting held on 26 April 2017 approved the delivery of shares corresponding to the “2016 Share Plan”, stipulating that under certain circumstances, which have been fulfilled, shares may be delivered early on the dates of the vesting period. In this regard, as of 31 December 2018 the conditions envisaged in the plan were met in order for senior management to receive an additional 623,334 shares, equivalent to EUR 6,654 thousand (623,334 shares in 2017 and 623,334 shares in 2016).

The “2016 Share Plan” stipulates that the management team will be entitled to receive a maximum of 6,000,000 shares, provided that they continue to provide services to the Group over the next three years following the date on which the incentive was granted. Furthermore, the right to receive two thirds of these shares is conditional on the Parent’s financial solvency over the following two years. At 31 December 2019, the Group recognised the expense incurred with a credit to equity in the amount of EUR 15,738 thousand, which was fully accrued at 2019 year-end.

Incentive plan 2017-2019

Lastly, at the Annual General Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the management team and other important members of the Group’s workforce, the measurement period of which is from 1 January 2017 to 31 December 2019 (“2017-2019 Incentive Plan”). In accordance with that established in this plan, members of the management team may be entitled to receive: (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Parent, provided that certain objectives are met.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Parent’s share plus the dividends distributed to shareholders during the measurement period; and
- the increase in the EPRA NAV per share of the Parent plus the dividends distributed to shareholders during the measurement period.

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%.

TSR NAV / TSR share price	Percentage assigned to beneficiaries (“PR”)	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the beneficiaries in accordance with the above table will be applied to the result of multiplying the TSR by the share price multiplied by the number of shares of the Company as of 31 December 2019; (ii) the result of this transaction will be balanced through an adjustment mechanism in favour of the beneficiaries, as, once a minimum return is reached, the beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date of calculation of the amount of the NAV-based incentive and the amount of the share-based incentive will be 31 December 2019. The maximum amount to be received for the share-based incentive from 2017 to 2019 will amount to EUR 37.5 million. If the incentive is larger than the aforementioned limit, it will supplement the NAV-based incentive — if the latter is lower than the maximum amount established. Likewise, the maximum amount of the EPRA NAV-based incentive will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. Lastly, if the value of the maximum number of shares allocated to the plan were below the aforementioned EPRA NAV-based incentive, the difference would be paid in cash.

At 31 December 2019, the date of the measurement period, taking into account the final reference price, i.e., the Company's average closing price over the 90 trading sessions prior to 31 December 2019, 5,874,111 shares will be delivered. 50% of the shares allocated and, where applicable, the cash amount and the excess will be paid on the second settlement and payment date, i.e., within two business days following the authorisation for issue of the financial statements for 2020. The remaining 50% of the shares allocated will be settled and paid within two business days following the authorisation for issue of the financial statements for 2021. Nevertheless, depending on the future evolution of the EPRA NAV in 2020 and 2021, the aforementioned amounts are subject to be modified.

In this regard, at 31 December 2019 the Group recognised the expense in the amount of EUR 28,504 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan, with balancing entry in reserves (EUR 16,258 thousand) and liability for provisions (EUR 12,246 thousand). Lastly, at 2019 year end the Group has reclassified EUR 35,526 thousand to current liabilities corresponding to the incentive indexed to the share price, which will be paid on the settlement date, i.e. the fifth working day after the preparation of the Annual Accounts.

21. Auditors' fees

The fees for financial audit services provided to the various companies composing the Merlin Group and subsidiaries by the principal auditor, Deloitte, S.L., and entities related to the principal auditor and other auditors is as follows:

Description	Thousands of euros	
	2019	2018
Audit services	580	555
Other audit-related services:		
Other attest services	155	107
Total audit and related services	735	662
Tax advisory services	-	12
Total other services	-	12
Total	735	674

“Other audit-related services” includes the attest services carried out by the auditor in the process of issuing bonds, as well as certain agreed-upon procedures related to compliance with covenants.

In addition to the annual statutory audit, the audit services include services for reviews of intermediate periods.

22. Environmental disclosures

Given the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material impact on its equity, financial position and results of its operations.

Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

23. Risk exposure

Financial risk factors

The Group's activities are exposed to various financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial returns.

Risk management is controlled by the Group's senior management in accordance with the policies established by the Board of Directors. Senior management identifies, assesses and hedges financial risks in close cooperation

with the Group's operating units. The Board provides written policies for global risk management, and specific subjects such as market risk, interest rate risk, liquidity risk and investment of surplus liquidity.

Market risk

Given the current situation of the real estate sector and in order to mitigate the effects thereof, the Group has specific measures in place to minimise the impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses carried out by the Group on a regular basis. These analyses take into account:

- Economic environment in which the Group operates: design of different economic scenarios and modifying the key variables potentially affecting the Group (interest rates, share price, occupancy rate of investment property, etc.). Identification of interdependent variables and the extent of their relationship.
- Time frame over which the assessment is carried out: the time horizon of the analysis and potential deviations will be taken into account.

Credit risk

Credit risk is defined as the risk of financial loss to which the Group is exposed if a customer or counterparty does not comply with its contractual obligations.

In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

Except in the case of the lease of offices to BBVA, the Group does not have significant concentrations of credit risk. The Group regularly reviews the credit rating and thus the creditworthiness of BBVA in relation to the branches leased to this bank. The Group also pays close attention to this situation, given that its financing is dependent on this credit rating being maintained. The Parent's directors do not consider that there is any material credit risk with regard to its accounts receivable due from this lessee.

With regard to other customers, the Group has policies in place to limit the volume of risks posed by customers. Exposure to the risk of being unable to recover receivables is mitigated in the normal course of business through funds or guarantees deposited as collateral.

The Group has formal procedures to identify any impairment of trade receivables. Delays in payment are detected through these procedures and individual analysis by business area and methods are established to estimate impairment loss.

The estimated maturities of the Group's financial assets in the consolidated statement of financial position at 31 December 2019 are detailed below. The tables present the results of the analysis of the maturities of its financial assets at 31 December 2019:

2019

	Thousands of euros				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Loans to third parties	-	-	-	163,630	163,630
Guarantees and deposits	-	-	-	68,969	68,969
Trade and other receivables	17,138	12,785	340	-	30,263
Other current financial assets	6,244	-	1,055	424	7,723
Cash and cash equivalents	254,016	-	-	-	254,016
Total	277,398	12,785	1,395	233,023	524,601

2018

	Thousands of euros				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Loans to third parties	-	-	-	1,609	1,609
Guarantees and deposits	-	-	-	67,152	67,152
Trade and other receivables	79,592	2,028	85,861	-	167,481
Other current financial assets	7,747	-	1,141	-	8,888
Cash and cash equivalents	169,025	-	-	-	169,025
Total	256,364	2,028	87,002	68,761	414,155

Cash and cash equivalents

The Group has cash and cash equivalents of EUR 254,016 thousand, which represents its maximum exposure to the risk posed by these assets.

Cash and cash equivalents are deposited with banks and financial institutions.

Liquidity risk

Liquidity risk is defined as the risk of the Group encountering difficulties meeting its obligations regarding financial liabilities settled in cash or with other financial assets.

At 31 December 2019, the Group's working capital amounted to EUR 98,718 thousand.

The Group conducts prudent management of liquidity risk by maintaining sufficient cash to meet its payment obligations when they fall due, both in normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

The Group's exposure to liquidity risk at 31 December 2019 is detailed below. The tables below reflect the analysis, by maturity, of the financial liabilities in accordance with the existing agreements.

2019

	Thousands of euros				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Bank borrowings	3,127	4,415	45,415	-	52,957
Other non-current liabilities - Guarantees	-	-	-	92,257	92,257
Trade and other payables (excluding balances with public authorities)	51,922	69,400	13,663	-	134,985
Total	55,049	73,815	59,078	92,257	280,199

2018

	Thousands of euros				
	Less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
Bank borrowings	5,816	44,044	26,950	-	76,810
Other non-current liabilities - Guarantees	-	-	-	88,400	88,400
Trade and other payables (excluding balances with public authorities)	736	14,094	41,174	-	56,004
Total	6,552	58,138	68,124	88,400	221,214

Cash flow and fair value interest rate risk

The Group manages its interest rate risk by borrowing at fixed and floating rates of interest. The Group's policy is to ensure non-current net financing from third parties is at a fixed rate. To achieve this objective, the Group enters into interest rate swaps that are designated as hedges of the respective loans. The impact of interest rate fluctuations is explained in Note 14.3.

Foreign currency risk

The Group is not exposed to exchange rate fluctuations as all its operations are in its functional currency.

Tax risk

As stated in Note 1, the Parent and a portion of its subsidiaries qualified for the special tax regime for real estate investment trusts (SOCIMIs). The transitional period for the Parent ended in 2017 and, therefore, compliance with all requirements established by the regime (see Notes 1 and 5.12) became mandatory. Some of the more formal obligations that the Parent must meet involve the inclusion of the term SOCIMI in its company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the SOCIMI regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies. In this regard, Group management, with the support of its tax advisers, performed an assessment of compliance with the regime's requirements, concluding that all requirements had been met as of 31 December 2019.

Accordingly, and also for the purpose of taking into consideration the financial effect of the regime, it should be noted that, as established in section 6 of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, and in the percentages established therein, companies that have opted for the special tax regime are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the payout is agreed (see Note 5.12).

If the Parent does not comply with the requirements established in the regime or if the shareholders at the General Meetings of these companies do not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of this Act, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to SOCIMIs.

24 Events after the reporting period

In January 2020, the investee company Cilsa (ZAL Port) delivered a 35,144 m² warehouse to Damm, reaching the 500,000 m² mark.

On 17 January 2020, the Group completed the acquisition of Plaza de Cataluña 9 in Barcelona. This historical asset, located in one of the most touristic and emblematic squares of Barcelona, has a gross leasable area of 3,048 sqm. The acquisition price amounts to 15 million euros, representing a gross return of 4.5%.

As of 15 January 2020, the shares of the Parent Company have been admitted to trading on Euronext Lisbon under a dual listing regime.

On 7 February, the Parent Company issued a EUR 100 million tap on its 15-year bond at 102% of nominal value and a coupon of 1.875%.

In February 2020, the Group signed a rental agreement with BBVA for 9,135 sqm in the EP Las Tablas, Madrid.

On 27 February, the Group signed the contribution of 3 secondary assets (Thader, La Fira and Nassica) to Silicius Socimi, a vehicle managed by Mazabi. The transaction is neutral in terms of NAV and, in return, the Group has received 34.38% of Silicius. As a result of this transaction, the Group's exposure to shopping centres has been reduced to 18.9% and exposure to secondary centres to 4.9% of the retail portfolio (0.9% of the total portfolio).

25 Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I - Group companies and associates 2019

Parent	Line of business /Location	Ownership interest	Share capital	Thousands of euros							Consolidation method	Auditor
				Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9.323	72.040	52.478	133.427	61.763	143.785	657.984	-	Full consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17.963	19.434	14.725	248.271	266.122	11.086	251.408	-	Full consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29.674	12.085	11.802	727.681	757.355	9.706	771.345	-	Full consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28.166	17.474	13.983	284.397	312.417	12.295	292.304	-	Full consolidation	Deloitte
Sevisur Logística	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17.220	3.124	3.033	11.605	28.825	1.861	37.629	-	Full consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15.701	5.339	7.636	113.126	128.827	-	118.310	-	Full consolidation	Deloitte
Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(1)	36	4.205	4.385	-	4.287	-	Full consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	205	154	635	638	-	3	-	Full consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56.194	9.135	9.515	40.698	96.891	7.770	231.557	-	Full consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14.846	3.030	3.027	20.997	35.843	2.207	56.788	-	Full consolidation	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2.790	-	(84)	22.452	25.242	-	25.090	-	Full consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	(10)	(2.016)	18.332	18.404	-	25.485	(7.080)	Full consolidation	N/A

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	(1)	21	(15.500)	(15.487)	-	-	(15.497)	Full consolidation	N/A
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15.443	9.889	7.855	33.035	48.478	18.579	172.979	(124.501)	Full consolidation	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3.303	(1.340)	(1.487)	24.242	27.545	-	34.102	(871)	Full consolidation	N/A
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	1.050	1.058	260	5.934	7.244	354	6.418	-	Full consolidation	Deloitte Portugal
MPEP – Propriedades Escritórios Portugal, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	249	19	3	72	-	85	-	Full consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	(166)	(2.381)	11.497	9.165	220	20.348	-	Full consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.507	(386)	711	375	-	10.186	-	Full consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	5.050	(2.813)	(2.848)	15.292	17.495	-	20.913	(3.394)	Full consolidation	Deloitte Portugal
Promosete, Invest. Imobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	200	1.480	444	6.416	7.059	-	11.245	-	Full consolidation	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	15.893	2.307	12.098	48.628	76.618	-	56.361	-	Full consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.350	394	2.925	3.369	-	15.912	-	Full consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	13.791	7.052	4.979	12.036	-	31.533	-	Full consolidation	Deloitte Portugal

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Forum Almada II, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10.000	13.099	9.224	38.543	57.767	-	289.302	-	Full consolidation	Deloitte Portugal
Torre Arts - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	2.570	1.959	83.646	85.705	-	85.781	-	Full consolidation	Deloitte Portugal
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	701	543	26.853	27.496	-	27.555	-	Full consolidation	Deloitte Portugal
Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organisation and management of coworking-type collaborative workspaces / Paseo de la Castellana 257, Madrid	100%	4	(1.993)	(2.015)	1.264	(747)	-	3.868	(3.868)	Full consolidation	N/A
Milos Asset Development,	Acquisition, holding, administration, disposal and development of land located within the project "Distrito Castellana Norte" / Paseo de la Castellana 257, Madrid	100%	3	(0)	0	(1)	2	-	3	(1)	Full consolidation	N/A
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8.698	2.562	(266)	25.407	34.105	-	25.668	-	Equity method	Deloitte
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6.314	(40)	(47)	(1.112)	5.202	-	5.061	(488)	Equity method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana, 93 Madrid	50%	4.053	(21)	(21)	-	4.032	-	2.027	-	Equity method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18.920	12.954	8.759	107.705	135.384	882	95.688	-	Equity method	EY
Pazo de Congressos de Vigo, S.A.	Project for the execution, construction and operation of the Vigo Convention Centre / Avda. García Barbón, I, Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	-	3.600	(3.600)	Equity method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5.801	978	566	(811)	5.556	191	2.467	-	Equity method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1.698	216	161	394	2.253	45	2.137	-	Equity method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n Rivabellosa (Álava)	25%	1.750	140	(416)	1.439	2.774	-	20.669	(20.669)	Equity method	Deloitte
Distrito Castellana Norte, S.A.	Carrying out all types of real estate activities / Paseo de la Castellana 216, Madrid	14%	168.111	(388)	(278)	(23.014)	144.819	-	168.893	-	Equity method	KPMG

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Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9.323	197.333	150.339	224.734	200.778	3.570	657.984	-	Full consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17.963	18.995	13.858	244.633	262.333	247	251.408	-	Full consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29.674	12.499	12.132	725.585	755.258	353	771.345	-	Full consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28.166	17.298	15.368	282.708	310.571	1.114	292.304	-	Full consolidation	Deloitte
Merlin Parques Logísticos, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	69.802	3.156	(3.727)	6.603	76.404	-	118.310	-	Full consolidation	Deloitte
Sevisur Logística, S.A.U.	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17.220	2.520	2.326	10.433	27.653	223	37.629	-	Full consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15.701	-	-	13.758	29.449	2.329	34.571	-	Full consolidation	Deloitte
Testa Hoteles, S.A.	No activity / Paseo de la Castellana 257, Madrid	100%	180	(1)	49	4.169	4.349	-	4.287	-	Full consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	157	133	481	484	-	3	-	Full consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56.194	9.490	9.713	38.953	95.147	1.286	231.557	-	Full consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14.846	2.758	2.759	20.177	35.023	22	56.788	-	Full consolidation	Deloitte
Holding Jaureguizar 2002, S.A.U.	No activity / Paseo de la Castellana 257, Madrid	100%	1.481	(1)	(59)	(6.784)	(5.303)	-	-	(5.304)	Full consolidation	N/A

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2.790	7.099	7.045	22.536	25.326	-	25.090	-	Full consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	78	433	20.347	20.420	-	25.485	(5.197)	Full consolidation	N/A
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	(1)	27	(15.522)	(15.508)	-	-	(15.497)	Full consolidation	N/A
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15.443	25.908	23.224	25.180	40.623	-	154.400	(113.777)	Full consolidation	Deloitte
Global Carhuela, Patrimonio Comercial S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3.303	(1.104)	(1.373)	25.729	29.032	-	17.102	-	Full consolidation	N/A
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logistic, nº 26, Barcelona	100%	15.701	5.982	3.772	9.996	29.469	-	-	-	Full consolidation	Deloitte
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	1.050	1.248	411	5.915	7.376	475	6.418	-	Full consolidation	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	(12)	(12)	16	54	-	85	(31)	Full consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	2.901	295	11.497	11.841	745	20.348	-	Full consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.557	(407)	1.118	761	-	10.186	-	Full consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	5.050	(390)	(425)	12.587	17.213	-	17.763	(550)	Full consolidation	Deloitte Portugal
Promosete, Invest. Inmobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	200	1.410	108	6.048	6.357	-	11.245	-	Full consolidation	Deloitte Portugal

Parent	Line of business /Location	Ownership interest	Share capital	Thousands of euros							Consolidation method	Auditor
				Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	15.893	1.556	8.953	40.867	65.713	-	56.361	-	Full consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.040	59	2.866	2.975	-	15.912	-	Full consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	12.400	5.765	(403)	5.367	-	31.533	-	Full consolidation	Deloitte Portugal
Forum Almada II, S.A. (1)	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10.000	12.000	7.788	30.754	48.543	-	289.302	-	Full consolidation	Deloitte Portugal
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8.698	2.703	872	25.672	34.371	-	25.668	-	Equity method	Morison ACPM
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6.314	(46)	(52)	(1.066)	5.248	-	5.061	(462)	Equity method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Pseo de la Castellana, 93 Madrid	50%	405	(21)	(21)	3.648	4.032	-	2.027	-	Equity method	N/a
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18.920	13.213	9.096	101.054	129.070	590	95.688	-	Equity method	EY
Pazo de Congressos de Vigo, S.A.	Proyecto de ejecución, construcción y explotación del Palacio de Congressos de Vigo / Avda. García Barbón, I. Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	-	3.600	(3.600)	Equity method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5.801	499	233	(456)	5.579	-	2.467	-	Equity method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1.698	239	178	378	2.254	30	2.137	-	Equity method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n	25%	1.750	(790)	(1.366)	(239)	145	-	20.669	(20.669)	Equity method	Deloitte

Merlin Properties SOCIMI, S.A.

and Subsidiaries

Consolidated Management Report

for the year ended

31 December 2019

1. Company Situation

Economic Situation

The markets where MERLIN Properties Socimi, S.A. ("MERLIN" or "MERLIN Properties" or the "Company") operates are benefiting from good economic performance. In both Spain and Portugal, GDP is growing by nearly 2% annually, outpacing the eurozone average. These solid fundamentals allow for an improvement in consumption, as well as significant job creation and an increase in industrial activity, all of which lead to solid demand for all our business lines.

This favourable economic situation has led to generalised increases in rental rates. Various analyst firms expect the Iberian economy to continue to expand in the coming years, which should have a positive impact on business performance.

Investment volume for all types of assets remains high, with more than €12,000 million in direct investment in Spain in 2019¹. Given the eurozone's expansive monetary policy and the overall context of low interest rates, demand for income-generating assets is expected to remain high.

1.1. Rental market situation by geographical area

Madrid

Madrid is both the largest metropolitan area and the main real estate market on the Iberian Peninsula. In general, the rental market has performed very favourably. The Madrid office market continues the upward trend of recent years, having achieved the highest absorption of surface area since 2007. Availability continues to decline (8.6% at the end of Q4²) while rents continue to increase, reaching €36/m²/month¹ for Prime assets. In relation to the logistics market, it continues to show significant levels of activity in the main axes (A-2, A-4 and A-42) for all segments (XXL warehouses, cross-docking warehouses and last mile solutions). Lastly, the shopping centre sector continues to benefit from increased consumption and reduced unemployment.

Barcelona

The economic situation continues to have a positive impact on the rental market in Barcelona, which has performed solidly in all segments. In relation to the office market, the lack of quality supply has had an impact on rents, which exceed €27/m²/month¹ for prime assets, as well as encouraging the development of both refurbishments and new projects, especially in the 22@ area. The logistics market is suffering from a lack of both available land and quality product for e-commerce operators. As for shopping centres, they continue to perform well thanks to the resilience of domestic demand and tourism.

Lisbon

The rental office market has performed positively, with almost 200,000 m² involved in transactions, a vacancy rate of 5% and increasing rent values that have reached €23/m²/month. Rents have performed well due to the lack of supply, driven by the dearth of new product and the strong pressure of the residential and hotel market (conversions). In relation to logistics, rents have reached €4/m²/month in the prime axis of Alverca/Azambuja, in a market characterised by low-quality supply and growing demand. The shopping centre sector has also performed solidly, since domestic demand is doing quite well due to the increase in disposable income and the low unemployment rate.

1.2. Rental market situation by business segment

Offices

According to CBRE, in 2019 the Spanish office market recorded the best year in terms of take-up since 2007, with a year-on-year increase of 21% in Madrid and 2.3% in Barcelona. Vacancy is also at its lowest point in the last 10 years, encouraging preletting and turnkey transactions. Performance has been equally favourable in Portugal, where availability rate continues to fall.

¹CBRE "2020 Real Estate Market Outlook for Spain"

²JLL "Office Market Fundamentals Q4 2019"

The pressure of demand is having an impact on rents that are continuing to rise in all markets.

Shopping Centres

Robust domestic demand in both Spain and Portugal — thanks to the reduction in unemployment — has had a positive impact on the sector. Additionally, in 2019 a new record was reached in terms of international tourist arrivals in Spain that surpassed 83 million foreign tourists.

This has enabled both footfall and sales to continue their upward trend. Retail sales increased by 2.4% in 2019 (until November) and analysts such as Funcas and Oxford Economics expect both private consumption and retail sales to continue increasing over the coming years.

Logistics

The boom in e-commerce has allowed more than 500,000 m² of logistical take-up both in central Spain and in Catalonia, reaching equally high levels of activity in other markets (e.g., Valencia with 265,000 m²).

The volume reached by turnkey projects and preletting is of particular note given the lack of available logistics platforms that meet current demand requirements. This shortage of quality products has influenced rents of logistics assets.

1.3. Organisational and operational structure

As a company, MERLIN's main objective is to generate sustainable returns for shareholders through the acquisition, focused management and selective rotation of real estate assets in the moderate risk profile segments ("Core" and "Core Plus").

Its strategy and operations are characterised by:

- 1) Focusing on Core and Core Plus assets in Spain and Portugal
- 2) An investment grade capital structure
- 3) Distribution of 80% of AFFO (see Note 7.1. of the Management Report) in the form of dividends
- 4) Being one of the most efficient REITs in Europe
- 5) Implementing the best practices of Corporate Governance

The description of the internal organisational structure can be summarised as follows:

- A Board of Directors made up of 12 directors that receives advice from the Audit and Control Committee, the Appointments Committee and the Remuneration Committee. The MERLIN Board of Directors, comprised a majority of independent directors, focuses its activity on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Company. The Board is responsible for the long-term strategy and for monitoring its implementation.
- A Chief Executive Officer reporting directly to the Board of Directors and forming part of it.
- An Investment Committee reporting to the CEO and consisting of the executive team, with the Chief Investment Officer having veto power.

2. Business performance and results

2.1. Business results in 2019

The Company's business performed excellently during the year, with growth in occupancy, comparable rents and release spread in all asset categories.

MERLIN Properties ended the year with gross rental income (GRI) of €526 million, EBITDA of €426 million and FFO of €313 million. Profit for the year from continuing operations amounting to €564 million is not comparable to that of 2018 due to the non-recurring income recognised in 2018 from the capitalisation of the service agreement with Testa Residencial.

The net asset value (EPRA NAV Note 14.3. to the Management Report) amounted to €7,331 million (€15.60 per share), up 5.4% on the previous year. The business's solid fundamentals and excellent dynamics led to growth in GRI (+5.2%) (Note 8.2. to the 2019 Consolidated Financial Statements) and an increase in occupancy up to 94.8% (+140 basis points with regard to 2018).

Offices

Outstanding performance with a 7.3% increase in comparable rents. Occupancy increased to 92.8% (+264 bps with regard to 2018) with a release spread of 7.2%. The main agreements signed in 2019 include: PM&S Recursos (Deloitte) with 7,906 m² in Torre Chamartín, Boston Scientific with 3,379 m² in PE Puerta de las Naciones, Alcon Healthcare with 3,098 m² in WTC6, Solvia with 2,120 m² in Cristalía and the renewals with Técnicas Reunidas (42,327 m²) in Adequa and with Roche Farma (11,444 m²) in PE Puerta de las Naciones.

With regard to the Landmark I Plan, the main developments in the year were the completion of the works at Torre Chamartín and the beginning of the refurbishments at Monumental and Castellana 85. The comprehensive refurbishment of Diagonal 605 continues and Plaza Ruiz Picasso 2 is being vacated to begin the refurbishment.

Shopping centres

The shopping centre portfolio has performed very well, with growth in both sales (+4.0%) and footfall (+1.7%) in the last twelve months. There has been a 3.1% increase in comparable rents, due to both the increase in occupancy, which stands at 93.3% (vs. 91.2% in FY18), and the increase in rents. The main agreements signed during the year include Primark with 8,266 m² in Larios, H&M with 2,763 m² in Larios and Maisons du Monde with 2,029 m² in Marineda.

Regarding the Flagship Plan, the integral refurbishments of Arturo Soria, Larios and Tres Aguas are finished and X-Madrid was inaugurated on 21 November.

Logistics

A solid release spread of 7.6% and growth in comparable rents of 7.3%. Occupancy stood at 97.7% after a major marketing effort in the last quarter (+199 bps compared to the Q3 2019).

With regard to the Best II & III Plan, the following new projects have been delivered and reclassified as part of the existing inventory: Pinto IIB, let to Media Markt (29,473 m²); Valencia-Ribarroja, let to Dachser (34,992 m²); and Sevilla Zal, let to Amazon (8,798 m²). Good progress continues to be made on the construction of Azuqueca II, prelet in its entirety (98,757 m²) to Carrefour.

Investment and divestment activity

The investment activity in 2019 was largely concentrated in Lisbon, with the acquisition of 3 office buildings (Art, TFM and the Nestlé headquarters), which secured MERLIN as the second largest owner of offices in the Portuguese market.

After the success of Cabanillas Park I, now a reference in the A-2 logistics market, MERLIN has ensured its extension with 93,000 m².

On 30 October 2019, the Parent acquired Desarrollos Urbanísticos Udra, S.A.U. (part of the San José Business Group) and a 14.46% stake in Distrito Castellana Norte, S.A. (DCN) for a total of €169 million.

With regard to divestment activity, in 2019 the Company sold assets totalling €281 million, including a portfolio of offices in Madrid and Barcelona, 15 branches leased to BBVA, 2 retail park areas in Bonaire (Valencia) and 2 non-strategic industrial warehouses. The average premium over the last appraisal was 4.3%.

2.1. Outlook for the Company in 2020

In 2020 MERLIN expects its occupancy rates to remain high and its cash flow to remain strong given the long lease term remaining (5.6 years from 31 December 2019, weighted by GRI). The Company also expects to continue acquiring assets that mesh with its investment philosophy. To that end, at 2019 year end, it had a cash position of €385 million and a liquidity position of €1,085 million,

including undrawn credit facilities, €57 million of treasury stock and €70 million corresponding to receivables from the sale of the non-core office portfolio.

3. Capital and Liquidity Resources

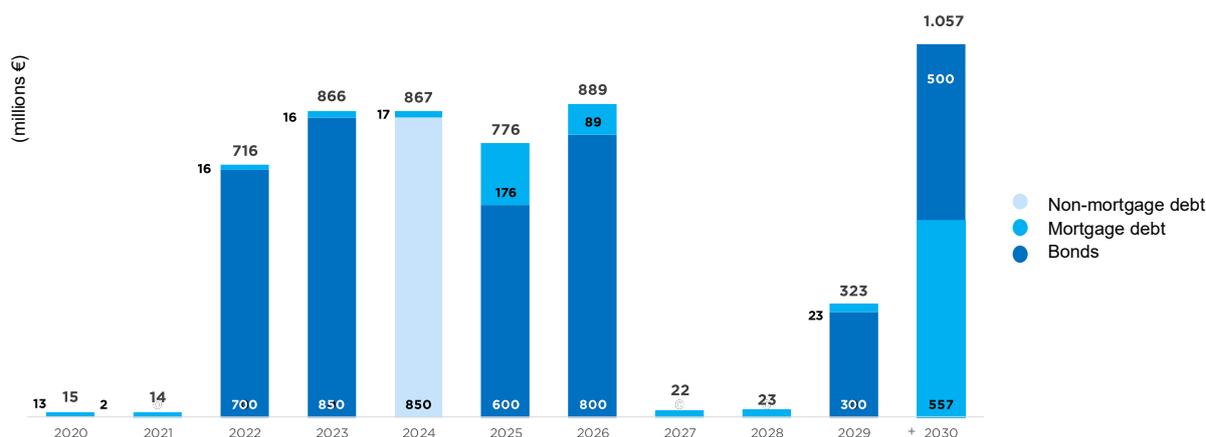
3.1. Debt

At 2019 year end, the Company's financial debt amounted to €5,567 million, comprising non-mortgage backed corporate financing (syndicated loans and bonds) and mortgages.

The Company's strategy is to actively manage both the Group's assets and the liabilities. With regard to liabilities, the goal is to extend the average maturity of the debt and to take advantage of current market conditions to reduce or maintain borrowing cost and eliminate the risk posed by changes in interest rates. Currently, 99.5% of the Company's debt accrues interest at a fixed rate or is subject to interest rate hedges.

During the last quarters of 2018 and 2019, MERLIN carried out three refinancing transactions for a total amount of €2,335 million, which allowed it to reduce the average margin on these transactions by 39 basis points and to increase their maturity by 4.3 years. In addition, in December 2019 the Company turned to the capital markets and issued a €500 million bond maturing in 2034 at a cost of 1.875%.

As a result of these transactions, the debt's average maturity at year end stood at 6.4 years and there are no significant debt maturities at short-term, the first relevant maturity being the €700 million bond maturing in 2022, the amount of which would be covered by the revolving credit facility obtained in 2019. The repayment schedule is as follows:



3.2. Liquidity available

MERLIN's cash position at 31 December 2019 amounted to €385 million, including €57 million of treasury shares and €70 million corresponding to receivables from the sale of the non-core office portfolio in the last quarter of the year.

This liquidity increased by €700 million euros through the revolving credit facility, which had not been drawn down at 2019 year end.

Additionally, the Company has the ability to access the capital markets through the euro medium-term note (EMTN) programme, which has a limit of €5,000 million. At 2019 year end, €1,250 million was available through the aforementioned programme.

3.3. Off-balance-sheet obligations and transactions

The Group's investment strategy currently focuses on two pillars, the repositioning of core assets in the office and shopping centre segments and developing new logistics warehouses.

In this regard, the Group has projects in different stages of completion to which it has committed €56 million over the 2020-2024 period.

4. Environmental matters

Since the assets were acquired, the Company has incorporated sustainability into its decision-making process, aware of its impact on improving the performance of assets and the well-being of tenants. MERLIN seeks to differentiate its properties along these lines and, to that end, in 2019 it has continued with its three key repositioning plans: Landmark I, Flagship and Best II and III, the time horizon for which is 2019-2023. These plans are focused on creating value by repositioning selected properties, incorporating sustainability into the process, as well as in obtaining better financing conditions linked to meeting sustainability targets.

4.1. Sustainability certification

In 2019 the Company continued to make progress on incorporating sustainability into its asset portfolio by investing in improving the environmental performance of its properties. When certifying assets, the Company selects the most appropriate framework and modality based on the asset's phase, as well as the characteristics of the building, its occupancy rate at the time of certification or the tenants who occupy it.

In this regard, we are continuing the process of certifying our portfolio under the standards of the leaders in this market, BREEAM and LEED, with the aim of certifying 96% of our portfolio. In 2019 the Group certified 35 new assets

Asset	Category	# Assets	Certification	Type	Date
Torre Chamartin	Offices	1	LEED	PLATINUM	January 2019
Citypark Cornella	Offices	3	BREEAM	VERY GOOD	January 2019
Vilanova 12-14	Offices	1	LEED	SILVER	February 2019
Fuente de la Mora	Offices	1	LEED	GOLD	March 2019
Castellana 93	Offices	1	BREEAM	VERY GOOD	March 2019
Barcelona-Lliça del Vall	Logistics	1	BREEAM	CORRECT	March 2019
Arturo Soria 128	Offices	1	BREEAM	VERY GOOD	April 2019
Diagonal 199	Offices	1	LEED	SILVER	May 2019
Guadalajara-Cabanillas Park I F	Logistics	1	LEED	SILVER	May 2019
Sollube	Offices	1	LEED	SILVER	June 2019
PLZFB	Offices	1	BREEAM	GOOD	June 2019
PE Puerta de las Naciones	Offices	1	LEED	PLATINUM	October 2019
Sevilla - Borbolla	Offices	1	LEED	SILVER	October 2019
Marineda	Shopping Centers	1	BREEAM	VERY GOOD	October 2019
PE Churruca	Offices	2	LEED	SILVER	November 2019
PE Churruca	Offices	2	LEED	GOLD	November 2019
Valencia-Ribarroja	Logistics	1	BREEAM	VERY GOOD	November 2019
PE Puerta de las Naciones	Offices	1	LEED	GOLD	November 2019

PE Alvia	Offices	1	LEED	GOLD	November 2019
Zaragoza-Plaza	Logistics	1	BREEAM	GOOD	December 2019
PE Atica XIX	Offices	3	LEED	GOLD	December 2019
PE Cerro Gamos	Offices	2	LEED	GOLD	December 2019
Santiago de Compostela 94	Offices	1	LEED	GOLD	December 2019
Central Office	Offices	1	LEED	GOLD	December 2019
Lisboa Expo	Offices	1	LEED	GOLD	December 2019
Torre Lisboa	Offices	1	LEED	GOLD	December 2019
Encinar	Offices	1	LEED	GOLD	December 2019
Cristalia	Offices	1	LEED	GOLD	December 2019
Total		35			

Additionally, MERLIN obtained an excellent rating (82%) in the 2019 edition of GRSB, a platform that makes it possible to harmonise and compare information related to sustainability criteria (environmental, social and corporate governance - ESG) in real estate investments.

This rating is above the global average and that of our counterparts and reinforces the Company's commitment to investing in sustainability.

4.2. ISO sustainability certifications

MERLIN, as manager of its portfolios, has an Environmental Management System (EMS) certified according to ISO 14001, which is the umbrella under which it manages its portfolios and that incorporates new properties into its scope every year.

Thus, in 2015 the Company began an ambitious plan for ISO 14001 (environmental management) and ISO 50001 (energy management) certifications to maintain and expand the number of real estate assets that have at least ISO 14001 certification, and subsequently ISO 50001 certification (based on the understanding that it is a natural step to obtain ISO 14001 certification before aspiring to ISO 50001).

This plan includes office buildings, shopping centres and logistics warehouses. With regard to ISO 14001, in 2019, 74 buildings composing a surface area of 1,024,418 m² were certified, 6 more buildings than in 2018. The Company is committed to continuing to increase the number of properties under its corporate EMS and, therefore, aims to include all its multi-tenant office assets, as well as several shopping centres.

The Company has also continued the process of implementing an Energy Management System under the ISO 50001 standard, which began in 2017. Currently, 35 buildings are certified composing a surface area of 417,366 m², 28 more than in 2018. In the future, the Company plans to increase the number of buildings with these certifications.

In keeping with the optimisation of the environmental performance of its assets, in 2019, given their significant role in the Company's environmental performance, MERLIN continued with an environmental training program for shopping centre operators in an effort to promote greater awareness and, thus, achieve better asset performance.

4.3. ESG indicators Syndicated Loan

In 2019 the Group completed the process begun in 2018 of refinancing its debt by a corporate syndicated loan (€1,550 million) and a mortgage-backed loan (€68 million) under the sustainable loan format (ESG).

The corporate loan marked an important milestone, as it was the largest financing of this type granted to a real estate company in Europe and the second largest obtained in Spain.

These transactions highlight the Company's ongoing effort to integrate Corporate Social Responsibility principles by incorporating sustainability criteria in the investments of its asset portfolio, as well as in the management of the liabilities on its balance sheet.

This financing includes a cost adjustment mechanism based on management indicators calculated on the basis of four sustainability criterion, which are measured annually and audited by the Company's auditor. The indicators for 2019 were:

- Investment of at least €2.5 million in energy efficiency improvements across the portfolio
- Obtaining at least 11 LEED and BREEAM external energy certifications with a minimum rating of LEED Silver and BREEAM Good.
- Obtaining at least 11 AIS/DIGA certifications for disability access for all tenants and consumers
- Electricity consumption of at least 30 GW from renewable energy sources

At the end of 2019, 3 of the 4 goals were met, with the consequent adjustment to borrowing costs for both loans for 2020.

5. Staff management

a. Staff breakdown

MERLIN's staff are its main asset. At 2019 year end, the MERLIN Group's human team was comprised a total of 218 employees, divided into 5 categories in keeping with MERLIN's strategy of maintaining a horizontal structure.

Total number of employees at 2019 year end. Country, Sex, Professional Category and Age

Professional category	Women	Men	Overall total
Executive Directors	-	2	2
Senior Management	-	6	6
Management Team	1	4	5
Middle management	10	43	53
Other Staff	86	66	152
Total Employees	97	121	218

Country	Professional category	Age Range	Women	Men	Overall total
SPAIN	Executive Directors	>50 years old	-	1	1
		30-50 years old	-	1	1
	Total Executive Directors		-	2	2
	Senior Management	>50 years old	-	5	5
		30-50 years old	-	1	1
	Total Senior Management		-	6	6
	Management Team	>50 years old	-	1	1
		30-50 years old	1	3	4
	Total Management Team		1	4	5
	Middle management	>50 years old	3	12	15
30-50 years old		7	30	37	
Total Middle Management		10	42	52	
Other Staff	< 30 years old	12	11	23	
	>50 years old	16	16	32	
	30-50 years old	56	35	91	
Total Other Staff		84	62	146	
Total SPAIN			95	116	211
PORTUGAL	Middle management	30-50 years old	-	1	1
		Total Middle Management		-	1
	Other Staff	>50 years old	1		1
		30-50 years old	1	4	5
Total Other Staff		2	4	6	
Total PORTUGAL			2	5	7
Overall total			97	121	218

Total number of employees at 2019 year end by type of employment contract

MERLIN has a team of professionals with indefinite-term contracts and an average age of 44. Throughout 2019, to promote the employability of young people, MERLIN, implemented a first job plan for young people who, having just finished their compulsory education, wanted to continue training and combine their studies with employment on some weekends. From the moment they join the Company, MERLIN offers its employees stable contracts to ensure their loyalty and improve its ability to attract talent to the organisation. At 2019 year end, 99.54% of employees had an indefinite-term contract.

Contract Type	Time	Total
Indefinite-term	Full-time	207
	Part-time	10
Total Indefinite-term		217
Temporary	Full-time	1
Total Temporary		1
Overall total		218

Turnover Rate

According to the working climate survey conducted in 2019, the level of satisfaction among MERLIN employees is high. The voluntary turnover rate in 2019 was 2.29%.

Professional category	Age Range	Women	Men	Total
Middle management	30-50 years old	-	1	1
Other Staff	< 30 years old	2	-	2
	30-50 years old	2	-	2
Overall total		4	1	5

Number of dismissals by sex, age and professional category.

Professional category	Age Range	Women	Men	Total
Middle management	30-50 years old	-	1	1
Other Staff	30-50 years old	-	2	2
Overall total		-	3	3

Disabled Employees.

MERLIN is also very committed to including and integrating people with disabilities into the workforce.

In this context, the Company currently has a total of 5 disabled employees on its staff, all of whom have part-time indefinite-term contracts, representing 2.29% of MERLIN's human capital. These staff members are fully integrated and perform necessary and valued functions at the Company. The Company exceeds the requirements under the current law in this area (Spanish General Disability Act [*Ley General de la Discapacidad*] former Spanish Social Integration of Disabled Persons Act [*Ley de Integración Social de los Minusválidos*]) through direct hiring.

Professional category	2019	2018
Other Staff	5	5
Total	5	5

Attracting and retaining talent.

MERLIN is committed to guaranteeing equal opportunities and transparency in its recruitment processes, hiring new staff based on their skills, knowledge and alignment with corporate values and objectives.

In 2019 MERLIN hired 54 new employees, 10 of whom were part of the Innovación Colaborativa team, a company absorbed by MERLIN in March 2019 (new staff growth rate: 18.2% compared to 2018, of which 55.55% were women).

To attract new talent, MERLIN has collaboration agreements with leading educational institutions, promoting, on the one hand, the integration of students who have recently joined the labour market and, on the other, the identification of students with stellar academic performance who could join the Company.

Within the framework of these agreements, in 2019 MERLIN had 8 interns.

In the area of talent retention, MERLIN continuously studies how to motivate and reward its staff for their involvement in and commitment to the Company. To that end, it currently has four key tools: remuneration, professional development, a horizontal structure and employment benefits.

b. Remuneration

Remuneration is a key tool for attracting and retaining the best talent. The Company's remuneration scheme has three differential aspects:

- The flattest pay slope of the IBEX-35.
- The highest average salary of the IBEX-35.
- Prioritisation of performance over any other variable when establishing remuneration and, therefore, employee growth is monitored on an ongoing basis.

In 2019 the Company strengthened its long-term incentive plan for employees. Currently, 58 employees are covered by the LTIP.

c. Employee Benefits

In addition to MERLIN's remuneration system, the Company offers all its employees employment benefits and alternative remuneration formulas.

In 2019 MERLIN continued to standardise employment conditions and benefits for all staff. In this context, the Company has matched and improved the conditions of all employees of the subsidiary, Innovación Colaborativa, incorporated in April 2019. It has improved the conditions of all its employees by offering them the additional benefits in kind received by the rest of the Group's employees, i.e., health insurance, life and accident insurance and access to a flexible compensation plan that includes a restaurant card, transportation card, childcare checks, training plans and access to the purchase of Company shares.

5.3. Professional Development

As stated in the Company's Code of Conduct, MERLIN promotes equal opportunities and non-discrimination at all stages of its employment relationship with staff in terms of access to employment, training, promotion of employees and working conditions.

The proactivity of MERLIN staff is the key to their development. The Company's horizontal nature and youth allows each staff member to set the pace and focus of their development based on their abilities and aspirations. Throughout their career with the Company, all staff members have the opportunity to rotate through different positions and to take on new responsibilities.

Training

Likewise, MERLIN offers its employees on-the-job training to enhance their development process. This training consists of three tools:

- Targeted training: MERLIN gives its employees the opportunity to select the courses that best suit their specific needs. If necessary, MERLIN, through the experience of its staff members, provides guidance so that employees can choose those courses that best suit their needs.

- Shared knowledge: MERLIN considers it a priority to strengthen and share the knowledge accumulated by a workforce with more than 20 years of experience, both in terms of the tools developed and the management procedures honed. To that end, the Company provides annual "in-house training" courses given by MERLIN staff to their colleagues.

- Language Training Plan: In 2019 MERLIN expanded the scope of its Language Training Plan. It is now available to employees at the Company's headquarters, as well as to staff in Barcelona and at its headquarters in Portugal where Spanish classes are provided.

In 2019 92.20% of employees had received training.

Total number of training hours by professional category

Professional category	Total Hours
Executive Directors	4.0
Senior Management	61.3
Management Team	35.7
Middle management	619.4
Other Staff	2,229.3
Overall total	2,949.7

5.4. Health and Safety

MERLIN seeks to ensure the welfare of its employees by creating healthy work environments that maximise their well-being through design, the heating, ventilation and air conditioning equipment used, light output, ergonomics, among others, meeting employees' needs in terms of their thermal, visual and acoustic comfort, as well as indoor air quality.

As part of their remuneration in kind, MERLIN provides its employees with high-cover health insurance that is 80% reimbursed. This health insurance is both for employees and their direct family (spouse and children). All employees, regardless of professional category, have the same health insurance with the same cover.

Number of employees and sick days broken down by sex.

	No. of employees	Total Days
Men	12	183
Women	14	1,000
Overall total	26	1,183

Occupational accident days broken down by sex.

In 2019 there were no incidents due to non-compliance with health and safety regulations. All new recruits receive Occupational Risk Prevention training.

6. MERLIN tax contribution

In accordance with the **MERLIN Group's current Tax Strategy** — an update of which was approved by the Board of Directors on 19 June 2019 — compliance at all times with current tax legislation is part of the principles that guide MERLIN's corporate responsibility, with the taxes settled representing one of its contributions to the economic and social development of the society in which it operates.

6.1. Benefits and taxes by country.

In accordance with the foregoing, the Merlin Group's total tax contribution, between Spain and Portugal in 2019 amounted to €217,049.5 thousand. Based on the nature of the tax and the country of residence of the companies, the following is a breakdown of the Group's total tax contribution in 2019 following a cash approach:

Spain:

The total contribution in Spain amounted to €196,359.20 thousand, taking into account direct and indirect taxation. This amount is differentiated into tax paid and tax collected/withheld. The former are those that entail a cost for the Group, while the latter are those

that, without entailing a cost for the Company, consist of a collection on behalf of third parties. The following summary shows both concepts:

Thousands of euros

Taxes paid		Taxes collected/withheld	
Property Tax	40,595.2	VAT/Canary Islands General Indirect Tax	72,438.9
Income Tax	14,837.4	Dividend Personal Income Tax/Non-resident Income Tax	30,999.0
Tax on the Increase in Urban Land Value	5,721.9	Employees Personal Income Tax/Non-resident Income Tax	15,208.2
Economic Activities Tax	5,566.6	Suppliers Personal Income Tax/Non-resident Income Tax	3,762.4
Company SS	2,411.4	Employee SS	511.7
Fees	2,378.8	Total Tax Collected	122,920.4
Transfer Tax and Stamp Duty	1,043.9		
Tax on Buildings, Installations and Works	620.7		
Tax on Large Commercial Establishments	255.8		
Tax on the Value of the Production of Electricity	6.5		
Total Tax Paid	73,438.8		

Portugal:

The total contribution in Portugal amounted to €20,690.4 thousand. Likewise, the following is a breakdown between the taxes paid and taxes collected/withheld for Portugal:

Thousands of euros

Taxes paid		Taxes collected/withheld	
Tax on the Increase in Urban Land Value	5,256.9	VAT/Canary Islands General Indirect Tax	7,043.3
Income Tax	3,197.2	Suppliers Personal Income Tax/Non-resident Income Tax	4,035.9
Property Tax	787.6	Total Tax Collected	11,079.2
Economic Activities Tax	281.1		
Company SS	88.2		
Total Tax Paid	9,611.2		

6.2. MERLIN's Total Tax Contribution in 2019

The Total Tax Contribution ("TTC") methodology measures the total impact of a Company's tax payments. This assessment is made from the standpoint of the total taxes settled with the various public authorities directly or indirectly as a result of the economic activity of the MERLIN Group.

To perform the analysis, the cash approach of the various taxes and fees levied on the MERLIN Group's activity was taken into account, considering the scope of consolidation of the companies under its control, as well as the impact of associates due to the Merlin Group's percentage of control over them.

The purpose of this calculation is to measure the business asset represented by the MERLIN Group's tax contribution so that it is effectively incorporated into the reputational value given the value it generates and contributes to society.

Therefore, the impact of the various taxes that entail an outflow of cash for the Group is detailed below:

Thousands of euros

Income tax	
Income Tax	18,034.7
Tax on the Increase in Urban Land Value	10,978.9
Suppliers Personal Income Tax/Non-resident Income Tax	7,798.3
Economic Activities Tax	5,847.7
<i>SUBTOTAL</i>	<i>42,659.6</i>
Shareholder taxes	
Dividend Personal Income Tax/Non-resident Income Tax	30,999.1
<i>SUBTOTAL</i>	<i>30,999.1</i>
Property taxes	
Property Tax	41,382.9
<i>SUBTOTAL</i>	<i>41,382.9</i>
Employment-related taxes	
Employees Personal Income Tax/Non-resident Income Tax	15,208.2
Company SS	2,499.6
Employee SS	511.7
<i>SUBTOTAL</i>	<i>18,219.6</i>
Taxes on products and services	
VAT/Canary Islands General Indirect Tax	79,482.3
Transfer Tax and Stamp Duty	1,043.9
Tax on Buildings, Installations and Works	620.7
<i>SUBTOTAL</i>	<i>81,146.9</i>
Environmental taxes	
Fees	2,378.9
Tax on Large Commercial Establishments	255.9
Tax on the Value of the Production of Electricity	6.6
<i>SUBTOTAL</i>	<i>2,641.4</i>
TOTAL	217,049.5

As mentioned above, in 2019 the Merlin Group's total tax contribution amounted to €217,049.5 thousand between Spain and Portugal, of which 38.3% corresponded to taxes paid and 61.7% to taxes collected/withheld.

- The taxes paid by the MERLIN Group in 2019 amounted to €83,050.0 thousand including, most notably, property tax that amounted to €41,382.9 thousand, representing 49.8%.
- The taxes collected/withheld by the MERLIN Group in 2019 amounted to €133,999.6 thousand including, most notably, taxes on products and services, mainly VAT, which amounted to €79,482.3 thousand, representing 59.3%.

According to the TTC methodology, the distributed value of a company is comprised the sum of the following elements: net interest, wages and salaries (net of taxes withheld from employees), taxes (paid and collected) and shareholder value (i.e., dividends, reserves, etc.), among others.

Thus, the ratio of distributed tax value reveals what percentage of the total value generated by MERLIN is allocated to the taxes paid to or collected/withheld for the public authorities. In essence, the tax distributed value reflects the way in which MERLIN contributes the value it generates to society.

<u>Economic data</u>	Thousands of euros
Revenue (Note 18.a.)	514,853
(1) Profit before tax (without revaluation)	235,738
(1) Profit before taxes paid (without revaluation)	318,788
Total taxes paid	83,050
Total taxes collected/withheld	133,999
Total tax contribution 2019	217,049

<u>Tax Contribution Indicators</u>	
(a) Total Tax Contribution Ratio	26.1%
(b) TTC with regard to revenue	42.2%
(c) Taxes paid as a percentage of revenue	16.1%
(d) Taxes collected/withheld as a percentage of revenue	26.0%
(e) Distributed tax value in the Company	31.0%

(1) Note 7. Change in fair value of investment property (€354,972 thousand at 31 December 2019)

- (a) Total taxes paid/Profit before taxes paid
- (b) Total Tax Contribution/Revenue
- (c) Taxes paid/Revenue
- (d) Taxes collected and/or withheld/Revenue
- (e) Taxes paid and collected and/or withheld/Total distributed value

Where the total distributed value = Profit after tax + wages and salaries + net interest + taxes paid and taxes collected/withheld

In this regard, in 2019, 31% of the value generated by MERLIN was paid to the Treasury through taxes paid and collected/withheld. Thus, for every €100 of value generated by the Group in 2019, €31 were allocated to paying taxes.

For every €100 of the Company's revenue, €42.2 were allocated to the payment of taxes, of which €16.1 are taxes paid and 26 euros are taxes collected/withheld.

In 2019, of total profit (without revaluation of the investment property) before tax, for the purposes of the Total Tax Contribution, taxes paid represented 26.1%

7. Dividend policy

7.1. Dividend policy

The Company's dividend policy takes into account sustainable levels of distribution and reflects the Company's expectation of obtaining recurring profits. The Company does not intend to create reserves that cannot be distributed to Shareholders, except as required by law.

Under the REIT regime, after fulfilling any relevant requirement of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the Company is obliged to adopt resolutions to distribute the profit obtained in the year to shareholders in the form of dividends and this distribution must be approved within six months of the close of each year, as follows: (i) at least 50% of the profit from the transfer of real estate and shares of qualified subsidiaries, provided that the remaining profit is reinvested in other real estate assets within no more than three years of the date of the transfer or, otherwise, 100% of the profit must be distributed as dividends after such period has elapsed; (ii) 100% of the profit obtained from receiving the dividends paid by qualified subsidiaries; (iii) at least 80% of the remaining profit obtained.

If the dividend distribution resolution is not adopted within the legally established period, the Company will lose its REIT status for the financial year to which the dividends refer. As established in the Company's IPO Prospectus, MERLIN Properties has set itself the goal of distributing an annual dividend of between 4% and 6% of the IPO value.

The Company's dividend policy establishes a minimum distribution of 80% of the AFFO ("Adjusted FFO"), understood as the cash flow from operations less interest paid and less ordinary maintenance expenses for the assets. The distributions made to MERLIN shareholders in 2019 are shown in the accompanying table.

MERLIN's Board of Directors resolved to distribute an interim dividend out of 2019 profit of €0.20 gross per share that was paid on 28 October 2019. MERLIN's management team will recommend a final dividend out of 2019 profit, subject to the approval of the 2020 Annual General Meeting. The amount of the final dividend would be €0.32 gross per share to be distributed in May 2020, for a total of €0.52 gross per share, compared to €0.50 in 2018.

7.2. Table of dividends paid by year

Type	Payment date	Item	€ per share
2015 interim dividend	28 Oct. 15	Dividend	0.0775
2015 final dividend	27 Apr. 16	Dividend	0.0055692
2015 final dividend	27 Apr. 16	Distribution of share premium	0.102608
2015 total dividend			0.19
2016 interim dividend	25 Oct. 16	Dividend	0.185
Extraordinary distribution	25 Oct. 16	Distribution of share premium	0.02
2016 final dividend	18 May 17	Dividend	0.10071014
2016 final dividend	18 May 17	Distribution of share premium	0.09928767
2016 total dividend			0.40
2017 interim dividend	25 Oct. 17	Dividend	0.20
2017 final dividend	25 May 18	Dividend	0.02053654
2017 final dividend	25 May 18	Distribution of share premium	0.24
2017 total dividend			0.46

2018 interim dividend	25 Oct. 18	Dividend	0.20
2018 final dividend	07 May 18	Dividend	0.20270039
2018 final dividend	07 May 18	Distribution of share premium	0.09729961
2018 total dividend			0.50
2019 interim dividend	28 Oct. 19	Dividend	0.20
2019 final dividend	Pending approval of AGM		0.32
2019 total dividend			0.52

8. Main risks and uncertainties

MERLIN's **Risk Management System** is based on the principles, key elements and methodology established in the **COSO Framework** ("Committee of Sponsoring Organizations of the Treadway Commission"), which aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

Based on a comprehensive view of risk management, MERLIN has adopted a methodological approach based on the Enterprise Risk Management Framework - Integrating with Strategy and Performance (**COSO ERM 2017**), which emphasises the importance of enterprise risk management in strategic planning and incorporates it throughout the organisation, since risk influences strategy and performance in all areas, departments and functions.

The **Risk Management and Control Policy** was initially approved by the Board of Directors in February 2016, then in its second version in April 2018 and finally, in its current wording, in April 2019.

This policy establishes the general guiding principles, rooted in the perception that risk management is an ongoing process based on the identification and assessment of the Company's potential risks according to its strategic and business objectives, the determination of action plans and controls for critical risks, the supervision of the effectiveness of the controls designed and the evolution of residual risk to be reported to the Company's governing bodies.

MERLIN's risk management is a process driven by the Board of Directors and Senior Management and each and every member of the organisation is responsible for it within their own purview. Risk management, supervised by the Audit and Control Committee, allows Management to effectively manage uncertainty and its associated risks, thereby improving the ability to generate value.

A central element of the Risk Management System is the **Risk Map** — drawn up for the first time in 2015, updated every six months by the Audit and Control Committee and approved by the Board of Directors — which reflects and assesses the risks that could potentially impact its ability to meet its objectives. To determine the key risks, the impact on the organisation and the probability of their occurrence were taken into account, thus, establishing a standard Risk Profile to be managed.

8.1. Description of MERLIN's risks

MERLIN is exposed to a variety of risks inherent to the various segments of the real estate business in which it operates and in the leasing and/or development activities it carries on in each of these segments, as well as in the geographical areas in which it is established and in the evolution of external factors, both political and economic.

To implement risk management and control, the Board of Directors is assisted by the Audit and Control Committee, which supervises and reports on the adequacy and effectiveness of the risk management and control system.

The Audit and Control Committee is responsible for supervising the Company's risk management and control system (including internal controls) and verifying its suitability and integrity. The Audit and Control Committee carries out this supervisory function through the Internal Audit Department, which verifies the suitability and integrity of the Risk Management System implemented by the Company's management on an annual basis.

Based on the analysis of MERLIN's vision, values and strategy, the various components are analysed according to the grouping of the different strategic objectives included in these elements (being the benchmark REIT, creation of long-term value, generation of sustainable and growing dividends, values of transparency, ethics and responsibility). In this connection, the risks MERLIN identifies and assesses are classified under the perspective of the different strategic components and facilitating elements identified above, as shown below:

- **Business Risks:** which affect the strategic objectives of long-term value creation and the generation of sustainable and growing dividends, achievement of which depends mainly on the Group's various assets, grouped together in the different business segments (offices, net leases, shopping centres, logistics and others): occupancy rate of the assets, fluctuation rent levels, rent concentration, loss of property value, inefficiency in investments, political risk, etc.
- **Resource Risks:** which affect the strategic objectives of generating sustainable and growing dividends and the values of transparency, ethics and responsibility, achievement of which depends mainly on the various internal and external resources available to the Group (human, technological and financial): staff dependence and their remuneration, occupational risk prevention, business continuity plan, cybersecurity breaches, technological innovation, the Company's credit rating, volume of short-term debt, compliance with covenants, etc.
- **Stakeholder Risks:** which affect the strategic objectives of leadership and reference (being the benchmark REIT) and the values of transparency, ethics and responsibility; achievement of which depends mainly on the various actions taken and policies implemented by the Group for its various stakeholders (customers, suppliers, society; investors and shareholders; and regulatory bodies) : customer and supplier credit risk, the Group's reputation, macroeconomic conditions in the country, shareholder remuneration (dividends), compliance with the REIT regime, etc.

Section E of the Annual Corporate Governance Report details the main risks, the action plans established and, where applicable, those that have materialised during the year and the circumstances that have led to them.

8.2. Financial and tax risks

Financial risk management policies within the rental property sector are determined mainly by analysing the investment projects, management of the occupancy of the properties and the situation of the financial markets:

- **Credit risk:** the credit risk relating to the Company's ordinary business activity is practically non-existent or insignificant, due mainly to the fact that the agreements entered into with the tenants provide for the advance payment of the rent derived from them, in addition to requiring them to provide the legal and additional financial guarantees in the formalisation of the rental agreements and their renewal, which cover the possible non-payment of rent. Such risk is also mitigated by the diversification by product type in which the Company invests and, consequently, in the type of customers.

- **Liquidity risk:** To manage liquidity risk and meet its various funding requirements, the Company uses an annual cash budget and a monthly cash projection, the latter being detailed and updated daily. The factor causing the liquidity risk is the working capital deficiency, which mainly includes short-term debt. In addition, liquidity risk has the following mitigating factors, which should be highlighted: (i) the generation of recurrent cash from the businesses on which the Company bases its activity; and (ii) the capacity to renegotiate and obtain new financing facilities based on the Company's long-term business plans and the quality of its assets.

At the date of preparation of the consolidated financial statements, taking into account the foregoing, the Group had covered all its funding requirements to fully meet its commitments to suppliers, employees and the authorities based on the cash flow forecast for 2020. Likewise, the type of sector in which the Company operates, the investments it makes, the financing it obtains to make such investments, the EBITDA they generate and the occupancy rates of the properties, enables the liquidity risk to be mitigated and excess cash to be produced.

Cash surpluses are used to make short-term investments in highly liquid deposits with no risk. The acquisition of share options or futures, or any other high-risk deposits as a method of investing cash surpluses, is not among the possibilities considered by MERLIN Properties.

- **Interest rate risk:** To minimise the Group's exposure to this risk, financial instruments have been arranged to hedge cash flows, such as interest rate swaps. At 31 December 2019, the percentage of debt the interest rate of which is covered by the aforementioned financial instruments was 99.54%.

- **Foreign currency risk:** the Company's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, currently there is no foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations

arising in translating the financial statements of foreign companies whose functional currency is not the euro. At 31 December 2019, the functional currency of all subsidiaries and associates of the MERLIN Group was the euro.

• **Market risk:** MERLIN Properties is exposed to market risk from possible vacancies or renegotiations of leases when the leases expire. This risk would have a direct negative impact on the valuation of the Company's assets.

However, market risk is mitigated by the customer acquisition and selection policies and the mandatory lease terms negotiated with customers. Therefore, at 31 December 2019, the average occupancy rate of the asset portfolio was 94.8%, with a weighted average unexpired lease term of 5.5 years (weighted by GRI).

• **Tax risk:** The Parent and a portion of its subsidiaries qualified for the special tax regime for real estate investment trusts (REITs). The transitional period for the Parent ended in 2017 and, therefore, compliance with all requirements established by the regime became mandatory.

Some of the more formal obligations that the Parent must meet involve the inclusion of the term SOCIMI (REIT) in its Company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the REIT regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies.

In this regard, Group management, based on the opinion of its tax advisors, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2019.

Accordingly, and also for the purpose of considering the financial effect of the regime, it should be noted that — as established in section 6 of Spanish Law 11/2009, of 26 October, amended by Spanish Law 16/2012, of 27 December — REITs, and in the percentages established therein, companies that have opted for the special tax regime, are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months of the close of each year, and the dividends paid in the month following the date on which the pay-out is agreed.

If the Parent does not comply with the requirements established in the regime or if the shareholders at the General Meetings of these companies do not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of this law, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to REITs.

9. Fraud and corruption prevention measures

In accordance with its Articles of Association, MERLIN aspires to ensure that its conduct and that of the people related to it comply and are compliance with the current law, its system of corporate governance and also with generally accepted principles of ethical and social responsibility.

In this connection, MERLIN has a **Criminal Compliance Management System** that is based on Merlin's firm commitment to the values and principles framed within the rejection of and zero tolerance for any unlawful act.

These principles are set out in the **Code of Conduct** (approved by the Board of Directors in 2015), and are projected onto the organisation's employees, managers and governing bodies, with a strong message of rejection of and zero tolerance for any unlawful behaviour or behaviour that violates the Company's policies, values and principles.

In this regard, the **Criminal Compliance Policy** helps to reinforce the Company's commitment to good corporate governance in accordance with its values and principles, and on the other hand, to diligently exercise in the organisation the necessary due control over the Company's governing bodies, executives and employees to minimise as much as possible the potential risk of bad practices or non-compliance with regulations in the performance of its activity.

9.1. Policies approved in 2019

In 2019 the Board of Directors approved a significant reform of MERLIN's Corporate Governance System through a series of policies that express the Company's desire to strictly comply with the highest standards of ethical and legal behaviour.

These policies include the **Policy on Corruption and Fraud**, which is based on the principle of zero tolerance for unlawful or criminal acts and, therefore, does not allow any of its employees, regardless of their hierarchical or functional level, to become involved or

participate in any transaction or business within its business activity that involves a criminal or fraudulent act or goes against the principles set out in its Code of Ethics, and the **Public Authority Relations Policy**, which aims to establish the basic principles governing the Group, and the rules of conduct for MERLIN Group employees in their interactions with the Public Authorities to impose preventive and proactive action in the fight against corruption and bribery in all areas of its business activity.

9.2. Crime Prevention Model

MERLIN has a **Crime Prevention and Detection Model** that was designed as a specific and effective programme to reduce the risk of crimes or other unlawful acts being committed within the Company and implemented as a set of general and specific measures aimed at preventing, detecting and reacting to possible crimes. In turn, this will allow the Company, where applicable, to be able to guarantee third parties and judicial and administrative bodies that it has exercised the proper prevention control legally required of all businesses in relation to their employees, managers and governing bodies.

Under the current law, the Company's obligation to exercise due control requires that MERLIN implement ongoing control mechanisms and designate internal control bodies that supervise the Company's risks and the functioning of the controls implemented.

To that end, Merlin has a **Criminal Compliance Body** (CCB) that is as a collective body that reports to the Company's Board of Directors. The CCB has autonomous powers to take initiative and exercise control to ensure compliance with Merlin's Crime Prevention and Detection Model. The manner in which this body functions is defined in its Operating Procedures and, additionally, Merlin has a manual that defines the different responsibilities within the organisation in relation to crime prevention and detection.

In addition, MERLIN has a **Whistle-blowing Channel** (canal.etico@merlinprop.com) that provides a confidential channel through which to communicate any event that violates the laws in force and the Code of Conduct, as well as potentially material irregularities of a financial or accounting nature or of any other nature. This Channel is accessible to all MERLIN companies and is equally public and accessible to any interested third party, for which purpose there is a specific email address, which is detailed in the Code of Conduct together with its characteristics, published on the Group's corporate web page.

In 2019 no reports were received through the Company's Whistle-blowing Channel.

9.3. UNE 19601 Compliance System Certification

With regard to **MERLIN's Criminal Compliance Management System**, it is worth noting that in 2019 it obtained quality certification in accordance with the UNE 19601 standard, the Spanish national standard for best practices in management systems to prevent crime, reduce risk and promote an ethical business culture that complies with the law, thus, contributing to generating confidence among shareholders, investors and other stakeholders.

The UNE 19601 standard establishes the requirements for criminal compliance management systems with the goal of going beyond compliance with legislation and helping companies and organisations prevent crimes from being committed and reduce criminal risk and, thus, promote a culture of ethics and compliance. Likewise, Circular 1/2016 of the Public Prosecution Service values certification as a very significant element to be considered, if necessary, when assessing the effectiveness of criminal prevention models and in exonerating legal entities from criminal liability.

The certification accredits that MERLIN's Crime Prevention and Detection Model meets all the standard's requirements and is also effective in its commitment to ongoing improvement to incorporate the highest standards of compliance.

Among other aspects, MERLIN's Crime Prevention and Detection Model includes a **Map of Risks or Criminal Offences** to which the Group is exposed due to its activity and identifies, documents and executes more than 90 controls linked to such offences, demonstrating that the organisation has put in place the mechanisms and controls within its reach in the area of Criminal Compliance.

Thus, MERLIN has become one of the first real estate companies among the Ibx 35 to obtain this quality certificate, a certificate that helps to generate confidence among its stakeholders and recognises MERLIN's effort to prioritise and adopt the best national and international practices in compliance, corporate governance, social responsibility and business ethics.

10. Acquisition and disposal of treasury shares

At 31 December 2019, the Parent held treasury shares amounting to €56,860 thousand.

The changes in 2019 were as follows:

	Number of Shares	Thousands of Euros
Balance at 1 January 2018	2,320,230	24,881
Additions	5,005,395	56,048
Disposals	(1,175,625)	(12,607)
Balance at 31 December 2018	6,150,000	68,322
Additions	52,776	633
Disposals	(1,125,407)	(12,096)
Balance at 31 December 2019	5,077,369	56,860

In 2019 the Parent acquired 52,776 treasury shares at an average cost of €11.88 per share. At 31 December 2019, the Parent held treasury shares representing 1.0808% of its share capital.

The disposal of treasury shares, amounting to €12,096 thousand (average cost of €10.75 per share), for the amount of €11,503 thousand, (average cost of €10.73 per share), relate mainly to the delivery of shares to Executive Directors, Senior Management and the rest of the management team corresponding to the “2016 Share Plan”, a variable remuneration incentive agreed upon with them (see Note 20 of the 2019 Consolidated Financial Statements) and for the amount of €586 thousand relate to the delivery of shares to employees as part of the flexible compensation plan.

11. Other relevant information

11.1. Stock market information

On 31 December 2019, MERLIN shares closed at a price of €12.79, representing an 18.6% increase in their price compared to the closing price on 31 December 2018 (€10.78). The share performed better than Spain's benchmark index, the IBEX-35 (+11.8%) and worse than the sector benchmark EPRA Europe (+24.7%) and the Euro Stoxx 600 (+23.2%).

11.2. Average period of payment to suppliers

The information required by Additional Provision Three of Spanish Law 15/2010, of 5 July (modified by Final Provision Two of Spanish Law 31/2014, of 3 December) prepared in accordance with the Spanish Accounting and Audit Institute's Resolution of 29 January 2016 on information to be included in the notes to the financial statements with regard to the average period of payment to suppliers for commercial transactions is detailed below.

	2019	2018
	Days	Days
Average period of payment to suppliers	33.6	47.0
Ratio of transactions paid	34.2	46.7
Ratio of transactions payable	24.7	52.9
	Thousands of Euros	
Total payments made	154,722	179,583
Total payments pending	11,216	7,452

In accordance with the Spanish Accounting and Audit Institute's Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Spanish Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under “Trade and other payables” under current liabilities in the balance sheet.

“Average period of payment to suppliers” is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum legal period applicable to the Group in accordance with Spanish Law 11/2013, of 26 July was 30 days following the publication of the aforementioned law to date (unless the conditions established therein are met that would enable the aforementioned maximum period to be extended up to 60 days).

11.3. R&D+i activities

In relation to R&D+I activities and other innovative initiatives, MERLIN promoted numerous projects of a technological nature to position MERLIN at the forefront in terms of solutions for its clients and internal management. Of those projects the following are of note:

- Special projects:
 - o Sensorisation programme for office buildings (in collaboration with Signify) and shopping centres (in collaboration with Vodafone)
 - o Last mile in logistics
 - o Implementation of third party technologies (e.g., KeepEyeOnBall, Butler and Fillit)
 - o User experience app
- Mentoring: PropTech Challenge organised with ISDI
- Sponsorship: Agreement with Fifth Wall, the largest venture capital firm focused on the real estate industry

12. Annual Corporate Governance Report

For the purposes of section 538 of the Spanish Corporate Enterprises Act, it is hereby stated that the 2019 Annual Corporate Governance Report forms part of this Management Report.

13. Subsequent events

In January 2020, the investee company Cilsa (ZAL Port) delivered a 35,144 m² warehouse to Damm, reaching the 500,000 m² mark.

On 17 January 2020, the Group completed the acquisition of Plaza de Cataluña 9 in Barcelona. This historical asset, located in one of the most touristic and emblematic squares of Barcelona, has a gross leasable area of 3,048 m². The acquisition price amounts to 15 million euros, representing a gross return of 4.5%.

As of 15 January 2020, the shares of the Parent Company have been admitted to trading on Euronext Lisbon under a dual listing regime.

On 7 February, the Parent Company issued a EUR 100 million tap on its 15-year bond at 102% of nominal value and a coupon of 1.875%.

In February 2020, the Group signed a rental agreement with BBVA for 9,135 m² in the EP Las Tablas, Madrid.

On 27 February, the Group signed the contribution of 3 secondary assets (Thader, La Fira and Nassica) to Silicius Socimi, a vehicle managed by Mazabi. The transaction is neutral in terms of NAV and, in return, the Group has received 34.38% of Silicius. As a result of this transaction, the The Group's exposure to shopping centres has been reduced to 18.9% and exposure to secondary centres to 4.9% of the retail portfolio (0.9% of the total portfolio).

14. Alternative Performance Measures

MERLIN Properties, as a member of the EPRA (European Public Real Estate Association), follows best practice standards in reporting that enables investors to more easily compare certain measures that are specific to the real estate sector. The measures are published twice a year and are detailed in the Management Report.

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

14.1. Definition of APMs

Average maturity (years)

It represents the average term of the Company's debt until its maturity. It is an important measure as it provides investors with important information on its commitments to repay its the financial obligations.

It is calculated as the sum of the years remaining to maturity of each loan multiplied by the outstanding debt of the loan and divided by the total outstanding amount of all loans.

Given the nature of this measure, it is not possible to reconcile it with the Group's Financial Statements; however, the main information is available in Note 14 to the Consolidated Financial Statements.

Average passing rent

It represents the rent per square meter per month at which an asset or category of assets is leased at a particular point in time.

Average passing rent is a relevant performance measure as it shows the implicit rents of all the Company's current leases at a particular point in time per square meter per month, enabling it to be compared to market rents.

Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

Release spread

Difference between the new rent signed and the previous rent in renewals (same space, same tenant) or relets (same space, different tenant) over the last twelve months.

The release spread provides investors with an insight into rental behaviour (rental trends) when negotiating with tenants.

It is calculated on a rent-by-rent basis and, therefore, cannot be reconciled with the Financial Statements.

Like-for-like Rent

Amount of comparable GRI (Note 8.2. to the 2019 Notes to the Consolidated Financial Statements) between two periods.

Assets are calculated on a per-asset basis, excluding income from investments or divestments made between the two periods and buildings undergoing complete refurbishment during the period and other atypical adjustments, such as compensation for early termination of rental agreements. We consider like-for-like rental growth a relevant measure that allows us to compare, on a homogeneous basis, the evolution of rental income for an asset or category of assets.

It is calculated on an asset-by-asset basis and, therefore, cannot be reconciled with the Financial Statements.

Annualised GRI

Passing rent at the balance sheet date multiplied by 12. We consider annualised GRI to be a relevant performance measure since it represents the total amount of rent from the Company's current leases at a given point in time, allowing the return on each asset (Gross Return) to be calculated.

Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

GAV

GAV is the portfolio value according to the latest available external appraisal, plus prepayments at cost for turnkey projects and developments

GAV is a standard measurement for comparative purposes, recognised globally in the real estate sector, and calculated by an independent external appraiser. The reconciliation with the Consolidated Financial Statements appears in the appendix of this report.

Gross yield

Gross yield represents the gross return on an asset or category of assets. It is calculated by dividing the annualised GRI by the latest available GAV.

APM (WAULT)

Weighted average unexpired lease term, calculated as the number of years of unexpired lease terms from the balance sheet date to the first break of a lease weighted by the GRI from each lease. We consider WAULT a relevant measure as it provides investors with the period of risk and opportunity to renegotiate current leases.

Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

Total income

This is the sum of total GRI (€525.9 million, see Note 8.2 of the Notes to the Consolidated Financial Statements for 2019) and other operating income excluding extraordinary items (€4.7 million).

Reconciliation with IFRS is shown in the table below.

Accounting EBITDA

Accounting EBITDA is calculated as earnings before interest, taxes, depreciation and amortisation.

Accounting EBITDA is a performance measure widely used by investors to assess companies, as well as by rating agencies and creditors to evaluate the level of debt by comparing accounting EBITDA with net debt and the debt service.

Reconciliation with IFRS measures is shown in the table below.

EBITDA

EBITDA is calculated as accounting EBITDA by deducting non-overhead expenses and the provision for the LTIP.

EBITDA is a very useful measure as it excludes the impact of atypical costs incurred in the period. Atypical expenses or non-overhead expenses are those associated with the acquisition or sale of assets and compensation, inter alia (as described in the IPO prospectus available in the corporate website www.merlinproperties.com).

Reconciliation with IFRS measures is shown in the table below.

Accounting FFO and FFO

Accounting FFO or Accounting Funds From Operations is calculated as EBITDA less net finance costs and recurring taxes (excluding taxes on divestments and other extraordinary events) plus the share of the results of companies accounted for using the equity method.

FFO is calculated by deducting the Company's non-overhead expenses from the accounting FFO. It is a globally recognised measure of performance and liquidity in the real estate sector.

EPRA cost ratio

It is calculated as the ratio of the Company's total management costs divided by GRI net of incentives. This performance measure shows operating efficiency on a recurring basis.

The reconciliation with the financial statements is shown in the Appendix to this report.

EPRA earnings

Earnings from strategic businesses as recommended by EPRA. The reconciliation with the financial statements is shown in the Appendix to this report.

EPRA NAV and EPRA NNAV

EPRA Net Asset Value (EPRA NAV) is calculated on the basis of the Group's consolidated shareholders' equity by adjusting certain items to include the fair value of the assets and interest accrued on other investments and to exclude certain items that are not expected to crystallise into a sustained investment property business, as recommended by the EPRA.

EPRA NNAV is the EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes. It corresponds to the net asset value of a real estate company, as recommended by the EPRA. EPRA NAV is a benchmark performance measure to compare the fundamental value of a real estate company with its quoted price. The reconciliation with the financial statements is shown in the Appendix to this report.

EPRA Yields

Net Initial Yield: Annualised rental income based on the passing rent at the balance sheet date, less non-recoverable operating expenses, divided by the fair value of the assets (GAV) plus the acquisition costs.

EPRA "Topped-up" NIY: Adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

These are two relevant performance measures as they are a globally recognised standard of comparison in the real estate sector, providing the net return on the portfolio assets based on the leases in force at a particular date regardless of the Company's financial structure, as recommended by the EPRA. The calculation is provided in the Appendix to this report. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

EPRA Vacancy Rate

It is calculated as the Estimated Market Rental Value ("ERV") of vacant space divided by ERV of the whole portfolio. Given the nature of this measure, it is not possible to reconcile it with the Financial Statements.

14.2. Reconciliation of the APM with the financial statements

Thousands €

Portfolio Valuation		2019	2018
Investment property	Note 7	12,169	11,741
Derivatives (in non-current assets)	Note 7	125	123
Equity method	Note 9	347	169
Non-current financial assets ⁽¹⁾	Note 10	104	-
Non-current assets	Nd	0.9	0.9
Total balance sheet		12,746	12,034
IFRS 16 (concessions)	Note 7	(28)	(24)
Equity method adjustment	Nd	33	32
Non-current assets adjustment	Nd	0.4	0.3
GAV		12.751	12.041

(1) Including DCN's loan and the fair value of Aedas stake

Million €

EPRA YIELDS	Offices	Shopping centers	Logistics	Net Leases	Other	WIP	2019
Gross asset value	6,160.8	2,540.4	939.0	1,873.2	452.5	301.3	12,267.3
Exclude:							
WIP & Land	(507.2)				(105.8)	(301.3)	(914.3)
Commercial property portfolio	5,653.6	2,540.4	939.0	1,873.2	346.7	-	11,352.9
Gross rents annualized	231.0	128.3	54.7	86.6	14.1	-	514.6
Exclude:							
Propex not recharged to tenants	(19.9) (22.2)	(16.5)	(3.3)	(0.6)	(1.6)	-	(41.9)
"Topped-up" net rents annualized	211.1	111.7	51.4	86.0	12.5	-	472.8
Exclude:							
Incentives	(6.1)	(4.0)	(1.5)	(0.4)	(1.2)	-	(13.1)
Net rents annualized	205.0	107.7	49.9	85.7	11.3	-	459.7
EPRA "topped-up" yield	3.7%	4.4%	5.5%	4.6%	3.6%		4.2%
EPRA net initial yield	3.6%	4.2%	5.3%	4.6%	3.3%		4.1%

<i>Thousands €</i>		2019	2018
Revenue	Notes 6 and 18 Income Statement	514,853	590,431
Other operating income		2,799	6,978
Staff costs	Note 18.c	(76,854)	(73,941)
Other operating expenses	Note 18.b	(64,473)	(56,274)
Testa adjustment			(89,721)
Aedas adjustment			(22,242)
Accounting EBITDA		376,324	355,232
Costs associated with the acquisition and sale of assets	Note 18.b	4,492	4,802
Other expenses	Note 18.b	120	118
Compensation	Note 18.c	328	98
Non-overhead expenses	Note 18.b and 18.c	4,939	5,018
Long-term incentive plan	Note 18.c	44,242	43,435
EBITDA		425,505	403,685
Net financial expenses ⁽¹⁾	Note 18.d	(112,415)	(119,298)
Recurring results of companies accounted for using the equity method ⁽²⁾	N/D	6,012	6,987
Non-controlling interests			
Current taxes ⁽³⁾	N/D	(6,030)	(4,517)
Extraordinary income	N/D	205	
FFO		313,277	286,857
Non-overhead expenses	Note 18.b and 18.c	(4,939)	(5,018)
Accounting FFO		308,338	281,839

<i>Thousands €</i>		2019	2018
Gross rental income	Note 8.2	525,918	499,708
Revenue from the rendering of services	Note 18.a	3,327	114,785
Extraordinary loss (Testa Residencial)			(89,721)
Extraordinary loss (Aedas)			(22,242)
Other net operating income	Note 18.b and Income Statement	1,387	6,978
Income		530,631	509,508

(1) Excluding debt arrangement costs

(2) Excludes revaluation adjustment, derivatives impact and includes dividends

(3) Excludes impact of assets sold

14.3. EPRA Metrics Reconciliation

		<i>Thousands €</i>	
EPRA EARNINGS		2019	2018
Consolidated Net Profit in accordance with IFRS		563,639	854,878
Adjustments for calculating EPRA earnings, excludes:		(299,543)	(594,233)
(i) changes in the value of investments, investment projects and other interests ⁽¹⁾	Note 7 and Income Statement	(352,936)	(641,166)
(ii) Gains or losses on disposals of assets	Note 7	19,063	(6,815)
(iii) Absorption of the revaluation of investment property		-	-
(iv) Non-recurring taxes ⁽²⁾	N/D	21,041	53,629
(v) Non-recurring results of companies accounted for using the equity method ⁽³⁾	N/D	(4,053)	(9,265)
(vi) Negative goodwill on business combinations	Note 3	2,866	20,523
(vii) Changes in the value of financial instruments and cancellation costs	Note 10	14,436	76,444
(viii) Impacts of impairment of the tax asset		-	-
(ix) Gains or losses on disposals of financial instruments	Income Statement	40	(4,198)
Non-controlling interests with regard to the above items		-	-
EPRA net recurring earnings before specific adjustments		264,096	260,645
EPRA net earnings per share before specific adjustments (weighted)		0.56	0.55
EPRA net earnings per share before specific adjustments		0.56	0.55
Company specific adjustments:		49,181	26,211
(i) Provision for incentive plan	Note 18.c	44,242	43,435
(ii) Non-recurring expenses	Note 18.b and 18.c	4,939	5,018
(iii) Non-recurring management fees		-	(22,242)
Non-controlling interests with regard to the above items		-	-
EPRA net recurring earnings after specific adjustments		313,277	286,856
EPRA net earnings per share after specific adjustments (weighted)		0.67	0.61
EPRA net earnings per share after specific adjustments		0.67	0.61

(1) Net revaluation of investment property plus depreciation and provision surplus

(2) Profit tax less current taxes

(3) Results of companies accounted for using the equity method less profit of the period excluding revaluation adjustment, derivatives impact and including dividend income

		Thousands €	
EPRA NAV		2019	2018
Equity	Note 13.5.	6,708,700	6,401,836
MTM Derivatives	Note 14	95,695	39,807
Deferred taxes (MTM)		599,876	578,149
<i>Deferred tax assets</i>	<i>Note 17.a</i>	<i>(87,778)</i>	<i>(88,415)</i>
<i>Deferred tax liabilities</i>	<i>Note 17.a</i>	<i>687,654</i>	<i>666,563</i>
Finance costs	Note 14.5.	(107,109)	(95,799)
Revaluations not included in the financial statements		33,511	31,874
<i>Revaluation of property, plant and equipment</i>	<i>N/D</i>	<i>357</i>	<i>339</i>
<i>Revaluation of result of companies accounted for using the equity method</i>	<i>N/D</i>	<i>33,154</i>	<i>31,535</i>
EPRA NAV		7,330,673	6,955,867
Shares	Note 13.1.	469,770,750	469,770,750
NAV per Share		15.60	14.81

		Thousands €	
EPRA COST RATIO		2019	2018
Operating costs of assets not chargeable to tenants	Note 18.b	(47,780)	(41,748)
Incentives		-	-
Unpaid	Note 18.b	(483)	(424)
Staff costs	Note 18.c	(76,532)	(73,843)
Recurring overheads	Note 18.b	(10,186)	(9,181)
Non-recurring overheads	Note 18.b and 18.c	(4,939)	(5,018)
LTIP expenses	Note 18.c	44,242	43,435
Exclude (if part of the above)			
Depreciation of real estate investments		-	-
Lease costs for concessions		-	-
Service costs included in rents but not separately recovered		-	-
Third-party asset management unit expenses		-	-
EPRA costs (including direct costs of vacancy)		(95,678)	(86,779)

Gross rental income	Note 8.2.	525,918	499,708
Less: incentives	N/D	(14,393)	(24,062)
Less: service fees (if included in rents)		-	-
Plus: attributable income from joint ventures		-	-
Rental income	Note 18.a	511,526	475,646

EPRA Cost ratio (including non-recurring overheads)	18.7%	18.2%
EPRA Cost ratio (excluding non-recurring overheads)	17.7%	17.2%

MERLIN PROPERTIES, SOCIMI, S.A.

Preparation of the Consolidated Financial Statements and Consolidated Management Report for 2019

On 27 February 2019, the directors of the Parent, MERLIN PROPERTIES, SOCIMI, S.A., in compliance with the provisions of section 253.2 of the consolidated text of the Corporate Enterprises Act and section 37 of the Spanish Commercial Code, authorised for issue the consolidated financial statements and consolidated Management Report for the year ended 31 December 2019. The consolidated financial statements consist of the attached documents preceding this page.

Madrid, 27 February 2019,

Javier García-Carranza Benjumea
Chairman of the Board of Directors

Ismael Clemente Orrego
Deputy-Chairman of the Board of Directors

Francisca Ortega Hernández Agero
Member

John Gómez Hall
Member

María Luisa Jordá Castro
Member

Pilar Cavero Mestre
Member

Juan María Aguirre Gonzalo
Member

Miguel Ollero Barrera
Member

Fernando Javier Ortíz Vaamonde
Member

Ana María García Fau
Member

Emilio Novela Berlín
Member

George Donald Johnston
Member

Mónica Martín de Vidales
Secretary of the Board of Directors

Ildefonso Polo del Mármol
Deputy Secretary of the Board of Directors

Merlin Properties SOCIMI, S.A.

Financial Statements for the year
ended 31 December 2019 and
Directors' Report, together with
Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails (see Notes 2 and 25).

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails (see Notes 2 and 25).

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Merlin Properties SOCIMI, S.A.,

Opinion

We have audited the financial statements of Merlin Properties SOCIMI, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compliance with the REIT tax regime

Description

On 22 May 2014, the Company applied to be included in the REIT (Spanish "SOCIMI") tax regime, which was applicable from 1 January 2014. Therefore, in 2019 the Company was regulated by Spanish Real Estate Investment Trusts (SOCIMI) Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December. One of the main characteristics of companies of this nature is that they are subject to an income tax rate of 0%.

The tax regime for REITs is subject to certain mandatory requirements, such as those relating to their company name and object, the minimum amount of their share capital, the obligation to distribute the profit obtained each year in the form of dividends, and the listing of their shares on a regulated market, as well as other requirements, such as, basically, investment requirements and those relating to the nature of the income obtained each year, which require significant judgements and estimates to be made by the directors, since failure to comply with any of these requirements will result in the loss of entitlement to the special tax regime unless the cause of the non-compliance is rectified within the immediately following year.

Therefore, compliance with the REIT regime requirements is a key matter in our audit, to the extent that the related tax exemption has a significant impact on both the financial statements and shareholder returns, since the business model of the Company is based on continuing to qualify for taxation under the REIT regime.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with compliance with the REIT tax regime, as well as tests to verify that the aforementioned controls operate effectively.

We obtained and reviewed the documentation prepared by the Company's directors on compliance with the obligations associated with this special tax regime, and we involved our internal experts from the tax area, who assisted us in analysing both the reasonableness of the information obtained and the completeness thereof in relation to all the matters provided for in the legislation in force at the analysis date.

Lastly, we verified that Notes 1, 16 and 22 to the financial statements contained the disclosures relating to compliance with the conditions required by the REIT tax regime and other matters associated with the taxation of the Company.

Valuation of investment property and of non-current investments in Group companies and associates

Description

The Company manages, both directly and indirectly through its ownership interests in Group companies and associates, a portfolio of urban property assets earmarked for lease (offices, shopping centres, logistics parks, etc.) located mainly in Spain and Portugal. The Company measures these assets at acquisition cost, recognising the necessary impairment losses if the fair value of the assets is lower. At 31 December 2019, the total carrying amounts of the portfolio of property assets and the ownership interests in Group companies and associates that also engage in real estate activities were EUR 4,513 million and EUR 3,131 million, respectively.

The Company periodically uses third parties independent of the Company as experts to determine the fair value of its property assets, both those it manages directly and those managed through the Group companies and associates in which it has ownership interests. The aforementioned experts have substantial experience in the markets in which the Company operates and employ valuation methodologies and standards widely used in the market.

The valuation of the property asset portfolio is a key audit matter, since it requires the use of estimates with a significant degree of uncertainty. Specifically, the discounted cash flow method is generally applied to the valuation of the rental property assets, which requires estimates of:

- the future net revenue from each property based on available historical information and market surveys;
- the internal rate of return or opportunity cost used when discounting;
- the residual value of the assets at the end of the projection period (exit yield).

In addition, small percentage changes in the key assumptions used for the valuation of the property assets could give rise to significant changes in the financial statements.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the relevant controls that mitigate the risks associated with the valuation of investment property and investments in Group companies and associates, as well as tests to verify that the aforementioned controls operate effectively. In particular, we tested those controls used by the directors to supervise and approve the hiring of, and the work performed by, the experts engaged for this purpose, and to ensure that no influence is exercised over the findings and conclusions of those experts.

We obtained the valuation reports of the experts engaged by the entity to value the entire property asset portfolio and evaluated the competence, capability and objectivity of the experts and the adequacy of their work for use as audit evidence. In this connection, with the assistance of our internal valuation experts, we:

- analysed and concluded on the reasonableness of the valuation procedures and methodology used by the experts engaged by the Company's directors;
- performed a review of the valuations of a sample of assets, chosen from among those of most significance in the Company's portfolio and those whose change in value might imply an atypical characteristic with respect to the available market information and the other property assets, and assessed, in conjunction with our internal experts, the matters involving the highest level of risk, including the occupancy rates and expected returns on the property assets. When performing the review, we took into consideration the information available on the industry and transactions with property assets similar to the property asset portfolio owned by the Company;

Valuation of investment property and of non-current investments in Group companies and associates

Description

Therefore, we considered this matter to be a key matter in our audit.

Procedures applied in the audit

- held meetings with the experts engaged by the entity's directors, in order to check the findings of our work and obtain the necessary explanations.

Lastly, we also checked that the disclosures made by the Company in relation to these matters, included in Notes 7 and 10 to the financial statements for 2019, contained the information required in this connection by the applicable financial reporting framework.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was provided in the directors' report and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in Appendix I to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 27 February 2020.

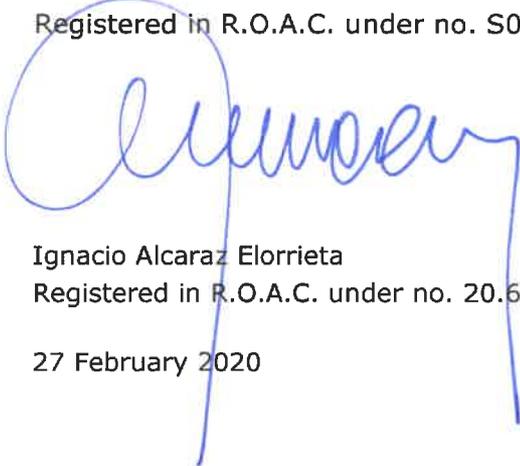
Engagement Period

The Annual General Meeting held on 10 April 2019 appointed us as auditors for a period of one year from the year ended 31 December 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 December 2014.

DELOITTE, S.L.

Registered in R.O.A.C. under no. S0692



Ignacio Alcaraz Elorrieta

Registered in R.O.A.C. under no. 20.687

27 February 2020

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**MERLIN PROPERTIES,
SOCIMI, S.A.**

Financial Statements for the year ended
31 December 2019 and Management
Report

Translation of financial statements originally issued in Spanish and prepared in accordance with regulatory financial reporting framework applicable to the Group in Spain (see notes 2 and 25). In the event of a discrepancy, the Spanish-language version prevails

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.

BALANCE SHEET AS OF 31 DECEMBER 2019

(Thousands of euros)

ASSETS	Notes	31-12-2019	31-12-2018	EQUITY AND LIABILITIES	Notes	31-12-2019	31-12-2018
NON-CURRENT ASSETS		8,590,955	8,349,942	EQUITY:	Note 11	3,868,527	3,898,996
Intangible assets		222,536	247,380	OWN FUNDS		3,875,118	3,906,266
Goodwill	Note 5	138,962	162,123	Subscribed capital		469,771	469,771
Concession projects	Note 6	82,903	84,419	Share premium		3,813,409	3,858,624
Other intangible assets		671	838	Reserves		(438,200)	(469,397)
Property, plant and equipment		2,697	3,165	Treasury shares		(56,860)	(68,322)
Investment property	Note 7	4,513,253	4,733,425	Other equity holder contributions		540	540
Land		2,156,286	2,320,733	Profit / (loss) for the period		179,397	208,572
Buildings		2,228,634	2,254,525	(Interim dividend)	Note 3	(92,939)	(93,522)
Under construction and advances		128,333	158,167	VALUATION ADJUSTMENTS		(6,591)	(7,270)
Non-current investments in group companies and associates		3,553,683	3,229,961	Hedging transactions		(1,889)	(3,149)
Equity instruments	Note 10	3,131,190	2,826,572	Financial assets available for sale	Note 11.5	(4,702)	(4,121)
Loans to companies	Notes 8 y 17.2	422,493	403,389				
Non-current investments	Note 8	219,884	56,680	NON-CURRENT LIABILITIES:		5,059,322	4,749,691
Equity instruments		1,173	2,406	Non-current provisions	Note 13	31,364	55,335
Financial assets held for sales		17,540	17,938	Long-term employee benefits		22,683	46,160
Loans to third parties		165,704	57	Other provisions		8,681	9,175
Other financial assets		35,467	36,279	Non-current payables		4,623,923	4,266,692
Deferred tax assets	Note 15.3	78,902	79,331	Debt instruments and other marketable securities	Note 12	3,723,414	3,225,540
				Non-current bank borrowings	Note 12	840,415	986,158
CURRENT ASSETS		608,818	616,992	Derivatives	Note 12	10,570	5,241
Inventories		69	752	Other financial assets	Note 13	49,524	49,753
Advances to suppliers		69	752	Group companies and associates, non-current	Notes 8 y 17.2	8,771	31,021
Trade and other receivables	Note 8	15,763	151,628	Deferred tax liabilities	Note 15.4	395,264	396,643
Trade receivables		7,672	2,574				
Trade receivables from groups and associates	Note 17.2	1,167	1,811	CURRENT LIABILITIES:		271,924	318,247
Other receivables		377	141,877	Current provisions	Note 13	778	867
Personnel		184	184	Current payables		38,397	39,539
Public entities, other	Note 15	6,363	5,182	Debt instruments and other marketable securities	Note 12	34,631	34,007
Current investments in group companies and associates	Notes 8 y 17.2	452,630	351,635	Current bank borrowings	Note 12	1,026	2,265
Loans to companies		430,024	331,918	Other financial liabilities	Note 13	2,740	3,267
Other financial assets		22,606	19,717	Group companies and associates, current	Notes 8 y 17.2	101,591	193,550
Current investments	Note 8	4,532	4,706	Trade and other payables	Note 14	131,158	84,291
Equity instruments		18	18	Suppliers		34,944	19,895
Loans to companies		236	236	Suppliers, group companies and associates	Notes 8 y 17.2	32,014	32,107
Debt securities		3,849	3,849	Other payables	Note 14	7,343	2,617
Other financial assets		429	603	Personnel (salaries payable)	Note 14	51,423	8,641
Short term accruals		9,978	7,834	Current tax liabilities	Note 14	-	11,299
Cash and cash equivalents	Note 9	125,846	100,437	Public entities, other	Note 15	5,432	9,126
Cash		113,058	99,649	Short term accruals	Note 14	2	606
Cash and cash equivalents		12,788	788				
TOTAL ASSETS		9,199,773	8,966,934	TOTAL EQUITY AND LIABILITIES		9,199,773	8,966,934

The accompanying notes 1 to 25 are an integral part of the statement of financial position as of 31 December 2019

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED ON DECEMBER 31 2019

(Thousands of euros)

	Notes	Period 2019	Period 2018
CONTINUING OPERATIONS:			
Revenue	Note 19.1	485,583	376,768
Other operating income		2,306	6,073
Personnel expenses	Note 19.2	(74,706)	(72,382)
Salaries and wages		(72,320)	(70,317)
Social contributions		(2,386)	(2,065)
Other operating expense	Note 19.3	(40,958)	(40,389)
Depreciation and amortization	Notes 5, 6 y 7	(68,207)	(66,302)
Provision surpluses		154	9,261
Impairment and gains / (losses) on disposal of fixed assets	Note 7	(1,741)	(17,778)
Impairment and losses		(1,741)	(17,778)
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES		302,431	195,251
Finance income	Note 19.4	656	501
Marketable securities and other financial instruments		494	114
- Group companies and associates		494	114
Other finance income	Note 9	162	387
Finance expenses	Note 19.4	(93,861)	(94,112)
Group companies and associates		(1,956)	(588)
Third parties		(91,580)	(92,175)
Other finance expense		(325)	(1,349)
Change in fair value of financial instruments		(8,721)	(7,027)
Impairment and gains / (losses) on disposals of financial instruments		(21,091)	119,056
Impairment and losses	Note 10	(21,283)	30,630
Gains / (losses) on disposals	Note 10	192	88,426
NET FINANCE INCOME / (EXPENSE)		(123,017)	18,418
PROFIT / (LOSS) BEFORE TAX		179,414	213,669
Income tax	Note 15.2	(17)	(5,097)
PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		179,397	208,572

The accompanying notes 1 to 25 are an integral part of the consolidated income statement for the period ended 31 December 2019

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

A) STATEMENT OF INCOME AND EXPENSES RECOGNISED

(Thousands of euros)

	Notes	Period 2019	Period 2018
PROFIT / (LOSS) FROM INCOME STATEMENT (I)	Note 3	179,397	208,572
Income and expenses recognised directly in equity			
- From valuation of financial instruments			
Financial assets available for sale		(581)	(4,121)
- From cash flow hedges		-	153
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)		(581)	(3,968)
Total amounts transferred to income statement			
- From cash flow hedges		1,260	1,142
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		1,260	1,142
TOTAL INOCME AND EXPENSES RECOGNISED (I+II+III)		180,076	205,746

The accompanying explanatory Notes 1 to 25 an integral part of the statement of changes in equity as of 31 December 2019

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 25). In the event of a discrepancy, the Spanish - language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

B) TOTAL STATEMENT OF CHANGES IN EQUITY

(Thousand euros)

	Share capital	Share premium	Reserves	Merger Reserve	Treasury shares	Valuation adjustments	Other equity holder contributions	Profit / (loss) for the period	Interim dividend	TOTAL
BALANCES AS OF DECEMBER 2017	469,771	3,970,842	(194,800)	(309,927)	(24,881)	(4,444)	540	114,535	(93,457)	3,928,179
Total recognised income and expense	-	-	-	-	-	(2,826)	-	208,572	-	205,746
Transactions with equity holders:										
- Application of the profit / (loss) for the period 2017	-	-	21,078	-	-	-	-	(114,535)	93,457	-
Acquisition of own shares	-	-	-	-	(56,048)	-	-	-	-	(56,048)
Recognition of share-based payments (Note 18)	-	-	48,255	-	-	-	-	-	-	48,255
Delivery of shares of 2016 stock plan	-	-	(24,340)	-	12,607	-	-	-	-	(11,733)
Distribution of dividends (Notes 3 and 11.4)	-	(112,218)	(9,624)	-	-	-	-	-	(93,522)	(215,364)
Other	-	-	-	(39)	-	-	-	-	-	(39)
BALANCES AS OF PERIOD ENDED 2018	469,771	3,858,624	(159,431)	(309,966)	(68,322)	(7,270)	540	208,572	(93,522)	3,898,996
Total recognised income and expense	-	-	-	-	-	679	-	179,397	-	180,076
Transactions with equity holders:										
- Application of the profit / (loss) for the period 2017	-	-	115,050	-	-	-	-	(208,572)	93,522	-
- Distribution of dividends	-	(45,215)	(94,193)	-	-	-	-	-	(92,939)	(232,347)
Acquisition of own shares	-	-	-	-	(633)	-	-	-	-	(633)
Recognition of share-based payments (Note 18)	-	-	32,026	-	-	-	-	-	-	32,026
Delivery of shares of 2016 stock plan	-	-	(21,686)	-	12,095	-	-	-	-	(9,591)
BALANCES AS OF PERIOD ENDED 2019	469,771	3,813,409	(128,234)	(309,966)	(56,860)	(6,591)	540	179,397	(92,939)	3,868,527

The accompanying explanatory Notes 1 to 25 are an integral part of the statement of changes in equity as at 31 December 2019

MERLIN PROPERTIES SOCIMI, S.A.

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

(Thousand euros)

	Notes	Period 2019	Period 2018
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (I)		418,018	168,893
Profit/(loss) for the period before tax		179,414	213,669
Adjustments for-		10,974	9,702
Depreciation and amortisation	Notes 5, 6 y 7	68,207	66,302
Changes in fair value of investment property	Notes 7 y 10	23,121	(13,248)
Changes in provisions		95	34,174
Gains/(losses) on disposals of assets	Notes 7 y 10	(96)	(88,426)
Gains/(losses) on disposals of financial assets		(5)	-
Changes in fair value of financial instruments		8,721	7,027
Finance income		(656)	(501)
Finance expenses	Note 19.4	93,861	94,112
Dividend income	Note 19.1	(208,982)	-
Other income and expenses		26,708	(89,738)
Changes in working capital-		119,466	35,902
Inventories		684	716
Trade and other receivables		135,594	45,550
Other current assets		(1,939)	(2,390)
Trade and other payables		(6,616)	(8,267)
Other assets and liabilities		(8,257)	293
Other cash flows from/(used in) operating activities-		108,164	(90,380)
Interest paid		(88,064)	(90,055)
Dividends received		208,982	-
Interest received		162	387
Group companies and associates debt received / (paid)		(341)	-
Income tax received / (paid)	Note 15.1	(12,575)	(712)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		(188,913)	(119,096)
Payments for investments		(368,830)	(307,133)
- Group companies and associates		(313,388)	(232,733)
- Intangible assets		(1,196)	(1,369)
- Property, plant and equipment		(242)	(1)
- Investment property	Note 7	(54,004)	(73,030)
Proceeds from sale of investments		179,917	188,037
- Group companies and associates		-	186,737
- Investment property		179,917	1,300
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (III)		(203,696)	(244,967)
Proceeds and payments from equity instruments-		(232,980)	(271,412)
- Treasury stock acquisitions	Note 11.3	(633)	(56,048)
- Share premium refund		(45,215)	(112,218)
- Dividends paid		(187,132)	(103,146)
Proceeds and payments from financial liabilities-		29,284	26,445
- Issue of debt with financial institutions		842,249	150,000
- Issue of debt with group companies and associates		493,621	-
- Issue of other payables		(990,000)	(123,555)
- Redemption and payment of debt with financial institutions		(316,586)	-
- Redemption and payment of other debt		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		25,409	(195,170)
Cash and cash equivalents at beginning of period		100,437	295,607
Cash and cash equivalents at end of period		125,846	100,437

The accompanying explanatory Notes 1 to 25 are an integral part of the statement of cash flows for the period ended as at 31 December 2019

Merlin Properties, SOCIMI, S.A.

Notes to the financial statements for the year ended 31 December 2019

1. Nature and activities of the Company

Merlin Properties SOCIMI, S.A. (“the Company”) was incorporated in Spain on 25 March 2014 under the name Merlin Properties, S.A. Sociedad Unipersonal, in accordance with Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). On 22 May 2014, the Company requested to be included in the tax regime for real estate investment trusts (SOCIMIs), effective from 1 January 2014.

On 27 February 2017, the Company changed its registered office from Paseo de la Castellana 42 to Paseo de la Castellana 257, Madrid.

The Company’s corporate purpose is:

- The acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per Spanish Law 37/1992, of 28 December, on Value-Added Tax (*Ley 37/1992, de 28 de diciembre, del Impuesto sobre el Valor Añadido*);
- Stakeholdings in SOCIMIs or in other non-resident entities in Spain with the same corporate purpose and that operate under a similar regime as that established for SOCIMIs with regard to the mandatory profit distribution policy stipulated by law or by the Articles of Association;
- Stakeholdings in other resident or non-resident entities in Spain whose main corporate purpose is to acquire urban real estate for subsequent leasing, and that operate under the same regime as that established for SOCIMIs with regard to the mandatory profit distribution policy enforced by law or by the Articles of Association, and that fulfil the investment requirements stipulated for these companies; and
- The holding of public or private limited liability shares in collective real estate investment undertakings regulated by Spanish Law 35/2003, of 4 November, on collective investment undertakings (*Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*), or any law that may replace it in the future.

In addition to the economic activity relating to the main corporate purpose, the Company may also carry on any other ancillary activities, these being any that generate income representing less than 20%, taken as a whole, of the Company’s income in each tax period, or any that can be classified as ancillary activities in accordance with the law as it stands at any given time.

The activities included in the Company’s corporate purpose may be indirectly carried on, either wholly or in part, through the ownership of public or private limited liability shares in companies with a similar or identical corporate purpose.

The direct and, where applicable, indirect performance of any activities that are reserved under special legislation are excluded. If the law prescribes the need for a professional qualification, prior administrative authorisation, entry in a public registry, or any other requirement for the purpose of exercising any of the activities within the corporate purpose, no such activity can be exercised until all the applicable professional or administrative requirements have been met.

The merger by absorption of Testa Inmuebles en Renta SOCIMI, S.A. took place in 2016, along with the

business combination for the property business of Metrovacesa, S.A. The information required by section 107 of Spanish Law 43/1995, of 27 December, on Corporation Tax (Corporation Tax Act, *Ley 43/1995 de 27 de diciembre del Impuesto sobre sociedades*) relating to mergers is broken down in the 2016 financial statements.

Merlin Properties SOCIMI, S.A. (“the Company”) engages mainly in the acquisition and management (through leasing to third parties) of offices, industrial buildings, logistic centres, local premises and shopping centres, and it may also invest to a lesser extent in other assets for lease.

All the Company’s shares are admitted to official listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The market price of the Company’s shares at 31 December 2019 and the average market price for the fourth quarter amounted to EUR 12.79 and EUR 12.95 per share, respectively.

The Company is the head of a group of subsidiaries and is obliged under the current law to prepare consolidated financial statements separately. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, and with all the related implementing provisions and interpretations. The separate and consolidated financial statements for 2019 were formally prepared by the directors at the Board meeting held on 27 February 2020.

The consolidated financial statements for 2019 of the Merlin Group prepared in conformity with the IFRSs adopted by the European Union present total assets of EUR 13,305,731 thousand and equity attributable to the Parent’s shareholders of EUR 6,708,700 thousand. Consolidated sales and consolidated profit attributable to the Parent in 2019 amount to EUR 514,853 thousand and EUR 563,639 thousand, respectively.

In view of the business activities currently carried on by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

1.1 SOCIMI tax regime

Merlin Properties, SOCIMI, S.A., as the Parent of its Group, is governed by Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs (*Ley 16/2012, de 27 de diciembre, por la que se regulan las Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario*).

Section 3 of this Act sets out the investment requirements for these types of companies, namely:

1. At least 80% of a SOCIMI’s assets must be invested in urban real estate for leasing purposes and/or in land to be developed for leasing purposes provided such development starts within three years of acquisition, along with investments in the capital or equity of other entities referred to in section 2.1 of the aforementioned Act.

The value of the assets will be determined based on the average of the individual balance sheets for each quarter of the year, whereby the Company may opt to calculate such value by taking into account the market value of the assets included in such balance sheets instead of their carrying amount, in which case that value would apply to all balance sheets for the year. Any money or collection rights arising from the transfer of the aforementioned properties or investments made in the year or in prior years will not be included in the calculation unless, in this last case, the reinvestment period referred to in section 6 of the aforementioned Act has expired.

2. Furthermore, at least 80% of the income for the tax period for each year, excluding income arising from

the transfer of equity interests and real estate that are earmarked for pursuit of the main corporate purpose, once the holding period referred to below has elapsed, must arise from the lease of properties and dividends or shares in profits obtained from these holdings.

This percentage is calculated based on consolidated profit if the Company is the parent of a group, as defined in section 42 of the Spanish Commercial Code (*Código de Comercio*), irrespective of the place of residence and the obligation to prepare consolidated financial statements. This group will be formed only by SOCIMIs and the other entities referred to in section 2.1 of this Act.

3. The SOCIMI's real estate assets must be leased for at least three years. The time that the properties have been offered for lease, up to a maximum of one year, will be included for the purposes of this calculation. This period will be calculated:
 - a) In the case of properties that are included in the SOCIMI's assets before it avails itself of the regime, from the date of commencement of the first tax period in which the special tax regime set forth in this Act is applied, provided that the property is leased or offered for lease at that date. Otherwise, the provisions of the following letter will apply.
 - b) In the case of properties developed or acquired subsequently by the Company, from the date on which they were leased or offered for lease for the first time.
 - c) In the case of public or private limited liability shares in entities referred to in section 2.1 of this Act, they must be held as assets of the SOCIMI for at least three years from acquisition or, where applicable, from the commencement of the first tax period in which the special tax regime set forth in this Act is applied.

As established in transitional provision one of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, these companies may opt to apply the special tax regime under section 13 of this Act, even when the requirements stipulated therein are not fulfilled, under the condition that such requirements are met within two years of the date application of the SOCIMI tax regime is sought.

SOCIMIs are taxed at a rate of 0% for income tax. However, where dividends distributed to an equity holder owning at least 5% of the SOCIMI's share capital are exempt from taxation or taxed below 10%, such SOCIMI will be subject to a special charge of 19% of the dividends distributed to the equity holder, in respect of corporate income tax. If considered applicable, this special charge will be paid by the SOCIMI within two months after the dividend distribution date.

On 10 April 2019, the shareholders at the Company's Annual General Meeting resolved to pay an ordinary dividend out of the profit for 2018, with regard to which the exemption established in section 21 of Spanish Law 27/2014, of 27 November, on corporation tax, could be applied to those shareholders who met the requirements stipulated in that provision.

Since the Santander Group was a significant shareholder of the Company at the date of distribution of the aforementioned dividend, it was able to partially benefit from the exemption established in section 21 of this Act, which led to the accrual of the special tax envisaged in section 9.2 of Spanish Law 11/2009, of 26 October, regulating SOCIMIs, for that portion of the dividend received by the Santander Group to which the exemption of section 21 of the Corporation Tax Act was applicable. This special tax amounted to EUR 1,099 thousand.

The transitional period in which the Parent had to meet all requirements of this tax regime ended in 2017. At 31 December 2019, the Company met the requirements established under the current law and, as it had failed the income test in 2018, was in the process of rectifying this situation, in accordance with section 13

of the Spanish SOCIMI Act. In this regard, Company management, with the support of its tax advisers, performed an assessment of compliance with the regime's requirements, concluding that all requirements had been met as of 31 December 2019.

The Company's financial statements for 2019, which were prepared by the directors under the SOCIMI regime, have not yet been approved by the shareholders at the Annual General Meeting. The Company's directors consider that the aforementioned financial statements will be approved without any material changes.

1.2 Corporate transactions

2019

In 2019 Holding Jaureguizar 2002, S.A.U. was dissolved with no impact on the Company's equity. The Company did not receive any taxable profit from the dissolved company.

2018

In 2018, Gesfitesta, S.L., Acoghe, S.L. and Inmobiliaria Metrogolf, S.A. were dissolved with no impact on the Company's equity. The Company did not receive any taxable profit from the dissolved companies.

2. Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

These financial statements were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- The Commercial Code and all other Spanish commercial law.
- The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.
- The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs.
- All other applicable Spanish accounting legislation.

The figures included in the financial statements are expressed in thousands of euros.

2.2 Fair presentation

The accompanying financial statements for 2019, which were obtained from the Company's accounting records, are presented in accordance with Royal Decree 1514/2007 approving the Spanish National Chart of Accounts, as well as the amendments made thereto by Royal Decree 1159/2010, and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2019.

These financial statements, which were formally prepared by the Board, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes.

2.3 Comparative information

For comparison purposes the directors present, in addition to the figures for 2019 for each item in the balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the financial statements, the figures for 2018.

2.4 Accounting principles applied

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon. All obligatory accounting principles were applied. No non-obligatory accounting principles were applied.

2.5 Key issues in relation to the measurement and estimation of uncertainty

In preparing the Company's financial statements, the directors made estimates based on past experience and other factors that are considered to be reasonable in view of the current circumstances and that constitute the basis for establishing the carrying amount of the assets and liabilities whose value is not easily determinable through other sources. These estimates basically relate to the following:

- The market value of the Company's real estate assets (see Note 4.3). The Company obtained valuations from independent experts at 31 December 2019.
- The assessment of possible impairment losses on certain assets (see Notes 4.1, 4.2, 4.3 and 4.5).
- The fair value of certain financial instruments (see Note 4.5).
- The assessment of provisions and contingencies (see Note 4.9).
- The recovery of deferred tax assets and the tax rate applicable to temporary differences (see Note 4.11).
- The definition of the transactions carried out by the Company as a business combination in accordance with Recognition and Measurement Standard 19 or as an acquisition of assets.
- Compliance with the requirements that govern real estate investment trusts (see Notes 1 and 16).
- Management of financial risk and, in particular, of liquidity risk (see Note 22).

Although these estimates were made on the basis of the best information available at 2019 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

2.6 Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7 Correction of errors

In preparing the accompanying financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2018.

2.8 Changes in estimates and accounting policies

The effect of any change in accounting estimates is recognised under the same income statement line item as that in which the expense or income based on the previous estimate had been recognised prospectively.

Changes in accounting policies and correction of errors: if material, the cumulative effect at the beginning of the year is adjusted under “Reserves” and the effect for the current year is recognised in the income statement. In these cases, the financial data for the comparative year presented together with those for the current year are restated.

3. Distribution of profit

The distribution of profit for the year proposed by the Company’s directors for approval by its shareholders at the Annual General Meeting is as follows:

	Thousands of euros
Profit for the year	179,397
Distribution:	
Legal reserve	17,940
Interim dividend	92,939
Dividends	68,518

Over the past five years, the Company has distributed the following dividends and share premium refunds (in thousands of euros):

	2019	2018	2017	2016	2015
Distributions to shareholders	232,347	215,364	187,411	101,202	25,035

Interim dividend

On 10 October 2019, the Parent’s Board of Directors resolved to distribute EUR 92,939 thousand as an interim dividend with a charge to profit for 2019. This interim dividend was paid to shareholders on 28 October 2019.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends was as follows:

	Thousands of euros
Profit before tax at 30 September 2019	166,568
Less: required transfer to the legal reserve	(16,657)
Profit that may be distributed with a charge to income for 2019	149,911
Interim dividend to be distributed	93,954
Forecast of cash for the period from 30 September 2019 to 30 September 2020:	
- Cash balance available at 30 September 2019 (*)	547,898
- Projected proceeds	607,153
- Projected payments, including the interim dividend.	(789,515)
Projected cash balance at 30 September 2020	365,536

(*) Includes the amount of undrawn credit lines

Other dividends distributed

On 10 April 2019, the shareholders at the Annual General Meeting approved the distribution of a dividend out of 2018 profit in the amount of EUR 94,193 thousand, and the distribution of an additional dividend with a charge to the share premium for EUR 45,215 thousand. These distributions were paid on 7 May 2019.

3.1 Restrictions relating to the distribution of dividends

The Company is subject to the special regime for SOCIMIs. As established in section 6 of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, the SOCIMIs opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders in the form of dividends, once the related commercial and corporate obligations have been fulfilled. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the payout is agreed.

Moreover, as specified in Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, the Company must distribute the following as dividends:

- 100% of the profit from dividends or shares in profits distributed by the entities referred to in section 2.1 of Spanish Law 11/2009.
- At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in section 2.1 of Spanish Law 11/2009, once the periods referred to in section 3.2 of Spanish Law 11/2009 have elapsed, which are used to pursue the Company's main corporate purpose. The rest of the profit must be reinvested in other properties or shares that are used to pursue this purpose, within a period of three years following the date of transfer. Failing this, the profit must be distributed in full together with, if applicable, the profit generated during the year in which the reinvestment period ends. If the items to be reinvested are transferred prior to the end of the holding period, that profit must be distributed in full together with, if applicable, the profit generated during the year in which the items were transferred. The obligation to distribute profit does not apply to the portion of the profit attributable to prior years in which the Company was not included under the special tax regime established in this Act.
- At least 80% of the remaining profits obtained.

When dividends are distributed with a charge to reserves out of profit for a year in which the special tax regime has been applied, they must be distributed as set out above.

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases applied by the Company in preparing its financial statements for 2019 were as follows:

4.1 Intangible assets

As a general rule, intangible assets are recognised initially at acquisition or production cost. They are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. These assets are amortised over their useful life. When the useful life of these assets cannot be estimated reliably, they will be amortised over a period of ten years.

The gains or losses arising from the derecognition of an intangible asset are calculated as the difference between the net profit obtained on the sale and the carrying amount of the asset, and are recognised in the consolidated income statement when the asset is derecognised.

Goodwill

Goodwill is recognised as an asset when it arises in an acquisition for valuable consideration in the context of a business combination. Goodwill is allocated to the cash-generating units to which the economic benefits of the business combination are expected to flow. After initial recognition, goodwill is measured at acquisition cost less any accumulated amortisation and any recognised accumulated impairment losses. In accordance with the applicable law, the useful life of the goodwill is ten years and it is amortised on a straight-line basis.

These cash-generating units are analysed at least once a year for indications of impairment and, if such indications exist, they are tested for impairment in accordance with the methodology indicated below and the corresponding impairment loss is recognised.

Impairment losses recognised for goodwill must not be reversed in a subsequent period.

Specifically, the Company recognises under "Goodwill" the goodwill that arose on the merger by absorption in 2016 of Testa Inmuebles en Renta SOCIMI, S.A.

Computer software

The computer software acquired or developed by the Company is recognised at acquisition or production cost and, where applicable, amortised on a straight-line basis over four years. Computer software maintenance costs are recognised with a charge to the income statement for the year in which they are incurred.

Concession projects

This heading includes administrative concessions that are recognised at acquisition or production cost less any accumulated amortisation and any accumulated impairment losses.

Administrative concessions are recognised at the amount paid by the Company in operating fees and are amortised on a straight-line basis over the years of the concession.

The gains or losses arising from the derecognition of a concession project are calculated as the difference between the net profit obtained on the sale and the carrying amount of the asset, and are recognised in the income statement when the asset is derecognised.

Impairment of intangible assets, property, plant and equipment and investment property

Whenever there are indications of impairment of assets with a finite useful life (i.e., all the Company's intangible assets, property, plant and equipment, and investment property), the Company tests the tangible and intangible assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. In particular, the recoverable amount for virtually all assets and investment property is determined based on the evaluation of an independent expert (see Notes 6 and 7).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. This impairment loss reversal is recognised as income, except in the case of goodwill, as mentioned in this note.

4.2 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition or production cost, at which the amount of the additional or supplementary investments made are included, and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised, as indicated in Note 4.1 above.

The revaluation surpluses or net increases in value resulting from revaluations and the assignments of gains as a result of business combinations are depreciated over the tax periods in the remaining useful lives of the revalued assets.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

For non-current assets that necessarily take a period of more than twelve months to get ready for their intended use, the capitalised costs include such borrowing costs as might have been incurred before the assets are ready for their intended use and that have been charged by the supplier or relate to loans or other specific-purpose or general-purpose borrowings directly attributable to the acquisition or production of the assets.

Work carried out by the Company on property, plant and equipment is recorded at accumulated cost (external costs plus in-house costs, determined on the basis of in-house materials consumption, and manufacturing costs allocated the same criteria as those used for measuring inventory).

The depreciation of property, plant and equipment is calculated using the straight-line method based on the years of estimated useful life of the assets. The annual depreciation rates applied to the respective values at the revalued cost, where applicable, and the years of estimated useful life are as follows:

	Years of estimated useful life
Buildings for lease	50 - 75
Other fixtures	10 - 18
Furniture	10
Computer hardware	4
Other items of property, plant and equipment	4-5

Property, plant and equipment in progress is not depreciated until it enters into operation, at which time it is transferred to the corresponding property, plant and equipment account in view of its nature.

4.3 Investment property

“Investment Property” in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Depreciation of these items is carried out systematically and rationally based on the useful life of the assets and their residual value, based on the normal decline in value caused by their use and by wear and tear, without prejudice to the technical or commercial obsolescence that may also affect the assets. The straight-line method is used to calculate the depreciation of investment property based on its estimated useful life (see Note 4.2).

These assets are measured as described in Note 4.2 on property, plant and equipment.

The Company estimates the impairment losses on its investment property on the basis of the fair value obtained in the appraisal performed by the independent expert. The methodology used to determine the fair value of the assets is detailed in Note 7.

4.4 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee.

All other leases are classified as operating leases.

Finance leases:

In finance leases in which the Company acts as the lessee, the cost of the leased assets is presented in the balance sheet, based on the nature of the leased asset, and, simultaneously, a liability is recognised for the same amount. This amount will be the lower of the fair value of the leased asset and the present value, at the inception of the lease, of the agreed minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised.

The minimum lease payments do not include contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor.

The total finance charges arising under the lease are allocated to the income statement for the year in which they are incurred using the effective interest method.

Contingent rent is recognised as an expense for the period in which it is incurred.

There are no finance leases in which the Company acts as lessor.

Operating leases:

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the lessor.

If the Company acts as the lessor, income and costs arising under operating leases are allocated to the income statement for the year in which they are incurred. Also, the acquisition cost of the leased asset is presented in the balance sheet in accordance with the nature of the asset, increased by the costs directly attributable to the lease, which are recognised as an expense over the lease term, applying the same method as that used to recognise rental income.

If the Company acts as the lessee, costs arising under operating leases are allocated to the income statement for the year in which they are incurred. Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment that will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

Any collection or payment that might be made when arranging an operating lease will be treated as a prepaid lease collection or payment that will be allocated to profit or loss over the lease term in accordance with the time pattern in which the benefits of the leased asset are provided or received.

4.5 Financial assets

Classification

The financial assets held by the Company are classified in the following categories:

- a) Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets that, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market. Interest income is calculated in the year in which it accrues on a time proportion basis.
- b) Equity investments in Group companies, associates and jointly controlled entities: Group companies are considered to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other investors.
- c) Held-to-maturity investments: debt securities with fixed maturity and determinable payments that are traded in an active market and that the Company has the positive intention and ability to hold to the date of maturity.
- d) Held-for-trading financial assets: assets acquired with the intention of selling them in the near term and assets that form part of a portfolio for which there is evidence of a recent actual pattern of short-term profit-taking. This category also includes financial derivatives that are not financial guarantees and that have not been designated as hedging instruments.
- e) Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the aforementioned categories.

Initial recognition

Financial assets are initially recognised, in general, at the fair value of the consideration given, plus any directly attributable transaction costs.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisors and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

Subsequent measurement

Loans, receivables and held-to-maturity investments are measured at amortised cost.

Financial assets held for trading are measured at fair value and the gains or losses arising from changes in fair value are recognised in the income statement.

Investments in Group companies and associates and interests in jointly controlled entities are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence of the recoverable amount, it is based on the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement (including any goodwill).

In the case of Group companies with an equity deficit, the Company follows the policy of recognising provisions for this equity deficit.

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement. In this regard, (permanent) impairment is presumed to exist if the market value of the asset has fallen by more than 40%, or if there has been a decline in the value over an extended period of one and a half years without the value having recovered.

At least at each reporting date the Company tests financial assets not measured at fair value through profit or loss for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognised in the income statement.

4.6 Financial liabilities

Financial liabilities include accounts payable by the Company that have arisen from the purchase of goods or services in the normal course of the Company's business and those that, not having commercial substance, cannot be classed as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

Liability derivative financial instruments are measured at fair value using the same methods as those described above for held-for-trading financial assets.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.7 Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

The equity instruments acquired by the Company are recognised separately at acquisition cost and deducted from equity in the balance sheet, regardless of why they were acquired. No gains or losses from transactions involving own equity instruments are recognised in the consolidated income statement.

If the Company's own equity instruments are subsequently retired, capital is reduced by the nominal amount of these treasury shares and the positive or negative difference between the acquisition price and nominal amount of the shares is debited from or credited to reserves.

The transaction costs related to own equity instruments are recognised as a decrease in equity, net of any related tax effect.

4.8 Termination benefits

Under the current law, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

At 31 December 2019, the Company had no commitments in this regard and there is no collective redundancy plan in force.

4.9 Provisions and contingencies

When preparing the financial statements the Company's directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events with regard to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements include all the provisions with regard to which it is considered that it is more likely than not that the obligation will have to be settled. Unless they are considered unlikely, contingent liabilities are not recognised in the financial statements, but rather are disclosed.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognised as an asset, provided there is no doubt that the reimbursement will take place, unless there is a legal relationship whereby a portion of the risk has been externalised, as a result of which the Company is not liable, in which case, the compensation will be taken into account when estimating, if appropriate, the amount of the related provision.

4.10 Share-based payments

The Company recognises, on the one hand, the goods and services received as an asset or as an expense, depending on their nature, when they are received and, on the other, the related increase in equity, if the transaction is equity-settled, or the related liability if the transaction is settled with an amount based on the value of the equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognised at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

In 2016, the Company had a commitment to award an annual variable remuneration incentive to the management team, as determined by the Appointments and Remuneration Committee, which compensates senior management and executive directors based on the returns obtained by the Group's shareholders (the "2016 Share Plan"). Under this plan, members of senior management must remain at the Group and provide their services for a period of three years, whereby the shares will be delivered on the fifth year.

In addition, at the Annual General Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the management team and other important members of the Company's workforce (which includes among others the executive directors and senior management), the measurement period of which is from 1 January 2017 to 31 December 2019 ("2017-2019 Incentive Plan"). In accordance with that established in this plan, beneficiaries may be entitled to receive (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Company, provided that certain objectives are met.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Company's share plus the dividends distributed to shareholders by the Company during the measurement period; and
- the increase in the EPRA NAV per share of the Company plus the dividends distributed to shareholders by the Company during the measurement period; and

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%, as detailed below:

TSR NAV / TSR share price	Percentage assigned to beneficiaries ("PR")	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the beneficiaries in accordance with the above table will be applied to the result of multiplying the TSR by the share price multiplied by the number of shares of the Company as of 31 December 2019; (ii) the result of this transaction will be balanced through an adjustment mechanism in favour of the beneficiaries, as, once a minimum return is reached, the beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date of calculation of the amount of the EPRA NAV-based incentive and the amount of the share-based incentive will be 31 December 2019. The maximum amount to be received for the share-based incentive from 2017 to 2019 will amount to EUR 37.5 million. If the incentive is larger than the aforementioned limit, it will supplement the EPRA NAV-based incentive — if the latter is lower than the maximum amount established.

Likewise, the maximum amount of the EPRA NAV-based incentive will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. At 31 December 2019, the end of the measurement period, taking into account the final reference price, i.e., the average closing price of the Company's shares over the 90 trading sessions prior to 31 December 2019, 5,874,111 shares will be delivered. 50% of the shares allocated and, where applicable, the cash amount and the excess will be paid on the second settlement date, i.e., within two business days following the authorisation for issue of the financial statements for 2020. The remaining 50% of the shares allocated will be paid on the third settlement date, i.e., within two business days following the authorisation for issue of the financial statements for 2021. However, these amounts may be modified depending on the future performance of the EPRA NAV in 2020 and 2021.

4.11 Income tax

4.11.1 General regime

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and prepayments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from the initial recognition of goodwill, goodwill for which amortisation is not deductible for tax purposes or the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised for temporary differences to the extent that it is considered probable that the Company will have sufficient taxable profits in the future against which the deferred tax asset can be utilised, and the deferred tax assets do not arise from the initial recognition of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss). The other deferred tax assets (tax losses, temporary differences and tax credit carryforwards) are only recognised if it is considered probable that the Company will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

4.11.2 SOCIMI regime

The special tax regime for SOCIMIs, as amended by Spanish Law 16/2012, of 27 December, is based on the application of a 0% income tax rate, provided certain requirements are met. Particularly noteworthy is the requirement that at least 80% of their assets must be made up of urban real estate intended for lease and acquired through full ownership or through holdings in Spanish or foreign companies, regardless

of whether or not they are listed on organised markets, that meet the same investment and profit distribution requirements. Likewise, the main sources of income for these entities must come from the real estate market, either through leasing the properties, their subsequent sale after a minimum lease period, or the income generated from holdings in entities with similar characteristics. However, tax is accrued in proportion to the dividends distributed. Dividends received by the shareholders are exempt, unless the recipient is a legal person subject to corporate income tax or a permanent establishment of a foreign entity, in which case a tax credit is taken, so that these earnings are taxed at the tax rate applicable to the shareholder. However, the remaining earnings will not be taxed so long as they are not distributed to shareholders.

As established in Transitional Provision Nine of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, the Company will be subject to a special tax rate of 19% on the total dividends or shares in profit distributed to shareholders that have an ownership interest in the Company's share capital equal to or greater than 5%, when these dividends, in reference to the shareholders, are exempt or are taxed at a rate less than 10%. Accordingly, the Company has established a procedure that guarantees confirmation by shareholders of their tax status, and withholds, where appropriate, 19% of the dividend distributed to shareholders that do not meet the aforementioned tax requirements.

On 10 April 2019, the shareholders at the Company's Annual General Meeting resolved to pay an ordinary dividend out of the profit for 2018, with regard to which the exemption established in section 21 of Spanish Law 27/2014, of 27 November, on corporation tax, could be applied to those shareholders who met the requirements stipulated in that provision.

Since the Santander Group was a significant shareholder of the Company at the date of distribution of the aforementioned dividend, it was able to partially benefit from the exemption established in section 21 of this Act, which led to the accrual of the special tax envisaged in section 9.2 of Spanish Law 11/2009, of 26 October, regulating SOCIMIs, for that portion of the dividend received by the Santander Group to which the exemption of section 21 of the Corporation Tax Act was applicable. This special tax amounted to EUR 1,099 thousand.

4.12 Revenue and expenses

Revenue and expenses are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Interest and dividends received from financial assets

The Company's income that relates to dividends received from investees, in accordance with Ruling no. 2 of the Official ICAC Gazette no. 79/2009, on the classification for accounting purposes in separate financial statements of income and expenses of holding companies, is recognised as revenue, as its ordinary business activities include the management and administration of the Company's investees.

Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement. Interest is recognised using the effective interest method and dividends are recognised when the right to receive them is declared.

For these purposes, unmatured accrued explicit interest as well as the dividends agreed upon by the competent body at the time of acquisition are independently recognised, by maturity, when the financial assets are initially recognised. Explicit interest is that obtained on applying the contractual interest rate of the financial instrument.

If the dividends distributed clearly originate from profit generated prior to the date of acquisition, as a result of the amounts distributed being greater than the profit generated by the investee since then, they are not recognised as income and the carrying amount of the investment is reduced.

Revenue from sales and services

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Rental income is recognised on an accrual basis and incentives and the initial costs of the leases are allocated to income on a straight-line basis.

Revenue arising from variable rental income, which is calculated based on the sales of the lessees at the leased premises, is accrued on a regular basis by virtue of the most recent known sales data, given that the income can be reliably measured at this time, and is invoiced once the final sales data for the year is available.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement.

4.13 Classification of assets and liabilities as current and non-current

Assets and liabilities are classified in the balance sheet as current and non-current. For this purpose, assets and liabilities are classified as current when they are associated with the Company's normal operating cycle and when they will foreseeably be sold, used, realised or settled within a maximum of one year; non-current assets and liabilities are different from the foregoing and will foreseeably mature, be sold or realised within a period of more than one year.

4.14 Related party transactions

The Company carries out all its transactions with related parties at market values and in accordance with the agreements. The Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.15 Environmental assets and liabilities

Environmental assets are considered to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

4.16 Business combinations

Business combinations are accounted for using the acquisition method, to which end the acquisition date and cost of the business combination are determined, whereby the identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value.

Goodwill or the loss on the combination is the difference between the fair values of the assets acquired and liabilities assumed recognised and the cost of the business combination all at the aforementioned acquisition

date.

The cost of the business combination is the sum of:

- The acquisition-date fair values of the assets transferred, liabilities incurred or assumed and equity instruments issued.
- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain pre-defined conditions.

The cost of the business combination does not include expenses relating to the issuance of equity instruments offered or financial liabilities delivered in exchange for the items acquired.

Also, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. These amounts are taken directly to profit or loss.

In the exceptional case in which a loss arises on the combination, it is recognised as income in the income statement.

If at the end of the year in which a combination occurs it has not been possible to complete the valuation work needed to apply the acquisition method outlined above, the combination is accounted for provisionally. These provisional amounts can be adjusted during the period necessary to obtain the required information, which in no case may exceed one year. The effects of any adjustments made during this period are accounted for retroactively, and the comparative information is modified if necessary.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration was classified as equity, in which case subsequent changes in its fair value are not recognised.

4.17 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are considered to be "foreign currency transactions" and are recognised by applying the exchange rates prevailing at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the period in which they arise.

4.18 Statement of cash flows

The following terms are used in the statement of cash flows, which was prepared using the indirect method, with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and borrowings that are not operating activities.

5. Goodwill

The goodwill recognised at 31 December 2019 arose from the merger by absorption with Testa Inmuebles en Renta, SOCIMI, S.A. in 2016. The changes in this heading in 2019 and 2018 are as follows (in thousands of euros):

	Balance at 31/12/2018	Additions	Amortisation	Balance at 31/12/2019
Cost	162,123	-	(23,161)	138,962
Total	162,123	-	(23,161)	138,962

	Balance at 31/12/2017	Additions	Amortisation	Balance at 31/12/2018
Cost	185,283	-	(23,160)	162,123
Total	185,283	-	(23,160)	162,123

The Company amortises goodwill over a period of 10 years and, therefore, recognised the related amortisation for the year under “Depreciation and amortisation charge” in the accompanying income statement for 2019 (EUR 23,160 thousand at 31 December 2018).

The Company’s directors, in accordance with their expectations regarding the performance of the real estate market and the market values of the assets acquired, have not identified any indications of impairment in their recoverable amount. In this regard, at 31 December 2019 the existing gains in the real estate assets from Testa Inmuebles en Renta SOCIMI, S.A. amounted to EUR 877,957 thousand (EUR 811,559 thousand in 2018), as detailed as follows (in thousands of euros):

	2019	2018
Carrying amount of the investment property from Testa Inmuebles en Renta SOCIMI, S.A.	2,313,927	2,426,045
Fair value of the investment property from Testa Inmuebles en Renta SOCIMI, S.A.	3,191,884	3,237,604
Unrealised gains	877,957	811,559

The fair value indicated above was obtained from the appraisals performed by independent experts, applying the methodology described in Note 7 below.

6. Concessions

The changes in concession projects at year-end 2019 are as follows:

	Thousands of euros
Balance at 31 December 2017	85,345
Additions due to business combinations	890
Depreciation and amortisation charge	(1,816)
Balance at 31 December 2018	84,419
Additions	309
Depreciation and amortisation charge	(1,825)

Balance at 31 December 2019	82,903
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In 2016, after the integration of the commercial assets of Metrovacesa, S.A., the Company added the La Fiura shopping centre located in Reus (Tarragona), which entered into service in November 2015. This shopping centre is operated under an administrative concession granted by the Reus Municipal Council for a maximum term of 50 years, maturing in 2065. The depreciation charge for 2019 amounted to EUR 1,825 thousand (EUR 1,816 thousand in 2018).

Based on the appraisals carried out by independent experts (in accordance with the methodology described in Note 7), the Company's directors consider that the fair value of the administrative concessions is greater than the carrying amount at 31 December 2019.

At 31 December 2019, there were no intangible assets provided as collateral for any obligation.

There were no fully depreciated assets at 31 December 2019.

7. Investment property

The breakdown of and changes in this heading in 2019 and 2018 are as follows (in thousands of euros):

	Initial balance at 31/12/2018	Additions and charges for the year	Disposals, reductions and reversals	Transfers	Ending balance at 31/12/2019
Cost:					
Land	2,491,590	1,521	(114,626)	(50,588)	2,327,897
Buildings	2,372,149	42,122	(122,954)	88,410	2,379,727
Property, plant and equipment in the course of construction and advances	158,167	10,361	-	(40,195)	128,333
	5,021,906	54,003	(237,580)	(2,373)	4,835,957
Accumulated depreciation:					
Buildings	(103,777)	(41,458)	6,700	2,373	(136,162)
	(103,777)	(41,458)	6,700	2,373	(136,162)
Impairment:					
Land	(170,857)	(1,627)	540	333	(171,611)
Buildings	(13,847)	(945)	194	(333)	(14,931)
	(184,704)	(2,572)	734	-	(186,542)
Investment property	4,733,425	9,974	(230,146)	-	4,513,253

	Initial balance at 31/12/2017	Additions and charges for the year	Disposals, reductions and reversals	Ending balance at 31/12/2018
Cost:				
Land	2,474,351	17,633	(394)	2,491,590
Buildings	2,326,545	46,494	(890)	2,372,149
Property, plant and equipment in the course of construction and advances	149,264	8,903	-	158,167
	4,950,160	73,030	(1,284)	5,021,906
Accumulated depreciation:				
Buildings	(63,987)	(39,817)	27	(103,777)
	(63,987)	(39,817)	27	(103,777)
Impairment:				
Land	(161,257)	(10,777)	1,177	(170,857)
Buildings	(6,120)	(8,120)	393	(13,847)
	(167,377)	(18,897)	1,570	(184,704)
Investment property	4,718,796	14,316	313	4,733,425

“Land and buildings” includes the real estate assets in operation. It also includes land yet to be developed in the amount of EUR 105,577 thousand (EUR 104,811 thousand in 2018).

“Property, plant and equipment in the course of construction” corresponds to assets under development and assets that are in the process of being completely refurbished.

Buildings for lease

2019

Additions

The main acquisition of assets in 2019 corresponds to the purchase of an office building in Barcelona in the amount of EUR 4,000 thousand.

Improvements to properties in use and in progress

The main additions under “Land and buildings” correspond to the improvement and adaptation work carried out on certain properties owned by the Company, mainly in the Torre Glories building in Barcelona and the Larios shopping centre in Malaga. The remaining additions correspond to work in progress carried out on the Castellana 85, Diagonal 605 and Arturo Soria 343 buildings.

Transfers

The transfers that took place in 2019 correspond mainly to the completion of the work on Torre Glories.

Disposals

The disposals in 2019 relate mainly to the sale of a set of office real estate assets located in Madrid and Barcelona for EUR 225,000 thousand and an associated cost of approximately EUR 202 million. This agreement includes certain investment commitments assumed by the Company on the aforementioned assets, which amount to a total of EUR 17.8 million to be executed in accordance with a schedule in 2020 and 2021. The agreement also stipulates that the Company is to grant the buyer a loan amounting to EUR 70 million, accruing interest at market rates and maturing in 2021 (see Note 8.4). Liabilities associated with the investment obligations assumed by the Company in the amount of EUR 6 million are currently held. The expenses associated with the sale and purchase transaction amounted to EUR 9,618 million.

2018

The main acquisition of assets during 2018 corresponds to an office building in Madrid in the amount of EUR 28,432 thousand.

The other additions for the year related to the improvement and adaptation work carried out on certain properties owned by the Company, mainly in the Torre Glóries building.

The disposals refer to the sale of a warehouse in Sant Boi de Lluçanès for EUR 1,252 thousand.

The Company takes out the insurance policies it considers necessary to cover the risks that might affect its investment property. At 31 December 2019, the Company's directors considered that the property, plant and equipment were fully insured against these risks.

At 31 December 2019, the Company had firm purchase commitments for investment property amounting to EUR 3,000 thousand, disregarding the amounts indicated above associated with the sale of assets for the year. In 2019 no significant finance costs were capitalised in the construction costs or as a result of improvements to or refurbishments of the properties.

At 31 December 2019, the Company did not have any investment property that was fully depreciated.

At 31 December 2019, the Company did not have any real estate assets securing loans and derivative financial instruments. The Company holds no rights of use, attachments or similar situations with regard to its investment property.

At 31 December 2019 and 2018, the gross surface areas and occupancy rates of the assets by line of business were as follows:

2019	GLA	Occupancy rate (%)
Offices	869,234	95%
Shopping centres	254,941	89%
Logistics	194,705	98%
Others*	79,839	69%
Total surface area	1,398,719	93%

* Not including projects underway or land

2018	GLA	Occupancy rate (%)
Offices	1,005,155	92%
Shopping centres	264,256	82%
Logistics	231,124	100%
Others*	79,827	66%
Total surface area	1,580,362	90%

* Not including projects underway or land

All of the Company's investment property is used for its own business activities and is located in Spain.

Impairment losses

The fair value of the real estate assets was determined by independent experts in accordance with the

Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

The method used to calculate the market value of investment property, involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual value at the end of year 10 is calculated by applying an exit yield or cap rate to the net income projections for year 11. The market values obtained are analysed by calculating and assessing the capitalisation of the returns implicit in these values. The projections are intended to reflect the best estimate of future income and expenses from the real estate assets. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

The recoverable amount of the Company's investment property at 31 December 2019, calculated on the basis of the appraisals carried out by Savills Consultores Inmobiliarios, S.A. and CB Richard Ellis, which are not related to the Company, amount to EUR 6,147,481 thousand at 31 December 2019 (EUR 6,172,475 thousand at 31 December 2018). Based on this appraisal, the Company's directors have identified several individual assets whose recoverable amount is less than their carrying amount and, therefore, an impairment loss of EUR 1,837 thousand (EUR 17,328 thousand at 31 December 2018) was recognised under "Impairment and gains or losses on disposals of non-current assets" in the accompanying income statement for 2019.

Income and expenses

In 2019 the rental income from the investment property owned by the Company amounted to EUR 252,818 thousand (EUR 238,826 thousand at 31 December 2018) and the operating expenses of all kinds relating thereto totalled EUR 83,822 thousand (EUR 80,932 thousand at 31 December 2018).

At the end of 2019 there were no restrictions on making new investment property investments, on the collection of rental income therefrom or in connection with the proceeds to be obtained from a potential disposal thereof.

a) Operating leases as lessee

At the end of 2019 the Company had contracted with lessors for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in line with the CPI or future contractual lease payment revisions (in thousands of euros):

Operating leases Minimum lease payments	Nominal value	
	2019	2018
Within one year	801	458
Between one and five years	923	31
Total	1,724	489

The main expense relating to operating leases corresponds to the lease that the Company entered into to rent out its offices. On 27 February 2017, the Company changed its registered office from Paseo de la Castellana 42 to Paseo de la Castellana 257, Madrid. This lease was novated at market prices and extended until February 2022, having expanded the lease by 557 square metres in 2019.

The total lease expense accrued in 2019 amounted to EUR 594 thousand (EUR 672 thousand in 2018). The income from subleases in 2019 and 2018 from Magic Real Estate, S.L.U. totalled EUR 5 thousand and is recognised under "Other operating income" in the accompanying income statement for 2019.

b) Operating leases as lessor

At the end of 2019 the Company had contracted with lessees for the following minimum lease payments, based on the leases currently in force, without taking into account the charging of common expenses, future increases in line with the CPI or future contractual lease payment revisions (in thousands of euros):

Minimum lease payments	2019	2018
Within one year	221,017	233,205
Between one and five years	417,854	466,689
More than five years	26,790	37,805
Total	665,661	737,699

The detail of the operating lease and sublease payments recognised as an expense and as income, respectively, in 2019 is as follows (in thousands of euros):

	2019	2018
Minimum lease payments	252,818	238,826
Transfer of common expenses	56,443	53,758
Total	309,261	292,584

The expenses passed on to the lessees recognised in the income statement for 2019 decreased the balance of "Other operating expenses" (Note 19.3).

c) Finance leases in which the Company acts as lessee

On 13 February 2018, the Company cancelled the financial leases.

8. Financial assets

The detail of "Current and non-current financial investments" at 31 December 2019 and 2018 is as follows (in thousands of euros):

	31/12/2019	31/12/2018
Non-current financial investments-		
Equity instruments	1,173	2,406
Available-for-sale financial assets	17,540	17,938
Guarantees given and prepayments	35,467	36,279
Loans to Group companies	422,493	403,389
Loans to third parties	165,704	57
	642,377	460,069
Current financial investments-		
Equity instruments	18	18
Loans to Group companies	452,630	351,635
Loans to third parties	236	236
Trade and other receivables	15,763	151,628
Debt securities and other financial assets	4,278	4,452
	472,925	507,969
Total	1,115,302	968,038

8.1 Guarantees given and prepayments

“Guarantees given and prepayments” includes mainly the guarantees arranged for leases as collateral, which the Company has deposited with the housing authority (*Instituto de la Vivienda*) of each autonomous community, the balance of which at 31 December 2019 amounted to EUR 33,400 thousand (EUR 33,861 thousand at 31 December 2018), as well as deposits amounting to EUR 1,707 thousand at that date (EUR 2,067 thousand at 31 December 2018).

8.2 Available-for-sale financial assets

At 31 December 2019, this heading included an ownership interest in Aedas Homes, S.A. amounting to EUR 17,540 thousand, equivalent to 1.7% of its share capital. The negative variation in the fair value of this ownership interest in 2019 in the amount of EUR 581 thousand is recognised under “Valuation adjustments” in the accompanying balance sheet for 2019. That valuation has been obtained from the share price of Aedas Homes, S.A. at 31 December 2019.

The corporate purpose of Aedas Homes, S.A. is the acquisition, development and refurbishment of any real property for their holding, enjoyment, disposal and lease; the acquisition, holding, enjoyment, swap, sale and management of national or foreign marketable securities, as well as any titles or rights of all kinds, such as shareholdings in private limited liability companies.

At 31 December 2019, the Company held 817,727 shares of Aedas Homes, S.A., representing 1.7% of its share capital.

This Company is listed in the Madrid Stock Exchange.

8.3 Balances with Group companies (current and non-current)

The Company had the following long-term and short-term balances with its subsidiaries at 31 December 2019 and 2018 (in thousands of euros):

31 December 2019

	Long-term loans	Short-term loans	Current accounts - receivables	Trade receivables	Non-current payables	Current payables	Current accounts - payables	Payable to suppliers
Group companies:								
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	-	-	-	181	-	(7,486)	-	-
Merlin Retail, S.L.U.	-	-	-	174	-	(18,399)	(11)	-
Merlin Oficinas, S.L.U.	-	-	-	237	-	(510)	(42)	-
Merlin Logística, S.L.U.	-	109,830	-	168	-	-	-	-
Sevisur Logística, S.A.	-	11,569	969	-	-	-	-	-
Parc Logístic de la Zona Franca, S.A.	-	-	-	-	(8,771)	(14,901)	-	-
Innovación Colaborativa, S.L.U.	-	5,002	-	23	-	-	-	-
Exhibitions Company, S.A.U.	-	-	-	-	-	(4,332)	-	-
Gescentesta, S.L.U.	-	-	-	-	-	(259)	-	-
Metroparque, S.A.U.	-	-	-	-	-	(31,456)	-	-
La Vital Centro Comercial y de Ocio, S.L.U.	-	-	-	-	-	(1,442)	-	-
Desarrollo Urbano de Patraix, S.A.U.	-	6,873	-	-	-	-	-	(32,007)
Sadorma 2003, S.L.U.	335	51	-	-	-	(20,270)	-	-
Global Murex Iberia, S.L.U.	2,520	-	-	-	-	(2,483)	-	-
Varitelia Distribuciones, S.L.U.	-	178,401	21,622	44	-	-	-	(7)
Global Carihuela Patrimonio Comercial, S.L.U.	-	25,663	-	-	-	-	-	-
MPCVI - Compra e Venda Imobiliária, S.A.	13,666	-	-	-	-	-	-	-
MPEP - Properties Escritórios Portugal, S.A.	13,554	-	-	-	-	-	-	-
MP Monumental, S.A.	43,792	-	15	-	-	-	-	-
MP Torre A, S.A.	34,687	-	-	-	-	-	-	-
Promosete, Invest Inmobiliaria	17,833	2,466	-	-	-	-	-	-
Torre Dos Oceanus Investimentos Inmobiliarios, S.A.	18,773	-	-	-	-	-	-	-
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	276,708	89,113	-	-	-	-	-	-
Associates:								
Provitae Centros Asistenciales, S.L.	-	1,054	-	-	-	-	-	-
Pazo de Congressos de Vigo, S.A.	-	-	-	340	-	-	-	-
G36, Development, S.A.	625	2	-	-	-	-	-	-
Total	422,493	430,024	22,606	1,167	(8,771)	(101,538)	(53)	(32,014)

31 December 2018

	Long-term loans	Short-term loans	Current accounts - receivables	Trade receivables	Non-current payables	Current payables	Current accounts - payables	Payable to suppliers
Group companies:								
Tree Inversiones Inmobiliarias SOCIMI, S.A.U.	-	-	-	-	-	(111,746)	-	-
Merlin Retail, S.L.U.	-	-	-	175	-	(16,553)	-	-
Merlin Oficinas, S.L.U.	-	-	-	177	-	(1,162)	(135)	-
Merlin Logística, S.L.U.	-	28,954	-	140	-	-	-	-
Merlin Parques Logísticos, S.A.	-	-	76	-	(31,021)	-	-	-
Sevisur Logistica, S.A.	-	1,126	-	-	-	-	-	-
Exhibitions Company, S.A.U.	-	-	-	-	-	(4,346)	-	-
Gescentesta, S.L.U.	-	-	-	-	-	(400)	-	-
Metroparque, S.A.	-	-	-	-	-	(34,106)	-	-
La Vital Centro Comercial y de Ocio, S.L.	-	-	-	-	-	(2,300)	-	-
Holding Jaureguizar 2002, S.A.U.	-	326	-	-	-	-	-	-
Desarrollo Urbano de Patraix, S.A.	-	6,811	9	-	-	-	-	(32,007)
Sadorma 2003, S.L.	335	51	-	-	-	(20,277)	-	-
Global Murex Iberia, S.L.	2,502	-	-	-	-	(2,490)	-	-
Varitelia Distribuciones, S.L.U.	-	179,754	19,495	-	-	-	-	(100)
Global Carihuela Patrimonio Comercial, S.L.U.	-	20,758	-	-	-	-	-	-
MPCVI - Compra e Venda Imobiliária, S.A.	12,951	-	-	-	-	-	-	-
MPEP - Properties Escritórios Portugal, S.A.	-	-	-	-	-	-	(35)	-
MP Monumental, S.A.	41,619	-	-	1	-	-	-	-
MP Torre A, S.A.	32,908	-	-	-	-	-	-	-
Promosete, Invest Inmobiliarios, S.A.	17,833	1,561	-	-	-	-	-	-
Torre Dos Oceanus Investimentos Inmobiliarios, S.A.	17,908	-	-	-	-	-	-	-
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	276,708	91,572	-	-	-	-	-	-
Associates:								
Provitae Centros Asistenciales, S.L.	-	1,005	23	-	-	-	-	-
Pazo de Congressos de Vigo, S.A.	-	-	-	1,194	-	-	-	-
Testa Residencial, S.A.	-	-	-	58	-	-	-	-
Centro Intermodal de Logística, S.A.	-	-	-	3	-	-	-	-
PK Hoteles 22, S.L.	-	-	114	-	-	-	-	-
G36, Development, S.A.	625	-	-	-	-	-	-	-
Metrovacesa France	-	-	-	63	-	-	-	-
Total	403,389	331,918	19,717	1,811	(31,021)	(193,380)	(170)	(32,107)

Long-term loans to Group companies and associates

The main long-term loans granted by the Company to Group companies and associates recognised under “Loans to Group companies” are as follows:

- In 2018, as a result of the purchase of Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda, the Company subrogated to three primary loans that the subsidiary had with the previous shareholder for a total amount of EUR 276,708 thousand with maturity set for 31 January 2022. These loans accrue interest at an average annual rate of 2.71%. At 31 December 2019, accrued interest payable amounted to EUR 21,824 thousand and was recognised under “Short-term loans” in the accompanying balance sheet.

- In 2018, as a result of the of the purchase of Torre Dos Oceanus Investimentos Imobiliários, S.A., the Company subrogated to the primary loan that the subsidiary had with the previous owner for an amount of EUR 17,294 thousand with maturity set for 17 April 2022. That loan accrues interest at a fixed annual rate of 5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 18,773 thousand.
- In 2017, as a result of the of the purchase of Promosete Investimentos Inmobiliarios, S.A., the Company subrogated to two primary loans that the subsidiary had with the previous owner for an amount of EUR 17,833 thousand with maturity set for 31 January 2022. That loan accrues interest at a fixed annual rate of 5%. The outstanding balance of principal at 2019 year-end amounts to EUR 17,833 thousand.
- In 2016, as a result of the of the purchase of MP Monumental, S.A., the Company subrogated to two primary loans that the subsidiary had with the previous shareholder for an amount of EUR 38,040 thousand. These loans accrue interest at an average annual rate of 5.64%. The outstanding balance of principal at 2019 year-end amounts to EUR 38,000 thousand, and the accrued interest payable amounts to EUR 5,792 thousand.
- In 2016, as a result of the of the purchase of MP Torre, S.A., the Company subrogated to a primary loan that the subsidiary had with the previous shareholder for an amount of EUR 31,122 thousand. This loan accrue interest at an average annual rate of 5.64%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 34,687 thousand.
- Lastly, a participating loan was arranged with Global Murex Iberia, S.L.U. in the amount of EUR 18,000 thousand. This loan matured in 2019, at which time an addendum was signed extending the maturity of the agreement until 01 September 2024. At 31 December 2019, the outstanding balance of this loan was impaired by an amount of EUR 15,497 thousand.

Short-term loans and payables to Group companies and associates

- In relation to the aforementioned purchase of Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda, the Company subrogated to a primary short-term loan that the subsidiary had with the previous shareholder for a total amount of EUR 98,410 thousand. This loan does not accrue interest. The outstanding principal at 2019 year-end amounts to EUR 67,289 thousand.
- Loan agreement between Group companies and Merlin Logística, S.L.U. for an initial amount of EUR 28,954 thousand. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing interest at an annual rate of 1.5%. The outstanding balance at 2019 year-end amounts to EUR 109,830 thousand.
- Loan with Global Carihuela Patrimonio Comercial, S.L.U. for a principal amount of EUR 17,056 thousand and maturing on 31 December 2018. The origin of the balance was the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. This loan accrued interest at a fixed rate of 1.75%, including a 9-month interest-only period. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 25,663 thousand. On 31 December 2019, this balance was renewed with maturity on 31 December 2020, accruing interest at a fixed rate of 1.15%.
- Loan agreement between Group companies with Varitelia Distribuciones, S.L.U. for EUR 179,754 thousand, cancelling the current account agreement it had with the Company in the previous year. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing

interest at an annual rate of 1.5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 178,401 thousand.

- Loan agreement between Group companies with Sevisur Logística, S.A. for EUR 1,126 thousand, cancelling the current account agreement it had with the Company in the previous year. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing interest at an annual rate of 1.5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 11,569 thousand.
- Debt contract with Metroparque, S.A. for a principal amount of EUR 16,761 thousand maturing on 31 December 2018. The origin of the balance was the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. This loan accrued interest at a fixed rate of 1.75%, including a 9-month interest-only period. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 31,456 thousand. On 31 December 2019, this balance was renewed with maturity on 31 December 2020, accruing interest at a fixed rate of 1.15%.
- Debt contract with Sardorma, S.A. for a principal amount of EUR 16,476 thousand maturing on 31 December 2018. The origin of the balance was the financing from the business combination with Metrovacesa executed in 2016 through current accounts with Group companies. This loan accrued interest at a fixed rate of 1.75%, including a 9-month interest-only period. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 20,271 thousand. On 31 December 2019, this balance was renewed with maturity on 31 December 2020, accruing interest at a fixed rate of 1.15%.
- Debt contract with Tree Inversiones Inmobiliarias SOCIMI, S.A. for EUR 111,746 thousand, cancelling the current account agreement it had with the Parent in the previous year. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing interest at an annual rate of 1.5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 7,486 thousand.
- Debt contract with Merlin Retail, S.L.U. for EUR 16,553 thousand, cancelling the current account agreement it had with the Parent in the previous year. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing interest at an annual rate of 1.5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 18,399 thousand.
- Debt contract with Parc Logístic de la Zona Franca, S.A. This agreement has a term of one year and subsequent renewals for equal periods may be agreed, accruing interest at an annual rate of 1.5%. The outstanding balance of principal plus accrued interest payable at 2019 year-end amounts to EUR 14,901 thousand.

In October 2018, Paseo Comercial Carlos III proceeded to cancel the loan it held with the Company in the amount of EUR 65,203 thousand, including accrued interest payable.

Current accounts with Group companies and associates

The main reductions of this heading of the accompanying balance sheet are as follows:

- At 31 December 2019, the Company had an account receivable from Varitelia Distribuciones, S.L.U. amounting to EUR 21,622 thousand relating to the Group's outstanding VAT balance.

- In 2019, the subsidiary Global Carihuela Patrimonio Comercial, S.L.U. carried out a capital increase through the conversion of debts acquired with the sole shareholder, Merlin Properties SOCIMI, S.A., in the amount of EUR 17,000 thousand.

8.4 Loans to third parties

On 29 November 2019, as an integral part of the sale of the set of real estate assets (see Note 7), the Company granted a loan to Juno Holdings 1, S.a.r.l. in the amount of EUR 70,000 thousand, with a bullet maturity in November 2021, accruing interest at an annual rate of 2% and payable on maturity. At 31 December 2019, EUR 70,000 thousand in principal and EUR 127 thousand in interest had yet to be paid.

This heading also includes the loan granted to Desarrollos Urbanísticos Udra, S.A.U. with a principal of EUR 86,397 thousand (see Note 10), which accrues interest at market rates (EUR 298 thousand at 31 December 2019).

8.5 Trade and other receivables

“Trade and other receivables” included the following items at 31 December 2019 (in thousands of euros):

	31/12/2019	31/12/2018
<i>Current assets</i>		
Trade and notes receivable	7,672	2,574
Group companies and associates	1,167	1,811
Sundry accounts receivable	377	141,877
Employee receivables	184	184
Other accounts receivable from public authorities (Note 15)	6,363	5,182
Total	15,763	151,628

“Trade and notes receivable” in the accompanying balance sheet at 31 December 2019 mainly included the balances receivable from leasing investment property. In general these receivables are interest free and the terms of collection range from immediate payment on billing to payment at 30 days, while the average collection period is approximately 5 days (5 days in 2018).

In 2019 the Company received EUR 134,470 thousand relating to the deferred amount of the sale price of the ownership interest in Testa Residencial SOCIMI, S.A. sold in 2018. This amount was included under “Sundry accounts receivable” of the 2018 balance sheet.

The Company periodically analyses the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Company’s directors consider that the amount of trade and other receivables approximates their fair value.

The changes in the impairment losses and bad debt in 2019 were as follows (in thousands of euros):

	2019	2018
Beginning balance	(7,352)	(8,769)
Charges for the year	(480)	(369)
Reversals/amounts used	327	1,856
Other	82	(70)
Ending balance	(7,423)	(7,352)

Losses from bad debts amounted to EUR 96 thousand in 2019.

The majority of impaired receivables are overdue by more than 6 months.

9. Cash and cash equivalents

“Cash and cash equivalents” includes the Company’s cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The balance of this heading of the accompanying balance sheet comprises mainly the current accounts in euros held by the Company at various financial institutions, which accrue interest at market rates, amounting to EUR 113,058 thousand (EUR 99,649 thousand in 2018).

At 31 December 2019, the balances included under “Cash and cash equivalents” amounting to EUR 788 thousand (EUR 788 thousand at 31 December 2018) were not available as they were pledged to secure the various obligations existing at that date.

The interest earned in this regard in 2019 amounted to EUR 162 thousand and is recognised under “Finance Income” in the accompanying income statement (EUR 387 thousand in 2018).

10. Non-current investments in Group companies and associates

The breakdown of and changes in the balance of “Equity instruments” at 2019 and 2018 year-end is as follows (in thousands of euros):

2019	Balance 31/12/2018	Additions	Disposals due to mergers	Additions due to mergers	Impairment	Balance 31/12/2019
Group companies:						
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	657,984	-	-	-	-	657,984
Merlin Retail, S.L.U.	251,408	-	-	-	-	251,408
Merlin Oficinas, S.L.U.	771,345	-	-	-	-	771,345
Merlin Logística, S.L.U.	292,304	-	-	-	-	292,304
Merlin Parques Logísticos, S.A.	118,310	-	(118,310)	-	-	-
Sevisur Logística, S.A.	37,629	-	-	-	-	37,629
Parc Logistic de la Zona Franca, S.A.	-	-	-	118,310	-	118,310
Innovación Colaborativa, S.L.U.	-	3,868	-	-	(3,868)	-
Exhibitions Company, S.A.U.	4,287	-	-	-	-	4,287
Gescentesta, S.L.U.	3	-	-	-	-	3
Metroparque, S.A.U.	231,557	-	-	-	-	231,557
La Vital Centro Comercial y de Ocio, S.L.U.	56,788	-	-	-	-	56,788
Holding Jaureguizar 2002, S.A.U.	-	-	-	-	-	-
Desarrollo Urbano de Patraix, S.A.U.	25,090	-	-	-	-	25,090
Sadorma 2003, S.L.U.	20,287	-	-	-	(1,883)	18,404
Global Murex Iberia, S.L.U.	-	-	-	-	-	-
Varitelia Distribuciones, S.L.U.	40,623	18,579	-	-	(10,724)	48,478
Global Carihuela Patrimonio Comercial, S.L.U.	17,102	17,000	-	-	(871)	33,231
MPCVI - Compra e Venda Imobiliária, S.A.	6,418	-	-	-	-	6,418
MPEP - Properties Escritórios Portugal, S.A.	54	-	-	-	31	85
MP Monumental, S.A.	20,348	-	-	-	-	20,348
MP Torre A, S.A.	10,186	-	-	-	-	10,186
VFX Logística, S.A.	17,213	3,150	-	-	(2,868)	17,495
Promosete, Invest Inmobiliaria, S.A.	11,246	-	-	-	-	11,246
Praça do Marques Servicios Auxiliares, S.A.	56,359	-	-	-	-	56,359
Torre Dos Oceanus Investimentos Imobiliarios, S.A.	15,912	-	-	-	-	15,912
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	31,533	-	-	-	-	31,533
Torre Arts - Investimentos Imobiliarios, S.A.	-	85,781	-	-	-	85,781
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	-	27,555	-	-	-	27,555
Milos Asset Development, S.A.	-	2	-	-	(1)	1
Associates:						
Provitae Centros Asistenciales, S.L.	4,600	-	-	-	(26)	4,574
Pazo de Congressos de Vigo, S.A.	-	-	-	-	-	-
Paseo Comercial Carlos III, S.A.	25,668	-	-	-	-	25,668
Centro Intermodal de Logística, S.A.	95,688	-	-	-	-	95,688
Parking del Palau, S.A.II., S.L.U.	2,136	-	-	-	-	2,136
PK Hoteles 22, S.L.	2,467	-	-	-	-	2,467
Distrito Castellana Norte, S.A.	-	168,893	-	-	-	168,893
G36, Development, S.L.	2,027	-	-	-	-	2,027
Total net value of the investment	2,826,572	324,828	(118,310)	118,310	(20,210)	3,131,190

2018	Balance 31/12/2017	Additions	Disposals due to mergers	Additions due to mergers	Impairment	Disposals (Note 1.2)	Other	Balance 31/12/2018
Group companies:								
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	657,984	-	-	-	-	-	-	657,984
Merlin Retail, S.L.U.	179,608	-	-	71,800	-	-	-	251,408
Merlin Oficinas, S.L.U.	196,959	99,750	-	473,624	176	-	836	771,345
Merlin Logística, S.L.U.	244,153	37,480	-	10,671	-	-	-	292,304
Merlin Logística II, S.L.U.	10,671	-	(10,671)	-	-	-	-	-
Obraser, S.A.	71,800	-	(71,800)	-	-	-	-	-
Merlin Parques Logísticos, S.A.	118,310	-	-	-	-	-	-	118,310
Sevisur Logística, S.A.	37,629	-	-	-	-	-	-	37,629
Merlin Properties Adequa, S.L.	379,560	-	(379,560)	-	-	-	-	-
Testa Hoteles, S.A.	4,287	-	-	-	-	-	-	4,287
Gescentesta, S.L.U.	3	-	-	-	-	-	-	3
Metroparque, S.A.	231,557	-	-	-	-	-	-	231,557
La Vital Centro Comercial y de Ocio, S.L.	56,788	-	-	-	-	-	-	56,788
Holding Jaureguizar 2002, S.A.U.	-	-	-	-	-	-	-	-
Metropolitana Castellana, S.A.	90,859	-	(90,859)	-	-	-	-	-
Desarrollo Urbano de Patraix, S.A.	18,281	-	-	-	6,809	-	-	25,090
Acoghe, S.L.U.	290	-	-	-	-	(290)	-	-
Sadorma 2003, S.L.	19,987	-	-	-	300	-	-	20,287
Global Murex Iberia, S.L.	-	-	-	-	-	-	-	-
Varitelia Distribuciones, S.L.U.	17,399	-	-	-	23,224	-	-	40,623
Global Carihuella Patrimonio Comercial, S.L.U.	17,102	-	-	-	-	-	-	17,102
MPCVI - Compra e Venda Imobiliária, S.A.	6,418	-	-	-	-	-	-	6,418
MPEP - Properties Escritórios Portugal, S.A.	31	35	-	-	(12)	-	-	54
MP Monumental, S.A.	20,348	-	-	-	-	-	-	20,348
MP Torre A, S.A.	10,186	-	-	-	-	-	-	10,186
Belkyn West Company, S.L.	3,205	-	(3,205)	-	-	-	-	-
Inmobiliaria Metrogolf, S.A.	3,624	-	-	-	-	(3,624)	-	-
VFX Logística, S.A.	200	17,563	-	-	(550)	-	-	17,213
Promosete, Invest Inmobiliaria, S.A.	11,704	-	-	-	-	-	(458)	11,246
Praça do Marques Serviços Auxiliares, S.A.	60,382	-	-	-	-	(4,000)	(23)	56,359
Torre Dos Oceanus Investimentos Imobiliarios, S.A.	-	15,912	-	-	-	-	-	15,912
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	-	31,533	-	-	-	-	-	31,533
Associates:								
Provitae Centros Asistenciales, S.L.	4,550	-	-	-	50	-	-	4,600
Pazo de Congressos de Vigo, S.A.	-	-	-	-	-	-	-	-
Testa Residencial SOCIMI, S.A.	144,369	89,721	-	-	-	(234,090)	-	-
Paseo Comercial Carlos III, S.A.	25,668	-	-	-	-	-	-	25,668
Centro Intermodal de Logística, S.A.	95,688	-	-	-	-	-	-	95,688
Parking del Palau, S.A.II., S.L.U.	2,136	-	-	-	-	-	-	2,136
PK Hoteles 22, S.L.	1,834	-	-	-	633	-	-	2,467
PK Inversiones 22, S.L.	18	-	-	-	-	(18)	-	-
G36, Development, S.L.	-	2,027	-	-	-	-	-	2,027
Total net value of the investment	2,743,588	294,021	(556,095)	556,095	30,630	(242,022)	355	2,826,572

In compliance with section 155 of the Corporate Enterprises Act, the Company reported the holdings that exceed 10% of share capital in the companies described in the table above.

The most significant transactions performed in 2019 are as follows:

a) Torre Arts, Investimentos imobiliários, S.A. (formerly Edificio 160 Arts, S.A.)

On 17 January 2019, the Company acquired 100% of the ownership interest in Torre Arts, Investimentos imobiliários, S.A. for EUR 85,781 thousand. The main line of business of the acquired company is the lease

of offices. Its only asset is the Arts building in Lisbon that is 97% leased and has a surface area of 22,150 square metres. Its fair value according to an independent appraiser amounted was EUR 85,391 thousand at the date of purchase.

b) Torre Fernão Magalhães Investimentos imobiliários, S.A. (formerly Edifício 048 Magellexpo, S.A.)

On 17 January 2019, the Company acquired 100% of the ownership interest in Torre Fernão Magalhães Investimentos imobiliários, S.A. for EUR 27,555 thousand. The main line of business of the acquired company is the lease of offices. Its only asset is the Torre Magallanes building in Lisbon that is 100% leased and has a surface area of 7,837 square metres. Its fair value according to an independent appraiser was EUR 27,455 thousand at the date of purchase.

c) Innovación Colaborativa, S.L.U.

On 26 March 2019, the Parent acquired 53.97% of Innovación Colaborativa, S.L. for EUR 1,667 thousand. With this acquisition, the Parent now holds 100% of the share capital of this Company. The core business of the acquired company is flexible office space management. At 31 December 2019 the interest in this Company was fully impaired.

d) Distrito Castellana Norte, S.A.

On 30 October 2019, the Company acquired a 14.46% interest in Distrito Castellana Norte, S.A. ("DCN") from Desarrollos Urbanísticos Udra, S.A.U. (a company of the San José Business Group) for EUR 168,893 thousand. Its current activity consists of preparing the future urban development of the land owned by ADIF (Administrador de Infraestructuras Ferroviarias) and RENFE- operator of sites in the APR 08.03 "Castellana Extension" and APE 05.27 "Colonia Campamento" urban areas under the current General Plan of Madrid for its subsequent real estate operation.

In addition, as an integral part of the sale and purchase transaction, the Company granted Desarrollos Udra, S.A. a loan amounting to EUR 129,109 thousand, which is broken down into two tranches: i) EUR 86,397 thousand maturing in 20 years, and ii) EUR 42,712 thousand maturing in December 2019; both loans accrue interest at an annual rate of 2% and are payable on maturity. At 31 December 2019, the second tranche was collected in full, leaving EUR 86,695 thousand (EUR 86,397 thousand in principal and EUR 298 thousand in interest) under "Loans to third parties" in the accompanying balance sheet (see Note 8.4). This loan is held to secure the ownership interest in DCN held by the aforementioned company.

e) Global Carihuela Patrimonio Comercial, S.L.U.

In 2019 the Company subscribed the capital increase through the conversion of loans carried out by Global Carihuela in the amount of EUR 17,000 thousand, subscribing 1,700,000 shares with a par value of EUR 1 and a share premium of EUR 9.

f) Varitelia Distribuciones, S.L.U.

On 28 June 2019 the Company capitalised the dividend approved by its sole shareholder, Merlin Properties SOCIMI, S.A., amounting to EUR 18,579 thousand. This contribution is used for the conversion of debt into equity between Varitelia Distribuciones, S.L.U. and Merlin Properties SOCIMI, S.A. for this amount. At 31 December 2019, the interest in this Company had become impaired by EUR 10,724 thousand.

g) Merger of companies

In addition to the dissolution described in Note 1.2, in 2019 the reverse merger took place between Merlin Parques Logísticos, S.A. and Parc Logistic de la Zona Franca, S.A., approved by the managing bodies of these companies on 5 July 2019.

The most significant transactions performed in 2018 are as follows:

a) Torre Dos Oceanus Investimentos Imobiliarios, S.A.

On 17 April 2018, the Company acquired 100% of the ownership interest in Torre Dos Oceanus Investimentos Imobiliários, S.A., the share capital of which amounted to EUR 50,000, which was fully paid and represented by 50,000 shares of EUR 1 par value each, for a total of EUR 15,912 thousand. At the time of the purchase, the business acquired had a loan with the previous owner amounting to EUR 17,294 thousand, which was paid simultaneously with the purchase price. The main line of business of the acquired company is the lease of offices, whereby its only asset is the Torre Zen building in Lisbon that is 100% leased and has a surface area of 10,207 square meters. Its fair value at the time of purchase according to an independent appraiser was EUR 35,374 thousand.

b) Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda.

On 20 July 2018, the Company acquired 100% of the ownership interest in Forum Almada-Gestao de Centro Comercial, Sociedade Uniperssoal, Lda., the share capital of which amounted to EUR 5,000, which was fully paid and represented by 5,000 shares of EUR 1 par value each, for a total of EUR 31,533 thousand. At the time of the purchase, the business acquired had a loan with the previous owner amounting to EUR 375,118 thousand, which was paid simultaneously with the purchase price. The main line of business of the Almada Group is the lease of shopping centres. It owns the Almada shopping centre in Lisbon that is 98% leased and has a gross leasable surface area of 60,049 square meters. Its fair value at the time of purchase according to an independent appraiser was EUR 472,757 thousand.

c) Testa Residencial SOCIMI, S.A.

On 19 January 2018, Testa Residencial SOCIMI, S.A. cancelled the service agreement signed with the Company early. In accordance with the terms of the aforementioned agreement, the Company had the right, in the event that a situation like that described above were to occur, to receive compensation, the amount of which was to be determined based on the annual management fee and the remaining years of validity. As a result of the termination of the agreement, the Company earned income amounting to EUR 89,721 thousand that was settled in full with the delivery of 640,693,342 shares issued in the share capital increase carried out by Testa Residencial SOCIMI, S.A.

The share capital increase in the investee Testa Residencial SOCIMI, S.A. was approved by the shareholders at the Annual General Meeting of 26 March 2018, giving the Company an ownership interest of 16.95%.

On 14 September 2018, the Company formalised a sale agreement for its entire ownership interest in Testa Residencial SOCIMI, S.A. The sale price amounted to EUR 321.2 million, and the formalisation of the sale depended on compliance with certain conditions, with such compliance finally taking place in December 2018. As part of the sale agreement, Testa Residencial SOCIMI, S.A. distributed to its shareholders an amount of EUR 1,006.9 million (EUR 170.7 million corresponding to Merlin Properties SOCIMI, S.A.) corresponding to the share premium. As a result of this sale, the Company obtained a profit before tax amounting to EUR 86.7 million, recognised under "Impairment and gains or losses on disposal of financial instruments" in the income statement for 2018.

At 31 December 2018, EUR 134 million had yet to be received, which was collected in full in 2019.

d) G36 Development, S.L.

In 2018, the Company acquired 1,500 shares of the share capital of G36 Development, S.L. for EUR 1,500 corresponding to 50% of the share capital.

On 1 October 2018, the Company subscribed the share capital increase of G36 Development, S.L. subscribing 202,500 additional shares of EUR 1 par value each for an amount of EUR 2,025 thousand (this amount includes the share premium). At year-end they were fully subscribed and paid.

e) VFX Logística, S.A.

On 28 December 2018, the Company acquired 1,010,000 shares, representing 100% of VFX Logística, S.A., from Merlin Parques Logísticos, S.A.U. for an amount of EUR 17,323 thousand deferred by means of a loan maturing on 28 December 2021.

f) PK Inversiones 22, S.L.

In 2018, the Company sold its 50% holding in PK Inversiones 22, S.L., without the sale yielding any result.

g) Merger of companies

In addition to the dissolutions described in Note 1.2, the 2018 financial year saw the following mergers between companies of the Merlin Group:

Absorbed company	Acquiring company
Metropolitana Castellana, S.A.U. Merlin Properties Adequa, S.L.U. Belkyn West Company, S.L.U.	Merlin Oficinas, S.L.U.
Obraser, S.A.	Merlin Retail, S.L.U.
Merlin Logística II, S.L.U.	Merlin Logística I, S.L.U.

h) Capital increases

The following capital increases took place in 2018:

	Date of increase	Number of shares issued	Par value and share premium	Thousands of euros
Merlin Logística, S.L.U.	21/06/2018	3,748,000	EUR 1 of share capital and EUR 9 of share premium	37,480
Merlin Oficinas, S.L.U.	21/06/2018	9,975,000	EUR 1 of share capital and EUR 9 of share premium	99,750

The directors annually assess whether there are any indications that the above investments have become impaired, having concluded that at 31 December 2019 there were no additional impairments to those recognised.

To determine whether or not the investments in Group companies and associates have become impaired, the proportional part of equity of the investees, adjusted by any unrealised gains and goodwill at the valuation date, which were identified mainly on the basis of valuations carried out by third parties on the indicated assets, was considered to be the best evidence of the recoverable amount.

The most significant information in relation to investments in Group companies and associates at 2019 and 2018 year-end is detailed in Appendix I.

11. Equity and shareholders' equity

11.1 Share capital and share premium

The detail of "Equity" and of the changes therein is presented in the statement of changes in equity.

Share capital

At 31 December 2019, the share capital of Merlin Properties SOCIMI, S.A., amounted to EUR 469,771 thousand, represented by 469,770,750 fully subscribed and paid shares of EUR 1 par value each, all of which are of the same class and confer the holders thereof the same rights.

All the Company's shares are admitted to official listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The market price of the Parent's shares at 31 December 2019 and the average market price for the fourth quarter amounted to EUR 12.79 and EUR 12.95 per share, respectively.

At 31 December 2019, according to the information available at the Spanish National Securities Market Commission (CNMV), the significant shareholders of Merlin Properties SOCIMI, S.A. with direct or indirect ownership interests exceeding 3% of share capital, are as follows:

	Shares			% of capital
	Direct	Indirect	Total	
Banco Santander, S.A.	78,437,100	26,172,125	104.609.225	22.268%
BlackRock, INC	-	18,773,897	18,773,897	3.996%

Share premium

The consolidated text of the Corporate Enterprises Act expressly permits the use of the share premium to increase capital and establishes no specific restrictions as to its use.

This reserve is unrestricted so long as its allocation does not lower equity to below the amount of share capital. In this connection, in 2019 the shareholders at the General Meeting approved the distribution of dividends totalling EUR 45,215 thousand with a charge to the share premium.

11.2 Reserves

Legal reserve

The legal reserve will be established in accordance with section 274 of the consolidated text of the Corporate Enterprises Act, which stipulates, in all cases, that 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

This reserve cannot be distributed, and if it is used to offset losses, in the event no other reserves are available for this purpose, it must be restored with future profits.

At 31 December 2019, the Company had not yet reached the legally required minimum established in the consolidated text of the Corporate Enterprises Act.

The legal reserve of companies that have chosen to avail themselves of the special tax regime established in

Spanish Law 11/2009, of 26 October, regulating SOCIMIs, must not exceed 20% of share capital. The Articles of Association of these companies may not establish any other type of restricted reserves.

Merger reserves

The mergers carried out in 2017 generated positive merger reserves of EUR 1,629 thousand. As a result of the merger by absorption of Testa Inmuebles en Renta SOCIMI, S.A. with the Company in 2016, this transaction generated negative merger reserves in the amount of EUR 311,556 thousand.

11.3 Treasury shares

At 31 December 2019, the Company held treasury shares amounting to EUR 56,860 thousand.

The changes in 2019 were as follows:

	Number of shares	Thousands of euros
Balance at 31 December 2017	2,320,230	24,881
Additions	5,005,395	56,048
Disposals	(1,175,625)	(12,607)
Balance at 31 December 2018	6,150,000	68,322
Additions	52,776	633
Disposals	(1,125,407)	(12,095)
Balance at 31 December 2019	5,077,369	56,860

On 27 April 2017, the shareholders authorised the Board of Directors to acquire shares of the Company. The shareholders at the Annual General Meeting held on 7 May 2018 revoked the unused portion of the authorisation granted by the shareholders at the General Meeting of April 2017 and authorised the acquisition of treasury shares by the Company itself or by Group companies pursuant to section 146 et seq. of the Corporate Enterprises Act, complying with the requirements and restrictions established under the current law during the five-year period. The authorisation includes the acquisition of shares that, where applicable, must be handed over directly to employees or directors of the Company or of Group companies as a result of the purchase option they hold or for the settlement and payment of share-based incentive plans of which they are beneficiaries.

In 2019, the Company acquired 52,776 treasury shares at an average cost of EUR 11.99 per share. At 31 December 2019, the Company held treasury shares representing 1.0808% of its share capital.

The disposals of treasury shares, amounting to EUR 12,095 thousand (average cost of EUR 10.75 per share), relate mainly to the delivery of shares made to executive directors, senior management and the rest of the management team corresponding to the variable remuneration incentive in the "2016 Share Plan" agreed upon therewith, in the amount of EUR 11,503 thousand (average cost of EUR 10.73 per share) (see Note 18), and to the delivery of shares to employees as part of the flexible remuneration plan, in the amount of EUR 588 thousand.

11.4 Interim dividend

On 10 October 2019, the Parent's Board of Directors resolved to distribute EUR 92,939 thousand as an interim dividend with a charge to profit for 2019. This interim dividend was paid to shareholders on 28 October 2019.

11.5 Valuation adjustments

This heading of the statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges, as well as that corresponding to available-for-sale financial assets. The changes in the balance of this heading in 2019 are as follows:

	Thousands of euros
Balance at 31 December 2017	(4,444)
Changes in the fair value of hedges in 2018	1,295
Changes in the fair value of "Available-for-sale financial assets" (Note 8.2)	(4,121)
Balance at 31 December 2018	(7,270)
Changes in the fair value of hedges in 2019	1,260
Changes in the fair value of "Available-for-sale financial assets" (Note 8.2)	(581)
Balance at 31 December 2019	(6,591)

The change in the fair value of the hedging instruments corresponds to the value recognised when there is a loss of efficiency, which will be deferred over the life of the derivative and has been recognised as an increase in finance costs in the accompanying income statement.

12. Current and non-current financial liabilities

The detail of current and non-current liabilities at 31 December 2019 and 2018 is as follows (in thousands of euros):

	Thousands of euros	
	2019	2018
Non-current:		
Measured at amortised cost		
Syndicated loan	850,000	840,000
Syndicated loan arrangement expenses	(6,562)	(3,842)
Total syndicated loans	843,438	836,158
Revolving credit facility	-	150,000
Loan arrangement expenses of the revolving credit facility	(3,023)	-
Total other loans	(3,023)	150,000
Debentures and bonds	3,750,000	3,250,000
Debenture issue expenses	(26,586)	(24,460)
Total debentures and bonds	3,723,414	3,225,540
Total amortised cost	4,563,829	4,211,698
Measured at fair value		
Derivative financial instruments	10,570	5,241
Total at fair value	10,570	5,241
Total non-current	4,574,399	4,216,939
Current:		
Measured at amortised cost		
Syndicated loan	595	999
Debentures and bonds	34,631	34,007
Leases, credit facilities and loans	-	-
Revolving credit facility	161	1,054
Total amortised cost	35,387	36,060
Measured at fair value		
Derivative financial instruments	270	212
Total at fair value	270	212
Total current	35,657	36,272

There is no material difference between the carrying amount and the fair value of financial liabilities at amortised cost.

On 20 April 2016, the Company obtained a credit rating of “BBB” with a stable outlook by Standard & Poor’s Rating Credit Market Services Europe Limited. On 24 May 2018, Standard & Poor’s updated its rating to “BBB” with a positive outlook. In addition, on 17 October 2016, the Company obtained an investment grade credit rating of “Baa2” from Moody’s.

12.1 Loans

The detail of loans at 31 December 2019 and 2018 is as follows (in thousands of euros):

31 December 2019

	Initial loan / Limit	Debt arrangement expenses	Non-current	Current	Current interest
Syndicated loan	850,000	(6,562)	850,000	-	595
Revolving credit facilities	700,000	(3,023)	-	-	161
Non-mortgage loan	115,000	-	-	-	-
Total	1,665,000	(9,585)	850,000	-	756

31 December 2018

	Initial loan / Limit	Debt arrangement expenses	Non-current	Current	Current interest
Syndicated loan	1,220,000	(3,842)	840,000	-	999
Revolving credit facilities	420,000	-	150,000	-	1,054
Non-mortgage loan	51,000	-	-	-	-
Total	1,691,000	(3,842)	990,000	-	2,053

Syndicated loans and revolving credit facilities

On 25 April 2019, the Company arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million.

This financing arrangement was used for the early cancellation of the existing corporate financial arrangement, which consisted of two corporate loans and two credit facilities. At the close of 2018, the corporate loans amounted to EUR 530 million and EUR 310 million and the limits of the corporate credit facilities were EUR 100 million and EUR 320 million (EUR 150 million drawn down at 2018 year-end).

This financing arrangement lasts 5 years, and expires in 2024, though two optional one-year extensions can be taken out for the credit facility. The corporate loan accrues interest at a rate of one month EURIBOR + 120 basis points while the revolving credit facility accrues interest at a rate of one month EURIBOR + 90 basis points. Both financing arrangements include a cost adjustment mechanism based on four sustainability criteria.

This financing arrangement maintains the commitments to maintain certain coverage ratios existing in the previous financing arrangement and in the Company's bonds. The Company's directors have confirmed that these ratios were met at 31 December 2019 and do not forecast that they will not be fulfilled in the coming years.

Non-mortgage loans

On 20 December 2018, the Company arranged a loan that was not secured by a mortgage with the European Investment Bank in an amount of EUR 51,000 thousand maturing in 10 years.. On 4 November 2019, the Company arranged the second tranche of the loan that was not secured by a mortgage with the European Investment Bank in an amount of EUR 64,000 thousand, with the two tranches amounting to EUR 115,000 thousand. This financing matures in 10 years. This financing will be allocated to the development of logistical assets in the Castilla-La Mancha region. At 31 December 2019, the financing had not been drawn down since this drawdown is subject to the fulfilment of a series of milestones related to the development of the assets, and no related expenses were incurred as a result of not making this drawdown.

Maturity of debt

The detail, by maturity, of the amounts drawn down on these loans is as follows (in thousands of euros):

	Syndicated loan	Revolving credit facility	Total
2020	-	-	-
2021	-	-	-
2022	-	-	-
More than 3 years	850,000	-	850,000
	850,000	-	850,000

None of the Company's debt was denominated in non-euro currencies at 31 December 2019.

The Company had undrawn credit facilities at 31 December 2019 with a number of financial institutions totalling EUR 700 million (EUR 270 million at 31 December 2018).

There are no significant differences between the fair values and carrying amounts of the Company's financial liabilities.

The finance cost for interest on the loans and the revolving credit facilities totalled EUR 15,271 thousand in 2019 (EUR 16,893 thousand in 2018) and is recognised in the accompanying income statement for 2019.

At 31 December 2019, the debt arrangement expenses had been deducted from the balance of "Bank borrowings". In 2019, the Company recognised EUR 2,007 thousand (EUR 1,602 thousand in 2018) associated with the debt under "Finance costs" in the accompanying income statement for 2019.

12.2 Debenture issues

On 12 May 2017, the Company subscribed a Euro Medium Term Notes (EMTN) issue programme of up to EUR 4,000 million, which replaced the original bond issue programme and its supplement subscribed on 25 April 2016 and 14 October 2016, respectively, for an overall maximum amount of EUR 2,000 million.

On 18 May 2018, the Company expanded the Euro Medium Term Notes (EMTN) issue programme to EUR 5,000 million.

On 4 December 2019, a non-subordinated ordinary bond issue was carried out on the Euromarket for a total of EUR 500 million. The bonds were issued at 99,174% of their face value, maturing after 15 years with an annual coupon of 1.875%, payable annually in arrears.

The terms and conditions of the bonds issued by the Company are governed and interpreted in accordance with English law and are listed on the Luxembourg Stock Exchange. The bond issue programme has the same guarantees and ratio compliance obligations as the syndicated loan and the revolving credit facility mentioned above. At year-end 2019, the Company complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

The detail at 31 December 2019 of the bonds issued by the Company is as follows:

Maturing in	Nominal amount (millions of euros)	Coupon	Listed price	Return	Market
May 2022	700	2.375%	MS + 32 bp	0.31%	Ireland (*)
April 2023	850	2.225%	MS + 51 bp	0.46%	Luxembourg
May 2025	600	1.750%	MS + 72 bp	0.68%	Luxembourg
November 2026	800	1.875%	MS + 84 bp	0.89%	Luxembourg
September 2029	300	2.375%	MS + 119 bp	1.43%	Luxembourg
December 2034	500	1,875%	MS + 146 bp	1.95%	Luxembourg
	3,750	2.068%			

2018

Maturing in	Nominal amount (millions of euros)	Coupon	Listed price	Return	Market
May 2022	700	2.375%	MS + 124 bp	1.27%	Ireland (*)
April 2023	850	2.225%	MS + 145 bp	1.55%	Luxembourg
May 2025	600	1.750%	MS + 192 bp	2.31%	Luxembourg
November 2026	800	1.875%	MS + 199 bp	2.56%	Luxembourg
September 2029	300	2.375%	MS + 223 bp	3.09%	Luxembourg
	3,250	2.097%			

(*) Due to the business combination with Metrovacesa carried out in 2016, the Company recognised a bond issue launched by Metrovacesa for EUR 700 million. The terms and conditions of the bonds abide by UK laws and are traded on the Irish Stock Exchange. This issue also includes a series of compliance obligations and guarantees, which is common in these types of transactions. At year-end 2019, the Company complied with the covenants set forth in this contract and the directors consider that they will be met in 2020.

The finance cost for interest on the debenture issues amounted to EUR 68,787 thousand (EUR 68,163 thousand in 2018) and is recognised in the accompanying income statement for 2019. The accrued interest payable at 31 December 2019 amounted to EUR 34,631 thousand (EUR 34,007 thousand in 2018). Debt arrangement expenses taken to the consolidated income statement in 2019 amounted to EUR 4,255 thousand (EUR 4,222 thousand in 2018).

12.3 Derivatives

In 2016, within the framework of the syndicated financing without mortgage guarantee signed, the Company subscribed an interest rate swap (IRS), which matures in 2021, for 70% of the notional amount, i.e., EUR 595,000 thousand and a cost of 0.0981%. Following the early repayment of EUR 320,000 thousand relating to Tranche A of the Company's syndicated financing, the notional amount of this hedge was reduced to EUR 530,000 thousand, thus obtaining a coverage ratio of 100%.

In addition, tied to the syndicated financing without a mortgage guarantee from Metrovacesa, it includes an interest rate swap (IRS), which matures in 2021, for a notional amount of EUR 310,000 thousand and a cost of -0.12%.

For the purpose of refinancing the syndicated loan, a new interest rate swap (IRS) was arranged to hedge the extension of the loan's maturity from 2021 to 2024. The contractual notional amount totalled EUR 850,000 thousand with a cost of 0.0154%.

The detail of the financial instruments at 31 December 2019 is as follows:

	Thousands of euros
Non-current	
Interest rate derivatives	10,570
Total non-current	10,570
Current	
Interest rate derivatives	270
Total current	270

13. Other current and non-current liabilities

The detail of these headings at 31 December 2019 and 2018 is as follows:

	31/12/2019	31/12/2018
Non-current		
Provisions	31,364	55,335
Other payables	3,000	3,000
Guarantees and deposits received	46,524	46,753
	80,888	105,088
Current		
Provisions	778	867
Other liabilities	2,740	3,267
	3,518	4,134
Total	84,406	109,222

“Provisions” includes mainly the provision for the variable remuneration indicated in Note 18 amounting to EUR 22,683 thousand (EUR 46,160 thousand in 2018) and that will be paid in the long term.

This heading also includes the provisions for the measurement of risk associated with a number of lawsuits and claims filed by third parties arising from the Company’s activity, which were recognised in accordance with the best existing estimates. These most notably include the liabilities for tax debts for which there are uncertainties as to their amount or timing, whereby it is likely that the Group may have to dispose of resources to cancel these obligations as the result of a present obligation.

“Guarantees and deposits received” primarily includes the amounts deposited by lessees to secure leases and that will be returned at the end of the lease term.

14. Trade and other payables

The detail of trade and other payables is as follows (in thousands of euros):

	2019	2018
Trade and other payables		
Payable to suppliers	34,944	19,895
Payable to suppliers - Group companies and associates	32,014	32,107
Sundry accounts payable	7,343	2,617
Remuneration payable	51,423	8,641
Current tax liabilities	-	11,299
Other accounts payable to public authorities (Note 15)	5,432	9,126
Customer advances	2	606
Total	131,158	84,291

“Remuneration payable” includes the provision for variable remuneration under the 2017-2019 Long-Term Incentive Plan tied to the share price indicated in Note 18, amounting to EUR 35,526 thousand.

The directors consider that the carrying amount of trade payables approximates their fair value.

Information on the average period of payment to suppliers. Final provision two of Spanish Law 31/2014, of 3 December

The information required by additional provision three of Spanish Law 15/2010, of 5 July (amended by final provision two of Spanish Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions, is detailed below.

	2019	2018
	Days	
Average period of payment to suppliers	33.6	53.9
Ratio of transactions paid	34.24	53.7
Ratio of transactions payable	24.7	58.3
	Thousands of euros	
Total payments made	154,722	102,220
Total payments pending	11,216	5,999

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Spanish Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the balance sheet.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum payment period applicable to the Company in 2014 and 2015 under Spanish Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (*Ley 3/2004, de 29 de diciembre, por la que se establecen medidas de lucha contra la morosidad en las operaciones comerciales*), and pursuant to the transitional provisions contained in Spanish Law 15/2010, of 5 July, was 60 days until the publication of Spanish Law 11/2013, of 26 July, and 30 days since publication of the aforementioned law (unless the conditions mentioned in this law are met, in which case the maximum payment period may be increased to 60 days).

15. Tax matters

The breakdown of the tax receivables and payables at 31 December 2019 and 2018 is as follows (in thousands of euros):

	31/12/2019	31/12/2018
Tax receivables:		
Non-current-		
Deferred tax assets	78,902	79,331
Current-		
VAT refundable	2,712	2,210
Deferred input VAT	2,229	2,288
Current tax assets	1,284	-
Other tax receivables	138	684
	85,265	84,513
Tax payables:		
Non-current-		
Deferred tax liabilities	395,264	396,643
Current-		
Current tax liabilities	-	11,299
VAT payable	2,558	6,310
Personal income tax withholdings payable	433	407
Accrued social security taxes payable	212	180
Deferred output VAT	2,229	2,229
	400,696	417,068

15.1 Reconciliation of the accounting profit to the taxable profit and the income tax expense

At 31 December 2019, the taxable profit was calculated as the accounting profit for the year. The reconciliation of the accounting profit, the taxable profit for income tax purposes, the income tax payable or refundable, and the income tax expense at 31 December 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Accounting profit before tax	179,414	213,669
Permanent differences:	27,716	(33,083)
Taxable profit prior to offsetting tax losses	207,130	180,586
Offset of tax losses	-	(21,586)
Taxable profit	207,130	159,000
Taxable profit under the SOCIMI regime	206,124	94,241
Taxable profit at the standard tax rate	1,006	64,759
Tax charge under the SOCIMI regime (0%)	-	-
Tax charge under the general regime (25%)	252	16,190
Adjustments to the tax charge:	-	33
Tax credit for reinvestment	-	(4,055)
Tax credit for temporary measures	-	(157)
Prepayments	(1,536)	(712)
Corporation tax payable/(refundable)	(1,284)	11,299
Taxable profit under the SOCIMI regime	206,124	94,241
Taxable profit at the standard tax rate	1,006	64,759
Tax charge under the SOCIMI regime (0%)	-	-
Tax charge under the general regime (25%)	252	16,190
Tax credits recognised	-	(4,136)
Special tax charge	1,099	-
Total current income tax expense	1,351	12,054
Tax bases	-	5,397
Tax credits recognised	786	4,910
Offset of corporation tax, e.g. previous	(797)	28
Other income tax adjustments	56	-
Deferred tax asset adjustments	-	18,318
Deferred tax liability adjustments	(1,379)	(35,610)
Total deferred tax expense	(1,334)	(6,957)
Total tax expense	17	5,097

The permanent differences for 2019 relate mainly to non-deductible portfolio valuation allowances amounting to EUR 21,332 thousand. Permanent differences also include the amortisation of the goodwill arising from the merger by absorption of Testa Inmuebles en Renta, SOCIMI, S.A., as well as various expenses and provisions not payable in 2020.

Capital increase expenses are treated as permanent differences because the applicable tax rate is 0%.

In 2019 the Company recognised an income tax charge at a special tax rate of 19% on the amount of the dividend paid to certain shareholders with an ownership interest of over 5% who were exempt. This special charge was paid by the Company within two months after the dividend distribution date.

Capital increase expenses are treated as permanent differences because the applicable tax rate is 0%.

The detail of the income tax (expense)/income at year-end 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Current tax:		
Continuing operations	1,351	12,054
Deferred tax:		
Continuing operations	(1,334)	(6,957)
Total tax (income)/expense	17	5,097

15.2 Deferred tax assets recognised

The changes in 2019 and 2018 in the deferred tax assets recognised are as follows:

	Thousands of euros
Total deferred tax assets at 31 December 2018	79,331
Offset of tax losses	-
Offset of tax credits	(786)
Adjustments to prior years' income tax	357
Total deferred tax assets at 31 December 2019	78,902

	Thousands of euros
Total deferred tax assets at 31 December 2017	108,064
Offset of tax losses	(5,397)
Offset of tax credits	(4,910)
Deferred tax asset adjustment	(18,318)
Other	(108)
Total deferred tax assets at 31 December 2018	79,331

The detail of the tax loss carryforwards at 31 December 2019 is as follows (in thousands of euros):

	Recognised in tax base	Tax assets
<i>Tax losses:</i>		
2009	139,838	34,959
2010	1,650	413
2011	86,402	21,600
Total tax losses	227,890	56,972
Other deferred taxes recognised	87,718	21,930
Total deferred tax assets capitalised	315,608	78,902

“Other deferred taxes recognised” includes mainly the temporary differences arising from the limit on the depreciation of the assets generated by the acquisition of the Testa subgroup and Metrovacesa and unused tax credits mainly due to reinvestment.

The deferred tax assets indicated above were recognised in the accompanying balance sheet because the Company's directors considered that, based on their best estimate of the Company's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

In this regard, as a result of the merger of Testa Inmuebles en Renta SOCIMI, S.A. and the property business of Metrovacesa, S.A., tax gains were generated arising from the difference between the values at which the assets were included in the financial statements and their tax bases. In accordance with the SOCIMI regime, the Company will pay tax on these gains when the real estate asset is sold. In 2018 the Company adjusted

the deferred tax assets that it considered would not be recoverable. Based on the analysis carried out in 2019, no additional adjustments to those already recognised in the previous year have been made. The directors therefore estimate that the deferred tax assets detailed in the table above will be recovered when the real estate assets are sold, thus offsetting the aforementioned gains.

The Company had unused tax credits at 31 December 2019 amounting to EUR 21,930 thousand (EUR 22,558 thousand in 2018), mainly due to the tax credits for reinvestment.

At 2019 year-end, the Company did not have any unrecognised tax loss carryforwards

15.3 Deferred tax liabilities

The deferred tax liabilities mainly arose from the merger and the business combination executed in 2016 with Testa Inmuebles en Renta, SOCIMI, S.A. and the property business of Metrovacesa, S.A. as a result of the differences existing between the carrying amounts and the tax values of the assets received in these transactions.

The changes in “Deferred tax liabilities” at 31 December 2019 and 2018 were as follows:

	Thousands of euros
Total deferred tax liabilities at 31 December 2018	396,643
Sale of real estate assets	(1,379)
Total deferred tax liabilities at 31 December 2019	395,264

	Thousands of euros
Total deferred tax liabilities at 31 December 2017	432,255
Deferred tax liability adjustment	(33,959)
Other	(1,653)
Total deferred tax liabilities at 31 December 2018	396,643

As a result of the merger of Testa Inmuebles en Renta SOCIMI, S.A. and the property business of Metrovacesa, S.A., tax gains were generated arising from the difference between the values at which the assets were included in the financial statements and their tax bases. In accordance with the SOCIMI regime, the Company will pay tax on these gains when the real estate asset is sold.

In 2018 the Company conducted a detailed analysis of the deferred tax liabilities recognised, and adjusted those that it considered would not be claimable. At 31 December 2019, the analysis carried out did not reveal any additional adjustments to those already recognised in the previous year.

15.4 Years open for review and tax audits

Under the current law, taxes cannot be considered to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year limitation period has elapsed.

At 2019 year-end, the Company had all years since its incorporation open for review for all the taxes applicable thereto. The Company’s managing body considers that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any liabilities that might arise would not have a material effect on the accompanying financial statements.

Also, Spanish Law 34/2015, of 21 September, partially amending Spanish Law 58/2003, of 17 December, on

General Taxation (*Ley 58/2003, de 17 de diciembre, General Tributaria*), establishes the right of the tax authorities to initiate a review and investigation procedure of the tax losses offset or carried forward or tax credits taken or carried forward, which will become statute barred after ten years from the last day of the regulatory period established for filing the tax return or self-assessment relating to the year or the tax period in which the right to offset the tax loss or to apply the tax credits arose.

The Company, as the successor of the commercial property business of Metrovacesa, S.A., was subject to a general tax audit for all taxes between 2012 and 2014. This audit was completed with the signing of the tax assessments on an uncontested basis in February 2018, with no material impact on these financial statements.

16. Disclosure requirements arising from SOCIMI status, Spanish Law 11/2009, as amended by Spanish Law 16/2012

a) *Reserves arising from the years prior to applying the tax regime established in Spanish Law 11/2009, as amended by Spanish Law 16/2012, of 27 December.*

There are no reserves from years prior to the Company's adherence to the SOCIMI regime, taking into consideration the Company was incorporated in 2014, the year in which it requested to apply the aforementioned tax regime.

b) *Reserves arising from the years in which the tax regime established in this Act was applied, distinguishing between the portion that comes from income subject to a 0% or a 19% tax rate and that which is taxed at the standard tax rate, where applicable.*

In 2019, 2018, 2017, 2016, 2015 and 2014, the following changes in reserves took place:

	Thousands of euros			
	Subject to a tax rate of 0%	Subject to a tax rate of 19%	Subject to the standard tax rate	Not subject
2019	20,857	-	-	-
2018	11,453	-	-	(38)
2017	11,897	-	-	1,628
2016	2,986	-	-	(532,767)
2015	(54,543)	-	-	-
2014	(30,475)	-	-	-

c) Dividends distributed with a charge to profit for each year in which the tax regime established in this Act was applied, distinguishing between the portion that comes from income subject to a 0% or a 19% tax rate and that which is taxed at the standard tax rate, where applicable.

	Thousands of euros		
	Subject to a tax rate of 0%	Subject to a tax rate of 19%	Subject to the standard tax rate
2019	185,857	-	1,275
2018	16,235	-	86,911
2017	102,687	-	38,081
2016	3,789	-	57,808
2015	25,035	-	-
2014	-	-	-

d) In the case of dividends distributed with a charge to reserves, indicate the year relating to the reserves applied and whether they were taxed at a rate of 0%, 19% or at the standard tax rate.

No dividends were distributed with a charge to reserves in 2019, 2018, 2017, 2016, 2015 or 2014.

e) Date of the resolution to distribute dividends referred to in letters c) and d) above.

On 10 October 2019, the Company's Board resolved to distribute an interim dividend with a charge to profit for 2019 in the amount of EUR 92,939 thousand. This interim dividend was paid to shareholders on 28 October 2019.

On 10 April 2019, the shareholders at the Annual General Meeting approved the distribution of an interim dividend charged to profit for 2018 in the amount of EUR 94,193 thousand. This dividend was paid on 7 May 2019.

On 9 October 2018, the Company's Board resolved to distribute an interim dividend with a charge to profit for 2018 in the amount of EUR 93,522 thousand. This interim dividend was paid to shareholders on 25 October 2018.

On 7 May 2018, the shareholders at the Annual General Meeting approved the distribution of an interim dividend charged to profit for 2017 in the amount of EUR 9,624 thousand. This dividend was paid on 25 May 2018.

On 9 October 2017, the Company's Board resolved to distribute a dividend in the amount of EUR 93,457 thousand as an interim dividend charged to profit for 2017. This interim dividend was paid to shareholders on 25 October 2017.

The shareholders at the Company's Annual General Meeting held on 26 April 2017 approved the distribution of a dividend out of 2016 profit of EUR 47,311 thousand, which was paid to shareholders on 18 May 2017.

On 19 October 2016, the Company's Board resolved to distribute EUR 59,759 thousand as an interim dividend charged to profit for 2016. This interim dividend was paid to shareholders on 25 October 2016.

The shareholders at the Company's Annual General Meeting held on 6 April 2016 approved the distribution of a dividend out of 2015 profit of EUR 1,838 thousand, which was paid to shareholders on 27 April 2016.

On 14 October 2015, the Company's Board resolved to distribute EUR 25,035 thousand as an interim dividend charged to profit for 2015. This interim dividend was paid to shareholders on 28 October 2015.

f) Acquisition date of the properties intended for lease and the ownership interest in the share capital of companies referred to in section 2.1 of this Act.

Detail in Appendix II

g) Identify the assets included in the calculation of the 80% referred to in section 3.1 of this Act.

100% of the Company's investment property is made up of urban properties intended for lease, as well as land intended for property development and subsequent lease. Accordingly, the majority of the ownership interest in companies complies with the requirements of section 2.1 of Spanish Law 11/2009. These assets are identified in Appendix II, which is an integral part of these financial statements.

The consolidated balance sheet of the Merlin Group for SOCIMI purposes complies with the minimum investment requirement of 80%.

h) Reserves arising from the years in which the special tax regime established in this Act was applied, that were drawn down in the tax period, that are not used for distribution or to offset losses, identifying the year relating to these reserves.

There were no drawdowns on reserves in 2019, 2018, 2017, 2016, 2015 or 2014.

17. Balances and transactions with related parties

17.1 Transactions with Group companies and associates

The detail of the transactions with Group companies and associates in 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Rendering of services-		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	1,594	1,818
Merlin Retail, S.L.U.	639	571
Merlin Oficinas, S.L.U.	619	352
Merlin Logística, S.L.U.	526	385
Merlin Logística II, S.L.U.	-	16
Metroparque, S.A.U.	29	-
Varitelia Distribuciones, S.L.U.	288	17
MPCVI - Compra e Venda Imobiliária, S.A.	31	-
MPEP - Properties Escritórios Portugal, S.A.	8	-
MP Monumental, S.A.	34	-
MP Torre A, S.A.	56	-
Promosete, Invest Inmobiliaria	59	-
Praça do Marqués - Serviços Auxiliares, S.A.	71	-
Torre Dos Oceanus Investimentos Imobiliarios, S.A.	44	-
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	346	-
Forum Almada II, S.A.	507	-
Torre Arts - Investimentos Imobiliarios, S.A.	89	-
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	46	-
Testa Residencial SOCIMI, S.A. (Note 19.1)	-	89,996
Paseo Comercial Carlos III, S.A.	50	25
	5,036	93,180
Dividends-		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	143,786	3,571
Merlin Retail, S.L.U.	11,086	247
Merlin Oficinas, S.L.U.	9,706	353
Merlin Logística, S.L.U.	12,295	1,079
Merlin Logística II, S.L.U.	-	34
Sevisur Logistica, S.A.	1,861	223
Metroparque, S.A.U.	7,770	1,286
La Vital Centro Comercial y de Ocio, S.L.U.	2,207	22
Varitelia Distribuciones, S.L.U.	18,579	-
MPCVI - Compra e Venda Imobiliária, S.A.	354	475
MP Monumental, S.A.	220	745
Centro Intermodal de Logística, S.A.	882	590
Parking del Palau, S.A.II., S.L.U.	45	30
PK Hoteles 22, S.L.	191	-
	208,981	8,654

	2019	2018
Interest on loans-		
Merlin Logística, S.L.U.	779	9
Sevisur Logística, S.A.	57	4
Innovación Colaborativa, S.L.U.	22	-
Gesfitesta, S.L.U.	-	20
Holding Jaureguizar 2002, S.A.U.	32	59
Desarrollo Urbano de Patraix, S.A.U.	78	2
Varitelia Distribuciones, S.L.U.	2,033	2,683
Global Carhuela Patrimonio Comercial, S.L.U.	137	255
MPCVI - Compra e Venda Imobiliária, S.A.	715	715
MPEP - Properties Escritórios Portugal, S.A.	224	-
MP Monumental, S.A.	2,173	2,174
MP Torre A, S.A.	1,780	1,780
Promosete, Invest Inmobiliaria, S.A.	905	904
Torre Dos Oceanus Investimentos Imobiliarios, S.A.	865	614
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	7,542	3,161
Provitae Centros Asistenciales, S.L.	3	3
G36, Development, S.A.	2	-
	17,347	12,383

At 31 December 2019 and 2018, the Company had entered into management service agreements with certain Group companies, by virtue of which it earned income for the provision of services amounting to EUR 5,036 thousand and EUR 3,459 thousand, respectively. These services were recognised under “Revenue” in the accompanying income statement.

17.2 Balances with Group companies and associates

The detail of the balances in the balance sheet at 31 December 2019, detailed in Note 8, is as follows (in thousands of euros):

	31/12/2019	31/12/2018
Long-term loans to Group companies and associates	422,493	403,389
Short-term loans to Group companies and associates	430,024	331,918
Other current financial assets	22,606	19,717
Non-current payables to Group companies and associates	(8,771)	(31,021)
Current payables to Group companies and associates	(101,591)	(193,550)
Receivable from Group companies and associates	1,167	1,811
Payable to suppliers - Group companies and associates	(32,014)	(32,107)

17.3 Balances and transactions with related parties

The detail of the balances and transactions with related parties is as follows:

	Thousands of euros			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Balances:				
Banco Santander, S.A. (a)	22,439	65,887	78,530	105
Banco Santander, S.A. (a)	-	223,806	-	158,000
Testa Residencial, SOCIMI, S.A.	-	-	170,677	-
G36 Developments, S.L. (c)	625	-	625	-
Total	23,064	289,693	249,832	158,105

	2019		2018	
	Income	Expenses	Income	Expenses
Transactions:				
Banco Santander, S.A. (b)	818	1,399	838	676
Testa Residencial, SOCIMI, S.A.	-	-	90,053	-
Pº Comer. Carlos III	-	-	114	-
G36 Developments, S.L. (c)	2	-	-	-
Other transactions:				
Banco Santander, S.A. (d)	1,099	-	-	-
Total	1,919	1,399	91,005	676

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Other transactions				
Banco Santander, S.A. (e)	-	-	28,000	-
Total	-	-	28,000	-

Transactions with significant shareholders

In 2019 the only shareholder considered a significant shareholder pursuant to current regulations was Banco Santander, S.A.

(a) Balances with Banco Santander, S.A.

At 31 December 2019, the Company has bank balances deposited at Banco Santander, S.A. amounting to EUR 22,439 thousand.

The Company has taken out financing loans with its significant shareholder, Banco Santander, S.A., in the amount of EUR 65,806 thousand, and has hedging derivatives for its financing positions, the notional value of which at 2019 year-end amounted to EUR 223,806 thousand.

These positions relate to the portion held by Banco Santander, S.A. of the loans included in the Company's financing transactions, the details of which are included in Note 12.

As indicated in Note 12, on 25 April 2019, the Company arranged a senior syndicated loan amounting to EUR 1,550 million, including two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million. Banco Santander participated in this refinancing with EUR 120 million (7.7% of the total), of which EUR 65.8 million correspond to its participation in the corporate loan and EUR 54.2 million in the credit facility, under the same terms as other financial institutions.

The deposits received due to agreements for lease of properties to Banco Santander, S.A. amounted to EUR 81 thousand. The Company has also been granted guarantee lines by its shareholder Banco Santander, S.A. in the amount of EUR 5,067 thousand.

(b) Transactions with Banco Santander, S.A.

The Company has 5 leases with Banco Santander, S.A. in different office buildings. The term of the leases covers a period of between 1 and 6 years, and in 2019 these agreements generated income of EUR 818 thousand.

In 2019, the finance costs associated with financing transactions carried out with Banco Santander, S.A. amounted to EUR 1,349 thousand, which included EUR 39 thousand in guarantee fees and EUR 4 thousand in current account management expenses.

In addition, the Company contracted General Shareholders Meeting organisation services and shareholder register services in the amount of EUR 50 thousand.

(c) G36 Developments, S.L.

On 1 October 2018, the Company granted a loan amounting to EUR 625 thousand to the associate G36 Developments, S.L., which manages co-working spaces. At 31 December 2019, this loan had accrued interest of EUR 2 thousand.

(d) Other transactions with Banco Santander, S.A.

The Company recognised income relating to the special tax envisaged in section 9.2 of Spanish Law 11/2009, of 26 October, regulating SOCIMIs (see Note 4.11.2).

(e) Other transactions with Banco Santander, S.A.

In October 2018, the Company acquired a property located at calle Costa Brava, 2-4, Madrid from Project Quasar Investments 2017, S.L., 49% owned by Banco Santander, and in which it shares directors with MERLIN Properties SOCIMI, S.A. The purchase price of the property amounted to EUR 28,000 thousand.

In addition, in 2019 and 2018 the following dividends and other benefits were distributed to related parties.

Dividends paid	2019	2018
Significant shareholders	52,822	48,470
Banco Santander, S.A.	52,822	48,470
Directors and executives	2,179	1,618
Directors	1,344	1,013
Executives	835	605
Total	55,001	50,088

18. Information relating to the Company's Board and senior management

The Company's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with section 229 of the consolidated text of the Corporate Enterprises Act.

Remuneration and other benefits of directors

At 31 December 2019 and 2018, salaries, per diem attendance fees and any other type of compensation paid to members of the Company's managing bodies totalled EUR 5,812 thousand and EUR 5,623 thousand, as detailed below (in thousands of euros):

	2019	2018
Fixed and variable remuneration	5,802	5,610
Statutory compensation	-	-
Termination benefits	-	-
Per diem attendance fees	-	-
Life and health insurance	10	13
Total	5,812	5,623

At 31 December 2019, the variable remuneration received by executive directors amounted to EUR 2,850 thousand (EUR 2,725 thousand in 2018). The first 50% of this amount is paid ten days after the Group's financial statements are authorised for issued by the Board. The other 50% will be paid two years after the Company's financial statements were authorised for issue. In this regard, EUR 1,362 thousand corresponding to the bonuses accrued in previous years were paid in 2019.

At 31 December 2019, the variable remuneration that will be paid in the long term amounted to EUR 6,277 thousand and is recognised under "Long-term provisions" in the accompanying balance sheet; and the variable remuneration that will be paid in the short term amounted to EUR 1,815 thousand and is recognised under "Trade and other payables" in the accompanying balance sheet.

Likewise, as indicated below in this Note, as members of the management team, executive directors have been awarded a share remuneration plan if they meet certain criteria linked to shareholder return ("2016 Share Plan"). In this regard, as of 31 December 2018 the conditions envisaged in the plan were met in order for executive directors to receive an additional 750,000 shares, equivalent to EUR 8,006 thousand, which were delivered on 31 December 2019 (750,000 shares in 2017 and 750,000 shares in 2016). The remuneration policy approved at the Annual General Meeting held on 26 April 2017 stipulates that shares may be delivered early on the dates of the vesting period.

Lastly, as members of the management team, executive directors are entitled to receive compensation under the new 2017-2019 remuneration plan granted to the management team in 2017, which is described below.

The breakdown, by board member, of the amounts disclosed above is as follows (in thousands of euros):

		2019	2018
Directors' remuneration			
Javier García Carranza Benjumea	Chairman - Proprietary director	-	-
Ismael Clemente Orrego	CEO	2,450	2,375
Miguel Ollero Barrera	Executive director	2,400	2,350
Maria Luisa Jordá Castro	Independent director	129	117
Ana García Fau	Independent director	129	115
Alfredo Fernández Agras	Independent director	-	35
George Donald Johnston	Independent director	117	112
John Gómez Hall	Independent director	100	100
Fernando Ortiz Vaamonde	Independent director	115	113
Juan María Aguirre Gonzalo	Independent director	134	118
Pilar Caveró Mestre	Independent director	117	110
Francisca Ortega Hernández Agero	Proprietary director	-	-
Emilio Novela Berlín	Independent director	111	65
Total		5,802	5,610

The Company did not grant any advances, loans or guarantees to any Board members.

The Company's directors are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Executives" taken out by the Company in order to cover possible damages that may be claimed, and that are evidenced as a result of a management error committed by its directors or executives, as well as those of its subsidiaries, in discharging their duties. The premium amounted to an annual total of EUR 122 thousand (EUR 130 thousand in 2018).

Remuneration and other benefits of senior management

The remuneration of the Parent's senior management, including the Head of Internal Audit and excluding those who are simultaneously Board members (whose remuneration is disclosed above), in 2019 and 2018 is summarised as follows:

2019

Number of people	Fixed and variable remuneration	Other remuneration	Total
6	5,477	31	5,508

2018

Number of people	Fixed and variable remuneration	Other remuneration	Total
6	5,557	41	5,598

At 31 December 2019, the variable remuneration received by senior management amounted to EUR 3,375 thousand (EUR 3,455 thousand in 2018). The first 50% of this amount is paid ten days after the Group's financial statements are authorised for issued by the Board. The other 50% will be paid two years after the Company's financial statements were authorised for issue. In this regard, EUR 1,727 thousand corresponding to the bonuses accrued in previous years were paid in 2019.

At 31 December 2019, the variable remuneration that will be paid in the long term amounted to EUR 6,605 thousand and is recognised under "Long-term provisions" in the accompanying balance sheet; and the

variable remuneration that will be paid in the short term amounted to EUR 1,904 thousand and is recognised under “Trade and other payables” in the accompanying balance sheet.

As regards “golden parachute” clauses for executive directors or members of senior management of the Parent or its Group in the event of dismissal or takeover, these clauses provide for compensation that represented a total commitment of EUR 14,500 thousand at 31 December 2019.

Long-term incentive plan

2016 Share Plan

The Parent had a commitment to award an additional annual variable remuneration incentive to the management team as determined by the Appointments and Remuneration Committee, linked to the Parent’s shares, which compensates the Parent’s management team based on the returns obtained by the Company’s shareholders (the “2016 Share Plan”). The shareholders at the Annual General Meeting held on 26 April 2017 approved the delivery of shares corresponding to the “2016 Share Plan”, stipulating that under certain circumstances, which have been fulfilled, shares may be delivered early on the dates of the vesting period. In this regard, as of 31 December 2018 the conditions envisaged in the plan were met in order for senior management to receive an additional 623,334 shares, equivalent to EUR 6,654 thousand (623,334 shares in 2017 and 623,334 shares in 2016).

The “2016 Share Plan” stipulates that the management team will be entitled to receive a maximum of 6,000,000 shares, provided that they continue to provide services to the Group over the next three years following the date on which the incentive was granted. Furthermore, the right to receive two thirds of these shares is conditional on the Parent’s financial solvency over the following two years. At 31 December 2019, the Group recognised the expense incurred with a credit to equity in the amount of EUR 15,738 thousand, which was fully accrued at 2019 year-end.

2017-2019 Incentive Plan

At the Annual General Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the management team and other important members of the Group’s workforce, the measurement period of which is from 1 January 2017 to 31 December 2019 (“2017-2019 Incentive Plan”). In accordance with that established in this plan, beneficiaries may be entitled to receive (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Company, provided that certain objectives are met.

Vesting of the incentive will independently be conditional upon the total rate of return obtained by the shareholder during the three-year period due to:

- the increase in the quoted price of the Company’s share plus the dividends distributed to shareholders during the measurement period; and
- the increase in the EPRA NAV per share of the Company plus the dividends distributed to shareholders during the measurement period.

In order for the right to the share-based incentive and to the EPRA NAV-based incentive to be vested, the total shareholder rate of return (TSR) must be at least 24%.

TSR NAV / TSR share price	Percentage assigned to beneficiaries ("PR")	Percentage assigned to shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

To calculate the TSR, (i) the percentage assigned to the beneficiaries in accordance with the above table will be applied to the result of multiplying the TSR by the share price multiplied by the number of shares of the Company as of 31 December 2019; (ii) the result of this transaction will be balanced through an adjustment mechanism in favour of the beneficiaries, as, once a minimum return is reached, the beneficiaries will be entitled to the assigned percentage of the total return generated from the start.

The date of calculation of the amount of the EPRA NAV-based incentive and the amount of the share-based incentive will be 31 December 2019. The maximum amount to be received for the share-based incentive from 2017 to 2019 will amount to EUR 37.5 million. If the incentive is larger than the aforementioned limit, it will supplement the EPRA NAV-based incentive — if the latter is lower than the maximum amount established. Likewise, the maximum amount of the EPRA NAV-based incentive will be EUR 75 million and a maximum of 6,000,000 shares have been allocated for its payment. At 31 December 2019, the end of the measurement period, taking into account the final reference price, i.e., the average closing price of the Company's shares over the 90 trading sessions prior to 31 December 2019, a total of 5,874,111 shares will be allocated to the EPRA NAV-based incentive. 50% of the shares allocated and, where applicable, the cash amount and the excess will be paid on the second settlement date, i.e., within two business days following the authorisation for issue of the financial statements for 2020. The remaining 50% of the shares allocated will be paid on the third settlement date, i.e., within two business days following the authorisation for issue of the financial statements for 2021. However, these amounts may be modified depending on the future performance of the EPRA NAV in 2020 and 2021.

In this regard, at 31 December 2019 the Group recognised the expense in the amount of EUR 28,504 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan, with balancing entry in reserves (EUR 16,258 thousand) and liability for provisions (EUR 12,246 thousand). At 2019 year-end, the Group reclassified EUR 35,526 thousand to current liabilities relating to the share-based incentive, which will be paid on the first settlement date, i.e., the fifth business day following the authorisation for issue of these financial statements.

Transactions outside the normal course of business or not on an arm's length basis performed by the managing body

Apart from the transactions with related parties described in Note 17, the Company's managing body did not carry out any transactions with the Company or Group companies outside the normal course of business or were not on an arm's length basis in 2019.

Ownership interests and positions held by directors and related parties in other companies

The Company's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with section 229 of the consolidated text of the Corporate Enterprises Act.

19. Revenue and expenses

19.1 Revenue

The distribution of revenue is as follows (in thousands of euros):

	2019	2018
Rental income	252,818	238,826
Revenue from the rendering of services	6,436	116,905
Dividend income	208,982	8,654
Interest income	17,347	12,383
Total revenue	485,583	376,768

The Company had a management services agreement with Testa Residencial SOCIMI, S.A. Pursuant to the contractual terms of this agreement, on 3 January 2018, the aforementioned company reported its early termination effective as of 19 January 2018. Accordingly, the Company recognised revenue from the rendering of services in the amount of EUR 89,721 thousand and an account receivable in the amount of EUR 108,562 (which includes EUR 18,841 of output VAT). This account receivable was settled in full with the delivery of 640,693,342 shares issued in the capital increase carried out by Testa Residencial SOCIMI, S.A., which was approved by the shareholders at the Annual General Meeting on 26 March 2018, giving the Company an ownership interest of 16.95%, which was sold at 2018 year-end (Note 10).

In addition, and under the service agreement entered into with Castl lake, the Company had earned income of EUR 22,242 thousand in 2018. This income was paid by Castl lake by means of the delivery of shares of Aedas Homes, S.A. (see Note 8.2), and was linked to Castl lake's ability to obtain gains from its investment property portfolio, for which Merlin Properties SOCIMI, S.A. provided management services.

The breakdown, by type of activity and geographical market, of rental income for 2019 is as follows (in thousands of euros):

Segment	2019	%
Offices	179,947	72%
Shopping centres	50,898	20%
Logistics	8,680	3%
Other	13,293	5%
Total	252,818	100%

Autonomous Community	2019	%
Madrid	172,484	67%
Catalonia	41,969	17%
Valencia	9,708	4%
Andalusia	9,551	4%
Balearic Islands	7,657	3%
Other autonomous communities	11,449	5%
Total	252,818	100%

19.2 Staff costs

The detail of the remuneration expenses for employees at 31 December 2019 and 2018 is as follows (in thousands of euros):

	2019	2018
Wages, salaries and similar expenses	27,750	26,875
Termination benefits	328	6
Other employee benefit costs and taxes	2,386	2,066
Variable remuneration	44,242	43,435
Total	74,706	72,382

19.3 Other operating expenses

The detail of this heading of the accompanying income statements for 2019 and 2018 is as follows (thousands of euros):

	2019	2018
Non-recoverable expenses of leased properties	27,378	27,174
Outside services -		
Professional services	6,767	5,999
Insurance	220	175
Purchase of financial investments	3,979	2,920
Utilities and other outside services	2,303	2,106
Taxes other than income tax	37	62
Losses on, impairment of and change in allowances for trade receivables	249	1,953
Total other operating expenses	40,933	40,389

19.4 Finance income and costs

The detail of the balances of these headings in the income statement is as follows (in thousands of euros):

	2019	2018
Interest on deposits and current accounts	656	501
Finance income	656	501
Interest on loans and other credits	(93,861)	(94,112)
Finance costs	(93,861)	(94,112)
Changes in fair value of financial instruments	(8,721)	(7,027)
Impairment and other losses (Note 10)	(21,283)	30,630
Gains or losses on disposals and other (Note 10)	192	88,426
Impairment and gains or losses on disposal of financial instruments	(21,091)	119,056
Financial profit/(loss)	(123,017)	18,418

“Interest on loans and other credits” includes the repayment of the debt arrangement expenses in the amount of EUR 6,262 thousand for 2019 (EUR 5,824 thousand for 2018), applying the effective interest method to the financial debt.

20. Information on employees

The average number of employees in the Company, by professional category, in 2019 and 2018 was as follows:

	Number of employees	
	2019	2018
<i>Professional category</i>		
Executive directors	2	2
Senior management	6	6
Management team	5	5
Middle management	35	33
Other employees	114	104
Total	162	150

The distribution, by gender, of the Company's workforce at the end of 2019 and 2018 was as follows:

	2019		2018	
	Women	Men	Women	Men
Executive directors	-	2	-	2
Senior management	-	6	-	6
Management team	1	4	1	4
Middle management	8	37	4	30
Other employees	56	54	57	51
Total	65	103	62	93

The average number of employees at the Group in 2019 and 2018 with a disability equal to or greater than 33%, by category, was as follows:

	Number of employees	
	2019	2018
<i>Professional category</i>		
Executive directors	-	-
Senior management	-	-
Management team	-	-
Middle management	-	-
Other employees	4	4
Total	4	4

21. Auditor's fees

In 2019 the fees for financial audit and other services provided by the auditor of the Company's financial statements, Deloitte, S.L., or by companies related to these auditors as a result of control, common ownership or common management, were as follows (in thousands of euros):

Description	2019	2018
Audit services	263	257
Other audit-related services:		
Other attest services	149	99
Total audit and related services	412	356
Tax advisory services	-	-
Total other services	-	-
Total	412	356

“Other audit-related services” includes the attest services carried out by the auditor in the process of issuing bonds, as well as certain agreed-upon procedures related to compliance with covenants.

In addition to the annual statutory audit, the audit services include services for reviews of intermediate periods.

22. Information on financial risk management

Financial risk factors

The Company’s activities are exposed to various financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company’s global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Company’s financial returns.

Risk management is controlled by the Company’s senior management in accordance with the policies established by the Board. Senior management identifies, assesses and hedges financial risks in close cooperation with the Company’s operating units. The Board provides written policies for global risk management, and specific subjects such as market risk, interest rate risk, liquidity risk and investment of surplus liquidity.

Market risk

Given the current situation of the real estate sector and in order to mitigate the effects thereof, the Company has specific measures in place to minimise the impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses carried out by the Company on a regular basis. These analyses take into account:

- Economic environment in which the Group operates: design of different economic scenarios and modifying the key variables potentially affecting the Group (interest rates, share price, occupancy rate of investment property, etc.). Identification of interdependent variables and the extent of their relationship.
- Time frame over which the assessment is carried out: the time horizon of the analysis and potential deviations will be taken into account.

Credit risk

Credit risk is defined as the risk of financial loss to which the Company is exposed if a customer or counterparty does not comply with its contractual obligations.

In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

The Company has policies in place to limit the volume of risks posed by customers. Exposure to the risk of being unable to recover receivables is mitigated in the normal course of business through funds or guarantees deposited as collateral.

The Company has formal procedures to identify any impairment of trade receivables. Delays in payment are detected through these procedures and individual analysis by business area and methods are established to estimate impairment loss.

Cash and cash equivalents

The Company has cash and cash equivalents of EUR 125,846 thousand, which represents its maximum exposure to the risk posed by these assets.

Cash and cash equivalents are deposited with banks and financial institutions.

Liquidity risk

Liquidity risk is defined as the risk of the Company encountering difficulties meeting its obligations regarding financial liabilities settled in cash or with other financial assets.

At 31 December 2019, the Company's working capital amounted to EUR 336,894 thousand.

The Company conducts prudent management of liquidity risk by maintaining sufficient cash to meet its payment obligations when they fall due, both in normal and stressed conditions, without incurring unacceptable losses or risking the Company's reputation.

Cash flow interest rate risk

At 31 December 2019, the Company held current financial assets earning interest at a fixed rate (deposits) to obtain return on the surplus cash not invested in investment property.

The Company manages its interest rate risk by borrowing at fixed and floating rates of interest. The Company's policy is to ensure non-current net financing from third parties is at a fixed rate.

Foreign currency risk

The Company is not exposed to exchange rate fluctuations as all its operations are in its functional currency.

Tax risk

As stated in Note 1, the Company and a portion of its subsidiaries qualified for the special tax regime for real estate investment trusts. The transitional period for the Company ended in 2017 and, therefore, compliance with all requirements established by the regime (see Notes 1 and 5.12) became mandatory. Some of the more formal obligations that the Company must meet involve the inclusion of the term SOCIMI in its company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the SOCIMI regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies. In this regard, the directors, with the support of their tax advisers, performed an assessment of compliance with the regime's requirements, concluding that all requirements had been met as of 31 December 2019.

Accordingly, and also for the purpose of taking into consideration the financial effect of the regime, it should be noted that, as established in section 6 of Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs, and in the percentages established therein, companies that have opted for the special tax regime are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months from each year-end, and the dividends paid in the month following the date on which the payout is agreed (see Note 4.11).

If the Company does not comply with the requirements established in the regime or if the shareholders at the General Meeting do not approve the dividend distribution proposed by the Board, calculated in accordance with the requirements of this Act, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to SOCIMIs.

23. Guarantee commitments to third parties and other contingent liabilities

At 31 December 2019 and 2018, the Company had granted bank guarantees amounting to EUR 33,957 thousand and EUR 25,900 thousand, respectively.

24. Events after the reporting period

On 17 January 2020, the Group completed the acquisition of Plaza de Cataluña 9 in Barcelona. This historical asset, located in one of the most touristic and emblematic squares of Barcelona, has a gross leasable area of 3,048 sqm. The acquisition price amounts to 15 million euros, representing a gross return of 4.5%.

The shares of the Parent have been admitted to trading on Euronext Lisbon, under a dual listing regime, since 15 January 2020.

On 7 February, the Parent completed a tap issue of EUR 100 million on its 15-year bond at 102% of the face value and a coupon of 1.875%.

In February 2020, the Group signed a rental agreement with BBVA for 9,135 sqm in the EP Las Tablas, Madrid.

On 27 February, the Group signed the contribution of 3 secondary assets (Thader, La Fira and Nassica) to Silicius Socimi, a vehicle managed by Mazabi. The transaction is neutral in terms of NAV

25. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I - Group companies and associates 2019

Parent	Line of business /Location	Ownership interest	Share capital	Thousands of euros							Consolidation method	Auditor
				Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9.323	72.040	52.478	133.427	61.763	143.785	657.984	-	Full consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17.963	19.434	14.725	248.271	266.122	11.086	251.408	-	Full consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29.674	12.085	11.802	727.681	757.355	9.706	771.345	-	Full consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28.166	17.474	13.983	284.397	312.417	12.295	292.304	-	Full consolidation	Deloitte
Sevisur Logística	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17.220	3.124	3.033	11.605	28.825	1.861	37.629	-	Full consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15.701	5.339	7.636	113.126	128.827	-	118.310	-	Full consolidation	Deloitte
Exhibitions Company , S.A.U.	Provision of all kinds of technical, commercial or economic services/ Paseo de la Castellana 257, Madrid	100%	180	(1)	36	4.205	4.385	-	4.287	-	Full consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	205	154	635	638	-	3	-	Full consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56.194	9.135	9.515	40.698	96.891	7.770	231.557	-	Full consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14.846	3.030	3.027	20.997	35.843	2.207	56.788	-	Full consolidation	Deloitte
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2.790	-	(84)	22.452	25.242	-	25.090	-	Full consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	(10)	(2.016)	18.332	18.404	-	25.485	(7.080)	Full consolidation	N/A

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	(1)	21	(15.500)	(15.487)	-	-	(15.497)	Full consolidation	N/A
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15.443	9.889	7.855	33.035	48.478	18.579	172.979	(124.501)	Full consolidation	Deloitte
Global Carihuela, Patrimonio Comercial S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3.303	(1.340)	(1.487)	24.242	27.545	-	34.102	(871)	Full consolidation	N/A
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, N° 51, Lisboa	100%	1.050	1.058	260	5.934	7.244	354	6.418	-	Full consolidation	Deloitte Portugal
MPEP – Propriedades Escritórios Portugal, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, N° 51, Lisboa	100%	50	249	19	3	72	-	85	-	Full consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	(166)	(2.381)	11.497	9.165	220	20.348	-	Full consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.507	(386)	711	375	-	10.186	-	Full consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, N° 51, Lisboa	100%	5.050	(2.813)	(2.848)	15.292	17.495	-	20.913	(3.394)	Full consolidation	Deloitte Portugal
Promosete, Invest. Imobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, N° 51, Lisboa	100%	200	1.480	444	6.416	7.059	-	11.245	-	Full consolidation	Deloitte Portugal
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, N° 51, Lisboa	100%	15.893	2.307	12.098	48.628	76.618	-	56.361	-	Full consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.350	394	2.925	3.369	-	15.912	-	Full consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	13.791	7.052	4.979	12.036	-	31.533	-	Full consolidation	Deloitte Portugal

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Forum Almada II, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10.000	13.099	9.224	38.543	57.767	-	289.302	-	Full consolidation	Deloitte Portugal
Torre Arts - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	2.570	1.959	83.646	85.705	-	85.781	-	Full consolidation	Deloitte Portugal
Torre Fernao Magalhaes - Investimentos Imobiliarios, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	100	701	543	26.853	27.496	-	27.555	-	Full consolidation	Deloitte Portugal
Innovación Colaborativa, S.L.	Selection, contracting, fitting out, organisation and management of coworking-type collaborative workspaces / Paseo de la Castellana 257, Madrid	100%	4	(1.993)	(2.015)	1.264	(747)	-	3.868	(3.868)	Full consolidation	N/A
Milos Asset Development,	Acquisition, holding, administration, disposal and development of land located within the project "Distrito Castellana Norte" / Paseo de la Castellana 257, Madrid	100%	3	(0)	0	(1)	2	-	3	(1)	Full consolidation	N/A
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8.698	2.562	(266)	25.407	34.105	-	25.668	-	Equity method	Deloitte
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6.314	(40)	(47)	(1.112)	5.202	-	5.061	(488)	Equity method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana, 93 Madrid	50%	4.053	(21)	(21)	-	4.032	-	2.027	-	Equity method	N/A
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18.920	12.954	8.759	107.705	135.384	882	95.688	-	Equity method	EY
Pazo de Congresos de Vigo, S.A.	Project for the execution, construction and operation of the Vigo Convention Centre / Avda. García Barbón, I, Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	-	3.600	(3.600)	Equity method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5.801	978	566	(811)	5.556	191	2.467	-	Equity method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1.698	216	161	394	2.253	45	2.137	-	Equity method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n Rivabellosa (Álava)	25%	1.750	140	(416)	1.439	2.774	-	20.669	(20.669)	Equity method	Deloitte
Distrito Castellana Norte, S.A.	Carrying out all types of real estate activities / Paseo de la Castellana 216, Madrid	14%	168.111	(388)	(278)	(23.014)	144.819	-	168.893	-	Equity method	KPMG

APPENDIX I - Group companies and associates 2018

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Tree Inversiones Inmobiliarias, SOCIMI, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	9.323	197.333	150.339	224.734	200.778	3.570	657.984	-	Full consolidation	Deloitte
Merlin Retail, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	17.963	18.995	13.858	244.633	262.333	247	251.408	-	Full consolidation	Deloitte
Merlin Oficinas, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	29.674	12.499	12.132	725.585	755.258	353	771.345	-	Full consolidation	Deloitte
Merlin Logística, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	28.166	17.298	15.368	282.708	310.571	1.114	292.304	-	Full consolidation	Deloitte
Merlin Parques Logísticos, S.A.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	69.802	3.156	(3.727)	6.603	76.404	-	118.310	-	Full consolidation	Deloitte
Sevisur Logística, S.A.U.	Urban development, construction and operation of buildings for logistics purposes and shared services. Ctra. de la Esclusa, 15. 41011, Sevilla.	100%	17.220	2.520	2.326	10.433	27.653	223	37.629	-	Full consolidation	Deloitte
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logístic, nº 26, Barcelona	100%	15.701	-	-	13.758	29.449	2.329	34.571	-	Full consolidation	Deloitte
Testa Hoteles, S.A.	No activity / Paseo de la Castellana 257, Madrid	100%	180	(1)	49	4.169	4.349	-	4.287	-	Full consolidation	N/A
Gescentesta, S.L.U.	Service provision / Paseo de la Castellana 257, Madrid	100%	3	157	133	481	484	-	3	-	Full consolidation	N/A
Metroparque, S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	56.194	9.490	9.713	38.953	95.147	1.286	231.557	-	Full consolidation	Deloitte
La Vital Centro Comercial y de Ocio, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14.846	2.758	2.759	20.177	35.023	22	56.788	-	Full consolidation	Deloitte
Holding Jaureguizar 2002, S.A.U.	No activity / Paseo de la Castellana 257, Madrid	100%	1.481	(1)	(59)	(6.784)	(5.303)	-	-	(5.304)	Full consolidation	N/A

Parent	Line of business /Location	Ownership interest	Thousands of euros								Consolidation method	Auditor
			Share capital	Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Desarrollo Urbano de Patraix, S.A.	Land management / Avda. Barón de Carcer, 50, Valencia	100%	2.790	7.099	7.045	22.536	25.326	-	25.090	-	Full consolidation	N/A
Sadorma 2003, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	73	78	433	20.347	20.420	-	25.485	(5.197)	Full consolidation	N/A
Global Murex Iberia, S.L.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	14	(1)	27	(15.522)	(15.508)	-	-	(15.497)	Full consolidation	N/A
Varitelia Distribuciones, S.L.U.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	15.443	25.908	23.224	25.180	40.623	-	154.400	(113.777)	Full consolidation	Deloitte
Global Carhuela, Patrimonio Comercial S.A.	Acquisition and development of property assets for lease / Paseo de la Castellana 257, Madrid	100%	3.303	(1.104)	(1.373)	25.729	29.032	-	17.102	-	Full consolidation	N/A
Parques Logísticos de la Zona Franca, S.A.	Acquisition and development of property assets for lease, Avda. 3 del Parc Logistic, nº 26, Barcelona	100%	15.701	5.982	3.772	9.996	29.469	-	-	-	Full consolidation	Deloitte
MPCVI – Compra e Venda Imobiliária, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	1.050	1.248	411	5.915	7.376	475	6.418	-	Full consolidation	Deloitte Portugal
MPEP – Properties Escritórios Portugal, S.A.	Acquisition and development of property assets for lease / Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	50	(12)	(12)	16	54	-	85	(31)	Full consolidation	Deloitte Portugal
MP Monumental, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	2.901	295	11.497	11.841	745	20.348	-	Full consolidation	Deloitte Portugal
MP Torre A, S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.557	(407)	1.118	761	-	10.186	-	Full consolidation	Deloitte Portugal
VFX Logística, S.A.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	5.050	(390)	(425)	12.587	17.213	-	17.763	(550)	Full consolidation	Deloitte Portugal
Promosete, Invest. Inmobil. SA.	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	200	1.410	108	6.048	6.357	-	11.245	-	Full consolidation	Deloitte Portugal

Parent	Line of business /Location	Ownership interest	Share capital	Thousands of euros							Consolidation method	Auditor
				Profit (loss)		Other shareholders equity	Total equity	Dividends received	Carrying amount			
				From operations	Net				Cost	Impairment losses		
Praça Do Marquês serviços Auxiliares, SA	Acquisition and development of property assets for lease. Av. Fontes Pereira de Melo, Nº 51, Lisboa	100%	15.893	1.556	8.953	40.867	65.713	-	56.361	-	Full consolidation	Deloitte Portugal
Torre Dos Oceanus Investimentos Imobiliarios,S.A.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	50	1.040	59	2.866	2.975	-	15.912	-	Full consolidation	Deloitte Portugal
Forum Almada – Gestão Centro Comercial Sociedade Unipessoal, Lda.	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	5	12.400	5.765	(403)	5.367	-	31.533	-	Full consolidation	Deloitte Portugal
Forum Almada II, S.A. (1)	Acquisition and development of property assets for lease / Avda. Fontes Pereira de Melo, 51, Lisboa	100%	10.000	12.000	7.788	30.754	48.543	-	289.302	-	Full consolidation	Deloitte Portugal
Paseo Comercial Carlos III, S.A.	Acquisition and development of property assets for lease / Avda. San Martín Valdeiglesias, 20 - 28922 Madrid	50%	8.698	2.703	872	25.672	34.371	-	25.668	-	Equity method	Morison ACPM
Provitae Centros Asistenciales, S.L.	Acquisition and development of property assets for lease / C. Fuencarral, 123. Madrid	50%	6.314	(46)	(52)	(1.066)	5.248	-	5.061	(462)	Equity method	N/A
G36 Development, S.L.	Acquisition and development of property assets for lease / Pseo de la Castellana, 93 Madrid	50%	405	(21)	(21)	3.648	4.032	-	2.027	-	Equity method	N/a
Centro Intermodal de Logística S.A. (CILSA)	Development, management and performance of logistics activities in a port system / Avenida Ports d'Europa 100, Barcelona	49%	18.920	13.213	9.096	101.054	129.070	590	95.688	-	Equity method	EY
Pazo de Congresos de Vigo, S.A.	Proyecto de ejecución, construcción y explotación del Palacio de Congresos de Vigo / Avda. García Barbón, I. Vigo	44%	n.d	n.d	n.d.	n.d.	n.d	-	3.600	(3.600)	Equity method	n.d
PK. Hoteles 22, S.L.	Acquisition and development of property assets for lease / C. Príncipe de Vergara, 15. Madrid	33%	5.801	499	233	(456)	5.579	-	2.467	-	Equity method	CROWE, S.L.P.
Parking del Palau, S.A.	Acquisition and development of property assets for lease / Paseo de la Alameda, s/n. Valencia	33%	1.698	239	178	378	2.254	30	2.137	-	Equity method	BDO
Araba Logística, S.A.	Acquisition and development of property assets for lease / Avda. Álava s/n	25%	1.750	(790)	(1.366)	(239)	145	-	20.669	(20.669)	Equity method	Deloitte

APPENDIX II – List of the properties intended for lease and the holding in the share capital of companies referred to in section 2.1 of Spanish Law 11/2009, amended by Spanish Law 16/2012.

	ACQ. DATE	ASSET NAME	ADDRESS	CITY	ASSET TYPE	USE
1	01-ene-15	Av. de Bruselas, 24	AV Bruselas 24	Alcobendas	Invest. Property	Offices
2	01-ene-15	Av. de Bruselas, 26	AV Bruselas 26	Alcobendas	Invest. Property	Offices
3	01-ene-15	Av. de Bruselas, 33	AV Bruselas 33	Alcobendas	Invest. Property	Offices
4	14-sep-16	Encinar	CL Manuel Pombo Angulo 20	Alcobendas	Invest. Property	Offices
5	14-sep-16	Av. Europa, 1 - Edificio A-B	AV Europa 1	Alcobendas	Invest. Property	Offices
6	14-sep-16	Vegacincio I-II	CL Francisca Delgado 9	Alcobendas	Invest. Property	Offices
7	14-sep-16	Factory Bonaire	CA A3 Km 345	Aldaya	Invest. Property	Shopping Center
8	01-ene-15	Naves Alovera I-II-III	CL Rio Henares 1	Alovera	Invest. Property	Logístico
9	01-ene-15	Naves Azuqueca I, II, III y IV	CL Milan 8 y 12	Azuqueca de Henares	Invest. Property	Logístico
10	01-ene-15	Vilanova, 12-14	AV Vilanova 12	Barcelona	Invest. Property	Offices
11	14-sep-16	Diagonal 199	AV Diagonal 199	Barcelona	Invest. Property	Offices/Hotel
12	14-sep-16	Diagonal 458	AV Diagonal 458	Barcelona	Invest. Property	Offices
13	01-ene-15	Diagonal, 514	AV Diagonal 514	Barcelona	Invest. Property	Offices
14	01-ene-15	Diagonal, 605	AV Diagonal 605	Barcelona	Invest. Property	Offices
15	14-sep-16	Balmes	CL Balmes 236-238	Barcelona	Invest. Property	Offices
16	14-sep-16	P.E. Poble Nou 22@ Ed. A-C-D	CL Bac de roda 52	Barcelona	Invest. Property	Offices
17	14-sep-16	P.E. Poble Nou 22@ Ed. B	CL Fluviá 65	Barcelona	Invest. Property	Offices
18	14-sep-16	Bizcargi 1 1D	CL Bizcargi 1 1D	Bilbao	Invest. Property	Other
19	01-ene-15	Naves Cabanillas I	CL Castilla la Mancha P. I. Cabanillas	Cabanillas del Campo	Invest. Property	Logístico
20	14-sep-16	C.C. Thader	AV Juan De Borbón S/N	Churra	Invest. Property	Shopping Center
21	01-ene-15	Naves Coslada I	AV de la Cañada 64	Coslada	Invest. Property	Logístico
22	01-ene-15	Naves Coslada III	CL Torres Quevedo 1	Coslada	Invest. Property	Logístico
23	14-sep-16	N. Río Guadalq.Getafe	AV Río Guadalquivir S/N	Getafe	Invest. Property	Shopping Center
24	14-sep-16	N-IV Km.12,7 Getafe	CA Polig. Industrial Los Ángles P-33	Getafe	Invest. Property	Other
25	01-ene-15	Escudo del Carmen	CL Escudo del Carmen 31	Granada	Invest. Property	Offices
26	14-sep-16	P.E. Alvia Ed. 1-2-3	CL Jose Echegaray 8	Las Rozas	Invest. Property	Offices
27	14-sep-16	P.I. Európolis	CL Londres S/N	Las Rozas	Invest. Property	Other
28	01-ene-15	Mangraners	CL Els Mangraners N-240 Km.88	Lerida	Invest. Property	Offices
29	14-sep-16	Torre De Madrid	PL De España 18	Madrid	Invest. Property	High Street Retail
30	14-sep-16	Torre de Madrid (Viviendas)	PL de España 18	Madrid	Invest. Property	Other
31	01-ene-15	Plaza de los Cubos	CL Princesa 3	Madrid	Invest. Property	High Street Retail
32	01-ene-15	Princesa, 3	CL Princesa 3	Madrid	Invest. Property	Offices
33	01-ene-15	Princesa, 5	CL Princesa 5	Madrid	Invest. Property	Offices
34	01-ene-15	Aparcamiento Princesa	CL Princesa 5	Madrid	Invest. Property	Parking
35	01-ene-15	Ventura Rodríguez, 7	CL Ventura Rodríguez 7	Madrid	Invest. Property	Offices
36	14-sep-16	Callao	PL Callao 5	Madrid	Invest. Property	High Street Retail
37	01-ene-15	Partenón, 12-14	AV Partenon 12	Madrid	Invest. Property	Offices
38	01-ene-15	Partenón, 16-18	AV Partenon 16	Madrid	Invest. Property	Offices
39	01-ene-15	Eucalipto, 25	CL Eucalipto 25	Madrid	Invest. Property	Offices
40	01-ene-15	Eucalipto, 33	CL Eucalipto 33	Madrid	Invest. Property	Offices
41	01-ene-15	Josefa Valcárcel, 48	CL Josefa Valcarcel 48	Madrid	Invest. Property	Offices
42	01-ene-15	Pedro de Valdivia, 10	CL Pedro de Valdivia 10	Madrid	Invest. Property	Offices
43	01-ene-15	Juan Esplandiú, 11-13	CL Juan Esplandiu 11-13	Madrid	Invest. Property	Offices
44	01-ene-15	Príncipe de Vergara, 187	CL Principe de Vergara 187	Madrid	Invest. Property	Offices
45	01-ene-15	Ribera del Loira, 60	CL Ribera del Loira 60	Madrid	Invest. Property	Offices
46	14-sep-16	P.E. Puerta de las Naciones Ed. 1 a 4	CL Ribera del Loira 38-50	Madrid	Invest. Property	Offices
47	01-ene-15	Castellana, 83-85	PS de la Castellana 83	Madrid	Invest. Property	Offices
48	14-sep-16	Cadagua	PS de la Castellana 93	Madrid	Invest. Property	Offices
49	01-ene-15	Local Castellana 191	PS de la Castellana 191	Madrid	Invest. Property	Other
50	14-sep-16	Castellana, 278	PS de la Castellana 278	Madrid	Invest. Property	Offices
51	01-ene-15	Torre Castellana 259	PS de la Castellana 259	Madrid	Invest. Property	Offices/Hotel
52	14-sep-16	Sollube	PL Carlos Trías Bertrán 7	Madrid	Invest. Property	Offices
53	14-sep-16	Santiago de compostela, 94	CL Santiago de Compostela 94	Madrid	Invest. Property	Offices

	ACQ. DATE	ASSET NAME	ADDRESS	CITY	ASSET TYPE	USE
54	14-sep-16	Ulises Edificio G-H	CL Ulises 16-18	Madrid	Invest. Property	Offices
55	14-sep-16	Jose María Churruga Ed. I-II	CL Almansa 101-105	Madrid	Invest. Property	Offices
56	14-sep-16	Jose María Churruga Ed. III-IV	CL Beatriz de Bobadilla 14-18	Madrid	Invest. Property	Offices
57	14-sep-16	Fuente De La Mora	CM Fuente de la Mora 9	Madrid	Invest. Property	Offices
58	14-sep-16	P.E. Vía Norte Ed. 1 a 6	CL Quintanavides 11 a 21	Madrid	Invest. Property	Offices
59	14-sep-16	P.E. Alvento A-B-C-D	VI de los Poblados 1	Madrid	Invest. Property	Offices
60	14-sep-16	Cristalia	VI de los Poblados 3	Madrid	Invest. Property	Offices
61	14-sep-16	Trianon I-II-III-IV	VI de los Poblados 9	Madrid	Invest. Property	Offices
62	14-sep-16	P.E. Sanchinarro Ed. I-II	CL María de Portugal 9-11	Madrid	Invest. Property	Offices
63	14-sep-16	P.E. Las Tablas Ed. 1-2-3	CL Federico Mompou 5	Madrid	Invest. Property	Offices
64	14-sep-16	Elipse	AV Manoteras 18	Madrid	Invest. Property	Offices
65	14-sep-16	Arturo Soria, 343	CL Arturo soria 343	Madrid	Invest. Property	Offices
66	14-sep-16	G. Ampudia 12	CL General Ampudia 12	Madrid	Invest. Property	Other
67	01-ene-15	Centro Oeste	CL El Carralero. Las Moreras	Majadahonda	Invest. Property	Shopping Center
68	01-ene-15	C.C. Larios	AV de la Aurora 21	Málaga	Invest. Property	Shopping Center
69	01-ene-15	C.C. Porto Pi	AV de Gabriel Roca 54	Palma de Mallorca	Invest. Property	Shopping Center
70	01-ene-15	Nave Pedrola	CL General Motors 1. P.I. El Pradillo	Pedrola	Invest. Property	Logístico
71	01-ene-15	Ática II, A-B-C	AV de Europa 19	Pozuelo de Alarcón	Invest. Property	Offices
72	01-ene-15	Ática 1	AV de Europa 26	Pozuelo de Alarcón	Invest. Property	Offices
73	01-ene-15	Ática 2	CL Inglaterra 2	Pozuelo de Alarcón	Invest. Property	Offices
74	01-ene-15	Ática 3 y 4	VI Dos Castillas 33 Edf. 3 y 4	Pozuelo de Alarcón	Invest. Property	Offices
75	14-sep-16	Ática Ed. 6	VI Dos Castillas 33 Edf.6	Pozuelo de Alarcón	Invest. Property	Offices
76	14-sep-16	Cerro Gamos I-II-III-V-VI	CL Cerro de los Gamos 1	Pozuelo de Alarcón	Invest. Property	Offices
77	14-sep-16	La Fira Centre Comercial	AV de Sant Jordi 6	Reus	Invest. Property	Shopping Center
78	01-ene-15	Sant Cugat I	CL Alcalde Barnils 64	San Cugat del Valles	Invest. Property	Offices
79	01-ene-15	Sant Cugat II	AV Via Augusta 71	San Cugat del Valles	Invest. Property	Offices
80	14-sep-16	Jovellanos 91	CL Jovellanos 91	Sant Adrià del Besos	Invest. Property	Other
81	01-ene-15	Borbolla	AV Borbolla 5	Sevilla	Invest. Property	Offices
82	14-sep-16	C.C. El Saler	CA Autovia De El Saler 16	Valencia	Invest. Property	Shopping Center
83	01-ene-15	Aparcamiento Palau	PS de la Alameda 34	Valencia	Invest. Property	Other
84	14-sep-16	C.C. Vilamarina	AV Segle XXI 6	Viladecans	Invest. Property	Shopping Center
85	14-sep-16	Rambla Salvador Sama	CL Rambla Salvador Samà 45/49	Vilanova I La Geltrú	Invest. Property	Other
86	01-ene-15	Aznar Molina	CL Aznar Molina 2	Zaragoza	Invest. Property	Offices
87	12-ene-18	Torre Glories	Av. Diagonal, 211	Barcelona	Invest. Property	Offices
88	14-sep-16	San Francisco de Sales	San Francisco de Sales 1	Madrid	Invest. Property	Other
89	03-jul-14	Tree Inversiones Inmobiliarias SOCIMI, S.A	PS Castellana 257	Madrid	Holding	
90	30-jul-14	Merlin Retail S.L.	PS Castellana 257	Madrid	Holding	
91	04-ago-14	Merlin Offices, S.L.	PS Castellana 257	Madrid	Holding	
92	30-jul-14	Merlin Logística, S.L.	PS Castellana 257	Madrid	Holding	
93	14-sep-16	La Vital Shopping Center y de Ocio, S.L.	PS Castellana 257	Madrid	Holding	
94	14-sep-16	Varitelia Distribuciones, S.L.	PS Castellana 257	Madrid	Holding	
95	14-sep-16	Metroparque, S.A.	PS Castellana 257	Madrid	Holding	
96	14-sep-16	Global Carihuela Patrimonio Comercial, S.L.	PS Castellana 257	Madrid	Holding	
97	18-mar-15	MP Compra e Venda Imobiliária, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
98	31-mar-16	MP Monumental, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
99	31-mar-16	MP Torre A S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
100	28-jul-17	Sevisur, S.A.	PS Castellana 257	Madrid	Holding	
101	07-abr-17	Promosete Investimentos Imobiliários, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
102	28-sep-17	Praça do Marques - serviços auxiliares, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
103	30-abr-18	Torre dos Oceanus - Investimentos Imobiliários, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
104	17-ene-19	Torre Arts, Investimentos imobiliários, S.A.	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	
105	17-ene-19	Torre Fernão Magalhães Investimentos imobiliários, S.A	Av Fontes Pereira de Melo 51	Lisboa (Portugal)	Holding	

**MERLIN Properties,
SOCIMI, S.A.**

Management Report

for the year ended

31 December 2019

1. Company Situation

Economic Situation

The markets where MERLIN Properties Socimi, S.A. ("MERLIN" or "MERLIN Properties" or the "Company") operates are benefiting from good economic performance. In both Spain and Portugal, GDP is growing by nearly 2% annually, outpacing the eurozone average. These solid fundamentals allow for an improvement in consumption, as well as significant job creation and an increase in industrial activity, all of which lead to solid demand for all our business lines.

This favourable economic situation has led to generalised increases in rental rates. Various analyst firms expect the Iberian economy to continue to expand in the coming years, which should have a positive impact on business performance.

Investment volume for all types of assets remains high, with more than €12,000 million in direct investment in Spain in 2019¹. Given the eurozone's expansive monetary policy and the overall context of low interest rates, demand for income-generating assets is expected to remain high.

1.1. Rental market situation by geographical area

Madrid

Madrid is both the largest metropolitan area and the main real estate market on the Iberian Peninsula. In general, the rental market has performed very favourably. The Madrid office market continues the upward trend of recent years, having achieved the highest absorption of surface area since 2007. Availability continues to decline (8.6% at the end of Q4²) while rents continue to increase, reaching €36/m²/month¹ for Prime assets. In relation to the logistics market, it continues to show significant levels of activity in the main axes (A-2, A-4 and A-42) for all segments (XXL warehouses, cross-docking warehouses and last mile solutions). Lastly, the shopping centre sector continues to benefit from increased consumption and reduced unemployment.

Barcelona

The economic situation continues to have a positive impact on the rental market in Barcelona, which has performed solidly in all segments. In relation to the office market, the lack of quality supply has had an impact on rents, which exceeded €27/m²/month¹ for prime assets, as well as encouraging the development of both refurbishments and new projects, especially in the 22@ area. The logistics market is suffering from a lack of both available land and quality product for e-commerce operators. As for shopping centres, they continue to perform well thanks to the resilience of domestic demand and tourism.

¹CBRE "2020 Real Estate Market Outlook for Spain"

²JLL "Office Market Fundamentals Q4 2019"

Lisbon

The rental office market has performed positively, with almost 200,000 m² involved in transactions, a vacancy rate of 5% and increasing rent values that have reached €23/m²/month. Rents have performed well due to the lack of supply, driven by the dearth of new product and the strong pressure of the residential and hotel market (conversions). In relation to logistics, rents have reached €4/m²/month in the prime axis of Alverca/Azambuja, in a market characterised by low-quality supply and growing demand. The shopping centre sector has also performed solidly, since domestic demand is doing quite well due to the increase in disposable income and the low unemployment rate.

1.2. Rental market situation by business segment

Offices

According to CBRE, in 2019 the Spanish office market recorded the best year in terms of take-up since 2007, with a year-on-year increase of 21% in Madrid and 2.3% in Barcelona. Vacancy is also at its lowest point in the last 10 years, encouraging preletting and turnkey transactions. Performance has been equally favourable in Portugal, where the availability rate continues to fall.

The pressure of demand is having an impact on rents that are continuing to rise in all markets.

Shopping Centres

Robust domestic demand in both Spain and Portugal — thanks to the reduction in unemployment — has had a positive impact on the sector. Additionally, in 2019 a new record was reached in terms of international tourist arrivals in Spain that surpassed 83 million foreign tourists.

This has enabled both footfall and sales to continue their upward trend. Retail sales increased by 2.4% in 2019 (until November) and analysts such as Funcas and Oxford Economics expect both private consumption and retail sales to continue increasing over the coming years.

Logistics

The boom in e-commerce has allowed more than 500,000 m² of logistical take-up both in central Spain and in Catalonia, reaching equally high levels of activity in other markets (e.g., Valencia with 265,000 m²).

The volume reached by turnkey projects and preletting is of particular note given the lack of available logistics platforms that meet current demand requirements. This shortage of quality products has influenced rents of logistics assets.

1.3. Organisational and operational structure

As a company, MERLIN's main objective is to generate sustainable returns for shareholders through the acquisition, focused management and selective rotation of real estate assets in the moderate risk profile segments ("Core" and "Core Plus").

Its strategy and operations are characterised by:

- 1) Focusing on Core and Core Plus assets in Spain and Portugal
- 2) An investment grade capital structure

- 3) Distribution of 80% of AFFO (see Note 6.1. of the Management Report) in the form of dividends
- 4) Being one of the most efficient REITs in Europe
- 5) Implementing the best practices of Corporate Governance

The description of the internal organisational structure can be summarised as follows:

- A Board of Directors made up of 12 directors that receives advice from the Audit and Control Committee, the Appointments Committee and the Remuneration Committee. The MERLIN Board of Directors, comprised a majority of independent directors, focuses its activity on defining, supervising and monitoring the policies, strategies and general guidelines to be followed by the Company. The Board is responsible for the long-term strategy and for monitoring its implementation.
- A Chief Executive Officer reporting directly to the Board of Directors and forming part of it.
- An Investment Committee reporting to the CEO and consisting of the executive team, with the Chief Investment Officer having veto power.

2. Business performance and results

2.1. Business results in 2019

The Company's business performed excellently during the year, with growth in occupancy, comparable rents and release spread in all asset categories.

MERLIN Properties closed the year with rental income of €252.8 million, up 5.9% on 2018, and profit from operations of €302.4 million.

Profit for the year amounting to €179.4 million is not comparable to that of 2018 due to the non-recurring income recognised in 2018 from the capitalisation of the service agreement with Testa Residencial.

The investment activity in 2019 was largely concentrated in Lisbon, with the acquisition of 2 office buildings (Art and TFM), which secured MERLIN's position as the second largest owner of offices in the Portuguese market.

On 30 October 2019, MERLIN acquired Desarrollos Urbanísticos Udra, S.A.U. (part of the San José Business Group) and a 14.46% stake in Distrito Castellana Norte, S.A. (DCN) for a total of €168,893 thousand.

In 2019 the Company continued with its plan to improve Landmark office buildings, highlighting the improvements made to the Torre Glóries building in Barcelona and the Larios shopping centre in Málaga, as well as the work underway on the Edificio Castellana 85, Diagonal 605 and Arturo Soria 343 buildings.

With regard to divestment activity, in 2019 the Company sold assets totalling €225 million, including a portfolio of offices in Madrid and Barcelona.

2.1. Outlook for the Company in 2020

In 2020 MERLIN expects its occupancy rates to remain high and its cash flow to remain strong given the long lease term remaining (5.5 years from 31 December 2019, weighted by GRI).

The Company also expects to continue acquiring assets that mesh with its investment philosophy. To that end, it had a cash position of €125.8 million at 2019 year end (Note 9 to the 2019 Separate Financial Statements) and a liquidity position of €952.8 million, including the cash position, the undrawn credit facilities, €57 million of treasury shares and €70 million relating to receivables from the sale of the non-core office portfolio in the last quarter of the year.

3. Capital and Liquidity Resources

3.1. Debt

At 2019 year end, the Company's financial debt amounted to, approximately, €4,600 million, comprising non-mortgage backed corporate financing (syndicated loans and bonds).

The Company's strategy is to actively manage both the Group's assets and the liabilities. With regard to liabilities, the goal is to extend the average maturity of the debt and to take advantage of current market conditions to reduce or maintain borrowing cost and eliminate the risk posed by changes in interest rates. Currently, 99.5% of the Company's debt accrues interest at a fixed rate or is subject to interest rate hedges.

On 25 April 2019, the Group, through its Parent, arranged a senior syndicated loan amounting to €1,550 million, which includes two tranches, a corporate loan of €850 million and a corporate credit facility of €700 million.

This financing was allocated to the early repayment of existing corporate financing consisting of two corporate loans and two credit facilities. At 2018 year end, the two corporate loans amounted to €530 million and €310 million and the limits of the two credit facilities amounted to €120 million and €300 million (€150 million drawn down at 2018 yearend).

On 4 December 2019, an issue of ordinary unsubordinated bonds was made in the euromarket for a total amount of €500 million. The bonds were issued at 99.174% of their nominal value with a maturity of 15 years and an annual coupon of 1.875% payable annually at year end.

3.2. Liquidity available

MERLIN's cash position at 31 December 2019 amounted to €252.8 million (Note 9 to the 2019 Separate Financial Statements), including €57 million of treasury shares and €70 million corresponding to receivables from the sale of the non-core office portfolio in the last quarter of the year.

This liquidity increased by €700 million euros through the revolving credit facility, which had not been drawn down at 2019 year end.

Additionally, the Company has the ability to access the capital markets through the euro medium-term note (EMTN) programme, which has a limit of €5,000 million. At 2019 year end, €1,250 million was available through the aforementioned programme.

4. Environmental matters

Since the assets were acquired, the Company has incorporated sustainability into its decision-making process, aware of its impact on improving the performance of assets and the well-being of tenants. MERLIN seeks to differentiate its properties along these lines and, to that end, in 2019 it has continued with its three key repositioning plans: Landmark I, Flagship and Best II and III, the time horizon for which is 2019-2023.

These plans are focused on creating value by repositioning selected properties, incorporating sustainability into the process, as well as in obtaining better financing conditions linked to meeting sustainability targets.

4.1. Sustainability certification

In 2019 the Company continued to make progress on incorporating sustainability into its asset portfolio by investing in improving the environmental performance of its properties. When certifying assets, the Company selects the most appropriate framework and modality based on the asset's phase, as well as the characteristics of the building, its occupancy rate at the time of certification or the tenants who occupy it.

In this regard, we are continuing the process of certifying our portfolio under the standards of the leaders in this market, BREEAM and LEED, with the aim of certifying 96% of our portfolio. In 2019 the Group certified 25 new assets.

Asset	Category	# Assets	Certification	Rating	Date
Citypark Cornellà	Offices	3	BREEAM	VERY GOOD	January 2019
Vilanova 12-14	Offices	1	LEED	SILVER	February 2019
Fuente de la Mora	Offices	1	LEED	GOLD	March 2019
Castellana 93	Offices	1	BREEAM	VERY GOOD	March 2019
Barcelona-Lliça del Vall	Logistics	1	BREEAM	PASS	March 2019
Diagonal 199	Offices	1	LEED	SILVER	May 2019
Sollube	Offices	1	LEED	SILVER	June 2019
PE Puerta de las Naciones	Offices	1	LEED	PLATINUM	October 2019
Sevilla - Borbolla	Offices	1	LEED	SILVER	October 2019
PE Churruca	Offices	2	LEED	SILVER	November 2019
PE Churruca	Offices	2	LEED	GOLD	November 2019
PE Puerta de las Naciones	Offices	1	LEED	GOLD	November 2019
PE Alvia	Offices	1	LEED	GOLD	November 2019
PE Atica XIX	Offices	3	LEED	GOLD	December 2019
PE Cerro Gamos	Offices	2	LEED	GOLD	December 2019
Santiago de Compostela 94	Offices	1	LEED	GOLD	December 2019
Encinar	Offices	1	LEED	GOLD	December 2019
Cristalia	Offices	1	LEED	GOLD	December 2019
Total		25			

Additionally, MERLIN obtained an excellent rating (82%) in the 2019 edition of GRSB, a platform that makes it possible to harmonise and compare information related to sustainability criteria (environmental, social and corporate

governance - ESG) in real estate investments. This rating is above the global average and that of our counterparts and reinforces the Company's commitment to investing in sustainability.

4.2. ISO sustainability certifications

MERLIN, as manager of its portfolios, has an Environmental Management System (EMS) certified according to ISO 14001, which is the umbrella under which it manages its portfolios and that incorporates new properties into its scope every year.

Thus, in 2015 the Company began an ambitious plan for ISO 14001 (environmental management) and ISO 50001 (energy management) certifications to maintain and expand the number of real estate assets that have at least ISO 14001 certification, and subsequently ISO 50001 certification (based on the understanding that it is a natural step to obtain ISO 14001 certification before aspiring to ISO 50001).

In keeping with the optimisation of the environmental performance of its assets, in 2019, given their significant role in the Company's environmental performance, MERLIN continued with an environmental training program for shopping centre operators in an effort to promote greater awareness and, thus, achieve better asset performance.

4.3. ESG indicators Syndicated Loan

In 2019 the Group completed the process begun in 2018 of refinancing its debt through a corporate syndicated loan (€1,550 million) under the sustainable loan format (ESG).

The corporate loan marked an important milestone, as it was the largest financing of this type granted to a real estate company in Europe and the second largest obtained in Spain.

These transactions highlight the Company's ongoing effort to integrate Corporate Social Responsibility principles by incorporating sustainability criteria in the investments of its asset portfolio, as well as in the management of the liabilities on its balance sheet.

This financing includes a cost adjustment mechanism based on management indicators based on four sustainability criterion, which are measured annually and reviewed by the Company's auditor. The indicators for 2019 were:

- Investment of at least €2.5 million in energy efficiency improvements across the portfolio
- Obtaining at least 11 LEED and BREEAM external energy certifications with a minimum rating of LEED Silver and BREEAM Good.
- Obtaining at least 11 AIS/DIGA certifications for disability access for all tenants and consumers
- Electricity consumption of at least 30 GW from renewable energy sources

At the end of 2019, 3 of the 4 goals were met, with the consequent adjustment to borrowing costs for both loans for 2020.

5. Staff management

a. Staff breakdown

MERLIN's staff are its main asset. At 2019 year end, the Company's human team was comprised a total of 168 employees, divided into 5 categories in keeping with MERLIN's strategy of maintaining a horizontal structure.

Total number of employees at 2019 year end. Country, Sex, Professional Category and Age

Professional category	Women	Men	Overall total
Executive Directors	-	2	2
Senior Management	-	6	6
Management Team	1	4	5
Middle Management	8	37	45
Other Staff	56	54	110
Total Employees	65	103	168

Country	Professional category	Age Range	Women	Men	Overall total
SPAIN	Executive Directors	>50 years old	-	1	1
		30-50 years old	-	1	1
	Total Executive Directors		-	2	2
	Senior Management	>50 years old	-	5	5
		30-50 years old	-	1	1
	Total Senior Management		-	6	6
	Management Team	>50 years old	-	1	1
		30-50 years old	1	3	4
	Total Management Team		1	4	5
	Middle Management	>50 years old	3	10	13
		30-50 years old	5	27	32
	Total Middle Management		8	37	45
	Other Staff	< 30 years old	4	7	11
		>50 years old	11	14	25
30-50 years old		41	33	74	
Total Other Staff		56	54	110	
Total SPAIN			65	103	168
Overall total			65	103	168

Total number of employees at 2019 year end by type of employment contract

MERLIN has a team of professionals with indefinite-term contracts and an average age of 44. Throughout 2019, to promote the employability of young people, MERLIN, implemented a first job plan for young people who, having just

finished their compulsory education, wanted to continue training and combine their studies with employment on some weekends.

From the moment they join the Company, MERLIN offers its employees stable contracts to ensure their loyalty and improve its ability to attract talent to the organisation. At 2019 year end, 99.4% of the Company's employees had an indefinite-term contract.

Contract Type	Time	Total
Indefinite-term	Full-time	158
	Part-time	9
Total Indefinite-term		167
Temporary	Full-time	1
Total Temporary		1
Overall total		168

6. Dividend policy

6.1. Dividend policy

The Company's dividend policy takes into account sustainable levels of distribution and reflects the Company's expectation of obtaining recurring profits. The Company does not intend to create reserves that cannot be distributed to Shareholders, except as required by law.

In accordance with the REIT regime, after fulfilling any relevant requirement of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), the Company is obliged to pass resolutions to distribute the profit obtained in the year to shareholders in the form of dividends and this distribution must be approved within six months of the close of each year, as follows: (i) at least 50% of the profit from the transfer of real estate and shares of qualified subsidiaries, provided that the remaining profit is reinvested in other real estate assets within no more than three years of the date of the transfer or, otherwise, 100% of the profit must be distributed as dividends after such period has elapsed; (ii) 100% of the profit obtained from receiving the dividends paid by qualified subsidiaries; (iii) at least 80% of the remaining profit obtained.

If the dividend distribution resolution is not passed within the legally established period, the Company will lose its REIT status for the financial year to which the dividends refer. As established in the Company's IPO Prospectus, MERLIN Properties has set itself the goal of distributing an annual dividend of between 4% and 6% of the IPO value.

The Company's dividend policy establishes a minimum distribution of 80% of the AFFO ("Adjusted FFO"), understood as the cash flow from operations less interest paid and less ordinary maintenance expenses for the assets. The distributions made to MERLIN shareholders in 2019 are shown in the accompanying table.

MERLIN's Board of Directors resolved to distribute an interim dividend out of 2019 profit of €0.20 gross per share that was paid on 28 October 2019. MERLIN's management team will recommend a final dividend out of 2019 profit, subject to the approval of the 2020 Annual General Meeting. The amount of the final dividend would be €0.32 gross per share to be distributed in May 2020, for a total of €0.52 gross per share, compared to €0.50 in 2018.

6.2. Table of dividends paid by year

Type	Payment date	Item	€ per share
2015 interim dividend	28 Oct. 15	Dividend	0.0775
2015 final dividend	27 Apr. 16	Dividend	0.0055692
2015 final dividend	27 Apr. 16	Distribution of share premium	0.102608
2015 total dividend			0.19
2016 interim dividend	25 Oct. 16	Dividend	0.185
Extraordinary distribution	25 Oct. 16	Distribution of share premium	0.02
2016 final dividend	18 May 17	Dividend	0.10071014
2016 final dividend	18 May 17	Distribution of share premium	0.09928767
2016 total dividend			0.40
2017 interim dividend	25 Oct. 17	Dividend	0.20
2017 final dividend	25 May 18	Dividend	0.02053654
2017 final dividend	25 May 18	Distribution of share premium	0.24
2017 total dividend			0.46
2018 interim dividend	25 Oct. 18	Dividend	0.20
2018 final dividend	07 May 18	Dividend	0.20270039
2018 final dividend	07 May 18	Distribution of share premium	0.09729961
2018 total dividend			0.50
2019 interim dividend	28 Oct. 19	Dividend	0.20
2019 final dividend	Pending approval of AGM		0.32
2019 total dividend			0.52

7. Main risks and uncertainties

MERLIN's **Risk Management System** is based on the principles, key elements and methodology established in the **COSO Framework** ("Committee of Sponsoring Organizations of the Treadway Commission"), which aims to minimise the volatility of results (profitability) and, therefore, maximise the Group's economic value, incorporating risk and uncertainty into the decision-making process to provide reasonable assurance of achieving the strategic objectives established, providing shareholders, other stakeholders and the market in general with an adequate level of guarantees to ensure that the value generated is protected.

Based on a comprehensive view of risk management, MERLIN has adopted a methodological approach based on the Enterprise Risk Management Framework - Integrating with Strategy and Performance (**COSO ERM 2017**), which emphasises the importance of enterprise risk management in strategic planning and incorporates it throughout the organisation, since risk influences strategy and performance in all areas, departments and functions.

The **Risk Management and Control Policy** was initially approved by the Board of Directors in February 2016, then in its second version in April 2018 and finally, in its current wording, in April 2019.

This policy establishes the general guiding principles, rooted in the perception that risk management is an ongoing process based on the identification and assessment of the Company's potential risks according to its strategic and business objectives, the determination of action plans and controls for critical risks, the supervision of the effectiveness of the controls designed and the evolution of residual risk to be reported to the Company's governing bodies.

MERLIN's risk management is a process driven by the Board of Directors and Senior Management and each and every member of the organisation is responsible for it within their own purview. Risk management, supervised by the Audit and Control Committee, allows Management to effectively manage uncertainty and its associated risks, thereby improving the ability to generate value.

A central element of the Risk Management System is the **Risk Map** — drawn up for the first time in 2015, updated every six months by the Audit and Control Committee and approved by the Board of Directors — which reflects and assesses the risks that could potentially impact its ability to meet its objectives. To determine the key risks, the impact on the organisation and the probability of their occurrence were taken into account, thus, establishing a standard Risk Profile to be managed.

7.1. Description of MERLIN's risks

MERLIN is exposed to a variety of risks inherent to the various segments of the real estate business in which it operates and in the leasing and/or development activities it carries on in each of these segments, as well as in the geographical areas in which it is established and in the evolution of external factors, both political and economic.

To implement risk management and control, the Board of Directors is assisted by the Audit and Control Committee, which supervises and reports on the adequacy and effectiveness of the risk management and control system.

The Audit and Control Committee is responsible for supervising the Company's risk management and control system (including internal controls) and verifying its suitability and integrity. The Audit and Control Committee carries out this supervisory function through the Internal Audit Department, which verifies the suitability and integrity of the Risk Management System implemented by the Company's management on an annual basis.

Based on the analysis of MERLIN's vision, values and strategy, the various components are analysed according to the grouping of the different strategic objectives included in these elements (being the benchmark REIT, creation of long-term value, generation of sustainable and growing dividends, values of transparency, ethics and responsibility). In this connection, the risks MERLIN identifies and assesses are classified under the perspective of the different strategic components and facilitating elements identified above, as shown below:

- **Business Risks:** which affect the strategic objectives of long-term value creation and the generation of sustainable and growing dividends, achievement of which depends mainly on the Group's various assets, grouped together in the different business segments (offices, net leases, shopping centres, logistics and others): occupancy rate of the assets, fluctuation rent levels, rent concentration, loss of property value, inefficiency in investments, political risk, etc.
- **Resource Risks:** which affect the strategic objectives of generating sustainable and growing dividends and the values of transparency, ethics and responsibility, achievement of which depends mainly on the various internal and external resources available to the Group (human, technological and financial): staff dependence and their remuneration, occupational risk prevention, business continuity plan, cybersecurity breaches, technological innovation, the Company's credit rating, volume of short-term debt, compliance with covenants, etc.

- **Stakeholder Risks:** which affect the strategic objectives of leadership and reference (being the benchmark REIT) and the values of transparency, ethics and responsibility; achievement of which depends mainly on the various actions taken and policies implemented by the Group for its various stakeholders (customers, suppliers, society; investors and shareholders; and regulatory bodies) : customer and supplier credit risk, the Group's reputation, macroeconomic conditions in the country, shareholder remuneration (dividends), compliance with the REIT regime, etc.

Section E of the Annual Corporate Governance Report details the main risks, the action plans established and, where applicable, those that have materialised during the year and the circumstances that have led to them.

7.2. Financial and tax risks

Financial risk management policies within the rental property sector are determined mainly by analysing the investment projects, management of the occupancy of the properties and the situation of the financial markets:

- **Credit risk:** the credit risk relating to the Company's ordinary business activity is practically non-existent or insignificant, due mainly to the fact that the agreements entered into with the tenants/lessees provide for the advance payment of the rent derived from them, in addition to requiring them to provide the legal and additional financial guarantees in the formalisation of the rental agreements and their renewal, which cover the possible non-payment of rent. Such risk is also mitigated by the diversification by product type in which the Company invests and, consequently, in the type of customers.

- **Liquidity risk:** To manage liquidity risk and meet its various funding requirements, the Company uses an annual cash budget and a monthly cash projection, the latter being detailed and updated daily. The factor causing the liquidity risk is the working capital deficiency, which mainly includes short-term debt. In addition, liquidity risk has the following mitigating factors, which should be highlighted: (i) the generation of recurrent cash from the businesses on which the Company bases its activity; and (ii) the capacity to renegotiate and obtain new financing facilities based on the Company's long-term business plans and the quality of its assets.

At the date of preparation of the consolidated financial statements, taking into account the foregoing, the Group had covered all its funding requirements to fully meet its commitments to suppliers, employees and the authorities in accordance with the cash flow forecast for 2020. Likewise, the type of sector in which the Company operates, the investments it makes, the financing it obtains to make such investments, the EBITDA they generate and the occupancy rates of the properties, enables the liquidity risk to be mitigated and excess cash to be produced.

Cash surpluses are used to make short-term investments in highly liquid deposits with no risk. The acquisition of share options or futures, or any other high-risk deposits as a method of investing cash surpluses, is not among the possibilities considered by MERLIN Properties.

- **Interest rate risk:** To minimise the Group's exposure to this risk, financial instruments have been arranged to hedge cash flows, such as interest rate swaps. At 31 December 2019, the percentage of debt the interest rate of which is covered by the aforementioned financial instruments was 99.54%.

- **Foreign currency risk:** the Company's policy is to borrow in the same currency as that of the cash flows of each business. Consequently, currently there is no foreign currency risk. However, noteworthy in this connection are the exchange rate fluctuations arising in translating the financial statements of foreign companies whose functional currency

is not the euro. At 31 December 2019, the functional currency of all subsidiaries and associates of the MERLIN Group was the euro.

- **Market risk:** MERLIN Properties is exposed to market risk from possible vacancies or renegotiations of leases when the leases expire. This risk would have a direct negative impact on the valuation of the Company's assets.

However, market risk is mitigated by the customer acquisition and selection policies and the mandatory lease terms negotiated with customers. Therefore, at 31 December 2019, the average occupancy rate of the asset portfolio was 94.8%, with a weighted average unexpired lease term of 5.5 years (weighted by GRI).

- **Tax risk:** The Parent and a portion of its subsidiaries qualified for the special tax regime for real estate investment trusts (REITs). The transitional period for the Parent ended in 2017 and, therefore, compliance with all requirements established by the regime became mandatory.

Some of the more formal obligations that the Parent must meet involve the inclusion of the term SOCIMI (REIT) in its Company name, the inclusion of certain information in the notes to its separate financial statements, the share price on the stock market, etc., and other obligations that require estimates to be made and judgements to be applied by management that may become fairly complex, especially considering that the REIT regime is relatively recent and was developed by the Directorate-General of Taxes mainly in response to the queries posed by various companies.

Group management, based on the opinion of its tax advisors, assessed compliance with the requirements of the regime, concluding that such requirements were met at 31 December 2019.

Accordingly, and also for the purpose of considering the financial effect of the regime, it should be noted that — as established in section 6 of Spanish Law 11/2009, of 26 October, amended by Spanish Law 16/2012, of 27 December — REITs, and in the percentages established therein, companies that have opted for the special tax regime, are required to distribute the profit generated during the year to their shareholders in the form of dividends, once the related corporate obligations have been met. This distribution must be approved within six months of the close of each year, and the dividends paid in the month following the date on which the pay-out is agreed.

If the Parent does not comply with the requirements established in the regime or if the shareholders at the General Meetings of these companies do not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of this Act, it would not be complying therewith and, accordingly, tax would have to be paid under the general regime, not the regime applicable to REITs.

8. Acquisition and disposal of treasury shares

At 31 December 2019, the Parent held treasury shares amounting to €56,860 thousand.

The changes in 2019 were as follows:

	Number of Shares	Thousands of Euros
Balance at 1 January 2018	2,320,230	24,881
Additions	5,005,395	56,048
Disposals	(1,175,625)	(12,607)
Balance at 31 December 2018	6,150,000	68,322
Additions	52,776	633
Disposals	(1,125,407)	(12,096)
Balance at 31 December 2019	5,077,369	56,860

In 2019 the Parent acquired 52,776 treasury shares at an average cost of €11.88 per share. At 31 December 2019, the Parent held treasury shares representing 1.0808% of its share capital.

The disposal of treasury shares, amounting to €12,096 thousand (average cost of €10.75 per share), for the amount of €11,503 thousand, (average cost of €10.73 per share), relate mainly to the delivery of shares to Executive Directors, Senior Management and the rest of the management team corresponding to the “2016 Share Plan”, a variable remuneration incentive agreed upon with them and for the amount of €586 thousand relate to the delivery of shares to employees as part of the flexible compensation plan.

9. Other relevant information

9.1. Stock market information

On 31 December 2019, MERLIN shares closed at a price of €12.79, representing an 18.6% increase in their price compared to the closing price on 31 December 2018 (€10.78). The share performed better than Spain's benchmark index, the IBEX-35 (+11.8%) and worse than the sector benchmark EPRA Europe (+24.7%) and the Euro Stoxx 600 (+23.2%).

9.2. Average period of payment to suppliers

The information required by Additional Provision Three of Spanish Law 15/2010, of 5 July (modified by Final Provision Two of Spanish Law 31/2014, of 3 December) prepared in accordance with the Spanish Accounting and Audit Institute's Resolution of 29 January 2016 on information to be included in the notes to the financial statements with regard to the average period of payment to suppliers for commercial transactions is detailed below.

	2019	2018
	Days	
Average period of payment to suppliers	33.6	53.9
Ratio of transactions paid	34.24	53.7
Ratio of transactions payable	24.7	58.3
	Thousands of euros	
Total payments made	154,722	102,220
Total outstanding payments	11,216	5,999

In accordance with the Spanish Accounting and Audit Institute's Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions corresponding to the delivery of goods or provision of services that took place from the date of entry into force of Spanish Law 31/2014, of 3 December.

For the exclusive purpose of providing the information envisaged in this Resolution, payable to suppliers are considered trade payables for debts with suppliers of goods and services, included under "Trade and other payables" under current liabilities in the balance sheet.

"Average period of payment to suppliers" is understood as the time elapsed between the date the supplier delivers the goods or provides the services and the date of actual payment.

The maximum legal term applicable to the Company for 2014/15, pursuant to Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions, and in accordance with the transitory provisions established in Law 15/2010, of 5 July, was 60 days until the publication of Law 11/2013 of 26 July, and 30 days following the publication of the aforementioned Act to date (unless the conditions established therein are met, in which case the maximum payment period may be increased to 60 days).

9.3. R&D+i activities

In relation to R&D+i activities and other innovative initiatives, in 2019 MERLIN promoted numerous projects of a technological nature to position MERLIN at the forefront in terms of solutions for its clients and internal management. Of those projects, the following are of note:

- Special projects:
 - o Sensorisation programme for office buildings (in collaboration with Signify) and shopping centres (in collaboration with Vodafone)
 - o Last mile in logistics
 - o Implementation of third party technologies (e.g., KeepEyeOnBall, Butler and Fillit)
 - o User experience app
- Mentoring: PropTech Challenge organised with ISDI
- Sponsorship: Agreement with Fifth Wall, the largest venture capital firm focused on the real estate industry

10. Annual Corporate Governance Report

For the purposes of section 538 of the Corporate Enterprises Act, it is hereby stated that the 2019 Annual Corporate Governance Report forms part of this Management Report.

11. Subsequent events

On 17 January 2020, the Company completed the acquisition of Plaza de Cataluña 9 in Barcelona. This historical asset, located in one of the most touristic and emblematic squares of Barcelona, has 3,048 m² of GLA. The acquisition price amounted to €15 million, representing a gross return of 4.5%.

As from 15 January 2020, the shares of the Parent Company have been listed on Euronext Lisbon under a dual listing regime.

On 7 February, the Parent Company issued a €100 million tap on its 15-year bond at 102% of the nominal value and a coupon of 1.875%

In February 2020, the Company signed a lease with BBVA for 9,135m² at PE Las Tablas in Madrid.

On 27 February, the Group signed the contribution of 3 secondary assets (Thader, La Fira and Nassica) to Silicius Socimi, a vehicle managed by Mazabi. The transaction is neutral in terms of NAV.

12. Alternative Performance Measures

See the definitions of the APMs, as well as their reconciliation with the financial statements of MERLIN in the Management Report accompanying the 2019 Consolidated Financial Statements.

MODELO ANEXO I

**INFORME ANUAL DE GOBIERNO CORPORATIVO
DE LAS SOCIEDADES ANÓNIMAS COTIZADAS**

DATOS IDENTIFICATIVOS DEL EMISOR

FECHA FIN DEL EJERCICIO DE REFERENCIA

C.I.F.

Denominación Social: MERLIN PROPERTIES, SOCIMI, S.A.

Domicilio Social: PASEO DE LA CASTELLANA, 257, MADRID

**INFORME ANUAL DE GOBIERNO CORPORATIVO
DE LAS SOCIEDADES ANÓNIMAS COTIZADAS**

A) ESTRUCTURA DE LA PROPIEDAD

A.1 Complete el siguiente cuadro sobre el capital social de la sociedad:

Fecha de última modificación	Capital social (€)	Número de acciones	Número de derechos de voto
28/10/2016	469.770.750,00	469.770.750	469.770.750

Observaciones

Indique si existen distintas clases de acciones con diferentes derechos asociados:

Sí No

Clase	Número de acciones	Nominal unitario	Número unitario de derechos de voto	Derechos y obligaciones que confiere

Observaciones

A.2 Detalle los titulares directos e indirectos de participaciones significativas, a la fecha de cierre del ejercicio, excluidos los consejeros:

Nombre o denominación social del accionista	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto
	Directo	Indirecto	Directo	Indirecto	
BLACKROCK INC.	-	3,143%	-	0,853	3,996%
INVESCO LIMITED		1,013%	-	-	1,013%

BANCO SANTANDER, S.A.	16,697%	5,571%	-	-	22,268%
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Observaciones

Detalle de la participación indirecta:

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
BLACKROCK INC.	INVESTED MANAGERS Y DELEGATED INVESTMENT MANAGERS (BAJO EL CONTROL DE BLACKROCK)	3,143%	0,853%	3,996%
INVESCO LIMITED	INVESCO ADVISERS, INC.	0,818%	-	0,818%
	INVESCO ASSET MANAGEMENT LTD	0,192%		0,192%
	INVESCO POWERSHARES CAPITAL MANAGEMENT, LLC	0,003%		0,003%
	INVESCO ASSET MANAGEMENT DEUTSCHALAND, GMBH	0,0002%		0,0002%
BANCO SANTANDER, S.A.	CARTERA MOBILIARIA, S.A. SICAV	0,0213%	-	0,0213%
	LURI 6, S.A.	4,8488%		4,8488%
	ALTAMIRA SANTANDER REAL ESTATE, S.A.	0,7011%		0,7011%

Observaciones

Indique los movimientos en la estructura accionarial más significativos acaecidos durante el ejercicio:

Movimientos más significativos
No ha habido movimientos significativos en el ejercicio, según la definición establecida en el Real Decreto 1362/2007, de 19 de octubre

A.3 Complete los siguientes cuadros sobre los miembros del consejo de administración de la sociedad, que posean derechos de voto sobre acciones de la sociedad:

Nombre o denominación social del consejero	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% de derechos de voto <u>que pueden ser transmitidos</u> a través de instrumentos financieros	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
DOÑA MARÍA LUISA JORDÁ CASTRO	0,003%				0,003%		
DON FERNANDO JAVIER ORTIZ VAAMONDE	0,014%				0,014%		
DON ISMAEL CLEMENTE ORREGO	0,252%				0,252%		
DON JAVIER GARCÍA-CARRANZA BENJUMEA	0,001%	0,017%			0,018%		
DON MIGUEL OLLERO BARRERA	0,246%				0,246%		
DON JUAN MARÍA AGUIRRE GONZALO	0,002%	0,002%			0,004%		
DON G. DONALD JOHNSTON	0,010%				0,010%		

DON JOHN GÓMEZ HALL	0,021%				0,021%		
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	0,000%				0,000%		
DON EMILIO NOVELA BERLÍN	0,003%				0,003%		

% total de derechos de voto en poder del consejo de administración	0,572%
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Observaciones

Detalle de la participación indirecta:

Nombre o denominación social del consejero	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto	% derechos de voto que pueden ser transmitidos a través de instrumentos financieros
DON JAVIER GARCÍA-CARRANZA BENJUMEA	ALDER PROPERTY, S.L.	0,017%	-	0,017%	-
DON JUAN MARÍA AGUIRRE GONZALO	BLANIGRO, S.L	0,002%	-	0,002%	-

Observaciones

A.4 Indique, en su caso, las relaciones de índole familiar, comercial, contractual o societaria que existan entre los titulares de participaciones significativas, en la medida en que sean conocidas por la sociedad, salvo que sean escasamente relevantes o deriven del giro o tráfico comercial ordinario, excepto las que se informen en el apartado A.6:

Nombre o denominación social relacionados	Tipo de relación	Breve descripción

A.5 Indique, en su caso, las relaciones de índole comercial, contractual o societaria que existan entre los titulares de participaciones significativas, y la sociedad y/o su grupo, salvo que sean escasamente relevantes o deriven del giro o tráfico comercial ordinario:

Nombre o denominación social relacionados	Tipo de relación	Breve descripción
Banco Santander, S.A.	Societaria	Banco Santander ostenta una participación significativa en la Sociedad

A.6 Describa las relaciones, salvo que sean escasamente relevantes para las dos partes, que existan entre los accionistas significativos o representados en el consejo y los consejeros, o sus representantes, en el caso de administradores persona jurídica.

Explique, en su caso, cómo están representados los accionistas significativos. En concreto, se indicarán aquellos consejeros que hubieran sido nombrados en representación de accionistas significativos, aquellos cuyo nombramiento hubiera sido promovido por accionistas significativos, o que estuvieran vinculados a accionistas significativos y/o entidades de su grupo, con especificación de la naturaleza de tales relaciones de vinculación. En particular, se mencionará, en su caso, la existencia, identidad y cargo de miembros del consejo, o representantes de consejeros, de la sociedad cotizada, que sean, a su vez, miembros del órgano de administración, o sus representantes, en sociedades que ostenten participaciones significativas de la sociedad cotizada o en entidades del grupo de dichos accionistas significativos.

Nombre o denominación social del consejero o representante, vinculado	Nombre o denominación social del accionista significativo vinculado	Denominación social de la sociedad del grupo del accionista significativo	Descripción relación/ cargo
DON JAVIER GARCÍA-CARRANZA BENJUMEA	Banco Santander, S.A.	Banco Santander, S.A.	Director General Adjunto del Banco Santander
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	Banco Santander, S.A.	Banco Santander, S.A.	Responsable del Departamento de grandes clientes de Banca Comercial dentro del Área de

			Reestructuraciones y Participaciones Corporativas
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Observaciones

A.7 Indique si han sido comunicados a la sociedad pactos parasociales que la afecten según lo establecido en los artículos 530 y 531 de la Ley de Sociedades de Capital. En su caso, descríbalos brevemente y relacione los accionistas vinculados por el pacto:

Sí

No

Intervinientes del pacto parasocial	% de capital social afectado	Breve descripción del pacto	Fecha de vencimiento del pacto, si la tiene
Banco Santander, S.A. y la Sociedad	22,268%	Ver "Observaciones"	

Observaciones
Con anterioridad existió un pacto por el que Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A. y Banco Popular Español, S.A. se comprometían a no transmitir acciones o derechos de voto de Merlin Properties, SOCIMI, S.A: durante un periodo de seis (6) meses a contar desde la inscripción de la escritura de escisión de Metrovacesa, S.A., es decir, desde el 26 de octubre de 2016. Dicho pacto estuvo vigente durante 4 meses del ejercicio 2017. El pacto sigue vigente en lo relativo a venta de paquetes de acciones superiores al 2% del capital social en el sentido de recoger un procedimiento para una transmisión ordenada de dicha participación.

Indique si la sociedad conoce la existencia de acciones concertadas entre sus accionistas. En su caso, descríbalas brevemente:

Sí

No

Intervinientes acción concertada	% de capital social afectado	Breve descripción del concierto	Fecha de vencimiento del concierto, si la tiene

Observaciones

En el caso de que durante el ejercicio se haya producido alguna modificación o ruptura de dichos pactos o acuerdos o acciones concertadas, indíquelo expresamente:

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A.8 Indique si existe alguna persona física o jurídica que ejerza o pueda ejercer el control sobre la sociedad de acuerdo con el artículo 5 de la Ley del Mercado de Valores. En su caso, identifíquela:

Sí No

Nombre o denominación social

Observaciones

A.9 Complete los siguientes cuadros sobre la autocartera de la sociedad:

A fecha de cierre del ejercicio:

Número de acciones directas	Número de acciones indirectas (*)	% total sobre capital social
5.077.369	-	1,0808%

Observaciones

(*) A través de:

Nombre o denominación social del titular directo de la participación	Número de acciones directas
Total:	

Observaciones

Explique las variaciones significativas habidas durante el ejercicio:

Explique las variaciones significativas
Durante el ejercicio 2019 Merlin ha adquirido 52.776 acciones propias y, a su vez, transmitido 1.125.407 acciones propias.

A.10 Detalle las condiciones y plazo del mandato vigente de la junta de accionistas al consejo de administración para emitir, recomprar o transmitir acciones propias.

La Junta General Ordinaria en su reunión de fecha 10 de abril de 2019 acordó autorizar la adquisición derivativa de acciones propias por parte de la Sociedad o sociedades de su grupo, cumpliendo los requisitos y limitaciones establecidos en la legislación vigente en cada momento todo ello en los términos siguientes:

- *Modalidades de adquisición: las adquisiciones podrán realizarse directamente por la Sociedad o indirectamente a través de sociedades de su grupo, y las mismas podrán formalizarse, en una o varias veces, mediante compraventa, permuta o cualquier otro negocio jurídico válido en Derecho.*
- *Número máximo de acciones a adquirir: el valor nominal de las acciones a adquirir, sumado, en su caso, al de las que ya se posean, directa o indirectamente, no excederá del porcentaje máximo legalmente permitido en cada momento.*
- *Contravalor máximo y mínimo: el precio de adquisición por acción será como mínimo el valor nominal y como máximo el de cotización en Bolsa en la fecha de adquisición.*
- *Duración de la autorización: esta autorización se otorga por un plazo de cinco años.*

Asimismo, y a los efectos de lo dispuesto por el párrafo segundo de la letra a) del artículo 146.1 de la Ley de Sociedades de Capital, se deja expresa constancia de que se otorga expresa autorización para la adquisición de acciones de la Sociedad por parte de cualquiera de sus filiales, en los mismos términos antes referidos.

La autorización incluye también la adquisición de acciones que, en su caso, hayan de ser entregadas directamente a los trabajadores o administradores de la Sociedad o sociedades de su grupo, como consecuencia del ejercicio de derechos de opción de que aquellos sean titulares o para la liquidación y pago a los mismos de planes de incentivos basados en entrega de acciones.

Esta autorización deja sin efecto la otorgada por la Junta General de la Sociedad, el pasado 7 de mayo de 2018, en la parte no utilizada.

A.11 Capital flotante estimado:

	%
Capital Flotante estimado	73,164%

Observaciones

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A.12 Indique si existe cualquier restricción (estatutaria, legislativa o de cualquier índole) a la transmisibilidad de valores y/o cualquier restricción al derecho de voto. En particular, se comunicará la existencia de cualquier tipo de restricciones que puedan dificultar la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado, así como aquellos regímenes de autorización o comunicación previa que, sobre las adquisiciones o transmisiones de instrumentos financieros de la compañía, le sean aplicables por normativa sectorial.

Sí

No

Descripción de las restricciones
<p>En cuanto a los Estatutos Sociales, si bien estos no regulan ninguna restricción a la transmisión de acciones, en su artículo 8 se recoge una denominada “prestación accesoria” en virtud de la cual se derivan las siguientes obligaciones para los accionistas de la sociedad:</p> <p>Obligaciones de información de accionistas titulares de participaciones significativas</p> <p>De acuerdo con el artículo 8 de los Estatutos Sociales de la Sociedad todo accionista que (i) sea titular de acciones de la Sociedad en porcentaje igual o superior al 5% del capital social, o de aquel porcentaje de participación que prevea el artículo 9.2 de la Ley de SOCIMIs, o la norma que lo sustituya, para el devengo por la Sociedad del gravamen especial por Impuesto sobre Sociedades (la <i>Participación Significativa</i>); o (ii) adquiera acciones que supongan alcanzar, con las que ya posee, una Participación Significativa en el capital de la Sociedad, deberá comunicar estas circunstancias al Consejo de Administración.</p> <p>El porcentaje de participación igual o superior al 5% del capital al que se refiere el apartado precedente se entenderá (i) automáticamente modificado si variase el que figura previsto en el artículo 9.2 de la Ley de SOCIMIs, o norma que lo sustituya, y, por tanto, (ii) reemplazado por el que se recoja en cada momento en la referida normativa.</p> <p>Igualmente, todo accionista que haya alcanzado esa Participación Significativa en el capital social de la Sociedad, deberá comunicar al Consejo de Administración cualquier adquisición posterior, con independencia del número de acciones adquiridas.</p> <p>Igual declaración a las indicadas en los apartados precedentes deberá además facilitar cualquier persona que sea titular de derechos económicos sobre acciones de la Sociedad, incluyendo en todo caso aquellos titulares indirectos de acciones de la Sociedad a través de intermediarios financieros que aparezcan formalmente legitimados como accionistas en virtud del registro contable pero que actúen por cuenta de los indicados titulares.</p> <p>Junto con la comunicación prevista en los apartados precedentes, el accionista, o el titular de los derechos económicos, afectado deberá facilitar al Secretario del Consejo de la Sociedad: (i) un certificado de residencia a efectos del correspondiente impuesto personal sobre la renta expedido por las autoridades competentes de su país de residencia. En aquellos casos en los que el accionista resida en un país con el que España haya suscrito un convenio para evitar la doble imposición en los impuestos que gravan la renta, el certificado de residencia deberá reunir las características que prevea el correspondiente convenio para la aplicación de sus beneficios; y (ii) un certificado expedido por persona con poder bastante acreditando el tipo de gravamen al que está sujeto para el accionista el dividendo</p>

distribuido por la Sociedad, junto con una declaración de que el accionista titular es beneficiario efectivo de tal dividendo.

El accionista o titular de derechos económicos obligado deberá entregar a la Sociedad este certificado dentro de los diez días naturales siguientes a la fecha en la que la Junta General o en su caso el Consejo de Administración acuerde la distribución de cualquier dividendo o de cualquier importe análogo (reservas, etc.).

Si el obligado a informar incumpliera la obligación de información configurada en los apartados precedentes, el Consejo de Administración podrá presumir que el dividendo está exento o que tributa a un tipo de gravamen inferior al previsto en el artículo 9.2 de la Ley de SOCIMIS, o la norma que lo sustituya.

Alternativamente, el Consejo de Administración podrá solicitar, con cargo al dividendo que corresponda al accionista, un informe jurídico a un despacho de abogados de reconocido prestigio en el país en el que el accionista resida para que se pronuncie sobre la sujeción a gravamen de los dividendos que distribuya la Sociedad.

El gasto ocasionado a la Sociedad será exigible el día anterior al pago del dividendo.

Obligaciones de información de accionistas sujetos a regímenes especiales

El citado artículo 8 de los Estatutos Sociales establece que todo accionista que, como inversor, se encuentre sujeto en su jurisdicción de origen a cualquier clase de régimen jurídico especial en materia de fondos de pensiones o planes de beneficios, deberá comunicar dicha circunstancia al Consejo de Administración.

Igualmente, todo accionista que se encuentre en la situación descrita en el párrafo anterior deberá comunicar al Consejo de Administración cualquier adquisición o transmisión posterior, con independencia del número de acciones adquiridas o transmitidas.

Igual declaración a las indicadas en los apartados precedentes deberá además facilitar cualquier persona que sea titular de derechos económicos sobre acciones de la Sociedad, incluyendo en todo caso aquellos titulares indirectos de acciones de la Sociedad a través de intermediarios financieros que aparezcan formalmente legitimados como accionistas en virtud del registro contable pero que actúen por cuenta de los indicados titulares.

La Sociedad, mediante notificación por escrito (un *Requerimiento de Información*) podrá exigir a cualquier accionista o a cualquier otra persona con un interés conocido o aparente sobre las acciones de la Sociedad, que le suministre por escrito la información que la Sociedad le requiera y que obre en conocimiento del accionista u otra persona, en relación con la titularidad efectiva de las acciones en cuestión o el interés sobre las mismas (acompañado, si la Sociedad así lo exige, por una declaración formal o notarial y/o por pruebas independientes), incluida (sin perjuicio de la generalidad de cuanto antecede) cualquier información que la Sociedad juzgue necesaria o conveniente a efectos de determinar si dichos accionistas o personas son susceptibles de encontrarse en la situación descrita en el primer párrafo de este apartado referente a Obligaciones de información de accionistas sujetos a regímenes especiales.

La Sociedad podrá efectuar un Requerimiento de Información en cualquier momento y podrá enviar uno o más Requerimientos de Información al mismo accionista o a otra persona con respecto a las mismas acciones o a intereses sobre las mismas acciones.

Sin perjuicio de las obligaciones que se regulan en el artículo 8.2 de los Estatutos, la Sociedad supervisará las adquisiciones y transmisiones de acciones que se efectúen, y adoptará las medidas que resulten oportunas para evitar los perjuicios que en su caso pudieran derivarse para la propia Sociedad o sus accionistas de la aplicación de la normativa vigente en materia de fondos de pensiones o planes de beneficios que pueda afectarles en sus respectivas jurisdicciones.

La obligación indemnizatoria prevista en el artículo 55 de los Estatutos tendrá asimismo la consideración de prestación accesoria a los efectos de lo previsto en el artículo 8.

A.13 Indique si la junta general ha acordado adoptar medidas de neutralización frente a una oferta pública de adquisición en virtud de lo dispuesto en la Ley 6/2007.

Sí No

En su caso, explique las medidas aprobadas y los términos en que se producirá la ineficiencia de las restricciones:

Explique las medidas aprobadas y los términos en que se producirá la ineficiencia

A.14 Indique si la sociedad ha emitido valores que no se negocian en un mercado regulado en la Unión Europea.

Sí No

En su caso, indique las distintas clases de acciones y, para cada clase de acciones, los derechos y obligaciones que confiera.

Indique las distintas clases de acciones

B JUNTA GENERAL

B.1 Indique y, en su caso detalle, si existen diferencias con el régimen de mínimos previsto en la Ley de Sociedades de Capital (LSC) respecto al quórum de constitución de la junta general.

Sí No

	% de quórum distinto al establecido en art. 193 LSC para supuestos generales	% de quórum distinto al establecido en art. 194 LSC para los supuestos especiales del art. 194 LSC
Quórum exigido en 1ª convocatoria		
Quórum exigido en 2ª convocatoria		

Descripción de las diferencias

--

B.2 Indique y, en su caso, detalle si existen diferencias con el régimen previsto en la Ley de Sociedades de Capital (LSC) para la adopción de acuerdos sociales:

Sí No

Describa en qué se diferencia del régimen previsto en la LSC.

	Mayoría reforzada distinta a la establecida en el artículo 201.2 LSC para los supuestos del 194.1 LSC	Otros supuestos de mayoría reforzada
% establecido por la entidad para la adopción de acuerdos		50,01%

Describa las diferencias
La Ley establece para supuestos diferentes a los del artículo 194 LSC que los acuerdos se adopten por mayoría simple de votos de accionistas presentes o representados. En los Estatutos Sociales dicha mayoría está establecida en el voto mayoritario de los accionistas presentes o representados en la junta general.

B.3 Indique las normas aplicables a la modificación de los estatutos de la sociedad. En particular, se comunicarán las mayorías previstas para la modificación de los estatutos, así como, en su caso, las normas previstas para la tutela de los derechos de los socios en la modificación de los estatutos.

El procedimiento de modificación de Estatutos Sociales, así como las normas aplicables para la tutela de los derechos de los accionistas en la modificación de los Estatutos Sociales se rige por lo previsto en la Ley de Sociedades de Capital.

B.4 Indique los datos de asistencia en las juntas generales celebradas en el ejercicio al que se refiere el presente informe y los de los dos ejercicios anteriores:

Fecha junta general	Datos de asistencia				Total
	% de presencia física	% en representación	% voto a distancia		
			Voto electrónico	Otros	
26/04/2017	3,193%	71,655%	0,00%	3,742%	78,590%
De los que Capital flotante:	2,76%	43,17%		3,742%	49,67%
7/05/2018	0,840%	78,659%	0,00%	0,911%	80,410%
De los que Capital flotante:	0,36%	50,90%		0,911%	52,17%

10/04/2019	1,817%	75,646%	0,001%	0,909%	78,372%
De los que Capital flotante:	1,247%	48,669	0,001%	0,909%	50,826%

Observaciones

B.5 Indique si en las juntas generales celebradas en el ejercicio ha habido algún punto del orden del día que, por cualquier motivo, no haya sido aprobado por los accionistas:

Sí No

Puntos del orden del día que no se han aprobado	% voto en contra (*)

(*) Si la no aprobación del punto es por causa distinta del voto en contra, se explicará en la parte de texto y en la columna de “% voto en contra” se pondrá “n/a”.

B.6 Indique si existe alguna restricción estatutaria que establezca un número mínimo de acciones necesarias para asistir a la junta general, o para votar a distancia:

Sí No

Números de acciones necesarias para asistir a la junta general	500
Números de acciones necesarias para votar a distancia	0

Observaciones
Para la asistencia a las juntas se exige un número de acciones equivalente al menor de: (i) quinientas (500) acciones; o (ii) un número de acciones que represente un uno por mil (1/1.000) del capital social.

B.7 Indique si se ha establecido que determinadas decisiones, distintas a las establecidas por Ley, que entrañan una adquisición, enajenación, la aportación a otra sociedad de activos esenciales u otras operaciones corporativas similares, deben ser sometidas a la aprobación de la junta general de accionistas.

Sí No

Explicaciones de las decisiones que se deben someter a la junta, distintas a las establecidas por Ley

B.8. Indique la dirección y modo de acceso a la página web de la sociedad a la información sobre gobierno corporativo y otra información sobre las juntas

generales que deba ponerse a disposición de los accionistas a través de la página web de la Sociedad.

La información sobre el gobierno corporativo de la Sociedad se encuentra en la página web de la Sociedad: <http://www.merlinproperties.com/gobierno-corporativo/>

C ESTRUCTURA DE LA ADMINISTRACIÓN DE LA SOCIEDAD

C.1 Consejo de administración

C.1.1 Número máximo y mínimo de consejeros previstos en los estatutos sociales y el número fijado por la junta general:

Número máximo de consejeros	15
Número mínimo de consejeros	3
Número de consejeros fijado por la junta	12

Observaciones

C.1.2 Complete el siguiente cuadro con los miembros del consejo:

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección	Fecha de nacimiento
Francisco Javier García-Carranza Benjumea	---	Dominical	Presidente	15 septiembre 2016	10 de abril de 2019	Votación en Junta de Accionistas	08/12/1971
Ismael Clemente Orrego	----	Ejecutivo	Vicepresidente y Consejero Delegado	27 mayo 2014	7 mayo 2018	Votación en Junta de Accionistas	15/05/1970
Miguel Ollero Barrera	----	Ejecutivo	Consejero Ejecutivo	27 mayo 2014	7 mayo 2018	Votación en Junta de Accionistas	14/11/1969
Emilio Novela Berlin	----	Independiente	Consejero	7 mayo 2018	7 mayo 2018	Votación en Junta de Accionistas	03/07/1951
Ana García Fau	----	Independiente	Consejero	6 junio 2014	7 mayo 2018	Votación en Junta de Accionistas	03/11/1968

George Donald Johnston	----	Independiente	Consejero Coordinador	11 junio 2014	7 mayo 2018	Votación en Junta de Accionistas	24/06/1955
Fernando Javier Ortiz Vaamonde	----	Independiente	Consejero	6 junio 2014	7 mayo 2018	Votación en Junta de Accionistas	19/04/1969
María Luisa Jordá Castro	----	Independiente	Consejero	10 junio 2014	7 mayo 2018	Votación en Junta de Accionistas	11/11/1963
John Gómez Hall	---	Independiente	Consejero	31 agosto 2015	7 mayo 2018	Votación en Junta de Accionistas	08/02/1934
Juan María Aguirre Gonzalo	---	Independiente	Consejero	15 septiembre 2016	10 de abril de 2019	Votación en Junta de Accionistas	05/12/1962
Pilar Cavero Mestre	---	Independiente	Consejero	15 septiembre 2016	10 de abril de 2019	Votación en Junta de Accionistas	12/10/1959
Francisca Ortega Hernández-Agero	---	Dominical	Consejero	15 septiembre 2016	10 de abril de 2019	Votación en Junta de Accionistas	26/12/1962

Número total de consejeros	12
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Indique las bajas que, ya sea por dimisión, destitución o por cualquier otra causa, se hayan producido en el consejo de administración durante el periodo sujeto a información:

Nombre o denominación social del consejero	Categoría del consejero en el momento de cese	Fecha del último nombramiento	Fecha de baja	Comisiones especializadas de las que era miembro	Indique si la baja se ha producido antes del fin del mandato
				-	

Causa de la baja y otras observaciones

C.1.3 Complete los siguientes cuadros sobre los miembros del consejo y su distinta categoría:

CONSEJEROS EJECUTIVOS

Nombre o denominación del consejero	Cargo en el organigrama de la sociedad	Perfil
Ismael Clemente Orrego	Vice-Presidente y Consejero Delegado	<p>D. Ismael Clemente cuenta con una experiencia como profesional del sector inmobiliario de más de 20 años. Ha trabajado en Arthur Andersen Asesores Legales y Tributarios (actualmente Garrigues), Bankers Trust y en el grupo Deutsche Bank, como Director General, habiendo participado en transacciones con un volumen total aproximado de 5.000 millones de euros en toda la tipología de activos inmobiliarios. Entre ellas, cabe destacar la venta y leaseback de la cartera Tree, la mayor transacción inmobiliaria en Europa en 2009.</p> <p>Desde la salida a Bolsa de Merlin, ha liderado dos de las mayores operaciones del sector en España como son la adquisición de Testa y el acuerdo de integración de Metrovacesa, dos operaciones que han llevado a Merlin Properties a convertirse en una inmobiliaria líder en España. El Sr. Clemente es licenciado en Derecho y Administración de Empresas por ICADE (E-3), profesor en el programa MRE del Instituto de Empresa y miembro del Spanish Council del Urban Land Institute (ULI).</p>
Miguel Ollero Barrera	Director General Corporativo y COO	<p>D. Miguel Ollero cuenta con una experiencia como profesional del sector inmobiliario desde 2005. Ha trabajado en Arthur Andersen, FCC Construcción, Deutsche Bank M&A y en RREEF, como Director General. En RREEF participó en operaciones con un valor agregado de aproximadamente 4.000 millones de euros, desde inversiones Core hasta Opportunity, y en la posterior gestión de los activos adquiridos. Asimismo, desempeñó un papel fundamental en la estructuración y constitución de cinco vehículos de inversión para la Península Ibérica y Marruecos, en cooperación con la división de Private Wealth Management de Deutsche Bank.</p> <p>El Sr. Ollero es licenciado en Derecho y Administración de Empresas, con especialización en Finanzas, por ICADE (E-3).</p>

Número total de consejeros ejecutivos	2
% sobre el total del consejo	16,67%

Observaciones

CONSEJEROS EXTERNOS DOMINICALES

Nombre o denominación del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
Francisco Javier García-Carranza Benjumea	Banco Santander, S.A.	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de Nombramientos y Comisión de Retribuciones</p> <p><u>Formación:</u></p> <p>El Sr. García-Carranza es licenciado en Administración de Empresas por la Universidad Carlos III de Madrid.</p> <p><u>Experiencia profesional</u></p> <p>D. Javier Garcia-Carranza Benjumea es actualmente Group Senior Executive Vice-President de Banco Santander como Responsable Global del Banco Santander del área de Reestructuraciones, Participaciones industriales, Situaciones Especiales, Ventas de Cartera y Nuevos Negocios</p> <p>Antes de unirse al Banco Santander en febrero de 2016, trabajó durante 17 años en Morgan Stanley en el área de principal investments, Banca de Inversion y Asesoramiento Inmobiliario siendo responsable de este negocio para Europa, Norte de Africa y Oriente Medio (EMEA), con base en Londres, como Co-Head of the Real Estate investment banking business. Ha liderado operaciones de Fusiones y Adquisiciones (M&A) por más de \$125 Bn y transacciones de financiación de equity y deuda por más de \$100 mil millones.</p> <p><u>Nombramientos externos actuales</u></p> <p>Igualmente, pertenece a los consejos de Administración de Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria S.A (Sareb) (consejero y miembro de la comisión ejecutiva), Metrovacesa S.A. (consejero), Quasar Investement 2017 S.L (Consejero) Landmark Iberia (Consejero), Santander España (Consejero) Santander México (Consejero), miembro de la Comisión Ejecutiva Global de Riesgos de Banco Santander S.A y Consejero en Deva Capital Holding Company S.L y Deva Capital Management Company S.L.</p>

Francisca Ortega Hernández-Agero	Banco Santander, S.A.	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de auditoría y control</p> <p><u>Formación:</u></p> <p>Dña. Francisca Ortega Hernández-Agero Es licenciada en Ciencias Económicas y Empresariales por CUNEF, y MBA por el IESE.</p> <p><u>Experiencia profesional</u></p> <p>Dña. Francisca Ortega Hernández-Agero inicia carrera profesional en la Caja Naval de Crédito como Responsable del Departamento de Riesgos e Inversiones. En el año 1990 asume la Dirección Financiera de PBI Gestión Agencia de Valores, filial de Bearbull Internacional, siendo responsable también de la gestión de fondos de compañías extranjeras en España. En 1996 entra en Banco Central Hispano como responsable de Riesgos de Banca Corporativa pasando posteriormente, ya como Banco Santander a llevar el Área de Financiación de Adquisiciones y el Área de Seguimiento y Control de Gestión de Financiaciones Estructuradas. Desde el año 2009 es responsable del Departamento de grandes clientes de Banca Comercial dentro del Área de Reestructuraciones y Participaciones Corporativas, incorporando, a partir del 2018 la gestión de los clientes de Corporate Investment Banking en España y la coordinación de los clientes internacionales. Head of Global Credit Watch – Área de Reestructuraciones y Participaciones Corporativas.</p> <p><u>Nombramientos externos actuales</u></p> <p>Actualmente es Consejera de PBI Gestión Agencia de Valores y consejera de Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (Sareb)</p>
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Número total de consejeros dominicales	2
% sobre el total del consejo	16,67%

Observaciones

CONSEJEROS EXTERNOS INDEPENDIENTES

Nombre o denominación del consejero	Perfil
Ana García Fau	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de auditoría y control.</p> <p><u>Formación</u></p> <p>Licenciada en Derecho y Empresariales por Universidad Pontificia Comillas, ICADE, (E-3, especialidad financiera) y tiene un MBA del Massachusetts Institute of Technology (Sloan, MIT).</p> <p><u>Experiencia profesional:</u></p> <p>Trabajó más de 20 años en compañías como McKinsey & Co., Goldman Sachs, Grupo Telefónica y Grupo Yell. Durante su etapa profesional en el Grupo Telefónica ocupó varias responsabilidades ejecutivas en TPI Páginas Amarillas, como Directora General Financiera y Directora General de Desarrollo Corporativo, siendo a su vez miembro del Consejo de Administración de varias de sus filiales. En Yell/hibu fue CEO para España, Latinoamérica y el mercado hispano de EEUU, miembro de su Comité ejecutivo internacional, así como Directora General de Desarrollo Corporativo y Estrategia a nivel global, con responsabilidad sobre la transformación digital del negocio.</p> <p><u>Nombramientos externos actuales:</u></p> <p>Consejera independiente de Eutelsat Communications, S.A., compañía francesa cotizada en la Bolsa de París, Euronext, que opera en el sector de satélites de comunicación. Presidente de la Comisión de Retribuciones.</p> <p>Consejera independiente de Technicolor, S.A., compañía francesa cotizada en la Bolsa de París, Euronext, que opera en el sector de tecnología para medios y entretenimiento. Presidente de la Comisión de Nombramientos y Buen Gobierno. Vocal de la Comisión de Auditoría.</p> <p>Consejera independiente de Gestamp Automoción S.A., compañía española cotizada, fabricante de componentes de automoción. Vocal de la Comisión de Auditoría.</p>
G. Donald Johnston	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de nombramientos y Comisión de retribuciones.</p> <p><u>Experiencia profesional</u></p> <p>Consejero Delegado del grupo Europeo de M&A en Deutsche Bank desde 1999 hasta 2005. Presidente del mismo grupo de 2005 hasta 2010. Miembro del Comité Europeo de Dirección y del Comité de Operaciones de la división de Finanzas Corporativa del Deutsche Bank.</p>

	<p>Fue Miembro del Consejo de Administración de Bankers Trust International y Miembro del Comité de Dirección. Entró en Bankers Trust como Responsable Europeo de M&A en 1992 y se convirtió en co-responsable del Banco de Inversión en Europa, mientras seguía gestionando BT Wolfensohn.</p> <p>Trabajó en Salomon Brothers durante 11 años donde era responsable de la división de banca de inversión para España, Austria, Italia y Portugal.</p> <p><u>Nombramientos externos:</u></p> <p>Miembro del Consejo de Administración de Acerinox y presidente de su Comisión de Auditoría y Control; y miembro del Consejo de Administración de Banco Sabadell, presidente de la Comisión de Riesgos y miembro de la Comisión de Retribuciones.</p>
<p>Fernando Ortiz Vaamonde</p>	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de retribuciones (de la que es presidente).</p> <p><u>Formación</u></p> <p>Licenciado en Derecho y Empresariales por ICADE (E-3).</p> <p><u>Experiencia profesional:</u></p> <p>Accionista fundador y Presidente Ejecutivo de ProA Capital de Inversiones S.G.E.I.C., uno de las mayores gestoras de capital privado (private equity) en España con más de 800 millones de euros en gestión. Ha sido socio del grupo N+1 y miembro de su Comité de Dirección. Fue Director de Inversiones en BBVA y responsable de un vehículo inversor especializado en la inversión en empresas de internet y nuevas tecnologías. Previamente, fue Director de Corporate Finance en ING Barings. D. Fernando Ortiz inició su carrera profesional como asesor fiscal y legal en Arthur Andersen Asesores Legales y Tributarios, hoy Garrigues.</p> <p><u>Nombramientos externos:</u></p> <p>Entre otras y en representación de los Fondos ProA, es o ha sido Consejero de Grupo Vips, Ibermática, Avizor, Eugin, Moyca y SABA y Pastas Gallo.</p>
<p>María Luisa Jordá Castro</p>	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de auditoría y control.</p> <p><u>Formación</u></p> <p>Licenciada en Ciencias Empresariales; master en Dirección de Empresas por el Instituto de Empresa y por Centro Estudios Financieros (1985-1987) y Master en Digital Business por The</p>

	<p>Valley Business School (2016-2017). Curso de Business Angel por Deusto Business School Madrid (2018)</p> <p>Es Miembro del Registro Oficial de Auditores de Cuentas (ROAC) y Miembro del Instituto de Consejeros y Administradores (ICA)</p> <p><u>Experiencia profesional:</u></p> <p>Ha desempeñado diversos puestos ejecutivos en sus 30 años de carrera profesional perteneciendo a los distintos Comités de Dirección, de Inversiones y de Auditoría. Ha sido Directora General Económico-Financiera en el Grupo Deoleo hasta febrero 2015, Directora de Auditoría Interna de SOS Corporación Alimentaria (ahora denominado Deoleo, S.A.), Directora de Auditoría Interna y Gobierno Corporativo en Metrovacesa, Directora de Finanzas e Inversiones en la Corporación Empresarial ONCE, Directora Económico-Financiera del Grupo Alimentos y Aceites S.A. Directora Económico-Financiera en Testa (anteriormente denominada Prima Inmobiliaria) y Grupo Ayco (anteriormente denominada Inmobiliaria Alcázar).</p> <p>Ha sido miembro del Consejo de Jazztel desde noviembre 2009 hasta marzo de 2016 y Vocal de la Comisión de Auditoría. Ha sido presidente de la Comisión de Auditoría de Jazztel desde octubre 2011 a julio 2015.</p> <p>Ha sido miembro del Consejo de Administración y vocal de la Comisión de Auditoría y Control de Tubos Reunidos, S.A. desde mayo y junio de 2015, respectivamente hasta septiembre de 2016.</p> <p>Ha sido miembro de la Junta de Gobierno y vocal del Comité de Auditoría del Instituto de Consejeros y Administradores (ICA) desde junio de 2013 hasta diciembre 2016.</p> <p>Ha sido miembro del Consejo de Administración del Banco Europeo de Finanzas (filial 100 % Unicaja), siendo Presidente de la Comisión de Auditoría y Riesgos desde mayo 2018 hasta marzo 2019.</p> <p><u>Nombramientos externos actuales:</u></p> <p>Miembro del Consejo de Administración de Orange España, S.A. desde marzo 2016 y Vocal de la Comisión de Auditoría.</p> <p>Consejera independiente de Grupo Bimbo en México (sociedad cotizada) y Vocal de la Comisión de Auditoría y prácticas Societarias desde abril de 2016.</p> <p>Miembro del Consejo de Administración de Bankinter, y Vocal de la Comité de Riesgos y del Comité de Auditoría y Cumplimiento Normativo desde marzo de 2019.</p>
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	<p>Miembro del Comité Técnico Asesor del Instituto de Auditores Internos de España desde septiembre de 2017 y presidente del Comité desde septiembre de 2019.</p>
<p>John Gómez Hall</p>	<p><u>Formación</u></p> <p>Licenciado en Arquitectura por la escuela de Hammersmith, afiliada a la Universidad de Londres. Miembro del Royal Institute of British Architects y F.R.I.C.S.</p> <p><u>Experiencia profesional:</u></p> <p>Acumula más de 50 años de experiencia en el mercado inmobiliario español, ocupando puestos directivos en varias de las principales sociedades inmobiliarias en España. El señor Gómez-Hall ha sido Consejero Delegado de Hines España, filial de Hines. Previamente el Sr. Gómez-Hall fue el Consejero Delegado y fundador de Prima Inmobiliaria, cotizada desde 1998. La compañía desarrolló y adquirió una cartera de activos de más de 300.000 m2 de superficie bruta arrendable, en diferentes tipos de activos, predominantemente oficinas. La compañía fue adquirida por Vallehermoso en 2001 y se cambió su denominación a Testa Inmuebles en Renta, S.A.</p> <p><u>Nombramientos externos:</u></p> <p>Ha sido consejero de Servihabitat y asesor de TPG Capital.</p>

<p>Juan María Aguirre</p>	<p><u>Comisiones a las que pertenece:</u></p> <p>Presidente de Comisión de auditoría y control</p> <p><u>Formación</u></p> <p>Licenciado en Ciencias Económicas y Empresariales por la Universidad Pontificia de Comillas (ICADE), y Master en Dirección Financiera por el Instituto de Empresa.</p> <p><u>Experiencia profesional:</u></p> <p>D. Juan María Aguirre Gonzalo cuenta con una carrera profesional de la cual gran parte ha estado vinculada al área financiera, ocupando puestos de responsabilidad en el Departamento de Riesgos, Administración y Planificación de Banco de Progreso, S.A. (1985/1988), y posteriormente como Director Financiero de Entidad de Financiación y Leasing de Mercedes-Benz (1989/1990).</p> <p>En el año 1990 se incorpora a Torreal, S.A. como consejero y Director General. Durante su paso por Torreal, y hasta su salida en el año 2005, fue responsable de inversiones financieras e inmobiliarias del Grupo Torreal y miembro del Consejo de Administración de compañías participadas por Torreal.</p> <p>Desde el año 2006, es socio y Director General de Quantica Asesores, S.A: Asesoramiento financiero a Grupos Familiares e Institucionales, y también ha sido consejero de Testa Inmuebles en Renta, SOCIMI, S.A. y de BBVA Elcano SCR.</p> <p><u>Nombramientos externos actuales</u></p> <p>Es consejero independiente de SACYR S.A., donde es también consejero coordinador, miembro de la Comisión Ejecutiva y miembro de la Comisión de Auditoría.</p>
<p>Pilar Cavero Mestre</p>	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de nombramientos y Comisión de retribuciones.</p> <p><u>Formación</u></p> <p>Licenciada en Derecho por la Universidad Complutense de Madrid. Master en Relaciones Industriales y Master en la Escuela de Práctica Jurídica. Master por el IESE, PDD específico para los Socios de la Firma. En 2007 realizo en la Harvard Business School, el programa “leading professional service firms”. Cuenta con el Diploma profesional de Consejera del IC-A. Es profesora del IESE en el Curso sobre Consejeras y Consejables desde el 2008.</p> <p><u>Experiencia profesional:</u></p> <p>Dña. Pilar Cavero Mestre cuenta con una dilatada experiencia profesional en el mundo de la abogacía. Entre 1980 y 1986 fue letrado en la Asociación de Cajas de Ahorros para Relaciones Laborales. Posteriormente, entre 1986 y 1990 desempeñó funciones de abogado laboralista en el Despacho Internacional Fabregat y Bermejo, potenciando asimismo la generación de negocio del despacho en su conjunto.</p>

	<p>En 1990 se incorporó al Despacho Cuatrecasas como Socia Fundadora y Directora del Área Laboral de Cuatrecasas, y Socia cofundadora de Cuatrecasas Madrid. Desde 1999 y hasta 2008 fue miembro del Consejo de Administración de Cuatrecasas y de los distintos Comités de Organización y Dirección del Despacho.</p> <p>Desde 2011 fue Vicepresidenta Fundación Cuatrecasas, desempeñando labores de formación, cultura y otras actividades de potenciación de la reputación de la firma, representando al Despacho en Instituciones importantes.</p> <p>Desde 2012 es Socia Senior y adjunta a la Dirección General de Cuatrecasas Madrid con especial dedicación en Desarrollo de Negocio, representación institucional en Madrid y Socia referente en clientes estratégicos de la Firma.</p> <p><u>Nombramientos externos actuales:</u></p> <p>Consejera Independiente Abengoa y Presidenta de su Comisión de Nombramientos y Retribuciones.</p>
Emilio Novela	<p><u>Comisiones a las que pertenece:</u></p> <p>Comisión de nombramientos (de la que es presidente)</p> <p><u>Formación</u></p> <p>Ingeniero Industrial por la Universidad Politécnica de Madrid.</p> <p><u>Experiencia profesional anterior:</u></p> <p>Ha desempeñado diversos puestos ejecutivos en sus más de 40 años de carrera profesional, ocupando puestos ejecutivos y perteneciendo a Consejos de Administración, Comités de Dirección y Consejos Asesores. Ha sido Subdirector General del Banco del Comercio, Director General Económico y Financiero de Repsol, Director General del Banco Central Hispano y Vicepresidente y Consejero Delegado de la inmobiliaria cotizada Vallehermoso desde 1999 y hasta 2003. Vicepresidente de Banco Banif.</p> <p>Fue consejero de, entre otras, Vallehermoso, Banco Urquijo, Mercedes Leasing, Cortefiel, Spanair, Union Fenosa y Blackrock Asset Management.</p> <p><u>Nombramientos externos actuales:</u></p> <p>Consejero Coordinador de Talgo y Presidente de su Comisión de Auditoría.</p>

Número total de consejeros independientes	8
% total del consejo	66,67%

Observaciones

Indique si algún consejero calificado como independiente percibe de la sociedad, o de su mismo grupo, cualquier cantidad o beneficio por un concepto distinto de la remuneración de consejero, o mantiene o ha mantenido, durante el último ejercicio, una relación de negocios con la sociedad o con cualquier sociedad de su grupo, ya sea en nombre propio o como accionista significativo, consejero o alto directivo de una entidad que mantenga o hubiera mantenido dicha relación.

No.

En su caso, se incluirá una declaración motivada del consejo sobre las razones por las que considera que dicho consejero puede desempeñar sus funciones en calidad de consejero independiente.

Nombre o denominación social del consejero	Descripción de la relación	Declaración motivada

OTROS CONSEJEROS EXTERNOS

Se identificará a los otros consejeros externos y se detallarán los motivos por los que no se puedan considerar dominicales o independientes y sus vínculos, ya sea con la sociedad, sus directivos, o sus accionistas:

Nombre o denominación social del consejero	Motivos	Sociedad, directivo o accionista con el que mantiene el vínculo	Perfil

Número total de otros consejeros externos	
% total del consejo	

Observaciones

Indique las variaciones que, en su caso, se hayan producido durante el periodo en la categoría de cada consejero:

Nombre o denominación social del consejero	Fecha del cambio	Categoría anterior	Categoría actual

Observaciones

C.1.4 Complete el siguiente cuadro con la información relativa al número de consejeras al cierre de los últimos 4 ejercicios, así como la categoría de tales consejeras:

	Número de consejeras				% sobre el total de consejeros de cada categoría			
	Ejercicio t	Ejercicio t-1	Ejercicio t-2	Ejercicio t-3	Ejercicio t	Ejercicio t-1	Ejercicio t-2	Ejercicio t-3
Ejecutivas	0	0	0	0	---	---	---	---
Dominicales	1	1	1	1	50%	50%	50%	25%
Independientes	3	3	3	4	37,5%	37,5%	37,5%	44,44%
Otras Externas	---	---	---	---	---	---	---	---
Total:	4	4	4	5	33,33%	33,33%	33,33%	33,33%

Observaciones

C.1.5 Indique si la sociedad cuenta con políticas de diversidad en relación con el consejo de administración de la empresa por lo que respecta a cuestiones como, por ejemplo, la edad, el género, la discapacidad, o la formación y experiencia profesionales. Las entidades pequeñas y medianas, de acuerdo con la definición contenida en la Ley de Auditoría de Cuentas, tendrán que informar, como mínimo, de la política que tengan establecida en relación con la diversidad de género.

Sí

No

Políticas parciales

En caso afirmativo, describa estas políticas de diversidad, sus objetivos, las medidas y la forma en que se ha aplicado y sus resultados en el ejercicio. También se deberán indicar las medidas concretas adoptadas por el consejo de administración y la comisión de nombramientos y retribuciones para conseguir una presencia equilibrada y diversa de consejeros.

En caso de que la sociedad no aplique una política de diversidad, explique las razones por las cuales no lo hace.

Descripción de las políticas, objetivos, medidas y forma en que se han aplicado, así como los resultados obtenidos.
MERLIN cuenta con una Política de selección de consejeros, aprobada por el Consejo de Administración, en aplicación de la Política General de Gobierno Corporativo, que asegura que las propuestas de nombramiento de consejeros de la Sociedad se fundamenten, además de en un análisis

previo de las necesidades del Consejo de Administración, en criterios objetivos que adolezcan de cualquier tipo de sesgo.

En este sentido, la Comisión de Nombramientos sigue un criterio de selección de los candidatos al Consejo de Administración totalmente objetivo, en atención a sus cualidades profesionales independientemente del género velando porque los procedimientos de selección de sus miembros favorezcan la diversidad de género, de experiencias de edad y de conocimientos y no adolezcan de sesgos implícitos que puedan implicar discriminación alguna, primando que los cargos recaigan en personas honorables, idóneas y de reconocida solvencia, competencia, experiencia, cualificación, formación, disponibilidad y compromiso con su función y primando el adecuado equilibrio del Consejo de Administración en su conjunto, para que enriquezca la toma de decisiones y aporte puntos de vista plurales al debate de los asuntos de su competencia.

Prueba de los principios de diversidad aplicados es que el Consejo de Administración de la Sociedad cuenta con una heterogeneidad de miembros en lo referente a formación, experiencia y edad y cuenta con un número de mujeres que supera el objetivo recogido en el Código de Buen Gobierno de las Sociedades Cotizadas para el ejercicio 2020 (la compañía actualmente dispone de un 33,33% de mujeres en el Consejo de Administración).

C.1.6 Explique las medidas que, en su caso, hubiese convenido la comisión de nombramientos para que los procedimientos de selección no adolezcan de sesgos implícitos que obstaculicen la selección de consejeras, y que la compañía busque deliberadamente e incluya entre los potenciales candidatos, mujeres que reúnan el perfil profesional buscado y que permita alcanzar una presencia equilibrada de mujeres y hombres:

Explicación de las medidas
De acuerdo con el artículo 15.5 del Reglamento del Consejo, el Consejo de Administración y la Comisión de Nombramientos, dentro del ámbito de sus competencias, procurarán que la elección de candidatos recaiga sobre personas de reconocida solvencia, competencia y experiencia, debiendo extremar el rigor en relación con aquellas llamadas a cubrir los puestos de Consejero independiente previstos en el artículo 5 del Reglamento del Consejo.
En las decisiones adoptadas no han existido sesgos para la selección de consejeras (o de consejeros frente a consejeras), habiéndose propuesto para su participación en el consejo, cuando así ha procedido, mujeres que reunían el perfil profesional requerido.

Cuando a pesar de las medidas que, en su caso, se hayan adoptado, sea escaso o nulo el número de consejeras, explique los motivos que lo justifiquen:

Explicación de los motivos

C.1.7 Explique las conclusiones de la comisión de nombramientos sobre la verificación del cumplimiento de la política de selección de consejeros. Y en particular, sobre cómo dicha política está promoviendo el objetivo de que en el año 2020 el número de consejeras represente, al menos, el 30% del total de miembros del consejo de administración.

En cada propuesta o informe sobre designación y reelección de miembros del Consejo de Administración, la comisión de nombramientos ha tomado en consideración el cumplimiento de la política de selección de consejeros. En cuanto a la promoción del número de consejeras, habida cuenta que, en la actualidad, se supera el objetivo de cumplimiento para 2020, no se considera necesario tomar medidas adicionales.

C.1.8 Explique, en su caso, las razones por las cuales se han nombrado consejeros dominicales a instancia de accionistas cuya participación accionarial es inferior al 3% del capital:

Nombre o denominación social del accionista	Justificación

Indique si no se han atendido peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial es igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales. En su caso, explique las razones por las que no se hayan atendido:

Sí No

Nombre o denominación social del accionista	Explicación

C.1.9 Indique, en el caso de que existan, los poderes y las facultades delegadas por el consejo de administración en consejeros o en comisiones del consejo:

Nombre o denominación social del consejero o comisión	Breve descripción
Ismael Clemente Orrego	Consejero Delegado con las facultades legalmente delegables y apoderado mancomunado.
Miguel Ollero Barrera	Apoderado mancomunado.

C.1.10 Identifique, en su caso, a los miembros del consejo que asuman cargos de administradores, representantes de administradores o directivos en otras sociedades que formen parte del grupo de la sociedad cotizada:

Nombre o denominación social del consejero	Denominación social de la entidad del grupo	Cargo	¿Tienes funciones ejecutivas ?
Ismael Clemente Orrego	La Vital Centro Comercial y De Ocio S.L.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Merlin Logística, S.L.U.	Administrador Mancomunado	Si

Ismael Clemente Orrego	Merlin Oficinas, S.L.U.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Merlin Retail, S.L.U.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Metroparque, SAU	Administrador Mancomunado	Si
Ismael Clemente Orrego	Parc Logistic De La Zona Franca, S.A.U.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Paseo Comercial Carlos III, S.A.	Representante de Consejero	Si
Ismael Clemente Orrego	Sadorma 2003, SLU	Representante de Consejero	Si
Ismael Clemente Orrego	Sevisur Logistica, SAU	Administrador Mancomunado	Si
Ismael Clemente Orrego	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Varitelia Distribuciones S.L.U.	Administrador Mancomunado	Si
Ismael Clemente Orrego	Edificio 048 Magellepo, S.A.	Consejero	Si
Ismael Clemente Orrego	Edificio 160Arts, S.A.	Consejero	Si
Ismael Clemente Orrego	Forum Almada – Gestao de Centro Comercial S.U.Lda.	Consejero	Si
Ismael Clemente Orrego	Forum Almada II, SA	Consejero	Si
Ismael Clemente Orrego	MP Monumental, S.A.	Consejero	Si
Ismael Clemente Orrego	MP Torre A, S.A.	Consejero	Si
Ismael Clemente Orrego	MPCVI Compra e Venda Imobiliária, S.A.	Consejero	Si
Ismael Clemente Orrego	MPEP – Properties Escritórios Portugal, S.A.	Consejero	si

Ismael Clemente Orrego	Praça de Marques - Servicios Auxiliares, SA	Consejero	Si
Ismael Clemente Orrego	Promosete – Investimentos Imobiliários, S.A.	Consejero	Si
Ismael Clemente Orrego	Torre Dos Oceanus Investimentos Imobiliarios, S.A.	Consejero	Si
Ismael Clemente Orrego	VFX Logistica, S.A.	Consejero	Si
Miguel Ollero Barrera	La Vital Centro Comercial y De Ocio S.L.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Merlin Logística, S.L.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Merlin Oficinas, S.L.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Merlin Retail, S.L.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Metroparque, SAU	Administrador Mancomunado	Si
Miguel Ollero Barrera	Parc Logistic De La Zona Franca, S.A.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Paseo Comercial Carlos III, S.A.	Representante de Consejero	Si
Miguel Ollero Barrera	Sevisur Logistica, SAU	Administrador Mancomunado	Si
Miguel Ollero Barrera	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Varitelia Distribuciones S.L.U.	Administrador Mancomunado	Si
Miguel Ollero Barrera	Edificio 048 Magelleppo, S.A.	Consejero	Si
Miguel Ollero Barrera	Edificio 160Arts, S.A.	Consejero	Si
Miguel Ollero Barrera	Forum Almada – Gestao de Centro Comercial S.U.Lda.	Consejero	Si
Miguel Ollero Barrera	Forum Almada II, SA	Consejero	Si
Miguel Ollero Barrera	MP Monumental, S.A.	Consejero	Si
Miguel Ollero Barrera	MP Torre A, S.A.	Consejero	Si
Miguel Ollero Barrera	MPCVI Compra e Venda Imobiliária, S.A.	Consejero	Si
Miguel Ollero Barrera	MPEP – Properties Escritórios Portugal, S.A.	Consejero	si
Miguel Ollero Barrera	Praça de Marques - Servicios Auxiliares, SA	Consejero	Si
Miguel Ollero Barrera	Promosete – Investimentos Imobiliários, S.A.	Consejero	Si

Miguel Ollero Barrera	Torre Dos Oceanus Inversiones Inmobiliarias, S.A.	Consejero	Si
Miguel Ollero Barrera	VFX Logistica, S.A.	Consejero	Si

Observaciones

C.1.11 Detalle, en su caso, los consejeros o representantes de consejeros personas jurídicas de su sociedad, que sean miembros del consejo de administración o representantes de consejeros personas jurídicas de otras entidades cotizadas en mercados oficiales de valores distintas de su grupo, que hayan sido comunicadas a la sociedad:

Nombre o denominación social del consejero	Denominación social de la entidad del grupo	Cargo
G. Donald Johnston	Acerinox, S.A.	Consejero independiente Presidente de la Comisión de Auditoría y Control.
	Banco de Sabadell, S.A.	Miembro del Consejo de Administración Miembro de la Comisión de Riesgos Miembro de la Comisión de Retribuciones
María Luisa Jordá Castro	Grupo Bimbo, Sociedad cotizada en la Bolsa de valores de México	Consejera independiente y Vocal de la Comisión de Auditoría y Prácticas Societarias
	Bankinter, S.A.	Consejera independiente y Vocal del Comité de Riesgos y del Comité de Auditoría y Cumplimiento Normativo.

Ana García Fau	Eutelsat Communications, S.A.	Consejera independiente y Presidenta Comisión de Retribuciones.
	Technicolor, S.A.	Consejera independiente. Presidente Comisión de Nombramientos y Buen Gobierno Vocal Comisión de Auditoría.
	Gestamp Automoción, S.A.	Consejera independiente. Vocal Comisión de Auditoría
Pilar Cavero Mestre	Abengoa, S.A.	Consejera independiente y Presidente de la Comisión de Nombramientos y Retribuciones
Juan María Aguirre Gonzalo	Sacyr, S.A.	Consejero independiente, miembro de la Comisión de Auditoría y miembro de la Comisión Ejecutiva.
D. Javier García-Carranza Benjumea	Metrovacesa, S.A.	Vocal del Consejo de Administración
	Banco Santander México, S.A.	Consejero Propietario
D. Emilio Novela Berlín	Talgo, S.A.	Consejero Coordinador y Presidente de su Comisión de Auditoría

Observaciones

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C.1.12 Indique y, en su caso explique, si la sociedad ha establecido reglas sobre el número máximo de consejos de sociedades de los que puedan formar parte sus consejeros, identificando, en su caso, dónde se regula:

Sí No

Explicación de las reglas e identificación del documento donde se regula
El artículo 15, apartado 7, del Reglamento del Consejo de Administración, establece que los consejeros de la Sociedad podrán formar parte de un máximo de cuatro (4) Consejos de Administración de otras sociedades cotizadas (diferentes a Merlin). Los consejeros ejecutivos deberán contar con la autorización del Consejo de Administración, previo informe de la Comisión de Nombramientos, antes de formar parte del consejo de administración de cualquier sociedad cotizada.

C.1.13 Indique los importes de los conceptos relativos a la remuneración global del consejo de administración siguientes:

Remuneración devengada en el ejercicio a favor del consejo de administración (miles de euros)	5.812
Importe de los derechos acumulados por los consejeros actuales en materia de pensiones (miles de euros)	-
Importe de los derechos acumulados por los consejeros antiguos en materia de pensiones (miles de euros)	-

Observaciones

C.1.14 Identifique a los miembros de la alta dirección que no sean a su vez consejeros ejecutivos, e indique la remuneración total devengada a su favor durante el ejercicio:

Nombre o denominación social	Cargo/s
David Brush	Director de inversiones
Fernando Lacadena	Director Financiero
Javier Zarrabeitia	Director
Luis Lázaro	Director
Jesús Vicente	Director
Jon Ander Navarro	Director de Auditoría Interna

Remuneración total alta dirección (en miles de euros)	5.508
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Observaciones

C.1.15 Indique si se ha producido durante el ejercicio alguna modificación en el reglamento del consejo:

Sí No

Descripción modificaciones
<p>El 26 de febrero de 2019 el Consejo de Administración acordó modificar el Reglamento del Consejo de Administración a los efectos de (i) incluir en el reglamento del consejo de administración precisiones derivadas de que la Comisión de Nombramientos y Retribuciones está desdoblada en una Comisión de Nombramientos y una Comisión de Retribuciones, (ii) adaptar el reglamento del consejo de administración a las últimas modificaciones de estatutos sociales de la Sociedad aprobadas en la Junta General ordinaria de 7 de mayo de 2018 y revisar el reglamento para introducir otras mejoras de carácter técnico.</p>

C.1.16 Indique los procedimientos de selección, nombramiento, reelección y remoción de los consejeros. Detalle los órganos competentes, los trámites a seguir y los criterios a emplear en cada uno de los procedimientos.

<p>Selección de Consejeros</p> <p>El Consejo vela para que, en la composición de este órgano, los Consejeros externos o no ejecutivos representen mayoría sobre los Consejeros ejecutivos y que éstos sean el mínimo necesario. Asimismo, vela por que los procedimientos de selección de sus miembros favorezcan la diversidad de género, de experiencias y de conocimientos y no adolezcan de sesgos implícitos que puedan implicar discriminación alguna y, en particular, que faciliten la selección de Consejeras. Asimismo el Consejo y la Comisión de Nombramientos procuran que la elección de candidatos recaiga sobre personas de reconocida solvencia, competencia y experiencia, debiendo extremar el rigor en relación con aquéllas llamadas a cubrir los puestos de Consejero independiente previstos en el artículo 5 del Reglamento del Consejo de Administración.</p>
<p>Nombramiento de Consejeros</p> <p>La Junta General de Accionistas o, cuando proceda, el propio Consejo de Administración, está legitimado para nombrar los miembros del Consejo de Administración con sujeción a los preceptos legales vigentes y a los Estatutos Sociales.</p> <p>Las propuestas de nombramiento de Consejeros que el Consejo de Administración someta a la consideración de la Junta General de Accionistas y los acuerdos de nombramiento adoptados por el Consejo de Administración en virtud de las facultades de cooptación que tiene legamente atribuidas, deberán estar precedidas de la correspondiente propuesta de la Comisión de Nombramientos, cuando se trate de Consejeros independientes, y de un informe en el caso de los restantes Consejeros.</p> <p>Los miembros del Consejo de Administración estarán sujetos, en la medida que les sea aplicable, a la normativa propia de incompatibilidades del Personal al Servicio de las Administraciones Públicas de la Administración General del Estado, y demás normativa en materia de incompatibilidades.</p> <p>Los Consejeros desempeñarán sus funciones por el plazo establecido en los Estatutos Sociales (2 años), pudiendo ser reelegidos una o más veces por períodos de igual duración.</p>

Los Consejeros designados por cooptación ejercerán su cargo hasta la fecha de la siguiente reunión de la Junta General o hasta que transcurra el término legal para la celebración de la Junta que deba resolver sobre la aprobación de las cuentas del ejercicio anterior

Reelección de Consejeros

Ante de reelegir a los consejeros, la Comisión de Nombramiento, en el marco de su propuesta o informe, evalúa las necesidades del Consejo de Administración, así como el cumplimiento de la política de selección de consejeros. Por su parte, el Consejo, antes de proponer la reelección de consejeros a la Junta General, evalúa, con abstención de los sujetos afectados, la calidad del trabajo y la dedicación al cargo de los Consejeros propuestos durante el mandato precedente.

Cese de los Consejeros

Los Consejeros cesarán en el cargo cuando, vencido el plazo para el que fueron nombrados, se haya celebrado la siguiente Junta General o haya transcurrido el término legal para la celebración de la Junta que deba resolver sobre la aprobación de las cuentas del ejercicio anterior, cuando lo decida la Junta General en uso de las atribuciones que tiene conferidas legal o estatutariamente y cuando renuncien.

El Consejo de Administración no propondrá el cese de ningún Consejero independiente antes del cumplimiento del periodo estatutario para el que hubiera sido nombrado, salvo cuando concorra justa causa, apreciada por el Consejo previo informe de la Comisión de Nombramientos. Podrá proponerse el cese de Consejeros independientes como consecuencia de ofertas públicas de adquisición, fusiones y otras operaciones societarias similares que supongan un cambio en la estructura de capital de la sociedad cuando tales cambios en la estructura del Consejo vengán propiciados por el criterio de proporcionalidad. Asimismo, se entenderá que existe justa causa cuando el consejero hubiera incumplido los deberes inherentes a su cargo o hubiese incurrido de forma sobrevenida en alguna de las circunstancias impeditivas descritas en la definición de consejero independiente que se establezca en la normativa vigente o, en su defecto, en las recomendaciones de buen gobierno corporativo aplicables a la Sociedad en cada momento.

Los Consejeros deberán poner su cargo a disposición del Consejo y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los casos que enumera el artículo 18. 3 del Reglamento del Consejo de Administración.

En el caso de que, por dimisión o por cualquier otro motivo, un consejero cese en su cargo antes del término de su mandato, deberá explicar las razones en una carta que remitirá a todos los miembros del Consejo.

C.1.17 Explique en qué medida la evaluación anual del consejo ha dado lugar a cambios importantes en su organización interna y sobre los procedimientos aplicables a sus actividades:

Descripción modificaciones

La evaluación del Consejo de Administración ha resultado satisfactoria, sin que de la misma haya resultado necesaria la aplicación de medida relevante alguna.

Describa el proceso de evaluación y las áreas evaluadas que ha realizado el consejo de administración auxiliado, en su caso, por un consultor externo, respecto del funcionamiento y la composición del consejo y de sus comisiones y cualquier otra área o aspecto que haya sido objeto de evaluación.

Descripción proceso de evaluación y áreas evaluadas
<p>El proceso de evaluación se ha venido realizando en ejercicios previos mediante un cuestionario personal e individual dirigido a todos los consejeros, en los que se solicita a los mismos su apreciación en relación a la composición, competencias y funcionamiento del Consejo de Administración y sus comisiones, así como en relación al Presidente y al primer ejecutivo de la sociedad.</p> <p>De manera adicional, las diferentes comisiones han venido emitiendo los correspondientes informes o memorias de sus actividades, así como informes relativos a la evaluación y cumplimiento de sus obligaciones estatutarias, reglamentarias y recomendaciones de buen gobierno corporativo. Asimismo, la Comisión de Nombramientos emite un informe específico de evaluación del Consejo de Administración (tomando también como base los cuestionarios remitidos).</p> <p>Con base en lo anterior (cuestionarios, informes de actividad y de evaluación de cada una de las comisiones e informe de la Comisión de Nombramientos evaluando al Consejo de Administración) el Consejo de Administración en pleno realiza la evaluación del mismo, de su Presidente y de sus comisiones, la cual es recogida en el oportuno informe de evaluación.</p> <p>En el ejercicio, 2017, y siguiendo las recomendaciones del Código de Buen Gobierno de las Sociedades Cotizadas, la Sociedad contó con el auxilio de un consultor externo independiente de reputado prestigio (Egon Zehnder).</p> <p>Para el ejercicio 2019, no se ha estimado necesario contar con un consultor externo para volver a evaluar el funcionamiento del consejo y de sus comisiones, por lo que la Sociedad ha vuelto a realizar el proceso de autoevaluación descrito anteriormente con los cuestionarios, informes de actividad y de evaluación de cada una de las comisiones e informe de la Comisión de Nombramientos evaluando al Consejo de Administración, el cual ha sido recogido en el correspondiente informe de evaluación. Está previsto contratar un consultor externo para evaluar el funcionamiento del consejo y de sus comisiones para el ejercicio 2020.</p>

C.1.18 Desglose, en aquellos ejercicios en los que la evaluación haya sido auxiliada por un consultor externo, las relaciones de negocio que, el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo.

N/A

C.1.19 Indique los supuestos en los que están obligados a dimitir los consejeros.

<p>De conformidad con el artículo 18.3 del Reglamento del Consejo de Administración, los Consejeros deberán poner su cargo a disposición del Consejo de Administración y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los siguientes casos:</p> <ul style="list-style-type: none"> (i) cuando cesen en los puestos ejecutivos a los que en su caso estuviere asociado su nombramiento como Consejero; (ii) cuando se vean incurso en alguno de los supuestos de incompatibilidad o prohibición legalmente previstos; (iii) cuando resulten gravemente amonestados por el Consejo de Administración por haber infringido sus obligaciones como consejeros;
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- (iv) cuando resulten procesados por un hecho presuntamente delictivo o sean objeto de un expediente disciplinario por falta grave o muy grave instruido por las autoridades supervisoras;
 - (v) cuando su permanencia en el Consejo de Administración pueda poner en riesgo o perjudicar los intereses de la Sociedad o cuando desaparezcan las razones por las que fueron nombrados.;
 - (vi) cuando formen parte de más de cuatro consejos de administración de otras sociedades cotizadas (diferentes a Merlín) (y, adicionalmente, en el caso de consejeros ejecutivos, si forman parte del consejo de administración de sociedades cotizadas sin contar con el previo consentimiento del consejo de administración de la sociedad);
 - (vii) cuando se produjeran cambios significativos en su situación profesional o en las condiciones en virtud de las cuales hubiera sido nombrado Consejero; y
 - (viii) cuando por hechos imputables al Consejero su permanencia en el Consejo de Administración cause un daño grave al patrimonio o reputación sociales a juicio de éste.
- La regulación anterior está complementada por la política de selección, nombramiento y cese de consejeros aprobada por el consejo de administración en febrero de 2016, que fue actualizada el pasado 29 de enero de 2020.

C.1.20 ¿Se exigen mayorías reforzadas, distintas de las legales, en algún tipo de decisión?:

Sí No

En su caso, describa las diferencias.

Descripción de las diferencias

C.1.21 Explique si existen requisitos específicos, distintos de los relativos a los consejeros, para ser nombrado presidente del consejo de administración.

Sí No

Descripción de los requisitos

C.1.22 Indique si los estatutos o el reglamento del consejo establecen algún límite a la edad de los consejeros:

Sí No

	Edad límite
Presidente	
Consejero delegado	
Consejero	

Observaciones

C.1.23 Indique si los estatutos o el reglamento del consejo establecen un mandato limitado u otros requisitos más estrictos adicionales a los previstos legalmente para los consejeros independientes, distinto al establecido en la normativa:

Sí No

Requisitos adicionales y/o número máximo de ejercicios de mandato	
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C.1.24 Indique si los estatutos o el reglamento del consejo de administración establecen normas específicas para la delegación del voto en el consejo de administración en favor de otros consejeros, la forma de hacerlo y, en particular, el número máximo de delegaciones que puede tener un consejero, así como si se ha establecido alguna limitación en cuanto a las categorías en que es posible delegar, más allá de las limitaciones impuestas por la legislación. En su caso, detalle dichas normas brevemente.

De conformidad con el artículo 41 de los Estatutos Sociales y, particularmente, conforme al artículo 14 del Reglamento del Consejo de Administración, los Consejeros deberán acudir a las sesiones del Consejo y, cuando no puedan hacerlo personalmente, procurarán otorgar su representación por escrito y con carácter especial para cada sesión a otro miembro del Consejo incluyendo las oportunas instrucciones y comunicándolo al Presidente del Consejo. Los Consejeros no ejecutivos únicamente podrán otorgar su representación a otro Consejero no ejecutivo. La representación podrá conferirse por cualquier medio postal, electrónico o por fax siempre que quede asegurada la identidad del Consejero y el sentido de las instrucciones.

C.1.25 Indique el número de reuniones que ha mantenido el consejo de Administración durante el ejercicio. Asimismo, señale, en su caso, las veces que se ha reunido el consejo sin la asistencia de su presidente. En el cómputo se considerarán asistencias las representaciones realizadas con instrucciones específicas.

Número de reuniones del consejo	14
Número de reuniones del consejo sin la asistencia del presidente	0

Observaciones
El consejo de administración de fecha 4 de diciembre de 2019 adoptó acuerdos por el procedimiento por escrito y sin sesión.

Indíquese el número de reuniones mantenidas por el consejero coordinador con el resto de consejeros, sin asistencia ni representación de ningún consejero ejecutivo:

Número de reuniones	9
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Observaciones	
Adicionalmente a dichas reuniones, el Consejero coordinador ha mantenido contacto telefónico directo con los consejeros independientes.	

Indique el número de reuniones que han mantenido en el ejercicio las distintas comisiones del consejo:

Número de reuniones de la comisión ejecutiva	N/A
Número de reuniones de la comisión de auditoría	17 (1 de ellas en el seno del Consejo de Administración)
Número de reuniones de la comisión de nombramientos y retribuciones	-
Número de reuniones de la comisión de nombramientos	5 (1 de ellas en el seno del Consejo de Administración)
Número de reuniones de la comisión de retribuciones	9 (1 de ellas en seno del Consejo de Administración)
Número de reuniones de la comisión ____	-

Observaciones	

C.1.26 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio y los datos sobre asistencia de sus miembros:

Número de reuniones con la asistencia presencial de al menos el 80% de los consejeros	13
% de asistencia presencial sobre el total de votos durante el ejercicio	92,85%
Número de reuniones con la asistencia presencial, o representaciones realizadas con instrucciones específicas, de todos los consejeros	13
% de votos emitidos con asistencia presencial y representaciones realizadas con instrucciones específicas, sobre el total de votos durante el ejercicio	99,40%

Observaciones	
En una de las reuniones del Consejo de Administración, donde la sesión se suspendió y reanudó dos días después, uno de los señores consejeros asistió presencialmente a la primera parte de la sesión y delegó su representación en otro consejero para la segunda. A los efectos de los cálculos antes indicados, se ha considerado, por la particularidad, que el consejero estuvo presente en todo el consejo	

C.1.27 Indique si están previamente certificadas las cuentas anuales individuales y consolidadas que se presentan al consejo para su formulación:

Sí No

Identifique, en su caso, a la/s persona/s que ha/han certificado las cuentas anuales individuales y consolidadas de la sociedad, para su formulación por el consejo:

Nombre	Cargo
Ismael Clemente Orrego	Consejero Delegado
Miguel Ollero Barrera	Director General Corporativo y COO
Fernando Lacadena Azpeitia	Director Financiero

Observaciones

C.1.28 Explique, si los hubiera, los mecanismos establecidos por el consejo de Administración para evitar que las cuentas individuales y consolidadas por él formuladas se presenten en la junta general con salvedades en el informe de auditoría.

La Comisión de Auditoría y Control, dentro de las competencias establecidas en su propio Reglamento, es responsable de la supervisión del proceso de elaboración y presentación de la información financiera preceptiva relativa a la Sociedad y la presentación de recomendaciones o propuestas al órgano de administración, dirigidas a salvaguardar su integridad, así como la supervisión del cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.

En relación al proceso de elaboración y presentación de la información financiera preceptiva de la Sociedad y su grupo, la Comisión ha analizado y supervisado, durante el 2019 y con carácter previo a su presentación al Consejo de Administración, con el objeto de revisar su fiabilidad, corrección, suficiencia y claridad, la siguiente información que el Consejo de Administración debe suministrar al mercado y remitir a la Comisión Nacional (CNMV) en virtud de su condición de sociedad cotizada:

- **La Información Financiera Periódica Trimestral y Semestral del ejercicio 2019** de MERLIN y su grupo consolidado, verificando la adecuada delimitación del perímetro de consolidación, la homogeneidad de criterios contables y la identificación de riesgos contables que pudieran poner en riesgo la opinión de auditoría sobre las Cuentas Anuales 2019.
- **Las Cuentas Anuales Individuales y Consolidadas e Informes de Gestión correspondientes al ejercicio 2018** de MERLIN y su grupo consolidado, habiendo analizado el proceso de elaboración de la citada información y las garantías existentes dentro del Modelo de Control Interno de la Sociedad, así como la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los principios contables utilizados (NIIF y PGC).

Respecto a la Información Financiera Periódica Trimestral y Semestral del ejercicio 2019, la Comisión en sus reuniones de fechas 5 de mayo, 29 de julio y 11 de noviembre, elevó al Consejo de Administración de MERLIN, **informes favorables sobre la información financiera periódica referida**, verificando, en la reunión de 29 de julio, que el informe de Revisión Limitada sobre los estados financieros semestrales del 2019, **contenía una conclusión favorable y sin salvedades**.

Por otro lado y de conformidad con la “**Política de Contratación y Marco de Relaciones con el Auditor de Cuentas**”, aprobada el 13 de noviembre de 2017 y de acuerdo con lo establecido en el “**Plan de Trabajo 2019 con el Auditor Externo**” fijado el 12 de diciembre de 2018, la Comisión, durante el ejercicio 2019, ha establecido las oportunas relaciones con el Auditor de Cuentas, Deloitte, S.L., con el objetivo de supervisar la evolución de los trabajos de auditoría, conocer sus hallazgos significativos, supervisar sus honorarios y encargos de trabajos y procurando que la opinión sobre las cuentas anuales y los contenidos principales del informe de auditoría, así como del informe especial, fueran redactados de forma clara y precisa.

Así, durante el ejercicio 2019 los auditores externos de la Sociedad (Deloitte, S.L.) y **respecto a la evolución de su trabajo**, han comparecido en la Comisión, en **tres ocasiones**, teniendo ocasión en todas ellas de presentar sus conclusiones sin presencia del equipo directivo, en sus reuniones de (i) 26 de febrero, (ii) 29 de julio; y (iii) 11 de diciembre, todas de 2019. Adicionalmente, los auditores externos han comparecido en una ocasión adicional en cumplimiento del **Plan de Formación 2019** de la Comisión.

Durante el ejercicio 2019, la Comisión ha conocido y supervisado la evolución de los trabajos de auditoría externa, incluyendo la planificación, los alcances de las pruebas realizadas, el calendario de trabajo, sus honorarios, los riesgos identificados en la auditoría, los juicios sobre la aplicabilidad de criterios y principios contables, la opinión sobre el tratamiento contable de operaciones corporativas relevantes y las conclusiones de los distintos trabajos reflejados en sus informes presentados a la Comisión durante el ejercicio.

En este sentido, los representantes del auditor de cuentas, Deloitte, S.L., expusieron a la Comisión, en su sesión de **26 de febrero de 2019**, las principales conclusiones de los trabajos realizados en relación con la Auditoría de las **Cuentas Anuales Individuales y Consolidadas de MERLIN, y su grupo consolidado, correspondientes al ejercicio 2018**, presentando el Borrador de Opinión de Auditoría sobre los estados financieros anuales individuales y consolidados a 31 de diciembre de 2018, con **una opinión favorable, sin salvedades**.

Adicionalmente, en la sesión de **29 de julio de 2019**, se expusieron las principales conclusiones de los trabajos realizados en relación con la Revisión Limitada de los **Estados Financieros Intermedios Semestrales de MERLIN**, y su grupo consolidado, correspondientes al **primer semestre del ejercicio 2019**, con una conclusión favorable y sin salvedades, detallando los principales hechos relevantes del periodo, así como los principales riesgos de auditoría.

Posteriormente, en la reunión de **11 de diciembre de 2019** el auditor expuso los **trabajos realizados en la revisión preliminar a 30 de septiembre de 2019** de cara a la revisión de las cuentas del ejercicio 2019 y los asuntos significativos de auditoría detectados en el transcurso de su trabajo.

En 2020, el auditor de cuentas expuso a la Comisión, en su sesión de **19 de febrero de 2020**, las principales conclusiones de la revisión del proceso de valoración de activos inmobiliarios a 31 de diciembre de 2019.

Por último, los representantes del auditor de cuentas, Deloitte, S.L., expusieron a la Comisión, en su sesión de **25 de febrero de 2020**, las principales conclusiones de los trabajos realizados en relación con la Auditoría de las **Cuentas Anuales Individuales y Consolidadas de MERLIN, y su grupo consolidado, correspondientes al ejercicio 2019**, presentando el Borrador de Opinión de Auditoría sobre los estados financieros anuales individuales y consolidados a 31 de diciembre de 2019, en los mismos términos que se someten a votación en la Junta General de Accionistas y que se acompañan de un informe de auditoría de la firma Deloitte, S.L. con **una opinión favorable, sin salvedades**.

Cabe destacar que históricamente, los informes de opinión de auditoría sobre las cuentas anuales individuales y consolidadas, formuladas por el Consejo de Administración se han emitido sin salvedad alguna, tal y como se puede comprobar en la información referida a MERLIN Properties en la página de la Comisión Nacional del Mercado de Valores (www.cnmv.es), así como en la página web corporativa (www.merlinproperties.com).

C.1.29 ¿El secretario del consejo tiene la condición de consejero?

Sí No

Si el secretario no tiene la condición de consejero complete el siguiente cuadro:

Nombre o denominación social del secretario	Representante
Dña. Mónica Martín de Vidales Godino	
Observaciones	

C.1.30 Indique los mecanismos concretos establecidos por la sociedad para preservar la independencia de los auditores externos, así como, si los hubiera, los mecanismos para preservar la independencia de los analistas financieros, de los bancos de inversión y de las agencias de calificación, incluyendo cómo se han implementado en la práctica las previsiones legales.

A) PROCEDIMIENTOS PARA PRESERVAR LA INDEPENDENCIA DEL AUDITOR

El Sistema de Gobierno Corporativo de la Sociedad garantiza el establecimiento de las relaciones necesarias entre la Comisión de Auditoría y Control y el auditor de cuentas para que aquella reciba de esta información puntual sobre cuestiones que puedan suponer amenazas a su independencia.

MERLIN cuenta con una “**Política de Contratación y Marco de Relaciones con el Auditor de Cuentas**”, aprobada por la Comisión de Auditoría y Control con fecha de 13 de noviembre de 2017, en la que se establecen los principios rectores y regula el proceso de selección, nombramiento, reelección y la separación del auditor de las cuentas individuales y consolidadas, el procedimiento para la contratación de servicios adicionales a la auditoría de las cuentas anuales, así como los procedimientos para la evaluación de la independencia y los criterios de la evaluación anual del auditor de cuentas.

Respecto a la independencia del auditor de cuentas, dicha Política, establece que:

- La Comisión de Auditoría y Control velará por que el auditor de cuentas de la Sociedad sea independiente y así se pondrá de manifiesto en las relaciones entre este y aquella. A tal efecto, la Comisión de Auditoría y Control, deberá autorizar, con carácter previo a su formalización, cualquier contrato que pretenda suscribirse con el auditor (o miembro de su red) para la prestación de servicios distintos de los de auditoría a la Sociedad o a cualquiera de las sociedades de su Grupo, con el fin de poder analizar individual y globalmente las amenazas a la independencia que pudieran derivarse de dichos contratos.
- La Comisión de Auditoría y Control será, así mismo, informada de forma inmediata de cualquier contratación de servicios, tanto de auditoría como distintos a los de auditoría, de firmas que realicen auditorías de cuentas en las sociedades del Grupo, con un grado de detalle suficiente que permita realizar un análisis global y eficaz de las repercusiones que la contratación de tales servicios pudiera conllevar en materia de independencia desde una perspectiva individual y conjunta.
- De conformidad con la normativa vigente aplicable, la Comisión de Auditoría y Control entiende que existe una amenaza clara a la independencia del auditor de cuentas cuando los honorarios devengados derivados de la prestación de servicios de auditoría y distintos de los de auditoría, que la Sociedad y cualquier otra entidad del Grupo prevean satisfacer al auditor de cuentas o sociedad de auditoría, o a un miembro de su red, en cada uno de los tres últimos ejercicios consecutivos

representen más del quince por ciento (15%) del total de los ingresos anuales del auditor de cuentas o sociedad de auditoría y de la citada red.

- Además, los honorarios totales percibidos por servicios distintos a los de auditoría no podrán exceder del setenta por ciento (70%) de la media de los honorarios satisfechos en los tres últimos ejercicios por trabajos de auditoría prestados a la Sociedad y a las demás entidades del Grupo.
- La Comisión de Auditoría y Control recibirá anualmente del auditor de cuentas de la Sociedad la confirmación escrita de su independencia frente a la Sociedad o entidades vinculadas a esta directa o indirectamente, así como la información detallada e individualizada de los servicios, distintos de la auditoría de cuentas, prestados por el auditor de cuentas, o por las personas o entidades vinculadas a este de acuerdo con lo dispuesto en la legislación vigente sobre auditoría de cuentas.
- Anualmente, la Comisión de Auditoría y Control, emitirá, con carácter previo a la emisión del informe de auditoría de cuentas, un informe en el que se expresará una opinión sobre la independencia del auditor de cuentas. Este informe, que se pondrá a disposición de la Junta General de Accionistas, deberá contener una valoración del eventual impacto en la independencia del auditor de todos y cada uno de los servicios adicionales, distintos de la auditoría estatutaria, a que hace referencia el párrafo anterior, individualmente y en su conjunto.
- La Comisión de Auditoría y Control se abstendrá de proponer al Consejo de Administración y éste, a su vez, se abstendrá de someter a la Junta General de Accionistas, el nombramiento como auditor de cuentas de las Sociedad a cualquier firma de auditoría de cuentas cuando le conste que se encuentra incurso en alguna situación de falta de independencia, prohibición o causa de incompatibilidad conforme a la legislación sobre auditoría de cuentas.
- Para la evaluación de la independencia del auditor de cuentas, la Comisión de Auditoría y Control, tendrá en consideración los siguientes aspectos:
 - o La normativa vigente, en materia de independencia de los auditores de cuentas, en cada momento.
 - o Recibir información sobre las incorporaciones a cualquiera de las sociedades del Grupo de profesionales procedentes de cualquiera de las firmas auditoras del Grupo.
 - o Solicitar al auditor de cuentas explicaciones acerca del sistema de control de calidad interno que tiene establecido en materia de independencia, así como información sobre las prácticas internas de rotación del socio de auditoría y de su personal.
 - o Debatir con el auditor de cuentas toda circunstancia que pueda generar una amenaza a su independencia y evaluar la eficacia de las medidas de salvaguarda adoptadas, así como entender y evaluar el conjunto de relaciones entre la Sociedad y sus entidades vinculadas y el auditor de cuentas y su red, que conlleven la prestación de servicios distintos de auditoría o cualquier otro tipo de relación.
 - o Asegurar que la retribución del auditor de cuentas no compromete la calidad de su trabajo ni su independencia.
 - o Analizar las variaciones que se puedan producir en la retribución total del auditor de cuentas.
 - o Recabar información interna de la Sociedad que aporten información relevante acerca de la independencia del auditor de cuentas, procedentes de la dirección financiera, de la dirección de auditoría interna o de otras funciones de aseguramiento, como sería la información que pudiese aportar el propio auditor de cuentas

La Comisión de Auditoría y Control recibe anualmente del auditor de cuentas de la Sociedad la confirmación escrita de su independencia frente a la Sociedad o entidades vinculadas a esta directa o indirectamente, así como la información detallada e individualizada de los servicios, distintos de la auditoría

de cuentas, prestados por el auditor de cuentas, o por las personas o entidades vinculadas a este de acuerdo con lo dispuesto en la legislación vigente sobre auditoría de cuentas.

En este sentido, con fecha **26 de febrero de 2019**, el Auditor de Cuentas de la Sociedad ha remitido a la Comisión su declaración de independencia respecto a la auditoría de las cuentas anuales del ejercicio 2018.

Dicha comunicación contenía **información detallada e individualizada de los honorarios relativos a servicios de auditoría de cuentas y otros relacionados con la misma, así como de cualquier otro servicio adicional de cualquier clase**, prestados a MERLIN Properties SOCIMI S.A. y las Sociedades de su Grupo Consolidado durante el ejercicio 2018. Asimismo, con fecha 27 de febrero de 2019, el Auditor remitió a la Comisión de Auditoría y Control el **Informe Adicional** a la Comisión de Auditoría en el que el auditor confirmó haber cumplido con los requerimientos de independencia aplicables de acuerdo con lo establecido en la normativa en vigor.

Asimismo, con la finalidad de garantizar la independencia del auditor externo, la Comisión de Auditoría y Control ha supervisado el cumplimiento tanto por parte de la Sociedad como del auditor externo de las normas vigentes sobre prestación de servicios distintos a los de auditoría de cuentas. En este sentido, la Comisión ha analizado, entre otros aspectos:

- El cumplimiento de la “**Política de Contratación y Marco de Relaciones con el Auditor de Cuentas**”, por el que la Comisión de Auditoría y Control, ha pre-autorizado la contratación de todos los servicios distintos de auditoría.
- La declaración expresa del Auditor de Cuentas confirmando su independencia, con un detalle individualizado y pormenorizado de los servicios prestados y honorarios devengados.
- La confirmación expresa del Auditor de cuentas del establecimiento de procedimientos internos dirigidos a identificar y evaluar amenazas que puedan surgir de circunstancias relacionadas con entidades auditadas y, en su caso, a la aplicación de las medidas de salvaguarda.
- El análisis individualizado de los servicios prestados a MERLIN Properties SOCIMI S.A. y las Sociedades de su Grupo Consolidado.

La Comisión, en el curso de la auditoría del ejercicio 2019, no identificó situaciones que pudieran haber supuesto una amenaza para la independencia del auditor, siendo por todo ello que la Comisión concluyó su análisis de la independencia del auditor, manifestando que el auditor de cuentas ha actuado de acuerdo con las normas de independencia que aplican conforme a la vigente normativa de auditoría.

En este sentido, el pasado **25 de febrero de 2020**, la Comisión de Auditoría y Control, acordó elevar al Consejo de Administración, su **Informe Anual 2019 sobre la Independencia del auditor de cuentas**. Este informe está disponible para cualquier interesado en la página web corporativa.

<http://www.merlinproperties.com/gobierno-corporativo/informes-anuales/>

B) PROCEDIMIENTOS PARA PRESERVAR LA INDEPENDENCIA DE ANALISTAS FINANCIEROS, BANCOS DE INVERSIÓN Y AGENCIAS DE CALIFICACIÓN

Con fecha 26 de febrero de 2016, el Consejo de Administración de la Sociedad aprobó la “**Política de comunicación y contactos con Accionistas, Inversores Institucionales y Asesores de Voto**” en la que además de dar cumplimiento a las obligaciones de transparencia e información que dispone la Ley y el sistema de gobierno corporativo de la Sociedad, reconoce como uno de sus principales objetivos actuar de manera transparente frente a los accionistas, inversores y otros grupos de interés, así como con frente a los asesores de voto.

Los principios rectores que fundamentan la relación de la Sociedad con los analistas financieros, bancos de inversión y agencias de calificación son:

- a) transparencia, veracidad e inmediatez en la difusión de la información, con la finalidad que todos los accionistas, inversores y resto de grupos de interés reciban la información que, tanto legal como voluntariamente, sea publicada por la Sociedad, de manera clara y accesible en el menor tiempo posible;
- b) paridad, aplicando un trato idéntico a todos los accionistas, inversores y resto de grupos de interés en cuanto a la información a suministrar, eliminando cualquier tipo de sesgo que motive una diferenciación entre los mismos, sin perjuicio de la posibilidad para la Sociedad de optar por vías de comunicación diferentes, atendiendo a cada uno de los grupos objetivo;
- c) adecuación y carácter completo, en el sentido de proporcionar toda aquella información que sea adecuada y permita a los accionistas, inversores y resto de grupos a ejercitar sus derechos frente a la Sociedad y el Grupo con pleno conocimiento de la situación del mismo;
- d) recurrencia y periodicidad, en el sentido de llevar a cabo publicaciones con una periodicidad mínima (sin perjuicio de cualquier otra información que pueda voluntariamente publicarse por el Grupo), permitiendo a los accionistas, inversores y resto de grupos de interés a tener un conocimiento mínimo recurrente en relación a la actividad del Grupo.
- e) accesibilidad, poniendo a disposición de accionistas, inversores y resto de grupos de interés medios de comunicación efectivos que les permitan el acceso a las actuaciones o propuestas en relación con la gestión y actividad de la Sociedad aprovechando para ello las ventajas que ofrezcan de las nuevas tecnologías;
- f) colaboración de los accionistas para que las prácticas de información y de relaciones con los mercados resulten transparentes, eficaces y acordes al interés social y fomente la implicación de los accionistas en la Sociedad;
- h) cumplimiento de lo dispuesto en la ley, sistema de gobierno corporativo y cooperación y transparencia frente a las autoridades, organismos reguladores y administraciones competentes.

La Sociedad cuenta con un departamento específico de relación con inversores (la “Dirección de Relaciones con Inversores”) que protege la independencia de los analistas financieros, mediante su trato equitativo, objetivo y no discriminatorio. Dicha dirección se encarga de coordinar, analizar y gestionar la relación y contactos con los accionistas, inversores y otros grupos de interés, así como de atender permanentemente y de forma individualizada (si bien, en ningún caso discriminatoria) las consultas de analistas e inversores institucionales.

Con objeto de implementar los principios generales antes indicados, y siempre dentro del más estricto cumplimiento de la regulación relativa a los Mercados de Valores, la Sociedad llevará a cabo la publicación de la correspondiente información a través de los siguientes canales principales de comunicación:

- Comunicaciones de hechos relevantes a la Comisión Nacional del Mercado de Valores.
- El canal de comunicación recurrente de la Sociedad con los accionistas, inversores y otros grupos de interés es su página web corporativa (www.merlinproperties.com).
- El Consejo, por medio de algunos de sus Consejeros y con la colaboración de los miembros de la alta dirección que estime pertinentes, podrá organizar reuniones informativas sobre la marcha de la Sociedad y de su grupo, para los accionistas que residan en las plazas financieras más relevantes.

En desarrollo del principio de colaboración con los accionistas, el Consejo promoverá la participación informada de los accionistas en las Juntas Generales y adoptará cuantas medidas sean oportunas para facilitar que la Junta General de Accionistas ejerza efectivamente las funciones que le son propias conforme a la ley y a los Estatutos sociales.

C.1.31 Indique si durante el ejercicio la Sociedad ha cambiado de auditor externo. En su caso identifique al auditor entrante y saliente:

Sí No

Auditor saliente	Auditor entrante

Observaciones

En el caso de que hubieran existido desacuerdos con el auditor saliente, explique el contenido de los mismos:

Sí No

Explicación de los desacuerdos

C.1.32 Indique si la firma de auditoría realiza otros trabajos para la sociedad y/o su grupo distintos de los de auditoría y en ese caso declare el importe de los honorarios recibidos por dichos trabajos y el porcentaje que supone sobre los honorarios facturados a la sociedad y/o su grupo:

Sí No

	Sociedad	Sociedades del Grupo	Total
Importe de otros trabajos distintos de los de auditoría (miles de euros)	149	6	155
Importe trabajos distintos de los de auditoría / Importe trabajos de auditoría (en %)	56,65%	1,89%	26,72%

Observaciones
<p>Los honorarios percibidos por trabajos distintos de la auditoría, se corresponden principalmente a:</p> <ul style="list-style-type: none"> - Emisiones de Comfort letters relacionadas con el programa de Bonos - Procedimientos acordados de cumplimiento de covenants financieros - Trabajos de revisión del cálculo de la renta variable del Hotel Eurostars - Procedimientos acordados relacionados con los Programas de Retribución.

C.1.33 Indique si el informe de auditoría de las cuentas anuales del ejercicio anterior presenta reservas o salvedades. En su caso, indique las razones dadas a los accionistas en la Junta General por el presidente de la comisión de auditoría para explicar el contenido y alcance de dichas reservas o salvedades.

Sí No

Explicación de las razones

C.1.34 Indique el número de ejercicios que la firma actual de auditoría lleva de forma ininterrumpida realizando la auditoría de las cuentas anuales individuales y/o consolidadas de la sociedad. Asimismo, indique el porcentaje que representa el número de ejercicios auditados por la actual firma de auditoría sobre el número total de ejercicios en los que las cuentas anuales han sido auditadas:

	Individuales	Consolidadas
Número de ejercicios ininterrumpidos	6	6
	Individuales	Consolidadas
N.º de ejercicios auditados por la firma actual de auditoría / N.º de ejercicios que la sociedad o su grupo han sido auditados (en %)	100%	100%

Observaciones

C.1.35 Indique y, en su caso detalle, si existe un procedimiento para que los consejeros puedan contar con la información necesaria para preparar las reuniones de los órganos de administración con tiempo suficiente:

Sí No

Detalle el procedimiento
<p>De conformidad con el artículo 21 del Reglamento del Consejo de Administración, con el fin de ser auxiliados en el ejercicio de sus funciones, los Consejeros externos pueden solicitar la contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos. El encargo ha de versar necesariamente sobre problemas concretos de cierto relieve y complejidad que se presenten en el desempeño del cargo.</p> <p>La solicitud de contratación deberá ser comunicada al Presidente de la Sociedad, y, no obstante, podrá ser rechazada por el Consejo de Administración, siempre que acredite:</p> <ul style="list-style-type: none"> (i) que no es precisa para el cabal desempeño de las funciones encomendadas a los Consejeros externos; (ii) que su coste no es razonable a la vista de la importancia del problema y de los activos e ingresos de la Sociedad;

(iii) que la asistencia técnica que se recaba puede ser dispensada adecuadamente por expertos y técnicos de la Sociedad; o

(iv) que pueda suponer un riesgo para la confidencialidad de la información que deba ser manejada.

Hasta el momento, no se ha rechazado por el Consejo de Administración la solicitud de contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos cuando la participación de los mismos ha sido solicitada.

C.1.36 Indique y, en su caso detalle, si la sociedad ha establecido reglas que obliguen a los consejeros a informar y, en su caso, dimitir en aquellos supuestos que puedan perjudicar al crédito y reputación de la sociedad:

Sí

No

Explique las reglas

De conformidad con el artículo 31.3 del Reglamento del Consejo de Administración, el Consejero deberá informar a la Sociedad de aquellas circunstancias que le afecten y puedan perjudicar al crédito o reputación de la Sociedad, en especial, de las causas penales en que aparezcan como imputados y de sus vicisitudes procesales de importancia; en relación con lo anterior, con fecha 27 de febrero de 2018 el consejo de administración aprobó un procedimiento para que los consejeros a los que se le apertura un juicio oral, comunique dicha circunstancia al consejo para que obre en consecuencia. El Consejo de Administración podrá exigir al Consejero, después de examinar la situación que éste presente, su dimisión y esta decisión deberá ser acatada por el Consejero.

Además, de conformidad con el artículo 18.3. del Reglamento del Consejo de Administración, los Consejeros deberán poner su cargo a disposición del Consejo y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los siguientes casos (entre otros): (a) cuando cesen en los puestos ejecutivos a los que en su caso estuviere asociado su nombramiento como consejero; (b) cuando se vean incurso en alguno de los supuestos de incompatibilidad o prohibición legalmente previstos; (c) cuando resulten gravemente amonestados por el Consejo por haber infringido sus obligaciones como consejeros; (d) cuando resulten procesados por un hecho presuntamente delictivo o sean objeto de un expediente disciplinario por falta grave o muy grave instruido por las autoridades supervisoras; (e) cuando su permanencia en el Consejo pueda poner en riesgo o perjudicar los intereses de la Sociedad o cuando desaparezcan las razones por las que fueron nombrados. En particular, en el caso de los Consejeros externos dominicales, cuando el accionista a quien representen venda íntegramente su participación accionarial o la reduzca de manera relevante. También lo deberán hacer, en el número que corresponda, cuando dicho accionista rebaje su participación accionarial hasta un nivel que exija la reducción del número de Consejeros externos dominicales; (f) cuando formen parte de más de cuatro consejos de administración de otras sociedades cotizadas; (g) cuando se produjeran cambios significativos en su situación profesional o en las condiciones en virtud de las cuales hubiera sido nombrado consejero; (h) cuando por hechos imputables al Consejero su permanencia en el Consejo cause un daño grave al patrimonio o reputación sociales a juicio de éste.

C.1.37 Indique si algún miembro del consejo de administración ha informado a la sociedad que ha resultado procesado o se ha dictado contra él auto de apertura de juicio oral, por alguno de los delitos señalados en el artículo 213 de la Ley de Sociedades de Capital:

Sí

No

Nombre del consejero	Causa Penal	Observaciones

Indique si el consejo de administración ha analizado el caso. Si la respuesta es afirmativa explique de forma razonada la decisión tomada sobre si procede o no que el consejero continúe en su cargo o, en su caso, exponga las actuaciones realizadas por el consejo de administración hasta la fecha del presente informe o que tenga previsto realizar.

Sí

No

Decisión tomada/actuación realizada	Explicación razonada

C.1.38 Detalle los acuerdos significativos que haya celebrado la sociedad y que entren en vigor, sean modificados o concluyan en caso de cambio de control de la sociedad a raíz de una oferta pública de adquisición, y sus efectos.

Si se produjera un cambio de control:

- Las acciones otorgadas y no devengadas íntegramente al Equipo Gestor bajo el Management Stock Plan se devengarán de forma íntegra en la fecha del cambio de control y no será de aplicación el periodo de “lock-up”.
- Los consejeros ejecutivos podrán finalizar voluntariamente su relación con la Sociedad en un plazo de tres meses desde que se produzca tal evento y percibirán la indemnización que se describe en el apartado C.1.39.
- El bonus anual restringido del Equipo Gestor se devengará íntegramente y será pagadero dentro de los 10 días hábiles siguientes a la fecha del cambio de control.
- Los derechos sobre el LTIP (incentivo a largo plazo para el periodo 2017-2019) se anticipan y los límites cuantitativos se incrementan hasta 1,5 veces los límites ordinarios.

A estos efectos se considerará que existe cambio de control, cuando concurra cualquiera de las dos siguientes situaciones:

- (a) Un nuevo accionista directa o indirectamente, adquiera un porcentaje superior al 30 por 100 del capital social de la Sociedad.
- (b) Un nuevo accionista sea capaz de nombrar a la mayoría de miembros del órgano de administración.

Igualmente, la sociedad dispone de diversas financiaciones, donde se regulan las consecuencias en caso de cambio de control en la sociedad:

- (a) Term Loan: Si como consecuencia de un cambio de control se produce un “downgrade” en el “rating” a “non-investment grade” en el plazo de los 90 días siguientes y la mayoría de los prestamistas (66.66% total deuda) lo solicita, se procederá el repago de la deuda.
- (b) Bonos: Si además se produce un “downgrade” en el “rating” de la deuda existe “Put Option” a elección de los bonistas.
- (c) Financiación Tree: procedería el repago de la deuda si lo aprueban la mayoría de los prestamistas (66.66% total deuda).

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Número de beneficiarios	
Tipo de beneficiario	Descripción del acuerdo
<p>Consejeros Ejecutivos (D. Ismael Clemente Orrego y D. Miguel Ollero Barrera) y Directivos</p>	<p>Los contratos vigentes con los Consejeros ejecutivos recogen una indemnización para el supuesto de terminación de su relación con la Sociedad derivada de</p> <ul style="list-style-type: none"> (i) La separación o cese de su cargo de Consejero ejecutivo sin causa. Se entenderá que existe causa cuando dicha separación o cese se deba a (a) un quebrantamiento o incumplimiento grave de deberes y obligaciones legales que le corresponden, o (b) la realización de alguna actuación u omisión que cause graves daños a la Sociedad, y siempre que, en ambos casos, la concurrencia de dicha causa hubiera sido declarada por un tribunal competente. (ii) Una extinción a instancias del Consejero ejecutivo motivada por una modificación sustancial en sus condiciones de prestación de servicios que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. Constituirá una modificación sustancial la exclusión del Consejero ejecutivo de la actual Política de Remuneraciones, el LTIP 2017-2019, así como la revocación de la eficacia de la política o LTIP por parte de la Junta General. Por el contrario, no se considerará una modificación sustancial la aprobación de políticas futuras que (i) fueran económicamente menos favorables, (ii) no contemplen retribuciones variables similares al sistema de incentivos monetarios a corto plazo (“STIP”) o (iii) decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP. (iii) Una extinción a instancias del Consejero ejecutivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de

ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

El Consejero ejecutivo tendrá derecho a percibir en concepto de indemnización, y siempre que el pago no comprometa la solvencia de la Sociedad.

- (i) En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por dos la Retribución Fija y la Retribución Variable concedida al Consejero ejecutivo en el periodo de los últimos doce meses anteriores al cese.
- (ii) En el supuesto (iii) una cantidad equivalente a la suma de la Retribución Fija y la Retribución Variable concedida al Consejero ejecutivo en el periodo de los últimos doce meses anteriores al cese

De las referidas cantidades, un importe equivalente a seis mensualidades de la Retribución Fija se abonará en concepto de contraprestación económica por la obligación de no competencia postcontractual.

Con uno de los altos directivos, existen pactadas indemnizaciones para el supuesto de terminación de su relación con la Sociedad derivada de:

- i. Una extinción unilateral a instancias de la Compañía, salvo que dicha extinción esté basada en el incumplimiento grave y culpable del Directivo en los términos contemplados en el artículo 11.2 del Real Decreto 1382/1985.
- ii. Una extinción a instancias del Directivo motivada por una modificación sustancial en sus condiciones de prestación de servicios que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. Constituirá una modificación sustancial a estos efectos la exclusión del Directivo de la actual Política de Remuneraciones, incluido el Plan 2017-2019, así como la revocación de la eficacia de los mismos por parte de la Junta General; sin embargo, no se considerará una modificación sustancial a estos efectos la aprobación de políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al sistema de incentivos monetarios a corto plazo (“STIP”) o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP;

	<p>iii. Una extinción a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.</p> <p>El Directivo tendrá derecho a percibir en concepto de indemnización, siempre que el pago no comprometa la solvencia de la Sociedad, la cantidad equivalente a la indemnización aplicable a un trabajador con una relación laboral ordinaria, en función del supuesto extintivo de que se trate.</p> <p>En el supuesto de terminación de la relación laboral con la Sociedad a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control, se reconoce el derecho del Directivo a una indemnización equivalente a la correspondiente a un despido improcedente de un trabajador con relación laboral ordinaria.</p> <p>En todo caso, la indemnización máxima será la siguiente:</p> <p>i. En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por 1,5 la Retribución Fija y la Retribución Variable concedida al Directivo en el periodo de los últimos doce meses anteriores al cese.</p> <p>ii. En el supuesto (iii) una cantidad equivalente al 50% de la suma de la Retribución Fija y Retribución Variable concedida al Directivo en el periodo de los últimos doce meses anteriores al cese.</p> <p>La indemnización que, en su caso, se abone, incluirá y absorberá la indemnización que legalmente le pudiese corresponder, de forma que ambas indemnizaciones no serán acumulables</p> <p>Con el resto de equipo directivo, diferentes a los consejeros ejecutivos y al citado alto directivo, el régimen de extinción de sus relaciones está sometido a lo recogido en el Estatuto de los Trabajadores y demás normativa de aplicación.</p>
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Indique si más allá de los supuestos previstos por la normativa estos contratos han de ser comunicados y/o aprobados por los órganos de la sociedad o de su grupo. En caso positivo, especifique los procedimientos, supuestos previstos y la naturaleza de los órganos responsables de su aprobación o de realizar la comunicación:

	Consejo de administración	Junta general
Órgano que autoriza las cláusulas	X	

	Sí	No
¿Se informa a la junta general sobre las cláusulas?	X	

Observaciones
Es facultad indelegable del consejo el nombramiento y destitución de los directivos que tuvieran dependencia directa del consejo o de alguno de sus miembros, así como el establecimiento de las condiciones básicas de sus contratos, incluyendo su retribución. Por otro lado, es el consejo de administración el que legalmente debe aprobar los contratos con los consejeros ejecutivos.

C.2 Comisiones del consejo de administración

C.2.1 Detalle todas las comisiones del consejo de administración, sus miembros y la proporción de consejeros ejecutivos, dominicales, independientes y otros externos que las integran:

COMISIÓN EJECUTIVA

Nombre	Cargo	Categoría

% de consejeros ejecutivos	
% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	
Observaciones	

Explique las funciones que tiene delegadas o atribuidas esta comisión, distintas a las que ya hayan sido descritas en el apartado C.1.10, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley, en los estatutos sociales u otros acuerdos societarios.

COMISIÓN DE AUDITORÍA

Nombre	Cargo	Tipología
María Luisa Jordá Castro	Vocal	Independiente
Ana García Fau	Vocal	Independiente
Juan María Aguirre Gonzalo	Presidente	Independiente
Francisca Ortega Hernández-Agero	Vocal	Dominical

% de consejeros dominicales	25%
% de consejeros independientes	75%
% de otros externos	0%

Observaciones

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley o en los estatutos u otros acuerdos sociales.

La regulación de la Comisión, con carácter adicional a la establecida por la legislación vigente, se recoge en los Estatutos Sociales, en el Reglamento del Consejo de Administración de la Sociedad, y más específicamente, en el ***Reglamento de la Comisión de Auditoría y Control***, aprobado por el Consejo de Administración, con fecha 30 de enero de 2018, previa propuesta de la propia Comisión de Auditoría y Control.

Dicho Reglamento de la Comisión, incorpora todos los aspectos incluidos en las recomendaciones de la ***Guía Técnica 3/2017 de la Comisión Nacional del Mercado de Valores sobre Comisiones de Auditoría de Entidades de Interés Público***.

Toda la referida normativa interna de MERLIN (Estatutos Sociales, Reglamento del Consejo de Administración y Reglamento de la Comisión de Auditoría y Control) se encuentran a disposición de cualquier interesado en la página web corporativa (<http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>).

Por lo que respecta a su composición, y conforme a lo establecido en los artículos 12 y 13 del Reglamento de la Comisión de Auditoría y Control, la Comisión se compondrá de un mínimo de tres (3) y un máximo de cinco (5) miembros, que **serán en su totalidad consejeros no ejecutivos y en su mayoría independientes**; dichos miembros serán nombrados por el Consejo de Administración, a propuesta de la Comisión de Nombramientos y Retribuciones. En la propuesta y nombramiento de sus miembros, se procurará la diversidad en su composición, en particular en lo relativo a género, experiencia profesional, competencias y conocimientos sectoriales.

Los miembros de la Comisión, en tanto miembros del Consejo de Administración, deben tener la experiencia y conocimientos en ámbitos de gestión, económicos, financieros y empresariales necesarios en todo buen consejero. Adicionalmente, la Comisión en su conjunto, deberá tener los conocimientos técnicos pertinentes en relación con el sector de actividad al que pertenece Sociedad; y al menos uno de los miembros de la Comisión deberá ser designado teniendo igualmente en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas.

De manera adicional a lo anterior, en la propuesta y nombramiento de los miembros y cargos de la Comisión de Auditoría y Control, la Comisión de Nombramientos y el Consejo de Administración procurarán que el Presidente de la Comisión tenga los conocimientos, aptitudes y experiencia adecuados a las funciones que esté llamado a desempeñar en materia de contabilidad, auditoría o gestión de riesgos; los miembros de la Comisión en su conjunto tengan aptitudes en materia financiera y de control interno; y que al menos uno de los miembros de la Comisión tenga experiencia en tecnologías de la información (IT), entre otras razones, al objeto de propiciar una supervisión eficiente de los sistemas internos de control y gestión de los riesgos, los cuales utilizan, generalmente, aplicaciones informáticas complejas, y de poder evaluar adecuadamente nuevos riesgos emergentes, como el de ciberseguridad.

El Presidente de la Comisión de Auditoría y Control, cargo que en todo caso recaerá en un Consejero Independiente, será nombrado entre sus miembros y deberá ser sustituido cada cuatro (4), pudiendo ser reelegido una vez transcurrido el plazo de un (1) año desde su cese, sin perjuicio de su continuidad o reelección como miembro de la Comisión.

La Comisión de Auditoría y Control, conforme a lo establecido en el artículo 17 de su Reglamento, antes del comienzo de cada ejercicio, aprobará un plan anual de trabajo que contemple, los objetivos específicos en relación con cada una de las funciones que tiene encomendadas, la organización de la información y el orden del día de las reuniones u otras vías de comunicación periódica con los directivos de la Sociedad, el responsable de la dirección de auditoría interna y el auditor de cuentas externo y la formación que se considere oportuna para el correcto desempeño de las funciones de la Comisión.

En este sentido, la Comisión ha desarrollado sus funciones durante el ejercicio de acuerdo con el “*Calendario de trabajo para el ejercicio 2019*”, aprobado por la Comisión en el mes de diciembre de 2018 y ha aprobado el “*Calendario de trabajo para el ejercicio 2020*” en su sesión de 11 de diciembre de 2019.

En cualquier caso, la Comisión se convocará y reunirá, como mínimo, con una periodicidad trimestral, a fin de revisar la información financiera periódica que, de conformidad con la normativa en vigor, el Consejo de Administración haya de remitir a las autoridades bursátiles, así como la información que el Consejo de Administración haya de aprobar e incluir dentro de su documentación pública anual.

En dichas reuniones se contará con la asistencia del Director de Auditoría Interna y, cuando emita algún informe de revisión, la del auditor de cuentas externo. Al menos una parte de estas reuniones tendrá lugar sin la presencia de la dirección de la Sociedad, de forma que puedan discutirse exclusivamente con ellos las cuestiones específicas que surjan de las revisiones realizadas.

Así mismo, la Comisión podrá contar con la colaboración y contratación de servicios externos y asesoramiento y recabar cualquier tipo de información o documentación de que disponga la Sociedad relativa a las cuestiones que son competencia de la Comisión y que considere necesaria para el cumplimiento de sus funciones.

Las funciones de la Comisión se encuentran detalladas en los artículos 5 a 10 del Reglamento específico de la Comisión de Auditoría y Control. A continuación, se resumen sus principales competencias:

- (i) Aprobar la Política que determine el procedimiento para la selección y contratación y las relaciones con el auditor externo, así como las circunstancias que pudieran afectar a su independencia y los instrumentos para dotar a dichas relaciones de la debida transparencia.

- (ii) Elevar al Consejo de Administración, para su sometimiento a la Junta General de Accionistas, la propuesta de selección, nombramiento, reelección y sustitución del auditor de cuentas externo, así como sus condiciones de contratación y, en su caso, su revocación o no renovación.
- (iii) Recibir anualmente del auditor de cuentas externo la declaración de su independencia, así como la información de los servicios adicionales de cualquier clase prestados y los correspondientes honorarios percibidos por él o por las personas o entidades vinculados a él, de acuerdo con lo dispuesto en la legislación sobre auditoría de cuentas.
- (iv) Emitir anualmente, con carácter previo a la emisión del informe de auditoría de cuentas, un informe en el que se expresará una opinión sobre si la independencia del auditor de cuentas externo resulta comprometida.
- (v) Revisar con el auditor de cuentas externo las principales incidencias detectadas durante de la auditoría, contrastarlas con la opinión de la dirección, verificando que se han solventado y, en su defecto, comprender por qué no, y realizar un seguimiento de las recomendaciones del auditor de cuentas externo.
- (vi) Analizar con el auditor de cuentas externo las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría y presentar recomendaciones o propuestas al Consejo de Administración y el correspondiente plazo para su seguimiento.
- (vii) Autorizar previamente los servicios distintos de la auditoría de cuentas que el auditor de cuentas externo (o la firma auditora a la que pertenezca) o las personas o entidades vinculadas a estos (de acuerdo con lo dispuesto en la legislación sobre auditoría de cuentas) vayan a prestar a las sociedades del grupo, en los términos previstos en la ley.
- (viii) Supervisar la correcta aplicación de los principios de contabilidad generalmente aceptados y las normas internacionales de información financiera que sean de aplicación y supervisar el proceso de elaboración y presentación de las cuentas anuales de la Sociedad y la información financiera periódica que, de conformidad con la normativa en vigor, la Sociedad deba suministrar a los mercados y a sus órganos de supervisión, así como su proceso de elaboración y publicación, informando al respecto al Consejo de Administración con carácter previo a su aprobación y presentado recomendaciones o propuestas dirigidas a salvaguardar su integridad.
- (ix) Revisar la claridad e integridad de toda la información financiera, y no financiera relacionada, que la entidad haga pública, como pueden ser los estados financieros, informe de gestión, informes de gestión y control de riesgos e informe anual de gobierno corporativo, debiendo asegurarse de que los Informes financieros semestrales y las declaraciones trimestrales de gestión se formulan con los mismos criterios contables que los Informes financieros anuales y, a tal fin, considerar la procedencia de una revisión limitada de los Informes financieros semestrales por el auditor de cuentas.
- (x) Supervisar el contenido de los informes de auditoría de cuentas y, en su caso, de los informes de revisión limitada de cuentas intermedias y demás informes preceptivos del auditor de cuentas externo, antes de su emisión, con la finalidad de evitar salvedades.
- (xi) Procurar, con la colaboración del departamento de auditoría interna, que la información financiera publicada en la página web de la Sociedad está permanentemente actualizada y coincide con la que ha sido formulada por los administradores de la Sociedad y publicada, en su caso, cuando venga obligada a ello en la web de la CNMV.
- (xii) Aprobar la orientación y planes de trabajo de la dirección de auditoría interna y recibir información periódica sobre sus actividades. En la supervisión del plan de trabajo, la Comisión deberá verificar que en dicho plan se han considerado las principales áreas de riesgo, financiero y no financiero del negocio, y que se identifican y delimitan claramente sus responsabilidades a efectos de la adecuada coordinación con otras funciones de

aseguramiento que puedan existir, como las unidades de gestión y control de riesgos, control de gestión, cumplimiento normativo y la auditoría externa.

- (xiii) Supervisar todo lo relativo a los distintos tipos de riesgo a los que se enfrenta la Sociedad, incluyendo riesgos financieros o económicos, pasivos contingentes, otros riesgos fuera de balance, operativos, medioambientales, tecnológicos, legales, sociales, políticos y reputacionales.
- (xiv) Fijar los niveles de riesgo que la Sociedad considere aceptables es una función ejecutiva de Consejo de Administración. Evaluar, al menos anualmente, la lista de los riesgos, financieros y no financieros, más significativos y el nivel de tolerancia establecido para cada uno a partir de la información proporcionada por la dirección, el responsable de la dirección de auditoría interna y, en su caso, la unidad de gestión y control de riesgos.
- (xv) Revisar los sistemas de control interno y gestión de riesgos de la Sociedad y en particular, el correcto diseño del sistema de control interno y gestión de la información financiera (SCIIF), para que los principales riesgos se identifiquen, gestionen y se den a conocer de forma adecuada.
- (xvi) Aprobar el plan de auditoría interna para la evaluación del SCIIF, y sus modificaciones, y recibir información periódica del resultado de su trabajo, así como del plan de acción para corregir las deficiencias observadas.
- (xvii) Mantener, al menos con carácter anual, una reunión con los responsables de las unidades de negocio en la que éstos expliquen las tendencias del negocio y los riesgos asociados, y reforzar la idea de que es a los responsables de las unidades de negocio a quienes corresponde de modo directo gestionar eficazmente los riesgos y la de que debe existir un responsable asignado para cada riesgo identificado.
- (xviii) Informar en la Junta General de accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean competencia de la Comisión, y, en particular, sobre el resultado de la auditoría, explicando cómo esta ha contribuido a la integridad de la información financiera y la función que la Comisión ha desempeñado en ese proceso.
- (xix) Informar en la Junta General de Accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean de su competencia.
- (xx) Proponer el nombramiento, y supervisar los servicios de los tasadores externos en relación con la valoración de los activos de la Sociedad.
- (xxi) Informar al Consejo de Administración sobre la creación o adquisición de participaciones en entidades de propósito especial o domiciliadas en países o territorios que tengan la consideración de paraísos fiscales, de las condiciones económicas e impacto contable y, en su caso, sobre la ecuación de canje de las operaciones de modificaciones estructurales y corporativas que proyecte realizar la Sociedad y de las operaciones con partes vinculadas.
- (xxii) Revisar el plan anual de actividades del Órgano de Cumplimiento Penal, así como el informe semestral de sus actividades para su posterior elevación al Consejo de Administración. Recibir información del Órgano de Cumplimiento Penal en relación con cualquier cuestión relevante relativa al cumplimiento normativo y la prevención y corrección de conductas ilegales o fraudulentas.
- (xxiii) Revisar, a través del Órgano de Control Interno las políticas y procedimientos internos de la Sociedad para comprobar su efectividad en la prevención del blanqueo de capitales y financiación del terrorismo e identificar eventuales políticas o procedimientos que sean más efectivos en la promoción de los más altos estándares éticos, para su elevación al Consejo de Administración.

La Comisión desempeña sus funciones con total independencia y con plena autonomía de funcionamiento, estando dirigida por su Presidente, al que le corresponde convocar las reuniones, proponer el orden de las cuestiones a tratar y requerir la asistencia de cualquier administrador, directivo o empleado de la Sociedad o del auditor externo de cuentas o de cualquier otro externo que resulte necesario para el desempeño de sus funciones.

La Comisión, durante el ejercicio 2019, se ha reunido en diecisiete (17) ocasiones (en particular, los días 29 de enero, 19 de febrero, 26 de febrero, 7 de marzo, 2 de abril, 10 de abril (se celebraron dos reuniones, una en el seno del consejo de administración), 10 de mayo, 4 de junio, 24 de junio, 22 de julio, 29 de julio, 13 de septiembre, 8 de octubre, 29 de octubre, 11 de noviembre y 11 de diciembre), todas ellas de manera presencial y en el domicilio social de la Sociedad, salvo una de las dos reuniones de 10 de abril que se celebró en el Auditorio Rafael del Pino, sito en Calle Rafael Calvo, 39A, y segunda reunión de 10 de abril que se celebró en el seno del Consejo de Administración.

Además de sus miembros, a las reuniones de la Comisión de Auditoría y Control han asistido empleados, directivos y consultores externos de la Sociedad, tales como D. Jon Navarro, D. Daniel González, D. Manuel García Casas, D. Francisco Rivas, los valoradores de CBRE Valuation Advisory, S.A., los valoradores de Savills Consultores Inmobiliarios, S.A. (Aguirre Newman), los valoradores de Jones Lang LaSalle (JLL), D. Enrique Romero, D. Fernando Lacadena, los representantes de PwC, D. Oscar Mata, D. Oscar Rivero, D. Enrique Rodríguez, D. Jaime de Vicente, D. Álvaro Ontañón, D. Juan Criado, los representantes de Jones Lang Lasalle, D. Miguel Oñate, D. Alberto Plaza, D. Javier Zarrabeitia, D. Fernando Ferrero y D. Fernando Díaz-Llanos, para tratar los puntos del orden del día a los que habían sido convocados.

Así mismo, el Auditor Externo ha asistido a 4 reuniones de la Comisión, 3 de ellas para informar de la presentación auditor de cuentas y borrador opinión, el informe especial a la comisión de auditoría durante la reunión de 26 de febrero, las principales conclusiones de la Revisión Limitada del primer semestre del 2019 durante la reunión de 29 de julio, el cierre preliminar del tercer trimestre de 2019, durante la reunión de 11 de diciembre, y en otra ocasión adicional para la actualización de normativa contable, legales y fiscal, dentro del plan de formación de la Comisión durante la reunión de 24 de junio.

Por último, los responsables de las tres firmas de tasación de activos inmobiliarios han asistido a dos reuniones de la Comisión para informar sobre el proceso de valoración de los activos de cara al cierre del ejercicio 2018 y respecto al cierre semestral de junio 2019, así como para la actualización de los procedimientos y metodologías de valoración de activos inmobiliarios, dentro del plan de formación de la Comisión.

Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:

- (i) Elevado al Consejo de Administración diversos informes en relación a la presentación de los estados financieros individuales y consolidados correspondientes al ejercicio cerrado a 31 de diciembre de 2018, así como sobre la información financiera e informes de gestión, trimestrales y semestrales, exigidos (durante el ejercicio 2019) a la Sociedad, como sociedad cotizada, por la normativa de aplicación;
- (ii) Informado al Consejo de Administración sobre la auditoría externa llevada a cabo en relación al ejercicio cerrado a 31 de diciembre de 2018, así como de las revisiones limitadas y preliminares llevadas a cabo por el auditor externo en relación a la información financiera del primer semestre y preliminar a cierre exigida a la Sociedad durante el ejercicio 2019.
- (iii) Expuesto al Consejo de Administración todos los trabajos encargados al auditor externo (Deloitte, S.L.) durante el año en curso y su análisis previo de la contratación en materia de independencia y compatibilidad de acuerdo a la Ley de Auditoría.
- (iv) Supervisado el trabajo de los servicios de los tasadores externos en relación a la valoración de los activos de la sociedad con carácter semestral, manteniéndose reuniones periódicas,

analizando su rotación y proponiendo el nombramiento de nuevos tasadores para los activos en Portugal.

- (v) Tomada razón sobre las operaciones vinculadas, informando al Consejo de Administración para, en su caso, su aprobación.
- (vi) Tomado conocimiento e informado favorablemente al Consejo de Administración en lo concerniente a aspectos contables y fiscales sobre las operaciones corporativas del ejercicio 2019.
- (vii) Actualizado el Mapa de Riesgos 2019 de acuerdo con la metodología COSO-ERM 2017 y seguimiento periódico de los riesgos principales de negocio mediante la comparecencia de los responsables de las unidades de negocio junto con su explicación de las tendencias del negocio y los riesgos asociados.
- (viii) Analizado los riesgos que afectan a la Sociedad en materia de riesgos tecnológicos y de ciberseguridad, supervisando la ejecución del plan de formación y concienciación que se ha llevado a cabo durante el ejercicio 2019 y que ha abarcado a todos los empleados de la compañía.
- (ix) Revisado las políticas fiscales seguidas durante el ejercicio, antes de formular las cuentas anuales y de presentar el Impuesto de Sociedades, en cumplimiento de la Política Fiscal de MERLIN.
- (x) Supervisado la ejecución de los trabajos de auditoría interna dentro del marco de los sistemas de control interno y de acuerdo con el Plan Anual de actividades 2019 aprobado en la sesión de 12 de diciembre de 2018, haciendo seguimiento del cumplimiento, por parte de la dirección de la Sociedad, de sus recomendaciones.
- (xi) Revisado las actividades de los distintos órganos de control establecidos en la Sociedad para la supervisión y gestión de riesgos penales (Órgano de Control Penal) y en materia de prevención de blanqueo de capitales y financiación del terrorismo (Órgano de Control Interno).
- (xii) Supervisado el funcionamiento del SCIIF, y a su vez, ha revisado los informes de auditoría interna sobre el mismo, revisando el Manual de SCIIF y el Manual de Políticas Contables del Grupo.
- (xiii) Verificado la evolución de los trabajos realizados por la dirección de la Sociedad en la adaptación a la nueva normativa de Protección de Datos, velando, en todo momento, por la implantación de sistemas de control que minimicen el riesgo de la vulnerabilidad de los derechos de los usuarios de los activos de la Sociedad.
- (xiv) Impulsado una mejora integral del Sistema de Gobierno Corporativo de la Sociedad, mediante la revisión del modelo existente con las nuevas exigencias sobre la Información No Financiera, aun no siendo aplicable a la Sociedad. En este sentido, la Comisión ha impulsado la aprobación por parte del Consejo de Administración, el 31 de julio de 2019, de una serie de políticas relativas al control interno, a la prevención de la corrupción y el fraude, relaciones con proveedores, relaciones con administraciones públicas, de protección de datos personales, entre otras.

Identifique al consejero miembro de la comisión de auditoría que haya sido designado teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas e informe sobre la fecha de nombramiento del Presidente de esta comisión en el cargo.

Nombres de los consejeros con experiencia	María Luisa Jordá Castro Francisca Ortega Hernández-Agero Ana García Fau. Juan María Aguirre Gonzalo
Fecha de nombramiento del presidente en el cargo	7/mayo/2018

Observaciones

COMISIÓN DE NOMBRAMIENTOS Y RETRIBUCIONES

Nombre	Cargo	Categoría

% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	
Observaciones	

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley o en los estatutos u otros acuerdos sociales.

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COMISIÓN DE NOMBRAMIENTOS

Nombre	Cargo	Categoría
Emilio Novela Berlín	Presidente	Independiente
George Donald Johnston	Vocal	Independiente
Pilar Caverro Mestre	Vocal	Independiente

Javier García-Carranza Benjumea	Vocal	Dominical
% de consejeros dominicales		25%
% de consejeros independientes		75%
% de otros externos		

Observaciones
A pesar de la separación de la Comisión de Nombramientos y la Comisión de Retribuciones en dos comisiones separadas, las regulaciones de sus funciones en el Reglamento del Consejo de Administración se listaban de manera conjunta, con una atribución de funciones mediante referencia (en la cual se ha detectado la existencia de un error tipográfico). En el ejercicio 2020 el Consejo de Administración ha acordado modificar el Reglamento del Consejo de Administración para, además de corregir estos errores tipográficos, asignar en el Reglamento, de manera individual y clara, las funciones que corresponden y han venido ejerciendo durante el ejercicio 2019 cada una de las Comisiones.

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley o en los estatutos u otros acuerdos sociales.

<p>Durante el ejercicio 2019 las funciones atribuidas a esta comisión han sido las siguientes:</p> <ol style="list-style-type: none"> 1) evaluar las competencias, conocimientos y experiencia que deben concurrir en los miembros del Consejo de Administración. A estos efectos, definirá las funciones y aptitudes necesarias en los candidatos que deban cubrir cada vacante y evaluará el tiempo y dedicación precisos para que puedan desempeñar eficazmente su cometido; 2) elevar al Consejo de Administración las propuestas de nombramiento, reelección o separación de consejeros independientes para su designación por cooptación o para su sometimiento a la decisión de la Junta General de Accionistas, así como las propuestas para la reelección o separación de dichos consejeros por la Junta General de Accionistas; informar las propuestas de nombramiento de los restantes consejeros para su designación por cooptación o para su sometimiento a la decisión de la Junta General de Accionistas, así como las propuestas para su reelección o separación por la Junta General de Accionistas; 3) informar el nombramiento del Presidente, Vicepresidentes, Secretario y Vicesecretario del Consejo de Administración; 4) informar las propuestas de nombramiento de los miembros de la Comisión de Auditoría y Control; 5) informar al Consejo de Administración del desempeño de las funciones del Presidente; 6) examinar u organizar la sucesión del Presidente del Consejo de Administración y, de existir, del Consejero Delegado de la Sociedad, y, en su caso formular propuestas al Consejo de administración para que dicha sucesión se produzca de forma ordenada y planificada; 7) informar las propuestas de nombramiento y cese de los miembros del equipo directivo y las condiciones básicas de sus contratos;

- 8) establecer un objetivo de representación para el sexo menos representado en el consejo de administración y elaborar orientaciones sobre cómo alcanzar dicho objetivo;
- 9) informar al Consejo de Administración sobre las cuestiones de diversidad de género;
- 10) la coordinación del proceso de reporte de la información no financiera y sobre diversidad, conforme a la normativa aplicable y a los estándares internacionales de referencia;
- 11) establecer y supervisar un programa anual de evaluación y revisión continua de la cualificación, formación y, en su caso, independencia, así como el mantenimiento de las condiciones de honorabilidad, idoneidad, solvencia, competencia, disponibilidad y compromiso con su función, necesarias para el ejercicio del cargo Consejero y de miembro de una determinada comisión, y proponer al Consejo de Administración las medidas que considere oportunas al respecto, pudiendo recabar cualquier información o documentación que estime necesaria u oportuna al efecto;
- 12) velar por que, al proveerse nuevas vacantes o al nombrar nuevos Consejeros, los procedimientos de selección no adolezcan de sesgos implícitos que puedan implicar discriminación alguna y, en particular, que no obstaculicen la selección de consejeras;
- 13) considerar las sugerencias que le hagan llegar el Presidente, los miembros del Consejo, los directivos o los accionistas de la Sociedad (común con la Comisión de Retribuciones);
- 14) establecer y supervisar el mecanismo que permita a los empleados comunicar, de forma confidencial y, si se considerara apropiado, de forma anónima, las irregularidades de especial trascendencia, en especial las de naturaleza financiera y contable, que adviertan en el seno de la empresa;
- 15) supervisar el cumplimiento de los códigos internos de conducta y de las reglas de gobierno corporativo;
- 16) evaluar de forma periódica la adecuación del sistema de gobierno corporativo de la Sociedad, con el fin de que cumpla su misión de promover el interés social y tenga en cuenta los legítimos intereses de los grupos de interés;
- 17) la supervisión y evaluación de los procesos de relación con los distintos grupos de interés;
- 18) supervisar la estrategia y prácticas de responsabilidad social corporativa, evaluando su grado de cumplimiento, y velar por que la política de responsabilidad social corporativa esté orientada a la creación de valor;
- 19) en relación con las obligaciones de gobierno corporativo de la Sociedad:
 - a) revisar periódicamente la normativa interna de gobierno corporativo de la Sociedad y proponer al Consejo, para su aprobación o elevación a la Junta General de accionistas, según corresponda, las modificaciones y actualizaciones que contribuyan a su desarrollo y mejora continua;
 - b) impulsar la estrategia de gobierno corporativo de la Sociedad;
 - c) supervisar el cumplimiento de los requerimientos legales y de la normativa interna de gobierno corporativo de la Sociedad;
 - d) conocer, impulsar, orientar y supervisar la actuación de la Sociedad en materia de responsabilidad social corporativa y sostenibilidad e informar sobre la misma al Consejo o, en su caso, a la Comisión Ejecutiva;
 - e) conocer, impulsar, orientar y supervisar la actuación de la Sociedad en materia de reputación corporativa e informar sobre la misma al Consejo o, en su caso, a la Comisión Ejecutiva;
 - f) informar, con carácter previo a su aprobación, el informe anual de gobierno corporativo de la Sociedad, recabando para ello los informes de la Comisión de Auditoría y Control en relación con los apartados de dicho informe que sean propios de sus competencias.

20) cualesquiera otras que le sean atribuidas en virtud de los Estatutos Sociales, del presente Reglamento y de la ley y demás normativa aplicable a la Sociedad (común con la Comisión de Retribuciones).

Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:

- (i) proponer que el consejo continúe fijado en 12 miembros, reeligiendo a los consejeros cuyo mandato finalizaba en el ejercicio 2019; en el marco de lo anterior
 - (a) proponer la reelección de Dña. Pilar Cavero Mestre y D. Juan María Aguirre Gonzalo como consejeros independientes de la Sociedad;
 - (b) informar la reelección de D. Javier García Carranza Benjumea y Dña. Francisca Ortega Hernández-Agero como consejeros dominicales
- (i) proponer la sustitución de D. Fernando Ortiz Vaamonde como presidente de la Comisión de Nombramientos por D. Emilio Novela Berlín e informar la reelección de como miembros de la Comisión de Nombramientos y la Comisión de Retribuciones de D. Javier García Carranza Benjumea y Dña. Pilar Cavero Mestre;
- (ii) proponer la modificación del Reglamento del Consejo de Administración para su adecuación a la nueva estructura de la Comisión de Nombramientos y la Comisión de Retribuciones y a las modificaciones de estatutos aprobadas en la Junta General Ordinaria de 7 de mayo de 2018 y limitar la posibilidad de que los consejeros ejecutivos formen parte de otros consejos de administración de sociedades cotizadas, salvo dispensa expresa del consejo de administración;
- (iii) proponer el establecimiento de una política general interna por la que los consejeros ejecutivos tengan como limitación adicional, no poder formar parte de más de un consejo de administración y que su categoría en el mismo sea únicamente la de consejero independiente;
- (iv) informar en relación a la información sobre diversidad que preceptúa el Real Decreto-ley 18/2017, de 24 de noviembre, en materia de información no financiera y diversidad; y el cumplimiento de la política de selección de Consejeros;
- (v) la aprobación de la Memoria de la Comisión en relación con las actividades llevadas a cabo durante el ejercicio 2018 (habiéndose aprobado igualmente a esta fecha las correspondientes a 2019);
- (vi) la aprobación del Informe de Autoevaluación de la Comisión de Nombramientos durante el ejercicio 2018 (habiéndose aprobado igualmente a esta fecha el correspondiente a 2019);
- (vii) la aprobación del Informe de Evaluación del Consejo, su Presidente y Comisiones; y
- (viii) la aprobación del nombramiento del Sr. Emilio Novela Berlín como presidente de la Comisión de Nombramientos.

COMISIÓN DE RETRIBUCIONES

Nombre	Cargo	Categoría
Fernando Ortiz Vaamonde	Presidente	Independiente
George Donald Johnston	Vocal	Independiente
Pilar Cavero Mestre	Vocal	Independiente
Javier García-Carranza Benjumea	Vocal	Dominical

% de consejeros dominicales	25%
% de consejeros independientes	75%
% de otros externos	

Observaciones
A pesar de la separación de la Comisión de Nombramientos y la Comisión de Retribuciones en dos comisiones separadas, las regulaciones de sus funciones en el Reglamento del Consejo de Administración se listaban de manera conjunta, con una atribución de funciones mediante referencia (en la cual se ha detectado la existencia de un error tipográfico). En el ejercicio 2020 el Consejo de Administración ha acordado modificar el Reglamento del Consejo de Administración para, además de corregir estos errores tipográficos, asignar en el Reglamento, de manera individual y clara, las funciones que corresponden y han venido ejerciendo durante el ejercicio 2019 cada una de las Comisiones.

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas ya sea en la ley o en los estatutos u otros acuerdos sociales.

<p>Durante el ejercicio 2019 las funciones atribuidas a esta comisión han sido las siguientes:</p> <ol style="list-style-type: none"> 1) considerar las sugerencias que le hagan llegar el Presidente, los miembros del Consejo, los directivos o los accionistas de la Sociedad (común con la Comisión de Nombramientos); 2) proponer al Consejo de Administración la política de retribuciones de los Consejeros y de los directores generales o de quienes desarrollen sus funciones de alta dirección bajo la dependencia directa del Consejo, de Comisiones ejecutivas o de Consejeros delegados, así como la retribución individual de los Consejeros ejecutivos y de las demás condiciones de sus contratos, velando por su observancia; 3) analizar, formular y revisar periódicamente los programas de retribución, ponderando su adecuación y sus rendimientos, proponiendo su modificación o actualización; 4) velar por la observancia de la política retributiva establecida por la Sociedad; 5) asistir al Consejo en la elaboración del informe sobre la política de retribuciones de los Consejeros y elevar al Consejo cualesquiera otros informes sobre retribuciones previstos en el presente Reglamento y en los Estatutos Sociales de la Sociedad; 6) informar, con carácter previo a su aprobación, el informe anual de gobierno corporativo de la Sociedad, recabando para ello los informes de la Comisión de Auditoría y Control en relación con los apartados de dicho informe que sean propios de sus competencias cualesquiera otras que le sean atribuidas en virtud de los Estatutos Sociales, del presente Reglamento y de la ley y demás normativa aplicable a la Sociedad. <p>Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:</p> <ol style="list-style-type: none"> (i) informar en relación a: <ol style="list-style-type: none"> (a) la asignación de acciones correspondientes al MSP 2016; (b) el importe de los sueldos fijos (así como las variaciones propuestas) y variables (STIP) aplicables al equipo directivo, incluyendo consejeros ejecutivos;
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- (c) las cuotas de LTIP a asignar, así como sus beneficiarios;
- (d) la modificación de la remuneración de los consejeros externos y miembros de las comisiones y la correspondiente modificación de la Política de Remuneraciones (con la emisión del correspondiente informe);
- (e) el Informe Anual de Remuneraciones de los Consejeros;
- (f) el Informe Anual de Gobierno Corporativo en aspectos de su competencia;
- (ii) Aprobar:
 - (a) la contratación de KPMG como asesor en el proceso de elaboración de la nueva política de remuneraciones;
 - (b) la Memoria de Actividades de la comisión en relación con el año 2018; y
 - (c) el Informe de autoevaluación de la Comisión de Nombramientos y Retribuciones y la Comisión de Retribuciones durante el ejercicio 2018.
- (iii) Llevado a los trabajos necesarios para la preparación de la nueva política de remuneraciones de los consejeros.

COMISIÓN DE _____

Nombre	Cargo	Categoría

% de consejeros ejecutivos	
% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	
Observaciones	

Explique las funciones que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas ya sea en la ley o en los estatutos u otros acuerdos sociales.

C.2.2 Complete el siguiente cuadro con la información relativa al número de consejeras que integran las comisiones del consejo de administración al cierre de los últimos cuatro ejercicios:

	Número de consejeras			
	Ejercicio t Número %	Ejercicio t-1 Número %	Ejercicio t-2 Número %	Ejercicio t-3 Número %
Comisión ejecutiva				
Comisión de auditoría	3 – 75%	3 – 75%	3 – 75%	3 – 75%
Comisión de nombramientos y retribuciones	-	-	1 – 25%	1 – 25%
comisión de nombramientos	1 – 25%	1 – 25%		
comisión de retribuciones	1 – 25%	1 – 25%		
Observaciones				

C.2.3 Indique, en su caso, la existencia de regulación de las comisiones del consejo, el lugar en que están disponibles para su consulta, y las modificaciones que se hayan realizado durante el ejercicio. A su vez, se indicará si de forma voluntaria se ha elaborado algún informe anual sobre las actividades de cada comisión.

Toda la referida normativa interna de MERLIN (Estatutos Sociales, Reglamento del Consejo de Administración y Reglamento de la Comisión de Auditoría y Control) se encuentra a disposición de cualquier interesado en la página web corporativa (<http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>).

De conformidad con lo previsto en el artículo 529 *nonies* del Texto Refundido de la Ley de Sociedades de Capital, así como con la Recomendación 6ª del Código de Buen Gobierno de sociedades cotizadas, el Apartado 79 de la Guía Técnica 3/2017 de la Comisión Nacional del Mercado de Valores y de lo establecido en el artículo 25.2) del Reglamento de la propia Comisión de Auditoría y Control, la **Memoria de Actividades de la Comisión de Auditoría y Control del ejercicio 2019**, está disponible para inversores, accionistas y cualquier otro interesado, a través de la página web corporativa (<http://www.merlinproperties.com/gobierno-corporativo/informes-anales/>) desde la convocatoria de la Junta General ordinaria de accionistas.

De conformidad con lo previsto en el artículo 529 *nonies* del Texto Refundido de la Ley de Sociedades de Capital, así como con la Recomendación 6ª del Código de Buen Gobierno de sociedades cotizadas, el apartado 10 de la Guía Técnica 1/2019 de la Comisión Nacional del Mercado de Valores, la **Memoria sobre la actividad de la Comisión de Nombramientos del ejercicio 2019** y la **Memoria sobre la actividad de la Comisión de Retribuciones del ejercicio 2019**, estará disponible para inversores, accionistas y cualquier otro interesado, a través de la página web corporativa (<http://www.merlinproperties.com/gobierno-corporativo/informes-anales/>) desde la convocatoria de la Junta General ordinaria de accionistas.

D OPERACIONES VINCULADAS Y OPERACIONES INTRAGRUPU

D.1 Explique, en su caso, el procedimiento y órganos competentes para la aprobación de operaciones con partes vinculadas e intragrupo.

MERLIN cuenta con un “*Procedimiento de Operaciones con partes Vinculadas*” aprobado por la Comisión de Auditoría y Control, con fecha 13 de noviembre de 2017, en el que se regula la aprobación e información sobre de operaciones con partes vinculadas, sin perjuicio de lo establecido en los artículos 35 y 40.6.y) del reglamento del Consejo de Administración sobre las operaciones con consejeros y accionistas significativos y sobre la responsabilidad de la Comisión de Auditoría y Control de supervisar el cumplimiento de la normativa respecto operaciones vinculadas, respectivamente.

Este procedimiento establece un proceso de análisis y aprobación de operaciones vinculadas, con el fin de asegurar el cumplimiento con la normativa vigente en materia de operaciones vinculadas, así como la integridad, fiabilidad, relevancia, oportunidad, y adecuado soporte documental de la información incluida en las declaraciones de operaciones con partes vinculadas.

En este sentido, el procedimiento establece que:

- La realización por la Sociedad o las sociedades integradas en su Grupo de cualquier transacción con los consejeros, directivos, o con accionistas que legalmente tengan la consideración de significativos en cada momento o que hayan propuesto o efectuado el nombramiento de alguno de los consejeros de la Sociedad, o con las respectivas personas vinculadas, quedará sometida a autorización del Consejo de Administración, previo informe de la Comisión de Auditoría y Control.
- Como excepción a lo anterior, la autorización de las Operaciones Vinculadas deberá ser necesariamente acordada por la Junta General de Accionistas en los supuestos establecidos en la ley y, en particular, cuando se refiera a una transacción cuyo valor sea superior al diez por ciento de los activos sociales.
- La celebración de una Operación Vinculada sitúa al consejero que realiza dicha operación, o que está vinculado con la persona que la lleva a cabo, en una situación de conflicto de interés, por lo que, en lo que proceda, resultará de aplicación lo dispuesto en el artículo 28 del Reglamento del Consejo de Administración.
- El Consejo de Administración, a través de la Comisión de Auditoría y Control, velará por que las Operaciones Vinculadas se realicen en condiciones de mercado y con respeto al principio de igualdad de trato de los accionistas que se encuentren en condiciones idénticas. Cuando se trate de operaciones que vayan a llevar a cabo sociedades del Grupo, el ámbito de la autorización del Consejo de Administración, a la que se refieren los apartados anteriores, se circunscribirá a la verificación del cumplimiento de dichos extremos.
- Tratándose de Operaciones Vinculadas dentro del curso ordinario de los negocios sociales y que tengan carácter habitual o recurrente, bastará la autorización previa de la línea de operaciones y de sus condiciones de ejecución por el Consejo de Administración, previo informe de la Comisión de Auditoría y Control, y teniendo en cuenta lo establecido en el apartado j) siguiente.
- Cuando la Operación Vinculada implique la realización sucesiva de distintas transacciones, de las cuales la segunda y siguientes sean meros actos de ejecución de la primera, lo dispuesto en este procedimiento será de aplicación únicamente a la primera transacción que se realice.
- La autorización no será precisa en relación con aquellas transacciones que cumplan simultáneamente las tres condiciones siguientes: que se realicen en virtud de contratos

cuyas condiciones estén estandarizadas y se apliquen en masa a un elevado número de clientes; que se realicen a precios o tarifas establecidos con carácter general por quien actúe como suministrador del bien o servicio del que se trate; y que su cuantía no supere el uno por ciento de los ingresos anuales consolidados del Grupo.

- La Comisión de Auditoría y Control deberá emitir al Consejo de Administración un informe favorable previo a la formalización de las operaciones vinculadas. Para ello, requerirá analizar las operaciones vinculadas nuevas antes de su formalización y en función de las circunstancias de cada caso y de la urgencia de la operación, la sesión de la Comisión de Auditoría y Control para dicha aprobación, podrá realizarse por sesión presencial ordinaria, extraordinaria o por escrito y sin sesión (v.gr. correo electrónico, sesión telefónica, y otros similares).
- La Sociedad informará de las Operaciones Vinculadas en el Informe financiero anual, semestral y en el Informe anual de gobierno corporativo, en los casos y con el alcance previsto por la ley. Del mismo modo, la Sociedad incluirá en la memoria de las cuentas anuales información de las operaciones de la Sociedad o sociedades del Grupo con los consejeros y con quienes actúen por cuenta de estos, cuando sean ajenas al tráfico ordinario de la Sociedad o no se realicen en condiciones normales de mercado.
- Los Consejeros y Directivos deberán informar por escrito, dentro de la primera semana de los meses de enero y julio, sobre las transacciones realizadas por ellos y por sus Partes Vinculadas. En este sentido, el Secretario del Consejo de Administración remite un requerimiento de información semestralmente a los Consejeros. Por su parte, la dirección de Asesoría Jurídica lo hace a los Directivos.
- La comunicación deberá incluir el siguiente contenido: naturaleza de la transacción; fecha en la que se originó la transacción; condiciones y plazos de pago; identidad de la persona que ha realizado la transacción y relación, en su caso, con el consejero; importe de la transacción; y otros aspectos, tales como precios, garantías otorgadas y recibidas, así como cualquier otro aspecto de la transacción que permita su adecuada valoración, incluyendo, en particular, aquella información que permita verificar que ha sido efectuada en condiciones de mercado y con respeto al principio de igualdad de trato.
- Existe un modelo de comunicación para Consejeros y Accionistas significativos, en la que se solicita, entre otras cosas, la información referente a las operaciones vinculadas y otro modelo adaptado para Directivos.
- Existen sendos registros de Operaciones Vinculadas para Consejeros (Secretaría del Consejo de Administración) y Directivos (Asesoría Jurídica), en los que se incluyen tanto las operaciones comunicadas por estos, como las conocidas internamente por MERLIN, que se pondrán en conocimiento de los Consejeros y Directivos antes de su publicación.
- La información contenida en dichos registros se pondrá a disposición de la Comisión de Auditoría y Control, a través de la Dirección de Auditoría Interna.

D.2 Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Líneas de Financiación y Otros				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Financiación Vigente	Acuerdos de financiación (préstamos)	139.269,55
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Financiación Vigente	Acuerdos de financiación (préstamos)	65.806,45
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Saldo vivo derivados	Compromisos Adquiridos	158.000,00
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Saldo vivo derivados	Compromisos Adquiridos	122.178,56
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Saldo vivo derivados	Compromisos Adquiridos	65.806,45
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Saldo vivo derivados	Compromisos Adquiridos	63.787,67
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Saldo vivo derivados	Compromisos Adquiridos	56.283,24
MERLIN Properties SOCIMI	G36 Developements, S.L.	Financiación Vigente	Acuerdos de financiación (préstamos)	625,00
Avales y otros				
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Avales Recibidos	Garantías y avales recibidos	5.060,81
Banco Santander, S.A.	Pº Comer. Carlos III	Garantías y avales recibidos	Garantías y avales recibidos	1.515,68
Banco Santander, S.A.	Merlin Oficinas	Garantías y avales recibidos	Garantías y avales recibidos	135,03
Banco Santander, S.A.	Merlin Properties, SOCIMI	Garantías y avales recibidos	Garantías y avales recibidos	80,64
Amortizaciones de deuda, Ingresos y Gastos Financieros				
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Amortización de Financiación	Amortización o cancelación de créditos	3.088,50
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Comisiones e Intereses	Gastos Financieros	1.360,73
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Comisiones e Intereses	Gastos Financieros	832,05
Banco Santander, S.A.	Tree Inversiones Inmobiliarias, S.A.	Comisiones e Intereses	Gastos Financieros	756,25

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (Miles de €)
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	517,68
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	365,10
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	205,05
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	135,17
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	79,63
Banco Santander, S.A.	MERLIN Properties, SOCIMI	Comisiones e Intereses	Gastos Financieros	43,41
Banco Santander, S.A.	Pº Comer. Carlos III	Comisiones e Intereses	Gastos Financieros	30,75
MERLIN Properties SOCIMI	G36 Developements, S.L.	Financiación Vigente	Acuerdos de financiación (préstamos)	1,54
Gastos Operativos				
Banco Santander, S.A.	Merlin Properties, SOCIMI	Recepción de servicios (servicios Junta General de Accionistas)	Recepción de servicios	50,00
Ingresos Operativos				
Banco Santander, S.A.	Merlin Oficinas	Alquiler de Inmuebles (arrendador)	Arrendamientos (Arrendador)	1.025,70
Banco Santander, S.A.	Merlin Properties, SOCIMI	Alquiler de Inmuebles (arrendador)	Arrendamientos (Arrendador)	818,00
Banco Santander, S.A.	Merlin Retail	Alquiler de Inmuebles (arrendador)	Arrendamientos (Arrendador)	10,86
Otros Ingresos				
Banco Santander, S.A.	Merlin Properties, SOCIMI	Gravamen Especial	Otros	1.099,00
Tesorería				
Banco Santander, S.A.	Filiales	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	53.609,42
Banco Santander, S.A.	Merlin Properties, SOCIMI	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	22.439,16
Banco Santander, S.A.	Pº Comer. Carlos III	Saldos de tesorería	Saldos en cuentas corrientes y depósitos	6,77

Observaciones

D.3 Detalle las operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los administradores o directivos de la sociedad:

Nombre o denominación social de los administradores o directivos	Nombre o denominación social de la parte vinculada	Vínculo	Naturaleza de la relación	Importe (miles de euros)
Consejeros Ejecutivos: Ismael Clemente Orrego y Miguel Ollero Barrera	Magic Real Estate S.L.	Los citados Consejeros de la Sociedad son administradores y socios	Arrendamientos (Arrendador).	5,2

Observaciones

D.4 Informe de las operaciones significativas realizadas por la sociedad con otras entidades pertenecientes al mismo grupo, siempre y cuando no se eliminen en el proceso de elaboración de estados financieros consolidados y no formen parte del tráfico habitual de la sociedad en cuanto a su objeto y condiciones.

En todo caso, se informará de cualquier operación intragrupo realizada con entidades establecidas en países o territorios que tengan la consideración de paraíso fiscal:

Denominación social de la entidad de su grupo	Breve descripción de la operación	Importe (miles de euros)
G36 Development, S.L.	Préstamo a sociedad asociada consolidada por puesta en equivalencia, dedicada a la gestión de espacios de co-working. Tipo de interés del 1% devengado anualmente (1,5 miles de euros devengados a 31-dic-2019)	625,0

Observaciones

D.5 Detalle las operaciones significativas realizadas entre la sociedad o entidades de su grupo y con otras partes vinculadas, que no hayan sido informadas en los epígrafes anteriores.

Denominación social de la parte vinculada	Breve descripción de la operación	Importe (miles de euros)

Observaciones

D.6 Detalle los mecanismos establecidos para detectar, determinar y resolver los posibles conflictos de intereses entre la sociedad y/o su grupo, y sus consejeros, directivos o accionistas significativos.

A) CONFLICTOS DE INTERÉS ENTRE LA SOCIEDAD Y/O SU GRUPO Y SUS CONSEJEROS

De conformidad con lo establecido en el artículo 28 del Reglamento del Consejo de Administración, a efectos de evitar situaciones de conflicto de interés se obliga al Consejero a abstenerse de:

- realizar transacciones con la sociedad, excepto que se trate de operaciones ordinarias, hechas en condiciones estándar para los clientes y de escasa relevancia, entendiéndose por tales aquellas cuya información no sea necesaria para expresar la imagen fiel del patrimonio, de la situación financiera y de los resultados de la entidad,
- utilizar el nombre de la sociedad o invocar su condición de Consejero para influir indebidamente en la realización de operaciones privadas,
- hacer uso de los activos sociales, incluida la información confidencial de la compañía, con fines privados,
- aprovecharse de las oportunidades de negocio de la sociedad,
- obtener ventajas o remuneraciones de terceros distintos de la sociedad y su grupo asociadas al desempeño de su cargo, salvo que se trate de atenciones de mera cortesía y
- desarrollar actividades por cuenta propia o cuenta ajena que entrañen una competencia efectiva, sea actual o potencial, con la sociedad o que, de cualquier otro modo, le sitúen en un conflicto permanente con los intereses de la sociedad

Dichas previsiones anteriores serán de aplicación también en el caso de que el beneficiario de los actos o de las actividades prohibidas sea una persona vinculada al Consejero.

En todo caso, los Consejeros deberán comunicar a los demás Consejeros y, en su caso, al Consejo de administración cualquier situación de conflicto, directo o indirecto, que ellos o personas vinculadas a ellos pudieran tener con el interés de la Sociedad. A estos efectos, se considerarán personas vinculadas a los Consejeros y las que determine la normativa de aplicación vigente, en cada momento.

B) CONFLICTOS DE INTERÉS ENTRE LA SOCIEDAD Y SUS DIRECTIVOS O EMPLEADOS

De conformidad con lo dispuesto en sus Estatutos Sociales, la Sociedad aspira a que su conducta y la de las personas a ella vinculadas responda y se acomode, además de a la legislación vigente y a su sistema de gobierno corporativo, a principios éticos y de responsabilidad social de general aceptación.

Los principios y pautas de conducta contenidos en el Código de Conducta son de aplicación a todos los profesionales del Grupo, con independencia de su nivel jerárquico o funcional. A efectos del Código de Conducta, se consideran profesionales del Grupo los directivos y empleados, así como aquellas otras personas cuya actividad se someta expresamente al Código de conducta.

En relación con los posibles conflictos de interés, los profesionales del Grupo observarán los siguientes principios generales de actuación:

a) Independencia: actuar en todo momento con profesionalidad, con lealtad al Grupo y sus accionistas e independientemente de intereses propios o de terceros. En consecuencia, se abstendrán en todo caso de primar sus propios intereses a expensas de los del Grupo.

b) Abstención: abstenerse de intervenir o influir en la toma de decisiones que puedan afectar a las entidades del Grupo con las que exista conflicto de interés, de participar de las reuniones en que dichas decisiones se planteen y de acceder a información confidencial que afecte a dicho conflicto.

c) Comunicación: informar sobre los conflictos de interés en que estén incurso. A tal efecto, la concurrencia o posible concurrencia de un conflicto de interés deberá comunicarse por escrito al superior jerárquico inmediato y la Comisión de Nombramientos y Retribuciones.

Dentro del Grupo no podrán realizarse, en ningún caso, operaciones ni actividades que supongan o puedan suponer un conflicto de interés, salvo previa autorización por escrito de la Comisión de Nombramientos y Retribuciones. El profesional deberá abstenerse de realizar cualquier actuación al respecto hasta haber obtenido la correspondiente contestación a su consulta.

C) CONFLICTOS DE INTERÉS ENTRE LA SOCIEDAD Y ACCIONISTAS SIGNIFICATIVOS

Las situaciones de conflicto de interés entre la Sociedad y los accionistas significativos se regulan según lo establecido en el artículo 35 del Reglamento del Consejo de Administración, así como en el “Procedimiento de Operaciones con Partes Vinculadas” referido en el punto D.1 anterior

D.7 ¿Cotiza más de una sociedad del Grupo en España?

Sí

No

Identifique a las otras sociedades filiales que cotizan en España y su relación con la sociedad:

Identidad y relación con otras sociedades cotizadas del grupo

Indique si han definido públicamente con precisión las respectivas áreas de actividad y eventuales relaciones de negocio entre ellas, así como las de la otra sociedad cotizada con las demás empresas del grupo;

Sí

No

Defina las eventuales relaciones de negocio entre la sociedad matriz y la sociedad filial cotizada, y entre ésta y las demás empresas del grupo

Identifique los mecanismos previstos para resolver los eventuales conflictos de intereses entre la otra sociedad cotizada y las demás empresas del grupo:

Mecanismos para resolver los eventuales conflictos de intereses

E SISTEMAS DE CONTROL Y GESTION DE RIESGOS

E.1 Explique el alcance del Sistema de Gestión de Riesgos de la sociedad, incluidos los de naturaleza fiscal.

Con fecha 26 de febrero de 2016, el Consejo de Administración de la Sociedad, aprobó la **“Política de Control y Gestión de Riesgos”** en la que se establecen los principios básicos del control y gestión de los riesgos a los que se enfrenta MERLIN y su grupo de filiales en las que participa. La **“Política de Control y Gestión de Riesgos”** fue aprobada por el Consejo de Administración en febrero de 2016, y revisada posteriormente por la Comisión Auditoría en en abril de 2018 y finalmente en su redacción actual en abril de 2019.

Dicha política, establece los principios generales de actuación, concibiendo la gestión de riesgos como un proceso continuo, fundamentado en la identificación y evaluación de los potenciales riesgos de la compañía a partir de los objetivos estratégicos y de negocio, la determinación de los planes de acción y controles de los riesgos críticos, la supervisión de la eficacia de los controles diseñados y de la evolución del riesgo residual para su reporte a los órganos de gobierno de la compañía.

Durante el 2019, la Comisión de Auditoría y Control, encargada de supervisar la eficacia del control interno de la Sociedad y los sistemas de gestión de riesgos, ha revisado la Política de Control y Gestión de Riesgos, proponiendo al Consejo de Administración para su aprobación, en la revisión de abril 2019, las siguientes modificaciones:

- **Segregación de funciones en la gestión de riesgos:** incluyendo un resumen con la asignación de responsabilidades en la identificación y evaluación de riesgos, así como en la ejecución de planes de acción, supervisión del sistema y reporte y control.
- **Metodología para la elaboración del Mapa de Riesgos:** incorporando un apartado específico en el que se describe la metodología para realizar y actualizar el Mapa de riesgos como herramienta última en la identificación y evaluación de riesgos.

- **Sistema de control y gestión de riesgos:** se incorpora un punto adicional explicativo sobre el propio sistema de gestión y control de riesgos, explicando las distintas categorías de riesgos objeto de supervisión, haciendo hincapié en aquellos más relevantes, como por ejemplo el fiscal (cumplimiento del Régimen SOCIMI).
- **Nivel de tolerancia al riesgo:** se incorpora explícitamente que el objetivo último de la compañía es mantener un perfil de riesgo alineado con una tolerancia al riesgo media-baja, propia de un modelo de negocio de una SOCIMI comprometida con la creación de valor a largo plazo y a la generación de dividendo sostenible y creciente para los accionistas dentro de un entorno de valores de transparencia, ética y responsabilidad en el ámbito empresarial y social.
- **Tolerancia cero ante la corrupción y el fraude:** haciendo referencia a la Política de Cumplimiento Penal, Política contra la corrupción y el fraude y Política de Relaciones con las Administraciones Públicas, aprobadas por el Consejo de Administración en 2019, que expresan la voluntad de la Compañía en el cumplimiento estricto de lo más altos estándares de comportamiento ético y legal, para imponer una actuación preventiva y proactiva en la lucha contra la corrupción y soborno en todos los ámbitos de su actividad empresarial

El Sistema de Gestión de Riesgos del Grupo MERLIN, basado en los principios, elementos clave y metodología establecidos en el Marco COSO (“Committee of Sponsoring Organizations of the Treadway Commission”), tiene por objeto minimizar la volatilidad de los resultados (rentabilidad) y, por tanto, maximizar el valor económico del Grupo, incorporando el riesgo y la incertidumbre en el proceso de toma de decisiones para proporcionar una seguridad razonable en la consecución de los objetivos estratégicos establecidos, aportando a los accionistas, a otros grupos de interés y al mercado en general, un nivel de garantías adecuado que asegure la protección del valor generado.

Sobre la base de una visión integradora de la Gestión de Riesgos, MERLIN ha adoptado un enfoque metodológico basado en el **Marco de Gestión de Riesgos Empresariales – integrado con estrategia y desempeño (COSO 2017)**, el cual enfatiza la importancia de la gestión de riesgos empresariales en la planificación estratégica y la incorpora a toda la organización, ya que el riesgo influye en la estrategia y en el desempeño en todas las áreas, departamentos y funciones.

El Sistema de Gestión de Riesgos se basa en un modelo que identifica los eventos de riesgos clave de la Compañía, los evalúa en función del Impacto y la Probabilidad de ocurrencia, considerando los controles en funcionamiento, y monitoriza y reporta su evolución de forma periódica.

El Sistema de Gestión de Riesgos funciona de forma integral, continua, consolidando dicha gestión por área, unidad de negocio, actividad, filial y áreas de soporte (por ejemplo, compliance, recursos humanos, fiscal, marketing, control de gestión, etc.) a nivel corporativo, en el que se atiende a la gestión de todos los riesgos prioritarios, tanto internos como externos.

La Gestión de Riesgos de MERLIN es un proceso impulsado por el Consejo de Administración y la Alta Dirección, y es responsabilidad de todos y cada uno de los miembros de la organización, cada uno dentro de su ámbito de actuación. La gestión de riesgos, supervisada por la Comisión de Auditoría y Control, permite a la Dirección gestionar eficazmente la incertidumbre y sus riesgos asociados, mejorando así la capacidad de generar valor.

El Sistema de Gestión de Riesgos tiene su pilar en el ambiente de control de la organización, que influye en la conciencia de todos los empleados sobre el riesgo, y que forma la base del resto de componentes de la gestión de riesgos corporativos.

El análisis de riesgos posterior implica la identificación y evaluación de los factores que pueden afectar negativamente al cumplimiento de los objetivos de negocio (riesgos e incertidumbres), con el objeto de reducir o mitigar dichos riesgos, proporcionar respuestas y establecer las pertinentes actividades de control. Finalmente, la supervisión de la gestión de riesgos corporativos se lleva a cabo mediante actividades permanentes de seguimiento y/o actuaciones puntuales diseñadas a tal efecto, dentro del Plan Anual de Auditoría Interna, aprobado por la Comisión de Auditoría y Control.

Este Sistema se va complementando con una serie de Políticas y Procedimientos que se van implantando en la Sociedad y que están en proceso permanente de revisión y actualización en función de los cambios en la organización, procesos, recursos o regulaciones.

Como elemento central del Sistema de Gestión de Riesgos se destaca el Mapa de Riesgos, elaborado por primera vez en el ejercicio 2015 y que se actualiza semestralmente por la Comisión de Auditoría y Control y se aprueba por el Consejo de Administración, y en el que se reflejan y valoran los riesgos con potencial impacto en la consecución de los objetivos. Para la determinación de los riesgos clave se ha tenido en cuenta el impacto en la organización y la probabilidad de ocurrencia estableciéndose un Perfil de Riesgo estándar a gestionar para los riesgos más relevantes.

La Comisión (con el apoyo de Auditoría Interna) supervisa el modelo y la aplicación de la metodología de gestión de riesgos a través de la supervisión de la identificación y valoración de los riesgos (probabilidad e impacto) que afectan a los objetivos de cada una de las áreas. A través del desarrollo del plan, evalúa y concluye sobre la suficiencia y efectividad de los controles implantados por la Sociedad, emitiendo, en su caso, recomendaciones.

Durante este ejercicio 2019, la Comisión, en colaboración con el Director de Auditoría Interna, continuó con la labor emprendida en el año anterior en la:

- (i) Actualización semestral del Mapa de Riesgos de acuerdo con la metodología COSO-ERM 2017 para su posterior presentación al Consejo de Administración.
- (ii) Revisión y actualización de la Política de Control y Gestión de Riesgos, para su posterior aprobación por el Consejo de Administración en su sesión de abril de 2019.
- (iii) Seguimiento semestral de los principales indicadores (KPI's) de los riesgos considerados como clave, así como de las distintas actuaciones establecidas para su mitigación.
- (iv) Identificación de los indicadores de riesgo adelantados (KRI's) como alertas tempranas de la potencial ocurrencia de un riesgo para la consecución de objetivos.
- (iv) Análisis de simulaciones de Monte-Carlo y de sensibilidades de los principales factores de riesgo y su impacto en los estados financieros del Grupo.
- (v) Seguimiento periódico de los riesgos principales de negocio mediante la comparecencia de los responsables de las unidades de negocio junto con su explicación de las tendencias del negocio y los riesgos asociados.

- (vi) Control permanente del cumplimiento de los requisitos SOCIMI: revisión del cálculo trimestral del cumplimiento del test de rentas y de activos, revisión de criterios y cálculo por experto externo, reporte periódico a la Comisión de Auditoría y al Consejo de Administración, auditoría de los cálculos por el auditor de cuentas con periodicidad semestral y anual, ejercicios de simulación con los planes a futuros y presupuestos anuales.
- (vii) Seguimiento de la obtención de la certificación de calidad bajo la norma UNE 19.601 sobre el Sistema de Gestión de Compliance Penal, la cual acredita que el Modelo de Prevención y Detección de Delitos de MERLIN, cumple con los requisitos de la norma y además es eficaz, en una apuesta por la mejora continua para incorporar los más altos estándares de cumplimiento normativo, respecto a riesgos penales.
- (viii) Análisis de los riesgos que afectan a la Sociedad en materia de riesgos tecnológicos y de ciberseguridad, supervisando la ejecución del plan de formación y concienciación, que se ha realizado durante el ejercicio, y que afecta a todos los empleados de la compañía.

E.2 Identifique los órganos de la sociedad responsables de la elaboración y ejecución del Sistema de Gestión de Riesgos, incluido el fiscal.

A) CONSEJO DE ADMINISTRACIÓN

El Reglamento del Consejo de Administración establece, en el artículo 4 “Función General del Consejo”, aquellas funciones legal o estatutariamente reservadas al Consejo de Administración de MERLIN, entre las que se encuentra la aprobación, tanto de la política general de riesgos, como de la política de control y gestión de riesgos y el seguimiento periódico de los sistemas de información y control.

Fijar los niveles de riesgo que la Sociedad considere aceptables es una función ejecutiva de Consejo de Administración.

El Consejo de Administración, consciente de la importancia de este aspecto, establece, a través de la “*Política de Gestión de Riesgos*”, los mecanismos y principios básicos para una adecuada gestión de los riesgos clave a los que se enfrenta, y todo ello con el fin de:

- favorecer el cumplimiento de los objetivos empresariales propuestos;
- evitar pérdidas derivadas de la materialización de los riesgos;
- preservar la imagen y reputación de la Compañía y de su marca; y
- tener una continuidad en el análisis y la detección de posibles amenazas y nuevos riesgos para analizar su impacto y probabilidad de ocurrencia.

Para el desarrollo del control y la gestión de los riesgos, el Consejo de Administración cuenta con la colaboración de la Comisión de Auditoría y Control que supervisa e informa sobre la adecuación y eficacia del sistema de control y gestión de riesgos, incluidos los fiscales.

B) COMISIÓN DE AUDITORÍA

En este sentido, la Comisión de Auditoría y Control, apoya al Consejo en la supervisión del sistema de gestión de riesgos y es el órgano responsable de revisar la efectividad del sistema de gestión de riesgos y control interno durante el ejercicio.

En este sentido, y de acuerdo con las funciones establecidas en su propio Reglamento, la Comisión de Auditoría y Control es la encargada de supervisar la eficacia del control interno de la Sociedad, la auditoría interna y los sistemas de gestión de riesgos, así como discutir las debilidades significativas del sistema de control interno detectadas. Así, la Comisión de Auditoría y Control ejercerá, entre otras, las siguientes funciones básicas:

- Supervisar todo lo relativo a los distintos tipos de riesgo a los que se enfrenta la Sociedad, incluyendo riesgos financieros o económicos, fiscales, pasivos contingentes, otros riesgos fuera de balance, operativos, medioambientales, tecnológicos, legales, sociales, políticos y reputacionales.
- Evaluar, al menos anualmente, la lista de los riesgos, financieros y no financieros, más significativos y el nivel de tolerancia establecido para cada uno a partir de la información proporcionada por la dirección, el responsable de la dirección de auditoría interna y, en su caso, la unidad de gestión y control de riesgos
- Obtener información de si los riesgos más relevantes se gestionan y mantienen dentro de los valores de tolerancia marcados por el Consejo de Administración y valorar los distintos niveles de tolerancia al riesgo establecidos para, en su caso, proponer su ajuste.
- Mantener, al menos con carácter anual, una reunión con los responsables de las unidades de negocio en la que éstos expliquen las tendencias del negocio y los riesgos asociados, y reforzar la idea de que es a los responsables de las unidades de negocio a quienes corresponde de modo directo gestionar eficazmente los riesgos y la de que debe existir un responsable asignado para cada riesgo identificado.
- Aprobar el plan de auditoría interna para la evaluación del SCIIF, y sus modificaciones, y recibir información periódica del resultado de su trabajo, así como del plan de acción para corregir las deficiencias observadas.
- Revisar periódicamente la Política de Control y Gestión de Riesgos y proponer su modificación y actualización al Consejo de Administración.
- Revisar periódicamente los sistemas de control interno y gestión de riesgos de la Sociedad y en particular, el correcto diseño del sistema de control interno y gestión de la información financiera (SCIIF), para que los principales riesgos se identifiquen, gestionen y se den a conocer de forma adecuada.
- Supervisar la eficacia del control interno de la Sociedad, la auditoría interna y los sistemas de gestión de riesgos, incluidos los fiscales, así como discutir con los auditores de cuentas externos las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría.

- Velar por la independencia y eficacia de la función de auditoría interna, comprobando la adecuación e integridad de la misma, sirviendo de apoyo a la Comisión de Auditoría en su labor de supervisión del sistema de control interno.
- Desarrollar de manera activa la implantación de un mapa de riesgos y los correspondientes procesos inherentes al mismo, así como un Sistema de Control Interno de la Información Financiera (SCIIF).
- Supervisión del Mapa de Riesgos de MERLIN, asegurando que la exposición al riesgo de MERLIN sea congruente con el posicionamiento estratégico requerido en cada momento para su aprobación por el Consejo de Administración.
- Aprobación del presupuesto asignado a la función de gestión de riesgos y a la función de Auditoría interna.

La Comisión de Auditoría y Control lleva a cabo estas funciones de supervisión a través de la aprobación y seguimiento de los Planes de Acción y/o Contingencia acordados dentro de los Planes de Trabajo desarrollados por Auditoría interna, analizando los reportes llevados a cabo por el responsable de Auditoría Interna en relación a los procesos clave (riesgos, control interno, SCIIF, etc.), comprobando, de este modo, la adecuación, efectividad e integridad del Sistema de Gestión de Riesgos implantado por la Dirección de la Compañía.

C) ALTA DIRECCIÓN

MERLIN considera que toda la compañía debe estar implicada en la gestión de riesgos de forma activa. Con el objetivo de que el sistema de gestión de riesgos funcione de forma sostenible en el tiempo, se ha identificado a los responsables que, en cada una de las sociedades y divisiones de negocio del grupo, se encargan gestionar el Modelo, así como un responsable de su seguimiento y supervisión.

Por su parte, el Operating Committee (OpCo) es el responsable de la gestión diaria de riesgo, que incluye la identificación, evaluación y mitigación de los riesgos, así como el diseño e implementación de los planes de acción y evaluación del sistema de control interno, garantizando su efectividad operacional.

MERLIN considera que toda la compañía debe estar implicada en la gestión de riesgos de forma activa, siendo la Dirección de MERLIN la responsable de liderar, implantar, transmitir y gestionar la estrategia y recursos que constituyen el Sistema de Gestión de Riesgos y asume como compromiso fundamental garantizar un nivel de independencia adecuado, basado en los siguientes principios:

- Considerar el Riesgo como cualquier amenaza que un evento, acción u omisión, pueda impedir a MERLIN lograr sus objetivos, ejecutar sus estrategias con éxito, la realización correcta de sus operaciones o la pérdida de oportunidades.
- Establecer los mecanismos para una adecuada Gestión del Riesgo, considerando su identificación, evaluación, respuesta, seguimiento y reporting.
- Promover e implantar la estrategia, cultura, recursos y procesos que constituyan la Gestión Integral de Riesgos, que será revisada periódicamente para su adecuación a la situación de MERLIN y su entorno.

- Atribuir, entre los diferentes niveles de la Organización, la responsabilidad de identificar, analizar, valorar, evaluar y supervisar el Sistema de Gestión de Riesgos.
- Favorecer el establecimiento e implantación de directrices, límites y mecanismos que contribuyan a que la Gestión de Riesgos se realice de acuerdo con el Apetito al Riesgo aceptado por la Compañía.
- Impulsar, fomentar y difundir, mediante formación y comunicación, el Sistema de Gestión Riesgos, garantizando la difusión de la presente Política, junto con la documentación que la desarrolle.

D) DIRECCIÓN GESTIÓN DE RIESGOS

La función de la gestión de riesgos, es liderada por la Dirección de Auditoría Interna, función independiente que depende funcionalmente de la Comisión de Auditoría y Control y administrativamente de la Dirección General.

En el marco de la gestión de riesgos, la Dirección de Auditoría Interna coordina la información recibida de los distintos responsables directos de la gestión de riesgos y reporta a la Comisión de Auditoría y Control. En este sentido, la Dirección de Auditoría Interna tiene, entre otras, las siguientes funciones:

- Supervisar el proceso de identificación de riesgos, velando para que los principales riesgos se identifiquen y mantener actualizado el catálogo de riesgos, así como el Mapa de Riesgos.
- Revisar el cumplimiento de los niveles de riesgo que la Sociedad considere aceptables.
- Supervisar el cumplimiento de las medidas previstas para mitigar el impacto de los riesgos identificados, en caso de que llegaran a materializarse.
- Evaluar los sistemas de información y la operativa de los controles que se utilizan para gestionar los riesgos.

Reportar periódicamente a la Comisión de Auditoría y Control sobre la evolución de los riesgos identificados, los análisis realizados sobre su posible impacto en los objetivos de la Sociedad y sobre el cumplimiento de las medidas identificadas para su mitigación, proponiendo recomendaciones para la mejora del sistema y en nivel de control interno del Grupo.

E.3 Señale los principales riesgos, incluidos los fiscales, que pueden afectar a la consecución de los objetivos de negocio.

MERLIN se encuentra sometido a diversos riesgos inherentes a los distintos segmentos del negocio inmobiliario en los que opera y a las actividades de arrendamiento y/o promoción que desarrolla en cada uno de ellos, así como a las zonas geográficas en las que está implantada y a la evolución de factores externos, tanto políticos como económicos.

En este sentido, el Consejo de Administración considera la Gestión de Riesgos como un instrumento que contribuye a lograr una mayor eficiencia y eficacia de sus operaciones y que asegura la consecución de los objetivos estratégicos establecidos en los compromisos adquiridos a largo plazo con los mercados y accionistas, así como de los objetivos a corto plazo establecidos anualmente mediante el presupuesto anual.

De acuerdo con COSO ERM 2017 y para la gestión efectiva de los riesgos empresariales de MERLIN, en el proceso de identificación y evaluación de los riesgos se ha tenido en cuenta la formulación de la estrategia de MERLIN (Misión) con los objetivos comunicados a los mercados de capitales e inversores. En este sentido el apetito al riesgo se ha alineado con la estrategia y se han identificado los objetivos de negocio que ponen la estrategia en práctica mientras, a su vez, sirven para identificar, evaluar y responder a los riesgos identificados en el mapa de riesgos corporativo.

Así, a partir del análisis de la misión, valores y estrategia, de MERLIN se ha realizado un análisis de los distintos componentes, según la agrupación de los distintos objetivos estratégicos que se engloban en dichos elementos (ser la Socimi de referencia, creación de valor a largo plazo, generación de dividendo sostenible y creciente, valores de transparencia, ética y responsabilidad).

El análisis ha continuado añadiendo una segunda capa de elementos facilitadores / ejes estratégicos para la consecución de los objetivos planteados (activos / segmentos de negocio, recursos financieros, humanos y tecnológicos, stakeholders: clientes, proveedores, accionistas, inversores y organismos reguladores).

Por último, se ha procedido a la identificación de un total de 29 riesgos clave, bajo la perspectiva de los distintos componentes estratégicos y elementos facilitadores anteriormente identificados, tal y como se muestra a continuación:

- **Riesgos de Negocio:** que afectan a los objetivos estratégicos de creación de valor a largo plazo y generación de un dividendo sostenible y creciente; y que cuentan para su consecución, principalmente, con los distintos activos del grupo, agrupados en los distintos segmentos de negocio (oficinas, centros comerciales, logística y otros):
 - 1.- Nivel de ocupación de los activos
 - Gestión activos con desocupación
 - Comercialización activos nuevos
 - Renovación de contratos
 - 2.- Fluctuación del nivel de rentas
 - 3.- Concentración de rentas en top 10
 - 4.- Pérdida de valor de los inmuebles
 - 5.- Ineficiencia en las inversiones /capex
 - 6.- Riesgo Político en España
 - 7.- Cambios en patrón consumo

- **Riesgos de Recursos:** que afectan a los objetivos estratégicos de generación de un dividendo sostenible y creciente y a los valores de transparencia, ética y responsabilidad; y que cuentan para su consecución, principalmente, con los distintos recursos internos y externos que cuenta el Grupo (humanos, tecnológicos y financieros):

- 8.- Dependencia personal / retribución
- 9.- Prevención Riesgos Laborales
- 10.- Plan de Continuidad de negocio
- 11.- Brechas de ciberseguridad
- 12.- Innovación tecnológica
- 13.- Rating crediticio de la compañía
- 14.- Volumen de deuda a c/p
- 15.- Tipo de interés de la deuda
- 16.- Seguro e infra seguro
- 17.- Cumplimiento de covenants
- 18.- Inversiones /desinversiones

- **Riesgos de Stakeholders:** que afectan a los objetivos estratégicos de liderazgo y referencia (ser la Socimi de referencia) y a los valores de transparencia, ética y responsabilidad; y que cuentan para su consecución, principalmente, con las distintas actuaciones y políticas que realiza el Grupo para sus distintos grupos de interés (clientes, proveedores, sociedad; inversores y accionistas; y organismos reguladores):

- 19.- Riesgo de Crédito de clientes y proveedores
- 20.- Reputación del Grupo / preferencia de clientes
- 21.- Condiciones macroeconómicas país
- 22.- Integridad Información económica
- 23.- Retribución al accionista (dividendo)
- 24.- Fraude / comportamiento no ético
- 25.- Cumplimiento régimen SOCIMI
- 26.- Cumplimiento GDPR
- 27.- Compliance Penal
- 28.- Normativa PBC&FT
- 29.- Cambios regulatorios

Dentro del Sistema de Gestión de Riesgos de MERLIN, se han valorado todos los riesgos en términos de Impacto y Probabilidad, obteniendo un indicador del riesgo residual para el ejercicio en curso, se han identificado KPI's y se han asignado responsables de reporting, así como de implantar o desarrollar las medidas mitigadoras identificadas para cada uno de ellos.

E.4 Identifique si la entidad cuenta con un nivel de tolerancia al riesgo, incluido el fiscal.

MERLIN cuenta con una priorización de los riesgos identificados en función de su importancia, y lo ubica dentro de un Mapa de Riesgos, lo que, a su vez, delimita la cercanía de la importancia a un umbral de tolerancia predeterminado. Este umbral determina el apetito al riesgo de la compañía.

MERLIN concibe el apetito al riesgo como el nivel de riesgos que la Compañía está dispuesta a asumir o rechazar en base a sus objetivos, considerando las expectativas de sus grupos de interés, y la tolerancia al riesgo como la determinación de las fluctuaciones del nivel de riesgos, entendidas como normales alrededor de su apetito al riesgo. Para cada riesgo identificado, MERLIN ha determinado su ámbito de aplicación y ha establecido una tolerancia adecuada a los objetivos marcados en cada caso.

Para la identificación de los riesgos clave se ha considerado un umbral de tolerancia global basado en el impacto en la organización que tiene el riesgo y la probabilidad de ocurrencia, estableciéndose un perfil de riesgo estándar a gestionar para los riesgos más relevantes.

Es importante destacar la existencia de riesgos con “tolerancia cero”, esto es, riesgos para cuya estrategia de respuesta es “evitar”, lo que implica no proceder con la actividad que ocasiona el riesgo o cambiar la forma de actuar.

La organización incluye en esta tipología todos los riesgos relacionados con el cumplimiento de las condiciones del Régimen SOCIMI, con cualesquiera otros incumplimientos legales o regulatorios, con el cumplimiento de las condiciones de financiación y reparto de dividendos, los riesgos relacionados con cualquier tipo de fraude (por parte de directivos y empleados, clientes o proveedores de la sociedad) y los relacionados con la prevención de blanqueo de capitales y financiación del terrorismo.

En este sentido, se destaca la aprobación por parte del Consejo de Administración en el ejercicio 2018, de la **Estrategia Fiscal, Política Fiscal, y el Reglamento de la Función Fiscal** que establece una serie de principios de actuación, entre los que destacan el cumplimiento estricto de las obligaciones tributarias y abono de los tributos que resulten legalmente exigibles, no utilizar estructuras artificiosas o carentes de sentido económico o empresarial con el fin de minorar la carga fiscal de la compañía o de sus accionistas y el compromiso de no operar en territorios calificados como paraísos fiscales con la finalidad principal de reducir la carga fiscal de la compañía o de sus accionistas.

Así mismo, durante el ejercicio 2019, el Consejo de Administración ha aprobado una reforma significativa del sistema de Gobierno Corporativo de MERLIN, mediante una serie de políticas que expresan la voluntad de la Compañía en el cumplimiento estricto de lo más altos estándares de comportamiento ético y legal.

Entre estas políticas destaca la **Política ante la corrupción y el fraude**, basada en el principio de tolerancia cero hacia la comisión de actos ilícitos o delictivos, por lo que no permite que ninguno de sus empleados, con independencia de su nivel jerárquico o funcional, se involucre ni participe en ninguna operación o negocio dentro de su actividad empresarial que lleve consigo algún acto delictivo o de fraude o que vaya contra de los principios recogidos en su Código Ético, y la **Política de Relaciones con las Administraciones Públicas** que tiene como objetivo establecer los principios básicos por los que se rige el Grupo, y las normas y criterios de comportamiento de los empleados del Grupo MERLIN en su relación con las

Administraciones Públicas para imponer una actuación preventiva y proactiva en la lucha contra la corrupción y soborno en todos los ámbitos de su actividad empresarial.

Respecto al Sistema de Gestión de Compliance Penal de MERLIN, es destacable la obtención, en el ejercicio 2019, la certificación de calidad de acuerdo a la Norma UNE 19601, el estándar nacional de las mejores prácticas en sistemas de gestión para prevenir delitos, reducir el riesgo y fomentar una cultura empresarial ética y de cumplimiento con la Ley, contribuyendo a generar confianza.

La UNE 19601 establece los requisitos de un sistema de gestión de Compliance penal con el objetivo de ir más allá del cumplimiento de la legislación, y ayudar a las empresas y organizaciones a prevenir la comisión de delitos y reducir el riesgo penal y con ello, favorecer una cultura ética y de cumplimiento. Así mismo, la Circular 1/2016 de la Fiscalía General del Estado pone en valor la certificación como un elemento muy significativo que se considerará, llegado el caso, en la valoración de la eficacia de los modelos de prevención penal y en la exoneración de la responsabilidad penal de las personas jurídicas.

La certificación acredita que el Modelo de Prevención y Detección de Delitos de MERLIN, cumple con los requisitos de la Norma y además es eficaz, en una apuesta por la mejora continua para incorporar los más altos estándares de cumplimiento.

Entre otros aspectos, el Modelo de Prevención y Detección de Delitos de MERLIN incluye un Mapa de riesgos o delitos penales a los que el Grupo estaría expuesto por razón de su actividad, e identifica, documenta y ejecuta más de 90 controles vinculados a dichos delitos, demostrando que la organización ha dispuesto los mecanismos y controles a su alcance en el ámbito del Compliance penal.

MERLIN se convierte así en una de las primeras compañías inmobiliarias del Ibex 35 que obtiene este certificado, que contribuye a generar confianza entre los stakeholders y supone un reconocimiento al esfuerzo de MERLIN por dar la mayor prioridad y adoptar las mejores prácticas nacionales e internacionales de Compliance, gobierno corporativo, responsabilidad social y ética empresarial.

E.5 Indique qué riesgos, incluidos los fiscales, se han materializado durante el ejercicio.

Durante el 2019 no se han materializado riesgos significativos que hayan afectado a los objetivos estratégicos del negocio. Sin embargo, se destaca que, durante 2019, España se ha caracterizado por la inestabilidad política.

E.6 Explique los planes de respuesta y supervisión para los principales riesgos de la entidad, incluidos los fiscales.

MERLIN entiende que en su Sistema integrado de Gestión de Riesgos es tan importante identificar los riesgos, como determinar las medidas de gestión de los mismos y asegurarse de que esas medidas están siendo efectivas.

Así, la Sociedad realiza un seguimiento continuo sobre los riesgos, asegurando la viabilidad, eficacia, eficiencia y suficiencia de las respuestas establecidas para estos riesgos.

MERLIN configura los planes de respuesta a través de políticas, procedimientos y controles, en todo caso, ajustados a los diferentes riesgos que le afectan o pueden afectarle. En este sentido, el Grupo ha definido e identificado una serie de controles de diferente tipología, ha designado a la persona responsable de cada control y procede con carácter periódico (trimestral, semestral y/o anual) a evaluar el riesgo y su componente residual tras la ejecución y documentación del control. Adicionalmente se han establecido planes de mejora específicos sobre los riesgos operacionales, estratégicos, de cumplimiento y de reporte considerados como relevantes.

La Comisión de Auditoría y Control está comprometida con el proceso de gestión y control del riesgo, aprobando políticas, procedimientos, límites y estructuras de control que estima necesarias.

La Dirección General de la compañía, así como las Dirección Financiera y el resto de Direcciones de Negocio de la compañía, en sus reuniones periódicas, analizan la situación y evolución de los principales riesgos que afectan al Grupo, tomando medidas correctoras cuando lo estiman necesario.

A continuación, se enumeran, a modo de resumen, las principales medidas de mitigación implantadas en la gestión de los riesgos considerados como relevantes a cierre del ejercicio 2019:

- **Riesgos de Negocio:**
 - **Seguimiento de factores externos** de la economía real con impacto en el valor de los activos; esto es, factores que afectan a la demanda (renegociaciones de alquileres, salida imprevista de inquilinos, potencial oferta futura, etc.), así como factores que afectan a la rentabilidad y valoración de los activos (tipos de interés, yields del mercado inmobiliario).
 - **Valoración de activos independiente** de periodicidad semestral, plan de rotación de valoradores, revisión de las valoraciones por el auditor externo, así como comprobación interna de la valoración: seguimiento de las tasas de descuento aplicadas en la valoración y de las alternativas de inversión.
 - **Seguimiento continuo de indicadores de negocio** (ocupación, renta, vacíos, like for like, release spread, etc.) de los contratos por cada inquilino / operador, de la concentración de rentas brutas por los mayores inquilinos, del riesgo de crédito de los principales inquilinos y diseño de planes de contingencia para una eventual salida de cada gran inquilino.
 - **Implantación de un equipo interno de Comercialización** que da servicio a todos los segmentos de negocio, en los procesos de captación, comercialización y renovación de contratos en los activos.
 - **Plan de Inversiones (Value Creation Plan 2019-2022)** que permitirá reposicionar la calidad de un determinado número de inmuebles dentro de los planes Flagship, Landmark y Best II, que contribuirán al aumento de las rentas brutas y maximización de rentabilidad del portfolio existente.

- **Riesgos de recursos:**

- **Plan de incentivos de retribución a largo plazo:** de cara a la retención del personal clave, la compañía cuenta con planes de retribución variable (*Long Term Incentive Plan*) con compromiso de permanencia y está en marcha el diseño e implantación de planes de sucesión por área principal de negocio.
- **Plan estratégico de innovación** que engloba distintas iniciativas puestas en marcha de cara a la digitalización de procesos internos y de interacción con los arrendatarios, desarrollo de nuevos modelos de negocio tales como el *co-working*, así como diversas iniciativas ligadas a la eficiencia energética y a la electrificación de las plazas de aparcamiento en los activos.
- **Política financiera estricta**, mediante un seguimiento continuo de los mercados de deuda (hipotecaria, bancaria corporativa, bonos), seguimiento del nivel de apalancamiento, plazos y coste medio de la deuda, mantenimiento de líneas de crédito abiertas para eventuales emergencias e informes del auditor externo sobre el cumplimiento de *covenants*.
- **Procedimiento de inversión y estructuras de control:** documentación del funcionamiento de los modelos financieros, implantación de controles de modificaciones y de integridad en todos los modelos y auditorías internas de contraste de rentabilidad de inversiones.
- **Implantación de un Plan de Seguridad Informática:** definición de un Manual de Controles Generales sobre los Sistemas de Información, plan anual de mejoras de Sistemas de Información, ejercicios de concienciación en materia de ciberseguridad, seguimiento de incidencias y reporte periódico a la Comisión de Auditoría.

- **Riesgos relacionados con los Stakeholders:**

- **Implantación de Controles Generales** (Estrategia y Política Fiscal), así como de un Reglamento de la Dirección Fiscal, y de un Protocolo de Revisión del cumplimiento de la ley 16/2012.
- **Control permanente del cumplimiento de los requisitos Socimi:** cálculo trimestral del cumplimiento del test de rentas y de activos, revisión de criterios y cálculo por experto externo, reporte periódico a la Comisión de Auditoría y al Consejo de Administración, auditoría de los cálculos por el auditor de cuentas con periodicidad semestral y anual, ejercicios de simulación con los planes a futuros y presupuestos anuales.
- **Seguimiento de los Órganos de Control:** reporte periódico a la Comisión de Auditoría y Control de los planes y actividades del Órgano de Cumplimiento Penal, así como del Órgano de Control Interno en materia de prevención de blanqueo de capitales y financiación del terrorismo.
- **Supervisión del Sistema de Control Interno sobre la Información Financiera (SCIIF):** modelo de responsabilidades según el modelo de las tres líneas de defensa, documentación de todos los procesos involucrados en elaboración de la información financiera, matrices de riesgos y controles, supervisión periódica del modelo por parte de la Comisión de Auditoría y Control.

Seguimiento del entorno político y regulador: reporte periódico de nuevas normativas sectoriales, análisis de borradores de nuevas regulaciones anticipando impactos, contacto permanente con asesores especializados y seguimiento de todas las relaciones con las administraciones públicas.

F SISTEMAS INTERNOS DE CONTROL Y GESTIÓN DE RIESGOS EN RELACIÓN CON EL PROCESO DE EMISIÓN DE LA INFORMACIÓN FINANCIERA (SCIIF)

Describa los mecanismos que componen los sistemas de control y gestión de riesgos en relación con el proceso de emisión de información financiera (SCIIF) de su entidad.

F.1 Entorno de control de la entidad

Informe, señalando sus principales características de, al menos:

F.1.1. Qué órganos y/o funciones son los responsables de: (i) la existencia y mantenimiento de un adecuado y efectivo SCIIF; (ii) su implantación; y (iii) su supervisión.

De conformidad con lo dispuesto en los Estatutos Sociales de MERLIN, el Consejo de Administración tiene atribuidas las funciones de formular las cuentas anuales, el informe de gestión y la propuesta de aplicación del resultado de la Sociedad, así como la aprobación del Informe Anual sobre Gobierno Corporativo para su presentación en la Junta General, la Política de control y gestión de riesgos, y el seguimiento periódico de los sistemas internos de información y control.

La **Política de Control Interno del Grupo MERLIN** persigue definir un marco que regule el proceso de elaboración y supervisión de la información financiera, aplicable a todas las sociedades del Grupo, y aplicable también a la elaboración de la información financiera consolidada, coherente con los principios de transparencia, utilidad, veracidad, congruencia y adecuación y que delimite de forma clara la responsabilidad de sus órganos de administración en dicho proceso.

El objetivo principal del proceso de control interno es garantizar que la información financiera consolidada que publique el Grupo MELRIN refleje, en todos los aspectos significativos, la imagen fiel del patrimonio, de la situación financiera, de los resultados y de los flujos de efectivo del conjunto constituido por las sociedades incluidas en la consolidación.

Se entiende por Control Interno el proceso efectuado por el consejo de administración, la dirección y demás personal de la organización con el objetivo de proporcionar seguridad razonable en la consecución de la eficacia y eficiencia de las operaciones, fiabilidad de la información financiera, cumplimiento de normas aplicables y salvaguarda de los activos. En este sentido, el Control Interno forma parte íntegra de la gestión de riesgos corporativos.

El **Sistema de Control Interno para la Información Financiera (SCIIF)** es una parte del control interno y se configura como el conjunto de procesos que el consejo de administración, la comisión de auditoría y control, la alta dirección y el personal involucrado de la entidad llevan a cabo para proporcionar seguridad razonable respecto a la fiabilidad de la información financiera que se publica en los mercados. Este marco de referencia es de aplicación exclusiva al SCIIF.

El Grupo MERLIN tiene asignados recursos específicos y suficientes para asegurar la implantación efectiva de la Política de Control Interno sobre la información financiera (SCIIF).

El SCIIF es un sistema que afecta a todos los niveles de la organización y a todo el personal del Grupo. Las principales funciones relativas al Sistema de Control Interno de la Información Financiera del Grupo están atribuidas a la estructura de control que define el reglamento del Consejo de Administración:

- (i) Consejo de Administración, responsable de la aprobación del SCIIF.
- (ii) Comisión de Auditoría y Control, Órgano delegado del Consejo de Administración, tiene encomendada la supervisión del SCIIF, función que desempeña a través del Departamento de Auditoría Interna.
- (iii) Dirección Financiera del Grupo MERLIN, cuya responsabilidad es el diseño, implantación, ejecución y monitorización del SCIIF.
- (iv) Departamentos y Áreas de las compañías del Grupo MERLIN, responsables de la identificación de riesgos y ejecución de los controles en sus respectivas áreas de responsabilidad.
- (v) Dirección de Auditoría Interna del Grupo MERLIN, responsable de la ejecución de la supervisión del SCIIF.

Las facultades de cada uno de dichos niveles están atribuidas en función de los principios de jerarquía y competencia.

F.1.2 Si existen, especialmente en lo relativo al proceso de elaboración de la información financiera, los siguientes elementos:

- **Departamentos y/o mecanismos encargados: (i) del diseño y revisión de la estructura organizativa; (ii) de definir claramente las líneas de responsabilidad y autoridad, con una adecuada distribución de tareas y funciones; y (iii) de que existan procedimientos suficientes para su correcta difusión en la entidad.**

Tal y como se establece en el **Manual del Sistema de Control Interno para la Información Financiera (Manual del SCIIF) de MERLIN**, éste es un sistema que afecta a todos los niveles de la organización y a todo el personal del Grupo. Las principales funciones relativas al Sistema de Control Interno de la Información Financiera del Grupo se resumen en los siguientes puntos:

- La aprobación del SCIIF es responsabilidad del Consejo de Administración.
- La supervisión del SCIIF es responsabilidad de la Comisión de Auditoría y Control, a través de la Dirección Auditoría Interna.
- El diseño, implantación, ejecución y monitorización del SCIIF es responsabilidad de la Dirección Financiera.

El Consejo de Administración, como responsable último de la aprobación del SCIIF, ha definido a la Comisión de Auditoría y Control como delegada en la supervisión de su eficacia. De esta forma, la Comisión de Auditoría y Control debe asegurar el correcto cumplimiento

de las responsabilidades definidas y asignadas a la Dirección Financiera y demás departamentos y áreas relativas al SCIIF del Grupo.

La estructura organizativa definida en el Grupo relativa a las principales funciones de supervisión es la siguiente:

Comisión de Auditoría y Control

Para obtener una seguridad razonable sobre la fiabilidad de la información financiera, la Comisión de Auditoría y Control supervisa:

- El cumplimiento de los requisitos normativos.
- La adecuada delimitación del perímetro de consolidación.
- La correcta aplicación de los principios contables.
- La adecuación de las políticas y procedimientos de control implantados.

El proceso de elaboración y presentación de las cuentas anuales y la información financiera periódica, revisando que se encuentra en conformidad con la normativa vigente, que se trata de la información que efectivamente debe suministrarse a los mercados y a sus órganos de supervisión y se encarga de que el proceso de elaboración y publicación sea el correcto. Informará con carácter previamente a su aprobación por el Consejo de Administración de las posibles recomendaciones que pueda ofrecer al respecto.

La Comisión de Auditoría y Control dispone de diversas fuentes para determinar si la Dirección ha implementado un sistema efectivo de supervisión del SCIIF. Las principales fuentes de análisis son las siguientes:

- Preguntas y observación de la gestión llevada a cabo por la Dirección.
- Trabajos realizados por Auditoría Interna.
- Contratación de especialistas o recursos especializados.
- Auditores externos.

La Comisión de Auditoría y Control se apoya principalmente en el trabajo del auditor interno y mantiene las reuniones con los auditores externos que son necesarias.

Dirección Financiera

La Dirección Financiera del Grupo es la responsable de identificar los riesgos de error o fraude en la información financiera. Para su identificación, se comienza con el análisis de riesgos que determina el *Alcance del SCIIF* y documentando y guardando evidencia de la ejecución de los controles materiales obtenidos de dicho análisis, los cuales serán revisados periódicamente. Asimismo, es su responsabilidad informar al auditor interno y externo de los cambios que se produzcan en el perímetro de consolidación que afectará en el propio Alcance.

La Dirección Financiera de Merlin tiene la responsabilidad de establecer el diseño, la implementación y el seguimiento global del SCIIF del Grupo. Por lo tanto, ha establecido

una estructura que permite su ejecución y revisión de manera eficiente y en la que participan todos los niveles de responsabilidad del Grupo.

Para cumplir con dicha responsabilidad, la Dirección Financiera cuenta con el apoyo de los Responsables de cada Proceso, para monitorizar que se están ejecutando los controles adecuadamente según el Modelo implantado, y con la cooperación de Auditoría Interna se completa la supervisión de la efectividad del Modelo.

Adicionalmente, y como compromiso con el adecuado funcionamiento del SCIIF, se realizan las formaciones específicas para los miembros del departamento financiero que se consideran necesarias, incluyendo NIIF y PGC, normas de consolidación, fiscalidad y normas de reporte de los mercados de capitales, conceptos de control interno y de gestión de riesgos.

Responsables de Proceso

Los Responsables de Proceso tienen la función de contribuir al adecuado funcionamiento del SCIIF, tanto desde el punto de vista de diseño como de funcionamiento de los controles. Estos responsables se corresponden con personal del Departamento Financiero con conocimiento suficiente y nivel de responsabilidad en Merlin como para supervisar el cumplimiento de las funciones asignadas a los Ejecutores del Control en términos de control interno y de monitorizar la adecuada ejecución de los controles.

Auditoría Interna

La Dirección de Auditoría Interna es responsable de planificar la supervisión del SCIIF con el alcance y periodicidad adecuados con objeto de revisar la efectividad del mismo, considerando los trabajos en su Plan anual de Auditoría Interna, sujetos a aprobación de la Comisión de Auditoría y Control (CAC) (3ª línea de defensa independiente).

Auditoría Interna determina la naturaleza y extensión de las pruebas a realizar que facilitan la identificación de las posibles deficiencias de control y el análisis de sus causas para determinar el grado de cumplimiento y de eficiencia de los sistemas de control.

- **Código de conducta, órgano de aprobación, grado de difusión e instrucción, principios y valores incluidos (indicando si hay menciones específicas al registro de operaciones y elaboración de información financiera), órgano encargado de analizar incumplimientos y de proponer acciones correctoras y sanciones.**

La Compañía cuenta con un Código de Conducta, aprobado por el Consejo de Administración el 16 de diciembre de 2015, que recoge el compromiso de MERLIN con los principios de la ética empresarial y la transparencia en todos los ámbitos de actuación, estableciendo un conjunto de principios y pautas de conducta dirigidos a garantizar el comportamiento ético y responsable de todos los profesionales del Grupo en el desarrollo de su actividad, entre las que se mencionan los registros contables y la elaboración de la información financiera.

La Comisión de Nombramientos es el órgano al que corresponde la difusión tanto interna como externa del Código de Conducta, así como su interpretación e integración general. Sus criterios interpretativos son vinculantes para todos los profesionales del Grupo. Los

incumplimientos son analizados y gestionados de acuerdo a lo establecido en el Procedimiento del Canal Ético.

El Código de Conducta es de aplicación a todos los miembros del Órgano de Administración y a todos los empleados de las empresas que componen el Grupo MERLIN. Todos ellos tienen la obligación de conocer y cumplir el Código de Conducta y colaborar para su implantación en MERLIN. El ámbito de aplicación de éste podrá extenderse contractualmente a cualquier otra persona física o jurídica que mantenga relaciones comerciales con MERLIN cuando, por la naturaleza de dicha relación, sus actividades puedan afectar a la imagen y reputación del Grupo.

Como apartado específico y relevante, el Código de Conducta de MERLIN incluye la transparencia de la información. En el mismo se exige que todos los empleados y consejeros, en el ámbito de sus competencias, deben suministrar información veraz, completa, comprensible y puntual, y en ningún caso proporcionarán, a sabiendas, información incorrecta, inexacta o imprecisa que pueda inducir a error a quien la recibe.

Específicamente, se velará por la fiabilidad y rigurosidad de la información financiera que, de acuerdo con la normativa legal aplicable, se suministre públicamente al mercado. En concreto, se aplicarán las políticas contables, controles y los mecanismos de supervisión definidos por el Grupo para que la información relevante se identifique, prepare y comunique en tiempo y formas adecuados.

Asimismo, el Consejo de Administración, la Comisión de Auditoría y Control y los demás órganos directivos velarán periódicamente por la eficacia del sistema de control interno para la elaboración de la información financiera a remitir a los mercados, siendo una de las funciones específicas de la Comisión de Auditoría y Control la de "supervisar el cumplimiento y los códigos internos de conducta, así como las reglas de gobierno corporativo".

El Código de Conducta ha sido distribuido entre todos los empleados para su lectura y aceptación. El Código de Conducta forma parte del Pack de Bienvenida para nuevas contrataciones y es formalmente suscrito por cada nuevo trabajador en todas las empresas del Grupo, conservándose el original de cada aceptación dentro del expediente personal del empleado.

- **Canal de denuncias, que permita la comunicación a la comisión de auditoría de irregularidades de naturaleza financiera y contable, en adición a eventuales incumplimientos del código de conducta y actividades irregulares en la organización, informando en su caso si éste es de naturaleza confidencial.**

MERLIN cuenta con un Canal Ético (canal.etico@merlinprop.com) como vía de comunicación confidencial de cualquier hecho que vulnere la legalidad vigente y el Código de Conducta, así como irregularidades de potencial trascendencia financieras y contables o de cualquier otra índole.

Este Canal está accesible a todas las sociedades que integran MERLIN y es igualmente público, accesible a cualquier tercero interesado, para lo que se cuenta con un correo electrónico específico, que se detalla en el Código de Conducta junto con sus características,

publicado en la página web corporativa del Grupo. Adicionalmente, MERLIN cuenta con un procedimiento para la tramitación de todas las denuncias recibidas.

El *Procedimiento de Comunicación al Canal Ético* ha sido revisado y aprobado por el Consejo de Administración durante 2019, adaptándolo a los nuevos requerimientos de la normativa de protección de datos, aceptando denuncias anónimas que pudieran afectar a fraudes, conductas irregulares de naturaleza financiera, contable o de cualquier otra índole, a la calidad de la información financiera proporcionada a los mercados.

El Consejero Coordinador, así como el Director de Auditoría Interna son los receptores de las denuncias y están facultados para gestionar el inicio de la investigación de los hechos denunciados. Todas las investigaciones deberán hacerse confidencialmente y serán informadas en la sesión que proceda de cada Comisión de Auditoría y Control.

Durante el ejercicio 2019 no se ha recibido ninguna comunicación a través del Canal Ético.

- **Programas de formación y actualización periódica para el personal involucrado en la preparación y revisión de la información financiera, así como en la evaluación del SCIIF, que cubran al menos, normas contables, auditoría, control interno y gestión de riesgos.**

MERLIN, procura contar con personal con la formación y experiencia suficientes para llevar a cabo el desempeño de sus funciones y responsabilidades que tienen atribuidas.

La elaboración y preparación de la información financiera requiere por parte del personal una formación específica en aspectos de materias contables y consolidación, de aspectos fiscales, seguros, evaluación de riesgos y chequeo de los controles para mitigarlos.

Para ello, el personal de MERLIN participa en cursos de formación y actualización sobre normativa vigente que afecta a la Compañía y fomenta y facilita los medios para que su personal este actualizado asistiendo a seminarios o jornadas de actualización y tenga acceso a boletines y publicaciones para que su personal esté formado.

También se celebran reuniones periódicas con el auditor externo con objeto de conocer cambios en la normativa vigente que puede afectar a la Compañía, dentro del Plan anual de Formación de la Comisión de Auditoría y Control.

Durante el ejercicio 2019, distintos miembros de la plantilla del Grupo han recibido formación relativa a sistemas de información, normas contables y gestión de riesgos, ascendiendo el total de horas de formación en estas materias a un total de 280 horas. Entre las acciones formativas que han llevado a cabo estos profesionales, se destacan las siguientes:

- Certificación de Control Interno COSO
- Novedades contables y fiscales del ejercicio 2019
- Formación en herramientas de información financiera
- Prevención del blanqueo de capitales y financiación del terrorismo.
- Protección de datos personal y RGPD
- Formación en materia de Compliance Penal

F.2 Evaluación de riesgos de la información financiera

Informe, al menos, de:

F.2.1. Cuáles son las principales características del proceso de identificación de riesgos, incluyendo los de error o fraude, en cuanto a:

- **Si el proceso existe y está documentado.**

Tomando como referencia el marco de control interno establecido en el **Informe COSO** (*Committee of Sponsoring Organizations of the Treadway Commission*) y la definición incluida en el documento “**Control Interno sobre la información financiera en las sociedades cotizadas**” de la CNMV, MERLIN considera el SCIIF como el conjunto de procesos que lleva a cabo la entidad para proporcionar una seguridad razonable respecto a la fiabilidad de la información financiera que se facilita en el mercado.

Para contar con un modelo eficaz y fiable, basado en la identificación de riesgos clave y en la selección de los procesos relevantes para la información financiera, **MERLIN ha aplicado durante 2019, su metodología de trabajo, la cual se encuentra documentada en el Manual del SCIIF**, aprobado por la Comisión de Auditoría y Control.

En primer lugar, la Dirección Financiera, ha revisado el perímetro de consolidación para comprobar que están incluyéndose todas las Sociedades necesarias y, además, comprobar que la actividad del Grupo no ha variado en algún aspecto significativo que influya en la elaboración de la información financiera.

Una vez realizada la revisión del perímetro de consolidación, la Dirección Financiera procede a analizar qué procesos son relevantes para la información financiera en ese periodo. Este análisis se realiza mediante el Alcance de riesgos, elaborado de manera anual por la Dirección Financiera.

A principios de cada ejercicio, en el primer trimestre, la Dirección Financiera realiza este ejercicio utilizando los Estados Financieros Consolidados del ejercicio anterior, con el fin de analizar el alcance que debe tener la monitorización y supervisión del SCIIF ese periodo.

Los resultados del análisis se remiten a las Direcciones de los Departamentos responsables de los Procesos significativos del SCIIF para obtener confirmación de los mismos y para que sean conscientes de que esos procesos van a ser monitorizados en el ejercicio siguiente.

Además, se remite a la Dirección de Auditoría Interna el alcance de los procesos materiales como punto de partida para su supervisión dentro de su Plan de Auditoría.

Este Alcance de riesgos del SCIIF no implica la valoración de los riesgos financieros, estos riesgos se encuentran valorados de manera general en el **Mapa de Riesgos Corporativo** con su seguimiento correspondiente. De forma más detallada los riesgos del SCIIF se encuentran identificados junto con sus controles correspondientes implantados para su mitigación.

El Alcance de riesgos del SCIIF permite identificar qué cuentas y epígrafes contables tienen un riesgo significativo asociado y cuyo impacto potencial en la información financiera pueda ser material.

Para ello, la Dirección Financiera en este análisis considera factores cuantitativos y cualitativos:

a) **Criterios cuantitativos:**

Los criterios cuantitativos son establecidos a través del cálculo de la materialidad del ejercicio, para la cual se toman como referencia los Estados Financieros de cada año de MERLIN.

b) **Criterios cualitativos:**

Los criterios cualitativos considerados para el Alcance de riesgos en MERLIN son los siguientes:

- **Tamaño:** discriminación de la cuenta en comparación con la materialidad de "Error Material".
- **Composición (volumen e importe unitario):** volumen numérico de transacciones en el ejercicio e importe unitario de cada transacción.
- **Automatización de los procesos:** automatización vs manualidad de los procesos. A mayor automatización menor riesgo.
- **Estandarización de operaciones:** valoración de la homogeneización de las operaciones registradas. A mayor homogeneidad menor riesgo.
- **Susceptibilidad al fraude o error:** riesgo de fraude o error no intencionado. A considerar: segregación de funciones, grado de supervisión/aprobación, rigurosidad del proceso de revisión.
- **Complejidad contable:** dificultad en la aplicación del tratamiento contable bien por interpretación de la norma o complejidad de los cálculos asociados.
- **Grado de estimación/juicio y valoraciones:** consideración del grado de estimación y/o juicio requerido para el registro de las transacciones.
- **Riesgo de pérdidas o pasivos contingentes:** activo asociado a la cuenta sujeto a potenciales pérdidas de valor. Potencialidad de identificación de pasivos contingentes.
- **Cambios respecto al ejercicio anterior:** consideración de potenciales cambios en el tratamiento contable (ej. nueva normativa, dificultad de obtención de información requerida para la estimación de la cuenta), cambios en el entorno económico o en el propio proceso en sí.
- **Ajustes de auditoría/debilidades de control:** consideración de los ajustes/debilidades de control identificados por los auditores internos o externos con impacto en esta cuenta en ejercicios anteriores.
- **Decisión de criticidad en base a experiencia:** consideración de experiencia acumulada en cada una de las partidas en ejercicios anteriores.

Una vez definidos los epígrafes materiales con criterios cuantitativos y cualitativos, se confirma en que procesos o subprocesos del **Mapa de Procesos** definido impactan según las actividades que los compongan. En este sentido, para cada una de las cuentas y epígrafes significativos se han definido los procesos y subprocesos críticos asociados a los mismos, y se han identificado los riesgos que pudieran generar errores y/o fraude en la información financiera, cubriendo la totalidad de los objetivos de la información financiera (Mapa de Procesos de MERLIN).

Además de realizar el análisis anual del Alcance del SCIIF siguiendo la metodología de referencia, el Grupo y los empleados involucrados en el adecuado funcionamiento del SCIIF

disponen de un marco teórico de documentación diseñado bajo la metodología y buenas prácticas del mercado, que incluye las Matrices de Riesgos y Controles.

- **Si el proceso cubre la totalidad de objetivos de la información financiera, (existencia y ocurrencia; integridad; valoración; presentación, desglose y comparabilidad; y derechos y obligaciones), si se actualiza y con qué frecuencia.**

Dentro de las Matrices de Riesgos y Controles, se identifican, para cada proceso/subproceso, los riesgos inherentes, los objetivos de la información financiera en los que estos riesgos indiquen (aserciones financieras), y los controles diseñados para mitigarlos e incluye todos los atributos del control.

La finalidad principal del SCIIF es la fiabilidad de la información financiera que se difunde en el mercado, lo que implica el cumplimiento de los siguientes objetivos de control:

- **Existencia y Ocurrencia (EO):** las transacciones, hechos y demás eventos recogidos por la información financiera existen y se han registrado en el momento adecuado.
- **Integridad (I) de la información:** La información refleja la totalidad de las transacciones, hechos y demás eventos en los que la entidad es parte afectada.
- **Adecuada valoración (V):** Las transacciones, hechos y demás eventos se registran y valoran de conformidad con la normativa aplicable.
- **Adecuada presentación, desglose y comparabilidad (P, D, C):** Las transacciones, hechos y demás eventos se clasifican, presentan y reflejan en la información financiera de acuerdo con la normativa aplicable.
- **Corte (C) de operaciones:** Las transacciones y los hechos se han registrado en el periodo correcto.
- **Adecuado reflejo de los derechos y obligaciones (D, O):** La información financiera refleja, a la fecha correspondiente, los derechos y obligaciones a través de los correspondientes activos y pasivos, de conformidad con la normativa aplicable.

Por ello, la salvaguarda de los activos y la prevención/detección del fraude se consideran objetivos del SCIIF por el impacto que tienen en los seis objetivos básicos anteriores.

La actualización del modelo del SCIIF, sin perjuicio de lo establecido para la revisión anual del *Alcance de Riesgos del SCIIF*, se realizará siempre que concurran circunstancias en los negocios de la compañía y su entorno regulatorio o se produzcan hechos de cualquier naturaleza, que aconsejen realizar dicha actualización, a juicio de la Comisión de Auditoría y Control, la Alta Dirección o la Dirección de Auditoría Interna.

En todo caso, con carácter anual, la Dirección Financiera evaluará la concurrencia de las circunstancias antes mencionadas.

- **La existencia de un proceso de identificación del perímetro de consolidación, teniendo en cuenta, entre otros aspectos, la posible existencia de estructuras societarias complejas, entidades instrumentales o de propósito especial.**

La Dirección Financiera revisa, periódicamente, el perímetro de consolidación para comprobar que están incluyéndose todas las Sociedades a consolidar y, además, comprobar que la actividad del Grupo no ha variado en algún aspecto significativo que influya en la elaboración de la información financiera.

Adicionalmente, siempre que una sociedad se incorpora al perímetro de consolidación del Grupo, se determina el impacto de dicha sociedad (bajo los criterios de materialidad) dentro de los epígrafes de los Estados Financieros Consolidados del Grupo, así como en cada uno de los procesos y subprocesos, ya identificados en su subgrupo.

Asimismo, en caso de salida de una sociedad del perímetro de consolidación del Grupo, se actualiza el alcance del SCIIF siempre y cuando dicha sociedad formase parte del alcance del mismo a la fecha de su salida.

Respecto a la posible existencia de estructuras societarias complejas, entidades instrumentales o de propósito especial, el reglamento de la Comisión de Auditoría y Control de MERLIN recoge en su artículo 10 las competencias de la Comisión relativas a la información al Consejo de Administración con carácter previo a la adopción por este de la correspondiente decisión, sobre la creación o adquisición de participaciones en entidades de propósito especial o domiciliadas en países o territorios que tengan la consideración de paraísos fiscales.

En cumplimiento de estos requerimientos, durante 2019, la Comisión de Auditoría y Control de MERLIN ha analizado el mapa de sociedades de MERLIN correspondiente al ejercicio y sus variaciones en el periodo, con carácter trimestral.

Si el proceso tiene en cuenta los efectos de otras tipologías de riesgos (operativos, tecnológicos, financieros, legales, fiscales, de reputación, medioambientales, etc.) en la medida que afecten a los estados financieros.

Tal y como se ha mencionado con anterioridad, el proceso de identificación de riesgos que afectan a la información financiera del Grupo, tiene en cuenta los 5 objetivos de control para la información financiera (existencia y ocurrencia, integridad, valoración y medición, presentación y desglose y derechos y obligaciones).

Respecto a la consideración de otras tipologías de riesgos, tales como operativos, tecnológicos, financieros, legales, fiscales, de reputación o medioambientales, los riesgos del Mapa de Riesgos Corporativos se tienen en cuenta en el proceso de identificación de riesgos que afectan a la información financiera.

- **Qué órgano de gobierno de la entidad supervisa el proceso.**

La Comisión de Auditoría y Control de MERLIN, desarrolla las funciones en materia de supervisión de la gestión de riesgos y de la información financiera que le han sido delegadas por el Consejo de Administración de acuerdo con sus respectivos Reglamentos.

En este sentido la Comisión de Auditoría y Control es responsable de:

- (i) La supervisión de información financiera.
- (ii) La supervisión de actividades auditoría interna y externa.
- (iii) Supervisión de la eficacia del SCIIF.

Estas funciones implican que, para obtener una seguridad razonable sobre la fiabilidad de la información financiera, la Comisión de Auditoría y Control supervisa:

- (i) El cumplimiento de los requisitos normativos.
- (ii) La adecuada delimitación del perímetro de consolidación
- (iii) La correcta aplicación de los principios contables.
- (iv) La adecuación de las políticas y procedimientos de control implantados.
- (v) El proceso de elaboración y presentación de las cuentas anuales y la información financiera intermedia.
- (vi) El proceso de supervisión del funcionamiento del SCIIF que llevará a cabo la Dirección de Auditoría Interna.
- (vii) Las observaciones y recomendaciones del auditor externo realizadas durante el proceso de auditoría de cuentas de la compañía.
- (viii) Planteará las recomendaciones que estime convenientes en esta materia al Consejo de Administración carácter previo a su aprobación

F.3 Actividades de control

Informe, señalando sus principales características, si dispone al menos de:

F.3.1. Procedimientos de revisión y autorización de la información financiera y la descripción del SCIIF, a publicar en los mercados de valores, indicando sus responsables, así como de documentación descriptiva de los flujos de actividades y controles (incluyendo los relativos a riesgo de fraude) de los distintos tipos de transacciones que puedan afectar de modo material a los estados financieros, incluyendo el procedimiento de cierre contable y la revisión específica de los juicios, estimaciones, valoraciones y proyecciones relevantes.

MERLIN cuenta con un procedimiento formal de revisión y autorización de la información financiera a publicar en los mercados (**Procedimiento de cierre contable**). Este procedimiento tutela el proceso desde que dicha información es generada por la Dirección Financiera, hasta que es revisada por la Comisión de Auditoría y Control y, finalmente aprobada por el Consejo de Administración antes de su publicación al mercado. Dicho procedimiento incluye a los Estados Financieros anuales, a los estados financieros de periodos intermedios (trimestrales y semestrales), al Informe Anual de Gobierno Corporativo e Informe Anual de Retribuciones, así como otra información pública relevante para el mercado.

En este sentido, el Reglamento de **la Comisión de Auditoría y Control** establece la función de ésta de revisar la claridad e integridad de toda la información financiera, y no financiera relacionada, que la entidad haga pública, como pueden ser los estados financieros, informe de

gestión, informes de gestión y control de riesgos e informe anual de gobierno corporativo, debiendo asegurarse de que los Informes financieros semestrales y las declaraciones trimestrales de gestión se formulan con los mismos criterios contables que los Informes financieros anuales y, a tal fin, considerar la procedencia de una revisión limitada de los Informes financieros semestrales por el auditor de cuentas.

La documentación del sistema de control interno de la información financiera, que se revisa anualmente en función de la actualización de los procedimientos de los procesos, incluye descripciones y flujogramas de los distintos ciclos de generación de la información financiera relevante seleccionada en el proceso de identificación (Flujogramas y Narrativas), así como descripciones de los riesgos de error priorizados, de los controles diseñados para su mitigación, asignación de responsables para su ejecución y supervisión y descripción de las evidencias a aportar en su ejecución, que serán objeto de revisión por parte de la Dirección de Auditoría Interna (Matrices de Riesgos y Controles).

Matriz de riesgos y controles (MRC):

Las matrices de riesgos y controles se dividen en tres tipologías según el tipo de control:

- **Controles generales:** también “Controles a Nivel de Entidad” (ELCs), aquellos que dan cobertura generalizada al sistema de control interno de la Compañía, como los relacionados con el entorno de control (p.ej. Código Ético o asignación de responsabilidades), el proceso de evaluación de riesgos de la Compañía, entre otros.
- **Controles generales tecnológicos:** también “Controles Generales de la Tecnología de la Información” (ITGCs), son aquellos controles que se realizan sobre las aplicaciones y sistemas del Grupo que soportan el resto de los procesos identificados para garantizar la disponibilidad, confidencialidad, autenticidad, fiabilidad e integridad de la información contenida en los mismos.
- **Controles de proceso:** controles no englobados en las categorías anteriores, referidos a actividades de control ejecutadas como parte de procesos de negocio o de soporte involucrados en la elaboración de la información financiera. Estos controles se diferencian entre Manuales y Automáticos, y Periódicos y Transaccionales, los cuales tienen periodicidades y metodologías de supervisión diferentes.

MERLIN cuenta con los siguientes ciclos/procesos documentados que regulan los principales procesos con impacto en la información financiera:

- Proceso de Administración General
- Proceso de Tesorería y Finanzas
- Proceso de Administración de personal
- Proceso de Impuestos
- Proceso de Contabilidad Individual
- Proceso de Consolidación
- Proceso de Asesoría Jurídica
- Proceso de Elaboración de Cuentas Semestrales y Anuales
- Proceso de Facturación de Rentas
- Proceso de gestión del CAPEX
- Proceso de Gestión de contratos inmobiliarios
- Proceso de Inversiones y desinversiones
- Proceso de Valoración de activos
- Proceso de Elaboración del Informe de Gestión

Los distintos procesos y actividades de cierre contable de negocio y de actividades administrativas y/o corporativas son considerados como un ciclo dentro del SCIIF. Por otra parte, la revisión específica de los juicios, estimaciones, valoraciones y proyecciones relevantes, son objeto de controles específicos en el modelo en los ciclos en los que corresponde, ya que implican la identificación de riesgos de error.

En cuanto a la descripción del SCIIF a publicar en los mercados de valores, el procedimiento de revisión y autorización es el mismo que para el resto de los contenidos de naturaleza económica y financiera del Informe Anual de Gobierno Corporativo.

Respecto al procedimiento de cierre contable y la revisión específica de los juicios, estimaciones, valoraciones y proyecciones relevantes, la Comisión de Auditoría y Control, con el apoyo de la Dirección de Auditoría Interna, revisa trimestralmente la información financiera para confirmar que dicha información es fiable, comprensible, relevante.

Así mismo, la revisión trimestral tiene por objeto el asegurar que los estados financieros trimestrales y semestrales se realizan con los mismos criterios contables que los anuales, la verificación de la adecuada delimitación del perímetro de consolidación y la correcta aplicación de las normas internacionales de información financiera, poniendo de manifiesto los asuntos identificados que pudieran suponer un riesgo en la opinión del auditor externo.

Finalmente, señalar que desde 2019 MERLIN cuenta con una herramienta informática que da soporte, entre otras áreas, a los controles del SCIIF, de modo que la documentación de los controles mediante la aportación de evidencias, se hace de una manera centralizada, lo que facilita las labores de supervisión y control sobre la ejecución y documentación de los controles implantados.

F.3.2. Políticas y procedimientos de control interno sobre los sistemas de información (entre otras, sobre seguridad de acceso, control de cambios, operación de los mismos, continuidad operativa y segregación de funciones) que soporten los procesos relevantes de la entidad en relación a la elaboración y publicación de la información financiera.

Las políticas y procedimientos de control interno asociados a los sistemas de información son definidos por la Dirección, apoyándose en un proveedor de servicios de Sistemas de Información a través de un contrato de *outsourcing*.

La Sociedad cuenta con un conjunto de procedimientos, para el control y operación de los sistemas informáticos, así como con los sistemas relacionados con la información financiera, que se encuentran en marcha.

Este conjunto de procedimientos y políticas internas asociadas que desarrollan la operativa para el control de los riesgos cubre los siguientes aspectos:

- Seguridad de acceso, procesos que regulan los siguientes elementos:
 - Acceso a documentos
 - Asignación de permisos a sistemas informáticos
 - Normativas Seguridad Informática de obligado cumplimiento para los usuarios: documento para difusión general
 - Política de contraseñas para acceso a la red y SAP (sistema principal donde se genera y mantiene la información financiera)

- Control de cambios de programas, parametrización y operación de los sistemas, que comprende los siguientes procesos:
 - Procesos operativos para la aplicación de parches (pequeñas actualizaciones) en SAP
 - Procesos operativos para los cambios de programas
 - Procesos operativos para el cambio de parametrización en SAP Productivo
 - Política para el cambio o actualización de sistemas (renovación, aplicación de parches en SAP, cambio de versión, etc.).

- Continuidad operativa, que incluye las siguientes actividades:
 - Plan de Contingencia y Recuperación de Sistemas y sus instrucciones técnicas (red corporativa de oficina, e-mail, comunicaciones y SAP)
 - Monitorización automática de procesos de copia de seguridad.
 - Definición del ámbito de copias de seguridad para SAP
 - Procedimiento operativo para la recuperación de SAP.

- Segregación de funciones:

La segregación de funciones es un pilar clave en el modelo de control interno y, en el Grupo MERLIN, es fundamental en el entorno del sistema SAP, tanto por el número de usuarios que acceden al sistema, como por la importancia de la información que manejan. Existe una política de concesión de permisos en SAP que trata de seguir lo más fielmente posible la asignación de funciones a los diferentes departamentos y áreas. De esta forma, si una persona tiene asignada una función, serán los procesos relacionados a esa función los que tenga permitidos. Estos permisos de acceso y ejecución van cambiando con el tiempo en la medida en que la organización cambia. La decisión de permitir o no el acceso, es definida por la Compañía y ejecutada por la Dirección de Sistemas aplicando los procedimientos correspondientes.

- Control de cambios de datos maestros:

El sistema más utilizado en la compañía y de donde se extrae la información financiera es SAP. Este sistema guarda internamente el usuario que realiza los cambios en los datos maestros más relevantes. Este registro está disponible para su revisión mediante transacciones propias de SAP.

Los principales riesgos contemplados por MERLIN, y a los que se da respuesta, afectan a la seguridad física (copias de seguridad, mantenimiento y acceso a servidores...), seguridad lógica (controles de acceso, procedimiento de altas y bajas, protección frente a virus, etc.), segregación de funciones suficiente, registro y trazabilidad de la información para los distintos perfiles y transacciones dentro del sistema, privacidad (LOPD), y por último, desarrollo de sistemas y mantenimiento de los mismos.

Por otra parte, MERLIN realiza una copia de seguridad diaria de sus servidores de modo que en caso de caída del servicio se previene el riesgo de pérdida de datos e información y continuidad del negocio.

F.3.3. Políticas y procedimientos de control interno destinados a supervisar la gestión de las actividades subcontratadas a terceros, así como de aquellos aspectos de evaluación, cálculo o valoración encomendados a expertos independientes, que puedan afectar de modo material a los estados financieros.

Existe un procedimiento interno (*Procedimiento de Contratación*) para la contratación de asesores externos, en el que se establecen determinados niveles de aprobación en función de la cuantía a

contratar incluyendo, en su caso, la aprobación del Consejero Delegado de la Sociedad.

La Comisión de Auditoría y Control tiene atribuida la responsabilidad, por delegación del Consejo de Administración, de autorizar las condiciones de contratación de las principales actividades subcontratadas con impacto en la información financiera de MERLIN (auditores y tasadores de activos inmobiliarios).

Específicamente, en relación al proceso de valoración de activos, la compañía distingue entre:

- Procesos de adquisición de activos, de forma previa a la posible compra, se llevan a cabo procesos de selección de los terceros, así como un seguimiento posterior por parte de la Dirección;
- Tasación externa de activos para la obtención de estimaciones contables (valoraciones y deterioros), con intervención de tasadores externos independientes (i.e.: NIC-40 y PGC y NOFAC españolas), de acuerdo con el Reglamento de la Comisión de Auditoría y Control, es responsabilidad suya su nombramiento y supervisión.
 - La compañía cuenta con un procedimiento operativo específico (***Procedimiento del Cálculo del NAV***) que recoge los controles implantados para esta cuestión, incluyendo la figura de un Coordinador de Valoraciones, miembro del Comité de Dirección, que supervisa la idoneidad e independencia de los tasadores independientes de activos inmobiliarios, así como la eficacia y eficiencia del proceso de tasación, cuyos resultados supervisa la Comisión de Auditoría y Control. Durante 2019, este procedimiento ha sido actualizado para incluir la política de rotación de valoradores, aprobado por la Comisión de Auditoría.

En cuanto a otros asesoramientos externos:

- En el caso de que alguno de los trabajos sea realizado por la firma del auditor de cuentas de la Compañía, se analiza, de acuerdo con ***la Política de contratación marco de relaciones con el Auditor de Cuentas***, la compatibilidad, la razonabilidad y proporción de los honorarios con respecto a la auditoría externa y la independencia para la realización de los mismos, sometiéndose siempre a la aprobación de la Comisión de Auditoría y Control.
- En los casos que se contrate cualquier tipo de trabajo relacionado con aspectos financieros, fiscales, asesoramiento en operaciones corporativas y se utilicen los servicios de un experto independiente, se asegura la competencia y capacitación técnica y legal del profesional, así como su reconocido prestigio en el sector.

F.4 Información y comunicación

Informe, señalando sus principales características, si dispone al menos de:

- F.4.1. Una función específica encargada de definir, mantener actualizadas las políticas contables (área o departamento de políticas contables) y resolver dudas o conflictos derivados de su interpretación, manteniendo una comunicación fluida con los responsables de las operaciones en la organización, así como un manual de políticas contables actualizado y comunicado a las unidades a través de las que opera la entidad.**

La Dirección encargada de definir y mantener actualizadas las políticas contables y de elaborar los estados financieros de acuerdo a la correcta aplicación de los principios generalmente aceptados es la Dirección Financiera de MERLIN.

La Dirección Financiera es la responsable de la definición y mantenimiento de las políticas contables del Grupo, así como de la resolución de las cuestiones que puedan surgir en la aplicación de las mismas.

MERLIN cuenta con un *Manual de Políticas Contables* donde se definen los criterios seguidos para la elaboración de los Estados Financieros individuales y consolidados. El personal involucrado en el proceso de elaboración y revisión de la información financiera se encuentra oportunamente informado de las modificaciones contables o fiscales por medio de suscripciones, alertas y boletines recibidos de las principales firmas de auditoría y del IASB.

Adicionalmente, las funciones de la Dirección de Financiera con respecto a las políticas contables, y con especial incidencia en la aplicación de las Normas Internacionales de Información Financiera - NIIF, son las siguientes:

- Analizar las operaciones y transacciones singulares realizadas o que se prevé se vayan a realizar por parte del Grupo para determinar su tratamiento contable de acuerdo a las Políticas contables del Grupo.
- Unificar y homogeneizar políticas contables y control del cumplimiento de las normativas en cada país, además de cumplir con la política contable del grupo a nivel centralizado.
- Resolver cualquier consulta que se pueda realizar desde cualquier sociedad del Grupo sobre la aplicación de políticas contables.
- Realizar un seguimiento de los proyectos de nueva normativa en el IASB, nuevas normas a aprobar por los organismos reguladores, y analizar posibles impactos sobre las cuentas consolidadas del Grupo o posibles adaptaciones a realizar para su cumplimiento.
- Mantener informados a todos los responsables de preparar y supervisar los estados financieros en los distintos niveles del Grupo, con el fin de facilitarles la información necesaria para asegurar la aplicación coherente de las políticas contables del Grupo.

Adicionalmente la Comisión de Auditoría tiene encomendadas las funciones de supervisar el proceso de elaboración y presentación de las cuentas de la Sociedad y la información financiera periódica que, de conformidad con la normativa en vigor, la Sociedad deba suministrar a los mercados y a sus órganos de supervisión, supervisando su proceso de elaboración y publicación, informando al respecto al Consejo de Administración con carácter previo a su aprobación, así como vigilar el cumplimiento de los requisitos legales en esta materia y la correcta aplicación de los principios de contabilidad generalmente aceptado e informar las propuestas de modificación de principios y criterios contables sugeridos por la Dirección.

En aquellas ocasiones en las que la aplicación de la normativa contable es especialmente compleja, la Dirección Financiera consulta al Auditor Externo, otros asesores o al Órgano regulador, solicitando asesoramiento sobre su tratamiento contable, así como las conclusiones alcanzadas por el auditor con relación al análisis contable requerido.

F.4.2. Mecanismos de captura y preparación de la información financiera con formatos homogéneos, de aplicación y utilización por todas las unidades de

la entidad o del grupo, que soporten los estados financieros principales y las notas, así como la información que se detalle sobre el SCIIF.

MERLIN cuenta con una herramienta informática común (SAP) para todas las sociedades del Grupo, que soporta el proceso de elaboración de los estados financieros individuales (PGC) bajo un formato homogéneo. La elaboración de los estados financieros consolidados se realiza a través de la agregación de la información contable de los estados financieros individuales, realizando los ajustes y eliminaciones propios del proceso de consolidación y obteniendo unos estados financieros consolidados (NIIF) para su análisis posterior.

El proceso es gestionado por la Dirección Financiera, que tiene implantados una serie de controles para asegurar la fiabilidad de la información, utilizando un Plan de Cuentas único e implantado en la totalidad de las sociedades del Grupo y cuyas evidencias se documentan en los ciclos de Contabilidad y Consolidación del SCIIF.

Trimestralmente se lleva a cabo el proceso de consolidación contable de los estados financieros, existiendo unos calendarios de cierre y consolidación, así como una oportuna asignación de roles y responsabilidades, de acuerdo con el Procedimiento de Cierre Financiero.

F.5 Supervisión del funcionamiento del sistema

Informe, señalando sus principales características, al menos de:

F.5.1. Las actividades de supervisión del SCIIF son supervisadas por la comisión de auditoría que viene siendo apoyada por los equipos de la D. Financiera y por la función de auditoría interna, que tiene entre sus competencias la de apoyo a la comisión en su labor de supervisión del sistema de control interno, incluyendo el SCIIF. Asimismo, se informará del alcance de la evaluación del SCIIF realizada en el ejercicio y del procedimiento.

Tal y como se indica en el Reglamento de la Comisión de Auditoría y Control, son responsabilidad de ésta, entre otras funciones, las siguientes:

- supervisar la eficacia del control interno de la Sociedad, la auditoría interna y los sistemas de gestión de riesgos, incluidos los fiscales, así como discutir con los auditores de cuentas externos las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría;
- revisar periódicamente los sistemas de control interno y gestión de riesgos de la Sociedad y en particular, el correcto diseño del sistema de control interno y gestión de la información financiera (SCIIF), para que los principales riesgos se identifiquen, gestionen y se den a conocer de forma adecuada.
- aprobar el plan de auditoría interna para la evaluación del SCIIF, y sus modificaciones, y recibir información periódica del resultado de su trabajo, así como del plan de acción para corregir las deficiencias observadas

La Comisión de Auditoría y Control es responsable de aprobar el Plan Anual de Auditoría Interna para la evaluación del SCIIF, y sus modificaciones, y recibir información periódica del resultado de su trabajo, así como del plan de acción para corregir las deficiencias observadas.

En este sentido la Comisión ha trabajado durante este ejercicio en:

- (i) Revisar y proponer al Consejo para su aprobación, la Política de Control Interno, aprobada finalmente el 31 de julio de 2019, en la que se define un marco que regula el proceso de elaboración y supervisión de la información financiera, aplicable a todas las sociedades del Grupo.
- (ii) Revisar y aprobar los niveles de materialidad de los epígrafes contables de los estados financieros del grupo MERLIN, de cara a la identificación de los controles clave dentro del Modelo de Control Interno, así como aprobar la actualización del Manual de Funciones y de Supervisión del SCIIF.
- (iii) Supervisar la revisión de los controles del SCIIF dentro del marco del Plan Anual de Auditoría Interna 2019 y dar seguimiento a las debilidades puestas de manifiesto.

Por su parte la Dirección de Auditoría Interna que depende funcionalmente de la Comisión de Auditoría y Control y desde el punto de vista administrativo de la Dirección General Corporativa del Grupo, da apoyo a la Comisión en sus labores de supervisión e información. Tal y como se recoge en el Estatuto de Auditoría Interna de MERLIN, los objetivos de la Dirección de Auditoría Interna son, entre otros:

- Asistir a la Comisión de Auditoría y Control en el cumplimiento de sus responsabilidades, dando soporte a la Dirección en la mejora y consolidación del sistema de control interno, procedimientos aplicados y actividades de control.
- Supervisar la fiabilidad y la bondad Sistema de Control de Riesgos existente en la Organización, opinando sobre su adecuación y suficiencia.
- Colaborar en la identificación y evaluación de los riesgos de cualquier naturaleza a los que se enfrente la Organización supervisando su nivel de control.
- Velar por la integridad de la información contable y de gestión emitida, esto es, que sea completa y correcta, tanto interna como externa.

En este sentido, y en apoyo a la Comisión de Auditoría y Control, en 2019 la Dirección de Auditoría Interna ha realizado una revisión independiente del diseño y de la operación del sistema de control interno, identificando debilidades y deficiencias y elaborando recomendaciones para su subsanación.

Adicionalmente, a la revisión del diseño y operación de los controles de los ciclos, semestralmente, y coincidiendo con la formulación y aprobación de los estados financieros semestrales y anuales, la Dirección de Auditoría Interna revisa la operación de aquellos controles considerados como críticos.

La combinación de las revisiones de los ciclos y las revisiones semestrales de los controles críticos, posibilita a la Dirección de Auditoría Interna realizar una evaluación exhaustiva del conjunto del sistema de control interno de la información financiera y se emita una opinión sobre la efectividad de los controles que se reporta a la Comisión de Auditoría y Control en el marco de las reuniones de revisión de los estados financieros semestrales y anuales.

Para ello y durante el 2019, la Comisión de Auditoría y Control ha contado con el apoyo de la Dirección de Auditoría Interna que de cara a la revisión de los estados financieros anuales y semestrales ha revisado la **correcta documentación y ejecución de los controles del SCIIF considerados como claves (asociados a riesgos altos)**, sin que se haya puesto de manifiesto ninguna debilidad significativa que pudiera menoscabar el proceso de elaboración de la información financiera.

Así mismo, la Comisión de Auditoría y Control ha contado, y para la misma revisión de los estados financieros anuales y semestrales, con una **certificación formal del Director Financiero, el Director General y el Consejero Delegado** en la que manifiestan la fiabilidad de la información financiera presentada a la Comisión, así como la efectividad del sistema de control interno establecido a tal efecto.

En este sentido, durante el ejercicio 2019, la Dirección de Auditoría Interna ha reportado a la Comisión de Auditoría en distintas ocasiones en materia del SCIIF:

- (i) Revisión de todos los controles clave de cara a la elaboración y presentación de los estados financieros anuales 2018 y semestrales del 2019.
- (ii) Supervisión del proceso de certificación de los estados financieros anuales y semestrales, por los distintos responsables de procesos, incluyendo al Director Financiero, Director General y Consejero Delegado.
- (iii) Revisión ad-hoc de los Ciclos de Contabilidad Individual, Consolidación, Tesorería y Finanzas.
- (iv) Supervisión del proceso de actualización de la documentación del SCIIF, llevada a cabo por la Dirección Financiera, en cumplimiento de la metodología establecida en el Manual del SCIIF.

F.5.2. Si cuenta con un procedimiento de discusión mediante el cual, el auditor de cuentas (de acuerdo con lo establecido en las NTA), la función de auditoría interna y otros expertos puedan comunicar a la alta dirección y a la comisión de auditoría o administradores de la entidad las debilidades significativas de control interno identificadas durante los procesos de revisión de las cuentas anuales o aquellos otros que les hayan sido encomendados. Asimismo, informará de si dispone de un plan de acción que trate de corregir o mitigar las debilidades observadas.

Según lo establecido por el Reglamento de la Comisión de Auditoría y Control, esta tiene, entre otras funciones, la de analizar, junto con los auditores externo, las debilidades de control interno identificadas en el proceso de auditoría de cuentas.

A estos efectos, el auditor de cuentas, en cumplimiento con la **Política de Contratación y Marco de Relaciones con el Auditor de Cuentas**, comparece periódicamente ante la Comisión de Auditoría y Control para presentar las recomendaciones relacionadas con las debilidades de control interno identificadas durante el proceso de revisión de las cuentas semestrales y anuales. En caso de existir debilidades de control interno, estas son objeto de seguimiento periódico por parte de la Comisión de Auditoría y Control con el apoyo de la Dirección de Auditoría Interna.

En el ejercicio 2019 los auditores de cuentas no han puesto de manifiesto debilidades de control interno significativas.

Durante el ejercicio 2019 los auditores externos de la Sociedad (Deloitte, S.L.) han comparecido en la Comisión, en tres ocasiones, teniendo ocasión en todas ellas de presentar sus conclusiones sin presencia del equipo directivo, en sus reuniones de (i) 26 de febrero, (ii) 29 de julio; y (iii) 11 de diciembre, todas de 2019. Adicionalmente, los auditores externos han comparecido en una ocasión adicional en cumplimiento del Plan de Formación 2019 de la Comisión.

En este sentido, los representantes del auditor de cuentas, Deloitte, S.L., expusieron a la Comisión, en su sesión de 26 de febrero de 2019, las principales conclusiones de los trabajos realizados en relación con la Auditoría de las Cuentas Anuales Individuales y Consolidadas de MERLIN, y su grupo consolidado, correspondientes al ejercicio 2018, presentando el Borrador de Opinión de Auditoría sobre los estados financieros anuales individuales y consolidados a 31 de diciembre de 2018, con una opinión favorable, sin salvedades.

Posteriormente, en la sesión de 29 de julio de 2019, se expusieron las principales conclusiones de los trabajos realizados en relación con la Revisión Limitada de los Estados Financieros Intermedios Semestrales de MERLIN, y su grupo consolidado, correspondientes al primer semestre del ejercicio 2019, con una conclusión favorable y sin salvedades, detallando los principales hechos relevantes del periodo, así como los principales riesgos de auditoría.

Por último, en la reunión de 11 de diciembre de 2019 el auditor expuso los trabajos realizados en la revisión preliminar a 30 de septiembre de 2019 de cara a la revisión de las cuentas del ejercicio 2019, los asuntos significativos de auditoría detectado en el transcurso de su trabajo.

En las reuniones que, en el curso de su trabajo de auditoría, el auditor externo ha mantenido con la Comisión de Auditoría y Control de MERLIN (26 de febrero de 2019 y 11 de diciembre de 2019, correspondientes a la fase final del 2018 y preliminar del 2019, respectivamente) el auditor ha comunicado a la Comisión de Auditoría y Control la inexistencia de deficiencias significativas en el control interno del Grupo.

El auditor externo, en la reunión de 12 de diciembre de 2018, presentó a la Comisión de Auditoría y Control una serie de recomendaciones, que la Comisión, en esa misma sesión, acordó por unanimidad hacerlas como propias y que Auditoría Interna llevase a cabo una labor de seguimiento de las mismas durante el ejercicio 2019.

En este sentido y durante el ejercicio 2019, la Comisión de Auditoría y Control, a través de Auditoría Interna ha ido realizando un seguimiento continuo del estado de implantación de las recomendaciones de Control Interno, estando a la fecha, la mayor parte de ellas implantadas o en un grado de avance elevado, tal y como se ha reflejado en el informe del auditor externo de fecha 11 de diciembre de 2019.

De cara al próximo ejercicio, en la sesión del 11 de diciembre de 2019, la Comisión fijó un Plan de Trabajo 2020 con el auditor externo, con el contenido previsto para cada una de ellas y los informes requeridos por la Comisión.

Por otro lado, y respecto a **Auditoría Interna**, la Comisión, dentro de sus competencias y entre otros aspectos, vela por la independencia y eficacia de la función de la dirección de auditoría interna, supervisando, entre otros aspectos, el plan de trabajo anual, aprueba su presupuesto y supervisar la retribución del mismo, verificando que los miembros del equipo directivo tienen en cuenta las conclusiones y recomendaciones de sus informes.

Así, en el marco de la responsabilidad atribuida a la Comisión, durante el ejercicio 2019:

- (i) ha revisado la ejecución del 100% del Plan Anual 2019 de Auditoría Interna, aprobado el 12 de diciembre de 2018.
- (ii) ha llevado a cabo la revisión de los informes emitidos por la dirección de Auditoría Interna, revisando las recomendaciones incluidas y comprobando que la dirección de la Sociedad daba cumplimiento a los planes de acción incluidos.

- (iii) en todas sus reuniones ha comparecido el Director de Auditoría Interna, y expuesto los desarrollos y avances en el área de su responsabilidad, con especial incidencia en los diferentes grados de evolución de los trabajos, modelos de control y procesos que se estaban llevando a cabo al respecto (principalmente, auditorías de procesos de negocio, revisiones del SCIIF, Protección de Datos, revisión del Modelo de Prevención de Delitos y del Sistema de Gestión de Riesgos);
- (iv) ha revisado y aprobado el presupuesto y el Plan Anual para el ejercicio 2020 de Auditoría Interna, en su sesión de 11 de diciembre de 2019.

F.6 Otra información relevante

Ninguna.

F.7 Informe del auditor externo

F.7.1. **Si la información del SCIIF remitida a los mercados ha sido sometida a revisión por el auditor externo, en cuyo caso la entidad debería incluir el informe correspondiente como anexo. En caso contrario, debería informar de sus motivos.**

Ver informe de revisión del auditor externo adjunto.

G GRADO DE SEGUIMIENTO DE LAS RECOMENDACIONES DE GOBIERNO CORPORATIVO

Indique el grado de seguimiento de la sociedad respecto de las recomendaciones del Código de buen gobierno de las sociedades cotizadas.

En el caso de que alguna recomendación no se siga o se siga parcialmente, se deberá incluir una explicación detallada de sus motivos de manera que los accionistas, los inversores y el mercado en general, cuenten con información suficiente para valorar el proceder de la sociedad. No serán aceptables explicaciones de carácter general.

1. Que los estatutos de las sociedades cotizadas no limiten el número máximo de votos que pueda emitir un mismo accionista, ni contengan otras restricciones que dificulten la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado.

Cumple Explicar

2. Que cuando coticen la sociedad matriz y una sociedad dependiente ambas definan públicamente con precisión:

a) Las respectivas áreas de actividad y eventuales relaciones de negocio

entre ellas, así como las de la sociedad dependiente cotizada con las demás empresas del grupo.

- b) Los mecanismos previstos para resolver los eventuales conflictos de interés que puedan presentarse.

Cumple Cumple parcialmente Explique No aplicable

3. Que durante la celebración de la junta general ordinaria, como complemento de la difusión por escrito del informe anual de gobierno corporativo, el presidente del consejo de administración informe verbalmente a los accionistas, con suficiente detalle, de los aspectos más relevantes del gobierno corporativo de la sociedad y, en particular:

- a) De los cambios acaecidos desde la anterior junta general ordinaria.
b) De los motivos concretos por los que la compañía no sigue alguna de las recomendaciones del Código de Gobierno Corporativo y, si existieran, de las reglas alternativas que aplique en esa materia.

Cumple Cumple parcialmente Explique

4. Que la sociedad defina y promueva una política de comunicación y contactos con accionistas, inversores institucionales y asesores de voto que sea plenamente respetuosa con las normas contra el abuso de mercado y dé un trato semejante a los accionistas que se encuentren en la misma posición.

Y que la sociedad haga pública dicha política a través de su página web, incluyendo información relativa a la forma en que la misma se ha puesto en práctica e identificando a los interlocutores o responsables de llevarla a cabo.

Cumple Cumple parcialmente Explique

5. Que el consejo de administración no eleve a la junta general una propuesta de delegación de facultades, para emitir acciones o valores convertibles con exclusión del derecho de suscripción preferente, por un importe superior al 20% del capital en el momento de la delegación.

Y que cuando el consejo de administración apruebe cualquier emisión de acciones o de valores convertibles con exclusión del derecho de suscripción preferente, la sociedad publique inmediatamente en su página web los informes sobre dicha exclusión a los que hace referencia la legislación mercantil.

Cumple Cumple parcialmente Explique

6. Que las sociedades cotizadas que elaboren los informes que se citan a continuación, ya sea de forma preceptiva o voluntaria, los publiquen en su página web con antelación suficiente a la celebración de la junta general ordinaria, aunque su difusión no sea obligatoria:

- a) Informe sobre la independencia del auditor.

- b) Informes de funcionamiento de las comisiones de auditoría y de nombramientos y retribuciones.**
- c) Informe de la comisión de auditoría sobre operaciones vinculadas.**
- d) Informe sobre la política de responsabilidad social corporativa.**

Cumple Cumple parcialmente Explique

Explicación: El Informe sobre la política de responsabilidad social corporativa, se recoge como parte de la memoria anual y se publica con motivo de la Junta General Ordinaria, si bien no se llega a poner a disposición de los accionistas en el momento de la convocatoria de la junta general.

- 7. Que la sociedad transmita en directo, a través de su página web, la celebración de las juntas generales de accionistas.**

Cumple Explique

- 8. Que la comisión de auditoría vele porque el consejo de administración procure presentar las cuentas a la junta general de accionistas sin limitaciones ni salvedades en el informe de auditoría y que, en los supuestos excepcionales en que existan salvedades, tanto el presidente de la comisión de auditoría como los auditores expliquen con claridad a los accionistas el contenido y alcance de dichas limitaciones o salvedades.**

Cumple Cumple parcialmente Explique

- 9. Que la sociedad haga públicos en su página web, de manera permanente, los requisitos y procedimientos que aceptará para acreditar la titularidad de acciones, el derecho de asistencia a la junta general de accionistas y el ejercicio o delegación del derecho de voto.**

Y que tales requisitos y procedimientos favorezcan la asistencia y el ejercicio de sus derechos a los accionistas y se apliquen de forma no discriminatoria.

Cumple Cumple parcialmente Explique

- 10. Que cuando algún accionista legitimado haya ejercitado, con anterioridad a la celebración de la junta general de accionistas, el derecho a completar el orden del día o a presentar nuevas propuestas de acuerdo, la sociedad:**

- a) Difunda de inmediato tales puntos complementarios y nuevas propuestas de acuerdo.**
- b) Haga público el modelo de tarjeta de asistencia o formulario de delegación de voto o voto a distancia con las modificaciones precisas para que puedan votarse los nuevos puntos del orden del día y propuestas alternativas de acuerdo en los mismos términos que los propuestos por el consejo de administración.**
- c) Someta todos esos puntos o propuestas alternativas a votación y les aplique las mismas reglas de voto que a las formuladas por el consejo de**

administración, incluidas, en particular, las presunciones o deducciones sobre el sentido del voto.

- d) **Con posterioridad a la junta general de accionistas, comunique el desglose del voto sobre tales puntos complementarios o propuestas alternativas.**

Cumple Cumple parcialmente Explique No aplicable

11. **Que, en el caso de que la sociedad tenga previsto pagar primas de asistencia a la junta general de accionistas, establezca, con anterioridad, una política general sobre tales primas y que dicha política sea estable.**

Cumple Cumple parcialmente Explique No aplicable

12. **Que el consejo de administración desempeñe sus funciones con unidad de propósito e independencia de criterio, dispense el mismo trato a todos los accionistas que se hallen en la misma posición y se guíe por el interés social, entendido como la consecución de un negocio rentable y sostenible a largo plazo, que promueva su continuidad y la maximización del valor económico de la empresa.**

Y que en la búsqueda del interés social, además del respeto de las leyes y reglamentos y de un comportamiento basado en la buena fe, la ética y el respeto a los usos y a las buenas prácticas comúnmente aceptadas, procure conciliar el propio interés social con, según corresponda, los legítimos intereses de sus empleados, sus proveedores, sus clientes y los de los restantes grupos de interés que puedan verse afectados, así como el impacto de las actividades de la compañía en la comunidad en su conjunto y en el medio ambiente.

Cumple Cumple parcialmente Explique

13. **Que el consejo de administración posea la dimensión precisa para lograr un funcionamiento eficaz y participativo, lo que hace aconsejable que tenga entre cinco y quince miembros.**

Cumple Explique

14. **Que el consejo de administración apruebe una política de selección de consejeros que:**

- a) **Sea concreta y verificable.**
b) **Asegure que las propuestas de nombramiento o reelección se fundamenten en un análisis previo de las necesidades del consejo de administración.**
c) **Favorezca la diversidad de conocimientos, experiencias y género.**

Que el resultado del análisis previo de las necesidades del consejo de administración se recoja en el informe justificativo de la comisión de nombramientos que se publique al convocar la junta general de accionistas a la que se someta la ratificación, el nombramiento o la reelección de cada

consejero.

Y que la política de selección de consejeros promueva el objetivo de que en el año 2020 el número de consejeras represente, al menos, el 30% del total de miembros del consejo de administración.

La comisión de nombramiento verificará anualmente el cumplimiento de la política de selección de consejeros y se informará de ello en el informe anual de gobierno corporativo.

Cumple Cumple parcialmente Explique

- 15. Que los consejeros dominicales e independientes constituyan una amplia mayoría del consejo de administración y que el número de consejeros ejecutivos sea el mínimo necesario, teniendo en cuenta la complejidad del grupo societario y el porcentaje de participación de los consejeros ejecutivos en el capital de la sociedad.**

Cumple Cumple parcialmente Explique

- 16. Que el porcentaje de consejeros dominicales sobre el total de consejeros no ejecutivos no sea mayor que la proporción existente entre el capital de la sociedad representado por dichos consejeros y el resto del capital.**

Este criterio podrá atenuarse:

- a) **En sociedades de elevada capitalización en las que sean escasas las participaciones accionariales que tengan legalmente la consideración de significativas.**
- b) **Cuando se trate de sociedades en las que exista una pluralidad de accionistas representados en el consejo de administración y no tengan vínculos entre sí.**

Cumple Explique

- 17. Que el número de consejeros independientes represente, al menos, la mitad del total de consejeros.**

Que, sin embargo, cuando la sociedad no sea de elevada capitalización o cuando, aun siéndolo, cuente con un accionista o varios actuando concertadamente, que controlen más del 30% del capital social, el número de consejeros independientes represente, al menos, un tercio del total de consejeros.

Cumple Explique

- 18. Que las sociedades hagan pública a través de su página web, y mantengan actualizada, la siguiente información sobre sus consejeros:**

- a) **Perfil profesional y biográfico.**
- b) **Otros consejos de administración a los que pertenezcan, se trate o no de sociedades cotizadas, así como sobre las demás actividades retribuidas**

que realice cualquiera que sea su naturaleza.

- c) **Indicación de la categoría de consejero a la que pertenezcan, señalándose, en el caso de consejeros dominicales, el accionista al que representen o con quien tengan vínculos.**
- d) **Fecha de su primer nombramiento como consejero en la sociedad, así como de las posteriores reelecciones.**
- e) **Acciones de la compañía, y opciones sobre ellas, de las que sean titulares.**

Cumple Cumple parcialmente Explique

19. **Que en el informe anual de gobierno corporativo, previa verificación por la comisión de nombramientos, se expliquen las razones por las cuales se hayan nombrado consejeros dominicales a instancia de accionistas cuya participación accionarial sea inferior al 3% del capital; y se expongan las razones por las que no se hubieran atendido, en su caso, peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial sea igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales.**

Cumple Cumple parcialmente Explique No aplicable

20. **Que los consejeros dominicales presenten su dimisión cuando el accionista a quien representen transmita íntegramente su participación accionarial. Y que también lo hagan, en el número que corresponda, cuando dicho accionista rebaje su participación accionarial hasta un nivel que exija la reducción del número de sus consejeros dominicales.**

Cumple Cumple parcialmente Explique No aplicable

21. **Que el consejo de administración no proponga la separación de ningún consejero independiente antes del cumplimiento del período estatutario para el que hubiera sido nombrado, salvo cuando concorra justa causa, apreciada por el consejo de administración previo informe de la comisión de nombramientos. En particular, se entenderá que existe justa causa cuando el consejero pase a ocupar nuevos cargos o contraiga nuevas obligaciones que le impidan dedicar el tiempo necesario al desempeño de las funciones propias del cargo de consejero, incumpla los deberes inherentes a su cargo o incurra en algunas de las circunstancias que le hagan perder su condición de independiente, de acuerdo con lo establecido en la legislación aplicable.**

También podrá proponerse la separación de consejeros independientes como consecuencia de ofertas públicas de adquisición, fusiones u otras operaciones corporativas similares que supongan un cambio en la estructura de capital de la sociedad, cuando tales cambios en la estructura del consejo de administración vengán propiciados por el criterio de proporcionalidad señalado en la recomendación 16.

Cumple Explique

22. **Que las sociedades establezcan reglas que obliguen a los consejeros a informar y, en su caso, dimitir en aquellos supuestos que puedan perjudicar al crédito y reputación de la sociedad y, en particular, les obliguen a informar al consejo de administración de las causas penales en las que aparezcan como imputados, así como de sus posteriores vicisitudes procesales.**

Y que si un consejero resultara procesado o se dictara contra él auto de apertura de juicio oral por alguno de los delitos señalados en la legislación societaria, el consejo de administración examine el caso tan pronto como sea posible y, a la vista de sus circunstancias concretas, decida si procede o no que el consejero continúe en su cargo. Y que de todo ello el consejo de administración dé cuenta, de forma razonada, en el informe anual de gobierno corporativo.

Cumple Cumple parcialmente Explique

23. **Que todos los consejeros expresen claramente su oposición cuando consideren que alguna propuesta de decisión sometida al consejo de administración puede ser contraria al interés social. Y que otro tanto hagan, de forma especial, los independientes y demás consejeros a quienes no afecte el potencial conflicto de intereses, cuando se trate de decisiones que puedan perjudicar a los accionistas no representados en el consejo de administración.**

Y que cuando el consejo de administración adopte decisiones significativas o reiteradas sobre las que el consejero hubiera formulado serias reservas, este saque las conclusiones que procedan y, si optara por dimitir, explique las razones en la carta a que se refiere la recomendación siguiente.

Esta recomendación alcanza también al secretario del consejo de administración, aunque no tenga la condición de consejero.

Cumple Cumple parcialmente Explique No aplicable

24. **Que cuando, ya sea por dimisión o por otro motivo, un consejero cese en su cargo antes del término de su mandato, explique las razones en una carta que remitirá a todos los miembros del consejo de administración. Y que, sin perjuicio de que dicho cese se comuniquen como hecho relevante, del motivo del cese se dé cuenta en el informe anual de gobierno corporativo.**

Cumple Cumple parcialmente Explique No aplicable

25. **Que la comisión de nombramientos se asegure de que los consejeros no ejecutivos tienen suficiente disponibilidad de tiempo para el correcto desarrollo de sus funciones.**

Y que el reglamento del consejo establezca el número máximo de consejos de sociedades de los que pueden formar parte sus consejeros.

Cumple Cumple parcialmente Explique

26. **Que el consejo de administración se reúna con la frecuencia precisa para desempeñar con eficacia sus funciones y, al menos, ocho veces al año, siguiendo el programa de fechas y asuntos que establezca al inicio del ejercicio, pudiendo cada consejero individualmente proponer otros puntos del orden del día inicialmente no previstos.**

Cumple Cumple parcialmente Explique

27. **Que las inasistencias de los consejeros se reduzcan a los casos indispensables y se cuantifiquen en el informe anual de gobierno corporativo. Y que, cuando deban producirse, se otorgue representación con instrucciones.**

Cumple Cumple parcialmente Explique

28. **Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta.**

Cumple Cumple parcialmente Explique No aplicable

29. **Que la sociedad establezca los cauces adecuados para que los consejeros puedan obtener el asesoramiento preciso para el cumplimiento de sus funciones incluyendo, si así lo exigieran las circunstancias, asesoramiento externo con cargo a la empresa.**

Cumple Cumple parcialmente Explique

30. **Que, con independencia de los conocimientos que se exijan a los consejeros para el ejercicio de sus funciones, las sociedades ofrezcan también a los consejeros programas de actualización de conocimientos cuando las circunstancias lo aconsejen.**

Cumple Explique No aplicable

31. **Que el orden del día de las sesiones indique con claridad aquellos puntos sobre los que el consejo de administración deberá adoptar una decisión o acuerdo para que los consejeros puedan estudiar o recabar, con carácter previo, la información precisa para su adopción.**

Cuando, excepcionalmente, por razones de urgencia, el presidente quiera someter a la aprobación del consejo de administración decisiones o acuerdos que no figuraran en el orden del día, será preciso el consentimiento previo y expreso de la mayoría de los consejeros presentes, del que se dejará debida constancia en el acta.

Cumple Cumple parcialmente Explique

32. **Que los consejeros sean periódicamente informados de los movimientos en el**

accionariado y de la opinión que los accionistas significativos, los inversores y las agencias de calificación tengan sobre la sociedad y su grupo.

Cumple Cumple parcialmente Explique

33. **Que el presidente, como responsable del eficaz funcionamiento del consejo de administración, además de ejercer las funciones que tiene legal y estatutariamente atribuidas, prepare y someta al consejo de administración un programa de fechas y asuntos a tratar; organice y coordine la evaluación periódica del consejo, así como, en su caso, la del primer ejecutivo de la sociedad; sea responsable de la dirección del consejo y de la efectividad de su funcionamiento; se asegure de que se dedica suficiente tiempo de discusión a las cuestiones estratégicas, y acuerde y revise los programas de actualización de conocimientos para cada consejero, cuando las circunstancias lo aconsejen.**

Cumple Cumple parcialmente Explique

34. **Que cuando exista un consejero coordinador, los estatutos o el reglamento del consejo de administración, además de las facultades que le corresponden legalmente, le atribuya las siguientes: presidir el consejo de administración en ausencia del presidente y de los vicepresidentes, en caso de existir; hacerse eco de las preocupaciones de los consejeros no ejecutivos; mantener contactos con inversores y accionistas para conocer sus puntos de vista a efectos de formarse una opinión sobre sus preocupaciones, en particular, en relación con el gobierno corporativo de la sociedad; y coordinar el plan de sucesión del presidente.**

Cumple Cumple parcialmente Explique No aplicable

35. **Que el secretario del consejo de administración vele de forma especial para que en sus actuaciones y decisiones el consejo de administración tenga presentes las recomendaciones sobre buen gobierno contenidas en este Código de buen gobierno que fueran aplicables a la sociedad.**

Cumple Explique

36. **Que el consejo de administración en pleno evalúe una vez al año y adopte, en su caso, un plan de acción que corrija las deficiencias detectadas respecto de:**
- a) **La calidad y eficiencia del funcionamiento del consejo de administración.**
 - b) **El funcionamiento y la composición de sus comisiones.**
 - c) **La diversidad en la composición y competencias del consejo de administración.**
 - d) **El desempeño del presidente del consejo de administración y del primer ejecutivo de la sociedad.**

- e) **El desempeño y la aportación de cada consejero, prestando especial atención a los responsables de las distintas comisiones del consejo.**

Para la realización de la evaluación de las distintas comisiones se partirá del informe que estas eleven al consejo de administración, y para la de este último, del que le eleve la comisión de nombramientos.

Cada tres años, el consejo de administración será auxiliado para la realización de la evaluación por un consultor externo, cuya independencia será verificada por la comisión de nombramientos.

Las relaciones de negocio que el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo deberán ser desglosadas en el informe anual de gobierno corporativo.

El proceso y las áreas evaluadas serán objeto de descripción en el informe anual de gobierno corporativo.

Cumple Cumple parcialmente Explique

37. **Que cuando exista una comisión ejecutiva, la estructura de participación de las diferentes categorías de consejeros sea similar a la del propio consejo de administración y su secretario sea el de este último.**

Cumple Cumple parcialmente Explique No aplicable

38. **Que el consejo de administración tenga siempre conocimiento de los asuntos tratados y de las decisiones adoptadas por la comisión ejecutiva y que todos los miembros del consejo de administración reciban copia de las actas de las sesiones de la comisión ejecutiva.**

Cumple Cumple parcialmente Explique No aplicable

39. **Que los miembros de la comisión de auditoría, y de forma especial su presidente, se designen teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o gestión de riesgos, y que la mayoría de dichos miembros sean consejeros independientes.**

Cumple Cumple parcialmente Explique

40. **Que bajo la supervisión de la comisión de auditoría, se disponga de una unidad que asuma la función de auditoría interna que vele por el buen funcionamiento de los sistemas de información y control interno y que funcionalmente dependa del presidente no ejecutivo del consejo o del de la comisión de auditoría.**

Cumple Cumple parcialmente Explique

41. **Que el responsable de la unidad que asuma la función de auditoría interna presente a la comisión de auditoría su plan anual de trabajo, informe**

directamente de las incidencias que se presenten en su desarrollo y someta al final de cada ejercicio un informe de actividades.

Cumple Cumple parcialmente Explique No aplicable

42. Que, además de las previstas en la ley, correspondan a la comisión de auditoría las siguientes funciones:

1. En relación con los sistemas de información y control interno:

- a) Supervisar el proceso de elaboración y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.**
- b) Velar por la independencia de la unidad que asume la función de auditoría interna; proponer la selección, nombramiento, reelección y cese del responsable del servicio de auditoría interna; proponer el presupuesto de ese servicio; aprobar la orientación y sus planes de trabajo, asegurándose de que su actividad esté enfocada principalmente hacia los riesgos relevantes de la sociedad; recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes.**
- c) Establecer y supervisar un mecanismo que permita a los empleados comunicar, de forma confidencial y, si resulta posible y se considera apropiado, anónima, las irregularidades de potencial trascendencia, especialmente financieras y contables, que adviertan en el seno de la empresa.**

2. En relación con el auditor externo:

- a) En caso de renuncia del auditor externo, examinar las circunstancias que la hubieran motivado.**
- b) Velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia.**
- c) Supervisar que la sociedad comunique como hecho relevante a la CNMV el cambio de auditor y lo acompañe de una declaración sobre la eventual existencia de desacuerdos con el auditor saliente y, si hubieran existido, de su contenido.**
- d) Asegurar que el auditor externo mantenga anualmente una reunión con el pleno del consejo de administración para informarle sobre el trabajo realizado y sobre la evolución de la situación contable y de riesgos de la sociedad.**
- e) Asegurar que la sociedad y el auditor externo respetan las normas**

vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.

Cumple Cumple parcialmente Explique

- 43. Que la comisión de auditoría pueda convocar a cualquier empleado o directivo de la sociedad, e incluso disponer que comparezcan sin presencia de ningún otro directivo.**

Cumple Cumple parcialmente Explique

- 44. Que la comisión de auditoría sea informada sobre las operaciones de modificaciones estructurales y corporativas que proyecte realizar la sociedad para su análisis e informe previo al consejo de administración sobre sus condiciones económicas y su impacto contable y, en especial, en su caso, sobre la ecuación de canje propuesta.**

Cumple Cumple parcialmente Explique No aplicable

- 45. Que la política de control y gestión de riesgos identifique al menos:**

- a) Los distintos tipos de riesgo, financieros y no financieros (entre otros los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales) a los que se enfrenta la sociedad, incluyendo entre los financieros o económicos, los pasivos contingentes y otros riesgos fuera de balance.**
- b) La fijación del nivel de riesgo que la sociedad considere aceptable.**
- c) Las medidas previstas para mitigar el impacto de los riesgos identificados, en caso de que llegaran a materializarse.**
- d) Los sistemas de información y control interno que se utilizarán para controlar y gestionar los citados riesgos, incluidos los pasivos contingentes o riesgos fuera de balance.**

Cumple Cumple parcialmente Explique

- 46. Que bajo la supervisión directa de la comisión de auditoría o, en su caso, de una comisión especializada del consejo de administración, exista una función interna de control y gestión de riesgos ejercida por una unidad o departamento interno de la sociedad que tenga atribuidas expresamente las siguientes funciones:**

- a) Asegurar el buen funcionamiento de los sistemas de control y gestión de riesgos y, en particular, que se identifican, gestionan, y cuantifican adecuadamente todos los riesgos importantes que afecten a la sociedad.**
- b) Participar activamente en la elaboración de la estrategia de riesgos y en**

las decisiones importantes sobre su gestión.

- c) **Velar por que los sistemas de control y gestión de riesgos mitiguen los riesgos adecuadamente en el marco de la política definida por el consejo de administración.**

Cumple Cumple parcialmente Explique

47. **Que los miembros de la comisión de nombramientos y de retribuciones -o de la comisión de nombramientos y la comisión de retribuciones, si estuvieren separadas- se designen procurando que tengan los conocimientos, aptitudes y experiencia adecuados a las funciones que estén llamados a desempeñar y que la mayoría de dichos miembros sean consejeros independientes.**

Cumple Cumple parcialmente Explique

48. **Que las sociedades de elevada capitalización cuenten con una comisión de nombramientos y con una comisión de remuneraciones separadas.**

Cumple Explique No aplicable

49. **Que la comisión de nombramientos consulte al presidente del consejo de administración y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos.**

Y que cualquier consejero pueda solicitar de la comisión de nombramientos que tome en consideración, por si los encuentra idóneos a su juicio, potenciales candidatos para cubrir vacantes de consejero.

Cumple Cumple parcialmente Explique

50. **Que la comisión de retribuciones ejerza sus funciones con independencia y que, además de las funciones que le atribuya la ley, le correspondan las siguientes:**

- a) **Proponer al consejo de administración las condiciones básicas de los contratos de los altos directivos.**
- b) **Comprobar la observancia de la política retributiva establecida por la sociedad.**
- c) **Revisar periódicamente la política de remuneraciones aplicada a los consejeros y altos directivos, incluidos los sistemas retributivos con acciones y su aplicación, así como garantizar que su remuneración individual sea proporcionada a la que se pague a los demás consejeros y altos directivos de la sociedad.**
- d) **Velar por que los eventuales conflictos de intereses no perjudiquen la independencia del asesoramiento externo prestado a la comisión.**
- e) **Verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los distintos documentos corporativos, incluido el informe anual sobre remuneraciones de los consejeros.**

Cumple Cumple parcialmente Explique

51. **Que la comisión de retribuciones consulte al presidente y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos y altos directivos.**

Cumple Cumple parcialmente Explique

52. **Que las reglas de composición y funcionamiento de las comisiones de supervisión y control figuren en el reglamento del consejo de administración y que sean consistentes con las aplicables a las comisiones legalmente obligatorias conforme a las recomendaciones anteriores, incluyendo:**

- a) **Que estén compuestas exclusivamente por consejeros no ejecutivos, con mayoría de consejeros independientes.**
- b) **Que sus presidentes sean consejeros independientes.**
- c) **Que el consejo de administración designe a los miembros de estas comisiones teniendo presentes los conocimientos, aptitudes y experiencia de los consejeros y los cometidos de cada comisión, delibere sobre sus propuestas e informes; y que rinda cuentas, en el primer pleno del consejo de administración posterior a sus reuniones, de su actividad y que respondan del trabajo realizado.**
- d) **Que las comisiones puedan recabar asesoramiento externo, cuando lo consideren necesario para el desempeño de sus funciones.**
- e) **Que de sus reuniones se levante acta, que se pondrá a disposición de todos los consejeros.**

Cumple Cumple parcialmente Explique

53. **Que la supervisión del cumplimiento de las reglas de gobierno corporativo, de los códigos internos de conducta y de la política de responsabilidad social corporativa se atribuya a una o se reparta entre varias comisiones del consejo de administración que podrán ser la comisión de auditoría, la de nombramientos, la comisión de responsabilidad social corporativa, en caso de existir, o una comisión especializada que el consejo de administración, en ejercicio de sus facultades de auto-organización, decida crear al efecto, a las que específicamente se les atribuyan las siguientes funciones mínimas:**

- a) **La supervisión del cumplimiento de los códigos internos de conducta y de las reglas de gobierno corporativo de la sociedad.**
- b) **La supervisión de la estrategia de comunicación y relación con accionistas e inversores, incluyendo los pequeños y medianos accionistas.**
- c) **La evaluación periódica de la adecuación del sistema de gobierno corporativo de la sociedad, con el fin de que cumpla su misión de promover el interés social y tenga en cuenta, según corresponda, los**

legítimos intereses de los restantes grupos de interés.

- d) **La revisión de la política de responsabilidad corporativa de la sociedad, velando por que esté orientada a la creación de valor.**
- e) **El seguimiento de la estrategia y prácticas de responsabilidad social corporativa y la evaluación de su grado de cumplimiento.**
- f) **La supervisión y evaluación de los procesos de relación con los distintos grupos de interés.**
- g) **La evaluación de todo lo relativo a los riesgos no financieros de la empresa - incluyendo los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales.**
- h) **La coordinación del proceso de reporte de la información no financiera y sobre diversidad, conforme a la normativa aplicable y a los estándares internacionales de referencia.**

Cumple Cumple parcialmente Explique

54. Que la política de responsabilidad social corporativa incluya los principios o compromisos que la empresa asuma voluntariamente en su relación con los distintos grupos de interés e identifique al menos:

- a) **Los objetivos de la política de responsabilidad social corporativa y el desarrollo de instrumentos de apoyo.**
- b) **La estrategia corporativa relacionada con la sostenibilidad, el medio ambiente y las cuestiones sociales.**
- c) **Las prácticas concretas en cuestiones relacionadas con: accionistas, empleados, clientes, proveedores, cuestiones sociales, medio ambiente, diversidad, responsabilidad fiscal, respeto de los derechos humanos y prevención de conductas ilegales.**
- d) **Los métodos o sistemas de seguimiento de los resultados de la aplicación de las prácticas concretas señaladas en la letra anterior, los riesgos asociados y su gestión.**
- e) **Los mecanismos de supervisión del riesgo no financiero, la ética y la conducta empresarial.**
- f) **Los canales de comunicación, participación y diálogo con los grupos de interés.**
- g) **Las prácticas de comunicación responsable que eviten la manipulación informativa y protejan la integridad y el honor.**

Cumple Cumple parcialmente Explique

55. Que la sociedad informe, en un documento separado o en el informe de gestión, sobre los asuntos relacionados con la responsabilidad social corporativa,

utilizando para ello alguna de las metodologías aceptadas internacionalmente.

Cumple Cumple parcialmente Explique

56. **Que la remuneración de los consejeros sea la necesaria para atraer y retener a los consejeros del perfil deseado y para retribuir la dedicación, cualificación y responsabilidad que el cargo exija, pero no tan elevada como para comprometer la independencia de criterio de los consejeros no ejecutivos.**

Cumple Explique

57. **Que se circunscriban a los consejeros ejecutivos las remuneraciones variables ligadas al rendimiento de la sociedad y al desempeño personal, así como la remuneración mediante entrega de acciones, opciones o derechos sobre acciones o instrumentos referenciados al valor de la acción y los sistemas de ahorro a largo plazo tales como planes de pensiones, sistemas de jubilación u otros sistemas de previsión social.**

Se podrá contemplar la entrega de acciones como remuneración a los consejeros no ejecutivos cuando se condicione a que las mantengan hasta su cese como consejeros. Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple Cumple parcialmente Explique

58. **Que en caso de remuneraciones variables, las políticas retributivas incorporen los límites y las cautelas técnicas precisas para asegurar que tales remuneraciones guardan relación con el rendimiento profesional de sus beneficiarios y no derivan solamente de la evolución general de los mercados o del sector de actividad de la compañía o de otras circunstancias similares.**

Y, en particular, que los componentes variables de las remuneraciones:

- a) **Estén vinculados a criterios de rendimiento que sean predeterminados y medibles y que dichos criterios consideren el riesgo asumido para la obtención de un resultado.**
- b) **Promuevan la sostenibilidad de la empresa e incluyan criterios no financieros que sean adecuados para la creación de valor a largo plazo, como el cumplimiento de las reglas y los procedimientos internos de la sociedad y de sus políticas para el control y gestión de riesgos.**

Se configuren sobre la base de un equilibrio entre el cumplimiento de objetivos a corto, medio y largo plazo, que permitan remunerar el rendimiento por un desempeño continuado durante un período de tiempo suficiente para apreciar su contribución a la creación sostenible de valor, de forma que los elementos de medida de ese rendimiento no giren únicamente en torno a hechos puntuales, ocasionales o extraordinarios.

Cumple Cumple parcialmente Explique No aplicable

- 59. Que el pago de una parte relevante de los componentes variables de la remuneración se difiera por un período de tiempo mínimo suficiente para comprobar que se han cumplido las condiciones de rendimiento previamente establecidas.**

Cumple Cumple parcialmente Explique No aplicable

Los componentes variables se difieren como mecanismo de retención del directivo; para que dichos componentes variables sean concedidos es necesario que estas condiciones de rendimiento se cumplan ex ante, si bien dicho periodo de retención permite verificar si se han cumplido las mismas.

- 60. Que las remuneraciones relacionadas con los resultados de la sociedad tomen en cuenta las eventuales salvedades que consten en el informe del auditor externo y minoren dichos resultados.**

Cumple Cumple parcialmente Explique No aplicable

- 61. Que un porcentaje relevante de la remuneración variable de los consejeros ejecutivos esté vinculado a la entrega de acciones o de instrumentos financieros referenciados a su valor.**

Cumple Cumple parcialmente Explique No aplicable

- 62. Que una vez atribuidas las acciones o las opciones o derechos sobre acciones correspondientes a los sistemas retributivos, los consejeros no puedan transferir la propiedad de un número de acciones equivalente a dos veces su remuneración fija anual, ni puedan ejercer las opciones o derechos hasta transcurrido un plazo de, al menos, tres años desde su atribución.**

Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple Cumple parcialmente Explique No aplicable

Tal y como se describe en la Política de Remuneraciones de Merlin, aprobada por la Junta General de Accionistas de la Sociedad el pasado 26 de abril de 2017, los consejeros ejecutivos mantienen en su propiedad un número de acciones de la Sociedad cuyo valor de mercado es equivalente a tres anualidades de su retribución fija anual.

El sistema de incentivos a largo plazo del que son beneficiarios los consejeros ejecutivos, pagadero en metálico y en acciones de la Sociedad (“LTIP de los Ejecutivos”), está vinculado con la creación de valor para el accionista durante un periodo total de tres años y la liquidación del mismo (y la obligación de mantenimiento de la relación del consejero) se extiende hasta la formulación de las cuentas del ejercicio 2021.

Asimismo, las acciones de los planes de retribución derivados de Incentivos Pasados (Management Stock Plan (“MSP”)) son objeto de asignación durante un periodo de tres años desde la fecha de cálculo del MSP. Las acciones del MSP entregadas a los consejeros ejecutivos son indisponibles hasta 2023.

- 63. Que los acuerdos contractuales incluyan una cláusula que permita a la sociedad reclamar el reembolso de los componentes variables de la remuneración cuando el pago no haya estado ajustado a las condiciones de rendimiento o cuando se hayan abonado atendiendo a datos cuya inexactitud quede acreditada con posterioridad.**

Cumple Cumple parcialmente Explique No aplicable

Tanto el STIP (Bonus Anual Restringido) como el Management Stock Plan (MSP) cuentan con un sistema de diferimiento que permiten confirmar con suficiente antelación la exactitud de los datos que, en su caso, generan el derecho al abono de dichas remuneraciones

- 64. Que los pagos por resolución del contrato no superen un importe establecido equivalente a dos años de la retribución total anual y que no se abonen hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento previamente establecidos.**

Cumple Cumple parcialmente Explique No aplicable

Los contratos con los consejeros ejecutivos no recogen una regulación que permita no abonar la retribución hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento previamente establecidos. No obstante, recogen cláusula de claw back que permiten exigir el reintegro de las mismas en determinados escenarios

H OTRAS INFORMACIONES DE INTERÉS

1. Si existe algún aspecto relevante en materia de gobierno corporativo en la sociedad o en las entidades del grupo que no se haya recogido en el resto de apartados del presente informe, pero que sea necesario incluir para recoger una información más completa y razonada sobre la estructura y prácticas de gobierno en la entidad o su grupo, detállelos brevemente.
2. Dentro de este apartado, también podrá incluirse cualquier otra información, aclaración o matiz relacionado con los anteriores apartados del informe en la medida en que sean relevantes y no reiterativos.

En concreto, se indicará si la sociedad está sometida a legislación diferente a la española en materia de gobierno corporativo y, en su caso, incluya aquella información que esté obligada a suministrar y sea distinta de la exigida en el presente informe.

3. La sociedad también podrá indicar si se ha adherido voluntariamente a otros códigos de principios éticos o de buenas prácticas, internacionales, sectoriales o de otro ámbito. En su caso, se identificará el código en cuestión y la fecha de adhesión. En particular, hará mención a si se ha adherido al Código de Buenas Prácticas Tributarias, de 20 de julio de 2010.

Este informe anual de gobierno corporativo ha sido aprobado por el consejo de Administración de la sociedad, en su sesión de fecha 27 de febrero de 2020.

Indique si ha habido consejeros que hayan votado en contra o se hayan abstenido en relación con la aprobación del presente Informe.

Sí

No

Nombre o denominación social del consejero que no ha votado a favor de la aprobación del presente informe	Motivos (en contra, abstención, no asistencia)	Explique los motivos
Observaciones		

Merlin Properties SOCIMI, S.A.

Informe de auditor referido a la "Información relativa al sistema de control interno sobre la información financiera (SCIIF)" de Merlin Properties SOCIMI, S.A., correspondiente al ejercicio 2019.

27 de febrero de 2020

INFORME DE AUDITOR REFERIDO A LA "INFORMACIÓN RELATIVA AL SISTEMA DE CONTROL INTERNO SOBRE LA INFORMACIÓN FINANCIERA (SCIIF)" DE MERLIN PROPERTIES SOCIMI, S.A. CORRESPONDIENTE AL EJERCICIO 2019.

A los Administradores de MERLIN PROPERTIES SOCIMI, S.A.:

De acuerdo con la solicitud del Consejo de Administración de Merlin Properties SOCIMI, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 17 de enero de 2020, hemos aplicado determinados procedimientos sobre la "Información relativa al SCIIF" adjunta de Merlin Properties SOCIMI, S.A. correspondiente al ejercicio terminado el 31 de diciembre de 2019, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno, así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio terminado el 31 de diciembre de 2019 que se describe en la información relativa al SCIIF incluida dentro del apartado F) del Informe Anual de Gobierno Corporativo (IAGC) adjunto. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los determinados por la citada Guía o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido a la normativa reguladora de la actividad de auditoría de cuentas vigente en España, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

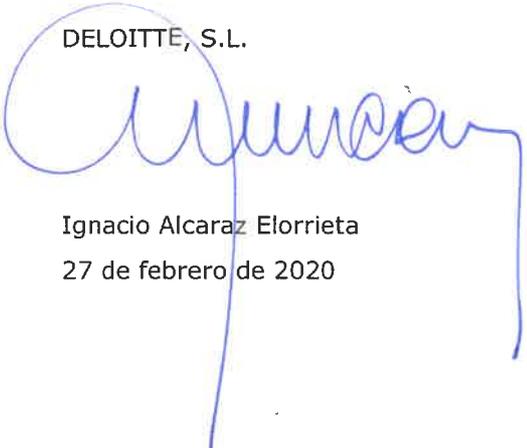
Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión – y evaluación de si dicha información aborda la totalidad de la información requerida que seguirá el contenido mínimo descrito en el apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular nº 5/2013 de 12 de junio de 2013 de la Comisión Nacional del Mercado de Valores (CNMV), posteriormente modificada por la Circular nº 7/2015 de 22 de diciembre de 2015 de la CNMV y la Circular 2/2018 de 12 de junio de la CNMV (en adelante, las Circulares de la CNMV).
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la Entidad.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye los informes preparados por la función de auditoría interna, Alta Dirección y otros especialistas internos o externos en sus funciones de soporte a la Comisión de Auditoría y Control.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la Entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del Consejo de Administración, Comisión de Auditoría y Control y otras comisiones de la Entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por las circulares de la CNMV de la Comisión Nacional del Mercado de Valores a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

DELOITTE, S.L.



Ignacio Alcaraz Elorrieta

27 de febrero de 2020

FICHERO ADJUNTO PARA COMPLETAR LA INFORMACIÓN DE LOS APARTADOS SIGUIENTES DEL INFORME ANUAL DE GOBIERNO CORPORATIVO, INFORME ESTADÍSTICO (C.1.39, C.2.1, D.2):

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Número de beneficiarios	
Tipo de beneficiario	Descripción del acuerdo
<p>Consejeros Ejecutivos (D. Ismael Clemente Orrego y D. Miguel Ollero Barrera) y Directivos</p>	<p>Los contratos vigentes con los Consejeros ejecutivos recogen una indemnización para el supuesto de terminación de su relación con la Sociedad derivada de</p> <p>(i) La separación o cese de su cargo de Consejero ejecutivo sin causa. Se entenderá que existe causa cuando dicha separación o cese se deba a (a) un quebrantamiento o incumplimiento grave de deberes y obligaciones legales que le corresponden, o (b) la realización de alguna actuación u omisión que cause graves daños a la Sociedad, y siempre que, en ambos casos, la concurrencia de dicha causa hubiera sido declarada por un tribunal competente.</p> <p>(ii) Una extinción a instancias del Consejero ejecutivo motivada por una modificación sustancial en sus condiciones de prestación de servicios que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. Constituirá una modificación sustancial la exclusión del Consejero ejecutivo de la actual Política de Remuneraciones, el LTIP 2017-2019, así como la revocación de la eficacia de la política o LTIP por parte de la Junta General. Por el contrario, no se considerará una modificación</p>

sustancial la aprobación de políticas futuras que (i) fueran económicamente menos favorables, (ii) no contemplen retribuciones variables similares al sistema de incentivos monetarios a corto plazo ("STIP") o (iii) decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP.

(iii) Una extinción a instancias del Consejero ejecutivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

El Consejero ejecutivo tendrá derecho a percibir en concepto de indemnización, y siempre que el pago no comprometa la solvencia de la Sociedad.

(i) En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por dos la Retribución Fija y la Retribución Variable concedida al Consejero ejecutivo en el periodo de los últimos doce meses anteriores al cese.

(ii) En el supuesto (iii) una cantidad equivalente a la suma de la Retribución Fija y la Retribución Variable concedida al Consejero ejecutivo en el periodo de los últimos doce meses anteriores al cese

De las referidas cantidades, un importe equivalente a seis mensualidades de la Retribución Fija se abonará en concepto de contraprestación económica por la obligación de no competencia postcontractual.

Con uno de los altos directivos, existen pactadas indemnizaciones para el supuesto de terminación de su relación con la Sociedad derivada de:

i. Una extinción unilateral a instancias de la Compañía, salvo que dicha extinción esté basada en el incumplimiento grave y culpable del Directivo en los términos

contemplados en el artículo 11.2 del Real Decreto 1382/1985.

- ii. Una extinción a instancias del Directivo motivada por una modificación sustancial en sus condiciones de prestación de servicios que redunden notoriamente en perjuicio de su formación profesional, en menoscabo de su dignidad, o sean decididas con grave transgresión de la buena fe, por parte de la Sociedad. Constituirá una modificación sustancial a estos efectos la exclusión del Directivo de la actual Política de Remuneraciones, incluido el Plan 2017-2019, así como la revocación de la eficacia de los mismos por parte de la Junta General; sin embargo, no se considerará una modificación sustancial a estos efectos la aprobación de políticas futuras que fueran económicamente menos favorables, que no contemplen retribuciones variables similares al sistema de incentivos monetarios a corto plazo (“STIP”) o decisiones futuras de la Sociedad de no aprobar planes de incentivos a largo plazo similares al LTIP;
- iii. Una extinción a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control.

El Directivo tendrá derecho a percibir en concepto de indemnización, siempre que el pago no comprometa la solvencia de la Sociedad, la cantidad equivalente a la indemnización aplicable a un trabajador con una relación laboral ordinaria, en función del supuesto extintivo de que se trate.

En el supuesto de terminación de la relación laboral con la Sociedad a instancias del Directivo motivada por haber acontecido un cambio de control (entendido cambio de control en los términos regulados en la normativa de ofertas públicas de adquisición de acciones), siempre que la extinción se produzca dentro de los tres meses siguientes a que acontezca el cambio de control, se reconoce el derecho del Directivo a una indemnización equivalente a la correspondiente a un despido improcedente de un trabajador con relación laboral ordinaria.

En todo caso, la indemnización máxima será la siguiente:

- i. En los supuestos (i) y (ii), una cantidad equivalente al resultado de multiplicar por 1,5 la Retribución Fija y la Retribución Variable concedida al Directivo en el periodo de los últimos doce meses anteriores al cese.
- ii. En el supuesto (iii) una cantidad equivalente al 50% de la suma de la Retribución Fija y Retribución Variable concedida al Directivo en el periodo de los últimos doce meses anteriores al cese.

La indemnización que, en su caso, se abone, incluirá y absorberá la indemnización que legalmente le pudiese corresponder, de forma que ambas indemnizaciones no serán acumulables

Con el resto de equipo directivo, diferentes a los consejeros ejecutivos y al citado alto directivo, el régimen de extinción de sus relaciones está sometido a lo recogido en el Estatuto de los Trabajadores y demás normativa de aplicación.

C.2.1 COMISION DE AUDITORÍA Y CONTROL

Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma y resuma sus actuaciones más importantes durante el ejercicio.

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los

procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley o en los estatutos u otros acuerdos sociales.

La regulación de la Comisión, con carácter adicional a la establecida por la legislación vigente, se recoge en los Estatutos Sociales, en el Reglamento del Consejo de Administración de la Sociedad, y más específicamente, en el **Reglamento de la Comisión de Auditoría y Control**, aprobado por el Consejo de Administración, con fecha 30 de enero de 2018, previa propuesta de la propia Comisión de Auditoría y Control.

Dicho Reglamento de la Comisión, incorpora todos los aspectos incluidos en las recomendaciones de la **Guía Técnica 3/2017 de la Comisión Nacional del Mercado de Valores sobre Comisiones de Auditoría de Entidades de Interés Público**.

Toda la referida normativa interna de MERLIN (Estatutos Sociales, Reglamento del Consejo de Administración y Reglamento de la Comisión de Auditoría y Control) se encuentran a disposición de cualquier interesado en la página web corporativa (<http://www.merlinproperties.com/gobierno-corporativo/normativa-de-gobierno-corporativo/>).

Por lo que respecta a su composición, y conforme a lo establecido en los artículos 12 y 13 del Reglamento de la Comisión de Auditoría y Control, la Comisión se compondrá de un mínimo de tres (3) y un máximo de cinco (5) miembros, que **serán en su totalidad consejeros no ejecutivos y en su mayoría independientes**; dichos miembros serán nombrados por el Consejo de Administración, a propuesta de la Comisión de Nombramientos y Retribuciones. En la propuesta y nombramiento de sus miembros, se procurará la diversidad en su composición, en particular en lo relativo a género, experiencia profesional, competencias y conocimientos sectoriales.

Los miembros de la Comisión, en tanto miembros del Consejo de Administración, deben tener la experiencia y conocimientos en ámbitos de gestión, económicos, financieros y empresariales necesarios en todo buen consejero. Adicionalmente, la Comisión en su conjunto, deberá tener los conocimientos técnicos pertinentes en relación con el sector de actividad al que pertenece Sociedad; y al menos uno de los miembros de la Comisión deberá ser designado teniendo igualmente en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas.

De manera adicional a lo anterior, en la propuesta y nombramiento de los miembros y cargos de la Comisión de Auditoría y Control, la Comisión de Nombramientos y el Consejo de Administración procurarán que el Presidente de la Comisión tenga los conocimientos, aptitudes y experiencia adecuados a las funciones que esté llamado a desempeñar en materia de contabilidad, auditoría o gestión de riesgos; los miembros de la Comisión en su conjunto tengan aptitudes en materia financiera y de control interno; y que al menos uno de los miembros de la Comisión tenga experiencia en tecnologías de la información (IT), entre otras razones, al objeto de propiciar una supervisión eficiente de los sistemas internos de control y gestión de los riesgos, los cuales utilizan, generalmente, aplicaciones informáticas complejas, y de poder evaluar adecuadamente nuevos riesgos emergentes, como el de ciberseguridad.

El Presidente de la Comisión de Auditoría y Control, cargo que en todo caso recaerá en un Consejero Independiente, será nombrado entre sus miembros y deberá ser sustituido cada cuatro (4), pudiendo ser reelegido una vez transcurrido el plazo de un (1) año desde su cese, sin perjuicio de su continuidad o reelección como miembro de la Comisión.

La Comisión de Auditoría y Control, conforme a lo establecido en el artículo 17 de su Reglamento, antes del comienzo de cada ejercicio, aprobará un plan anual de trabajo que contemple, los objetivos específicos en relación con cada una de las funciones que tiene encomendadas, la organización de la información y el orden del día de las reuniones u otras vías de comunicación periódica con los directivos de la Sociedad, el responsable de la dirección de auditoría interna y el auditor de cuentas externo y la formación que se considere oportuna para el correcto desempeño de las funciones de la Comisión.

En este sentido, la Comisión ha desarrollado sus funciones durante el ejercicio de acuerdo con el "**Calendario de trabajo para el ejercicio 2019**", aprobado por la Comisión en el mes de diciembre de 2018 y ha aprobado el "**Calendario de trabajo para el ejercicio 2020**" en su sesión de 11 de diciembre de 2019.

En cualquier caso, la Comisión se convocará y reunirá, como mínimo, con una periodicidad trimestral, a fin de revisar la información financiera periódica que, de conformidad con la normativa en vigor, el Consejo de Administración haya de remitir a las autoridades bursátiles, así como la información que el Consejo de Administración haya de aprobar e incluir dentro de su documentación pública anual.

En dichas reuniones se contará con la asistencia del Director de Auditoría Interna y, cuando emita algún informe de revisión, la del auditor de cuentas externo. Al menos una parte de estas reuniones tendrá lugar sin la presencia de la dirección de la Sociedad, de forma que puedan discutirse exclusivamente con ellos las cuestiones específicas que surjan de las revisiones realizadas.

Así mismo, la Comisión podrá contar con la colaboración y contratación de servicios externos y asesoramiento y recabar cualquier tipo de información o documentación de que disponga la Sociedad relativa a las cuestiones que son competencia de la Comisión y que considere necesaria para el cumplimiento de sus funciones.

Las funciones de la Comisión se encuentran detalladas en los artículos 5 a 10 del Reglamento específico de la Comisión de Auditoría y Control. A continuación, se resumen sus principales competencias:

- (i) Aprobar la Política que determine el procedimiento para la selección y contratación y las relaciones con el auditor externo, así como las circunstancias que pudieran afectar a su independencia y los instrumentos para dotar a dichas relaciones de la debida transparencia.
- (ii) Elevar al Consejo de Administración, para su sometimiento a la Junta General de Accionistas, la propuesta de selección, nombramiento, reelección y sustitución del auditor de cuentas externo, así como sus condiciones de contratación y, en su caso, su revocación o no renovación.
- (iii) Recibir anualmente del auditor de cuentas externo la declaración de su independencia, así como la información de los servicios adicionales de cualquier clase prestados y los correspondientes honorarios percibidos por él o por las personas o entidades

vinculados a él, de acuerdo con lo dispuesto en la legislación sobre auditoría de cuentas.

- (iv) Emitir anualmente, con carácter previo a la emisión del informe de auditoría de cuentas, un informe en el que se expresará una opinión sobre si la independencia del auditor de cuentas externo resulta comprometida.
- (v) Revisar con el auditor de cuentas externo las principales incidencias detectadas durante de la auditoría, contrastarlas con la opinión de la dirección, verificando que se han solventado y, en su defecto, comprender por qué no, y realizar un seguimiento de las recomendaciones del auditor de cuentas externo.
- (vi) Analizar con el auditor de cuentas externo las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría y presentar recomendaciones o propuestas al Consejo de Administración y el correspondiente plazo para su seguimiento.
- (vii) Autorizar previamente los servicios distintos de la auditoría de cuentas que el auditor de cuentas externo (o la firma auditora a la que pertenezca) o las personas o entidades vinculadas a estos (de acuerdo con lo dispuesto en la legislación sobre auditoría de cuentas) vayan a prestar a las sociedades del grupo, en los términos previstos en la ley.
- (viii) Supervisar la correcta aplicación de los principios de contabilidad generalmente aceptados y las normas internacionales de información financiera que sean de aplicación y supervisar el proceso de elaboración y presentación de las cuentas anuales de la Sociedad y la información financiera periódica que, de conformidad con la normativa en vigor, la Sociedad deba suministrar a los mercados y a sus órganos de supervisión, así como su proceso de elaboración y publicación, informando al respecto al Consejo de Administración con carácter previo a su aprobación y presentado recomendaciones o propuestas dirigidas a salvaguardar su integridad.
- (ix) Revisar la claridad e integridad de toda la información financiera, y no financiera relacionada, que la entidad haga pública, como pueden ser los estados financieros, informe de gestión, informes de gestión y control de riesgos e informe anual de gobierno corporativo, debiendo asegurarse de que los Informes financieros semestrales y las declaraciones trimestrales de gestión se formulan con los mismos criterios contables que los Informes financieros anuales y, a tal fin, considerar la procedencia de una revisión limitada de los Informes financieros semestrales por el auditor de cuentas.
- (x) Supervisar el contenido de los informes de auditoría de cuentas y, en su caso, de los informes de revisión limitada de cuentas intermedias y demás informes preceptivos del auditor de cuentas externo, antes de su emisión, con la finalidad de evitar salvedades.
- (xi) Procurar, con la colaboración del departamento de auditoría interna, que la información financiera publicada en la página web de la Sociedad está permanentemente actualizada y coincide con la que ha sido formulada por los administradores de la Sociedad

y publicada, en su caso, cuando venga obligada a ello en la web de la CNMV.

- (xii) Aprobar la orientación y planes de trabajo de la dirección de auditoría interna y recibir información periódica sobre sus actividades. En la supervisión del plan de trabajo, la Comisión deberá verificar que en dicho plan se han considerado las principales áreas de riesgo, financiero y no financiero del negocio, y que se identifican y delimitan claramente sus responsabilidades a efectos de la adecuada coordinación con otras funciones de aseguramiento que puedan existir, como las unidades de gestión y control de riesgos, control de gestión, cumplimiento normativo y la auditoría externa.
- (xiii) Supervisar todo lo relativo a los distintos tipos de riesgo a los que se enfrenta la Sociedad, incluyendo riesgos financieros o económicos, pasivos contingentes, otros riesgos fuera de balance, operativos, medioambientales, tecnológicos, legales, sociales, políticos y reputacionales.
- (xiv) Fijar los niveles de riesgo que la Sociedad considere aceptables es una función ejecutiva de Consejo de Administración. Evaluar, al menos anualmente, la lista de los riesgos, financieros y no financieros, más significativos y el nivel de tolerancia establecido para cada uno a partir de la información proporcionada por la dirección, el responsable de la dirección de auditoría interna y, en su caso, la unidad de gestión y control de riesgos.
- (xv) Revisar los sistemas de control interno y gestión de riesgos de la Sociedad y en particular, el correcto diseño del sistema de control interno y gestión de la información financiera (SCIIF), para que los principales riesgos se identifiquen, gestionen y se den a conocer de forma adecuada.
- (xvi) Aprobar el plan de auditoría interna para la evaluación del SCIIF, y sus modificaciones, y recibir información periódica del resultado de su trabajo, así como del plan de acción para corregir las deficiencias observadas.
- (xvii) Mantener, al menos con carácter anual, una reunión con los responsables de las unidades de negocio en la que éstos expliquen las tendencias del negocio y los riesgos asociados, y reforzar la idea de que es a los responsables de las unidades de negocio a quienes corresponde de modo directo gestionar eficazmente los riesgos y la de que debe existir un responsable asignado para cada riesgo identificado.
- (xviii) Informar en la Junta General de accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean competencia de la Comisión, y, en particular, sobre el resultado de la auditoría, explicando cómo esta ha contribuido a la integridad de la información financiera y la función que la Comisión ha desempeñado en ese proceso.
- (xix) Informar en la Junta General de Accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean de su competencia.

- (xx) Proponer el nombramiento, y supervisar los servicios de los tasadores externos en relación con la valoración de los activos de la Sociedad.
- (xxi) Informar al Consejo de Administración sobre la creación o adquisición de participaciones en entidades de propósito especial o domiciliadas en países o territorios que tengan la consideración de paraísos fiscales, de las condiciones económicas e impacto contable y, en su caso, sobre la ecuación de canje de las operaciones de modificaciones estructurales y corporativas que proyecte realizar la Sociedad y de las operaciones con partes vinculadas.
- (xxii) Revisar el plan anual de actividades del Órgano de Cumplimiento Penal, así como el informe semestral de sus actividades para su posterior elevación al Consejo de Administración. Recibir información del Órgano de Cumplimiento Penal en relación con cualquier cuestión relevante relativa al cumplimiento normativo y la prevención y corrección de conductas ilegales o fraudulentas.
- (xxiii) Revisar, a través del Órgano de Control Interno las políticas y procedimientos internos de la Sociedad para comprobar su efectividad en la prevención del blanqueo de capitales y financiación del terrorismo e identificar eventuales políticas o procedimientos que sean más efectivos en la promoción de los más altos estándares éticos, para su elevación al Consejo de Administración.

La Comisión desempeña sus funciones con total independencia y con plena autonomía de funcionamiento, estando dirigida por su Presidente, al que le corresponde convocar las reuniones, proponer el orden de las cuestiones a tratar y requerir la asistencia de cualquier administrador, directivo o empleado de la Sociedad o del auditor externo de cuentas o de cualquier otro externo que resulte necesario para el desempeño de sus funciones.

La Comisión, durante el ejercicio 2019, se ha reunido en diecisiete (17) ocasiones (en particular, los días 29 de enero, 19 de febrero, 26 de febrero, 7 de marzo, 2 de abril, 10 de abril (se celebraron dos reuniones, una en el seno del consejo de administración), 10 de mayo, 4 de junio, 24 de junio, 22 de julio, 29 de julio, 13 de septiembre, 8 de octubre, 29 de octubre, 11 de noviembre y 11 de diciembre), todas ellas de manera presencial y en el domicilio social de la Sociedad, salvo una de las dos reuniones de 10 de abril que se celebró en el Auditorio Rafael del Pino, sito en Calle Rafael Calvo, 39A, y segunda reunión de 10 de abril que se celebró en el seno del Consejo de Administración.

Además de sus miembros, a las reuniones de la Comisión de Auditoría y Control han asistido empleados, directivos y consultores externos de la Sociedad, tales como D. Jon Navarro, D. Daniel González, D. Manuel García Casas, D. Francisco Rivas, los valoradores de CBRE Valuation Advisory, S.A., los valoradores de Savills Consultores Inmobiliarios, S.A. (Aguirre Newman), los valoradores de Jones Lang LaSalle (JLL), D. Enrique Romero, D. Fernando Lacadena, los representantes de PwC, D. Oscar Mata, D. Oscar Rivero, D. Enrique Rodríguez, D. Jaime de Vicente, D. Álvaro Ontañón, D. Juan Criado, los representantes de Jones Lang Lasalle, D. Miguel Oñate, D. Alberto Plaza, D. Javier Zarrabeitia, D. Fernando Ferrero y D. Fernando Díaz-Llanos, para tratar los puntos del orden del día a los que habían sido convocados.

Así mismo, el Auditor Externo ha asistido a 4 reuniones de la Comisión, 3 de ellas para informar de la presentación auditor de cuentas y borrador opinión, el informe especial a la comisión de auditoría durante la reunión de 26 de febrero, las principales conclusiones de la Revisión Limitada del primer semestre del 2019 durante la reunión de 29 de julio, el cierre preliminar del tercer trimestre de 2019, durante la reunión de 11 de diciembre, y en otra ocasión adicional para la actualización de normativa contable, legales y fiscal, dentro del plan de formación de la Comisión durante la reunión de 24 de junio.

Por último, los responsables de las tres firmas de tasación de activos inmobiliarios han asistido a dos reuniones de la Comisión para informar sobre el proceso de valoración de los activos de cara al cierre del ejercicio 2018 y respecto al cierre semestral de junio 2019, así como para la actualización de los procedimientos y metodologías de valoración de activos inmobiliarios, dentro del plan de formación de la Comisión.

Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:

- (i) Elevado al Consejo de Administración diversos informes en relación a la presentación de los estados financieros individuales y consolidados correspondientes al ejercicio cerrado a 31 de diciembre de 2018, así como sobre la información financiera e informes de gestión, trimestrales y semestrales, exigidos (durante el ejercicio 2019) a la Sociedad, como sociedad cotizada, por la normativa de aplicación;
- (ii) Informado al Consejo de Administración sobre la auditoría externa llevada a cabo en relación al ejercicio cerrado a 31 de diciembre de 2018, así como de las revisiones limitadas y preliminares llevadas a cabo por el auditor externo en relación a la información financiera del primer semestre y preliminar a cierre exigida a la Sociedad durante el ejercicio 2019.
- (iii) Expuesto al Consejo de Administración todos los trabajos encargados al auditor externo (Deloitte, S.L.) durante el año en curso y su análisis previo de la contratación en materia de independencia y compatibilidad de acuerdo a la Ley de Auditoría.
- (iv) Supervisado el trabajo de los servicios de los tasadores externos en relación a la valoración de los activos de la sociedad con carácter semestral, manteniéndose reuniones periódicas, analizando su rotación y proponiendo el nombramiento de nuevos tasadores para los activos en Portugal.
- (v) Tomada razón sobre las operaciones vinculadas, informando al Consejo de Administración para, en su caso, su aprobación.
- (vi) Tomado conocimiento e informado favorablemente al Consejo de Administración en lo concerniente a aspectos contables y fiscales sobre las operaciones corporativas del ejercicio 2019.
- (vii) Actualizado el Mapa de Riesgos 2019 de acuerdo con la metodología COSO-ERM 2017 y seguimiento periódico de los riesgos principales de negocio mediante la comparecencia de los responsables de las unidades de negocio junto con su explicación de las tendencias del negocio y los riesgos asociados.
- (viii) Analizado los riesgos que afectan a la Sociedad en materia de riesgos tecnológicos y de ciberseguridad, supervisando la ejecución del plan de formación y concienciación que se ha llevado a cabo durante el

ejercicio 2019 y que ha abarcado a todos los empleados de la compañía.

- (ix) Revisado las políticas fiscales seguidas durante el ejercicio, antes de formular las cuentas anuales y de presentar el Impuesto de Sociedades, en cumplimiento de la Política Fiscal de MERLIN.
- (x) Supervisado la ejecución de los trabajos de auditoría interna dentro del marco de los sistemas de control interno y de acuerdo con el Plan Anual de actividades 2019 aprobado en la sesión de 12 de diciembre de 2018, haciendo seguimiento del cumplimiento, por parte de la dirección de la Sociedad, de sus recomendaciones.
- (xi) Revisado las actividades de los distintos órganos de control establecidos en la Sociedad para la supervisión y gestión de riesgos penales (Órgano de Control Penal) y en materia de prevención de blanqueo de capitales y financiación del terrorismo (Órgano de Control Interno).
- (xii) Supervisado el funcionamiento del SCIIF, y a su vez, ha revisado los informes de auditoría interna sobre el mismo, revisando el Manual de SCIIF y el Manual de Políticas Contables del Grupo.
- (xiii) Verificado la evolución de los trabajos realizados por la dirección de la Sociedad en la adaptación a la nueva normativa de Protección de Datos, velando, en todo momento, por la implantación de sistemas de control que minimicen el riesgo de la vulnerabilidad de los derechos de los usuarios de los activos de la Sociedad.
- (xiv) Impulsado una mejora integral del Sistema de Gobierno Corporativo de la Sociedad, mediante la revisión del modelo existente con las nuevas exigencias sobre la Información No Financiera, aun no siendo aplicable a la Sociedad. En este sentido, la Comisión ha impulsado la aprobación por parte del Consejo de Administración, el 31 de julio de 2019, de una serie de políticas relativas al control interno, a la prevención de la corrupción y el fraude, relaciones con proveedores, relaciones con administraciones públicas, de protección de datos personales, entre otras.

COMISIÓN DE NOMBRAMIENTOS

Observaciones

A pesar de la separación de la Comisión de Nombramientos y la Comisión de Retribuciones en dos comisiones separadas, las regulaciones de sus funciones en el Reglamento del Consejo de Administración se listaban de manera conjunta, con una atribución de funciones mediante referencia (en la cual se ha detectado la existencia de un error tipográfico). En el ejercicio 2020 el Consejo de Administración ha acordado modificar el Reglamento del Consejo de Administración para, además de corregir estos errores tipográficos, asignar en el Reglamento, de manera individual y clara, las funciones que corresponden y han venido ejerciendo durante el ejercicio 2019 cada una de las Comisiones.

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas, ya sea en la ley o en los estatutos u otros acuerdos sociales.

Durante el ejercicio 2019 las funciones atribuidas a esta comisión han sido las siguientes:

- 1) evaluar las competencias, conocimientos y experiencia que deben concurrir en los miembros del Consejo de Administración. A estos efectos, definirá las funciones y aptitudes necesarias en los candidatos que deban cubrir cada vacante y evaluará el tiempo y dedicación precisos para que puedan desempeñar eficazmente su cometido;
- 2) elevar al Consejo de Administración las propuestas de nombramiento, reelección o separación de consejeros independientes para su designación por cooptación o para su sometimiento a la decisión de la Junta General de Accionistas, así como las propuestas para la reelección o separación de dichos consejeros por la Junta General de Accionistas; informar las propuestas de nombramiento de los restantes consejeros para su designación por cooptación o para su sometimiento a la decisión de la Junta General de Accionistas, así como las propuestas para su reelección o separación por la Junta General de Accionistas;
- 3) informar el nombramiento del Presidente, Vicepresidentes, Secretario y Vicesecretario del Consejo de Administración;
- 4) informar las propuestas de nombramiento de los miembros de la Comisión de Auditoría y Control;
- 5) informar al Consejo de Administración del desempeño de las funciones del Presidente;
- 6) examinar u organizar la sucesión del Presidente del Consejo de Administración y, de existir, del Consejero Delegado de la Sociedad, y, en su caso formular propuestas al Consejo de administración para que dicha sucesión se produzca de forma ordenada y planificada;
- 7) informar las propuestas de nombramiento y cese de los miembros del equipo directivo y las condiciones básicas de sus contratos;
- 8) establecer un objetivo de representación para el sexo menos representado en el consejo de administración y elaborar orientaciones sobre cómo alcanzar dicho objetivo;
- 9) informar al Consejo de Administración sobre las cuestiones de diversidad de género;
- 10) la coordinación del proceso de reporte de la información no financiera y sobre diversidad, conforme a la normativa aplicable y a los estándares internacionales de referencia;
- 11) establecer y supervisar un programa anual de evaluación y revisión continua de la cualificación, formación y, en su caso, independencia, así

como el mantenimiento de las condiciones de honorabilidad, idoneidad, solvencia, competencia, disponibilidad y compromiso con su función, necesarias para el ejercicio del cargo Consejero y de miembro de una determinada comisión, y proponer al Consejo de Administración las medidas que considere oportunas al respecto, pudiendo recabar cualquier información o documentación que estime necesaria u oportuna al efecto;

- 12) velar por que, al proveerse nuevas vacantes o al nombrar nuevos Consejeros, los procedimientos de selección no adolezcan de sesgos implícitos que puedan implicar discriminación alguna y, en particular, que no obstaculicen la selección de consejeras;
- 13) considerar las sugerencias que le hagan llegar el Presidente, los miembros del Consejo, los directivos o los accionistas de la Sociedad (común con la Comisión de Retribuciones);
- 14) establecer y supervisar el mecanismo que permita a los empleados comunicar, de forma confidencial y, si se considerara apropiado, de forma anónima, las irregularidades de especial trascendencia, en especial las de naturaleza financiera y contable, que adviertan en el seno de la empresa;
- 15) supervisar el cumplimiento de los códigos internos de conducta y de las reglas de gobierno corporativo;
- 16) evaluar de forma periódica la adecuación del sistema de gobierno corporativo de la Sociedad, con el fin de que cumpla su misión de promover el interés social y tenga en cuenta los legítimos intereses de los grupos de interés;
- 17) la supervisión y evaluación de los procesos de relación con los distintos grupos de interés;
- 18) supervisar la estrategia y prácticas de responsabilidad social corporativa, evaluando su grado de cumplimiento, y velar por que la política de responsabilidad social corporativa esté orientada a la creación de valor;
- 19) en relación con las obligaciones de gobierno corporativo de la Sociedad:
 - a) revisar periódicamente la normativa interna de gobierno corporativo de la Sociedad y proponer al Consejo, para su aprobación o elevación a la Junta General de accionistas, según corresponda, las modificaciones y actualizaciones que contribuyan a su desarrollo y mejora continua;
 - b) impulsar la estrategia de gobierno corporativo de la Sociedad;
 - c) supervisar el cumplimiento de los requerimientos legales y de la normativa interna de gobierno corporativo de la Sociedad;
 - d) conocer, impulsar, orientar y supervisar la actuación de la Sociedad en materia de responsabilidad social corporativa y sostenibilidad e informar sobre la misma al Consejo o, en su caso, a la Comisión Ejecutiva;
 - e) conocer, impulsar, orientar y supervisar la actuación de la Sociedad en materia de reputación corporativa e informar sobre la misma al Consejo o, en su caso, a la Comisión Ejecutiva;
 - f) informar, con carácter previo a su aprobación, el informe anual de gobierno corporativo de la Sociedad, recabando para ello los

informes de la Comisión de Auditoría y Control en relación con los apartados de dicho informe que sean propios de sus competencias.

20) cualesquiera otras que le sean atribuidas en virtud de los Estatutos Sociales, del presente Reglamento y de la ley y demás normativa aplicable a la Sociedad (común con la Comisión de Retribuciones).

Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:

- (i) proponer que el consejo continúe fijado en 12 miembros, reeligiendo a los consejeros cuyo mandato finalizaba en el ejercicio 2019; en el marco de lo anterior
 - (a) proponer la reelección de Dña. Pilar Cavero Mestre y D. Juan María Aguirre Gonzalo como consejeros independientes de la Sociedad;
 - (b) informar la reelección de D. Javier García Carranza Benjumea y Dña. Francisca Ortega Hernández-Agero como consejeros dominicales
- (i) proponer la sustitución de D. Fernando Ortiz Vaamonde como presidente de la Comisión de Nombramientos por D. Emilio Novela Berlín e informar la reelección de como miembros de la Comisión de Nombramientos y la Comisión de Retribuciones de D. Javier García Carranza Benjumea y Dña. Pilar Cavero Mestre;
- (ii) proponer la modificación del Reglamento del Consejo de Administración para su adecuación a la nueva estructura de la Comisión de Nombramientos y la Comisión de Retribuciones y a las modificaciones de estatutos aprobadas en la Junta General Ordinaria de 7 de mayo de 2018 y limitar la posibilidad de que los consejeros ejecutivos formen parte de otros consejos de administración de sociedades cotizadas, salvo dispensa expresa del consejo de administración;
- (iii) proponer el establecimiento de una política general interna por la que los consejeros ejecutivos tengan como limitación adicional, no poder formar parte de más de un consejo de administración y que su categoría en el mismo sea únicamente la de consejero independiente;
- (iv) informar en relación a la información sobre diversidad que preceptúa el Real Decreto-ley 18/2017, de 24 de noviembre, en materia de información no financiera y diversidad; y el cumplimiento de la política de selección de Consejeros;
- (v) la aprobación de la Memoria de la Comisión en relación con las actividades llevadas a cabo durante el ejercicio 2018;
- (vi) la aprobación del Informe de Autoevaluación de la Comisión de Nombramientos durante el ejercicio 2018;
- (vii) la aprobación del Informe de Evaluación del Consejo, su Presidente y Comisiones; y
- (viii) la aprobación del nombramiento del Sr. Emilio Novela Berlín como presidente de la Comisión de Nombramientos.

COMISIÓN DE RETRIBUCIONES

Observaciones

A pesar de la separación de la Comisión de Nombramientos y la Comisión de Retribuciones en dos comisiones separadas, las regulaciones de sus funciones en el Reglamento del Consejo de Administración se listaban de manera conjunta, con una atribución de funciones mediante referencia (en la cual se ha detectado la existencia de un error tipográfico). En el ejercicio 2020 el Consejo de Administración ha acordado modificar el Reglamento del Consejo de Administración para, además de corregir estos errores tipográficos, asignar en el Reglamento, de manera individual y clara, las funciones que corresponden y han venido ejerciendo durante el ejercicio 2019 cada una de las Comisiones.

Explique las funciones, incluyendo, en su caso, las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, y describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas ya sea en la ley o en los estatutos u otros acuerdos sociales.

Durante el ejercicio 2019 las funciones atribuidas a esta comisión han sido las siguientes:

- 1) considerar las sugerencias que le hagan llegar el Presidente, los miembros del Consejo, los directivos o los accionistas de la Sociedad (común con la Comisión de Nombramientos);
- 2) proponer al Consejo de Administración la política de retribuciones de los Consejeros y de los directores generales o de quienes desarrollen sus funciones de alta dirección bajo la dependencia directa del Consejo, de Comisiones ejecutivas o de Consejeros delegados, así como la retribución individual de los Consejeros ejecutivos y de las demás condiciones de sus contratos, velando por su observancia;
- 3) analizar, formular y revisar periódicamente los programas de retribución, ponderando su adecuación y sus rendimientos, proponiendo su modificación o actualización;
- 4) velar por la observancia de la política retributiva establecida por la Sociedad;
- 5) asistir al Consejo en la elaboración del informe sobre la política de retribuciones de los Consejeros y elevar al Consejo cualesquiera otros informes sobre retribuciones previstos en el presente Reglamento y en los Estatutos Sociales de la Sociedad;
- 6) informar, con carácter previo a su aprobación, el informe anual de gobierno corporativo de la Sociedad, recabando para ello los informes de la Comisión de Auditoría y Control en relación con los apartados de dicho informe que sean propios de sus competencias cualesquiera otras que le sean atribuidas en virtud de los Estatutos Sociales, del presente Reglamento y de la ley y demás normativa aplicable a la Sociedad.

Durante el ejercicio 2019 las actuaciones más importantes de esta Comisión han sido:

- (i) informar en relación a:
 - (a) la asignación de acciones correspondientes al MSP 2016;
 - (b) el importe de los sueldos fijos (así como las variaciones propuestas) y variables (STIP) aplicables al equipo directivo, incluyendo consejeros ejecutivos;
 - (c) las cuotas de LTIP a asignar, así como sus beneficiarios;
 - (d) la modificación de la remuneración de los consejeros externos y miembros de las comisiones y la correspondiente modificación de la Política de Remuneraciones (con la emisión del correspondiente informe);
 - (e) el Informe Anual de Remuneraciones de los Consejeros;
 - (f) el Informe Anual de Gobierno Corporativo en aspectos de su competencia;
- (ii) Aprobar:
 - (a) la contratación de KPMG como asesor en el proceso de elaboración de la nueva política de remuneraciones;
 - (b) la Memoria de Actividades de la comisión en relación con el año 2018; y
 - (c) el Informe de autoevaluación de la Comisión de Nombramientos y Retribuciones y la Comisión de Retribuciones durante el ejercicio 2018.
- (iii) Llevado a los trabajos necesarios para la preparación de la nueva política de remuneraciones de los consejeros.

D.2 Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Se completa la información con la siguiente tabla:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
Tesorería				
Banco Santander, S.A.	Filiales	SalDOS de tesorería	SalDOS en cuentas corrientes y depósitos	53.609,42
Banco Santander, S.A.	Merlin Properties, SOCIMI	SalDOS de tesorería	SalDOS en cuentas corrientes y depósitos	22.439,16
Banco Santander, S.A.	Pº Comer. Carlos III	SalDOS de tesorería	SalDOS en cuentas corrientes y depósitos	6,77

DATOS IDENTIFICATIVOS DEL EMISOR

Fecha fin del ejercicio de referencia: [31/12/2019]

CIF: [A86977790]

Denominación Social:

[**MERLIN PROPERTIES, SOCIMI, S.A.**]

Domicilio social:

[PASEO DE LA CASTELLANA, 257 MADRID]

A. ESTRUCTURA DE LA PROPIEDAD

A.1. Complete el siguiente cuadro sobre el capital social de la sociedad:

Fecha de última modificación	Capital social (€)	Número de acciones	Número de derechos de voto
26/10/2016	469.770.750,00	469.770.750	469.770.750

Indique si existen distintas clases de acciones con diferentes derechos asociados:

[] Sí
[√] No

A.2. Detalle los titulares directos e indirectos de participaciones significativas a la fecha de cierre del ejercicio, excluidos los consejeros:

Nombre o denominación social del accionista	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto
	Directo	Indirecto	Directo	Indirecto	
BLACKROCK INC	0,00	3,14	0,00	0,85	3,99
INVESCO LIMITED	0,00	1,01	0,00	0,00	1,01
BANCO SANTANDER, S.A.	16,70	5,57	0,00	0,00	22,27

Detalle de la participación indirecta:

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
BLACKROCK INC	INVESTED MANAGERS AND DELEGATED INVESTMENT MANAGERS (UNDER CONTROL BLACKROCK)	3,14	0,00	3,14
INVESCO LIMITED	INVESCO AVISERS INC, INVESCO A. MANAG. LTD, INVESCO P. CAP. MANAG. LLC E	1,01	0,00	1,01

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
	INVESCO A. M. D. GMBH			
BANCO SANTANDER, S.A.	CARTERA MOBILIARIA, SA SICAV, LURI 6 SA, ALTAMIRA SANTANDER REAL ESTATE SA Y TITULOS DE RENTA FIJA,	5,57	0,00	5,57

A.3. Complete los siguientes cuadros sobre los miembros del consejo de administración de la sociedad, que posean derechos de voto sobre acciones de la sociedad:

Nombre o denominación social del consejero	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% derechos de voto que <u>pueden ser transmitidos</u> a través de instrumentos financieros	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
DOÑA MARÍA LUISA JORDÁ CASTRO	0,00	0,00	0,00	0,00	0,00	0,00	0,00
DOÑA FERNANDO JAVIER ORTIZ VAAMONDE	0,01	0,00	0,00	0,00	0,01	0,00	0,00
DON ISMAEL CLEMENTE ORREGO	0,25	0,00	0,00	0,00	0,25	0,00	0,00
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	0,00	0,02	0,00	0,00	0,02	0,00	0,00
DON MIGUEL OLLERO BARRERA	0,25	0,00	0,00	0,00	0,25	0,00	0,00
DON JOHN GOMEZ HALL	0,02	0,00	0,00	0,00	0,02	0,00	0,00
DON JUAN MARÍA AGUIRRE GONZALO	0,00	0,00	0,00	0,00	0,00	0,00	0,00
DON G. DONALD JOHNSTON III	0,01	0,00	0,00	0,00	0,01	0,00	0,00
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Nombre o denominación social del consejero	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% derechos de voto que pueden ser transmitidos a través de instrumentos financieros	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
DON EMILIO NOVELA BERLIN	0,00	0,00	0,00	0,00	0,00	0,00	0,00

% total de derechos de voto en poder del consejo de administración	0,57
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Detalle de la participación indirecta:

Nombre o denominación social del consejero	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto	% derechos de voto que pueden ser transmitidos a través de instrumentos financieros
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	ALDER PROPERTY, S.L.	0,02	0,00	0,02	0,00

A.7. Indique si han sido comunicados a la sociedad pactos parasociales que la afecten según lo establecido en los artículos 530 y 531 de la Ley de Sociedades de Capital. En su caso, descríbalos brevemente y relacione los accionistas vinculados por el pacto:

Sí
 No

Intervinientes del pacto parasocial	% de capital social afectado	Breve descripción del pacto	Fecha de vencimiento del pacto, si la tiene
BANCO POPULAR ESPAÑOL, S.A., BANCO SANTANDER, S.A., BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	22,27	Con anterioridad existió un pacto por el que Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A. y Banco Popular Español, S.A. se comprometían a no transmitir acciones o derechos de voto de Merlin Properties, SOCIMI, S.A: durante un periodo de seis (6) meses a contar desde la inscripción de la escritura de escisión de Metrovacesa, S.A., es decir, desde el 26 de octubre de 2016. Dicho pacto estuvo vigente durante 4 meses del ejercicio 2017. El pacto sigue vigente en lo relativo a venta de paquetes de acciones	No establecido, salvo en lo indicado.

Intervinientes del pacto parasocial	% de capital social afectado	Breve descripción del pacto	Fecha de vencimiento del pacto, si la tiene
		superiores al 2% del capital social en el sentido de recoger un procedimiento para una transmisión ordenada de dicha participación.	

Indique si la sociedad conoce la existencia de acciones concertadas entre sus accionistas. En su caso, descríbalas brevemente:

Sí
 No

A.8. Indique si existe alguna persona física o jurídica que ejerza o pueda ejercer el control sobre la sociedad de acuerdo con el artículo 5 de la Ley del Mercado de Valores. En su caso, identifíquela:

Sí
 No

A.9. Complete los siguientes cuadros sobre la autocartera de la sociedad:

A fecha de cierre del ejercicio:

Número de acciones directas	Número de acciones indirectas(*)	% total sobre capital social
5.077.369		1,08

(*) A través de:

Nombre o denominación social del titular directo de la participación	Número de acciones directas
Sin datos	

A.11. Capital flotante estimado:

	%
Capital flotante estimado	73,16

A.14. Indique si la sociedad ha emitido valores que no se negocian en un mercado regulado de la Unión Europea.

Sí
 No

B. JUNTA GENERAL

B.4. Indique los datos de asistencia en las juntas generales celebradas en el ejercicio al que se refiere el presente informe y los de los dos ejercicios anteriores:

Fecha junta general	Datos de asistencia				Total
	% de presencia física	% en representación	% voto a distancia		
			Voto electrónico	Otros	
06/04/2016	0,17	54,96	0,00	4,12	59,25
De los que Capital flotante	0,00	17,13	0,00	4,12	21,25
15/09/2016	0,22	53,06	0,00	4,69	57,97
De los que Capital flotante	0,00	15,23	0,00	4,69	19,92
26/04/2017	3,19	71,66	0,00	3,74	78,59
De los que Capital flotante	2,76	43,17	0,00	3,74	49,67
07/05/2018	0,84	78,66	0,00	0,91	80,41
De los que Capital flotante	0,36	50,90	0,00	0,91	52,17
10/04/2019	1,81	75,65	0,00	0,91	78,37
De los que Capital flotante	1,24	48,67	0,00	0,91	50,82

B.5. Indique si en las juntas generales celebradas en el ejercicio ha habido algún punto del orden del día que, por cualquier motivo, no haya sido aprobado por los accionistas:

Sí
 No

B.6. Indique si existe alguna restricción estatutaria que establezca un número mínimo de acciones necesarias para asistir a la junta general, o para votar a distancia:

Sí
 No

Número de acciones necesarias para asistir a la junta general	500
Número de acciones necesarias para votar a distancia	

C. ESTRUCTURA DE LA ADMINISTRACION DE LA SOCIEDAD

C.1. Consejo de administración

C.1.1 Número máximo y mínimo de consejeros previstos en los estatutos sociales y el número fijado por la junta general:

Número máximo de consejeros	15
Número mínimo de consejeros	3
Número de consejeros fijado por la junta	12

C.1.2 Complete el siguiente cuadro con los miembros del consejo:

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección
DON EMILIO NOVELA BERLIN		Independiente	CONSEJERO	07/05/2018	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO		Dominical	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA MARÍA LUISA JORDÁ CASTRO		Independiente	CONSEJERO	10/06/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA ANA MARÍA GARCÍA FAU		Independiente	CONSEJERO	06/06/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA PILAR CAVERO MESTRE		Independiente	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA FERNANDO JAVIER ORTIZ VAAMONDE		Independiente	CONSEJERO	06/06/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección
DON ISMAEL CLEMENTE ORREGO		Ejecutivo	VICEPRESIDENTE- CONSEJERO DELEGADO	27/05/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA		Dominical	PRESIDENTE	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON MIGUEL OLLERO BARRERA		Ejecutivo	CONSEJERO	27/05/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON JOHN GOMEZ HALL		Independiente	CONSEJERO	31/08/2015	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON JUAN MARÍA AGUIRRE GONZALO		Independiente	CONSEJERO	15/09/2016	10/04/2019	ACUERDO JUNTA GENERAL DE ACCIONISTAS
DON G. DONALD JOHNSTON III		Independiente	CONSEJERO	11/06/2014	07/05/2018	ACUERDO JUNTA GENERAL DE ACCIONISTAS

Número total de consejeros	12
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Indique las bajas que, ya sea por dimisión, destitución o por cualquier otra causa, se hayan producido en el consejo de administración durante el periodo sujeto a información:

Nombre o denominación social del consejero	Categoría del consejero en el momento del cese	Fecha del último nombramiento	Fecha de baja	Comisiones especializadas de las que era miembro	Indique si la baja se ha producido antes del fin del mandato
Sin datos					

C.1.3 Complete los siguientes cuadros sobre los miembros del consejo y su distinta categoría:

CONSEJEROS EJECUTIVOS		
Nombre o denominación social del consejero	Cargo en el organigrama de la sociedad	Perfil
DON ISMAEL CLEMENTE ORREGO	Vice-Presidente y Consejero Delegado	D. Ismael Clemente cuenta con una experiencia como profesional del sector inmobiliario de más de 20 años. Ha trabajado en Arthur Andersen Asesores Legales y Tributarios (actualmente Garrigues), Bankers Trust y en el grupo Deutsche Bank, como Director General, habiendo participado en transacciones con un volumen total aproximado de 5.000 millones de euros en toda la tipología de activos inmobiliarios. Entre ellas, cabe destacar la venta y leaseback de la cartera Tree, la mayor transacción inmobiliaria en Europa en 2009. Desde la salida a Bolsa de Merlin, ha liderado dos de las mayores operaciones del sector en España como son la adquisición de Testa y el acuerdo de integración de Metrovacesa, dos operaciones que han llevado a Merlin Properties a convertirse en una inmobiliaria líder en España con activos por un valor de más de 10.000 millones de euros y unas rentas brutas anuales de 465 millones de euros procedentes de alquileres. El Sr. Clemente es licenciado en Derecho y Administración de Empresas por ICADE (E-3), profesor en el programa MRE del Instituto de Empresa y miembro del Spanish Council del Urban Land Institute (ULI).
DON MIGUEL OLLERO BARRERA	Director General Corporativo y COO	D. Miguel Ollero cuenta con una experiencia como profesional del sector inmobiliario desde 2005. Ha trabajado en Arthur Andersen, FCC Construcción, Deutsche Bank M&A y en RREEF, como Director General. En RREEF participó en operaciones con un valor agregado de aproximadamente 4.000 millones de euros, desde inversiones Core hasta Opportunity, y en la posterior gestión de los activos adquiridos. Asimismo, desempeñó un papel fundamental en la estructuración y constitución de cinco vehículos de inversión para la Península Ibérica y Marruecos, en cooperación con la división de Private Wealth Management de Deutsche Bank. El Sr. Ollero es licenciado en Derecho y Administración de Empresas, con especialización en Finanzas, por ICADE (E-3).

Número total de consejeros ejecutivos	2
% sobre el total del consejo	16,67

CONSEJEROS EXTERNOS DOMINICALES		
Nombre o denominación social del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	BANCO SANTANDER, S.A.	Comisiones a las que pertenece: Comisión de auditoría y control Formación: Dña. Francisca Ortega Hernández-Agero Es licenciada en Ciencias Económicas y Empresariales por CUNEF, y MBA por el IESE. Experiencia profesional: Dña. Francisca Ortega Hernández-Agero inicia carrera profesional en la Caja Naval de Crédito como Responsable del Departamento de Riesgos e Inversiones. En el año 1990 asume la Dirección Financiera de PBI Gestión Agencia de Valores, filial de Bearbull Internacional, siendo responsable también de la gestión de fondos de compañías extranjeras en España. En 1996 entra en Banco Central Hispano como responsable de Riesgos de Banca Corporativa pasando posteriormente, ya como Banco Santander a llevar el Área de Financiación de Adquisiciones y el Área de Seguimiento y Control de Gestión de Financiaciones Estructuradas. Desde el año 2009 es responsable del Departamento de grandes clientes de Banca Comercial dentro del Área de Reestructuraciones y Participaciones Corporativas, incorporando, a partir del 2018 la gestión de los clientes de Corporate Investment Banking en España y la coordinación de los clientes internacionales. Head of Global Credit Watch – Área de Reestructuraciones y Participaciones Corporativas. Nombramientos externos actuales: Actualmente es Consejera de PBI Gestión Agencia de Valores y consejera de Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (Sareb).
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	BANCO SANTANDER, S.A.	Comisiones a las que pertenece: Comisión de Nombramientos y Comisión de Retribuciones Formación: El Sr. García-Carranza es licenciado en Administración de Empresas por la Universidad Carlos III de Madrid. Experiencia profesional D. Javier Garcia-Carranza Benjumea es actualmente Responsable Global del Banco Santander del área de Reestructuraciones, Participaciones industriales, Situaciones Especiales, Ventas de Cartera y Nuevos Negocios Antes de unirse al Banco Santander en febrero de 2016, trabajó durante 17 años en Morgan Stanley en el área de principal investments, Banca de Inversión y Asesoramiento Inmobiliario siendo responsable de este negocio para Europa, Norte de Africa y Oriente Medio (EMEA) , con base en Londres, como Co-Head of the Real Estate investment banking business. Ha liderado operaciones de Fusiones y Adquisiciones (M&A) por más de \$125 Bn y transacciones de financiación de equity y deuda por más de \$100 mil millones. Nombramientos externos actuales Igualmente, pertenece a los consejos de Administración de Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria S.A (Sareb) (consejero y miembro de la comisión ejecutiva), Metrovacesa

CONSEJEROS EXTERNOS DOMINICALES		
Nombre o denominación social del consejero	Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento	Perfil
		S.A. (consejero), Quasar Investement 2017 S.L (Consejero) Landmark Iberia (Consejero), Santander España (Consejero) Santander México (Consejero), miembro de la Comisión Ejecutiva Global de Riesgos de Banco Santander S.A y Consejero en Deva Capital Holding Company S.L y Deva Capital Management Company S.L.

Número total de consejeros dominicales	2
% sobre el total del consejo	16,67

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
DON EMILIO NOVELA BERLIN	Comisiones a las que pertenece: Comisión de nombramientos (de la que es presidente) Formación: Ingeniero Industrial por la Universidad Politécnica de Madrid. Experiencia profesional anterior: Ha desempeñado diversos puestos ejecutivos en sus más de 40 años de carrera profesional, ocupando puestos ejecutivos y perteneciendo a Consejos de Administración, Comités de Dirección y Consejos Asesores. Ha sido Subdirector General del Banco del Comercio, Director General Económico y Financiero de Repsol, Director General del Banco Central Hispano y Vicepresidente y Consejero Delegado de la inmobiliaria cotizada Vallehermoso desde 1999 y hasta 2003. Vicepresidente de Banco Banif. Fue consejero de, entre otras, Vallehermoso, Banco Urquijo, Mercedes Leasing, Cortefiel, Spanair, Union Fenosa y Blackrock Asset Management. Nombramientos externos actuales: Consejero Coordinador de Talgo y Presidente de su Comisión de Auditoría.
DOÑA MARÍA LUISA JORDÁ CASTRO	Comisiones a las que pertenece: Comisión de auditoría y control. Formación: Licenciada en Ciencias Empresariales; master en Dirección de Empresas por el Instituto de Empresa y por Centro Estudios Financieros (1985-1987) y Master en Digital Business por The Valley Business School (2016-2017) Curso de Business Angel por Deusto Business School Madrid (2018) Es Miembro del Registro Oficial de Auditores de Cuentas (ROAC) y Miembro del Instituto de Consejeros y Administradores (ICA) Experiencia profesional: Ha desempeñado diversos puestos ejecutivos en sus 30 años de carrera profesional perteneciendo a los distintos Comités de Dirección, de Inversiones y de Auditoría. Ha sido Directora General Económico-Financiera en el Grupo Deoleo hasta febrero 2015, Directora de Auditoría Interna de SOS Corporación Alimentaria (ahora denominado Deoleo, S.A.), Directora de Auditoría Interna y Gobierno Corporativo en Metrovacesa, Directora de Finanzas e Inversiones en la Corporación Empresarial ONCE, Directora Económico-Financiera del Grupo Alimentos y Aceites S.A. Directora Económico-Financiera en Testa (anteriormente denominada Prima Inmobiliaria) y Grupo Ayco (anteriormente denominada Inmobiliaria Alcázar). Ha sido miembro del Consejo de Jazztel desde noviembre 2009 hasta marzo de 2016 y Vocal de la Comisión de Auditoría. Ha sido presidente de la

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
	<p>Comisión de Auditoría de Jazztel desde octubre 2011 a julio 2015. Ha sido miembro del Consejo de Administración y vocal de la Comisión de Auditoría y Control de Tubos Reunidos, S.A. desde mayo y junio de 2015, respectivamente hasta septiembre de 2016. Ha sido miembro de la Junta de Gobierno y vocal del Comité de Auditoría del Instituto de Consejeros y Administradores (ICA) desde junio de 2013 hasta diciembre 2016. Ha sido miembro del Consejo de Administración del Banco Europeo de Finanzas (filial 100 % Unicaja), siendo Presidente de la Comisión de Auditoría y Riesgos desde mayo 2018 hasta marzo 2019. Nombramientos externos actuales: Miembro del Consejo de Administración de Orange España, S.A. desde marzo 2016 y Vocal de la Comisión de Auditoría. Consejera independiente de Grupo Bimbo en México (sociedad cotizada) y Vocal de la Comisión de Auditoría y prácticas Societarias desde abril de 2016. Miembro del Consejo de Administración de Bankinter, y Vocal de la Comité de Riesgos y del Comité de Auditoría y Cumplimiento Normativo desde marzo de 2019. Miembro del Comité Técnico Asesor del Instituto de Auditores Internos de España desde septiembre de 2017 y presidente del Comité desde septiembre de 2019.</p>
DOÑA ANA MARÍA GARCÍA FAU	<p>Comisiones a las que pertenece: Comisión de auditoría y control. Formación Licenciada en Derecho y Empresariales por Universidad Pontificia Comillas, ICADE, (E-3, especialidad financiera) y tiene un MBA del Massachussets Institute of Technology (Sloan, MIT). Experiencia profesional: Trabajó más de 20 años en compañías como McKinsey & Co., Goldman Sachs, Grupo Telefónica y Grupo Yell. Durante su etapa profesional en el Grupo Telefónica ocupó varias responsabilidades ejecutivas en TPI Páginas Amarillas, como Directora General Financiera y Directora General de Desarrollo Corporativo, siendo a su vez miembro del Consejo de Administración de varias de sus filiales. En Yell/hibu fue CEO para España, Latinoamérica y el mercado hispano de EEUU, miembro de su Comité ejecutivo internacional, así como Directora General de Desarrollo Corporativo y Estrategia a nivel global, con responsabilidad sobre la transformación digital del negocio. Nombramientos externos actuales: Consejera independiente de Eutelsat Communications, S.A., compañía francesa cotizada en la Bolsa de París, Euronext, que opera en el sector de satélites de comunicación. Presidente de la Comisión de Retribuciones. Consejera independiente de Technicolor, S.A., compañía francesa cotizada en la Bolsa de París, Euronext, que opera en el sector de tecnología para medios y entretenimiento. Presidente de la Comisión de Nombramientos y Buen Gobierno. Vocal de la Comisión de Auditoría. Consejera independiente de Gestamp Automoción S.A., compañía española cotizada, fabricante de componentes de automoción. Vocal de la Comisión de Auditoría.</p>
DOÑA PILAR CAVERO MESTRE	<p>Comisiones a las que pertenece: Comisión de nombramientos y Comisión de retribuciones. Formación: Licenciada en Derecho por la Universidad Complutense de Madrid. Master en Relaciones Industriales y Master en la Escuela de Práctica Jurídica. Master por el IESE, PDD específico para los Socios de la Firma. En 2007 realizó en la Harvard Business School, el programa "leading professional service firms". Cuenta con el Diploma profesional de Consejera del IC-A. Es profesora del IESE en el Curso sobre Consejeras y Consejables desde el 2008. Experiencia profesional: Dña. Pilar Caveró Mestre cuenta con una dilatada experiencia profesional en el mundo de la abogacía. Entre 1980 y 1986 fue letrado en la Asociación de Cajas de Ahorros para Relaciones Laborales. Posteriormente, entre 1986 y 1990 desempeñó funciones de abogado laboralista en el Despacho Internacional Fabregat y Bermejo, potenciando asimismo la generación de negocio del despacho en su conjunto. En 1990 se incorporó al</p>

CONSEJEROS EXTERNOS INDEPENDIENTES	
Nombre o denominación social del consejero	Perfil
	<p>Despacho Cuatrecasas como Socia Fundadora y Directora del Área Laboral de Cuatrecasas, y Socia cofundadora de Cuatrecasas Madrid. Desde 1999 y hasta 2008 fue miembro del Consejo de Administración de Cuatrecasas y de los distintos Comités de Organización y Dirección del Despacho. Desde 2011 fue Vicepresidenta Fundación Cuatrecasas, desempeñando labores de formación, cultura y otras actividades de potenciación de la reputación de la firma, representando al Despacho en Instituciones importantes. Desde 2012 es Socia Senior y adjunta a la Dirección General de Cuatrecasas Madrid con especial dedicación en Desarrollo de Negocio, representación institucional en Madrid y Socia referente en clientes estratégicos de la Firma. Nombramientos externos actuales: Consejera Independiente Abengoa y Presidenta de su Comisión de Nombramientos y Retribuciones.</p>
DOÑA FERNANDO JAVIER ORTIZ VAAMONDE	<p>Comisiones a las que pertenece: Comisión de retribuciones (de la que es presidente). Formación: Licenciado en Derecho y Empresariales por ICADE (E-3). Experiencia profesional: Accionista fundador y Presidente Ejecutivo de ProA Capital de Inversiones S.G.E.I.C., uno de las mayores gestoras de capital privado (private equity) en España con más de 800 millones de euros en gestión. Ha sido socio del grupo N+1 y miembro de su Comité de Dirección. Fue Director de Inversiones en BBVA y responsable de un vehículo inversor especializado en la inversión en empresas de internet y nuevas tecnologías. Previamente, fue Director de Corporate Finance en ING Barings. D. Fernando Ortiz inició su carrera profesional como asesor fiscal y legal en Arthur Andersen Asesores Legales y Tributarios, hoy Garrigues. Nombramientos externos: Entre otras y en representación de los Fondos ProA, es o ha sido Consejero de Grupo Vips, Ibermática, Avizor, Eugin, Moyca y SABA y Pastas Gallo.</p>
DON JOHN GOMEZ HALL	<p>Formación: Licenciado en Arquitectura por la escuela de Hammersmith, afiliada a la Universidad de Londres. Miembro del Royal Institute of British Architects y F.R.I.C.S. Experiencia profesional: Acumula más de 50 años de experiencia en el mercado inmobiliario español, ocupando puestos directivos en varias de las principales sociedades inmobiliarias en España. El señor Gómez-Hall ha sido Consejero Delegado de Hines España, filial de Hines. Previamente el Sr. Gómez-Hall fue el Consejero Delegado y fundador de Prima Inmobiliaria, cotizada desde 1998. La compañía desarrolló y adquirió una cartera de activos de más de 300.000 m2 de superficie bruta arrendable, en diferentes tipos de activos, predominantemente oficinas. La compañía fue adquirida por Vallehermoso en 2001 y se cambió su denominación a Testa Inmuebles en Renta, S.A. Nombramientos externos: Ha sido consejero de Servihabitad y asesor de TPG Capital.</p>
DON JUAN MARÍA AGUIRRE GONZALO	<p>Comisiones a las que pertenece: Presidente de Comisión de auditoría y control Formación: Licenciado en Ciencias Económicas y Empresariales por la Universidad Pontificia de Comillas (ICADE), y Master en Dirección Financiera por el Instituto de Empresa. Experiencia profesional: D. Juan María Aguirre Gonzalo cuenta con una carrera profesional de la cual gran parte ha estado vinculada al área financiera, ocupando puestos de responsabilidad en el Departamento de Riesgos, Administración y Planificación de Banco de Progreso, S.A. (1985/1988), y posteriormente como Director Financiero de Entidad de Financiación y Leasing de Mercedes-Benz (1989/1990). En el año 1990 se incorpora a Torreal, S.A. como consejero y Director General. Durante su paso por Torreal, y hasta su salida en el año 2005, fue responsable de inversiones financieras e inmobiliarias del Grupo Torreal y miembro del Consejo de Administración de compañías participadas por Torreal. Desde el año 2006, es socio y Director General de Quantica Asesores, S.A: Asesoramiento financiero a Grupos Familiares e Institucionales, y también ha sido consejero</p>

CONSEJEROS EXTERNOS INDEPENDIENTES

Nombre o denominación social del consejero	Perfil
	de Testa Inmuebles en Renta, SOCIMI, S.A. y de BBVA Elcano SCR. Nombramientos externos actuales: Es consejero independiente de SACYR S.A., donde es también consejero coordinador, miembro de la Comisión Ejecutiva y miembro de la Comisión de Auditoría.
DON G. DONALD JOHNSTON III	Comisiones a las que pertenece: Comisión de nombramientos y Comisión de retribuciones. Experiencia profesional: Consejero Delegado del grupo Europeo de M&A en Deutsche Bank desde 1999 hasta 2005. Presidente del mismo grupo de 2005 hasta 2010. Miembro del Comité Europeo de Dirección y del Comité de Operaciones de la división de Finanzas Corporativa del Deutsche Bank. Fue Miembro del Consejo de Administración de Bankers Trust International y Miembro del Comité de Dirección. Entró en Bankers Trust como Responsable Europeo de M&A en 1992 y se convirtió en co-responsable del Banco de Inversión en Europa, mientras seguía gestionando BT Wolfensohn. Trabajó en Salomon Brothers durante 11 años donde era responsable de la división de banca de inversión para España, Austria, Italia y Portugal. Nombramientos externos: Miembro del Consejo de Administración de Acerinox y presidente de su Comisión de Auditoría y Control; y miembro del Consejo de Administración de Banco Sabadell, presidente de la Comisión de Riesgos y miembro de la Comisión de Retribuciones.

Número total de consejeros independientes	8
% sobre el total del consejo	66,67

Indique si algún consejero calificado como independiente percibe de la sociedad, o de su mismo grupo, cualquier cantidad o beneficio por un concepto distinto de la remuneración de consejero, o mantiene o ha mantenido, durante el último ejercicio, una relación de negocios con la sociedad o con cualquier sociedad de su grupo, ya sea en nombre propio o como accionista significativo, consejero o alto directivo de una entidad que mantenga o hubiera mantenido dicha relación.

En su caso, se incluirá una declaración motivada del consejo sobre las razones por las que considera que dicho consejero puede desempeñar sus funciones en calidad de consejero independiente.

Nombre o denominación social del consejero	Descripción de la relación	Declaración motivada
Sin datos		

OTROS CONSEJEROS EXTERNOS

Se identificará a los otros consejeros externos y se detallarán los motivos por los que no se puedan considerar dominicales o independientes y sus vínculos, ya sea con la sociedad, sus directivos, o sus accionistas:

Nombre o denominación social del consejero	Motivos	Sociedad, directivo o accionista con el que mantiene el vínculo	Perfil
Sin datos			

Número total de otros consejeros externos	N.A.
% sobre el total del consejo	N.A.

Indique las variaciones que, en su caso, se hayan producido durante el periodo en la categoría de cada consejero:

Nombre o denominación social del consejero	Fecha del cambio	Categoría anterior	Categoría actual
Sin datos			

C.1.4 Complete el siguiente cuadro con la información relativa al número de consejeras al cierre de los últimos 4 ejercicios, así como la categoría de tales consejeras:

	Número de consejeras				% sobre el total de consejeros de cada categoría			
	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017	Ejercicio 2016	Ejercicio 2019	Ejercicio 2018	Ejercicio 2017	Ejercicio 2016
Ejecutivas					0,00	0,00	0,00	0,00
Dominicales	1	1	1	1	50,00	50,00	50,00	25,00
Independientes	3	3	3	4	37,50	37,50	37,50	44,44
Otras Externas					0,00	0,00	0,00	0,00
Total	4	4	4	5	33,33	33,33	33,33	33,33

C.1.11 Detalle, en su caso, los consejeros o representantes de consejeros personas jurídicas de su sociedad, que sean miembros del consejo de administración o representantes de consejeros personas jurídicas de otras entidades cotizadas en mercados oficiales de valores distintas de su grupo, que hayan sido comunicadas a la sociedad:

Nombre o denominación social del consejero	Denominación social de la entidad cotizada	Cargo
DON EMILIO NOVELA BERLIN	Talgo, SA	CONSEJERO
DOÑA MARÍA LUISA JORDÁ CASTRO	Grupo Bimbo	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Eutelsat Communications, S.A.	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Technicolor, SA	CONSEJERO
DOÑA ANA MARÍA GARCÍA FAU	Gestamp Automoción, S.A.	CONSEJERO
DOÑA PILAR CAVERO MESTRE	Abengoa, S.A.	CONSEJERO
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	Banco Santander México, S.A.	CONSEJERO
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	Metrovacesa, S.A.	CONSEJERO
DON JUAN MARÍA AGUIRRE GONZALO	Sacyr, S.A.	CONSEJERO

Nombre o denominación social del consejero	Denominación social de la entidad cotizada	Cargo
DON G. DONALD JOHNSTON III	Banco de Sabadell, SA	CONSEJERO
DON G. DONALD JOHNSTON III	Acerinox, SA	CONSEJERO
DOÑA MARÍA LUISA JORDÁ CASTRO	Bankinter, S.A.	CONSEJERO

C.1.12 Indique y, en su caso explique, si la sociedad ha establecido reglas sobre el número máximo de consejos de sociedades de los que puedan formar parte sus consejeros, identificando, en su caso, dónde se regula:

Sí
 No

C.1.13 Indique los importes de los conceptos relativos a la remuneración global del consejo de administración siguientes:

Remuneración devengada en el ejercicio a favor del consejo de administración (miles de euros)	5.812
Importe de los derechos acumulados por los consejeros actuales en materia de pensiones (miles de euros)	
Importe de los derechos acumulados por los consejeros antiguos en materia de pensiones (miles de euros)	

C.1.14 Identifique a los miembros de la alta dirección que no sean a su vez consejeros ejecutivos, e indique la remuneración total devengada a su favor durante el ejercicio:

Nombre o denominación social	Cargo/s
DON JAVIER ZARRABEITIA UNZUETA	Director
DON JESÚS VICENTE ASENJO	Director
DON LUIS LAZARO	Director
DON FERNANDO LACADENA AZPEITIA	Director Financiero
DON JON NAVARRO MENDIZABAL	Director de Auditoría Interna
DON DAVID MICHAEL BRUSH	Director de Inversiones
Remuneración total alta dirección (en miles de euros)	5.508

C.1.15 Indique si se ha producido durante el ejercicio alguna modificación en el reglamento del consejo:

Sí
 No

C.1.21 Explique si existen requisitos específicos, distintos de los relativos a los consejeros, para ser nombrado presidente del consejo de administración:

Sí
 No

C.1.23 Indique si los estatutos o el reglamento del consejo establecen un mandato limitado u otros requisitos más estrictos adicionales a los previstos legalmente para los consejeros independientes, distinto al establecido en la normativa:

[] Sí
[✓] No

C.1.25 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio. Asimismo, señale, en su caso, las veces que se ha reunido el consejo sin la asistencia de su presidente. En el cómputo se considerarán asistencias las representaciones realizadas con instrucciones específicas.

Número de reuniones del consejo	14
Número de reuniones del consejo sin la asistencia del presidente	0

Indíquese el número de reuniones mantenidas por el consejero coordinador con el resto de consejeros, sin asistencia ni representación de ningún consejero ejecutivo:

Número de reuniones	9
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Indique el número de reuniones que han mantenido en el ejercicio las distintas comisiones del consejo:

Número de reuniones de COMISION DE AUDITORIA Y CONTROL	17
Número de reuniones de COMISIÓN DE NOMBRAMIENTOS	5
Número de reuniones de COMISIÓN DE RETRIBUCIONES	9

C.1.26 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio y los datos sobre asistencia de sus miembros:

Número de reuniones con la asistencia presencial de al menos el 80% de los consejeros	13
% de asistencia presencial sobre el total de votos durante el ejercicio	92,85
Número de reuniones con la asistencia presencial, o representaciones realizadas con instrucciones específicas, de todos los consejeros	13
% de votos emitidos con asistencia presencial y representaciones realizadas con instrucciones	99,40

específicas, sobre el total de
votos durante el ejercicio

C.1.27 Indique si están previamente certificadas las cuentas anuales individuales y consolidadas que se presentan al consejo para su formulación:

Sí
 No

Identifique, en su caso, a la/s persona/s que ha/han certificado las cuentas anuales individuales y consolidadas de la sociedad, para su formulación por el consejo:

Nombre	Cargo
DON ISMAEL CLEMENTE ORREGO	Consejero Delegado
DON MIGUEL OLLERO BARRERA	Director General Corporativo y COO
DON FERNANDO LACADENA AZPEITIA	Director Financiero

C.1.29 ¿El secretario del consejo tiene la condición de consejero?

Sí
 No

Si el secretario no tiene la condición de consejero complete el siguiente cuadro:

Nombre o denominación social del secretario	Representante
DOÑA MÓNICA ELOISA MARTÍN DE VIDALES GODINO	

C.1.31 Indique si durante el ejercicio la Sociedad ha cambiado de auditor externo. En su caso identifique al auditor entrante y saliente:

Sí
 No

En el caso de que hubieran existido desacuerdos con el auditor saliente, explique el contenido de los mismos:

Sí
 No

C.1.32 Indique si la firma de auditoría realiza otros trabajos para la sociedad y/o su grupo distintos de los de auditoría y en ese caso declare el importe de los honorarios recibidos por dichos trabajos y el porcentaje que supone sobre los honorarios facturados a la sociedad y/o su grupo:

Sí
 No

	Sociedad	Sociedades del grupo	Total
Importe de otros trabajos distintos de los de auditoría (miles de euros)	149	6	155
Importe trabajos distintos de los de auditoría / Importe trabajos de auditoría (en %)	56,65	1,89	26,72

C.1.33 Indique si el informe de auditoría de las cuentas anuales del ejercicio anterior presenta reservas o salvedades. En su caso, indique las razones dadas a los accionistas en la Junta General por el presidente de la comisión de auditoría para explicar el contenido y alcance de dichas reservas o salvedades.

Sí
 No

C.1.34 Indique el número de ejercicios que la firma actual de auditoría lleva de forma ininterrumpida realizando la auditoría de las cuentas anuales individuales y/o consolidadas de la sociedad. Asimismo, indique el porcentaje que representa el número de ejercicios auditados por la actual firma de auditoría sobre el número total de ejercicios en los que las cuentas anuales han sido auditadas:

	Individuales	Consolidadas
Número de ejercicios ininterrumpidos	6	6

	Individuales	Consolidadas
Nº de ejercicios auditados por la firma actual de auditoría / Nº de ejercicios que la sociedad o su grupo han sido auditados (en %)	100,00	100,00

C.1.35 Indique y, en su caso detalle, si existe un procedimiento para que los consejeros puedan contar con la información necesaria para preparar las reuniones de los órganos de administración con tiempo suficiente:

Sí
 No

Detalle del procedimiento

De conformidad con el artículo 21 del Reglamento del Consejo de Administración, con el fin de ser auxiliados en el ejercicio de sus funciones, los Consejeros externos pueden solicitar la contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos. El encargo ha de versar necesariamente sobre problemas concretos de cierto relieve y complejidad que se presenten en el desempeño del cargo. La solicitud de contratación deberá ser comunicada al Presidente de la Sociedad, y, no obstante, podrá ser rechazada por el Consejo de Administración, siempre que acredite:

- (i) que no es precisa para el cabal desempeño de las funciones encomendadas a los Consejeros externos;
- (ii) que su coste no es razonable a la vista de la importancia del problema y de los activos e ingresos de la Sociedad;
- (iii) que la asistencia técnica que se recaba puede ser dispensada adecuadamente por expertos y técnicos de la Sociedad; o
- (iv) que pueda suponer un riesgo para la confidencialidad de la información que deba ser manejada.

Hasta el momento, no se ha rechazado por el Consejo de Administración la solicitud de contratación con cargo a la Sociedad de asesores legales, contables, financieros u otros expertos cuando la participación de los mismos ha sido solicitada.

C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros, y de forma agregada en el resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.

Numero de beneficiarios	3
Tipo de beneficiario	Descripción del acuerdo
Consejeros ejecutivos y Directivo	Por exceso de caracteres, se incluye en Anexo adjunto.

Indique si más allá de en los supuestos previstos por la normativa estos contratos han de ser comunicados y/o aprobados por los órganos de la sociedad o de su grupo. En caso positivo, especifique los procedimientos, supuestos previstos y la naturaleza de los órganos responsables de su aprobación o de realizar la comunicación:

	Consejo de administración	Junta general
Órgano que autoriza las cláusulas	√	
	Si	No
¿Se informa a la junta general sobre las cláusulas?	√	

C.2. Comisiones del consejo de administración

C.2.1 Detalle todas las comisiones del consejo de administración, sus miembros y la proporción de consejeros ejecutivos, dominicales, independientes y otros externos que las integran:

COMISION DE AUDITORIA Y CONTROL		
Nombre	Cargo	Categoría
DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO	VOCAL	Dominical
DOÑA MARÍA LUISA JORDÁ CASTRO	VOCAL	Independiente
DOÑA ANA MARÍA GARCÍA FAU	VOCAL	Independiente
DON JUAN MARÍA AGUIRRE GONZALO	PRESIDENTE	Independiente

% de consejeros ejecutivos	0,00
% de consejeros dominicales	25,00
% de consejeros independientes	75,00
% de consejeros otros externos	0,00

Identifique a los consejeros miembros de la comisión de auditoría que hayan sido designados teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas e informe sobre la fecha de nombramiento del Presidente de esta comisión en el cargo.

Nombres de los consejeros con experiencia	DOÑA FRANCISCA ORTEGA HERNÁNDEZ-AGERO / DOÑA MARÍA LUISA JORDÁ CASTRO / DOÑA
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	ANA MARÍA GARCÍA FAU / DON JUAN MARÍA AGUIRRE GONZALO
Fecha de nombramiento del presidente en el cargo	07/05/2018

COMISIÓN DE NOMBRAMIENTOS		
Nombre	Cargo	Categoría
DOÑA PILAR CAVERO MESTRE	VOCAL	Independiente
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	VOCAL	Dominical
DON G. DONALD JOHNSTON III	VOCAL	Independiente
DON EMILIO NOVELA BERLIN	PRESIDENTE	Independiente

% de consejeros ejecutivos	0,00
% de consejeros dominicales	25,00
% de consejeros independientes	75,00
% de consejeros otros externos	0,00

COMISIÓN DE RETRIBUCIONES		
Nombre	Cargo	Categoría
DOÑA PILAR CAVERO MESTRE	VOCAL	Independiente
DOÑA FERNANDO JAVIER ORTIZ VAAMONDE	PRESIDENTE	Independiente
DOÑA JAVIER GARCIA-CARRANZA BENJUMEA	VOCAL	Dominical
DON G. DONALD JOHNSTON III	VOCAL	Independiente

% de consejeros ejecutivos	0,00
% de consejeros dominicales	25,00
% de consejeros independientes	75,00
% de consejeros otros externos	0,00

C.2.2 Complete el siguiente cuadro con la información relativa al número de consejeras que integran las comisiones del consejo de administración al cierre de los últimos cuatro ejercicios:

	Número de consejeras							
	Ejercicio 2019		Ejercicio 2018		Ejercicio 2017		Ejercicio 2016	
	Número	%	Número	%	Número	%	Número	%
COMISION DE AUDITORIA Y CONTROL	3	75,00	3	75,00	3	75,00	3	75,00
COMISIÓN DE NOMBRAMIENTOS	1	25,00	1	25,00	N.A.	N.A.	N.A.	N.A.

	Número de consejeras							
	Ejercicio 2019		Ejercicio 2018		Ejercicio 2017		Ejercicio 2016	
	Número	%	Número	%	Número	%	Número	%
COMISIÓN DE RETRIBUCIONES	1	25,00	1	25,00	N.A.	N.A.	N.A.	N.A.

D. OPERACIONES VINCULADAS Y OPERACIONES INTRAGRUPPO

D.2. Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Acuerdos de financiación: préstamos	139.270
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Acuerdos de financiación: otros	242.249
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Acuerdos de financiación: otros	223.806
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Garantías y avales	5.141
BANCO SANTANDER, S.A.	Paseo Comercial Carlos III, SA	Contractual	Garantías y avales	1.516
BANCO SANTANDER, S.A.	MERLIN OFICINAS, S.L.U.	Contractual	Garantías y avales	135
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, SAU	Contractual	Intereses cargados	2.949
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Intereses cargados	1.346
BANCO SANTANDER, S.A.	Paseo Comercial Carlos III, SA	Contractual	Intereses cargados	31
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Recepción de servicios	50
BANCO SANTANDER, S.A.	MERLIN PROPERTIES SOCIMI, S.A.	Contractual	Contratos de arrendamiento operativo	818

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
BANCO SANTANDER, S.A.	MERLIN RETAIL, S.L.U.	Contractual	Contratos de arrendamiento operativo	11
BANCO SANTANDER, S.A.	MERLIN OFICINAS, S.L.U.	Contractual	Contratos de arrendamiento operativo	1.026
BANCO SANTANDER, S.A.	MERLIN Properties SOCIMI, S.A.	Contractual	Acuerdos de financiación: préstamos	65.806
MERLIN PROPERTIES SOCIMI, SA	G36 Development, S.L.	Contractual	Acuerdos de financiación: préstamos	627
BANCO SANTANDER, S.A.	Tree Inversiones Inmobiliarias Socimi, S.A.U.	Contractual	Otras	3.088
BANCO SANTANDER, S.A.	Merlin Properties SOCIMI, S.A.	Contractual	Otras	1.099

D.3. Detalle las operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los administradores o directivos de la sociedad:

Nombre o denominación social de los administradores o directivos	Nombre o denominación social de la parte vinculada	Vínculo	Naturaleza de la operación	Importe (miles de euros)
DON ISMAEL CLEMENTE ORREGO	MAGIC REAL ESTATE, S.L.	Es administrador y socio de la parte vinculada	Contratos de arrendamiento operativo	5
DON MIGUEL OLLERO BARRERA	MAGIC REAL ESTATE, S.L.	Es administrador y socio de la parte vinculada	Contratos de arrendamiento operativo	5

D.4. Informe de las operaciones significativas realizadas por la sociedad con otras entidades pertenecientes al mismo grupo, siempre y cuando no se eliminen en el proceso de elaboración de estados financieros consolidados y no formen parte del tráfico habitual de la sociedad en cuanto a su objeto y condiciones.

En todo caso, se informará de cualquier operación intragrupo realizada con entidades establecidas en países o territorios que tengan la consideración de paraíso fiscal:

Denominación social de la entidad de su grupo	Breve descripción de la operación	Importe (miles de euros)
G36 Developement , S.L.	Préstamo a sociedad asociada consolidada por puesta en equivalencia.	625

D.5. Detalle las operaciones significativas realizadas entre la sociedad o entidades de su grupo y con otras partes vinculadas, que no hayan sido informadas en los epígrafes anteriores:

Denominación social de la parte vinculada	Breve descripción de la operación	Importe (miles de euros)
Sin datos		N.A.

D.7. ¿Cotiza más de una sociedad del Grupo en España?

- Sí
 No

G. GRADO DE SEGUIMIENTO DE LAS RECOMENDACIONES DE GOBIERNO CORPORATIVO

Indique el grado de seguimiento de la sociedad respecto de las recomendaciones del Código de buen gobierno de las sociedades cotizadas.

En el caso de que alguna recomendación no se siga o se siga parcialmente, se deberá incluir una explicación detallada de sus motivos de manera que los accionistas, los inversores y el mercado en general, cuenten con información suficiente para valorar el proceder de la sociedad. No serán aceptables explicaciones de carácter general.

1. Que los estatutos de las sociedades cotizadas no limiten el número máximo de votos que pueda emitir un mismo accionista, ni contengan otras restricciones que dificulten la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado.

Cumple Explique

2. Que cuando coticen la sociedad matriz y una sociedad dependiente ambas definan públicamente con precisión:

- a) Las respectivas áreas de actividad y eventuales relaciones de negocio entre ellas, así como las de la sociedad dependiente cotizada con las demás empresas del grupo.
- b) Los mecanismos previstos para resolver los eventuales conflictos de interés que puedan presentarse.

Cumple Cumple parcialmente Explique No aplicable

3. Que durante la celebración de la junta general ordinaria, como complemento de la difusión por escrito del informe anual de gobierno corporativo, el presidente del consejo de administración informe verbalmente a los accionistas, con suficiente detalle, de los aspectos más relevantes del gobierno corporativo de la sociedad y, en particular:

- a) De los cambios acaecidos desde la anterior junta general ordinaria.
- b) De los motivos concretos por los que la compañía no sigue alguna de las recomendaciones del Código de Gobierno Corporativo y, si existieran, de las reglas alternativas que aplique en esa materia.

Cumple Cumple parcialmente Explique

4. Que la sociedad defina y promueva una política de comunicación y contactos con accionistas, inversores institucionales y asesores de voto que sea plenamente respetuosa con las normas contra el abuso de mercado y dé un trato semejante a los accionistas que se encuentren en la misma posición.

Y que la sociedad haga pública dicha política a través de su página web, incluyendo información relativa a la forma en que la misma se ha puesto en práctica e identificando a los interlocutores o responsables de llevarla a cabo.

Cumple Cumple parcialmente Explique

5. Que el consejo de administración no eleve a la junta general una propuesta de delegación de facultades, para emitir acciones o valores convertibles con exclusión del derecho de suscripción preferente, por un importe superior al 20% del capital en el momento de la delegación.

Y que cuando el consejo de administración apruebe cualquier emisión de acciones o de valores convertibles con exclusión del derecho de suscripción preferente, la sociedad publique inmediatamente en su página web los informes sobre dicha exclusión a los que hace referencia la legislación mercantil.

Cumple [X] Cumple parcialmente [] Explique []

6. Que las sociedades cotizadas que elaboren los informes que se citan a continuación, ya sea de forma preceptiva o voluntaria, los publiquen en su página web con antelación suficiente a la celebración de la junta general ordinaria, aunque su difusión no sea obligatoria:

- a) Informe sobre la independencia del auditor.
- b) Informes de funcionamiento de las comisiones de auditoría y de nombramientos y retribuciones.
- c) Informe de la comisión de auditoría sobre operaciones vinculadas.
- d) Informe sobre la política de responsabilidad social corporativa.

Cumple [] Cumple parcialmente [X] Explique []

El Informe sobre la política de responsabilidad social corporativa, se recoge como parte de la memoria anual y se publica con motivo de la Junta General Ordinaria, si bien no se llega a poner a disposición de los accionistas en el momento de la convocatoria de la junta general.

7. Que la sociedad transmita en directo, a través de su página web, la celebración de las juntas generales de accionistas.

Cumple [X] Explique []

8. Que la comisión de auditoría vele porque el consejo de administración procure presentar las cuentas a la junta general de accionistas sin limitaciones ni salvedades en el informe de auditoría y que, en los supuestos excepcionales en que existan salvedades, tanto el presidente de la comisión de auditoría como los auditores expliquen con claridad a los accionistas el contenido y alcance de dichas limitaciones o salvedades.

Cumple [X] Cumple parcialmente [] Explique []

9. Que la sociedad haga públicos en su página web, de manera permanente, los requisitos y procedimientos que aceptará para acreditar la titularidad de acciones, el derecho de asistencia a la junta general de accionistas y el ejercicio o delegación del derecho de voto.

Y que tales requisitos y procedimientos favorezcan la asistencia y el ejercicio de sus derechos a los accionistas y se apliquen de forma no discriminatoria.

Cumple [X] Cumple parcialmente [] Explique []

10. Que cuando algún accionista legitimado haya ejercitado, con anterioridad a la celebración de la junta general de accionistas, el derecho a completar el orden del día o a presentar nuevas propuestas de acuerdo, la sociedad:

- a) Difunda de inmediato tales puntos complementarios y nuevas propuestas de acuerdo.
- b) Haga público el modelo de tarjeta de asistencia o formulario de delegación de voto o voto a distancia con las modificaciones precisas para que puedan votarse los nuevos puntos del orden del día y propuestas alternativas de acuerdo en los mismos términos que los propuestos por el consejo de administración.
- c) Someta todos esos puntos o propuestas alternativas a votación y les aplique las mismas reglas de voto que a las formuladas por el consejo de administración, incluidas, en particular, las presunciones o deducciones sobre el sentido del voto.
- d) Con posterioridad a la junta general de accionistas, comunique el desglose del voto sobre tales puntos complementarios o propuestas alternativas.

Cumple [] Cumple parcialmente [] Explique [] No aplicable [X]

11. Que, en el caso de que la sociedad tenga previsto pagar primas de asistencia a la junta general de accionistas, establezca, con anterioridad, una política general sobre tales primas y que dicha política sea estable.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

12. Que el consejo de administración desempeñe sus funciones con unidad de propósito e independencia de criterio, dispense el mismo trato a todos los accionistas que se hallen en la misma posición y se guíe por el interés social, entendido como la consecución de un negocio rentable y sostenible a largo plazo, que promueva su continuidad y la maximización del valor económico de la empresa.

Y que en la búsqueda del interés social, además del respeto de las leyes y reglamentos y de un comportamiento basado en la buena fe, la ética y el respeto a los usos y a las buenas prácticas comúnmente aceptadas, procure conciliar el propio interés social con, según corresponda, los legítimos intereses de sus empleados, sus proveedores, sus clientes y los de los restantes grupos de interés que puedan verse afectados, así como el impacto de las actividades de la compañía en la comunidad en su conjunto y en el medio ambiente.

Cumple [X] Cumple parcialmente [] Explique []

13. Que el consejo de administración posea la dimensión precisa para lograr un funcionamiento eficaz y participativo, lo que hace aconsejable que tenga entre cinco y quince miembros.

Cumple [X] Explique []

14. Que el consejo de administración apruebe una política de selección de consejeros que:
- a) Sea concreta y verificable.
 - b) Asegure que las propuestas de nombramiento o reelección se fundamenten en un análisis previo de las necesidades del consejo de administración.
 - c) Favorezca la diversidad de conocimientos, experiencias y género.

Que el resultado del análisis previo de las necesidades del consejo de administración se recoja en el informe justificativo de la comisión de nombramientos que se publique al convocar la junta general de accionistas a la que se someta la ratificación, el nombramiento o la reelección de cada consejero.

Y que la política de selección de consejeros promueva el objetivo de que en el año 2020 el número de consejeras represente, al menos, el 30% del total de miembros del consejo de administración.

La comisión de nombramiento verificará anualmente el cumplimiento de la política de selección de consejeros y se informará de ello en el informe anual de gobierno corporativo.

Cumple Cumple parcialmente Explique

15. Que los consejeros dominicales e independientes constituyan una amplia mayoría del consejo de administración y que el número de consejeros ejecutivos sea el mínimo necesario, teniendo en cuenta la complejidad del grupo societario y el porcentaje de participación de los consejeros ejecutivos en el capital de la sociedad.

Cumple Cumple parcialmente Explique

16. Que el porcentaje de consejeros dominicales sobre el total de consejeros no ejecutivos no sea mayor que la proporción existente entre el capital de la sociedad representado por dichos consejeros y el resto del capital.

Este criterio podrá atenuarse:

- a) En sociedades de elevada capitalización en las que sean escasas las participaciones accionarias que tengan legalmente la consideración de significativas.
- b) Cuando se trate de sociedades en las que exista una pluralidad de accionistas representados en el consejo de administración y no tengan vínculos entre sí.

Cumple Explique

17. Que el número de consejeros independientes represente, al menos, la mitad del total de consejeros.

Que, sin embargo, cuando la sociedad no sea de elevada capitalización o cuando, aun siéndolo, cuente con un accionista o varios actuando concertadamente, que controlen más del 30% del capital social, el número de consejeros independientes represente, al menos, un tercio del total de consejeros.

Cumple Explique

18. Que las sociedades hagan pública a través de su página web, y mantengan actualizada, la siguiente información sobre sus consejeros:

- a) Perfil profesional y biográfico.
- b) Otros consejos de administración a los que pertenezcan, se trate o no de sociedades cotizadas, así como sobre las demás actividades retribuidas que realice cualquiera que sea su naturaleza.
- c) Indicación de la categoría de consejero a la que pertenezcan, señalándose, en el caso de consejeros dominicales, el accionista al que representen o con quien tengan vínculos.
- d) Fecha de su primer nombramiento como consejero en la sociedad, así como de las posteriores reelecciones.
- e) Acciones de la compañía, y opciones sobre ellas, de las que sean titulares.

Cumple Cumple parcialmente Explique

19. Que en el informe anual de gobierno corporativo, previa verificación por la comisión de nombramientos, se expliquen las razones por las cuales se hayan nombrado consejeros dominicales a instancia de accionistas cuya participación accionarial sea inferior al 3% del capital; y se expongan las razones por las que no se hubieran atendido, en su caso, peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial sea igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales.

Cumple Cumple parcialmente Explique No aplicable

20. Que los consejeros dominicales presenten su dimisión cuando el accionista a quien representen transmita íntegramente su participación accionarial. Y que también lo hagan, en el número que corresponda, cuando dicho accionista rebaje su participación accionarial hasta un nivel que exija la reducción del número de sus consejeros dominicales.

Cumple Cumple parcialmente Explique No aplicable

21. Que el consejo de administración no proponga la separación de ningún consejero independiente antes del cumplimiento del periodo estatutario para el que hubiera sido nombrado, salvo cuando concurra justa causa, apreciada por el consejo de administración previo informe de la comisión de nombramientos. En particular, se entenderá que existe justa causa cuando el consejero pase a ocupar nuevos cargos o contraiga nuevas obligaciones que le impidan dedicar el tiempo necesario al desempeño de las funciones propias del cargo de consejero, incumpla los deberes inherentes a su cargo o incurra en algunas de las circunstancias que le hagan perder su condición de independiente, de acuerdo con lo establecido en la legislación aplicable.

También podrá proponerse la separación de consejeros independientes como consecuencia de ofertas públicas de adquisición, fusiones u otras operaciones corporativas similares que supongan un cambio en la estructura de capital de la sociedad, cuando tales cambios en la estructura del consejo de administración vengán propiciados por el criterio de proporcionalidad señalado en la recomendación 16.

Cumple [X] Explique []

22. Que las sociedades establezcan reglas que obliguen a los consejeros a informar y, en su caso, dimitir en aquellos supuestos que puedan perjudicar al crédito y reputación de la sociedad y, en particular, les obliguen a informar al consejo de administración de las causas penales en las que aparezcan como imputados, así como de sus posteriores vicisitudes procesales.

Y que si un consejero resultara procesado o se dictara contra él auto de apertura de juicio oral por alguno de los delitos señalados en la legislación societaria, el consejo de administración examine el caso tan pronto como sea posible y, a la vista de sus circunstancias concretas, decida si procede o no que el consejero continúe en su cargo. Y que de todo ello el consejo de administración dé cuenta, de forma razonada, en el informe anual de gobierno corporativo.

Cumple [X] Cumple parcialmente [] Explique []

23. Que todos los consejeros expresen claramente su oposición cuando consideren que alguna propuesta de decisión sometida al consejo de administración puede ser contraria al interés social. Y que otro tanto hagan, de forma especial, los independientes y demás consejeros a quienes no afecte el potencial conflicto de intereses, cuando se trate de decisiones que puedan perjudicar a los accionistas no representados en el consejo de administración.

Y que cuando el consejo de administración adopte decisiones significativas o reiteradas sobre las que el consejero hubiera formulado serias reservas, este saque las conclusiones que procedan y, si optara por dimitir, explique las razones en la carta a que se refiere la recomendación siguiente.

Esta recomendación alcanza también al secretario del consejo de administración, aunque no tenga la condición de consejero.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

24. Que cuando, ya sea por dimisión o por otro motivo, un consejero cese en su cargo antes del término de su mandato, explique las razones en una carta que remitirá a todos los miembros del consejo de administración. Y que, sin perjuicio de que dicho cese se comunique como hecho relevante, del motivo del cese se dé cuenta en el informe anual de gobierno corporativo.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

25. Que la comisión de nombramientos se asegure de que los consejeros no ejecutivos tienen suficiente disponibilidad de tiempo para el correcto desarrollo de sus funciones.

Y que el reglamento del consejo establezca el número máximo de consejos de sociedades de los que pueden formar parte sus consejeros.

Cumple [X] Cumple parcialmente [] Explique []

26. Que el consejo de administración se reúna con la frecuencia precisa para desempeñar con eficacia sus funciones y, al menos, ocho veces al año, siguiendo el programa de fechas y asuntos que establezca al inicio del ejercicio, pudiendo cada consejero individualmente proponer otros puntos del orden del día inicialmente no previstos.

Cumple [X] Cumple parcialmente [] Explique []

27. Que las inasistencias de los consejeros se reduzcan a los casos indispensables y se cuantifiquen en el informe anual de gobierno corporativo. Y que, cuando deban producirse, se otorgue representación con instrucciones.

Cumple [X] Cumple parcialmente [] Explique []

28. Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

29. Que la sociedad establezca los cauces adecuados para que los consejeros puedan obtener el asesoramiento preciso para el cumplimiento de sus funciones incluyendo, si así lo exigieran las circunstancias, asesoramiento externo con cargo a la empresa.

Cumple [X] Cumple parcialmente [] Explique []

30. Que, con independencia de los conocimientos que se exijan a los consejeros para el ejercicio de sus funciones, las sociedades ofrezcan también a los consejeros programas de actualización de conocimientos cuando las circunstancias lo aconsejen.

Cumple [X] Explique [] No aplicable []

31. Que el orden del día de las sesiones indique con claridad aquellos puntos sobre los que el consejo de administración deberá adoptar una decisión o acuerdo para que los consejeros puedan estudiar o recabar, con carácter previo, la información precisa para su adopción.

Cuando, excepcionalmente, por razones de urgencia, el presidente quiera someter a la aprobación del consejo de administración decisiones o acuerdos que no figuraran en el orden del día, será preciso el consentimiento previo y expreso de la mayoría de los consejeros presentes, del que se dejará debida constancia en el acta.

Cumple [X] Cumple parcialmente [] Explique []

32. Que los consejeros sean periódicamente informados de los movimientos en el accionariado y de la opinión que los accionistas significativos, los inversores y las agencias de calificación tengan sobre la sociedad y su grupo.

Cumple [X] Cumple parcialmente [] Explique []

33. Que el presidente, como responsable del eficaz funcionamiento del consejo de administración, además de ejercer las funciones que tiene legal y estatutariamente atribuidas, prepare y someta al consejo de administración un programa de fechas y asuntos a tratar; organice y coordine la evaluación periódica del consejo, así como, en su caso, la del primer ejecutivo de la sociedad; sea responsable de la dirección del consejo y de la efectividad de su funcionamiento; se asegure de que se dedica suficiente tiempo de discusión a las cuestiones estratégicas, y acuerde y revise los programas de actualización de conocimientos para cada consejero, cuando las circunstancias lo aconsejen.

Cumple [X] Cumple parcialmente [] Explique []

34. Que cuando exista un consejero coordinador, los estatutos o el reglamento del consejo de administración, además de las facultades que le corresponden legalmente, le atribuya las siguientes: presidir el consejo de administración en ausencia del presidente y de los vicepresidentes, en caso de existir; hacerse eco de las preocupaciones de los consejeros no ejecutivos; mantener contactos con inversores y accionistas para conocer sus puntos de vista a efectos de formarse una opinión sobre sus preocupaciones, en particular, en relación con el gobierno corporativo de la sociedad; y coordinar el plan de sucesión del presidente.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

35. Que el secretario del consejo de administración vele de forma especial para que en sus actuaciones y decisiones el consejo de administración tenga presentes las recomendaciones sobre buen gobierno contenidas en este Código de buen gobierno que fueran aplicables a la sociedad.

Cumple [X] Explique []

36. Que el consejo de administración en pleno evalúe una vez al año y adopte, en su caso, un plan de acción que corrija las deficiencias detectadas respecto de:
- a) La calidad y eficiencia del funcionamiento del consejo de administración.
 - b) El funcionamiento y la composición de sus comisiones.
 - c) La diversidad en la composición y competencias del consejo de administración.
 - d) El desempeño del presidente del consejo de administración y del primer ejecutivo de la sociedad.
 - e) El desempeño y la aportación de cada consejero, prestando especial atención a los responsables de las distintas comisiones del consejo.

Para la realización de la evaluación de las distintas comisiones se partirá del informe que estas eleven al consejo de administración, y para la de este último, del que le eleve la comisión de nombramientos.

Cada tres años, el consejo de administración será auxiliado para la realización de la evaluación por un consultor externo, cuya independencia será verificada por la comisión de nombramientos.

Las relaciones de negocio que el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo deberán ser desglosadas en el informe anual de gobierno corporativo.

El proceso y las áreas evaluadas serán objeto de descripción en el informe anual de gobierno corporativo.

Cumple Cumple parcialmente Explique

37. Que cuando exista una comisión ejecutiva, la estructura de participación de las diferentes categorías de consejeros sea similar a la del propio consejo de administración y su secretario sea el de este último.

Cumple Cumple parcialmente Explique No aplicable

38. Que el consejo de administración tenga siempre conocimiento de los asuntos tratados y de las decisiones adoptadas por la comisión ejecutiva y que todos los miembros del consejo de administración reciban copia de las actas de las sesiones de la comisión ejecutiva.

Cumple Cumple parcialmente Explique No aplicable

39. Que los miembros de la comisión de auditoría, y de forma especial su presidente, se designen teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o gestión de riesgos, y que la mayoría de dichos miembros sean consejeros independientes.

Cumple Cumple parcialmente Explique

40. Que bajo la supervisión de la comisión de auditoría, se disponga de una unidad que asuma la función de auditoría interna que vele por el buen funcionamiento de los sistemas de información y control interno y que funcionalmente dependa del presidente no ejecutivo del consejo o del de la comisión de auditoría.

Cumple Cumple parcialmente Explique

41. Que el responsable de la unidad que asuma la función de auditoría interna presente a la comisión de auditoría su plan anual de trabajo, informe directamente de las incidencias que se presenten en su desarrollo y someta al final de cada ejercicio un informe de actividades.

Cumple Cumple parcialmente Explique No aplicable

42. Que, además de las previstas en la ley, correspondan a la comisión de auditoría las siguientes funciones:

1. En relación con los sistemas de información y control interno:
 - a) Supervisar el proceso de elaboración y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.
 - b) Velar por la independencia de la unidad que asume la función de auditoría interna; proponer la selección, nombramiento, reelección y cese del responsable del servicio de auditoría interna; proponer el presupuesto de ese servicio; aprobar la orientación y sus planes de trabajo, asegurándose de que su actividad esté enfocada principalmente hacia los riesgos relevantes de la sociedad; recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes.
 - c) Establecer y supervisar un mecanismo que permita a los empleados comunicar, de forma confidencial y, si resulta posible y se considera apropiado, anónima, las irregularidades de potencial trascendencia, especialmente financieras y contables, que adviertan en el seno de la empresa.
2. En relación con el auditor externo:
 - a) En caso de renuncia del auditor externo, examinar las circunstancias que la hubieran motivado.
 - b) Velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia.
 - c) Supervisar que la sociedad comunique como hecho relevante a la CNMV el cambio de auditor y lo acompañe de una declaración sobre la eventual existencia de desacuerdos con el auditor saliente y, si hubieran existido, de su contenido.
 - d) Asegurar que el auditor externo mantenga anualmente una reunión con el pleno del consejo de administración para informarle sobre el trabajo realizado y sobre la evolución de la situación contable y de riesgos de la sociedad.
 - e) Asegurar que la sociedad y el auditor externo respetan las normas vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.

Cumple [X]

Cumple parcialmente []

Explique []

43. Que la comisión de auditoría pueda convocar a cualquier empleado o directivo de la sociedad, e incluso disponer que comparezcan sin presencia de ningún otro directivo.

Cumple [X]

Cumple parcialmente []

Explique []

44. Que la comisión de auditoría sea informada sobre las operaciones de modificaciones estructurales y corporativas que proyecte realizar la sociedad para su análisis e informe previo al consejo de administración sobre sus condiciones económicas y su impacto contable y, en especial, en su caso, sobre la ecuación de canje propuesta.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

45. Que la política de control y gestión de riesgos identifique al menos:

- a) Los distintos tipos de riesgo, financieros y no financieros (entre otros los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales) a los que se enfrenta la sociedad, incluyendo entre los financieros o económicos, los pasivos contingentes y otros riesgos fuera de balance.
- b) La fijación del nivel de riesgo que la sociedad considere aceptable.
- c) Las medidas previstas para mitigar el impacto de los riesgos identificados, en caso de que llegaran a materializarse.
- d) Los sistemas de información y control interno que se utilizarán para controlar y gestionar los citados riesgos, incluidos los pasivos contingentes o riesgos fuera de balance.

Cumple [X] Cumple parcialmente [] Explique []

46. Que bajo la supervisión directa de la comisión de auditoría o, en su caso, de una comisión especializada del consejo de administración, exista una función interna de control y gestión de riesgos ejercida por una unidad o departamento interno de la sociedad que tenga atribuidas expresamente las siguientes funciones:

- a) Asegurar el buen funcionamiento de los sistemas de control y gestión de riesgos y, en particular, que se identifiquen, gestionan, y cuantifican adecuadamente todos los riesgos importantes que afecten a la sociedad.
- b) Participar activamente en la elaboración de la estrategia de riesgos y en las decisiones importantes sobre su gestión.
- c) Velar por que los sistemas de control y gestión de riesgos mitiguen los riesgos adecuadamente en el marco de la política definida por el consejo de administración.

Cumple [X] Cumple parcialmente [] Explique []

47. Que los miembros de la comisión de nombramientos y de retribuciones –o de la comisión de nombramientos y la comisión de retribuciones, si estuvieren separadas– se designen procurando que tengan los conocimientos, aptitudes y experiencia adecuados a las funciones que estén llamados a desempeñar y que la mayoría de dichos miembros sean consejeros independientes.

Cumple [X] Cumple parcialmente [] Explique []

48. Que las sociedades de elevada capitalización cuenten con una comisión de nombramientos y con una comisión de remuneraciones separadas.

Cumple [X] Explique [] No aplicable []

49. Que la comisión de nombramientos consulte al presidente del consejo de administración y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos.

Y que cualquier consejero pueda solicitar de la comisión de nombramientos que tome en consideración, por si los encuentra idóneos a su juicio, potenciales candidatos para cubrir vacantes de consejero.

Cumple [X] Cumple parcialmente [] Explique []

50. Que la comisión de retribuciones ejerza sus funciones con independencia y que, además de las funciones que le atribuya la ley, le correspondan las siguientes:

- a) Proponer al consejo de administración las condiciones básicas de los contratos de los altos directivos.
- b) Comprobar la observancia de la política retributiva establecida por la sociedad.
- c) Revisar periódicamente la política de remuneraciones aplicada a los consejeros y altos directivos, incluidos los sistemas retributivos con acciones y su aplicación, así como garantizar que su remuneración individual sea proporcionada a la que se pague a los demás consejeros y altos directivos de la sociedad.
- d) Velar por que los eventuales conflictos de intereses no perjudiquen la independencia del asesoramiento externo prestado a la comisión.
- e) Verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los distintos documentos corporativos, incluido el informe anual sobre remuneraciones de los consejeros.

Cumple [X] Cumple parcialmente [] Explique []

51. Que la comisión de retribuciones consulte al presidente y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos y altos directivos.

Cumple [X] Cumple parcialmente [] Explique []

52. Que las reglas de composición y funcionamiento de las comisiones de supervisión y control figuren en el reglamento del consejo de administración y que sean consistentes con las aplicables a las comisiones legalmente obligatorias conforme a las recomendaciones anteriores, incluyendo:
- a) Que estén compuestas exclusivamente por consejeros no ejecutivos, con mayoría de consejeros independientes.
 - b) Que sus presidentes sean consejeros independientes.
 - c) Que el consejo de administración designe a los miembros de estas comisiones teniendo presentes los conocimientos, aptitudes y experiencia de los consejeros y los cometidos de cada comisión, delibere sobre sus propuestas e informes; y que rinda cuentas, en el primer pleno del consejo de administración posterior a sus reuniones, de su actividad y que respondan del trabajo realizado.
 - d) Que las comisiones puedan recabar asesoramiento externo, cuando lo consideren necesario para el desempeño de sus funciones.
 - e) Que de sus reuniones se levante acta, que se pondrá a disposición de todos los consejeros.

Cumple [X]

Cumple parcialmente []

Explique []

No aplicable []

53. Que la supervisión del cumplimiento de las reglas de gobierno corporativo, de los códigos internos de conducta y de la política de responsabilidad social corporativa se atribuya a una o se reparta entre varias comisiones del consejo de administración que podrán ser la comisión de auditoría, la de nombramientos, la comisión de responsabilidad social corporativa, en caso de existir, o una comisión especializada que el consejo de administración, en ejercicio de sus facultades de auto-organización, decida crear al efecto, a las que específicamente se les atribuyan las siguientes funciones mínimas:

- a) La supervisión del cumplimiento de los códigos internos de conducta y de las reglas de gobierno corporativo de la sociedad.
- b) La supervisión de la estrategia de comunicación y relación con accionistas e inversores, incluyendo los pequeños y medianos accionistas.
- c) La evaluación periódica de la adecuación del sistema de gobierno corporativo de la sociedad, con el fin de que cumpla su misión de promover el interés social y tenga en cuenta, según corresponda, los legítimos intereses de los restantes grupos de interés.
- d) La revisión de la política de responsabilidad corporativa de la sociedad, velando por que esté orientada a la creación de valor.
- e) El seguimiento de la estrategia y prácticas de responsabilidad social corporativa y la evaluación de su grado de cumplimiento.
- f) La supervisión y evaluación de los procesos de relación con los distintos grupos de interés.
- g) La evaluación de todo lo relativo a los riesgos no financieros de la empresa -incluyendo los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales.
- h) La coordinación del proceso de reporte de la información no financiera y sobre diversidad, conforme a la normativa aplicable y a los estándares internacionales de referencia.

Cumple [X]

Cumple parcialmente []

Explique []

54. Que la política de responsabilidad social corporativa incluya los principios o compromisos que la empresa asuma voluntariamente en su relación con los distintos grupos de interés e identifique al menos:
- a) Los objetivos de la política de responsabilidad social corporativa y el desarrollo de instrumentos de apoyo.
 - b) La estrategia corporativa relacionada con la sostenibilidad, el medio ambiente y las cuestiones sociales.
 - c) Las prácticas concretas en cuestiones relacionadas con: accionistas, empleados, clientes, proveedores, cuestiones sociales, medio ambiente, diversidad, responsabilidad fiscal, respeto de los derechos humanos y prevención de conductas ilegales.
 - d) Los métodos o sistemas de seguimiento de los resultados de la aplicación de las prácticas concretas señaladas en la letra anterior, los riesgos asociados y su gestión.
 - e) Los mecanismos de supervisión del riesgo no financiero, la ética y la conducta empresarial.
 - f) Los canales de comunicación, participación y diálogo con los grupos de interés.
 - g) Las prácticas de comunicación responsable que eviten la manipulación informativa y protejan la integridad y el honor.

Cumple Cumple parcialmente Explique

55. Que la sociedad informe, en un documento separado o en el informe de gestión, sobre los asuntos relacionados con la responsabilidad social corporativa, utilizando para ello alguna de las metodologías aceptadas internacionalmente.

Cumple Cumple parcialmente Explique

56. Que la remuneración de los consejeros sea la necesaria para atraer y retener a los consejeros del perfil deseado y para retribuir la dedicación, cualificación y responsabilidad que el cargo exija, pero no tan elevada como para comprometer la independencia de criterio de los consejeros no ejecutivos.

Cumple Explique

57. Que se circunscriban a los consejeros ejecutivos las remuneraciones variables ligadas al rendimiento de la sociedad y al desempeño personal, así como la remuneración mediante entrega de acciones, opciones o derechos sobre acciones o instrumentos referenciados al valor de la acción y los sistemas de ahorro a largo plazo tales como planes de pensiones, sistemas de jubilación u otros sistemas de previsión social.

Se podrá contemplar la entrega de acciones como remuneración a los consejeros no ejecutivos cuando se condicione a que las mantengan hasta su cese como consejeros. Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple Cumple parcialmente Explique

58. Que en caso de remuneraciones variables, las políticas retributivas incorporen los límites y las cautelas técnicas precisas para asegurar que tales remuneraciones guardan relación con el rendimiento profesional de sus beneficiarios y no derivan solamente de la evolución general de los mercados o del sector de actividad de la compañía o de otras circunstancias similares.

Y, en particular, que los componentes variables de las remuneraciones:

- a) Estén vinculados a criterios de rendimiento que sean predeterminados y medibles y que dichos criterios consideren el riesgo asumido para la obtención de un resultado.
- b) Promuevan la sostenibilidad de la empresa e incluyan criterios no financieros que sean adecuados para la creación de valor a largo plazo, como el cumplimiento de las reglas y los procedimientos internos de la sociedad y de sus políticas para el control y gestión de riesgos.
- c) Se configuren sobre la base de un equilibrio entre el cumplimiento de objetivos a corto, medio y largo plazo, que permitan remunerar el rendimiento por un desempeño continuado durante un período de tiempo suficiente para apreciar su contribución a la creación sostenible de valor, de forma que los elementos de medida de ese rendimiento no giren únicamente en torno a hechos puntuales, ocasionales o extraordinarios.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

59. Que el pago de una parte relevante de los componentes variables de la remuneración se difiera por un período de tiempo mínimo suficiente para comprobar que se han cumplido las condiciones de rendimiento previamente establecidas.

Cumple [] Cumple parcialmente [X] Explique [] No aplicable []

Los componentes variables se difieren como mecanismo de retención del directivo; para que dichos componentes variables sean concedidos es necesario que estas condiciones de rendimiento se cumplan ex ante, si bien dicho periodo de retención permite verificar si se han cumplido las mismas.

60. Que las remuneraciones relacionadas con los resultados de la sociedad tomen en cuenta las eventuales salvedades que consten en el informe del auditor externo y minoren dichos resultados.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

61. Que un porcentaje relevante de la remuneración variable de los consejeros ejecutivos esté vinculado a la entrega de acciones o de instrumentos financieros referenciados a su valor.

Cumple [X] Cumple parcialmente [] Explique [] No aplicable []

62. Que una vez atribuidas las acciones o las opciones o derechos sobre acciones correspondientes a los sistemas retributivos, los consejeros no puedan transferir la propiedad de un número de acciones equivalente a dos veces su remuneración fija anual, ni puedan ejercer las opciones o derechos hasta transcurrido un plazo de, al menos, tres años desde su atribución.

Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple [] Cumple parcialmente [X] Explique [] No aplicable []

Tal y como se describe en la Política de Remuneraciones de Merlin, aprobada por la Junta General de Accionistas de la Sociedad el pasado 26 de abril de 2017, los consejeros ejecutivos mantienen en su propiedad un número de acciones de la Sociedad cuyo valor de mercado es equivalente a tres anualidades de su retribución fija anual.

El sistema de incentivos a largo plazo del que son beneficiarios los consejeros ejecutivos, pagadero en metálico y en acciones de la Sociedad ("LTIP de los Ejecutivos"), está vinculado con la creación de valor para el accionista durante un periodo total de tres años y la liquidación del mismo (y la obligación de mantenimiento de la relación del consejero) se extiende hasta la formulación de las cuentas del ejercicio 2021.

Asimismo, las acciones de los planes de retribución derivados de Incentivos Pasados (Management Stock Plan ("MSP")) son objeto de asignación durante un periodo de tres años desde la fecha de cálculo del MSP. Las acciones del MSP entregadas a los consejeros ejecutivos son indisponibles hasta 2023.

63. Que los acuerdos contractuales incluyan una cláusula que permita a la sociedad reclamar el reembolso de los componentes variables de la remuneración cuando el pago no haya estado ajustado a las condiciones de rendimiento o cuando se hayan abonado atendiendo a datos cuya inexactitud quede acreditada con posterioridad.

Cumple [] Cumple parcialmente [X] Explique [] No aplicable []

Tanto el STIP (Bonus Anual Restringido) como el Management Stock Plan (MSP) cuentan con un sistema de diferimiento que permiten confirmar con suficiente antelación la exactitud de los datos que, en su caso, generan el derecho al abono de dichas remuneraciones.

64. Que los pagos por resolución del contrato no superen un importe establecido equivalente a dos años de la retribución total anual y que no se abonen hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento previamente establecidos.

Cumple [] Cumple parcialmente [X] Explique [] No aplicable []

Los contratos con los consejeros ejecutivos no recogen una regulación que permita no abonar la retribución hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento previamente establecidos. No obstante, recogen cláusula de claw back que permiten exigir el reintegro de las mismas en determinados escenarios.

Indique si ha habido consejeros que hayan votado en contra o se hayan abstenido en relación con la aprobación del presente Informe.

[] Sí
[√] No

Manifiesto que los datos incluidos en este anexo estadístico coinciden y son consistentes con las descripciones y datos incluidos en el informe anual de gobierno corporativo publicado por la sociedad.

MERLIN PROPERTIES, SOCIMI, S.A.

Authorisation for Issue of Financial Statements and Management Report for 2019

On 27 February 2020, the directors of MERLIN PROPERTIES, SOCIMI, S.A., in compliance with section 253.2 of the consolidated text of the Corporate Enterprises Act and section 37 of the Commercial Code, authorised for issue the financial statements and Management Report for the year ended 31 December 2019. The financial statements consist of the attached documents preceding this page.

Javier García-Carranza Benjumea
Chairman of the Board

Ismael Clemente Orrego
Deputy-Chairman of the Board

Francisca Ortega Hernández Agero
Member

John Gómez Hall
Member

María Luisa Jordá Castro
Member

Pilar Cavero Mestre
Member

Juan María Aguirre Gonzalo
Member

Miguel Ollero Barrera
Member

Fernando Javier Ortíz Vaamonde
Member

Ana María García Fau
Member

Emilio Novela Berlín
Member

George Donald Johnston
Member

Mónica Martín de Vidales
Secretary of the Board

Ildefonso Polo del Mármol
Deputy Secretary of the Board

Madrid, 27 February 2020