MERLIN PROPERTIES SOCIMI, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Directors' Report for the six-month period ended 30 June 2019, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed 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 17). In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish and of interim condensed 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 17). In the event of a discrepancy, the Spanish-language version prevails.

REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Merlin Properties SOCIMI, S.A. at the request of Board of Directors,

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Merlin Properties SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2019, and the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of the Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the audit regulations in force in Spain and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

As a result of our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing came to our attention that might cause us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, pursuant to Article 12 of Royal Decree 1362/2007, for the preparation of interim condensed financial statements.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying interim condensed consolidated financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 contains the explanations which the Parent's directors consider appropriate about the significant events which took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required pursuant to Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the interim consolidated directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2019. Our work was confined to checking the interim consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Merlin Properties SOCIMI, S.A. and Subsidiaries.

Other Matters

This report was prepared at the request of the Board of Directors of Merlin Properties SOCIMI, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of Consolidated Spanish Securities Market Law approved by Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Ignacio Alcaraz Elorrieta
30 July 2019

Merlin Properties SOCIMI, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements
for the six-month period
ending 30 June 2019
prepared in accordance with International
Financial Reporting Standards (IFRS) as adopted by
the European Union

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 17). In the event of a discrepancy, the Spanish-language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

(Thousand of euros)

ASSETS	Notes	30/06/2019	31/12/2018	EQUITY AND LIABILITIES	Notes	30/06/2019	31/12/2018
NON-CURRENT ASSETS				**EQUITY**	Note 9		
				Share capital		469,771	469,771
Intangible assets	Note 5	723	941	**Share premium**		3,813,409	3,858,624
Property, plant and equipment	Note 5	9,283	3,267	**Reserves**		2,078,281	1,416,773
Investment property	Note 6	12,076,232	11,740,461	**Other shareholder contributions**		540	540
Investments accounted for using the equity method	Note 7	170,729	169,133	**Valuation adjustments**		(84,529)	(36,906)
Non-current financial investments-	Note 8	209,637	212,248	**Treasury shares**		(56,866)	(68,322)
Derivatives		120,511	123,087	**Interim dividend**		-	(93,522)
Other financial assets		89,126	89,161	**Profit/(loss) for the period**		262,005	854,878
Deferred tax assets		88,248	88,415	**Equity attributable to the Parent**		6,482,611	6,401,836
Total non-current assets		12,554,852	12,214,465	**Non-controlling interests**			
				Total Equity		6,482,611	6,401,836
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	Note 10	3,227,633	3,225,540
				Non-current bank borrowings	Note 10	2,043,598	1,932,468
				Other financial liabilities	Note 11	117,840	113,297
				Deferred tax liabilities	Note 11	675,580	666,563
				Provisions	Note 11	64,890	56,441
				Total non-current liabilities		6,129,541	5,994,309
				CURRENT LIABILITIES			
				Provisions	Note 11	851	867
CURRENT ASSETS				**Debt instruments and other marketable securities**	Note 10	21,753	34,007
Inventories		502	1,286	**Current bank borrowings**	Note 10	19,704	42,802
Trade and other receivables	Note 8	113,588	167,481	**Other current financial liabilities**	Note 11	6,148	6,175
Current financial assets	Note 8	7,758	8,888	**Trade and other payables**	Note 12	83,554	69,383
Other current assets		16,110	11,552	**Current tax liabilities**	Note 12	13,867	16,036
Cash and cash equivalents		85,398	169,025	**Other current liabilities**	Note 11	20,179	7,282
Total current assets		223,356	358,232	**Total current liabilities**		166,056	176,552
TOTAL ASSETS		12,778,208	12,572,697	**TOTAL EQUITY AND LIABILITIES**		12,778,208	12,572,697
						0	0

The accompanying explanatory notes 1 to 17 are an integral part of the statement of financial position at 30 June 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 17). In the event of a discrepancy, the Spanish-language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(Thousands of euros)

	Notes	30/06/2019	30/06/2018 (*)
CONTINUING OPERATIONS:			
Revenue	**Note 4 y 13.a**	**254,403**	**323,469**
Other operating income		**1,430**	**2,409**
Personnel expenses	**Note 13.c**	**(38,252)**	**(36,446)**
Other operating expenses	**Note 13.b**	**(30,836)**	**(26,542)**
Gains/(losses) on disposal of assets		**36**	**(459)**
Depreciation and amortization	**Note 5**	**(856)**	**(770)**
Excessive provisions		**(313)**	**8,239**
Change in fair value of investment properties	**Note 6**	**159,469**	**321,215**
Negative goodwill on business combinations		**(2,865)**	**19**
PROFIT/(LOSS) FROM OPERATIONS		**342,216**	**591,134**
Change in fair value of financial instruments		**(21,408)**	**(34,022)**
Change in fair value of financial instruments - Embedded derivative	**Note 8**	(2,576)	(28,714)
Change in fair value of financial instruments - Other		(18,832)	(5,308)
Finance income		**39**	**93**
Finance costs		**(50,318)**	**(65,748)**
Gains/ (losses) on disposals of financial instruments		**64**	**(167)**
Share of results of companies accounted for using the equity method	**Note 7**	**2,523**	**785**
PROFIT/(LOSS) BEFORE TAX		**273,116**	**492,075**
Income tax		**(11,111)**	**(11,624)**
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**262,005**	**480,451**
Attributable to shareholders of the Parent		**262,005**	**479,679**
Attributable to non-controlling interests		**-**	**772**
EARNINGS PER SHARE (in euros):		**0.57**	**1.02**
BASIC EARNINGS PER SHARE (in euros):		**0.57**	**1.02**
DILUTED EARNINGS PER SHARE (in euros):		**0.56**	**-**

(*) Restated financial statements

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2019

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(Thousands of euros)

	Notes	30/06/2019	30/06/2018 (*)
PROFIT/(LOSS) PER INCOME STATEMENT (I)		**262,005**	**480,451**
OTHER COMPREHENSIVE INCOME:			
Income and expenses recognised directly in equity			
Cash flow hedges		**(52,658)**	**(7,273)**
Translation differences			**-**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)		**(52,658)**	**(7,273)**
Transfers to profit or loss			**6,284**
Hedging instruments		**5,035**	**6,284**
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		**5,035**	**6,284**
TOTAL COMPREHENSIVE INCOME (I+II+III)		**214,382**	**479,462**
Attributable to shareholders of the Parent		**214,382**	**478,690**
Attributable to non-controlling interests		**-**	**772**

(*) Restated financial statements

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2019

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

(Thousands of euros)

	Share Capital	Share Premium	Reserves	Shareholder contributions	Profit/ (loss) for the period	Interim dividend	Valuation adjustments	Treasury shares	Equity attributable to the Parent	Non-controlling Interests	TOTAL
BALANCES AT 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**
Transition Impact IFRS 9	-	-	30,592	-	-	-	-	-	30,592	-	**30,592**
Transition impact IFRS 16	-	-	39,756	-	-	-	-	-	39,756	-	**39,756**
Balances at 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 income	-	-	-	-	479,679	-	(989)	-	478,690	772	**479,462**
Distribution of 2017 profit	-	-	1,006,961	-	(1,100,418)	93,457	-	-	-	-	**-**
Transactions with shareholders or owners-											
Distribution of dividends	-	(112,218)	(9,624)	-	-	-	-	-	(121,842)	-	**(121,842)**
Recognition of share-based payments	-	-	21,920	-	-	-	-	-	21,920	-	**21,920**
Delivery of shares under the 2016 stock plan	-	-	(24,340)	-	-	-	-	12,607	(11,733)	-	**(11,733)**
Other changes	-	-	(245)	-	-	-	-	-	(245)		**(245)**
Balances at 30 June 2018 (*)	**469,771**	**3,858,624**	**1,395,252**	**540**	**479,679**	**-**	**(36,795)**	**(12,274)**	**6,154,797**	**6,896**	**6,161,693**
Balances at 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 income	-	-	-	-	262,005	-	(47,623)	-	214,382	-	**214,382**
Distribution of 2018 profit (Note 9)	-	-	761,356	-	(854,878)	93,522	-	-	-	-	**-**
Transactions with shareholders or owners-											
Distribution of dividends (Note 9)	-	(45,215)	(94,193)	-	-	-	-	-	(139,408)	-	**(139,408)**
Acquistion of treasury shares								(633)	(633)	-	**(633)**
Recognition of share-based payments	-	-	16,027	-	-	-	-	-	16,027	-	**16,027**
Delivery of shares of 2016 stock plan	-	-	(21,682)	-	-	-	-	12,089	(9,593)	-	**(9,593)**
Balances at 30 June 2019	**469,771**	**3,813,409**	**2,078,281**	**540**	**262,005**	**-**	**(84,529)**	**(56,866)**	**6,482,611**	**-**	**6,482,611**

(*) Restated financial statements

The accompanying explanatory notes 1 to 17 are an integral part of the condensed statement of changes in equity as of 30 June 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 17). In the event of a discrepancy, the Spanish-language version prevails.

MERLIN PROPERTIES SOCIMI, S.A.
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(Thousands of euros)

	Notes	30/06/2019	30/06/2018 (*)
CASH FLOWS FROM OPERATING ACTIVITIES:		**215,868**	**56,526**
Profit for the year before tax		**273,116**	**492,075**
Adjustments for-		**(56,045)**	**(291,255)**
Depreciation and amortization	**Note 5**	856	770
Change in fair value of investment property	**Note 6**	(159,469)	(321,215)
Change in provisions for contingencies and charges		313	20,580
Gains/(Losses) on derecognition and disposal of non-current assets		(36)	459
Finance income		(39)	(93)
Finance costs		50,318	65,748
Change in fair value of financial instruments	**Note 8**	21,408	34,022
Impairment and gains or losses on disposal of financial instruments		(64)	167
Share of results of investments accounted for using the equity method	**Note 7**	(2,523)	(785)
Other gains/(losses)		33,191	(90,908)
Changes in working capital-		**68,277**	**(64,112)**
Accounts receivable	**Note 8**	61,527	(19,569)
Other current assets	**Note 8**	(4,558)	28
Accounts payable	**Note 12**	14,171	(40,000)
Other assets and liabilities		(2,862)	(4,571)
Other cash flows from operating activities-		**(69,481)**	**(80,183)**
Interest paid		(67,740)	(73,182)
Interest received		39	93
Income tax paid		(1,780)	(7,094)
CASH FLOWS FROM INVESTING ACTIVITIES:		**(185,887)**	**(122,186)**
Payments due to investment-		**(209,971)**	**(122,235)**
Net cash outflow from business acquisitions		(115,661)	(31,281)
Investment property	**Note 6**	(87,555)	(89,449)
Concession assets and property, plant and equipment		(6,755)	(1,505)
Contributions to associates			
Proceeds from disposals-		**24,084**	**49**
Investment property		24,084	49
CASH FLOWS FROM FINANCING ACTIVITIES:		**(106,858)**	**(252,605)**
Proceeds and payments relating to equity instruments-		**(139,114)**	**(121,842)**
Refund of premium	**Note 9.2 y 9.3**	(45,215)	(112,218)
Dividends paid	**Note 9.3**	(94,193)	(9,624)
Dividends received from subsidiaries and associates		927	-
Purchase of equity instruments	**Note 10**	(633)	-
Proceeds and payments relating to financial liabilities-		32,256	**(130,763)**
Issue of bank borrowing		70,000	-
Repayment of bank borrowing	**Note 10.1**	(29,650)	(130,763)
Other payments due to financing activities	**Note 10.5**	(8,094)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(76,877)**	**(318,265)**
Cash and cash equivalents at beginning of year		169,025	454,036
Cash and cash equivalents at end of year		85,398	135,771

The accompanying explanatory Notes 1 to 17 are an integral part of the condensed consolited statement of cash flows for the six-month period ended 30 June 2019

Merlin Properties SOCIMI, S.A. and Subsidiaries

Explanatory notes for the Interim Condensed Consolidated Financial Statements for the six-month period ending 30 June 2019.

1. Nature, activity and composition of the Group

Merlin Properties SOCIMI, S.A. (hereinafter, the "Parent") was incorporated in Spain on 25 March 2014 under the Spanish Limited Liability Companies Law. On 22 May 2014, the Parent requested to be included in the tax regime for listed companies investing in the property market (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 bylaws, is as follows:

- The acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per the Value Added Tax Law 37/1992, of 28 December;
- The holding of shares in other 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 enforced by law or by the articles of association;
- The holding of equity interests in other resident or non-resident entities in Spain whose corporate purpose is to acquire urban real estate for subsequent leasing, and which operate under the same regime as that established for SOCIMIs with respect to the mandatory profit distribution policy enforced by law or by the bylaws, and which fulfil the investment requirements stipulated for these companies; and
- The holding of shares or equity interests in collective real estate investment undertakings regulated by Law 35/2003, of 4 November, on collective investment undertakings, or any law that may replace this 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, i.e., those that generate income, which in total represents less than 20% of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any 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 which are reserved under special legislation are excluded. If the law prescribes the need for a professional qualification, administrative authorisation, entry in a public register, 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 (hereinafter, the "Group") mainly engage in the acquisition and management (through leasing to third parties) of mainly offices, warehouses and commercial premises. They may also invest to a lesser extent in other assets for lease.

On 30 June 2014, the Parent Company was floated on the Spanish stock market through the issuance of EUR 125,000 thousand shares, 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 Parent and the majority of its subsidiaries are 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*). Article 3 of said Law 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 1, Article 2 of the Law.

The value of the assets will be determined according to 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. For these purposes, the money and collection rights arising from the disposal of these properties or shareholdings, if applicable, during the same year or previous years will not be calculated, provided that, in this last case, the reinvestment period referred to in Article 6 of this Law has not elapsed.

2. Similarly, at least 80% of the income for the tax period for each year, excluding that arising from the disposal of shareholdings and properties used in the compliance of its main corporate purpose, once the holding period referred to below has elapsed, should come from the lease of properties and from dividends or shares in profit from these investments.

   This percentage is calculated based on consolidated profit if the company is a Parent of a group, as defined in Article 42 of the Commercial Code, irrespective of the place of residence and the obligation to prepare consolidated financial statements. Said group will be exclusively composed of the SOCIMI and all the other entities referred to in Section 1, Article 2 of said Law.

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 Law is applied, provided that the property is leased or offered for lease at that date. Otherwise, the provisions of the following paragraph shall 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) Shares or equity investments in entities referred to in Section 1, Article 2 of the Law must be kept in the SOCIMI's asset base at least during three years after their acquisition or, if applicable, from the beginning of the first tax period during which the special tax regime established in the Law applies.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing listed companies investing in the property market, these companies may opt to apply the special tax regime pursuant to Article 8 of this Law, 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.

Failure to fulfil said condition will render the SOCIMI subject to the general corporate income tax rules, starting in the tax period in which the non-fulfilment is detected, unless it is remedied within the following tax period. The SOCIMI will also be obliged to pay, together with the amount relating to the aforementioned tax period, the difference between the amount of tax payable under the general tax regime and the amount paid under the special tax regime in the previous tax periods, including any applicable late-payment interest, surcharges and penalties.

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 said equity holder, in respect of corporate income tax. If deemed applicable, this special charge shall be paid by the SOCIMI within two months after the dividend distribution date.

The transitional period in which the Company had to meet all requirements of this tax regime ended in 2017. As of 30 June 2019, the Parent complies with the requirements established in current legislation and is in the correction period in accordance with Article 13 of the SOCIMI Law, having failed the income test in 2018. The Directors have formulated the interim condensed financial statements as of 30 June 2019 on the premise that the Parent will maintain the SOCIMI Regime complying with all the requirements established by the Act in 2019.

2. Basis of presentation of the interim condensed consolidated financial statements and consolidation principles

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 corporate law.

- International Financial Reporting Standards (IFRS) as adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on tax, administrative and social security measures, as well as applicable rules and circulars of the Spanish National Securities Market Commission (CNMV);

- Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating SOCIMIs and other corporate law; and

- All other applicable Spanish accounting legislation.

The consolidated financial statements for 2018 have been prepared in accordance with the regulatory financial reporting framework described in the above paragraph and, accordingly, they present fairly the Group's consolidated equity and financial position as of 31 December 2018 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended on 31 December 2018.

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 sole shareholder on 29 and 30 June 2019.

These interim condensed consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and were approved by the Parent's directors on 30 July 2019, in accordance with Article 12 of Royal Decree 1362/2007.

Pursuant to IAS 34, interim financial reports must be prepared with the sole intention of updating the content of the Group's previous consolidated annual financial statements, with an emphasis on any new activities, events or circumstances that may have occurred during the semester, but not duplicating the information that was already published in the consolidated annual financial statements. Therefore, the interim condensed consolidated financial statements as of 30 June 2019 do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and therefore the accompanying interim condensed consolidated financial statements must be read together with the Group's consolidated financial statements for the year ended 31 December 2018.

The consolidated results and determination of consolidated equity are sensitive to the accounting policies and measurement bases and estimates adopted by the Directors of the Parent Company in the preparation of the condensed consolidated financial statements. The main accounting principles and policies and valuation criteria used correspond to those applied in the 2018 consolidated financial statements, except for the standards and interpretations that came into force during the first half of 2019.

2.2 Bases for reporting the interim condensed consolidated financial statements

The interim condensed consolidated financial statements 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 financial position as of 30 June 2019 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows that have taken place in the Group during the six-month period ended on 30 June 2019.

Given that the accounting policies and measurement bases applied in preparing the Group's interim condensed consolidated financial statements in the six-month period ended on 30 June 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 IFRS as adopted by the European Union

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

These interim condensed consolidated financial statements as of 30 June 2019 were audited. The figures for 30 June 2018 and 31 December 2018 are presented for comparison purposes only.

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

During the first six months of 2019, the following standards, amendments and interpretations came into force, which, where applicable, were used by the Group in preparing the interim condensed consolidated financial statements:

Standards, Amendments and Interpretations	**Description**	**Mandatory application in the years beginning on or after:**
IFRS 16 Leases	Replaces IAS 17 and the related interpretations. The main development involves a single lessee accounting model, which will include all leases on the balance sheet (with specific exceptions) with an impact similar to that of current financial leases (right-of-use assets will be depreciated and a finance cost will be recognised for the depreciated cost of the liability).	1 January 2019
Amendment to IFRS 9 Prepayment features with negative compensation	This amendment will permit the measurement at amortised cost of certain financial assets that can be terminated early for an amount less than the outstanding amount of principal and interest on that principal.	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	Clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied.	1 January 2019
Improvements to IFRS Cycle 2015-2017	Amendments to a series of standards.	1 January 2019
Amendment to IAS 19 Plan amendment curtailment or settlement	Clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a defined benefit plan is amended, curtailed or settled.	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, which 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 in such a way that the rights of use that the Group operates under a lease regime and that under the previous standard were classified as intangible assets and valued at cost, are classified and valued as of their application, i.e. from 1 January 2018 like other investment property (at fair value). The Group changed its accounting policies and updated the classification and valuation of concession projects under "Investment Property" and applied the same valuation criteria in 2018. It applies them retroactively, not restating comparative information, recognising the cumulative effect of the initial application as an adjustment to the opening balance on 1 January 2018.

As a result of this application, which the Group considered in preparing its financial statements for 2018, the Group has restated the information as of 30 June 2018 to include the comparative impacts of IFRS 16. The Group has also restated these figures to include the impacts of the initial application of IFRS 9 "Financial Instruments" in relation to the non-substantial modification of financial liabilities associated with the agreement to modify the senior syndicated loan, signed on 29 July 2010 by the subsidiary Tree Inversiones Inmobiliarias SOCIMI, S.A. and renewed on 30 December 2014; it was quantified and included in the 2018 financial statements.

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 IFRS 16	Application 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
Total non-current assets	*11,390,461*	*67,582*	-	*11,458,043*
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
Non-current 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 of recording at fair value the concession asset of Parc Logistic de la Zona Franca, S.A. “PLZF”, as the SOCIMI scheme does not apply to this subsidiary.

The impact of the application of IFRS 16 on the income statement for the period ended 30 June 2018 was as follows:

- An increase in operating income of EUR 13,805 thousand due mainly to the revaluation of intangible assets.
- An increase of approximately EUR 13,614 thousand in the income of companies accounted for using the equity method.

The application of IFRS 9 in the first half of 2018 led to an increase of approximately EUR 2,250 thousand in financial expenses.

The other standards and amendments have not had a significant impact.

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 the first six months of 2019, either because their effective date is subsequent to the date of the interim consolidated financial statements, or because they have 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	Clarifying the definition of a business	1 January 2020 (1)
Amendments to IAS 1 and IAS 8 - Definition of “materiality”	Amendments to IAS 1 and IAS 8 to align the definition of “materiality” with that contained in the conceptual framework	1 January 2020 (1)
IFRS 17 Insurance contracts	Replaces IFRS 4. It includes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.	1 January 2021 (1)

(1) Pending adoption by the European Union

At present, the Group is assessing the impacts that the future application of standards with a mandatory application date from 1 January 2020 could have on the consolidated financial statements once they come into force, although these impacts are not expected to be significant.

2.3. Functional currency

These interim condensed 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

As required by international financial reporting standards adopted by the European Union, the information contained in these interim condensed consolidated financial statements for the year ended 30 June 2018 is presented for comparative purposes with information relating to the six-month period ended 30 June 2019 for the interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and for the year ended 31 December 2018 for the interim condensed consolidated statement of financial position.

As detailed in Note 2.2.1, the interim condensed consolidated financial statements for 30 June 2018 have been restated for comparative purposes to be homogeneous and to reflect the effect of the application of IFRS 16 and IFRS 9 applied retroactively as of 1 January 2018.

2.5 Responsibility for the information and use of estimates

The information in these Interim Condensed Consolidated Financial Statements is the responsibility of the directors of the Parent Company.

In the Group's interim condensed consolidated financial statements for the six-month period ended on 30 June 2019, estimates were occasionally made by the senior executives 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.

2. The market value of the Group's property assets. The Group obtained valuations from independent experts as of 30 June 2019.

3. The fair value of certain financial instruments.

4. The assessment of provisions and contingencies.

5. Management of financial risk and, in particular, of liquidity risk.

6. The recovery of deferred tax assets and the tax rate applicable to temporary differences.

7. Definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets.

8. Compliance with the requirements that govern listed real estate investment companies.

Changes in estimates:

Although these estimates were made on the basis of the best information available as of 30 June 2019, future events may require these estimates to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognised in the corresponding consolidated income statement.

2.6 Contingent assets and liabilities

During the first six months of 2019 there have been no significant changes in the Group's main contingent assets and liabilities.

2.7 Seasonal nature of Group transactions

In view of the activities carried out by the Group companies, its transactions are not markedly cyclical or seasonal. Accordingly, no specific disclosures in this regard are included in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2019.

2.8 Consolidated statement of cash flows

The following terms are used in the condensed consolidated statement of cash flows, which was prepared using the indirect method, with the meanings specified:

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 entities composing the consolidated Group 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 the equity and liabilities that are not operating activities.

2.9 Relative importance

In determining the information to be broken down in the explanatory notes to the interim condensed consolidated financial statements or other matters, the Group has, in accordance with IAS 34, taken into account the relative importance in relation to the interim condensed consolidated financial statements for the six-month period ending on 30 June 2019.

3. Changes in the scope of consolidation

The changes in the scope of consolidation during the first six months of the 2019 year were as follows:

Business combinations

1) Torre Arts, Investimentos inmobiliàrios, S.A. (formerly known as Edificio 160 Arts, S.A.)

The Parent acquired 100% of the share capital of Torre Arts, Investimentos inmobiliàrios, S.A. for EUR 85,781 thousand.

	Principal activity	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
Torre Arts, Investimentos inmobiliàrios, S.A.	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	Adjustment of Value	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 meters. Its fair value at the time of purchase according to an independent appraiser was EUR 85,391 thousand. The purpose of this business combination is to increase the Group's presence in the office market in Lisbon.

The Group used the valuation carried out by independent experts to determine the fair value of the property.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the business combination date using a market discount rate. The residual amount 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 compared to the carrying amounts at which they were registered 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. The Group performed an individualised analysis of these receivables to check for signs of impairment and so to calculate their fair value. The Parent's directors do not consider that at the acquisition date there were any indications 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 profit and income generated in the first half of 2019 and included in the condensed consolidated income statement for the six-month period ending on 30 June 2019 amounted to EUR 4,120 thousand and EUR 2,092 thousand, respectively.

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 inmobiliàrios, S.A. (formerly known as Edificio 048 Magellexpo, S.A.)

The Parent acquired 100% of the share capital of Torre Fernão Magalhães Investimentos inmobiliàrios, S.A. for 27,555 thousand euros.

	Principal activity	Date of acquisition	Percentage of ownership acquired (voting rights)	Consideration transferred (thousands of euros)
Torre Fernão Magalhães Investimentos inmobiliàrios, S.A..	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	Adjustment of Value	Fair Value
Investment property	26,662	793	27,455
Non-current and current liabilities	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 meters. Its fair value at the time of purchase according to an independent appraiser was EUR 27,455 thousand. The purpose of this business combination is to increase the Group's presence in the office market in Lisbon.

The Group used the valuation carried out by independent experts to determine the fair value of the property.

The method used to calculate the market value involved drawing up projections of income and expenses, adjusted at the business combination date using a market discount rate. The residual amount 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 compared to the carrying amounts at which they were registered 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. The Group performed an individualised analysis of these receivables to check for signs of impairment and so to calculate their fair value. The Parent's directors do not consider that at the acquisition date there were any indications 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 profit and income generated in 2019 and included in the condensed consolidated income statement for the six-month period ending on 30 June 2019 amounted to EUR 3,241 thousand and EUR 1,082 thousand, respectively.

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.

In the first half of 2019, the Parent acquired 100% of Innovación Colaborativa, S.L. for EUR 3,868 thousand. 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.

In accordance with IFRS 3 (Business Combinations), the consideration paid for previous acquisitions is allocated provisionally and the Group has 12 months to complete the definitive allocation.

Appendix I to the 2018 consolidated financial statements contains relevant information on the Group companies that were consolidated at that date and those accounted for using the equity method. During 2019, only the changes described in the preceding paragraphs have taken place.

4. Segment reporting

a) Basis of segmentation

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

- Office buildings
- High Street Retail.
- 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 exclusively in Spain and Portugal in the period of six months which ended on 30 June 2019.

b) Basis and methodology for business segment reporting

The segment reporting below is based on monthly reports prepared by Group management and is 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 2.

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, nor gains debt recoveries or cancellation.

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

The segment profit or loss is presented 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. Liabilities do not include income tax payments.

Segment reporting for these activities as of 30 June 2019 and its comparison with the previous period (30 June 2018 for revenues and expenses, and 31 December 2018 for assets and liabilities) is presented below:

a) Segment reporting

As of 30 June 2019	Thousands of euros						
	Office buildings	High Street Retail	Shopping Centres	Unit	Other	Logistical Corporate	Total Group
Revenue from non-Group customers:							
Rental income	115,569	48,408	58,425	24,477	6,380	18	253,277
Services rendered	-	-	151	-	-	975	1,126
Revenues	**115,569**	**48,408**	**58,576**	**24,477**	**6,380**	**993**	**254,403**
Other operating income	41	-	76	4	63	1,246	1,430
Staff costs	-	-	-	-	-	(38,252)	(38,252)
Operating expenses	(14,047)	(1,001)	(8,276)	(1,259)	(999)	(5,254)	(30,836)
Gains/(losses) on disposal of assets	-	5	(18)	118	(69)	-	36
Depreciation and amortisation charge	(31)	(1)	(58)	(2)	(5)	(759)	(856)
Excess provisions	3	-	-	-	-	(316)	(313)
Changes in fair value of investment properties	106,247	11,050	9,194	32,768	210	-	159,469
Negative goodwill on business combinations	(2,865)	-	-	-	-	-	(2,865)
Profit/(loss) from operations	**204,917**	**58,461**	**59,494**	**56,106**	**5,580**	**(42,342)**	**342,216**
Change in the fair value of financial instruments-							
Changes in fair value of financial instruments - Embedded derivative	-	(2,576)	-	-	-	-	(2,576)
Changes in fair value of financial instruments - Other	-	(3,638)	-	(1,611)	-	(13,583)	(18,832)
Finance income	4	-	2	-	2	31	39
Finance expenses	(172)	(11,037)	(1,969)	(561)	-	(36,579)	(50,318)
Profit/(loss) on disposal of financial instruments	4	-	-	28	3	29	64
Share of results of companies accounted for using the equity method	-	-	-	-	-	2,523	2,523
Profit/(loss) before tax	**204,753**	**41,210**	**57,527**	**53,962**	**5,585**	**(89,920)**	**273,116**
Income tax	(5,080)	(540)	(2,626)	(1,420)	(16)	(1,429)	(11,111)
Profit/(loss) for the year	**199,673**	**40,670**	**54,901**	**52,542**	**5,569**	**(91,349)**	**262,005**

As of 30 June 2018 (*)	Buildings buildings	High Street Retail	Shopping Centres	Unit	Other	Logistical Corporate	Total Group
Revenue from non-Group customers:							
Rental income	103,400	53,930	45,207	22,595	7,006	13	232,151
Services rendered	-	-	149	-	9	91,160	91,318
Revenues	**103,400**	**53,930**	**45,356**	**22,595**	**7,015**	**91,173**	**323,469**
Other operating income	343	1	123	91	32	1,819	2,409
Staff costs	-	-	-	-	-	(36,446)	(36,446)
Operating expenses	(10,403)	(1,135)	(6,482)	(1,345)	(2,486)	(4,691)	(26,542)
Gains/(losses) on disposal of assets	(1)	2	(116)	-	(343)	(1)	(459)
Depreciation and amortisation charge	(507)	(1)	(911)	1,406	(5)	(752)	(770)
Excess provisions	-	-	-	-	-	8,239	8,239
Changes in fair value of investment properties	128,506	93,534	33,873	36,471	28,831	-	321,215
Negative goodwill on business combinations	(462)	-	-	-	-	481	19
Profit/(loss) from operations	**220,876**	**146,331**	**71,843**	**59,218**	**33,044**	**59,822**	**591,134**
Change in the fair value of financial instruments-							
Changes in fair value of financial instruments - Embedded derivative	-	(28,714)	-	-	-	-	(28,714)
Changes in fair value of financial instruments - Other	(2)	(680)	-	(275)	-	(4,351)	(5,308)
Finance income	-	-	16	-	-	77	93
Finance expenses	(261)	(16,195)	(1,970)	(2,285)	-	(45,037)	(65,748)
Profit/(loss) on disposal of financial instruments	(12)	-	(23)	(32)	(3)	(97)	(167)
Share of results of companies accounted for using the equity method	-	-	-	-	-	785	785
Profit/(loss) before tax	**220,601**	**100,742**	**69,866**	**56,626**	**33,041**	**11,199**	**492,075**
Income tax	(6,990)	(2,156)	(780)	(1,717)	(120)	139	(11,624)
Profit/(loss) for the year	**213,611**	**98,586**	**69,086**	**54,909**	**32,921**	**11,338**	**480,451**

(*) Restated financial statements

As of 30 June 2019	Thousands of euros						
	Office Offices	High Street Retail	Shopping Centres	Unit	Other	Logistical Corporate	Total Group
Investment property	6,223,756	2,108,220	2,292,212	1,029,700	422,344	-	12,076,232
Non-current financial assets-	19,953	133,925	8,644	4,747	1,008	41,360	209,637
Derivatives	-	*120,511*	-	-	-	-	*120,511*
Other financial assets	*19,953*	*13,414*	*8,644*	*4,747*	*1,008*	*41,360*	*89,126*
Deferred tax assets	315	4,207	793	488	3,112	79,333	88,248
Other non-current assets	1,200	2	90	5,136	902	173,405	180,735
Non-current assets	**6,245,224**	**2,246,354**	**2,301,739**	**1,040,071**	**427,366**	**294,098**	**12,554,852**
Trade receivables	11,585	1,998	10,701	3,520	2,270	83,514	113,588
Other current financial assets	180	1,264	179	387	1	5,747	7,758
Other current assets	25,371	30	37,952	10,192	2,020	26,445	102,010
Current assets	**37,136**	**3,292**	**48,832**	**14,099**	**4,291**	**115,706**	**223,356**
Total assets	**6,282,360**	**2,249,646**	**2,350,571**	**1,054,170**	**431,657**	**409,804**	**12,778,208**
Non-current bank borrowings and debenture issues	19,190	768,656	131,565	67,454	-	4,284,366	5,271,231
Other non-current liabilities	310,769	84,028	204,793	52,868	3,859	201.993	858,310
Non-current liabilities	**329,959**	**852,684**	**336,358**	**120,322**	**3,859**	**4,486,359**	**6,129,541**
Current liabilities	**44,297**	**17,791**	**19,987**	**23,204**	**6,808**	**53,968**	**166,056**
Total liabilities	**374,256**	**870,475**	**356,345**	**143,526**	**10,667**	**4,540,327**	**6,295,597**

As of 31 December 2018	Thousands of euros						
	Office Offices	High Street Retail	Shopping Centres	Unit	Other	Logistical Corporate	Total Group
Investment property	5,872,677	2,096,982	2,265,318	971,008	534,476	-	11,740,461
Non-current financial assets-	30,354	138,701	12,372	6,267	1,237	23,317	212,248
Derivatives	-	123,087	-	-	-	-	123,087
Other financial assets	30,354	15,614	12,372	6,267	1,237	23,317	89,161
Deferred tax assets	85	4,207	793	453	3,226	79,651	88,415
Other non-current assets	-	4	183	17	927	172,210	173,341
Non-current assets	**5,903,116**	**2,239,894**	**2,278,666**	**977,745**	**539,866**	**275,178**	**12,214,465**
Trade receivables	8,844	1,623	6,748	5,164	3,659	141,443	167,481
Other current financial assets	178	1,170	132	1,704	26	5,678	8,888
Other current assets	18,452	15,009	29,718	13,467	718	104,499	181,863
Current assets	**27,474**	**17,802**	**36,598**	**20,335**	**4,403**	**251,620**	**358,232**
Total assets	**5,930,590**	**2,257,696**	**2,315,264**	**998,080**	**544,269**	**526,798**	**12,572,697**
Non-current bank borrowings and debenture issues	20,026	719,544	131,599	69,901	-	4,216,938	5,158,008
Other non-current liabilities	304,928	83,382	203,024	63,750	3,730	177,487	836,301
Non-current liabilities	**324,954**	**802,926**	**334,623**	**133,651**	**3,730**	**4,394,425**	**5,994,309**
Current liabilities	**30,620**	**18,876**	**22,777**	**33,275**	**2,366**	**68,639**	**176,552**
Total liabilities	**355,574**	**821,802**	**357,400**	**166,926**	**6,095**	**4,463,064**	**6,170,861**

b) Geographical segment reporting

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

The following table provides a summary of ordinary revenues, investment property by geographical area as of 30 June 2019:

	Thousands of euros			
	Revenue	%	Investment property (a)	%
Madrid	117,638	46%	6,411,645	52%
Catalonia	45,836	18%	2,023,143	17%
Galicia	10,387	4%	406,158	3%
Basque Country	9,311	4%	388,999	3%
Andalusia	11,101	4%	432,732	4%
Valencia	10,765	4%	390,381	3%
Castilla y León	2,903	1%	122,500	1%
Rest of Spain	22,531	9%	1,049,391	9%
Portugal	22,805	9%	971,794	8%
Total	**253,277**	**100%**	**12,196,743**	**100%**

(a) It also includes the amount of the embedded derivative described in Note 8

As of 31 December 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) It also includes the amount of the embedded derivative described in Note 8

c) Main customers

The table below lists the most important lessees as of 30 June 2019, and the primary characteristics of each of them:

Position	Name	Type	% of total rental income	% accumulated	Maturity
1	BBVA	High Street retail	15.3%	15.3%	2029-2040
2	Endesa	Offices	4.1%	19.4%	2020-2028
3	Inditex	Shopping centres	3%	22.4%	2020-2022
4	Técnicas Reunidas	Offices	2.1%	24.5%	2022
5	PwC	Offices	1.5%	26%	2022
6	Hotusa	Hotel	1.5%	27.5%	2023
7	Caprabo	High Street retail	1.3%	28.8%	2025
8	Indra	Offices	1.3%	30.1%	2024
9	FNAC	Shopping centres	1.3%	31.4%	2022
10	Community of Madrid	Logistics	1.0%	32.4%	2020

5. Other intangible assets and property, plant and equipment

The changes in the “Other intangible assets” and “Property, plant and equipment” captions in the first six months of 2019 were due mainly to the depreciation for the year, which amounted to EUR 856 thousand and is recognised under "Depreciation and amortisation charge" in the accompanying condensed consolidated income statement.

6. Investment property

The changes recognised under this caption in the six-month period ended 30 June 2019 were as follows:

	Thousands of euros
Balances as of 1 January 2018	**10,352,415**
Early application of IFRS 16 (see Note 2.2.1)	296,738
Additions due to business combinations	508,131
Additions for the year	191,930
Disposals	(237,937)
Changes in value of investment property	629,184
Balances as of 31 December 2018	**11,740,461**
Additions due to business combinations (Note 3)	112,846
Additions for the year	87,555
Disposals for the year	(24,099)
Changes in value of investment property	159,469
Balances as of 30 June 2019	**12,076,232**

Investment property is recognised at fair value. Income recognised in the condensed consolidated income statement on measuring investment property at fair value total EUR 159,469 thousand.

Investment property mainly includes property assets in the office, high street retail, shopping centre and logistics segments.

The main additions of assets during the first six months of 2019 corresponds to an office building in Barcelona in the amount of EUR 4 million. The Group acquired land to develop logistics buildings in Cabanillas for EUR 17 million.

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 assets included in the scope of consolidation come from the Portuguese companies acquired in the period (see Note 3).

Disposals in the first half of 2019 relate mainly to the sale of two logistics warehouses in Barcelona, the net result of which does not have a significant impact on the condensed consolidated income statement.

As of 30 June 2019, the Group had pledged real estate assets totalling EUR 2,451,925 thousand to secure various loans and derivative financial instruments, the balances of which as of 30 June 2019 were EUR 979,032 thousand and EUR 87,672 thousand, respectively (see Note 10).

All properties included under “Investment property” were insured as of 30 June 2019.

As of 31 December 2018, the Group had firm purchase commitments for investment property amounting to EUR 25,492 thousand, which did not differ significantly as of 30 June 2019.

As of 30 June 2019, the gross surface areas and occupancy rates of the assets by line of business were as follows:

	Square meters(*)										
	Gross leasable area										
	Comm. of Madrid	Catalonia	Comm. Of Valencia	Galicia	Andalusia	Basque Country	Castilla la Mancha	Rest of Spain	Portugal	Total	Occupancy rate (%)
Offices	960,997	252,146	-	-	15,078	-	-	4,488	83,419	1,316,128	90.3
High Street retail	93,288	111,106	27,459	17,217	27,976	24,100	8,324	86,291	-	395,791	99.7
Shopping centres	26,952	93,104	68,631	100,242	37,924	24,323	-	79,722	60,098	490,996	92.6
Logistics	278,791	149,365	26,613	-	114,128	99,491	375,972	42,343	-	1,086,703	95.7
Other	54,601	46,263	-	5,898	-	46	-	-	-	106,808	74
Total surface area	**1,414,629**	**651,984**	**122,703**	**123,357**	**195,106**	**147,960**	**384,326**	**212,844**	**143,517**	**3,396,426**	
% weight	**41.64%**	**19.20%**	**3.61%**	**3.63%**	**5.74%**	**4.36%**	**11,32%**	**6.27%**	**4.23%**	**100%**	

(*) Does not include land area or projects under development

Fair value measurement and sensitivity

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

The Group adjusted the fair value of its real estate investments in accordance with IAS 40. This fair value is determined using the reference of the valuations made by independent third parties every six months so that, at the close of each six-month period, the fair value reflects the market conditions of the elements of the investment properties at that date.

The market value of the Group's investment property as of 30 June 2019, 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 12,181,090 thousand. This valuation includes the value of the embedded derivative of the income from the lease agreement with BBVA amounting to EUR 120,511 thousand, and does not include any pre-payments made by the Group to third parties for the purchase of assets in the amount of EUR 15,653 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 Committee (IVSC).

The method used to calculate the market value of investment property, except the BBVA and Caprabo portfolios, 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 amount 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 designed to reflect the best estimate of future income and expenses from the investment properties. Both the exit yield and discount rate are determined taking into account the local market and institutional market conditions.

The method used by CRBE and Savills to value the BBVA and Caprabo portfolios, respectively, 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 and creditworthiness of the lessee.
- Location of the premises within the city (city centre, 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 respect 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.

Breakdown of fair value of investment property

As of 30 June 2019, the detail of assets measured at fair value by their level in the fair value hierarchy is as follows:

	Thousands of euros			
	As of 30 June 2019			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
Investment property				
Offices				
- Land	2,220,506			2,220,506
- Buildings	4,003,250			4,003,250
High Street retail				
- Land	550,842			550,842
- Buildings	1,557,378			1,557,378
Shopping centres				
- Land	471,897			471,897
- Buildings	1,820,315			1,820,315
Logistics				
- Land	213,190			213,190
- Buildings	816,510			816,510
Other				
- Land	210,688			210,688
- Buildings	211,656			211,656
Total assets measured at fair value	12,076,232			12,076,232

	Thousands of euros			
	As of 31 December 2018			
	Total	Level 1	Level 2	Level 3
Fair value measurement				
Investment property				
Offices				
- Land	2,077,683			2,077,683
- Buildings	3,794,994			3,794,994
High Street retail				
- Land	550,842			550,842
- Buildings	1,546,140			1,546,140
Shopping centres				
- Land	472,124			472,124
- Buildings	1,793,194			1,793,194
Logistics				
- Land	209,312			209,312
- Buildings	761,696			761,696
Other				
- Land	298,292			298,292
- Buildings	236,184			236,184
Total assets measured at fair value	11,740,461			11,740,461

No assets were reclassified from one level to another during the period.

The main assumptions used to calculate the fair value of investment property were as follows:

	Exit yield	Discount rate
Offices	3.50% - 8.00%	4.00% - 9.00%
High Street retail	3.5% - 7.00% (*)	5.50% - 9.00% (*)
Shopping centres	4.25% - 7.50%	5.75% - 10.50%
Logistics	5.25% - 7.50%	7.00% - 15.00%
Other	5.00% - 10.00%	5.00% - 16.00%

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

As of 31 December 2018

	Exit yield	Discount rate
Offices	3.50% - 8.00%	4.00% - 9.00%
High Street retail	3.50% - 7.00% (*)	5.50% - 9.00% (*)
Shopping centres	4.50% - 7.50%	6.00% - 10.50%
Logistics	5.25% - 7.50%	7.25% - 16.00%
Other	5.00% - 8.50%	4.00% - 16.00%

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

Rents: the amounts per square metre used in the valuation have ranged between 2.75 and 71.81 euros depending on the type of asset and location. The growth rates of the rents used in the projections are mainly based on CPIs.

The effect of one-quarter, half and 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					
	30.06.2019					
	Assets			Consolidated profit before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in rate of return	(552,365)	(1,057,814)	(1,950,005)	(552,365)	(1,057,814)	(1,950,005)
Decrease in rate of return	606,130	1,274,276	2,839,027	606,130	1,274,276	2,839,027

	Thousands of euros					
	31.12.2018					
	Assets			Consolidated profit before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in rate of return	(535,204)	(1,025,118)	(1,890,274)	(535,204)	(1,025,118)	(1,890,274)
Decrease in 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 has the following impact investment property in consolidated assets and in the consolidated income statement:

	Thousands of euros					
	30.06.2019					
	Assets			Consolidated profit before tax		
	1%	5%	10%	1%	5%	10%
Increase in rents	75,069	375,343	750,685	75,069	375,343	750,685
Decrease in rents	(75,069)	(375,343)	(750,685)	(75,069)	(375,343)	(750,685)

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

The effect of the quarter-and-a-half point change in the considered Exit Yield, in the assumption based on return calculated as the result of dividing the net operating income of the last year of the period analysed by the estimated exit yield, on investment property in the consolidated asset and in the consolidated income statement, would be as follows:

	Thousands of euros			
	30.06.2019			
	Assets		Consolidated profit before tax	
	0.25%	0.50%	0.25%	0.50%
Increase in exit yield	(334,831)	(640,181)	(334,831)	(640,181)
Decrease in exit yield	368,797	777,006	368,797	777,006

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

Accordingly, the impact on the consolidated income statement of the revaluations of the Group's property assets during the first six months of 2019, taking into consideration all headings affected in the consolidated income statement, is as follows:

	Thousands of euros	
	30-06-2019	30-06-2018
Changes in fair value of investment property	159,469	321,215
Changes in the fair value of derivatives	(2,576)	(28,714)
Effect on the income statement	**156,893**	**292,501**

(*) Restated data

7. Investments accounted for using the equity method

The changes in the balance of "Investments accounted for using the equity method" are due mainly to the results obtained by the investees in 2019 and the application of IFRS 16 (see Note 2.2.1). There were no significant changes during the period. The most significant change was the investment in 48.5% of Centro Intermodal de Logística, S.A. with a consolidated net value of EUR 122,045 thousand.

Appendix I to the Group's consolidated financial statements for 2018 includes a list of the main investments in associates, including the name, country of incorporation, activity and percentage of the shareholding, and there have been no significant changes in the main items of the Group's associates.

8. Current and non-current financial assets

The breakdown of the balance of this heading in the condensed consolidated statement of financial position is as follows:

Classification of financial assets by category:

	Thousands of euros	
	30-06-2019	31-12-2018
Non-current:		
At fair value-		
Derivative embedded in BBVA lease agreement	120,511	123,087
Available-for-sale financial assets	17,091	18,121
At amortised cost-		
Equity instruments	462	2,223
Loans to third parties	1,400	1,040
Loans to associates	625	625
Deposits and guarantees	69,548	67,152
	209,637	**212,248**
Current:		
At amortised cost-		
Investments in associates	1,158	1,141
Other financial assets	6,600	7,747
Trade and other receivables	113,588	167,481
	121,346	**176,369**

The carrying amount of financial assets recognised at amortised cost does not differ significantly 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 11 of the financial statements for the 2018 year). The negative variation in this derivative during the six-month period ended on 30 June 2019 was EUR 2,576 thousand, recognised under "Change in fair value of financial instruments" in the accompanying condensed consolidated income statement. The measurement approach used is described in Note 5.6 of the consolidated financial statements for the 2018 year and is applicable to level 2 of the fair value measurement 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:

As of 30 June 2019

	Thousands of euros	
Scenario	Assets	Consolidated profit/(loss) before tax
+50 bp	39,733	39,733
-50 bp	(21,276)	(21,276)

As of 31 December 2018

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

Available-for-sale financial assets

The “Available-for-sale financial assets” caption includes the Group's investments in companies excluded from the scope of consolidation because they are less than 20% and do not have significant influence.

As of 30 June 2019, a holding in Aedas Homes, S.A. is included in the amount of EUR 17,091 thousand, equivalent to 817,727 shares (1.7%) of its share capital. The negative change in the fair value of this investment (hierarchical level 1) in the first half of 2019, amounting to EUR 1,030 thousand, is recognised under “Changes in the fair value of financial instruments” (market value as of 30 June 2019 is EUR 20.90 per share).

This company is listed in the Madrid Stock Exchange.

Trade and other receivables

This caption includes a receivable of EUR 80,302 thousand relating to the sale price of Testa Residencial SOCIMI, S.A. maturing in the third quarter of 2019, EUR 54,158 thousand of the aforementioned deferred sale price having been received during the first quarter of 2019.

Classification of financial assets by maturity:

The classification of the main financial assets by maturity is as follows:

As of 30 June 2019

	Thousands of euros				
	Less than 1 year	From 1 to 5 years	Over 5 years	Undetermined maturity	Total
Derivative embedded in BBVA lease agreement	-	-	120,511	-	120,511
Available-for-sale financial assets	17,091	-	-	-	17,091
Equity instruments	-	-	-	462	462
Loans to third parties and associates	-	625	1,400	-	2,025
Deposits and guarantees	-	-	-	69,548	69,548
Investments in associates	1,158	-	-	-	1,158
Other financial assets	6,600	-	-	-	6,600
Trade and other receivables	113,588	-	-	-	113,588
Total financial assets	**138,437**	**625**	**121,911**	**70,010**	**330,983**

As of 31 December 2018

	Thousands of euros				
	Less than 1 year	From 1 to 5 years	Over 5 years	Undetermined maturity	Total
Derivative embedded in BBVA lease agreement	-	-	123,087	-	123,087
Available-for-sale financial 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	**192,208**	**625**	**124,127**	**69,375**	**388,617**

9. Equity

9.1 Share capital

During the first six months of 2019, there were no changes in the share capital of the Parent Company.

As of 30 June 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 are admitted to official listing on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The market price of the Parent’s shares as of 30 June 2019 and the average market price for the fourth quarter amounted to EUR 12.20 and EUR 12.05 per share, respectively.

As of 30 June 2019, and according to the public information of the Spanish 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 share capital
	Direct	Indirect	Total	
Banco Santander, S.A.	78,437,100	26,172,125	104.609.225	22.27%
BlackRock, INC	-	18,773,897	18,773,897	3.99%

9.2 Share premium

The Consolidated Text of the Spanish Limited Liability Companies Law 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 of the Parent. In this connection, in 2019 the shareholders at the General Meeting approved the distribution of dividends totalling EUR 45,215 thousand charged to the share premium, and carried out on 7 May 2019.

9.3. Reserves

The detail of reserves as of 30 June 2019 and 31 December 2018 is as follows:

	Thousands of euros	
	30-06-2019	31-12-2018
Legal reserve	47,193	26,336
Reserves of consolidated companies	2,001,298	1,354,992
Other reserves	29,790	35,445
Total other reserves	**2,078,281**	**1,416,773**

Legal reserve

The legal reserve will be established in accordance with section 274 of the Consolidated Text of the Spanish 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.

As of 30 June 2019, the Group had not yet reached the legally required minimum established in the Consolidated Text of the Spanish Limited Liability Companies Law.

The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Law 11/2009, governing SOCIMIs, must not exceed 20% of share capital. The bylaws 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	
	30-06-2019	31-12-2018
Merlin Properties SOCIMI, S.A.	780,192	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.A.	7,252	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 Carihuela, Patrimonio Comercial, S.A.	2,389	326
Sadorma 2003, S.L.	(5,386)	(5,447)
Parques Logísticos de la Zona Franca, S.A.	1,144	(7,543)
Sevisur Logística, S.A.	17,274	12,182
Desarrollo Urbano de Patraix, S.A.	238	(6,809)
Holding Jaureguizahar 2002, S.A.	(4)	(3)
Global Murex Iberia, S.L.	(12)	(12)
Exhibitions Company, S.A.U.	(4)	13
Gescentesta, S.L.U.	480	387
Merlin Properties Monumental, S.A.	37,356	17,227
Merlin Properties Torre A, S.A.	9,838	8,569
MPCVI- Compra e venda Imobiliária, S.A.	10,020	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 Marqués-Serviços auxiliares, S.A.	8,101	121
Torre Dos Oceanos	3,057	-
Grupo Almada	(14,096)	-
	2,001,298	**1,354,992**

Dividends

On 10 April 2019, the General Shareholders 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.

9.4 Treasury shares

As of 30 June 2019, the Parent held treasury shares amounting to EUR 56,866 thousand.

The changes in the first six months of 2019 were as follows:

	Number of shares	Thousands of euros
Balance as of 1 January 2018	**2,320,230**	**24,881**
Additions	5,005,395	56,048
Disposals	(1,175,625)	(12,607)
Balance as of 31 December 2018	**6,150,000**	**68,322**
Additions	52,776	633
Disposals	(1,125,311)	(12,089)
Balance as of 30 June 2019	**5,077,465**	**56,866**

On 27 April 2017, the shareholders authorised the Board of Directors to acquire shares of the Parent Company. The General Shareholders Meeting held on 7 May 2018 revoked the authorisation granted by the General Meeting of 26 April 2017 in the part not used and then authorised the acquisition of shares by the Parent Company or by a Group company, pursuant to section 146 and related provisions of the Spanish Corporate Enterprises Act, in accordance with the requirements and restrictions established in prevailing legislation 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.

The disposals of treasury shares, amounting to EUR 12,089 thousand (average cost of EUR 10.74 per share), for the amount of EUR 11,503 thousand, (average cost of EUR 10.73 per share), refer to the delivery of shares made to Executive Directors, Senior Management and the rest of the management team corresponding to the "2016 share plan" variable remuneration incentive agreed upon therewith (see Note 15) and for the amount of EUR 586 thousand for the delivery of shares to employees as part of the flexible pay plan.

9.5 Earnings per share

Details of the calculation of earnings per share are as follows:

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:

	30-06-2019	30-06-2018 (*)
Profit for the year attributable to holders of equity instruments net of the Parent Company (thousand euros)	262,005	479,679
Weighted average number of shares outstanding (thousands)	464,216	468,381
Basic earnings per share (euros)	**0.57**	**1.02**

(*) Restated financial statements

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

	Number of shares	
	30-06-2019	30-06-2018
Ordinary shares at beginning of period	469,770,750	469,770,750
Treasury shares	(5,077,465)	(1,175,625)
Average effect of outstanding shares	477,673	(213,902)
Weighted average number of ordinary shares outstanding as of 30 June (thousands of shares)	**464,215,612**	**468,381,223**

Diluted

As indicated in Note 15, the Group has granted its executives a variable remuneration plan payable in shares on condition that the shareholder return rate during the 3-year period ending in 2019 reaches a certain level. The amount of this variable remuneration amounts to a maximum of EUR 75 million, which will be paid with a variable number of shares, limited to a maximum of 6 million. If, having accrued the maximum amount, it is not covered by the delivery of shares (whose value will depend on the market price), the Group would settle the difference in cash.

Taking into account the characteristics of the plan (detailed in Note 21 to the 2018 consolidated financial statements) and the fulfilment of its conditions, at 30 June 2019 the plan would have a dilutive effect on earnings per share, with no effect as of 30 June 2018.

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.

The potential ordinary shares of the variable remuneration plan, as stated in paragraph 46 of IAS 33, 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:

	30/06/2019		
	Thousands of euros	Thousands of shares	Earnings per share
Profit for the year attributable to holders of equity instruments net of the Parent Company (thousand euros)	262,005		
Weighted average number of shares outstanding (thousands)	-	464,216	0.57
Weighted average number of potential ordinary shares to be delivered under the variable remuneration plan.	-	6,000	
Weighted average number of potential ordinary shares not provisioned at market price	-	(2,896)	
Basic earnings per share (euros)	**262,005**	**467,320**	**0.56**

9.6 Valuation adjustments

This heading of the consolidated statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges.

10. Current and non-current financial liabilities

Details of payables with credit entities and debentures issued are as follows (in thousands of euros):

	Thousands of euros	
	30-06-2019	31-12-2018
Non-current:		
Measured at amortised cost		
Syndicated loan	850,635	841,905
Syndicated loan arrangement expenses	(16,029)	(3,858)
Total syndicated loan	**834,606**	**838,047**
Senior syndicated mortgage loan (Tree)	703,557	707,975
Syndicated mortgage loan arrangement costs (Tree)	(60,910)	(63,695)
Total senior syndicated mortgage loan (Tree)	**642,647**	**644,280**
Revolving credit facility	210,000	150,000
Mortgage loans	262,083	264,066
Loan arrangement expenses	(9,664)	(3,732)
Total other loans	**462,419**	**410,334**
Debentures and bonds	3,250,000	3,250,000
Debenture issue expenses	(22,367)	(24,460)
Total debentures and bonds	**3,227,633**	**3,225,540**
Total amortised cost	**5,167,305**	**5,118,201**
Measured at fair value		
Derivative financial instruments	103,926	39,807
Total at fair value	103,926	39,807
Total non-current	**5,271,231**	**5,158,008**
Current:		
Measured at amortised cost		
Syndicated loan	3,110	26,879
Senior syndicated mortgage loan (Tree)	9,484	9,544
Debentures and bonds	21,753	34,007
Mortgage loans	5,668	4,256
Revolving credit facility	337	1,054
Loan arrangement expenses	-	(53)
Total amortised cost	**40,352**	**75,687**
Measured at fair value		
Derivative financial instruments	1,105	1,123
Total at fair value	**1,105**	**1,123**
Total current	**41,457**	**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 Company was given a credit rating of “BBB” with stable outlook by Standard & Poor’s Rating Credit Market Services Europe Limited. On 24 May 2018, Standard & Poor's updated this classification to “BBB” with positive outlook. Additionally, on 17 October 2016, the Company was given a credit rating of investment grade “Baa2” by Moody’s.

10.1 Loans and credits

The details of the bank borrowings matured as of 30 June 2019 and 31 December 2018 are as follows:

	Thousands of euros				
	Bank borrowings				
			30.06.2019		
	Limit	Debt arrangement expenses	Long term	Short term	Short-term interest
Syndicated corporate loans	881,000	(16,029)	850,635	2,542	568
Revolving credit facilities	700,000	(3,500)	210,000	-	337
Senior syndicated mortgage loan (Tree)	716,894	(60,910)	703,557	8,864	620
Other mortgage loans	268,000	(6,164)	262,083	4,530	1,138
Non-mortgage loan	51,000	-	-	-	-
Total	**2,585,894**	**(86,603)**	**2,026,275**	**15,936**	**2,663**

	Thousands of euros				
	Bank borrowings				
			31.12.2018		
	Limit	Debt arrangement expenses	Long term	Short term	Short-term interest
Syndicated corporate loans	1,290,000	(3,911)	841,905	25,877	1,002
Revolving credit facility	420,000	-	150,000	-	1,054
Senior syndicated mortgage loan (Tree)	716,894	(63,695)	707,975	8,919	625
Other mortgage loans	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**

Certain financing arrangements include 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 company's income used to service the debt (interest coverage ratio, ICR), or the ratio of mortgage-free assets and non-mortgage debt. The Parent's directors have confirmed that these ratios were met as of 30 June 2019 and do not expect that they will not be fulfilled in the coming years.

The main variations in the first half of 2019 are as follows:

Syndicated loans 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 the 2018 year, the corporate loans amounted to EUR 530 and 310 million and the corporate credit facilities to EUR 120 and 300 million.

This financing arrangement lasts 5 years, and expires in 2024, though two optional one-year extensions can be taken out for the credit facility. This financial arrangement accrues an interest rate of EURIBOR at one month + 120 basis points; it includes 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 financial arrangement at its value according to the effective interest rate of the previous corporate debt, which resulted in a lower financial expense of EUR 8,960 thousand, included under “Financial expenses” for the period. This amount will revert to the income statement for the following years as an increase in financial expense.

This financial arrangement maintains the commitments to maintain certain coverage ratios existing in the previous financial arrangement and in the Group's bonds. The Parent’s directors have confirmed that these ratios were met as of 30 June 2019 and do not expect that they will not be fulfilled in the coming years.

Mortgage loans - Merlin Logistics

On 26 April 2019, the Group entered into a novation agreement modifying the mortgage loan subscribed on 4 December 2015 with ING Bank N.V. by the subsidiary Merlin Logística S.L.U.

The due date for this financial arrangement, originally set to be in 2020, was extended until 2026. This financial arrangement accrues an interest rate of EURIBOR at three months + 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 as of 30 June 2019 and do not expect that they will not be fulfilled in the coming years.

In accordance with IFRS 9, the Group evaluated the nature of the refinancing undertaken in the first half of 2019 and concluded that it did not represent a material change. 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 lower financial expenses of EUR 2,539 thousand under “Financial expenses” in the condensed consolidated income statement as of 30 June 2019. This amount will revert to the consolidated income statement for subsequent years in accordance with the effective interest rate of the debt.

10.2 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 will replace 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 Company extended that bond-issue scheme (Euro Medium Term Notes – EMTN) up to an amount of EUR 5,000 million.

The detail as of 30 June 2019 of the bonds issued by Parent is as follows (in thousands of euros):

Maturity	Face value (Millions of Euros)	Coupon	Listed price	Return	Market
May 2022	700	2.375%	MS + 52 bp	0.338%	Ireland (a)
April 2023	850	2.225%	MS + 73 bp	0.520%	Luxembourg
May 2025	600	1.750%	MS + 109 bp	0.945%	Luxembourg
November 2026	800	1.875%	MS + 120 bp	1.159%	Luxembourg
September 2029	300	2.375%	MS + 145 bp	1.643%	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 the close of the first six-month period of 2019, the Group complied with the covenants set forth in this contract and the directors consider that they will be met in 2019.

The bond issue has the same guarantees and ratio compliance obligations as the syndicated loan and the revolving credit facilities.

10.3 Derivatives

The detail of the financial instruments as of 30 June 2019 is as follows:

	Thousands of euros	
	30-06-2019	31-12-2018
Non-current		
Interest rate derivatives	103,926	39,807
Total non-current	**103,926**	**39,807**
Current		
Interest rate derivatives	1,105	1,123
Total current	**1,105**	**1,123**

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

These financial instruments are classified as Level 2 as per IFRS 7.

The detail of the derivative financial instruments (liability), without including short-term interests, included in the consolidated statement of financial position as of 30 June 2019, and its hedged notional value, is as follows:

Interest Rate	Interest Contracted	Thousands of euros					
		Value Value	Outstanding notional at each close of the year				
			2019	2020	2021	2022	Years Subsequent(a)
Synd. Parent Comp. (ended (2021)	0.0981% - (0.12%)	(8,652)	840,000	840,000	-	-	-
Synd. Parent Comp. (start 2021)	0.0154%	(7,601)	-	-	850,000	850,000	850,000
Tree Inversiones (ended 2024)	0.959%	(45,766)	707,553	698,213	688,405	677,196	665,987
Tree Inversiones (start 2024)	1.693%	(39,339)	-	-	-	-	660,029
Other subsidiaries	2.085% - 0.25%	(2,568)	110,306	67,900	67,900	67,900	67,900
		(103,926)	**1,657,859**	**1,606,113**	**1,606,305**	**1,595,096**	**2,243,916**

(a) Closing of the first year of maturity after 2022.

The Group has opted for hedge accounting by appropriately designating the Hedging Relationships in which these derivative instruments are hedging instruments for the financing used.

The impact on liabilities and profit before tax of a 50 basis point fluctuation in the estimated credit risk rate would be as follows:

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit/(loss) before tax
5% rise in credit risk rate	(61,739)	35,182	26,553
5% reduction in credit risk rate	64,945	(26,027)	(38,918)

10.4 Maturity of Bamk debt

The detail, by maturity of Bank debt, as of 30 June 2019 is as follows:

	Thousands of euros			
	Syndicated Debt / Credit facility	Syndicated mortgage loan (Tree)	Mortgage loans	Total
2S 2019	1,270	4,446	2,546	8,262
2020	1,905	8,808	3,974	14,687
2021	-	8,699	5,401	14,100
2022	-	10,299	5,914	16,213
2023	-	10,145	6,418	16,563
Over 5 years	1,060,000	670,023	242,361	1,972,384
	1,063,175	**712,420**	**266,614**	**2,042,209**

10.5 Debt arrangement expenses

Changes in debt arrangement expenses during the first half of 2019 are as follows:

	Thousands of euros					
	31/12/2018	Allocation to profit and loss account – Amortised cost	Impact income statement IFRS 9 (1st Application)	Impact IFRS 9 Reserves	Capitalisations of arrangement expenses	30/06/2019
Syndicated loans	3,911	(836)	8,960	(260)	4,254	16,029
Senior syndicated loan (Tree)	63,695	(750)	-	(2,035)	-	60,910
Mortgage loans - other assets	3,732	(381)	2,539	(66)	340	6,164
Debentures and bonds	24,460	(2,093)	-	-	-	22,367
Revolving credit facility	-	-	-	-	3,500	3,500
	95,798	**(4,060)**	**11,499**	**(2,361)**	**8,094**	**108,970**

11. Other current and non-current liabilities

Details of this heading as of 30 June 2019 are as follows:

	Thousands of euros			
	30-06-2019		31-12-2018	
	Non-current	Current	Non-current	Current
Leases (Note 15)	64,890	851	56,441	867
Guarantees and deposits received	92,117	558	88,400	787
Deferred tax liabilities	675,580	-	666,563	-
Other payables	25,723	5,590	24,897	5,388
Other current liabilities	-	20,179	-	7,282
Total	**858,310**	**27,178**	**836,301**	**14,324**

"Guarantees and deposits received" primarily comprise the amounts deposited by lessees to secure leases, which will be reimbursed at the end of the lease term.

The Parent and the majority of its subsidiaries adhere to the SOCIMI 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 held by the SOCIMI for at least three years). Any gains from the sale of assets acquired prior to joining the SOCIMI tax regime, and those belonging to companies which are not included in that regime, will be distributed on a straight-line basis (unless proven to be distributed otherwise) over the period during which the SOCIMI owned them. Any gains generated prior to joining the SOCIMI tax regime will be taxed at the general 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 their inclusion to the SOCIMI regime (calculated in accordance with the fair value of the assets obtained from expert appraisals at the date of the business combination and as of 30 June 2019), recognising the related deferred tax liability.

The Parent's directors do not envisage disposing of any of the investment property acquired after the Parent and its subsidiaries adhered to the SOCIMI regime within three years, and have therefore 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%.

12. Trade and other accounts payable

The details of this heading were as follows:

	Thousands of euros	
	30-06-2019	31-12-2018 (*)
Current		
Payable to suppliers	43,253	41,173
Sundry accounts payable	9,805	5,195
Remuneration payable	8,235	8,900
Current tax liabilities	13,867	16,036
Other accounts payable to public authorities	10,959	13,379
Advances from customers	11,302	736
Total	**97,421**	**85,419**

(*) Restated financial statements

The carrying amount of the trade payables is similar to their fair value.

13. Revenue and expenses

a) Revenues

Details of ordinary revenues are provided in Note 4 alongside the segment information.

b) Other operating expenses

The breakdown of this item of the consolidated income statement is as follows:

	Thousands of euros	
	30-06-2019	30-06-2018
Non-recoverable expenses of leased properties	24,541	20,778
Overheads		
Independent professional services	2,935	2,846
Travel expenses	378	275
Insurance	85	94
Other	932	1,043
Costs associated with asset acquisitions and financing	1,374	789
Losses on, impairment of and change in provisions	247	688
Other expenses	344	29
Total	**30,836**	**26,542**

c) Employee benefits expense and average headcount

The breakdown of employee benefits expense is as follows:

	Thousands of euros	
	30-06-2019	30-06-2018
Wages, salaries and similar expenses	14,518	13,297
Termination benefits	152	28
Social security costs	1,235	969
Other employee benefit costs	226	233
Long-term incentive plan	22,121	21,919
Total	**38,252**	**36,446**

The average number of employees at the various Group companies in the six-month period ended 30 June 2019 was 184 (164 during the same period in 2018).

14. Related party transactions

In addition to subsidiaries, associates and joint ventures, 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 detail of any significant transactions, given their amount or importance, carried out between the Parent or its Group companies, and related parties, is as follows:

		Thousands of euros			
Related party	Type of the relationship	Revenue	Expense	Assets	Liabilities
Banco Santander, S.A.	Financing	-	2,011	-	223,538
Banco Santander, S.A.	Cash	-	-	29,789	-
Banco Santander, S.A.	Notional derivatives	-	-	-	467,246 (*)
Banco Santander, S.A.	Lease	942	-	-	243
Banco Santander, S.A.	Services	-	33	-	-
Banco Santander, S.A.	Asset purchases			-	
G36 Development, S.L.	Financing	-	-	625	-
Total		**942**	**2,044**	**30,414**	**691,027**

(*) This amount does not represent the recognition of a liability as of 30.06.2019.

Transactions executed with significant shareholders

During the first six months of 2019, only the shareholder Banco Santander, S.A. held the status of significant shareholder pursuant to the regulations in force.

(a) Financing transactions

- As of 30 June 2019, the Group has been granted loans from its shareholder Banco Santander, S.A. amounting to EUR 223,538 thousand. The notional amount of the derivatives in force contracted totals EUR 467,246 thousand. The amount of the financing arrangement described above includes the position of Banco de Santander, S.A. in the syndicated loan and credit facility for the year (see Note 10).

- The Group has bank balances deposited with Banco Santander, S.A. amounting to EUR 29,789 thousand (including EUR 2 thousand in the accounts in the name of the associate Paseo Comercial Carlos III, S.A.).

- During the first half of 2019, the finance costs incurred in transactions with Santander, S.A. amounted to EUR 2,011 thousand, which included EUR 22 thousand in guarantee fees and EUR 5 thousand in current account management costs.

- The Group has been granted guarantees by the shareholder Banco Santander, S.A. amounting to EUR 7,078 thousand (EUR 5,512 thousand granted to MERLIN Properties SOCIMI, S.A. and EUR 1,566 thousand granted to the associate Paseo Comercial Carlos III, S.A.).

(b) Provision of services.

- The Group has 7 lease agreements with Banco Santander, S.A. in different buildings. The duration of the lease contracts covers a period of between 2 and 6 years, and during the first half of 2019 they generated income of 942 thousand euros, including income from leasing, as well as parking spaces and transfers of ATM space in shopping centres. The guarantees deposited to secure these agreements amounted to EUR 243 thousand.

- Additionally, the Group has contracted the General Shareholders Meeting organisation services and the shareholder register service in the amount of EUR 33 thousand.

Transactions with companies accounted for using the equity method

(c) G36 Development, S.L.

- The parent company has a loan outstanding amounting to EUR 625 thousand, granted on 1 October 2018 to the associate G36 Developments, S.L., which holds an asset that will be used for the management of co-working spaces.

Dividends and other profits distributed to related parties

The dividends distributed to related parties in the first half of 2019 were as follows:

Dividends paid	2019	2018
Significant shareholders	**31,611**	**27,396**
Banco Santander, S.A	31,611	27,396
Directors and Executives	**1,303**	**915**
Directors	801	573
Executives	502	342
Total	**32,914**	**28,311**

15. Stakes held by directors and their affiliates in other companies

The Parent's directors and the parties related thereto did not have any conflicts of interest that had to be reported in accordance with article 229 of the revised text of the Spanish Capital Companies Act.

Directors' compensation and other benefits

As of 30 June 2019, the amount of salaries, per diem attendance fees and compensation of any kind earned by members of the Parent's governing bodies totalled EUR 1,468 thousand (EUR 1,448 thousand as of 30 June 2018), respectively, as detailed below:

	Thousands of euros	
	30-06-2019	30-06-2018
Fixed and variable remuneration	1,463	1,442
Statutory compensation	-	-
Termination benefits	-	-
Per diem allowances	-	-
Life and health insurance	5	6
Total	**1,468**	**1,448**

EUR 1,363 thousand of variable remuneration was paid in the first half of 2019 to Executive Directors as bonuses from previous years. As of 30 June 2019, the amount of variable remuneration which will be paid over the long term amounts to EUR 6,668 thousand, and is recognised under “Long-term provisions” in the accompanying balance sheet.

Furthermore, as indicated in Note 21 of the consolidated financial statements for the 2018 year, the Executive Directors, as members of the management team, 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, and which were delivered on 30 June 2019 (750,000 shares in 2017 and 750,000 shares in 2016). The remuneration policy approved at the General Shareholders Meeting held on 26 April 2017 stipulates that under certain circumstances, which have been fulfilled, shares may be delivered early on the dates of the vesting period.

In addition, 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 2018, which is described below.

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

		Thousands of euros	
Board member	Type	30-06-2019	30-06-2018
Remuneration of board members			
Javier García Carranza Benjumea	Chairman - Proprietary director	-	-
Ismael Clemente Orrego	CEO	500	500
Miguel Ollero Barrera	Executive director	500	500
Maria Luisa Jordá Castro	Independent director	62	59
Ana García Fau	Independent director	62	57
Alfredo Fernández Agras	Independent director	-	35
Fernando Ortiz Vaamonde	Independent director	58	56
Ana de Pro	Independent director	-	-
John Gómez Hall	Independent director	50	50
George Donald Johnston	Independent director	57	57
Juan María Aguirre Gonzalo	Independent director	64	58
Pilar Cavero Mestre	Independent director	57	55
Francisca Ortega Hernández Agero	Proprietary director	-	-
José Ferris Monera	Proprietary director	-	-
Emilio Novela Berlín	Independent director	53	15
Total		**1,463**	**1,442**

The Company has granted no advances, loans or guarantees to any of its directors.

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 executives

The remuneration of the Parent's senior executives, including the Head of Internal Audit, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), in the first six months ended on 30 June 2019, is summarised as follows:

Thousands of euros			
Number of People	Fixed and variable remuneration	Other remuneration	Total
6	1,051	15	1,066

As of 30 June 2018

Thousands of euros

Number of People	Fixed and variable remuneration	Other remuneration	Total
6	1,051	20	1,071

EUR 1,728 thousand of variable remuneration was paid in the first half of 2019 to the Senior Management as bonuses from previous years. The first 50% of this amount is paid ten days after the Group's financial statements are authorised for issue by the Board Directors. The other 50% will be paid two years after the Company's financial statements were authorised for issue. As of 30 June 2019, the amount of variable remuneration paid over the long term amounts to EUR 6,822 thousand, and is recognised under "Long-term provisions" in the accompanying balance sheet

Also, as indicated in Note 21 of the consolidated financial statements for the 2018 year, the Parent had undertaken 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 General Shareholders Meeting held on 26 April 2017 approved the delivery of shares for 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 three years following the date of granting of the incentive. Furthermore, the right to receive two thirds of these shares was conditional on the Parent's financial solvency over the following two years. The Group recognised the expense incurred as of 30 June 2019, with a credit to equity in the amount of EUR 7,869 thousand, corresponding to the portion accrued in the 2016 Share Plan, as this obligation must be met with the delivery of the Parent's shares.

Also, at the General Shareholders 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"). According to the plan, the members of the management team may be entitled to receive: (i) a certain monetary amount in accordance with the increase of the share price and (ii) Parent Company shares, if certain objectives are fulfilled.

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 rate / TSR rate 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 Share Price TSR multiplied by the number of Shares of the Company as of 31 December 2019; (ii) the result of that 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 for calculating the amount of the incentive tied to the NAV per share and the amount of the incentive tied to the quoted price of the shares will be 31 December 2019. The maximum amount to be received for the incentive tied to the quoted price from 2017 to 2019 will amount to EUR 37.5 million. If the amount of the incentive were to exceed the aforementioned limit, it would be used to supplement the incentive referenced to the NAV per share, if this falls below the maximum limit established in this connection. Also, the maximum amount of the incentive tied to EPRA NAV per share 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 incentive tied to the EPRA NAV, the difference would be paid in cash.

In this regard, as of 30 June 2019, the Company recognised the expense in the amount of EUR 14,252 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan, with balancing entry in reserves and liability for provisions.

Lastly, as regards “golden parachute” clauses for executive directors and other senior executives of the Company or its Group in the event of dismissal or takeover, these clauses provide for compensation that represented a total commitment of EUR 14.150 thousand as of 30 June 2019.

16. Events after the reporting period

On 23 July 2019, the Group made the committed payment for the purchase and sale of a logistics warehouse located in Ribarroja (Valencia) with a rentable surface area of 34,992 square metres (see note 6). On the same date, the Group signed a lease agreement with the company Dachser whereby the latter will occupy the entire warehouse.

17. Explanation added for translation to English

These condensed consolidated interim 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.

MERLIN
PROPERTIES

INTERIM MANAGEMENT REPORT

FOR THE PERIOD ENDED
ON JUNE 30, 2019

6M 19

MERLIN Properties,
the leading SOCIMI in the Spanish real estate market

INTERIM MANAGEMENT REPORT

FOR THE PERIOD ENDED ON JUNE 30, 2019

6M19

IBEX35 STOXX® Europe 600

MSCI EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

APPENDIX

01

EXECUTIVE SUMMARY

CONSOLIDATED PERFORMANCE

+8.0%
Gross rents YoY

+11.6%
FFO per share YoY

+7.5%
EPRA NAV per share YoY

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

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

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

BUSINESS PERFORMANCE

+5.7%
Rents like-for-like[3] YoY

+6.1%	+2.9%	+5.0%
Office	S. Centers	Logistics

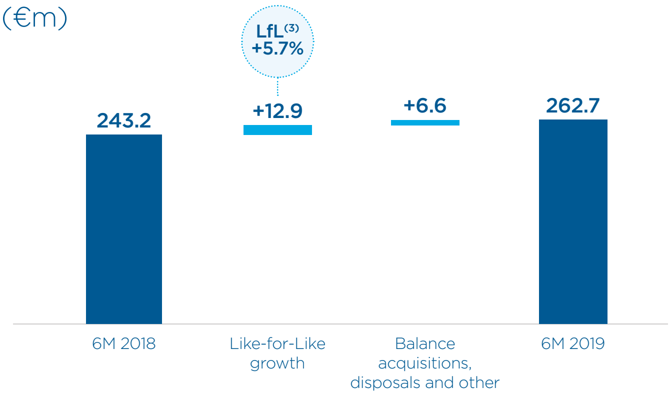
Release spread

+37 bps → 92.9%
Occupancy vs 31/03/19

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

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

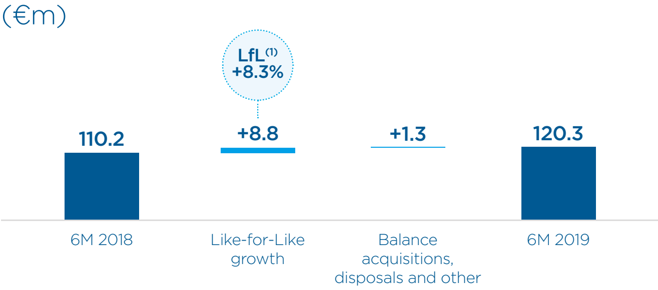
Gross rents bridge
(€m)



[1] Excludes non-overhead costs items (€ 1.6m) plus LTIP accrual (€ 22.1m)
[2] FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in earnings of equity method
[3] Portfolio in operation for the 6M19 (€ 241.5m of GRI) and for the 6M18 (€ 228.6m of GRI)

OFFICES

Gross rents bridge
(€m)



Rents breakdown

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

Leasing activity

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

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

Occupancy

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

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

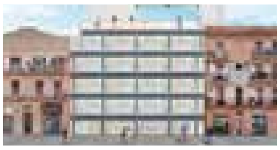
	Occupancy rate(3)		
	30/06/19	31/03/19	Change bps
Madrid	88.4%	88.3%	+11
Barcelona	93.4%	94.0%	(58)
Lisbon	100.0%	99.2%	+78
Other	100.0%	100.0%	-
Total	**90.3%**	**90.1%**	**+13**

(1) Office portfolio in operation for the 6M19 (€ 115.3m of GRI) and for the 6M18 (€ 106.5m of GRI)
(2) Excluding roll-overs
(3) MERLIN policy: buildings under complete refurbishment are excluded from stock up until 12 months after completion of works. Buildings excluded this period are Torre Chamartin, Arturo Soria 343, Monumental, Costa Brava 6-8, LOOM 22@ Ferreteria and Adequa (2 land plots for development)

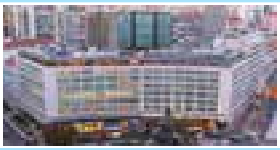
OFFICES (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

INVESTMENTS IN 6M19

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

LANDMARK I

WIP		GLA (sqm)	Scope	Budget	Delivery
	**Torre Chamartín**	18,295	Development	€ 38.0m	3Q19 Phase II
	**Monumental**	22,287	Full refurb (incl. SC)	€ 28.9m	1Q21
IN STOCK					
	**Castellana 85**	15,254	Full refurb	€ 25.2m	1Q21
	**Marqués de Pombal**	12,460	Lobby + common areas + exterior terrace	€ 1.6m	1Q20
	**Diagonal 605**	14,795	Double height lobby + common areas + new retail space	€ 8.6m	4Q20

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

SHOPPING CENTERS

Gross rents bridge

(€m)

Rents breakdown

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

Footfall and tenant sales[2]

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

Leasing activity

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

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

Occupancy

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

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

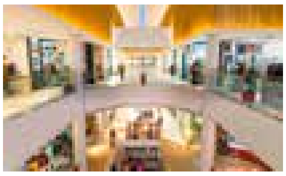
	Occupancy rate		
	30/06/19	31/03/19	Change bps
Total	92.6%	90.8%	+184

[1] Shopping centers portfolio in operation for the 6M19 (€ 47.7m of GRI) and for the 6M18 (€ 45.9m of GRI)
[2] WIP includes X-Madrid and Monumental SC. Tres Aguas at 100% allocation

SHOPPING CENTERS (CONT.)

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

FLAGSHIP[1]

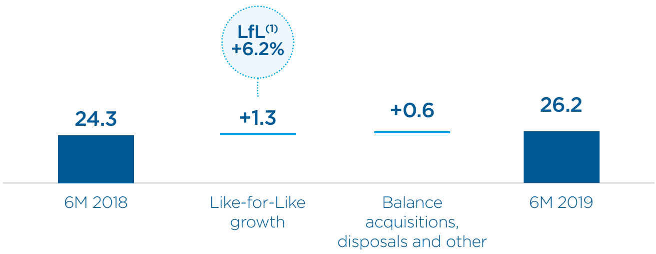
WIP		GLA (sqm)	Scope	Budget	Delivery
	**X-Madrid**	47,424	Full revamp	€ 35.2m	3Q19
IN STOCK					
	**Arturo Soria**	7,054	Façade, accesses, installations, terraces, floors and parking	€ 5.4m	3Q19 Phase II
	**Larios**	41,460	Full refurb	€ 28.1m	3Q19
	**Tres Aguas**	67,690	Common areas, exterior plaza,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

[1] GLA and Capex budget for shopping centers refurbishments include 100% of the asset, regardless of the stake owned by MERLIN in the owners' community

LOGISTICS

Gross rents bridge

(€m)



Rents breakdown

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

Leasing activity

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

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

Occupancy

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

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

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

(1) Logistics portfolio in operation for 6M19 (€ 23.3m of GRI) and for 6M18 (€ 21.9m of GRI)
(2) Cabanillas III has been added to existing inventory and Cabanillas Park I extension has been added to Best II

LOGISTICS (CONT.)

INVESTMENTS, REFURBISHMENTS AND CAPEX

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

Best II (as from 30/06/19)

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

Best III (as from 30/06/19)

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

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

BALANCE SHEET

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

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

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

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

VALUATION

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

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

(1) Includes cash, pending receivable of Testa Residencial (€ 69.6m) and treasury stock (€ 56.9m)
(2) 99.3% excluding the RCF for 30/06/19 and 99.1% excluding the RCF for 31/12/18

INVESTMENTS, DIVESTMENTS AND CAPEX

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

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

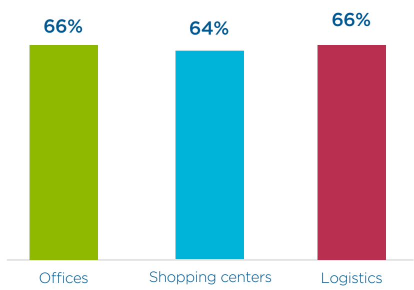
In May, **2 non-core logistics assets were sold,** Castellbisbal and Lliça del Val, totalling 36,419 sqm, at an aggregate price of € 26.2m **(+9.5% premium to latest appraisal)**

SUSTAINABILITY

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

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

% GAV certified



[1] € 5.5m are capitalized in balance sheet and € 1.4m are expensed in P&L

POST CLOSING

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

02 BUSINESS PERFORMANCE

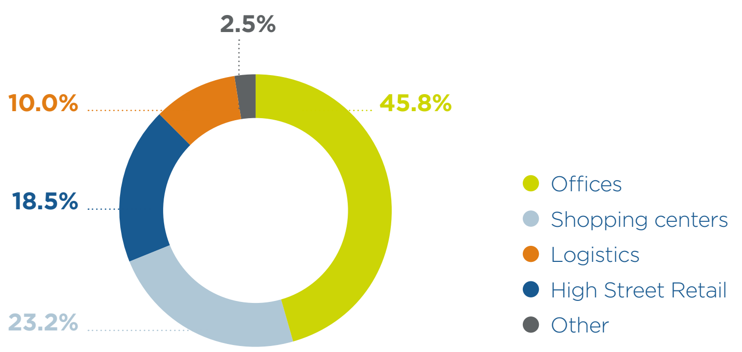
RENTS

Gross rents in the period amount to € 262,748 thousand with respect to € 243,246 thousand in 6M18

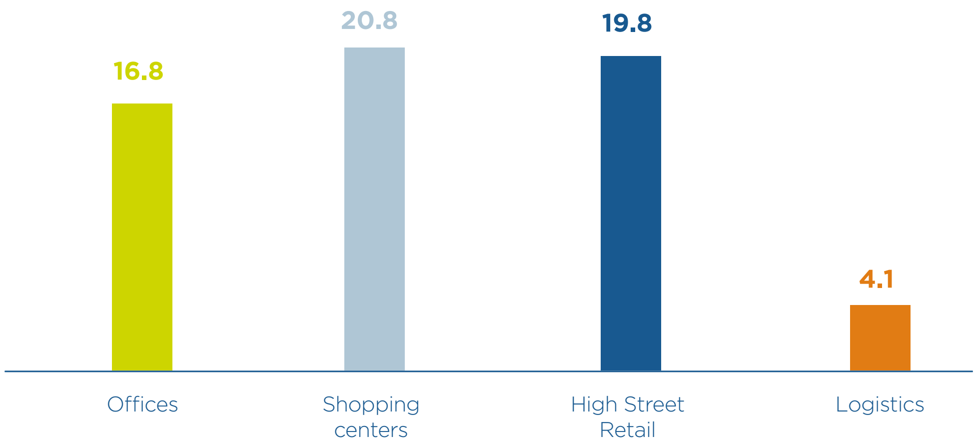
GROSS RENTS BREAKDOWN

	6M19	6M18	YoY (%)
Office	120,317	110,217	9.2%
Shopping centers	61,095	47,207	29.4%
Logistics	26,168	24,254	7.9%
High street retail	48,675	54,148	(10.1%)
Other	6,493	7,419	(12.5%)
Total	**262,748**	**243,246**	**8.0%**

6M19 GROSS RENTS PER ASSET CATEGORY

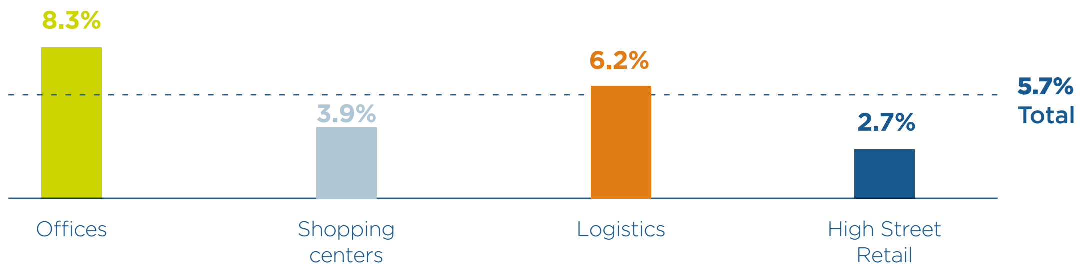


AVERAGE PASSING RENT (€/SQM/MONTH)



Aggregate gross rents have increased by 5.7% on a like-for-like basis.

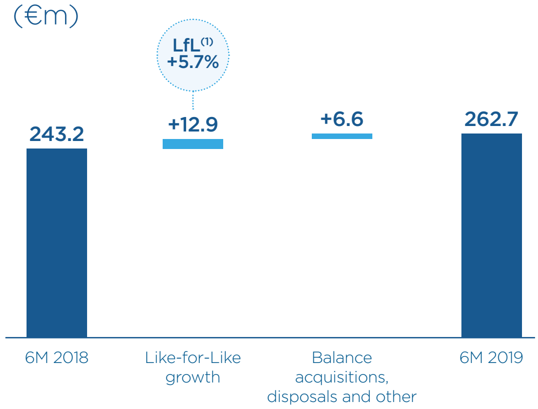
LIKE-FOR-LIKE INCREASE



Bridge of 6M18 gross rents to 6M19, for MERLIN and by asset category:

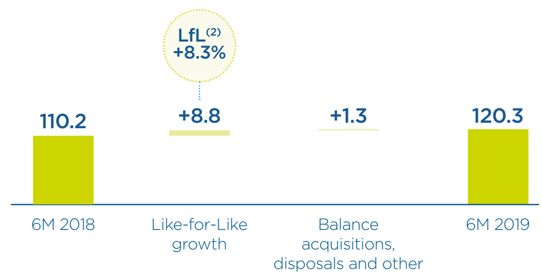
MERLIN

(€m)



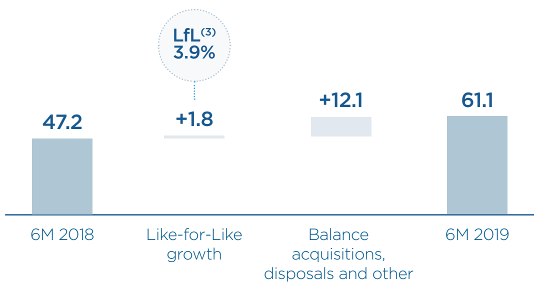
Offices

(€m)



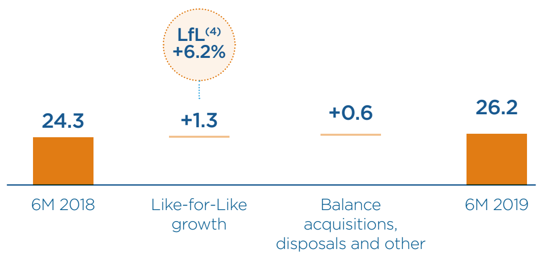
Shopping centers

(€m)



Logistics

(€m)



[1] Portfolio in operation for the 6M19 (€ 241.5m of GRI) and for the 6M18 (€ 228.6m of GRI)
[2] Office portfolio in operation for the 6M19 (€ 115.3m of GRI) and for the 6M18 (€ 106.5m of GRI)
[3] Shopping centers portfolio in operation for the 6M19 (€ 47.7m of GRI) and for the 6M18 (€ 45.9m of GRI)
[4] Logistics portfolio in operation for 6M19 (€ 23.3m of GRI) and for 6M18 (€ 21.9m of GRI)

OCCUPANCY

Stock G.L.A. of MERLIN as of 30 June 2019 amounts to 3,388,245 sqm. Stock as of 31 December 2018 amounted to 3,379,144 sqm, resulting in a net increase of the stock during the period of 9,101 sqm. Occupancy rate as of 30 June 2019 is 92.9% [(1)].

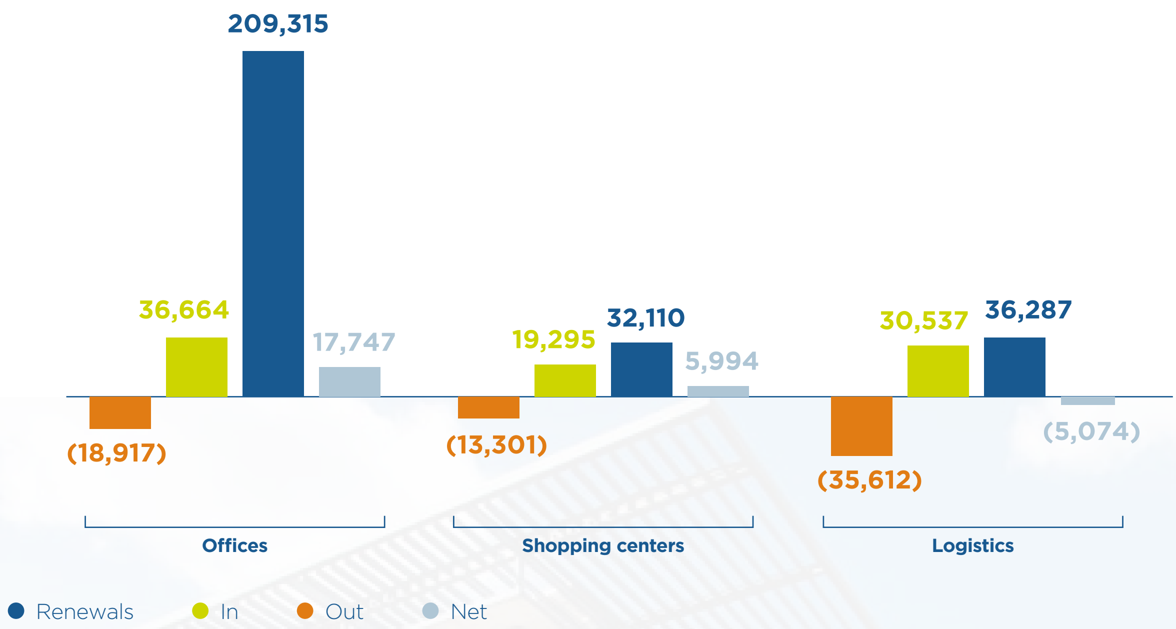
	30/06/2019	31/12/2018	Change YTD Bps
Offices			
Total G.L.A. (sqm)	1,316,129	1,272,032	
G.L.A. occupied (sqm)	1,188,198	1,144,983	
Occupancy rate (%) [(1)]	90.3%	90.0%	27
Shopping centers			
Total G.L.A. (sqm)	490,996	501,537	
G.L.A. occupied (sqm)	445,644	444,620	
Occupancy rate (%) [(2)]	92.6%	91.0%	163
Logistics			
Total G.L.A. (sqm)	1,086,702	1,101,243	
G.L.A. occupied (sqm)	1,040,317	1,081,808	
Occupancy rate (%)	95.7%	98.2%	(250)
High street retail			
Total G.L.A. (sqm)	395,791	395,791	
G.L.A. occupied (sqm)	394,484	392,578	
Occupancy rate (%)	99.7%	99.2%	48
Other			
Total G.L.A. (sqm)	108,588	108,574	
G.L.A. occupied (sqm)	80,378	80,378	
Occupancy rate (%)	74.0%	74.0%	-
MERLIN			
Total G.L.A. (sqm)	**3,388,245**	**3,379,077**	
G.L.A. occupied (sqm)	**3,149,021**	**3,144,368**	
Occupancy rate (%) [(1)]	**92.9%**	**93.4%**	**(47)**

(1) Excluding assets being or to be developed: Torre Chamartin, Arturo Soria 343, Monumental, Costa Brava 6-8, LOOM 22@ Ferreteria and Adequa (2 land plots for development)
(2) Excluding X-Madrid and vacant units recently acquired to be refurbished

LEASING ACTIVITY

Since the beginning of 2019, or since the acquisition date for the assets acquired during the year, until 30 June 2019, MERLIN has signed lease agreements amounting to 364,208 sqm, out of which 86,496 sqm corresponds to new leases and 277,712 sqm to renewals.

The total of contracts expired in the period, excluding roll-overs, amounts to 345,541 sqm, of which 277,712 have been renovated or released, therefore the retention ratio in the period amounts to 80.4%.



OFFICES

Total take-up amounts to 245,979 sqm out of which 36,664 sqm correspond to new contracts and 209,315 sqm to renewals. Exits amounted to 18,917 sqm, and therefore the net take up is positive by 17,747 sqm.

Main contracts signed in the 6M19 period are the following:

Asset	Tenant	G.L.A. (sqm)
Adequa & Sanchinarro	Técnicas Reunidas	45,941
Costa Brava 2-4	El Corte Inglés	16,000
Castellana 278	ICEX	11,262
Art	Huawei [1]	2,083
Cristalia	Solvia	2,120
Torre Glories	TravelPerk	1,128
Partenon 16-18	Sacyr	1,127
Muntadas I	Media Markt	1,089

The release spread achieved in the contracts renewed or relet in the period amounts to 6.1%

	Release spread	# contracts
Madrid	5.0%	145
Barcelona	14.9%	35
Lisbon	10.5%	17
Total	**6.1%**	**197**

[1] Renewal of 1,431 sqm and extension of 652 sqm

SHOPPING CENTERS

Total take-up amounts to 51,405 sqm out of which 19,295 sqm correspond to new contracts and 32,110 sqm renewals.

Exits amounted to 13,301 sqm, and therefore the net take-up is positive by 5,994 sqm. Main new contracts signed in the 6M19 period are the following:

Asset	Tenant	G.L.A. (sqm)
Larios	Primark	8,266
Vilamarina	Mercadona	2,597
Marineda	Maisons du Monde	2,029
Artea	H&M	1,878
Porto Pi	Cortefiel	1,090
Thader	Dock 39	1,064
La Vital	Inside	318

The release spread achieved in the contracts renewed or relet in the period amount to 2.9%.

LOGISTICS

Total take-up amounts to 66,824 sqm, out of which 30,537 sqm correspond to new contracts and 36,287 sqm to renewals.

Exits amounted 35,612 sqm, therefore net take-up amounts to negative 5,074 sqm. Main new contracts signed are the following:

Asset	Tenant	G.L.A. (sqm)
Guadalajara-Azuqueca	Dachser	27,995
Madrid-San Fernando II [1]	Damm	24,224
Cabanillas III	Logisfashion	21,879
Zaragoza-Plaza II [1]	DSV	11,421
PLZF	Telefonica	5,583
Madrid-Getafe (Gavilanes)	Logiters	4,855

The release spread achieved in the contracts renewed or relet in the period amount to 5.0%

	Release spread	# contracts
Madrid	7.3%	5
Barcelona	5.2%	5
Other	0.7%	4
Total	**5.0%**	**14**

[1] Pre-let, not included in the H1 take-up figures



03

INVESTMENTS, DIVESTMENTS AND CAPEX

Investments, divestments and **capex**

During the first half of 2019, investment activity has been as follows:

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

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

[1] € 5.5m are capitalized in balance sheet and € 1.4m are expensed in P&L

ACQUISITIONS

OFFICE

Acquisition of Art and Torre Fernando Magalhães (TFM)

On January 17, MERLIN completed the acquisition of Art and TFM.

- Art is an “w” shaped building overlooking the river Tagus, located in Parque das Naçoes – EXPO (Lisbon). With an occupancy rate of 100%, the main tenants are BNP Paribas, Huawei, Sage or DHL.
- TFM is also located in Parque das Naçoes – EXPO (Lisbon), adjacent to Zen Tower and Central Office buildings. With an occupancy rate of 97%, the main tenants are Webhelp and Bold International

The acquisition price amounts to € 112.2 million representing a 5.4% gross yield and over € 6.1m of gross rents.

	Art and TFM
Acquisition Price [1] (€ thousand)	112,205
Asset debt outstanding as of the date of purchase (€ thousand)	-
Equity disbursement (€ thousand)	112,205
% Debt to acquisition Price of the asset	-
ERV (€ thousand)	6,936
ERV Yield	6.2%
Annualized gross rent 2019 (€ thousand)	6,114
Gross yield	5.4%
Total G.L.A. (sqm)	**29,987**

[1] Excluding transaction costs

Acquisition of LOOM 22@ Ferreteria

On May 2019, MERLIN acquired Loom 22@ Ferreteria, an office building located in the 22@ district of Barcelona with a total GLA of 2,018 sqm. The asset, formerly a hardware store, enjoys a special charm, ideal for corworking. It will be let to our subsidiary LOOM and will benefit from synergies with LOOM Glòries.

The acquisition price amounts to € 4.0 million and all in investment totals € 6.9 million, representing a 6.1% gross yield over € 0.4 million of gross rents.

	LOOM 22@ Ferreteria
Acquisition Price of the asset [1] (€ thousand)	4,000
Estimated Capex (€ thousand)	2,900
Total cost (€ thousand)	6,900
% Debt to acquisition Price of the asset	-
ERV (€ thousand)	424
Gross yield [2]	6.1%
Total G.L.A. (sqm)	**2,018**

[1] Excluding transaction costs
[2] Yield on cost calculated over purchase price plus estimated capex

LOGISTICS

Acquisition of Cabanillas Park I extension

In June 2019, MERLIN acquired a land plot for the development of four logistics warehouses adjacent to MERLIN Cabanillas Park I, with a total GLA of 92,994 sqm. The project will be delivered in two phases in 2020 and 2021.

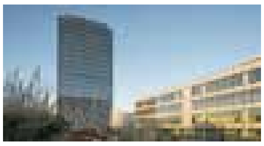
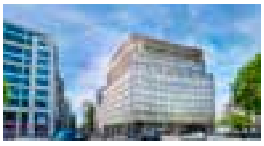
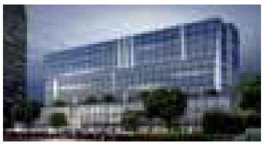
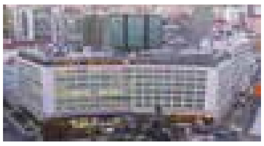
This development will further grow MERLIN's footprint in this dynamic hub for national e-commerce distribution to ca. 320,000 sqm to become the largest logistics park in Madrid, with 10 state-of-the-art logistics warehouses and best-in-class 3PLs tenants. The project will be included as part of Best II.

	Cabanillas Park I Extension
G.L.A. (sqm)	92,994
Acquisition price[1] (€ thousand)	21,999
Estimated Capex (€ thousand)	33,999
Total cost (€ thousand)	**55,998**
ERV (€ thousand)	3,877
ERV yield[2]	6.9%
Delivery date	**Jun 20 / Oct 21**

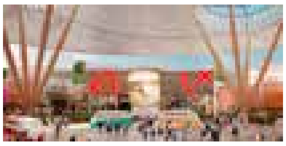
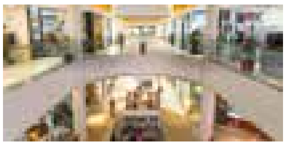
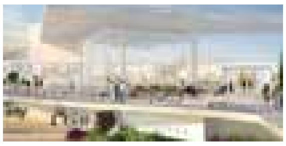
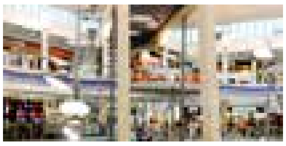
[1] Excluding transaction costs
[2] Calculated as ERV divided by acquisition price plus estimated Capex

DEVELOPMENTS / WORK IN PROGRESS (WIP)

LANDMARK I PLAN (OFFICE)

WIP		GLA (sqm)	Scope	Budget	Delivery
	**Torre Chamartín**	18,295	Development	€ 38.0m	3Q19 Phase II
	**Monumental**	22,287	Full refurb (incl. SC)	€ 28.9m	1Q21
IN STOCK					
	**Castellana 85**	15,254	Full refurb	€ 25.2m	1Q21
	**Marqués de Pombal**	12,460	Lobby + common areas + exterior terrace	€ 1.6m	1Q20
	**Diagonal 605**	14,795	Double height lobby + common areas + new retail space	€ 8.6m	4Q20

FLAGSHIP PLAN (SHOPPING CENTRES)

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

[1] GLA and Capex budget for shopping centers refurbishments include 100% of the asset, regardless of the stake owned by MERLIN in the owners' community

BEST II & III PLANS (LOGISTICS)

MERLIN continues expanding its logistics footprint trough the developments / WIP program in logistics. As of 30 June 2019, main assets under Best II and III plans are the following:

Best II (as from 30/06/19)

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

Best III (as from 30/06/19)

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

[1] Delivered and reclassified as part of the existing stock

04

PORTFOLIO VALUATION

Portfolio valuation

MERLIN portfolio has been appraised by CBRE, Savills and JLL, for a total GAV of € 12,375m. GAV breakdown is the following:

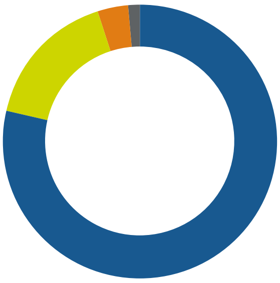
	€ thousand	€/sqm AG	Gross yield [(2)]	LfL growth
Offices	6,096	4,437	4.1%	+1.9%
Shopping centers	2,292	4,293	5.3%	+1.2%
Logistics	847	779	5.9%	+4.1%
High Street retail	2,229	5,631	4.4%	+0.4%
WIP [(1)]	285	321	-	-
Other and non core land	424	896	4.4%	+0.3%
Total	**12,173**	**2,564**	**4.5%**	**+1.6%**
Equity method stakes	202	-	-	+0.8%
Total	**12,375**	**-**	**-**	**+1.6%**

[(1)] Excluding assets being or to be developed: Torre Chamartin, Arturo Soria 343, Monumental, Costa Brava 6-8, LOOM 22@ Ferreteria and Adequa (2 land plots for development)
[(2)] Excluding X-Madrid and WIP Projects

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

OFFICES (BY GAV)

By geography



- Madrid **76.8%**
- Barcelona **16.3%**
- Lisbon **5.9%**
- Other Spain **1.0%**

By location

- NBA **47.6%**
- Prime + CBD **41.5%**
- Periphery **10.9%**

By product

- Multi tenant **67.1%**
- Single tenant **32.9%**

SHOPPING CENTERS (BY GAV)

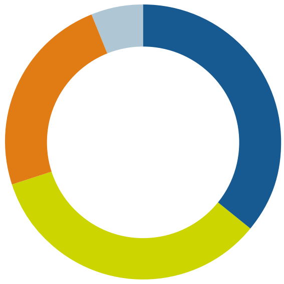
By geography

- Lisbon **20.9%**
- Catalonia **14.6%**
- Galicia **14.1%**
- Madrid **13.9%**
- Valencia **10.8%**
- Andalusia **7.3%**
- Other **18.4%**

By type

- Urban **48.3%**
- Dominant **38.8%**
- Secondary **12.9%**

By size



- Large **36.4%**
- Extra-large **35.0%**
- Medium **22.9%**
- Small **5.7%**

LOGISTICS (BY GAV)

By geography

- Madrid **58.0%**
- Catalonia **26.7%**
- Seville **6.1%**
- Basque Country **5.1%**
- Other **4.1%**

By reach

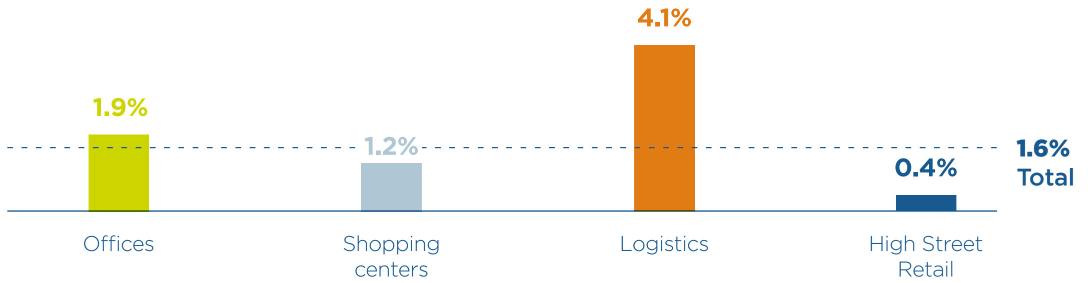
- National **39.1%**
- Ports **32.0%**
- Regional **25.0%**
- Production related **3.9%**

By tenant type

- 3PL mono-client **41.0%**
- 3PL multi-client **39.3%**
- End user **19.7%**

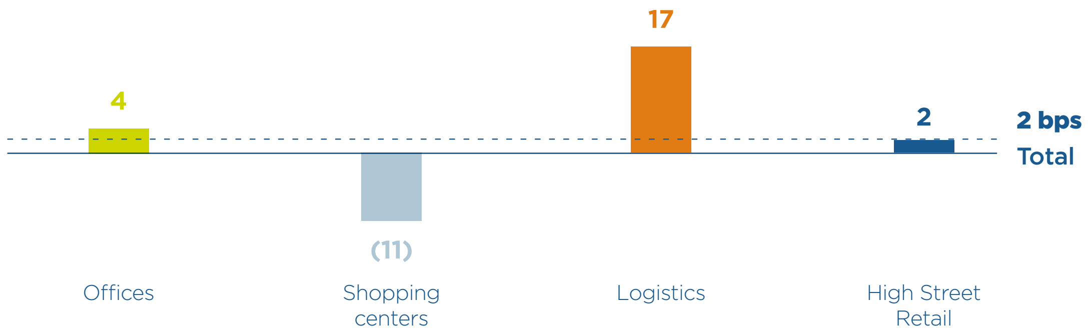
GAV EVOLUTION

GAV has increased by € 334m, raising from a GAV of € 12,041m as of 31 December 2018 to € 12,375m. The like-for-like increase of GAV from 31 December 2018 is +1.6%

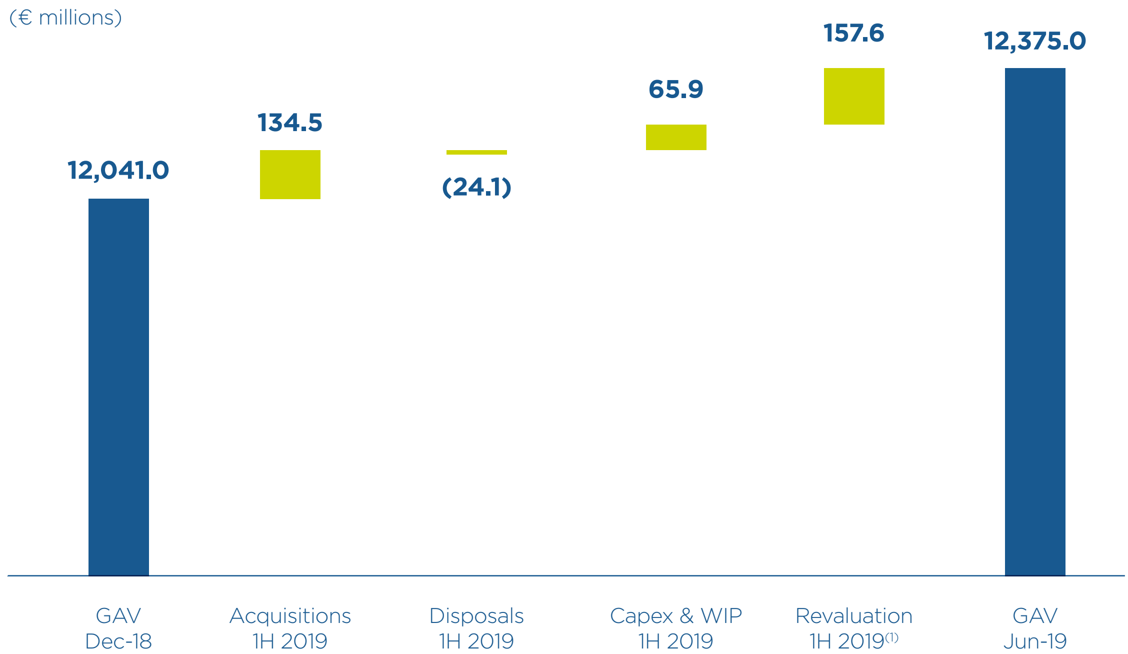


YIELD COMPRESSION / (EXPANSION)

Yields have compressed by 2 bps since December 2018



GAV BRIDGE



(1) €157.6m revaluation 1H19 = €159.5m P&L revaluation + €1.7m equity method revaluation (€0.1m off B/S) - €2.6m Tree derivative - €1.0m IFRS 16 adjustment

05 FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(€ thousand)	30/06/19	30/06/18[1]
Gross rents	**262,748**	**243,246**
Offices	120,317	110,217
Shopping centers	61,095	47,207
Logistics	26,168	24,254
High street retail	48,675	54,148
Other	6,493	7,419
Other income	**2,497**	**4,007**
Total revenues	**265,245**	**247,253**
Incentives	(9,714)	(11,096)
Total operating expenses	**(68,785)**	**(62,988)**
Propex[2]	(24,788)	(21,466)
Personnel expenses	(15,979)	(14,500)
Opex general expenses	(4,330)	(4,257)
Opex non-overheads	(1,567)	(846)
LTIP provision	(22,121)	(21,919)
ACCOUNTING EBITDA	**186,746**	**173,169**
Depreciation	(856)	(770)
Gain / (losses) on disposal of assets	36	(459)
Provision surpluses	(313)	8,239
Change in fair value of investment property	159,469	321,215
Difference on business combination	(2,865)	19
EBIT	**342,217**	**501,412**
Net financial expenses	(55,357)	(58,780)
Debt amortization costs	5,077	(6,874)
Gain / (losses) on disposal of financial instruments	64	(167)
Change in fair value of financial instruments	(21,408)	(34,022)
Share in earnings of equity method investments	2,523	37,479
Testa Residencial service agreement cancellation	-	53,027
PROFIT BEFORE TAX	**273,116**	**492,075**
Income taxes	(11,111)	(11,624)
PROFIT (LOSS) FOR THE PERIOD	**262,005**	**480,452**
Minorities	-	(772)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	**262,005**	**479,679**

[1] Restated in accordance with IFRS 16 and 9. See note 2.2.1 of the Interim Condensed Consolidated Financial Statements for the period ended on June 30, 2019
[2] Includes collection loss

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Gross rents (€ 262,748 thousand) less incentives of € 9,714 thousand equals to gross rents net of incentives of € 253,034 thousand. After deducting porfolio operating expenses not recharged to the tenants & collection loss (€24,788 thousand) the resulting amount is € 228,246 thousand of net rents.

The total amount of operating expenses of the Company in the period is € 43,997 thousand, with the following breakdown:

i. € 15,979 thousand correspond to personnel expenses.

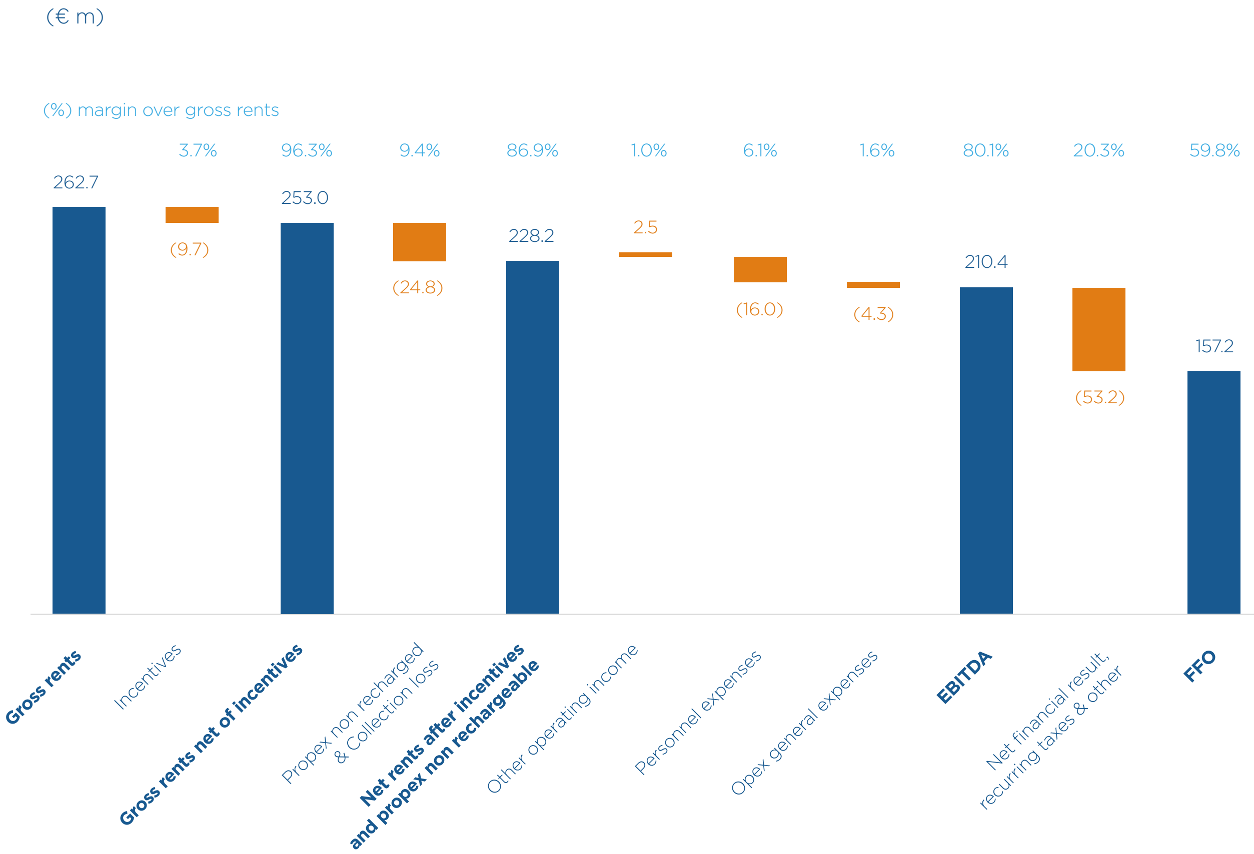
ii. € 4,330 thousand of Opex general expenses.

iii. € 22,121 thousand corresponding to the long-term incentive plan (LTIP) accrued.

iv. € 1,567 thousand of Opex non-overheads.

The sum of the personnel expenses (excluding the amount accrued for the LTIP) and the Opex general expenses of the Company are within the threshold of overheads of the Company, prevailing this period the 0.575% of the EPRA NAV of the Company.

The reconciliation between gross rents of the period and FFO is as follows:



CONSOLIDATED BALANCE SHEET

(€ thousand)

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

Fair value of the portfolio corresponds to the appraisal value delivered by CBRE, Savills and JLL as of 30 June 2019. The referred appraisal value is reflected in the following accounting Items:

€ million	
Investment property	12,076.2
Derivatives (in non-current assets)	120.5
Equity method	170.7
Non-current assets	0.9
Total balance sheet items	**12,368.4**
IFRS-16 (concessions)	(25.3)
Equity method adjustment	31.6
Non-current assets adjustment	0.3
Total valuation	**12,375.0**

FINANCIAL DEBT

On April, MERLIN completed the refinancing of the following:

I. Its existing term loans and revolving credit facilities (RCF) through a € 1.55bn ESG indexed financing, being the largest of its kind in the European REIT spectrum. The facility consists of a € 850m term loan and a € 700m RCF.

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

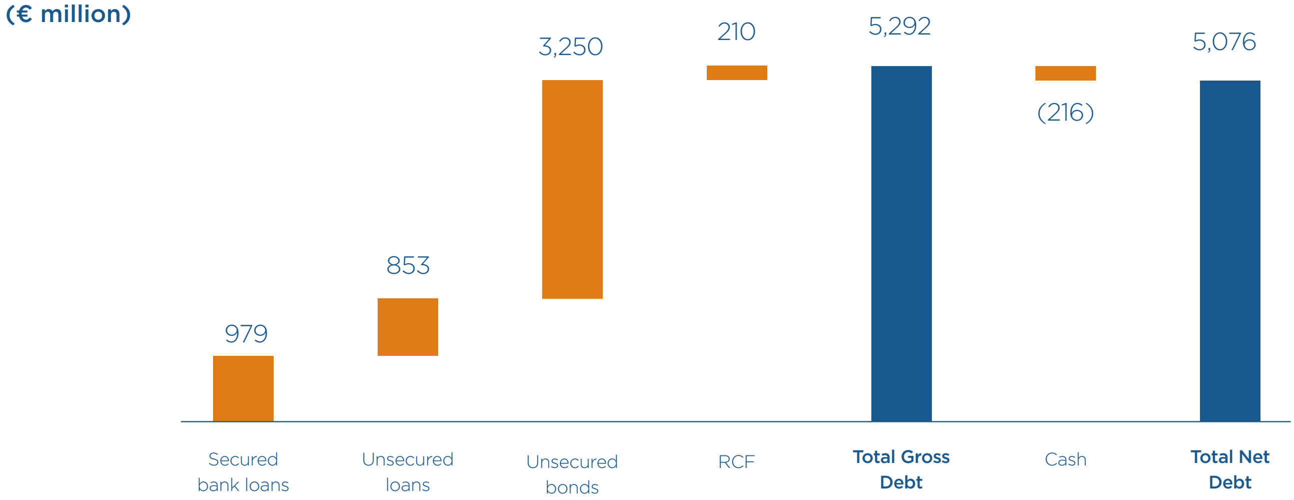
As a result, average cost of debt has been reduced and average maturity extended.

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

FINANCIAL DEBT BREAKDOWN

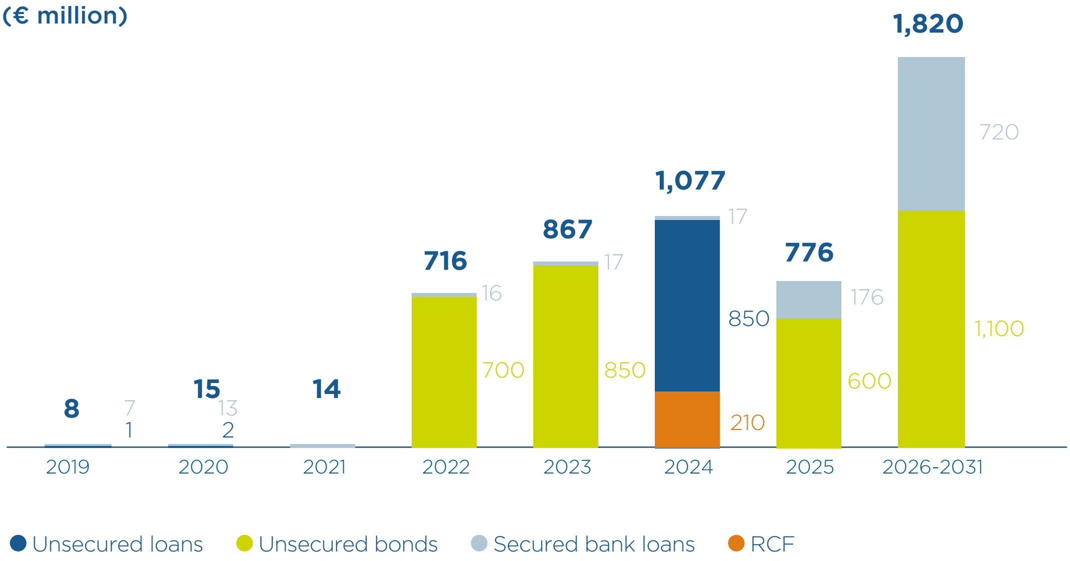
€ Thousand	Long term	Short term	Total
Financial debt	5,276,275	15,936	5,292,211
Loan arrangement costs	(108,970)	-	(108,970)
Debt interest expenses	-	24,416	24,416
Mark-to-market of interest-rate hedging contracts	103,926	1,105	105,031
Other financial liabilities (i.e. legal deposits)	117,840	6,144	123,984
Total debt	**5,389,071**	**47,601**	**5,436,672**

MERLIN's net financial debt as of 30 June is € 5,076,478 thousand. This represents a Loan to Value of 41.0%, which represents an increase of 31 bps since 31/12/2018 (40.7%). The breakdown of MERLIN's debt is the following:



	Secured bank loans	Unsecured loans	Unsecured bonds	RCF	Total Gross Debt
% Gross financial debt	18.5%	16.1%	61.4%	4.0%	**100.0%**
Average cost (%)	2.50%	1.57%	2.10%	0.90%	**2.04%**
% interest rate hedged	97.8%	98.5%	100.0%	0.0%	**95.4%**

MERLIN'S debt has an average maturity period of 6.0 years. The chart showing debt maturity profile is the following



MERLIN's debt as of 30 June has an average cost of 2.04%. Nominal debt with interest rate hedged amounts to 95.4%(1). Key debt ratios are shown below:

€ thousand	**30/06/2019**	**31/12/2018**
Gross financial debt	5,292,211	5,251,857
Cash (2)	(215,733)	(350,073)
Net financial debt	5,076,478	4,901,784
GAV	12,375,015	12,041,138
LTV	41.0%	40.7%
Average cost	2.04%	2.13%
Fixed interest rate (1)	95.4%	96.3%
Average maturity (years)	6.0	5.9
Liquidity	705,733	634,073
Non-mortgage debt	81.5%	81.3%

(1) 99.3% excluding the RCF as of 30/06/19 and 99.1% excluding RCF as of 31/12/18
(2) Includes cash, pending receivable of Testa Residencial (€ 69.6m) and treasury stock (€ 56.9m)

SHAREHOLDERS RETURN

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

The Shareholder Return Rate is defined as the Shareholder Return for a given period divided by the EPRA NAV per share of the Company at the beginning of period (the "Shareholder Return Rate"). In accordance with these definitions, the Shareholder Return YTD for the 6M19 period amounts to € 0.60 per share (or € 282.0m of value created in absolute terms) and the Shareholder Return Rate amounts to 4.1%.

	Per share (€)	€ thousand
EPRA NAV 31/12/2018	**14.81**	**6,955,867**
NAV growth in 6M 2019	0.30	141,020
EPRA NAV 30/06/2019	**15.11**	**7,096,887**
DPS	0.30	140,931
NAV growth + DPS (Shareholder Return)	15.41	7,237,818
Shareholder Return Rate	**4.1%**	**4.1%**

06 POST-CLOSING EVENTS

Post-closing events

- In July, MERLIN has signed a 6,365 sqm extension of **Deloitte in Torre Chamartin** (plus the option to extend +2,121 sqm in addition), bringing the occupancy rate to 83% **(94% if option executed)**

- In July, MERLIN has signed the **largest ever logistics lease in Spain with Carrefour,** the entire lease-up of **Guadalajara-Azuqueca II** (Best II), with a GLA of **98,757 sqm.** The turn-key project, currently under construction, will be delivered by the beginning of 2021, featuring state-of-the-art specifications with the latest technology available in the market. Carrefour will cover national distribution of non-consumable goods from this core hub

- In July, MERLIN has signed the full lease-up of Valencia-Ribarroja (part of Best III) with Dachser, totalling 34,992 sqm, in a turn-key scheme

07 EPRA METRICS

EPRA metrics

Performance Measure	Definition	30/06/2019	
		€ thousand	**€ per share**
EPRA Earnings (€ thousand)	Recurring earnings from core operational activities	157,201	0.33
EPRA NAV (€ thousand)	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated shareholders' equity of the Group adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model, as per EPRA's recommendations	7,096,887	15.11
EPRA NNNAV (€ thousand)	EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes	6,514,597	13.87
EPRA Net Initial Yield	Annualized rental income based on the cash passing rents at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	4.0%	
EPRA "topped-up" NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	4.1%	
EPRA vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	7.1%	
EPRA costs	Running costs of the Company divided by recurring rents	18.4%	
EPRA costs (excluding non-recurring costs)	Recurring running costs of the Company divided by recurring rents	17.8%	

EPRA BPR GOLD
FINANCIAL REPORTING

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

08

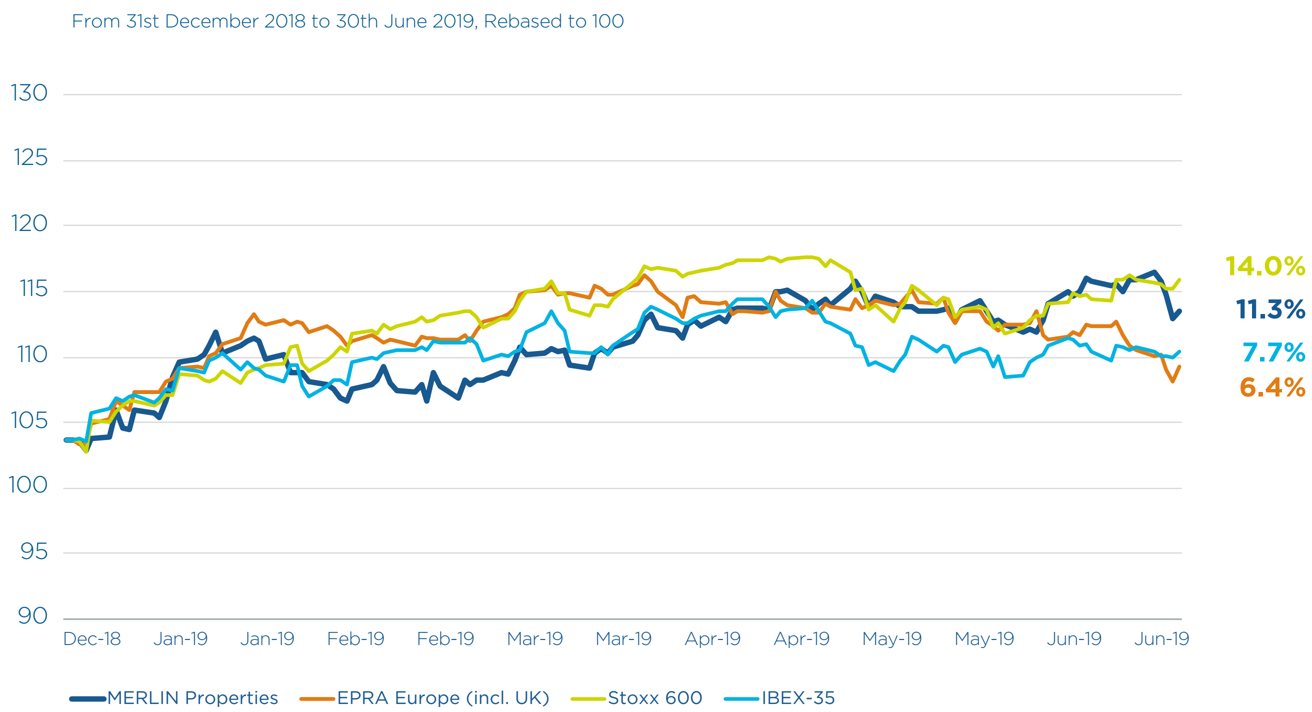
STOCK EXCHANGE EVOLUTION

Stock exchange **evolution**

MERLIN shares closed on 30 June 2019 at € 12.20, an increase of 11.3% versus 31 December 2018 closing price (€ 10.79).

The share has outperformed the sectorial EPRA Europe reference index (6.4%) and IBEX-35 (7.7%).

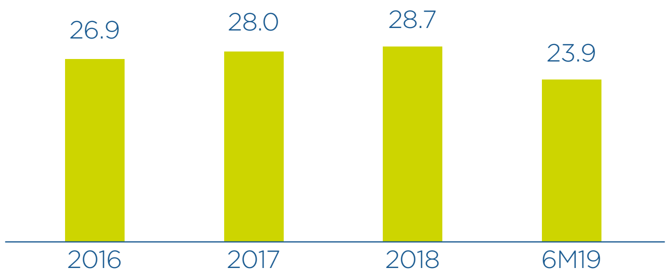
MERLIN SHARE PRICE PERFORMANCE VS IBEX 35 / EPRA INDEX / EURO STOXX 600



Source: Bloomberg
Adjusted for any equity dilutive transactions

AVERAGE DAILY TRADING VALUE (€ M)

Average daily trading volume during the period has been € 21.9 million



As of the date of this report, MERLIN is covered by a wide variety of 24 equity research houses. Consensus target price is € 13.46.

TARGET PRICES AND ANALYST RECOMMENDATIONS

Broker	Report date	Recommendation	Target price
intermoney valores sv	22-07-19	Buy	13.50
Green Street Advisors	05-07-19	Buy	15.10
BBVA	04-07-19	Buy	13.60
BARCLAYS	02-07-19	Neutral	10.80
Goldman Sachs	01-07-19	Sell	10.50
BPI	03-06-19	Neutral	12.95
EXANE BNP PARIBAS	31-05-19	Buy	13.90
Kepler Cheuvreux	23-05-19	Buy	14.30
ALANTRA	15-05-19	Buy	13.80
Sabadell	15-05-19	Buy	14.43
JBCapitalMarkets	15-05-19	Buy	15.20
GVC Gaesco	14-05-19	Buy	14.49
J.P.Morgan	14-05-19	Buy	13.50
Kempen & Co	14-05-19	Buy	13.90
MIRABAUD	14-05-19	Neutral	11.85
Morgan Stanley	13-05-19	Buy	15.00
renta4	06-05-19	Buy	14.16
Santander	28-03-19	Buy	14.90
ING	08-03-19	Buy	13.80
bankinter	28-02-19	Buy	12.82
Credit Suisse	28-02-19	Buy	13.50
citi	24-01-19	Sell	9.60
fidentiis	17-01-19	Buy	14.50
UBS	31-07-18	Buy	13.00
Average			**13.46**

APPENDIX

EPRA METRICS

EPRA EARNINGS

(€ thousand)

Consolidated net profit in accordance with IFRS	**262,005**
Adjustments to calculate EPRA earnings	(128,494)
(i) changes in value of investment properties	(158,301)
(ii) gain/(losses) on disposal of assets	(36)
(iii) absorption of revaluation on investment properties	-
(iv) non recurring taxes	8,632
(v) share in equity method investees	1,876
(vi) difference in business combination	2,865
(vii) changes in fair value of financial instruments and cancellation costs	16,536
(viii) impairment of fiscal credit	-
(ix) gain/(losses) on disposal of financial instruments	(65)
Minority interests in respect of previous adjustments	-
EPRA net earnings pre-specific adjustments	**133,513**
EPRA net earnings per share pre-specific adjustments	**0.28**
Company specific adjustments:	**23,688**
(i) LTIP provision	22,121
(ii) Opex non-overheads	1,567
EPRA net earnings post-specific adjustments	**157,201**
EPRA net earnings per share post-specific adjustments	**0.33**

EPRA NAV

(€ thousand)

Equity in balance sheet		**6,482,611**
Derivatives Mark-to-market		103,926
Deferred taxes Mark-to-market		587,332
Deffered tax assets	(88,248)	
Deffered tax liabilities	675,580	
Cost of debt		(108,969)
Revaluations not recorded in the financial statements		31,987
Adjustment in tangible assets	349	
Adjustment in equity method	31,638	
EPRA NAV		**7,096,887**
Shares		**469,770,750**
EPRA NAV/ share		**15.11**

EPRA YIELDS

(€ thousand)	Offices	Shopping centers	Logistics
Gross asset value	5,865,042	2,292,212	846,883
Exclude:			
WIP & Land			
Commercial property portfolio GAV	5,865,042	2,292,212	846,883
Gross rents annualized	**242,596**	**118,797**	**49,755**
Exclude:			
Propex not recharged to tenants	(24,021)	(15,092)	(4,659)
"Topped-up" net rents annualized	**218,576**	**103,705**	**45,096**
Exclude:			
Incentives	(6,331)	(3,995)	(1,557)
Net rents annualized	**212,244**	**99,710**	**43,539**
EPRA "topped-up" yield	**3.7%**	**4.6%**	**5.3%**
EPRA net initial yield	**3.6%**	**4.5%**	**5.1%**

High Street Retail	Other	WIP	TOTAL
2,228,731	423,594	516,186	12,172,648
	(106,071)	(516,186)	(622,257)
2,228,731	317,523	-	11,550,391
97,554	**13,954**	-	**522,657**
(1,911)	(1,897)	-	(47,580)
95,644	**12,057**	-	**475,077**
(727)	(255)	-	(12,865)
94,917	**11,802**	-	**462,213**
4.3%	**3.8%**		**4.1%**
4.3%	**3.7%**		**4.0%**

EPRA COST RATIO

(€ thousand)	30/06/19
Property expenses not recharged to tenants	(24,541)
Personnel expenses	(38,100)
Opex general expenses	(4,330)
Opex non-overheads	(1,567)
LTIP accrual	22,121
Exclude:	
Investment property depreciation	-
Service charge recovered through rents but not invoiced separately	-
Expenses related to 3rd party asset management services	-
EPRA Cost ratio (including ditrect vacancy costs)	**(46,664)**
Gross rents	262,748
Less: incentives	(9,714)
Gross rental income	**253,034**
EPRA Cost ratio	**18.4%**
EPRA Cost ratio (excluding non-recurring general expenses)	**17.8%**

ALTERNATIVE PERFORMANCE MEASURES

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

GLOSSARY

Average debt maturity (years)
This APM represents the average debt duration of the Company until maturity.

It is a relevant metric as it provides the investor with the relevant information about the repayment commitments of the financial liabilities.

It is calculated as the addition of the pending years to maturity of each loan multiplied by its outstanding loan amount and divided by the total outstanding amount of all loans.

Given the nature of the metric, it is not possible to reconcile it with the Group financial statements but the main information is available in note 10 of the consolidated financial statements.

Average passing rent
It represents the rent per square meter per month at which an asset or category of assets are rented at a moment in time.

The average passing rent is a relevant performance metric as it shows the implied rents of all the prevailing lease contracts of the company at a moment in time per square meter and per month enabling the comparison with market rents.

Given the nature of the metric, it is not possible to reconcile it with the financial statements.

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

The release spread provides the investor with a view on the prospective rental behaviour when negotiating with the tenants.

It is calculated on a lease by lease basis and therefore it is not possible to reconcile it with the financial statements.

Rents Like-for-like
Amount of the gross rents comparable between two periods. It is calculated on an asset by asset basis excluding from both periods the rents derived from acquisitions or disposals executed in such periods as well as other adjustments like early termination penalties from lease contracts.

We consider the rental like-for-like growth a relevant metric to understand the evolution of rents of an asset or an asset category.

It is calculated on an asset by asset basis and therefore it is not possible to reconcile it with the financial statements.

Gross annualized rents
Passing rent as of the balance sheet date multiplied by 12.

We consider the gross annualized rents a relevant performance metric as it represents the total amount of rents of the prevailing lease contracts at a given time enabling the calculation of the return of each asset (Gross yield).

Given the nature of the metric, it is not possible to reconcile it with the financial statements.

GAV
The GAV is the Gross Asset Value as of the latest available valuation report plus the advanced payments of turn-key projects and developments at cost.

The GAV is a standard valuation metric for comparison purpose, recognized on a global basis in the real estate sector, and performed by an independent external appraisal.

The reconciliation with the financial statements appears in Section 5 of this report (Notes to the consolidated balance sheet).

Gross yield

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

Wault

Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from the date balance sheet, until the lease contract first break weighted by the gross rent of each individual contract.

We consider the Wault a relevant metric as it provides the investor with the average term of secured leases and gives a sense of risk or opportunity to renegotiate the prevailing lease contracts.

Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

Revenues

Is the addtion of the total gross rent income (€ 262.7m), and the other operating income excluding extraordinaries (€ 2.5m).

The reconciliation with IFRS appears in the table thereafter.

Accounting EBITDA

The accounting EBITDA is calculated as the net operating income before net revaluations, amortizations, provisions, interest and taxes.

The accounting EBITDA is a performance metric widely used by investors to value companies, as well as the rating agencies and creditors to evaluate the level of indebtedness.

The reconciliation with IFRS metrics appears in the table hereafter.

EBITDA

The EBITDA is calculated as the Accounting EBITDA deducting the "non-overheads" costs and the LTIP Provision.

The EBITDA is a very useful metric as it excludes the impact of atypical costs incurred in the period. The atypical costs or "non-overheads" costs are the ones related to the acquisition and disposal of assets and indemnities among others (as described in the IPO prospectus).

The reconciliation with IFRS metrics appears in the table hereafter.

Accounting FFO and FFO

Accounting FFO or Accounting Funds From Operations is calculated as EBITDA less debt interest expenses and recurring taxes (excluding taxes from disposals or other extraordinary events).

FFO is calculated deducting the non-overheads costs of the company from the Accounting FFO.

It is a relevant performance and liquidity metric recognized on a global basis in the real estate sector.

MERLIN Properties, as a member of EPRA (European Public Real Estate Association), follows EPRA's best practices reporting standards which enables the investor to better compare certain performance metrics that are specific to the real estate sector. This metrics are released on a semi-annual basis and detailed in the management report.

EPRA costs

It is calculated as total operating costs of the company divided by the gross rents net of incentives.

This performance metric shows the operating efficiency on a recurring basis.

The reconciliation with the Financial Statements appears in the Appendix of this report and relates to the notes 13b and 13c.

EPRA Earnings
Earnings from core operational activities as per EPRA's recommendations.

The reconciliation with the Financial Statements appears in the Appendix of this report and relates to the Income statement and notes 7, 10.5 and 13a of the consolidated financial statements.

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

EPRA NNNAV: is the EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes. Corresponds to the liquidation value of a real estate company, as per EPRA's recommendations.
EPRA NAV is the reference performance metric to compare the fundamental value of a real estate company with its trading price.

The reconciliation with the Financial Statements appears in the Appendix of this report and relates to the Balance Sheet and notes 10.3 and 10.5, 2.2 and 9.1 of the consolidated financial statements.

EPRA Yields
Net Initial Yield: Annualized rental income based on the passing rents at the balance sheet date, less non recoverable property operating expenses, divided by the market value of the property (GAV) increased with acquisition costs.

EPRA "Topped-up" NIY: Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

These are two relevant performance metrics widely used to compare the return of the real estate assets in the portfolio, based on the prevailing lease contracts at a given date regardless of the financial structure of the company as per EPRA's recommendations.

The calculation is provided in the Appendix of this report.

Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

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

Given the nature of the metric, it is not possible to reconcile it with the Group financial statements.

RECONCILIATION OF THE ALTERNATIVE PERFORMANCE MEASURES WITH CONSOLIDATED FINANCIAL STATEMENTS

(€ thousand)	Notes	6M19	6M18[1]
Accounting revenue	4 and 13a	254,403	323,469
Other operating income	Consolidated income statement	1,430	2,409
Personal expenses	13c	(38,252)	(36,446)
Other operating expenses	13b	(30,836)	(26,542)
Extraordinay income (Testa Residencial)			(89,721)
Accounting EBITDA		**186,746**	**173,169**
Costs related to acquisition and disposals	*13b*	*1,374*	*798*
Other costs	*13b*	*41*	*29*
Severance	*13c*	*152*	*28*
Non-overhead costs	13b and 13c	1,567	846
Long term incentive plan	13c	22,121	21,919
EBITDA		**210,434**	**195,934**
Financial expenses excluding debt arrangement costs	10.5 and Consolidated income statement	(55,357)	(58,871)
Equity method net income	n/d	4,399	5,008
Minorities	Consolidated income statement	-	(104)
Extraordinary financial income	n/d	205	-
Current taxes	n/d	(2,479)	(1,050)
FFO		**157,201**	**140,917**
Non-overhead costs	13b and 13c	(1,567)	(846)
Accounting FFO		**155,634**	**140,071**

(€ thousand)	Notes	6M19	6M18
Gross rental income		262,748	243,246
Revenue from rendering services		1,366	91,318
Other operating income		1,131	2,410
Extraordinay income (Testa Residencial)		-	(89,721)
Total revenues		**265,245**	**247,253**

[1] Restated in accordance with IFRS 16 and 9. See note 2.2.1 of Interim Management Report for the period ended on june 30, 2019

LIST OF ASSETS

Asset	Location	G.L.A sqm AG
Torre Castellana 259	Madrid	21,390
Castellana 280	Madrid	16,918
Castellana 278	Madrid	14,468
Castellana 93	Madrid	11,650
Castellana 83	Madrid	15,254
Plaza Pablo Ruíz Picasso	Madrid	31,576
Alcala 40	Madrid	9,315
Principe de Vergara 187	Madrid	10,732
Alfonso XI	Madrid	9,945
Pedro de Valdivia 10	Madrid	6,721
Beatriz de Bobadilla 14	Madrid	16,979
Princesa 3	Madrid	17,810
Princesa 5	Madrid	5,693
Ventura Rodriguez 7	Madrid	10,071
Juan Esplandiu 11-13	Madrid	28,010
Eucalipto 33	Madrid	7,301
Eucalipto 25	Madrid	7,368
Santiago de Compostela 94	Madrid	13,130
Parking Princesa*	Madrid	-
Total Madrid Prime + CBD		**254,331**
Ulises 16-18	Madrid	9,576
Josefa Valcarcel 48	Madrid	19,893
Alvento	Madrid	32,928
Cristalia	Madrid	11,712
Trianon	Madrid	18,400
Ribera del Loira 36-50	Madrid	39,150
Ribera del Loira 60	Madrid	54,960
Partenon 12-14	Madrid	19,609
Partenon 16-18	Madrid	18,343
Arturo Soria 128	Madrid	3,206
Total Madrid NBA A2		**227,778**

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

Asset	Location	G.L.A sqm AG
Torre Chamartin*	Madrid	18,295
Arturo Soria 343*	Madrid	6,615
Manoteras 18	Madrid	7,515
Fuente de la Mora	Madrid	4,482
Aquamarina	Madrid	10,685
Via Norte	Madrid	37,224
María de Portugal 9-13	Madrid	17,191
Las Tablas	Madrid	27,073
Avenida de Burgos 210	Madrid	6,176
Manuel Pombo Angulo 20	Madrid	3,623
Miniparc Alcobendas I	Madrid	9,195
Miniparc Alcobendas II	Madrid	3,347
Avenida de Bruselas 24	Madrid	9,164
Avenida de Bruselas 26	Madrid	8,895
Avenida de Bruselas 33	Madrid	33,718
Avenida de Europa 1A	Madrid	12,606
Avenida de Europa 1B	Madrid	12,606
Maria de Portugal T2	Madrid	17,139
Adequa 1	Madrid	27,399
Adequa 2**	Madrid	5,013
Adequa 3	Madrid	15,937
Adequa 5	Madrid	13,790
Adequa 6	Madrid	13,789
Adequa 4*	Madrid	15,793
Adequa 7*	Madrid	32,109
Total Madrid NBA A1		**364,367**
Francisco Delgado 9A	Madrid	5,496
Francisco Delgado 9B	Madrid	5,400
Costa Brava 2-4	Madrid	16,000
Costa Brava 6-8*	Madrid	14,000
Avenida de Aragon 334	Madrid	3,890
Atica 1	Madrid	7,080
Atica 2	Madrid	5,644
Atica 3	Madrid	5,746
Atica 4	Madrid	4,936
Atica 5	Madrid	9,526
Atica 6	Madrid	3,434
Atica XIX	Madrid	15,411
Cerro Gamos 1	Madrid	35,498
El Plantío 6 G	Madrid	1,780

*Project under development
**Excluded from perimeter

Asset	Location	G.L.A sqm AG
El Plantío 8 F	Madrid	1,723
El Plantío 10 E	Madrid	1,749
El Plantío 12 D	Madrid	1,816
Copenhague 4-8	Madrid	5,972
Alvia	Madrid	23,567
Euronova	Madrid	32,665
Total Madrid Periphery		**201,333**
Diagonal 605	Catalonia	14,795
Diagonal 514	Catalonia	9,664
Diagonal 458	Catalonia	4,174
Balmes 236-238	Catalonia	6,187
Vilanova 12-14	Catalonia	16,494
Gran Vía Cortes Catalanas 385	Catalonia	5,190
Total Barcelona Prime + CBD		**56,504**
Diagonal 211 (Torre Glòries)	Catalonia	37,614
Diagonal 199	Catalonia	5,934
Llull 283 (Poble Nou 22@)	Catalonia	31,337
LOOM 22@ Ferreteria*	Catalonia	2,018
Total CBD 22@		**76,903**
Citypark Cornella	Catalonia	12,916
WTC6	Catalonia	14,461
WTC8	Catalonia	14,542
Av. Parc Logistic 10-12 (PLZFA)	Catalonia	11,411
Av. Parc Logistic 10-12 (PLZFB)	Catalonia	10,652
Total NBA WTC		**63,982**
Muntadas I	Catalonia	24,380
Muntadas II	Catalonia	3,783
Sant Cugat I	Catalonia	15,377
Sant Cugat II	Catalonia	10,008
Total Periphery		**53,548**
Monumental	Lisbon	16,892
Marques de Pombal 3	Lisbon	12,460
Total Lisbon Prime		**29,352**

*Project under development

Asset	Location	G.L.A sqm AG
Art	Lisbon	22,150
TFM	Lisbon	7,837
Lisboa Expo	Lisbon	6,740
Torre Lisboa	Lisbon	13,715
Central Office	Lisbon	10,310
Torre Zen	Lisbon	10,207
Total Lisbon CBD		**70,959**
Lerida - Mangraners	Catalonia	3,228
Zaragoza - Aznar Molina	Zaragoza	4,488
Sevilla - Borbolla	Andalusia	13,037
Granada - Escudo del Carmen	Andalusia	2,041
TOTAL OFFICES		**1,421,851**
Marineda	Galicia	100,242
Arturo Soria	Madrid	6,069
Centro Oeste	Madrid	10,876
Tres Aguas	Madrid	67,690
Leroy Merlin Getafe	Madrid	10,007
X-Madrid*	Madrid	47,424
Larios	Andalusia	37,925
Porto Pi	Mallorca	32,731
Artea	Basque Country	24,323
Arenas	Catalonia	31,900
Vilamarina	Catalonia	32,191
La Fira	Catalonia	29,013
El Saler	Valencian C.	28,978
La Vital	Valencian C.	20,878
Bonaire	Valencian C.	14,192
Medianas Bonaire	Valencian C.	4,584
Thader	Murcia	46,990
Monumental SC	Lisbon	5,495
Almada	Lisbon	60,098
TOTAL SHOPPING CENTERS		**611,606**

*Project under development

Asset	Location	G.L.A sqm AG
Madrid-Coslada	Madrid	28,491
Madrid-Coslada Complex	Madrid	36,234
Madrid-Getafe	Madrid	16,242
Madrid-Getafe (Los Olivos)	Madrid	11,488
Madrid-Meco I	Madrid	35,285
Madrid-Pinto I	Madrid	11,099
Madrid-Pinto II A	Madrid	29,544
Madrid-Pinto II B	Madrid	29,473
Madrid-Getafe (Gavilanes)	Madrid	39,415
Madrid-Meco II	Madrid	59,814
Madrid-San Fernando I	Madrid	11,179
Madrid-San Fernando II*	Madrid	34,224
Madrid-San Fernando III*	Madrid	98,942
Toledo-Seseña*	Castilla La Mancha	28,541
Guadalajara-Alovera	Castilla La Mancha	38,763
Guadalajara-Azuqueca I	Castilla La Mancha	27,995
Guadalajara-Azuqueca II*	Castilla La Mancha	98,757
Guadalajara-Azuqueca III*	Castilla La Mancha	51,000
Guadalajara-Cabanillas I	Castilla La Mancha	70,134
Guadalajara-Cabanillas II	Castilla La Mancha	15,078
Guadalajara-Cabanillas III	Castilla La Mancha	21,879
Guadalajara-Cabanillas Park I A	Castilla La Mancha	38,054
Guadalajara-Cabanillas Park I B	Castilla La Mancha	17,917
Guadalajara-Cabanillas Park I C	Castilla La Mancha	48,468
Guadalajara-Cabanillas Park I D	Castilla La Mancha	47,892
Guadalajara-Cabanillas Park I E	Castilla La Mancha	49,793
Guadalajara-Cabanillas Park I F*	Castilla La Mancha	20,723
Guadalajara-Cabanillas Park I G*	Castilla La Mancha	92,994
Guadalajara-Cabanillas Park II*	Castilla La Mancha	210,678
Barcelona-ZAL Port	Catalonia	726,726
Barcelona-Sant Esteve	Catalonia	16,811
Barcelona-PLZF	Catalonia	132,554
Zaragoza-Pedrola	Zaragoza	21,579
Zaragoza-Plaza	Zaragoza	20,764
Zaragoza-Plaza II*	Zaragoza	11,421
Valencia-Almussafes	Valencian C.	26,613
Valencia-Ribarroja*	Valencian C.	34,992
Valencia	Valencian C.	96,572
Vitoria-Jundiz	Basque Country	72,717
Vitoria-Jundiz II	Basque Country	26,774
Sevilla Zal	Andalusia	156,760
Lisbon Park*	Lisbon	224,864
TOTAL LOGISTICS		**2,889,241**

*Project under development

Asset	Location	G.L.A sqm AG
Tree		301,726
Caprabo	Catalonia	64,252
Plaza de los Cubos	Madrid	13,528
Callao 5	Madrid	11,629
Torre Madrid locales	Madrid	4,344
Locales Plaza Castilla	Madrid	311
TOTAL HIGH STREET RETAIL		**395,791**
Eurostars Torre Castellana 259	Madrid	31,800
General Ampudia 12*	Madrid	-
Yunque	Madrid	1,780
San Francisco de Sales	Madrid	171
Amper	Madrid	22,510
Torre Madrid residencial	Madrid	120
Novotel Diagonal 199	Catalonia	15,332
Jovellanos 91	Catalonia	4,067
Rambla Salvador Sama 45-47-49	Catalonia	1,140
CIM Valles	Catalonia	25,724
Hotel Marineda	Galicia	5,898
Parking Palau*	Valencian C.	-
Bizcargi 1 1D	Basque Country	46
Arapiles 8	Madrid	n.a.
Valdebebas - office land	Madrid	n.a.
Zaragoza - residencial land	Zaragoza	n.a.
Navalcarnero	Madrid	n.a.
TOTAL OTHER		**108,588**

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

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