Merlin Properties SOCIMI, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements
for the six-month period ended 30 June 2017
prepared in accordance with International Financial
Reporting Standards (IFRSs) as adopted by the
European Union

MERLIN PROPERTIES, SOCIMI, S.A.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017
(Thousands of euros)

ASSETS	Note	30/06/2017	31/12/2016	EQUITY AND LIABILITIES	Note	30/06/2017	31/12/2016
NON-CURRENT ASSETS:				**EQUITY:**	Note 10		
Goodwill	Note 5	-	9,839	**Share capital**		469,771	469,771
Concession projects	Note 6	244,452	245,744	**Share premium**		3,970,842	4,017,485
Other intangible assets	Note 6	1,436	2,386	**Reserves**		340,709	(143,537)
Property, plant and equipment	Note 6	3,893	3,569	**Other owner contributions**		540	540
Investment property	Note 7	9,650,154	9,027,184	**Valuation Adjustments**		(37,812)	(47,582)
Investments accounted for using the equity method	Note 8	324,561	319,697	**Treasury shares**		(35,498)	(105)
Non-current financial investments-	Note 9	321,116	329,427	**Interim dividend**		-	(59,759)
Derivatives		199,865	207,182	**Profit for the period attributable to the Parent**		421,398	582,645
Other financial assets		121,251	122,245	**Equity attributable to the Parent**		5,129,950	4,819,458
Deferred tax assets		142,867	141,044	**Non-controlling interests**		21,912	21,311
Total non-current assets		10,688,479	10,078,890	**Total equity**		5,151,862	4,840,769
				NON-CURRENT LIABILITIES:			
				Debt instruments and other marketable securities	Note 11	2,923,104	2,327,345
				Non-current bank borrowings	Note 11	2,133,403	2,847,237
				Other financial liabilities	Note 12	88,211	104,149
				Deferred tax liabilities	Note 12	576,839	556,771
				Provisions	Note 12	52,901	34,092
				Total non-current liabilities		5,774,458	5,869,594
				CURRENT LIABILITIES:			
				Provisions	Note 12	867	867
CURRENT ASSETS:				**Debt instruments and other marketable securities**	Note 11	16,188	25,629
Inventories		3,448	2,938	**Current bank borrowings**	Note 11	150,889	36,227
Trade and other receivables	Note 9	51,994	505,894	**Other current financial liabilities**	Note 12	19,320	3,997
Other current financial assets	Note 9	79,571	83,364	**Trade and other payables**	Note 13	69,925	113,637
Other current assets		3,584	413	**Current income tax liabilities**	Note 13	24,019	27,231
Cash and cash equivalents		395,456	247,081	**Other current liabilities**		15,004	629
Total current assets		534,053	839,690	**Total current liabilities**		296,212	208,217
Total assets		11,222,532	10,918,580	**TOTAL EQUITY AND LIABILITIES**		11,222,532	10,918,580

The accompanying explanatory Notes 1 to 18 and Appendix I are an integral part of the condensed consolidated statement of financial position at 30 June 2017.

MERLIN PROPERTIES, SOCIMI, S.A.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Thousands of euros)

	Note	30/06/2017	30/06/2016
CONTINUING OPERATIONS:			
Revenue	**Notes 4 & 14**	**233,357**	**154,687**
Other operating income		**1,497**	**300**
Staff costs	**Note 14-c**	**(38,587)**	**(7,042)**
Other operating expenses	**Note 14-b**	**(27,383)**	**(19,770)**
Gains or losses on disposals of non-current assets		**241**	**64**
Depreciation and amortisation charge		**(3,612)**	**(2,043)**
Excess provisions		**96**	**54**
Impairment of goodwill:		**(9,839)**	**(114,278)**
Absorption of the revaluation of investment property	**Notes 5 & 7**	(9,839)	(114,278)
Change in fair value of investment property	**Note 7**	**332,316**	**275,384**
Negative difference on business combinations		**(1,775)**	**(4,343)**
PROFIT FROM OPERATIONS		**486,311**	**283,013**
Change in the fair value of financial instruments-		**(701)**	**(26,293)**
Change in fair value of financial instruments - Embedded derivative	**Note 9**	(7,317)	(17,038)
Change in fair value of financial instruments - Other		6,616	(9,255)
Finance income		**280**	**639**
Finance costs		**(60,069)**	**(38,415)**
Impairment and gains or losses on disposals of financial instruments		**101**	**(355)**
Share of results of companies accounted for using the equity method	**Note 8**	**8,337**	**2,810**
PROFIT BEFORE TAX		**434,259**	**221,399**
Income tax		**(12,260)**	**(10,212)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**421,999**	**211,187**
Attributable to shareholders of the Parent		**421,398**	**211,143**
Attributable to non-controlling interests		**601**	**44**
EARNINGS PER SHARE (in euros):		**0.90**	**0.65**
BASIC EARNINGS PER SHARE (in euros):		**0.90**	**0.65**
DILUTED EARNINGS PER SHARE (in euros):		**-**	**-**

The accompanying explanatory Notes 1 to 18 and Appendix I are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2017.

MERLIN PROPERTIES, SOCIMI, S.A.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Thousands of euros)

	Note	30/06/2017	30/06/2016
PROFIT PER INCOME STATEMENT (I)		**421,999**	**211,187**
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Cash flow hedges		**(8,344)**	**(67,516)**
Translation differences		**-**	**280**
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)		**(8,344)**	**(67,236)**
Transfers to profit or loss		**18,114**	**11,226**
For hedge instruments		**18,114**	**11,226**
TOTAL TRANSFERS TO PROFIT OR LOSS (III)		**18,114**	**11,226**
TOTAL COMPREHENSIVE INCOME (I+II+III)		**431,769**	**155,177**
Attributable to shareholders of the Parent		**431,168**	**155,133**
Attributable to non-controlling interests		**601**	**44**

The accompanying explanatory Notes 1 to 18 and Appendix I are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2017.

MERLIN PROPERTIES, SOCIMI, S.A.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Thousands of euros)

	Share capital	Share premium	Reserves	Contributions from shareholders	Profit for the period	Interim dividend	Valuation adjustments -	Translation - differences	Treasury shares	Equity attributed to the Parent -	Non-controlling interests	Total equity -
Balances at 31 December 2015	**323,030**	**2,616,003**	**(32,364)**	**540**	**49,078**	**(25,035)**	**(6,106)**	**193**	**-**	**2,925,339**	**1,092**	**2,926,431**
Consolidated comprehensive income	-	-	-	-	211,143	-	(56,290)	280	-	155,133	44	**155,177**
Distribution of 2015 profit	-	-	24,043	-	(49,078)	25,035	-	-	-	-	-	**-**
Transactions with shareholders or owners-												
Distribution of dividends	-	(33,145)	(1,838)	-	-	-	-	-	-	(34,983)	-	**(34,983)**
Other changes	-	-	(926)	-	-	-	-	-	-	(926)	-	**(926)**
Balances at 30 June 2016	**323,030**	**2,582,858**	**(11,085)**	**540**	**211,143**	**-**	**(62,396)**	**473**	**-**	**3,044,563**	**1,136**	**3,045,699**
Balances at 31 December 2016	**469,771**	**4,017,485**	**(143,537)**	**540**	**582,645**	**(59,759)**	**(47,582)**	**-**	**(105)**	**4,819,458**	**21,311**	**4,840,769**
Consolidated comprehensive income	-	-	-	-	421,398	-	9,770	-	-	431,168	601	**431,769**
Distribution of 2016 profit	-	-	522,886	-	(582,645)	59,759	-	-	-	-	-	**-**
Transactions with shareholders or owners-												
Distribution of dividends	-	(46,643)	(47,310)	-	-	-	-	-	-	(93,953)	-	**(93,953)**
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(35,393)	(35,393)	-	**(35,393)**
Recognition of share-based payments	-	-	8,000	-	-	-	-	-	-	8,000	-	**8,000**
Other changes	-	-	670	-	-	-	-	-	-	670	-	**670**
Balances at 30 June 2017	**469,771**	**3,970,842**	**340,709**	**540**	**421,398**	**-**	**(37,812)**	**-**	**(35,498)**	**5,129,950**	**21,912**	**5,151,862**

The accompanying explanatory Notes 1 to 18 and Appendix I are an integral part of the condensed consolidated statement of changes in equity at 30 June 2017

MERLIN PROPERTIES, SOCIMI, S.A.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(Thousands of euros)

	Note	30/06/2017	30/06/2016
CASH FLOWS FROM OPERATING ACTIVITIES:		**534,032**	**90,876**
Profit before tax		**434,259**	**221,399**
Adjustments to profit-		**(232,553)**	**(93,224)**
Depreciation and amortisation charge		3,612	2,043
Change in fair value of investment property	**Note 7**	(332,316)	(275,384)
Change in provisions		32,725	(54)
Gains/Losses on derecognition and disposal of non-current assets		(241)	(64)
Finance income		(280)	(639)
Finance costs		60,069	38,415
Change in fair value of financial instruments		701	26,293
Impairment and gains or losses on disposals of financial instruments		(101)	355
Share of results of investments accounted for using the equity method		(8,337)	(2,810)
Impairment of goodwill	**Note 5**	9,839	114,278
Other gains		1,775	4,343
Changes in working capital-		**407,446**	**(904)**
Accounts receivable		448,213	4,420
Other current assets		3,793	(369)
Accounts payable		(42,383)	(7,220)
Other assets and liabilities		(2,177)	2,265
Other cash flows from operating activities-		**(75,120)**	**(36,395)**
Interest paid		(74,769)	(37,155)
Interest received		280	760
Income tax paid		(631)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		**(272,884)**	**(462,272)**
Payments due to investments-		**(281,212)**	**(475,001)**
Net cash flow from business acquisitions		(12,553)	(101,432)
Investment property	**Note 7**	(267,720)	(55,372)
Property, plant and equipment		(739)	(1,357)
Contributions to associates		(200)	(316,840)
Proceeds from disposals-		**8,328**	**12,729**
Financial assets		-	1,264
Investment property		8,178	11,465
Property, plant and equipment		150	-
CASH FLOWS FROM FINANCING ACTIVITIES:		**(112,773)**	**(46,342)**
Proceeds and payments relating to equity instruments-		**(129,346)**	**(34,984)**
Refund of premium	**Note 10**	(46,643)	(33,145)
Dividends paid	**Note 10**	(47,310)	(1,839)
Purchase of equity instruments	**Note 10**	(35,393)	-
Proceeds and payments relating to financial liabilities-		**16,573**	**(11,358)**
Proceeds from issue of bank borrowings		-	1,700,000
Repayment of bank borrowings	**Note 11.1**	(576,862)	(2,542,801)
Issue of debt instruments	**Note 11.2**	600,000	850,000
Other payments due to financing activities		(6,565)	(18,557)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**148,375**	**(417,738)**
Cash and cash equivalents at beginning of period		247,081	560,740
Cash and cash equivalents at end of period		395,456	143,002

The accompanying explanatory Notes 1 to 18 and Appendix I are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2017.

1. Group description and activities

Merlin Properties SOCIMI, S.A. (hereinafter, the "Parent") was incorporated in Spain on 25 March 2014 under the Spanish Corporate Enterprises Act. On 22 May 2014, the Parent requested to be included in the tax regime for listed real estate investment trusts (REITs), 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 Law 37/1992, of 28 December, on Value Added Tax (*Ley 37/1992, de 28 de diciembre, del Impuesto sobre el Valor Añadido*);
- The holding of equity interests in real estate investment trusts ("REITs") or in other non-resident entities in Spain with the same corporate purpose and that operate under a similar regime as that established for REITs with respect to the mandatory profit distribution policy enforced by law or by the bylaws.
- 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 REITs 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 (*Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*), or any law that may replace it in the future.

In addition to the economic activity deriving from the main corporate purpose, the Parent may also carry on any other complementary activities; these being any that generate income representing less than 20%, taken as a whole, of its income in each tax period, or any that can be classified as complementary as per prevailing legislation.

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, prior administrative authorisation, entry in a public registry, or any other requirement for the purpose of exercising any of the activities within the corporate purpose, no such activity can be exercised until all the applicable professional or administrative requirements have been met.

Merlin Properties SOCIMI, S.A. and Subsidiaries (hereinafter, the "Group") mainly engage in the acquisition and management (through leasing to third parties) of offices, industrial buildings and commercial premises. They may also invest to a lesser extent in other assets for lease.

On 30 June 2014, the Parent 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 its subsidiaries are governed by Law 11/2009 (*Ley 11/2009*), of 26 October, as amended by Law 16/2012, of 27 December, regulating REITs (*Ley 16/2012, de 27 de diciembre, por la que se regulan las Sociedades*

Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMI)). Article 3 of said Law sets out the investment requirements for these types of companies, namely:

1. At least 80% of an REIT'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 Article 2.1 of the aforementioned 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 REIT 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. This group will be formed only by REITs and the other entities referred to in Article 2.1 of this Law.

3. The REIT'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 REIT'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 REIT, from the date on which they were leased or offered for lease for the first time.

   c) In the case of shares or investments in entities referred to in Article 2.1 of this Law, they must be held as assets of the REIT for at least three years from acquisition or, where applicable, from the commencement of the first tax period in which the special tax regime set forth in this Law is applied.

As established in transitional provision one of Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, governing REITs, 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 REIT tax regime is sought.

Failure to fulfil said condition will render the REIT 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. In addition, the REIT will be required to deposit, along with the payment for this tax period, the difference between the payment due as a result of applying the general tax regime and the payment made under the special tax regime in the previous tax periods, without prejudice to any late-payment interest, charges and penalties that may be incurred, where applicable.

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

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

2.1 Regulatory framework

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

- The Spanish Commercial Code and all other Spanish corporate law;

- International Financial Reporting Standards (IFRSs) 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 (*Ley 62/2003, de 30 de diciembre, de medidas fiscales, administrativas y de orden social*), as well as applicable rules and circulars of the Spanish National Securities Market Commission (CNMV);

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

- Other applicable Spanish accounting legislation.

The consolidated financial statements for 2016 were prepared in accordance with the regulatory financial reporting framework described in the preceding paragraph and, accordingly, they present fairly the Group's consolidated equity and financial position at 31 December 2016 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The consolidated and individual financial statements of Merlin Properties, SOCIMI, S.A. for 2016 prepared by its Directors were approved by the shareholders at the General Meeting held on 26 April 2017.

The individual financial statements of the other companies composing the Group for 2016 prepared by their corresponding Directors were approved by the sole equity holder or shareholder on 29 and 30 June 2017.

These condensed consolidated interim financial statements are presented in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and were approved by the directors of the Parent on 21 September 2017, in accordance with the provisions of Article 12 of Royal Decree 1362/2007 (*Real Decreto 1362/2007*).

In accordance with IAS 34, interim financial information is prepared solely to update the content of the most recent consolidated financial statements prepared by the Group, focusing on new activities, events and circumstances arising during the period, and does not duplicate the information previously reported in the consolidated financial statements. Therefore, the condensed consolidated interim financial statements at 30 June 2017 do not include all the disclosures that would be required in complete consolidated financial statements prepared in conformity with International Financial Reporting Standards as adopted by the European Union and, accordingly, the accompanying interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

The consolidated results and the determination of consolidated equity are sensitive to the accounting principles and policies, measurement bases and estimates used by the Parent's directors in the preparation of the condensed consolidated financial statements. In this connection, the main accounting policies and measurement bases used are the same as those used to prepare the 2016 consolidated financial statements, except for the standards and interpretations which came into force in the first half of 2017.

2.2 Basis of presentation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements were obtained from the accounting records of the Parent and the consolidated companies, and have been prepared in accordance with the regulatory financial reporting framework described in Note 2.1 above and, accordingly, they present fairly the Group's consolidated equity and financial position at 30 June 2017 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the six-month period ended 30 June 2017.

Given that the accounting policies and measurement bases applied in preparing the Group's condensed consolidated interim financial statements for the six-month period ended 30 June 2017 may differ from those applied by some of the Group companies, the necessary adjustments and reclassifications were made on consolidation to unify these policies and bases and to make them compliant with IFRSs as adopted by the European Union.

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

These condensed consolidated interim financial statements at 30 June 2017 were reviewed by the auditors. The figures relating to 30 June 2016 and 31 December 2016 are presented for comparison purposes only.

2.2.1 Adoption of International Financial Reporting Standards effective from 1 January 2017

In the first half of 2017, the following standards, amendments and interpretations came into force, which, where applicable, were used by the Group in preparing the condensed consolidated interim financial statements:

Standards, amendments and interpretations	**Description**	Obligatory application in the years beginning on or after
Amendments to the IAS 7 disclosure initiative (published in January 2016).	It introduces additional disclosure requirements in relation to reconciling changes in liabilities arising from financing activities and cash flows from financing activities.	1 January 2017
Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (published in January 2016)	Clarification of the principles established with respect to the recognition of deferred tax assets for unrealised losses.	1 January 2017
Improvements to IFRS Standards 2014-2016 cycle (clarification in relation to IFRS 12)	Clarifies the scope of IFRS 12 and its interaction with IFRS 5 enters into force in this period.	1 January 2017

These standards and amendments did not have a material impact.

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

2.2.2 Standards not yet in force in 2017

The following standards were not yet in force in the first half of 2017, either because their effective date is subsequent to the date of the consolidated interim financial statements or because they had not yet been adopted by the European Union.

Standards, amendments and interpretations	**Description**	**Obligatory application in the years beginning on or after**:
IFRS 15 Revenue from Contracts with Customers (issued in May 2014)	New revenue recognition standard. Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. The new IFRS 15 model is far more restrictive and principles-based, and also has a very different contractual approach. Application of the new requirements could therefore give rise to changes in the revenue profile.	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	This new standard will replace the current IAS 39. The conceptual change is important in all sections. It changes the model for classifying and measuring financial assets the main focus of which will be the business model. The hedge accounting model is designed to better align with the economic management of the risk and require less rules. Lastly, the impairment model shifts from the current incurred losses model to an expected losses model.	1 January 2018
IFRS 17 Insurance Contracts (published in May 2017)	It replaces IFRS 4. It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts with the objective of ensuring that an entity provides relevant information that faithfully represents those contracts, allowing users of the financial	1 January 2018

Standards, amendments and interpretations	**Description**	**Obligatory application in the years beginning on or after**:
	information to assess the effect that insurance contracts have on the financial statements.	
IFRS 16 Leases (issued in January 2016)	New leases standard which replaces IAS 17. It introduces a single lessee accounting model which will include in the balance sheet all leases (with a few, limited exceptions) with an impact similar to current finance leases.	1 January 2019
Clarifications to IFRS 15 (published in April 2016)	The clarifications focus on identifying performance obligations, principal versus agent considerations, licensing at a point in time or over time, as well as certain clarifications regarding transition rules.	1 January 2018 (1)
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	They are limited amendments that clarify specific matters such as the effect of vesting conditions on cash-settled share-based payments, the classification of share-based payments with net settlement features and certain matters related to changes to the type of share-based payment.	1 January 2018 (1)
Amendments to IFRS 4 Insurance Contracts (published in September 2016)	The amendments permit entities to apply IFRS 9 ("overlay approach") or a temporary exemption within the scope of IFRS 4.	1 January 2018 (1)
Amendments to IAS 40 Reclassification of Investment Property (published in December 2016)	The amendment clarifies that a property may be reclassified to or from investment property only when there is evidence of a change in use.	1 January 2018 (1)
Improvements to IFRS Standards 2014-2016 cycle (published in December 2016)	Minor changes to a series of standards (various effective dates, one of which is 1 January 2017).	1 January 2018 (1)
IFRIC 22 Foreign Currency Transactions and Advance Consideration (published in December 2016)	This interpretation establishes "the date of transaction" for the purpose of determining the exchange rate in transactions with advance consideration in a foreign currency.	1 January 2018 (1)
IFRIC 23 Uncertainty over Income Tax Treatments (published in June 2017)	This interpretation clarifies how to apply the accounting policies and measurement bases under IAS 12 when there is uncertainty whether a certain tax treatment used by an entity is accepted by the taxation authorities.	01 January 2019 (1)
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate/Joint Venture	This clarification is very relevant in relation to the gain or loss resulting from these transactions because there is currently a discrepancy between these standards. When the assets constitute a business, the resulting gain or loss will be recognised in full, if the assets do not constitute a business, the resulting gain or loss will be recognised partially.	Its adoption in the EU and application according to the IASB is deferred indefinitely.

(1) Pending adoption by the European Union.

The Group is currently assessing the impact of the future application of this standard on the condensed consolidated financial statements once it enters into force. Until the analysis is complete, it is impossible to reasonably estimate its effects. In the case of IFRS 16 (Leases), this standard will replace the current IAS 17 and will apply beginning on 1 January 2019. The main change consists of a single lessee accounting model which will include in the balance sheet all leases (with a few, limited exceptions) as if they were financed purchases, i.e., with an impact similar to that of current finance leases. On the other hand, lessors will continue to have a dual model, similar to that currently in force with IAS 17. In relation to IFRS 15, the Group considers that the impact of its application will not be significant to the extent that this standard excludes from its scope leases which continue to be regulated by another accounting standard (IAS 17/IFRS 16).

2.3 Functional currency

These condensed consolidated interim 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

In accordance with the International Financial Reporting Standards as adopted by the European Union, the information relating to the six-month period ended 30 June 2016 contained in these condensed consolidated interim financial statements is presented for the purpose of its comparison with the information for the six-month period ended 30 June 2017 for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, consolidated statement of cash flows and, for the period ended 31 December 2016, the condensed consolidated statement of financial position.

2.5 Responsibility for the information and use of estimates

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

In the Group's condensed consolidated interim financial statements for the six-month period ended 30 June 2017, estimates were occasionally made by the senior executives of the Group and of the consolidated companies, and later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and commitments 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 at 30 June 2017.
3. Impairment of goodwill.
4. The fair value of certain financial instruments.
5. The assessment of provisions and contingencies.
6. Management of financial risk and, in particular, of liquidity risk.
7. The recovery of deferred tax assets and the tax rate applicable to temporary differences.
8. Definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets.
9. Compliance with the requirements that regulate Real Estate Investment Trusts.

Changes in estimates:

Although these estimates were made on the basis of the best information available at 30 June 2017, 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

In the first 6 months of 2017, there were no significant changes in the Group's main contingent assets and liabilities.

2.7 Correction of accounting errors

When preparing the condensed consolidated interim financial statements for the six-month period ended 30 June 2017, no errors were detected that would have made it necessary to restate the amounts included in the consolidated financial statements for 2016.

2.8 Seasonality of the Group's transactions

In view of the business activities in which the Group companies engage, their transactions are not significantly cyclical or seasonal in nature. Therefore, no specific disclosures are included in this respect in these explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2017.

2.9 Condensed consolidated statement of cash flows

The following terms are used in the condensed consolidated statement of cash flows, 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 consolidated companies and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of equity and borrowings of the Group that are not operating activities.

2.10 Materiality

In accordance with IAS 34, in deciding the information to be disclosed on the explanatory notes in the condensed consolidated interim financial statements or other matters in the notes to the financial statements, the Group took into account their materiality in relation to the condensed consolidated interim financial statements for the six-month period ended 30 June 2017.

3. Changes in the scope of consolidation

The changes in the scope of consolidation in the first 6 months of 2017 were as follows:

The Parent acquired 100% of the ownership interest in Promosete Investimentos Imobiliarios, S.A. the share capital of which amounted to EUR 200,000, and is fully paid and represented by 200,000 shares of EUR 1 par value each for EUR 11,704 thousand. The main line of business of the acquired company is the lease of offices. Its main asset is the Central Office Building in Lisbon which is 100% leased and has a surface area of 10,310 square meters. Its appraised value at the time of purchase according to an independent appraiser was EUR 30,991 thousand. The purpose of this business combination is to increase the Group's presence in the real estate market in Lisbon. The impact of the main aggregates on the financial statements are of limited relevance with respect to the Group.

In Appendix I to the consolidated financial statements for 2016 relevant information on the consolidated Group companies and the companies accounted for using the equity method at that date is provided. The only change in 2017 is that described in the preceding paragraph.

Corporate restructuring of subsidiaries

On 27 June 2017, the Board of Directors of the Parent approved the start of the merger between Explotaciones Urbanas Españolas, S.L.U. and Centros Comerciales Metropolitanos, S.A.U., both wholly owned by the Parent. The aforementioned process does not affect the Group's financial statements.

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 six-month period ended 30 June 2017.

b) Basis and methodology for segment reporting

The segment information below is based on monthly reports prepared by Group management, which are generated using the same computer application that prepares all the Group's accounting information. The accounting policies applied to prepare the segment information are the same as those used by the Group, as described in Note 2.

Segment revenue relates to ordinary revenue directly attributable to the segment plus the proportion of the general revenue of the Group that may be reasonably allocable to it. Segment revenue does not include interest income or dividend income or gains on redemption or extinguishment of debt.

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

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

The assets and liabilities of the segments are those that are directly related to their operations plus those that can be directly attributed to them on the basis of the aforementioned allocation system, and include the proportional part of joint ventures. Liabilities do not include income tax payments.

Segment information about these businesses at 30 June 2017 and its comparison with the preceding period (30 June 2016 for income and expense and 31 December 2016 for assets and liabilities) is presented below:

a) Segment reporting

At 30 June 2017	Thousands of euros						
	Office building	High Street Retail	Shopping centres	Logistics	Other	Corporate unit	Group total
Ordinary revenue from non-Group customers:							
Rental income	103,371	53,329	45,456	19,829	11,035	337	233,357
Revenue	**103,371**	**53,329**	**45,456**	**19,829**	**11,035**	**337**	**233,357**
Other operating income	53	31	1,079	135	-	199	1,497
Staff costs	-	-	(401)	(234)	-	(37,952)	(38,587)
Operating expenses	(8,702)	(1,027)	(6,622)	(2,431)	(955)	(7,646)	(27,383)
Gains or losses on disposals of non-current assets	18	158	65	-	-	-	241
Depreciation and amortisation charge	-	(2)	(5)	(2,492)	-	(1,113)	(3,612)
Excessive provisions	-	-	-	-	-	96	96
Absorption of the revaluation of investment property	-	-	-	(7,018)	(2,821)	-	(9,839)
Change in fair value of investment property	176,087	12,364	92,624	40,287	10,954	-	332,316
Negative difference on business combinations	(1,775)	-	-	-	-	-	(1,775)
Profit from operations	**269,052**	**64,853**	**132,196**	**48,076**	**18,213**	**(46,079)**	**486,311**
Net finance income/(expense)	(1,540)	(10,938)	(1,984)	(1,314)	-	(44,013)	(59,789)
Gains or losses on disposals of financial instruments	-	-	(8)	-	-	109	101
Change in the value of derivative financial instruments	(24)	(7,798)	-	226	-	6,895	(701)
Share of results of companies accounted for using the equity method	-	-	791	-	-	7,546	8,337
Profit/(Loss) before tax	**267,488**	**46,117**	**130,995**	**46,988**	**18,213**	**(75,542)**	**434,259**
Income tax	(1,821)	(1,019)	(7,012)	799	(1,699)	(1,508)	(12,260)
Profit/(Loss) for the period	**265,667**	**45,098**	**123,983**	**47,787**	**16,514**	**(77,050)**	**421,999**

At 30 June 2016	Thousands of euros							
	Office building	High Street Retail	Shopping centres	Logistics	Hotels	Other	Corporate Unit	Group total
Ordinary revenue from non-Group customers:								
Rental income	56,223	48,930	19,501	9,464	11,943	6,886	1,740	154,687
Revenue	**56,223**	**48,930**	**19,501**	**9,464**	**11,943**	**6,886**	**1,740**	**154,687**
Other income	28	-	-	-	-	-	272	300
Staff costs	-	-	-	-	-	-	(7,042)	(7,042)
Operating expenses	(6,725)	(338)	(798)	(680)	(887)	(1,449)	(8,893)	(19,770)
Gains or losses on disposals of non-current assets	-	-	-	-	-	64	-	64
Depreciation and amortisation charge	-	(14)	-	-	-	(1,864)	(165)	(2,043)
Excessive provisions	54	-	-	-	-	-	-	54
Impairment of goodwill:								
Absorption of the revaluation of investment property	(55,741)	-	(38,380)	(5,140)	(11,796)	(3,221)	-	(114,278)
Change in fair value of investment property	70,926	118,573	49,078	21,936	12,340	2,531	-	275,384
Negative difference on business combinations	-	-	-	-	-	-	(4,343)	(4,343)
Profit from operations	**64,765**	**167,151**	**29,401**	**25,580**	**11,600**	**2,947**	**(18,431)**	**283,013**
Net finance income/(expense)	(1,562)	(11,258)	(1,920)	(704)	-	95	(22,427)	(37,776)
Change in the value of derivative financial instruments	98	(17,970)	(464)	(575)	-	-	(7,382)	(26,293)
Impairment and gains or losses on disposals of financial instruments	-	-	-	-	-	(355)	-	(355)
Share of results of companies accounted for using the equity method	-	-	-	-	-	-	2,810	2,810
Profit/(Loss) before tax	**63,301**	**137,923**	**27,017**	**24,301**	**11,600**	**2,687**	**(45,430)**	**221,399**
Income tax	**(533)**	**(5,509)**	**-**	**-**	**-**	**-**	**(4,170)**	**(10,212)**
Profit/(Loss) for the period	**62,768**	**132,414**	**27,017**	**24,301**	**11,600**	**2,687**	**(49,600)**	**211,187**

At 30 June 2017	Thousands of euros						
	Office buildings	High Street Retail	Shopping centres	Logistics	Other	Corporate unit	Group total
Investment property	5,035,830	2,008,313	1,603,451	578,264	424,296	-	9,650,154
Non-current financial investments-	19,384	214,610	11,136	4,931	70,274	781	321,116
Derivatives	-	*199,865*	-	-	-	-	*199,865*
Other financial assets	*19,384*	*14,745*	*11,136*	*4,931*	*70,274*	781	*121,251*
Deferred tax assets	-	7,063	824	10,291	-	124,689	142,867
Other non-current assets	151	8	110,361	158,023	240,790	65,009	574,342
Non-current assets	**5,055,365**	**2,229,994**	**1,725,772**	**751,509**	**735,360**	**190,479**	**10,688,479**
Trade receivables	13,254	2,635	6,154	6,655	6,766	16,530	51,994
Other current financial assets	5	526	3	1,440	1	77,596	79,571
Other current assets	36,636	32,093	24,431	11,699	812	296,817	402,488
Current assets	**49,895**	**35,254**	**30,588**	**19,794**	**7,579**	**390,943**	**534,053**
Total assets	**5,105,261**	**2,265,248**	**1,756,360**	**781,624**	**732,614**	**581,425**	**11,222,532**
Long-term bank borrowings and debt instrument issues	108,647	920,470	130,393	99,261	-	3,797,736	5,056,507
Other non-current liabilities	229,281	118,376	50,889	29,524	325	289,556	717,951
Non-current liabilities	**337,928**	**1,038,846**	**181,282**	**128,785**	**325**	**4,087,292**	**5,774,458**
Current liabilities	**50,650**	**14,367**	**15,306**	**11,959**	**143,681**	**60,249**	**296,212**
Total liabilities	**388,578**	**1,053,213**	**196,588**	**140,744**	**144,006**	**4,147,541**	**6,070,670**

At 31 December 2016	Thousands of euros						
	Office buildings	High Street Retail	Shopping centres	Logistics	Other	Corporate unit	Group Total
Investment property	4,645,053	1,997,428	1,525,247	455,142	404,310	4	9,027,184
Non-current financial assets-	17,855	222,100	10,616	4,869	3,585	16,407	275,432
Derivatives	-	*207,182*	-	-	-	-	*207,182*
Other financial assets	*17,855*	*14,918*	*10,616*	*4,869*	*3,585*	16,407	*68,250*
Deferred tax assets	55	7,337	932	9,494	1,479	121,747	141,044
Other non-current assets	231	11	110,056	160,156	4,321	360,455	635,230
Non-current assets	**4,663,194**	**2,226,876**	**1,646,851**	**629,661**	**413,695**	**498,613**	**10,078,890**
Trade receivables	14,842	6,228	4,429	4,721	318,067	157,607	505,894
Other current financial assets	17	459	-	1,421	-	4,547	6,444
Other current assets	17,607	34,511	13,616	7,501	753	253,364	327,352
Current assets	**32,466**	**41,198**	**18,045**	**13,643**	**318,820**	**415,518**	**839,690**
Total assets	**4,695,660**	**2,268,074**	**1,664,896**	**643,304**	**732,515**	**914,131**	**10,918,580**
Long-term bank borrowings and debt instrument issues	233,988	925,246	130,301	100,380	-	3,784,667	5,174,582
Other non-current liabilities	234,132	135,295	50,175	29,018	454	245,938	695,012
Non-current liabilities	**468,120**	**1,060,541**	**180,476**	**129,398**	**454**	**4,030,605**	**5,869,594**
Current liabilities	**40,442**	**16,530**	**15,269**	**12,261**	**25,233**	**98,482**	**208,217**
Total liabilities	**508,562**	**1,077,071**	**195,745**	**141,659**	**25,687**	**4,129,087**	**6,077,811**

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 contains a summary of the ordinary revenue and non-current investment property by geographical area at 30 June 2017:

	Thousands of euros			
	Ordinary revenue	%	Investment property/Concession projects	%
Madrid	112,509	48,2%	5,469,641	55.3%
Catalonia	41,402	17,7%	1,648,917	16.7%
Galicia	10,859	4,7%	415,919	4.2%
Basque Country	10,385	4,5%	377,929	3.8%
Andalusia	10,269	4,4%	360,197	3.6%
Autonomous Community of Valencia	11,560	5,0%	393,531	4.0%
Castilla y León	5,688	2,4%	280,851	2.8%
Rest of Spain	25,899	11,1%	759,980	7.7%
Portugal	4,786	2,0%	191,641	1.9%
Total	**233,357**		**9,894,606**	

At 31 December 2016

	Thousands of euros			
	Ordinary revenue	%	Investment property/intangibles	%
Madrid	170,997	49%	5,260,469	57%
Catalonia	55,576	16%	1,442,324	16%
Galicia	22,559	6%	413,939	4%
Basque Country	14,800	4%	371,740	4%
Andalusia	19,234	5%	399,924	4%
Valencia Autonomous Community	15,077	4%	382,538	4%
Castilla y León	6,293	2%	108,430	1%
Rest of Spain	39,024	11%	747,417	8%
Portugal	7,229	2%	146,147	2%
France	857	0%	-	2%
Total	**351,646**	**100%**	**9,272,928**	**100%**

c) Main customers

The table below lists the lessees from which have generated the most rental income at 30 June 2017, and the primary characteristics of each:

Position	Name	Type	% of total rental income	% accumulated	Maturing in
1	BBVA - Branches	High street retail	19.0	19.0	2040
2	Endesa	Offices	4.5	23.5	2023
3	Técnicas Reunidas	Offices	2.4	25.9	2018
4	Renault	Offices	1.9	27.8	2017
5	PricewaterhouseCoopers, S.L.	Offices	1.6	29.4	2021
6	Caprabo	High street retail	1.5	30.9	2023
7	Madrid City Hall	Offices	1.4	32.4	2019
8	Hotusa + WTC	Hotel	1.4	33.8	2019
9	Indra Sistemas, S.A.	Offices	1.4	35.2	2022
10	L'Oreal España, S.A.	Offices	1.0	36.1	2022

5. Goodwill on consolidation

The goodwill recognised at 30 June 2017 arose from the business combination with Testa Inmuebles en Renta, SOCIMI, S.A. and subsidiaries. The changes in this heading in the first 6 months of 2017 were as follows:

	Thousands of euros		
	Balance at 31/12/2016	Transfer by absorption of value	Balance at 30/06/2017
Goodwill	9,839	(9,839)	-

The changes in this heading in the first 6 months of 2017 relate to revaluations of Testa's real estate assets. Accordingly, the valuations of the assets acquired in the Testa business combination carried out by independent appraisers at 30 June 2017 increased with respect to 31 December 2016 by EUR 85,488 thousand (see Note 7). In the Group's opinion, this revaluation represents the materialisation of the expectations existing at the date of the business combination and, therefore, it has reduced goodwill by EUR 9,839 thousand corresponding to the absorption of goodwill due to the revaluation of real estate assets in 2017.

6. Concession projects, other intangible assets and property, plant and equipment

The change in the first 6 months of 2017 in "Concession projects", "Other intangible assets" and "Property, plant and equipment" is due mainly to the depreciation and amortisation for the period amounting to EUR 3,612 thousand recognised under "Depreciation and amortisation charge" in the accompanying consolidated income statement.

7. Investment property

The changes under this heading in the six-month period ended 30 June 2017 were as follows:

	Thousands of euros
Balances at 1 January 2016	**5,397,091**
Additions due to business combinations	3,570,380
Additions during the period	171,817
Disposals	(565,253)
Change in value of the investment property	453,149
Balances at 31 December 2016	**9,027,184**
Additions due to business combinations (see Note 3)	30,991
Additions during the period	267,600
Derecognitions during the period	(7,937)
Change in value of the investment property	332,316
Balances at 30 June 2017	**9,650,154**

Investment property is recognised at fair value. Income recognised in the condensed consolidated income statement on measuring investment property at fair value amounted to EUR 332,316 thousand.

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

The main acquisition of assets in the first 6 months of 2017 corresponds to the Torre Glóries building located in Barcelona, the acquisition price of which amounted to EUR 142 million and the total built-up area of which is 51,485 square metres. The Parent will invest an additional EUR 15 million to convert it into a multi-tenant building, in order for the building to be used fundamentally as offices. Likewise, in 2017 the Group acquired 4 logistics buildings in Cabanillas (Guadalajara) for EUR 62 million.

The other additions in the period relate to the improvement and adaptation work carried out on certain buildings owned by the Group, as well as the development of sites such as Torre Chamartín and certain logistics buildings.

At 30 June 2017, the Group had pledged real estate assets totalling EUR 2,714,960 thousand to secure various loans and derivative financial instruments, the balances of which amounted to EUR 1,261,156 thousand and EUR 37,257 thousand at 30 June 2017, respectively (see Note 11).

“Investment property” includes finance lease transactions as detailed below:

	Thousands of euros			
Type of asset	Number of properties	Fair value	Price of the purchase option	Final maturity
Offices	3	420,960	104,645	14/02/2018
	3	**420,960**	**104,645**	

All properties included in “Investment property” were insured at 30 June 2017.

At 30 June 2017, the Group did not have any outright purchase agreements for investment property. In the first 6 months of 2017 no finance costs were capitalised in the cost of constructing the properties.

At 30 June 2017, the gross surface areas and occupancy rates of the assets by line of business were as follows:

	Square metres										
	Gross leasable area										
	Autonomous Community of Madrid	Catalonia	Castilla y León	Galicia	Basque Country	Andalusia	Autonomous Community of Valencia	Rest of Spain	Portugal	Total	Occupancy rate (%)
Offices	973,130	214,533	-	-	-	15,078	-	4,488	47,657	1,254,886	89.3%
High Street Retail	94,695	112,985	24,673	26,910	31,789	31,839	40,928	96,413	-	460,232	100%
Shopping centres	64,021	93,155	-	100,207	24,323	21,504	71,432	75,206	5,495	455,343	82%
Logistics	127,740	202,543	-	-	72,717	109,772	26,613	381,842	-	921,227	99%
Other	56,692	55,479	-	5,898	46	-	-	-	-	118,115	76.1%
Total surface area	**1,316,278**	**678,695**	**24,673**	**133,015**	**128,875**	**178,193**	**138,973**	**557,949**	**53,152**	**3,209,803**	
% weight	**41%**	**21.1%**	**0.8%**	**4.1%**	**4%**	**5.6%**	**4.3%**	**17.4%**	**1.7%**		

Fair value measurement and sensitivity

All investment property leased or earmarked for lease through operating leases (rental property business segment) is classified as investment property.

In accordance with IAS 40, the Group periodically calculates the fair value of its investment property. This fair value is determined using as reference values the valuations undertaken by third-party independent experts every six months, so that every six months the fair value reflects the market conditions of the property investments at that date.

The market value of the Group's investment property at 30 June 2017, calculated on the basis of appraisals carried out by Savills Consultores Inmobiliarios, S.A. and CBRE Valuation Advisory, S.A., independent appraisers not related to the Group, amounted to EUR 9,632,010 thousand. This valuation does not include the value of the embedded derivative of the rent in the lease agreement with BBVA amounting to EUR 199,865 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 18,144 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 national market and institutional market conditions.

The method used by CBRE 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 municipality (downtown, 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

At 30 June 2017, the detail of assets measured at fair value by their level in the fair value hierarchy is as follows:

	Thousands of euros			
	At 30 June 2017			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurement				
Investment property				
Offices				
- Land	2,063,328			2,063,328
- Buildings	2,972,502			2,972,502
High Street Retail				
- Land	584,159			584,159
- Buildings	1,424,154			1,424,154
Shopping centres				
- Land	421,859			421,859
- Buildings	1,181,592			1,181,592
Logistics				
- Land	175,480			175,480
- Buildings	402,785			402,785
Other				
- Land	252,938			252,938
- Buildings	171,358			171,358
Total assets measured at fair value on an ongoing basis	9,650,154			9,650,154

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:

	Net initial yield	Discount rate
Offices	8.84% - (-1.33)%	9.50% - 5.00%
High Street Retail	7.25% - 2.50%	7.00% - 6.50% (*)
Shopping centres	5.47% - 1.41%	11.00% - 6.25%
Logistics	8.42% - 2.76%	9.69% - 7.66%
Other	15.28% - 2.94%	15.00% - 5.00%

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

The effect of a one-quarter of one point change in the rate of return, calculated as rent as a percentage of the market value of the assets, in the consolidated assets and in the consolidated income statement, would be as follows:

	Thousands of euros	
	Assets	Consolidated net profit/(loss)
Increase in the rate of return of one-quarter of one percent	(463,756)	(463,756)
Decrease in the rate of return of one-quarter of one percent	508,222	508,222

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

	Thousands of euros	
	Assets	Consolidated net profit/(loss)
10% increase in market rent	644,508	644,508
10% decrease in market rent	(644,508)	(644,508)

Accordingly, the impact on the consolidated income statement of the revaluations of the Group's real estate assets in the first 6 months of 2017, taking into consideration all headings affected in the consolidated income statement, is as follows:

	Thousands of euros	
	30/06/2017	30/06/2016
Change in fair value of investment property	332,316	275,384
Change in the fair value of the embedded derivative	(7,317)	(17,038)
Absorption of the revaluation of the investment property of Testa Inmuebles en Renta (Note 5)	(9,839)	(114,278)
Effect on the income statement	**315,160**	**144,068**

8. Investments accounted for using the equity method

In the first half of 2017, there were no significant changes in the investments accounted for using the equity method. At 30 June 2017, the profit attributable to the Group amounted to EUR 8,337 thousand recognised under "Share of results of companies accounted for using the equity method" in the accompanying condensed consolidated income statement.

Appendix I to the consolidated financial statements of the Group for 2016 contains a list of the main investments in associates which includes the name, the country of incorporation, business and percentage of ownership interest in the share capital. There were no significant changes to the main aggregates of the Group's associates.

9. 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	
	30/06/2017	31/12/2016
Non-current:		
At fair value-		
Derivative embedded in BBVA lease agreement	199,865	207,182
At amortised cost-		
Equity Instruments	873	206
Loans to third parties	54,588	55,608
Deposits and guarantees	65,790	66,431
	321,116	**329,427**
Current:		
At amortised cost-		
Investments in associates	72,513	72,860
Other financial assets	7,058	10,504
Trade and other receivables	51,994	505,894
	131,565	**589,258**

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 13 to the financial statements for 2016). The changes in the value of this derivative in the six-month period ended 30 June 2017 amounted to EUR -7,317 thousand and were recognised under "Changes in fair value of financial instruments" in the accompanying condensed consolidated income statement. The measurement approach used is described in Note 5.9 to the consolidated financial statements for 2016 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:

2017

	Thousands of euros	
Scenario	Asset	Consolidated profit/(loss) before tax
+50 bps	61,998	61,998
-50 bps	(45,716)	(45,716)

Trade and other receivables

In the first half of 2017, the Group received EUR 424 million corresponding to the selling price of the assets of the hotels sold in 2016. The remaining amount, amounting to approximately EUR 50 million, is included under "Loans to third parties" as they mature in the second half of 2018.

Classification of financial assets by maturity:

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

At 30 June 2017

	Thousands of euros				
	Less than 1 year	1 to 5 Years	More than 5 years	Undetermined	Total
Derivative embedded in BBVA lease agreement	-	-	199,865	-	199,865
Equity instruments	-	873	-	-	873
Loans to third parties	-	54,588	-	-	54,588
Deposits and guarantees	-	-	-	65,790	65,790
Investments in associates	72,513	-	-	-	72,513
Other financial assets	7,058	-	-	-	7,058
Trade and other receivables	51,994	-	-	-	51,994
Total financial assets	**131,565**	**55,461**	**199,865**	**65,790**	**452,681**

At 31 December 2016

	Thousands of euros				
	Less than 1 year	1 to 5 Years	More than 5 years	Undetermined	Total
Derivative embedded in BBVA lease agreement	-	-	207,182	-	207,182
Equity instruments	-	206	-	-	206
Loans to third parties	-	55,608	-	-	55,608
Deposits and guarantees	-	-	-	66,431	66,431
Investments in associates	72,860	-	-	-	72,860
Other financial assets	10,504	-	-	-	10,504
Trade and other receivables	505,894	-	-	-	505,894
Total financial assets	**589.258**	**55,814**	**207,182**	**66,431**	**918.685**

10. Equity

10.1 Share capital

There were no changes in the share capital of the Parent in the first half of 2017.

At 30 June 2017, 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 on 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 at 30 June 2017 and the average market price for the fourth quarter amounted to EUR 11.06 and EUR 10.94 per share, respectively.

At 30 June 2017, the significant shareholders of Merlin Properties SOCIMI, S.A. with direct or indirect ownership interests exceeding 3% of share capital, are as follows:

	Shares			% of capital
	Direct	Indirect	Total	
Banco Santander, S.A.	78,437,100	26,172,125	104,609,225	22.27%
Banco Bilbao Vizcaya, S.A.	23,491,385	6,781,194	30,272,579	6.44%
BlackRock, INC	-	14,766,425	14,766,425	3.14%

10.2 Share premium

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

This reserve is unrestricted so long as its allocation does not lower the Parent's equity to below the amount of share capital. In this connection, in 2017 the shareholders at the General Meeting approved the distribution of dividends totalling EUR 46,643 thousand with a charge to the share premium.

10.3 Reserves

The detail of reserves at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of euros	
	30/06/2017	31/12/2016
Legal reserve	14,883	2,986
Reserves of consolidated companies	302,199	(158,493)
Other reserves	23,627	11,970
Total other reserves	**340,709**	**(143,537)**

Legal reserve

The legal reserve will be established in accordance with Article 274 of the consolidated text of the Spanish Corporate Enterprises Act (*Texto Refundido de la Ley de Sociedades de Capital*) which stipulates, in all cases, that 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

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

At 30 June 2017, the Group had not yet reached the legally required minimum established in the consolidated text of the Spanish Corporate Enterprises Act.

The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Law 11/2009 governing REITs, must not exceed 20% of share capital. The bylaws of these companies may not establish any restricted reserve other than the aforementioned reserve.

Reserves of consolidated companies

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

	Thousands of euros	
	30/06/2017	31/12/2016
Merlin Properties SOCIMI, S.A.	(182,015)	(337,858)
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	314,709	136,058
Merlin Retail, S.L.U.	79,902	52,449
Merlin Oficinas, S.L.U.	48,353	14,969
Merlin Logística, S.L.U.	41,903	9,871
Merlin Logística II, S.L.U.	4,725	2,590
Obraser, S.A.	(1,332)	(7,004)
MPCVI- Compra e Venda Imobiliária, S.A.	3,876	1,548
MPEP- Properties Escritórios Portugal, S.A.	(9)	(2)
Varitelia Distribuciones, S.L.	12,076	(4,757)
Metroparque, S.A.	10,098	(3,282)
Metropolitana Castellana, S.L.	31,401	29,718
La Vital Centro Comercial y de Ocio, S.L.	29,915	28,599
Global Carihuela Patrimonio Comercial, S.A.	451	332
Sadorma 2003, S.L.	(4,433)	(189)
Metrovacesa France, S.A	(57)	(2,640)
Metrovacesa Mediterranee S.A.S.	(7,089)	369
Centros Comerciales Metropolitanos, S.A.	(32,887)	(32,740)
Exp. Urbanas Españolas, S.L.U.	(30,134)	(30,134)
Acoghe, S.L.	(4)	(16,912)
Global Murex Iberia, S.L.	(10)	(10)
Project Maple I BV	-	385
Inmobiliaria Metrogolf, S.A.	(7)	11
Testa Hoteles, S.A.	(5)	(4)
Gescentesta. S.L.U.	223	1
Gesfintesta, S.L.	(224)	139
Merlin Parques Logísticos, S.L.U.	8,523	-
Merlin Parques Logísticos de la Zona Franca, S.A.	(11,278)	-
Sevisur Logística, S.A.	(390)	-
VFX Logística, S.A.	939	-
Belkyn West Company, S.L.	(9)	-
Merlin Properties Adequa, S.L.	(15,631)	-
Merlin Properties Monumental, S.A.	564	-
Merlin Properties Torre A, S.A.	55	-
	302,199	**(158,493)**

Dividends

On 26 April 2017, the shareholders at the General Meeting approved the distribution of a dividend amounting to EUR 47,310 thousand with a charge to 2016 profit, as well as the distribution of an additional dividend with a charge to the share premium amounting to EUR 46,643 thousand.

10.4 Treasury shares

On 30 June 2017, the Parent had treasury shares amounting to EUR 35,498 thousand, representing 0.7% of its share capital.

The changes in the first 6 months of 2017 were as follows:

	Number of shares	Thousands of euros
Balance at 1 January 2006	**-**	**-**
Additions	133,299	1,369
Retirements	(123,069)	(1,264)
Balance at 31 December 2016	**10,230**	**105**
Additions	3,300,000	35,393
Balance at 30 June 2017	**3,310,230**	**35,498**

On 6 April 2016, the Shareholders of the Parent authorised the Board of Directors to acquire treasury shares up to a maximum of 10% of the Company's share capital. The Shareholders at the General Meeting held on 26 April 2017 revoked the aforementioned authorisation and authorised the acquisition of treasury shares by the company itself or by a Group company pursuant to Article 146 *et seq*. of the Spanish Corporate Enterprises Act, complying with the requirements and restrictions established in the legislation in force during the five-year period. The authorisation includes the acquisition of shares which, 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 additions in 2017 correspond to the acquisition of 3,300,000 treasury shares representing 0.70% of its share capital within the framework of the divestment process carried out by the former shareholder Banco Popular Español, S.A. The shares were purchased at a price of EUR 10.725 per share. The total investment amounted to EUR 35,393 thousand.

10.5 Earnings per share

The detail of the calculation of earnings per share is:

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:

	30/06/2017	30/06/2016
Profit for the year attributable to equity holders of the Parent (thousands of euros)	421,398	211,143
Weighted average number of shares outstanding (in thousands)	469,049	323,030
Basic earnings per share (euros)	**0.90**	**0.65**

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

	Number of shares	
	30/06/2017	30/06/2016
Ordinary shares at beginning of period	469,770,750	323,030,000
Average effect of outstanding treasury shares	(721,280)	-
Weighted average number of ordinary shares outstanding at 30 June (thousands of shares)	**469,049,470**	**323,030,000**

Diluted

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 Parent does not have different classes of potentially dilutive ordinary shares.

10.6 Valuation adjustments

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

11. Current and non-current financial liabilities

The detail of the bank borrowings and debt instruments issued is as follows (in thousands of euros):

	Thousands of euros	
	30/06/2017	31/12/2016
Non-current:		
Measured at amortised cost		
Syndicated loans	872.614	1,253,885
Syndicated loan arrangement costs	(7,035)	(12,422)
Total syndicated loan	**865,579**	**1,241,463**
Senior syndicated mortgage loan (Tree)	894,422	899,924
Syndicated loan arrangement costs	(17,568)	(18,871)
Total senior syndicated mortgage loan (Tree)	**876,854**	**881,053**
Revolving credit facility	-	180,000
Mortgage loans	356,328	357,054
Leases, credit facilities and loans	-	124,911
Loan arrangement costs	(6,268)	(6,915)
Total other loans	**350,060**	**655,054**
Debt instruments and bonds	2,950,000	2,350,000
Debt instrument issuance costs	(26,896)	(22,655)
Total debt instruments and bonds	**2,923,104**	**2,327,345**
Total amortised cost	**5,015,597**	**5,104,915**
Measured at fair value		
Derivative financial instruments	40,910	69,667
Total at fair value	**40,910**	**69,667**
Total non-current	**5,056,507**	**5,174,582**
Current:		
Measured at amortised cost		
Syndicated loans	4,716	6,529
Senior syndicated mortgage loan (Tree)	10,205	11,476
Debt instruments and bonds	16,188	25,629
Mortgage loans	2,864	2,912
Leases, credit facilities and loans	128,953	10,849
Revolving credit facility	96	225
Total amortised cost	**163,022**	**57,620**
Measured at fair value		
Derivative financial instruments	4,055	4,235
Total at fair value	**4,055**	**4,235**
Total current	**167,077**	**61,855**

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

On 20 April 2016, the Parent obtained a credit rating of "BBB" from Standard & Poor's Rating Credit Market Services Europe Limited. In addition, on 17 October 2016, the Company obtained an investment grade credit rating of "Baa2" from Moody's.

11.1 Loans and credit facilities

The detail of bank borrowings at 30 June 2017 and 31 December 2016 is as follows:

	Thousands of euros				
	Bank borrowings				
	Limit	Debt arrangement costs	30/06/2017 Non-current	30/06/2017 Current	Short-term interest
Syndicated loans	1,790,000	(7,035)	872,614	3,662	1,054
Senior syndicated mortgage loan (Tree)	939,756	(17,568)	894,422	9,000	1,205
Other loans	360,845	(6,268)	356,328	1,406	1,458
Leases (Note 7)	149,125	-	-	128,953	-
Revolving credit facilities	420,000	-	-	-	96
Total	**3,659,726**	**(30,871)**	**2,123,364**	**143,021**	**3,813**

	Thousands of euros				
	Bank borrowings				
	Limit	Debt arrangement costs	31/12/2016 Non-current	31/12/2016 Current	Short-term interest
Syndicated loans	1,790,000	(12,422)	1,253,885	5,045	1,484
Senior syndicated mortgage loan (Tree)	939,756	(18,871)	899,924	10,225	1,251
Other loans	360,845	(6,652)	357,054	1,351	1,561
Leases	149,125	(263)	124,911	10,849	-
Revolving credit facilities	420,000	-	180,000	-	225
Total	**3,659,726**	**(38,208)**	**2,815,774**	**27,470**	**4,521**

Certain financing includes commitments to maintain certain coverage ratios, which are standard in these types of real estate companies, such as the loan-to-value ratio, the ratio of the subsidiary’s income used to service the debt (interest coverage ratio, ICR), and a minimum credit rating of BBVA from ratings agencies. The Parent’s Directors have confirmed that these ratios were met at 30 June 2017 and do not expect that they will not be fulfilled in the coming years.

The main changes in the first half of 2017 are as follows:

Partial repayment of the syndicated loan from the Parent

In the first half of 2017, the Parent voluntarily repaid EUR 320 million and EUR 60 million, respectively, corresponding to tranche A and tranche B1 of the syndicated loan. At 30 June 2017, EUR 530 million and EUR 310 million corresponding to tranche A and tranche B1 were outstanding, respectively, both maturing in 2021.

Repayment of the revolving credit facility

In the first 6 months of 2017, the Parent repaid EUR 120 million and EUR 60 million drawn down from the revolving credit facilities that it obtained from banks within the syndicated financing with a limit up to EUR 320 million and EUR 100 million and maturing in June 2019 and April 2021, respectively.

11.2 Debt instrument issues

The main changes in the first half of 2017 are as follows:

On 12 May 2017, the Parent expanded the debt instrument issue programme (Euro Medium-Term Notes — EMTN) up to EUR 4,000 million, and on 26 May 2017 it completed an issue of ordinary unsubordinated bonds in the Euromarket for a total of EUR 600 million. The bonds were issued at 99.417% of their nominal value. They mature in 8 years and have an annual coupon of 1.750%, payable annually at year-end. The terms and conditions of the bonds issued are governed and interpreted in accordance with English law and are listed on the Luxembourg Stock Exchange. At 30 June 2017, the bond price stood at around MS +113.8 b.p., equivalent to a return of approximately 1.786%. This financing was used to repay debt early, and for general use.

Bond issues have the same guarantees and obligations to comply with ratios as the syndicated loan and the revolving credit facilities.

11.3 Derivatives

The detail of derivative financial instruments at 30 June 2017 is as follows:

	Thousands of euros	
	30/06/2017	31/12/2016
Non-current		
Interest rate derivatives	42,426	74,201
Inflation derivatives	(1,516)	(4,534)
Total non-current	**40,910**	**69,667**
Current		
Interest rate derivatives	4,055	4,235
Total current	**4,055**	**4,235**

The Company determines the fair value of interest rate and inflation derivatives by discounting cash flows on the basis of the implicit euro interest rate calculated on the basis of market conditions at the measurement date.

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

The detail of the derivative financial instruments in the consolidated statement of financial position at 30 June 2017 is as follows:

At 30 June 2017

	Thousands of euros	
	Financial asset	Financial liability
Non-current		
Interest rate derivatives	-	46,481
Inflation derivatives	-	(1,516)
Derivative embedded in BBVA lease agreement	199,865	-
Total derivatives recognised	**199,865**	**44,965**

At 31 December 2016

	Thousands of euros	
	Financial asset	Financial liability
Non-current		
Interest rate derivatives	-	78,436
Inflation derivatives	-	(4,534)
Derivative embedded in BBVA lease agreement	207,182	-
Total derivatives recognised	**207,182**	**73,902**

The derivatives held by the Group at 30 June 2017 and the fair values thereof at that date are as follows (in thousands of euros):

	Interest rate arranged	Thousands of euros					
		Fair value 30/06/2017	Notional amount each year				
			2017	2018	2019	2020	Subsequent years
Interest rate derivatives	3.97% - 0.25%	(45,078)	1,175,990	1,079,659	1,063,137	941,084	865,750
Merlin syndicated interest rate derivatives	0.0981%	(2,934)	530,000	530,000	530,000	530,000	530,000
Metrov. syndicated interest rate derivatives	-0.12%	1,531	310,000	310,000	310,000	310,000	310,000
Inflation derivative	3.14%	1,516	-	-	-	-	-
		(44,965)	**2,015,990**	**1,919,659**	**1,903,137**	**1,781,084**	**1,705,750**

The Group has opted for hedge accounting, suitably designating the hedging relationships in which these financial instruments are hedging instruments of the financing used by the Group. In this manner, the Group has neutralised flow variations stemming from interest payments and fixed the rate to be paid for said financing. For certain derivatives, these hedging relationships have been highly effective, prospectively and retrospectively, on a cumulative basis, since their date of designation.

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

Scenario	Thousands of euros		
	Liability	Equity	Consolidated profit/(loss) before tax
5% rise in credit risk rate	(50,107)	31,717	18,390
5% reduction in credit risk rate	51,902	(24,528)	(27,374)

11.4 Maturity of the debt

The detail, by maturity, of the debt at 30 June 2017 is as follows:

	Thousands of euros				
	Syndicated loan	Senior syndicated mortgage loan (Tree)	Mortgage loans	Leases	Total
2017	2,522	4,511	677	5,398	13,107
2018	5,101	8,955	1,460	123,555	139,071
2019	26,748	11,072	4,229	-	42,079
2020	1,905	10,935	72,981	-	85,821
2021	840,000	10,799	69,487	-	920,286
More than 5 years	-	857,150	208,900	-	1,066,050
	876,276	**903,422**	**357,734**	**128,953**	**2,266,385**

12. Other current and non-current liabilities

The detail of these headings at 30 June 2017 is as follows:

	Thousands of euros			
	30/06/2017		31/12/2016	
	Non-current	Current	Non-current	Current
Provisions	52,901	867	34,092	867
Guarantees and deposits received	84,940	165	85,123	75
Deferred tax liabilities	576,839	-	556,771	-
Other payables	3,271	18,425	19,026	3,119
Payable to associates	-	427	-	803
Other current liabilities	-	303	-	629
Total	**717,951**	**20,187**	**695,012**	**5,493**

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

The Parent and the majority of its subsidiaries are subject to the REIT tax regime. Under this regime, gains from the sale of assets are taxed at 0%, provided that certain requirements are met (basically, the assets must have been owned by the REIT for at least three years). Any gains from the sale of assets acquired prior to qualifying for the REIT tax regime will be distributed on a straight-line basis (unless proven to be distributed otherwise) over the period during which the REIT owned them. Gains generated in years prior to qualifying for the REIT tax regime will be taxed at the general rate, however the tax rate for all other years will be 0%. In this connection, the Parent's Directors estimated the tax rate applicable to the tax gain on the assets acquired prior to qualifying for the REIT tax regime (calculated based on the assets' fair value obtained from appraisals at the date of the business combination and at 30 June 2017), and recognised the corresponding deferred tax liability.

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

13. Trade and other payables

The detail of this heading is as follows:

	Thousands of euros	
	30/06/2017	31/12/2016
Current		
Payable to suppliers	44,838	60,959
Sundry accounts payable	10,015	25,434
Remuneration payable	5,306	11,944
Current tax liabilities	24,019	27,231
Other accounts payable to public authorities	7,416	12,625
Customer advances	2,350	2,675
Total	**93,944**	**140,868**

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

14. Revenue and expense

a) Revenue

The detail of ordinary revenue is provided in Note 4 alongside the segment information.

b) Other operating expenses

The detail of this heading in the consolidated income statements is as follows:

	Thousands of euros	
	30/06/2017	30/06/2016
Non-recoverable expenses of leased properties	18,510	8,692
Overheads	5,058	3,229
Independent professional services	*3,990*	*2,616*
Office rental	*437*	*260*
Insurance	*95*	*70*
Banking services	*23*	*2*
Taxes other than income tax	*14*	*29*
Other	*499*	*252*
Costs associated with asset acquisitions	2,443	5,291
Other professional services	496	1,945
Losses on, impairment of and change in allowances for trade receivables	876	613
Total	**27,383**	**19,770**

c) Staff costs and average headcount

The breakdown of staff costs is as follows:

	Thousands of euros	
	30/06/2017	30/06/2016
Wages, salaries and similar payments	10,838	6,396
Termination benefits	70	75
Social security costs	929	571
Medium-term incentive plan	26,750	-
Total	**38,587**	**7,042**

The average number of employees at the various companies comprising the Group in the six-month period ended 30 June 2017 was 148 (132 in 2016).

15. 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 transactions that are significant in amount or material carried out between the Parent or Group companies and related parties are as follows:

Related party	Nature of the relationship	Thousands of euros			
		Income	Expense	Asset	Liability
Banco Santander, S.A. (a)	Borrowings	81	3,823	-	364,759
Banco Santander, S.A. (a)	Notional derivatives	-	-	-	489,110
Banco Santander, S.A. (a)	Cash on hand	-	-	316,491	-
Banco Santander, S.A. (b)	Lease	507	251	-	238
Banco Santander, S.A. (d)	Services	123	634	-	-
Banco Bilbao Vizcaya Argentaria, S.A.(a)	Borrowings	-	22	-	-
Banco Bilbao Vizcaya Argentaria, S.A.(a)	Cash on hand	-	-	2,597	-
Banco Bilbao Vizcaya Argentaria, S.A. (b)	Lease	46,363		-	14,721
Magic Real Estate, S.L. (e)	Sublease	14	-	-	-
Testa Residencial, SOCIMI, S.A. (c)	Real estate services	3,850	-	-	-
Testa Residencial, SOCIMI, S.A. (c)	Lease	52	-	-	-
Total		**50,909**	**4,730**	**319,088**	**868,828**

(a) The Group has loans from its shareholder Banco Santander, S.A. amounting to EUR 364,759 thousand. In the first half of 2017, the finance costs incurred in transactions with shareholder banks amounted to EUR 3,845 thousand, of which EUR 3,823 thousand related to financing transactions carried out with Banco Santander, S.A., including EUR 75 thousand corresponding to finance costs for current accounts. In addition, the finance income obtained in the first half of 2017 amounted to EUR 81 thousand.

The notional amount of the derivatives arranged with Banco Santander, S.A. that are currently in force amounted to EUR 489,110 thousand.

Furthermore, at 30 June 2017, the balance of the Group’s deposits at Banco Santander, S.A. and Banco Bilbao Vizcaya, S.A. amounted to EUR 316,491 thousand and EUR 2,597 thousand.

The Group has been granted guarantees by its shareholder Banco Santander, S.A. amounting to EUR 4,469 thousand and by Banco Bilbao Vizcaya, S.A. amounting to EUR 5,496 thousand.

The Group has made contributions to employee pension funds managed by its shareholder Banco Santander, S.A. amounting to EUR 24 thousand.

(b) As indicated in Note 6 to the financial statements for 2016, the Group has leased 869 offices to Banco Bilbao Vizcaya Argentaria, S.A. (864 branches and five individual buildings). The terms of the lease agreements range from 2 to 24 years and, in the first half of 2017, they generated income amounting to EUR 46,235 thousand. The guarantees provided to secure the aforementioned agreements total EUR 14,675 thousand. Additionally, the Group has leased another property to Banco Bilbao Vizcaya Argentaria, S.A. for a two-year period that has generated income of EUR 124 thousand and, in relation to which, at 30 June 2017, a guarantee has been provided amounting to EUR 46 thousand.

Furthermore, the Group has leased seven properties to Banco Santander, S.A. The terms of the lease agreements range from 1 to 20 years and, in the first half of 2017, they generated income amounting to EUR 507 thousand. The guarantees provided to secure the aforementioned agreements total EUR 238 thousand.

(c) The Group provides real estate management services to its associate Testa Residencial, SOCIMI for which it receives consideration of EUR 3,850 thousand, including rent for a property, in connection with which it has received EUR 52 thousand for lease payments and charging of expenses.

(d) Merlin Properties, Socimi, S.A. has signed a service agreement in relation to which it provides technological support services to Metrovacesa Suelo y Promoción, S.A., a company which belongs to its shareholder Banco Santander, S.A., for which it has received EUR 123 thousand. In addition, the Group receives support services for managing real estate projects from Metrovacesa Suelo y Promoción, S.A., entailing an expense of EUR 634 thousand at 30 June 2017.

(e) Merlin Properties, Socimi, S.A. sublets 125 square meters of office space to Magic Real Estate S.L. The parties entered into this sublease in December 2015.

16. Equity interests and positions held by Directors and their related parties in other companies

The Directors of the Parent and their related parties have not been in a position involving a conflict of interest that required reporting under Article 229 of the consolidated text of the Spanish Corporate Enterprises Act.

Remuneration and other benefits of the Board of Directors

At 30 June 2017 and 2016 salaries, per diem attendance fees and remuneration of other kinds earned by members of the Parent's governing bodies totalled EUR 1,530 thousand and EUR 537 thousand, respectively, as detailed below:

	Thousands of euros	
	30/06/2017	30/06/2016
Fixed and variable remuneration	1,525	531
Statutory compensation	-	-
Termination benefits	-	-
Per diem attendance Fees	-	6
Life and health insurance	5	-
Total	**1,530**	**537**

In the first half of 2017, EUR 1,825 thousand of variable remuneration was paid to executive directors for the bonus for prior years. At 30 June 2017, the variable remuneration to be paid at long-term stood at EUR 3,780 thousand and is recognised under "Long-term provisions" in the accompanying balance sheet.

In addition, as indicated in Note 23 to the consolidated financial statements for 2016, as members of the executive team, Executive Directors may benefit from a share-based remuneration plan if they meet certain conditions related to shareholder returns ("2016 Share Plan"). In this connection, at 31 December 2016, the conditions established in the plan in order for Executive Directors to receive 750,000 shares within 5 years were met, provided that they remain employees of the Parent over the coming 3 years.

Additionally, as members of the executive team, Executive Directors, are entitled to benefit from the new remuneration plan granted to the executive team in 2017 which is described below.

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

Director	Type	Thousands of euros	
		30/06/2017	30/06/2016
Remuneration of board members			
Javier García Carranza Benjumea	Chairman - Proprietary Director	-	-
Ismael Clemente Orrego	CEO	500	150
Miguel Ollero Barrera	Executive Director	500	150
Maria Luisa Jordá Castro	Independent Director	60	34
Ana García Fau	Independent Director	57.5	34
Alfredo Fernández Agras	Independent Director	50	36
Fernando Ortiz Vaamonde	Independent Director	55	33
Ana de Pro	Independent Director	32.22	30
John Gómez Hall	Independent Director	50	30
George Donald Johnston	Independent Director	57.5	34
Juan Maria Aguirre Gonzalo	Independent Director	57.5	-
Pilar Cavero Mestre	Independent Director	55	-
Agustín Vidal-Aragón de Olives	Proprietary Director	-	-
Javier García Carranza Benjumea	Proprietary Director	-	-
Francisca Ortega Hernández-Agero	Proprietary Director	-	-
José Ferris Monera	Proprietary Director	50	-
Total		**1,525**	**531**

The Company has granted no advances, loans or guarantees to any members of the Board of Directors.

The Directors of the Parent are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Officers" arranged by the Parent to cover possible damages claimed from them and which become apparent as a result of management errors made by its Directors or officers, as well as those of its subsidiaries while performing their duties. The total annual amount of the premium was EUR 123 thousand.

Remuneration and other benefits of Senior Executives

The remuneration of the Parent's Senior Executives, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), in the six-month period ended 30 June 2017 is summarised as follows:

Thousands of euros			
Number of employees	Fixed and variable remuneration	Other remuneration	Total
4	866	15	881

At 30 June 2016

Thousands of euros			
Number of employees	Fixed and variable remuneration	Other remuneration	Total
4	503	13	516

In the first half of 2017, EUR 1,700 thousand of variable remuneration was paid to executive directors for the bonus for prior years. At 30 June 2017, the variable remuneration to be paid at long-term stood at EUR 3,419 thousand and is recognised under "Long-term provisions" in the accompanying balance sheet.

In addition, as indicated in Note 23 to the consolidated financial statements for 2016, the Parent has agreed to grant an additional variable remuneration incentive to the management team related to the company's shares ("2016 Share Plan"). In this connection, at 31 December 2016, the conditions established in the plan in order for Senior Executives to receive 623,334 shares within 5 years were met, provided that they remain employees of the Parent over the coming 3 years.

At 30 June 2017, the Group had recognised EUR 8,000 thousand with a charge to equity corresponding to the portion of the 2016 Share Plan vested in the period.

Lastly, at the General Meeting held on 26 April 2017, the shareholders approved a new remuneration plan for the executive team. The measurement period for this plan is 1 January 2017 to 31 December 2019 ("2017-2019 Incentive Plan"). In accordance with that established in the aforementioned plan, members of the executive team may be entitled to receive (i) a certain monetary amount based on the increase in the share price and (ii) shares of the Parent, provided that they meet certain objectives.

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

- the increase in the value of the price of the Parent's share plus the dividends distributed during the measurement period and;

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

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

RTA NAV/RTA share price	Percentage assigned to Beneficiaries ("PR")	Percentage assigned to Shareholders
< 24%	0%	100%
≥ 24% and < 36%	6%	94%
≥ 36%	9%	91%

The date for calculating the amount of the incentive tied to the NAV per share and the amount of the incentive tied to the market price of the shares will be 31 December 2019. The maximum amount to be received for the incentive tied to the market price in the period 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 the payment thereof. 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, at 30 June 2017, the Group recognised the expense incurred with a charge to "Long-term provisions", amounting to EUR 18,750 thousand, corresponding to the vested portion of the 2017-2019 Incentive Plan.

Lastly, as regards "golden parachute" clauses for Executive Directors and other members of Senior Management of the Parent or its Group in the event of dismissal or takeover, the contracts provide for compensation. These clauses entailed a total commitment of EUR 19,455 thousand at 30 June 2017.

17. Events after the reporting period

Subsequent to 30 June 2017 the following significant events have occurred:

On 18 September 2017, the Parent issued bonds amounting to EUR 300 million in accordance with the bond issue programme (Euro Medium Term Note- EMTN) through the issue of 3,500 bonds with a nominal value of EUR 100 thousand each. The bonds were issued at 98.931% of the nominal value thereof, maturing in twelve years and with an annual coupon rate of 2.375% payable annually in arrears.

18. Explanation added for translation to English

These interim condensed/complete consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

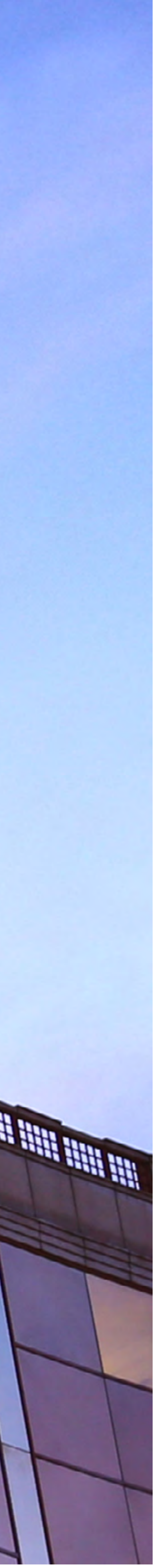
MERLIN PROPERTIES

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED ON
JUNE 30, 2017

MERLIN PROPERTIES, THE LEADING SOCIMI IN THE SPANISH REAL ESTATE MARKET

IBEX 35 STOXX® Europe 600 Global property research Solutions for customized property indices EPRA NAREIT MSCI



APPENDIX

01

EXECUTIVE SUMMARY

CONSOLIDATED PERFORMANCE

+5.7%
FFO per share YoY

+37.2%
EPS YoY

+12.2%
EPRA NAV YoY

- **Excellent set of results** showing robust generation of cash flow
- **FFO** per share of **€ 0.32** (+5.7% YoY) and **AFFO of € 0.30,** well placed to overcome FY17 guidance of € 0.55 per share
- **DPS Guidance upgraded** from € 0.44 per share to **€ 0.46 per share** (+4.6%)
- **EPRA NAV** per share at **€ 11.89** (+12.2% YoY, +5.9% vs 31/12/16)

(€ million)	6M17	6M16	YoY
Total revenues	242.6	158.0	+53.5%
Gross rents	235.1	154.6	+52.1%
Net rents	208.0	142.3	+46.2%
Gross-to-net margin	*88.5%*	*92.0%*	
EBITDA [1]	198.6	135.5	+46.6%
Margin	*81.9%*	*85.8%*	
FFO [2]	148.6	96.7	+53.7%
AFFO	142.6	n.a.	n.a.
IFRS Net earnings	421.4	211.1	+99.6%

(€ per share)	6M17	6M16	YoY
FFO	0.32	0.30	+5.7%
AFFO	0.30	n.a.	n.a.
EPS	0.90	0.65	+37.2%
EPRA NAV	11.89	10.60	+12.2%

BUSINESS PERFORMANCE

+2.6%
Rents like-for-like[3] YoY

Same perimeter as 6M16
(Excludes MVC)

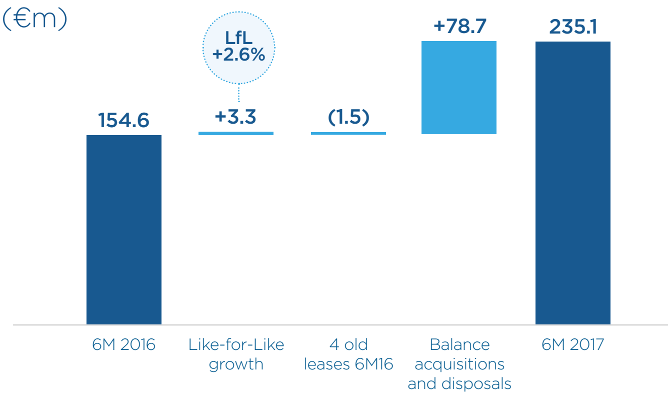
+3.4% Office | **+5.5%** S. Centers | **+16.3%** Logistics
Release spread

All portfolio in 6M17

+177 bps → 93.1%
Occupancy vs 31/12/16

	Contracted	Rent		Leasing activity	Occ. vs 31/12/16
	sqm	€m	LfL change	Release spread	bps
Office	236,089	108.5	+2.7%	+3.4%	+132
Shopping centers	71,587	47.3	+3.0%	+5.5%	+68
High street retail	n.a.	52.1	+0.9%	n.m.	-
Logistics	183,121	19.5	+6.9%	+16.3%	+329
Other	n.a.	7.7	+11.2%	n.m.	(36)
Total	**490,797**	**235.1**	**+2.6%**		**+177**

Gross rents bridge
(€m)

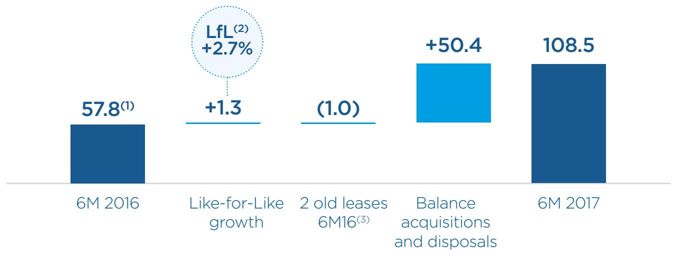


- **Office:** 236,089 sqm contracted. **LfL**[3] of **+2.7%** and **release spread** of **+3.4%**
- **Shopping centers:** 71,587 sqm contracted. **LfL**[3] of **+3.0%** and **release spread** of **+5.5%**
- **Logistics:** 183,121 sqm contracted. **LfL**[3] of **+6.9%** and **release spread** of **+16.3%**

[1] Excludes non-recurring items (€ 3.0m) plus LTIP accrual (€ 26.75m)
[2] FFO equals EBITDA less net interest payments, less minorities, less recurring income taxes plus share in recurring earnings of equity method. FFO reported in 6M16 has been rebased in accordance with this methodology
[3] Portfolio in operation for the 6M16 (€ 128.8m of GRI) and for the 6M17 (€ 132.1m of GRI)

OFFICES

Gross rents bridge
(€m)



Rents breakdown

	Gross rents 6M17 (€ m)	Annual passing rent (€ m)	Passing rent (€/sqm/m)
Madrid	88.2	175.5	16.9
Barcelona	14.5	29.8	13.2
Lisbon	4.4	9.4	17.4
Other	1.5	2.9	10.7
Total	**108.5**	**217.6**	**16.2**

Leasing activity

- **Good performance** in our 3 core markets, delivering **+3.4% release spread** on average
- **Main tenants contracted in 2Q:**
  - 6,187 sqm new lease with Eugin on Balmes 236, Barcelona, occupying the entire asset
  - 10,732 sqm renewed with Uria on Principe de Vergara 187, Madrid
  - 5,447 sqm renewed with Fujitsu on Citypark Cornella, Barcelona

	Contracted Sqm	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	200,894	(23,212)	36,018	164,876	12,806	+3.1%	72
Barcelona	34,152	(10,736)	14,926	19,226	4,191	+6.3%	26
Lisbon	1,043	(467)	-	1,043	(467)	+7.9%	1
Total	**236,089**	**(34,415)**	**50,944**	**185,145**(5)	**16,529**	**+3.4%**(4)	**99**(4)

Occupancy

- **Occupancy increasing in Madrid** (+105 bps) and **very significantly in Barcelona** (+312 bps), driven by the new leases in Balmes 236, Sant Cugat I, Diagonal 458 and Citypark Cornella
- Lisbon perimeter changed after the acquisition of Central Office, with 91.6% occupancy
- By markets, **best performer in the period has been Barcelona CBD** where Eugin has let 6,187 sqm in Balmes leading to almost full occupancy in the CBD area

Stock	1,254,885 sqm
WIP	54,253 sqm
Stock incl. WIP	1,309,138 sqm

	Occupancy rate		Change bps
	30/06/17	31/12/16	
Madrid	88.9%	87.9%	+105
Barcelona	88.8%	85.7%	+312
Lisbon	92.7%	94.2%	(154)
Other	100.0%	100.0%	0
Total	**89.3%**	**87.9%**	**+132**

(1) Rebased after reclassification of assets (€ 57.4m reported in 30/06/16)
(2) Office portfolio in operation for the 6M16 (€ 48.4m) and for the 6M17 (€ 49.7m)
(3) Vestas and Endesa-Sevilla
(4) Excluding Other
(5) Including 33,831 sqm of roll-overs not considered for the release spread analysis

WIP AND REFURBISHMENTS

WIP

Torre Glòries

- One of the **most iconic buildings** in Barcelona, located in the **prime area** of Diagonal junction with Plaza de les Glòries **(22@)**
- New lobby almost completed, floors redesign works recently commenced

GLA **37,614 sqm**

ERV **€ 10.3m**

ERV YoC **6.5%**

Acquisition **€ 142m**

Investment **€ 15m**

Delivery **Mar-18**

Torre Chamartín

- **LEED Platinum tower,** located in the junction between A-1 and M-30
- **AAA** specifications, led by arquitect Miguel Oriol
- **Works well advanced** with good savings over original budget

GLA **16,639 sqm**

ERV **€ 3.9m**

ERV YoC **6.25%**

Acquisition **€ 31.0m**

Investment **€ 31.0m**

Delivery **Mar-18**

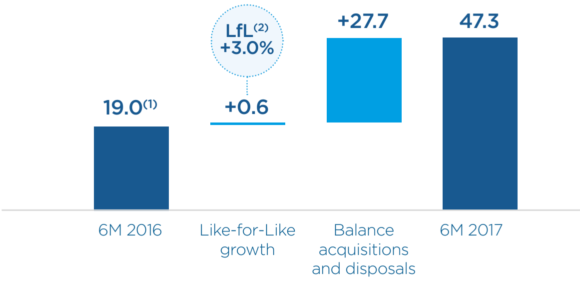
Refurbishments

		Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
	**Avda. Europa**	Full refurb	€ 6.6m	100%	12,605	Sep-17	100%
	**Puerta de las Naciones**	Full refurb	€ 5.0m	86%	10,619	Dec-17	100%
	**Eucalipto 33**	Lobby + common areas	€ 3.4m	11%	7,185	Oct-17	Initial phase
	**Balmes**	Full refurb	€ 1.8m	1%	6,187	Jun-18	100%
	**Juan Esplandiu**	Façade + lobby + individual floors	€ 1.8m	58%	28,008	Dec-17	84%

SHOPPING CENTERS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents 6M17 (€ m)	Annual passing rent (€ m)	Passing rent (€/sqm/m)
MERLIN	47.3	91.6	19.1

Footfall and tenant sales

	6M17 LTM	6M16 LTM	YoY
Footfall	91.4m	89.0m	+2.7%
Tenant sales	€ 787.6m	€ 758.1m	+3.9%
OCR	12.9%	-	-

Leasing activity

- **Portfolio showing strength** with positive footfall and tenant sales coupled with **notable release spread and like for like growth**
- **Main tenants contracted in 2Q:**
  - 1,609 sqm new lease with Cines Axion in La Fira
  - 689 sqm new lease with Sprinter in Marineda
  - 4,143 sqm renewed with Conforama in Marineda
  - 1,878 sqm renewed with H&M in Artea

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Total	71,587	(16,555)	19,529	52,058[4]	2,974	+5.5%	84

Occupancy

- **Positive move** in **occupancy** (+68 bps)
- **Marineda performed particularly well** due to several extensions of space signed with Inditex brands (where their new image to be exported worldwide has just been implemented) and the **successful opening of the sports area**
- As part of the Capex plan for **El Saler, retenanting** measures are being implemented, causing **voluntary vacancy** on a temporary basis
- Occupancy increase achieved in spite of the bankruptcies of Blanco and Shana (5,804 sqm)

Stock	418,178 sqm
Opcion+Tres Aguas[3]	104,174 sqm
Stock with Opcion+Tres Aguas	522,352 sqm

Occupancy rate

	30/06/17	31/12/16	Change bps
Total	89.3%	88.6%	+68

[1] € 20.4m reported. € 19.0 m after reclassification of Plaza de los Cubos as High Street retail
[2] Shopping centers portfolio in operation for the 6M16 (€ 19.9m) and for the 6M17 (€ 20.5m) assuming full consolidation of Arturo Soria SC
[3] Tres Aguas at 100% allocation
[4] Including 28,984 sqm of roll-overs not considered for the release spread analysis

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Refurbishments

Marineda

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
Sports area creation	€ 1.6m	100%	3,402	Sep-17	91%

El Saler

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
Extension (+3,100 sqm), façade and accesses	€ 13.1m	5%	23,086	Dec-18	n.a.

Thader

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
Nickelodeon park and common areas	€ 8.9m	85%	5,096	Oct-17	100%

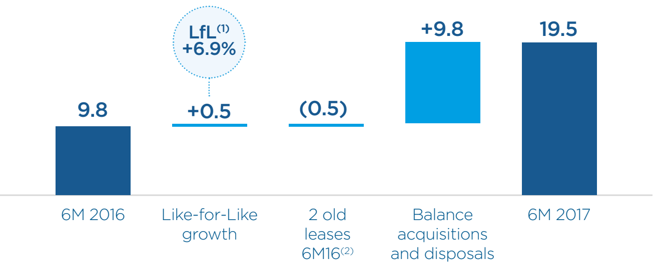
Arturo Soria

Scope	Budget	% executed	GLA (sqm)	Delivery	Pre-let
Façade, accesses, installations, lighting and floors	€ 2.8m	16%	5,974	April-18	n.a.

LOGISTICS

Gross rents bridge

(€m)



Rents breakdown

	Gross rents 6M17 (€ m)	Annual passing rent (€ m)	Passing rent (€/sqm/m)
Madrid	9.1	20.1	3.6
Barcelona	5.0	10.7	4.9
Other	5.4	10.4	3.5
Total	**19.5**	**41.2**	**3.9**

Leasing activity

- **Strong market dynamics** driving a **very positive** release spread in **Madrid (+16.3%)** and new leases signed at very attractive terms
- **Main tenants contracted in 2Q:**
  - 49,793 sqm new lease with DSV in Cabanillas Park I (5th module)
  - 27,195 sqm renewed with Dachser in Guadalajara-Azuqueca I
  - 16,812 sqm new lease with Zamorano on Barcelona-Sant Esteve, fully occupying the asset
  - 3,721 sqm new lease with Molenbergnatie on PLZF, Barcelona

	Contracted	Out	In	Renewals	Net	Release spread	# Contracts
Madrid	130,952	-	49,793	81,160	49,793	+16.3%	6
Barcelona	31,102	-	26,730	4,372	26,730	-	-
Other	21,066	(4,952)	2,367	18,699	(2,585)	-	-
Total	**183,121**	**(4,952)**	**78,890**	**104,231**[3]	**73,938**	**+16.3%**	6

Occupancy

- **Madrid portfolio is fully occupied**
- Zamorano and Molenbergnatie contracts have **boosted occupancy in Barcelona** to reach virtually full occupancy

Stock	921,226 sqm
WIP	580,049 sqm
Stock incl. WIP	1,501,275 sqm
ZAL PORT	399,048 sqm
ZAL PORT WIP	31,859 sqm
Stock managed	1,932,182 sqm

Occupancy rate

	30/06/17	31/12/16	Change bps
Madrid	100.0%	100.0%	-
Barcelona	99.1%	86.6%	+1,253
Other	95.8%	96.8%	(103)
Total	**98.6%**	**95.4%**	**+329**

[1] Logistics portfolio in operation for the 6M16 (€ 7.6m) and for the 6M17 (€ 8.1m)
[2] UPS and Logista
[3] Including 23,071 sqm of roll-overs not included for the release spread analysis

INVESTMENTS, REFURBISHMENTS AND DEVELOPMENTS

Investments

Cabanillas Park I

- **Logistics park** located 51 kms from Madrid city centre and 42 kms from Barajas airport
- **Direct access** to both A-2 and R-2 highways
- MERLIN-Cabanillas I is **divided in 5 modules**. 100% let to Logista, Luis Simoes, XPO Logistics and DSV
- GLA acquired in 1H17 (4 modules) is **164,553 sqm**

GLA **202,607 sqm**

GRI **€ 7.8m**

YoC **8.2%**

Occupancy **100%**

Investment **€ 96.1m**

Developments

Meco II

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 29.4m	100%	59,891	Jun-17	100%

Pinto I

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 5.8m	100%	11,098	Jun-17	100%

Pinto II

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 20.2m	50%	59,017	Jul-17	100%

Azuqueca II

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 47.4m	-	98,000	Built to suit	-

Sevilla ZAL I

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 2.7m	10%	5,400	Jan-18	100%

Madrid-Getafe (Gavilanes)

Budget	% executed	GLA (sqm)	Delivery	Pre-let
€ 32.1m	100%	39,576	Dec-17	-

BALANCE SHEET

- On May 17, 2016, MERLIN completed the issuance of **€ 600m of unsecured bonds,** with 8-year maturity and an annual coupon of 1.75%.
- The proceeds were used to repay € 200m of unsecured bank debt and € 180m of revolving credit facility

	€ million
GAV	10,459
Gross financial debt	5,216
Cash[2]	(451)
Net financial debt	4,765
EPRA NAV	5,586

Ratios	
LTV	45.6%
Av. interest rate	2.24%
Av. Maturity (years)	6.2
Unsecured debt to total debt	75.8%
Interest rate fixed	98.4%
Liquidity position[1] (€m)	871.3

Corporate rating	
S&P Global	BBB
Moody's	Baa2

VALUATION

- **€ 10,459m GAV, +3.7% LfL growth,** showing a steady while prudent growth pace
- By asset category, **+4.7%** LfL growth in **office, +5.1%** in **shopping centers** and **+ 6.0%** in **logistics.** High Street retail not revalued in first half (+0.2%)

	GAV (€ m)	LfL Growth	Gross yield	Yield compression
Office	4,772	+4.7%	4.6%	11 bps
Shopping centers	1,694	+5.1%	5.4%	27 bps
Logistics	590	+6.0%	7.0%	18 bps
High Street retail	2,208	+0.2%	4.7%	0 bps
Land under development	422	n.a.[3]	n.a.	
Other	294	+4.3%	4.3%	
Non-core land	132	(1.5%)	n.a.	
Equity method	346	+3.6%	n.a.	
Total	**10,459**	**+3.7%**	**4.9%**	**11 bps**

[1] Includes available cash plus payment rights of divestments and unused credit facilities (€ 420m)
[2] Includes cash and deferred payment of hotels disposals (€ 52.0m)
[3] GAV included under office and logistic for LfL growth purpose

INVESTMENTS, DIVESTMENTS, CAPEX

- € 175.5m of assets acquired and € 8.1m of assets divested in the period (+12% premium vs latest reported appraisal)
- Intense period of asset management driving significant development and refurbishment activity for a total amount of € 85.4m and € 30.7m, respectively

	Office	Retail	Logistics	€ million
Acquisitions	Torre Glories, Central Office			175.5
Development & WIP	Torre Chamartin		Madrid-Meco II, Madrid-Pinto, Guadalajara-Azuqueca Cabanillas Park I (B, C, D, E), Cabanillas Park II, Gavilanes	85.4
Refurbishment	Juan Esplandiu, Avda Europa, Eucalipto 33, Puerta de las Naciones	Marineda, El Saler, Arturo Soria		30.7
Like-for-like portfolio (Defensive Capex)[1]				7.3
Total				**298.8**

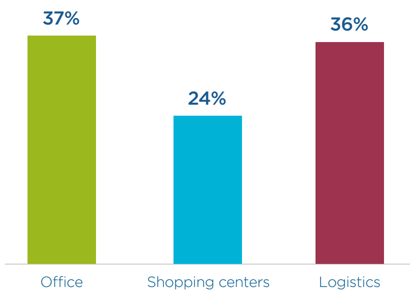
[1] € 6.0m are capitalized in balance sheet and € 1.3m are expensed in P&L

SUSTAINABILITY

- 15 new LEED/BREEAM certificates obtained
- 10 certificates since last reported

Madrid-Meco	Madrid Cabanillas (B&C)	Avda Bruselas 26	Centro Oeste	Avda. Burgos 210
LEED Platino	LEED Gold	LEED Silver	BREEAM Correct	BREEAM Very Good

% GAV certified

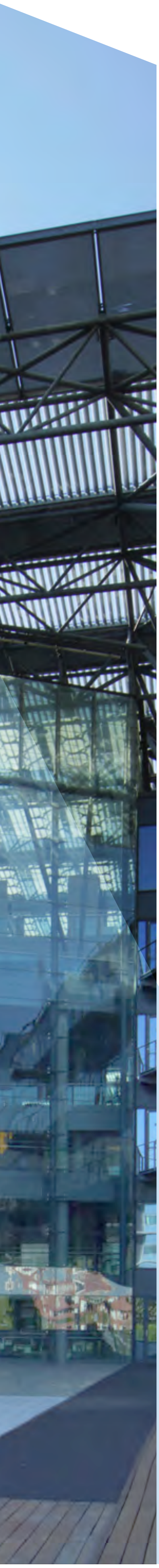


POST CLOSING EVENTS

- On 18 September, MERLIN completed the issuance of € 300m of unsecured bonds with 12-year maturity and an annual coupon of 2.375%

02

BUSINESS PERFORMANCE



RENTS

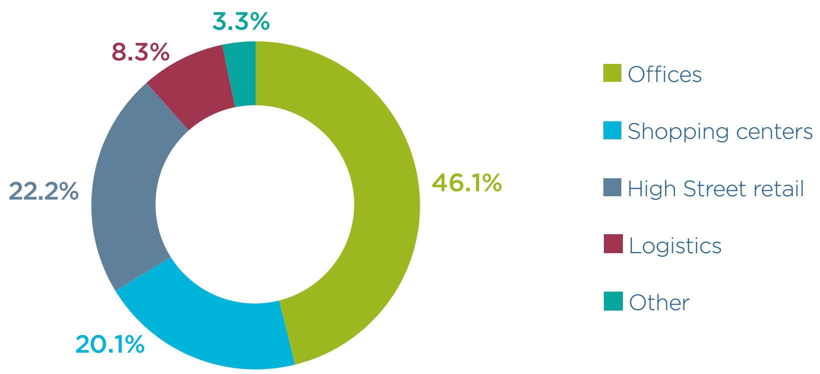
Gross rents in the period amount to € 235,117 thousand compare to € 154,625 thousand in 2016.

Gross rents breakdown

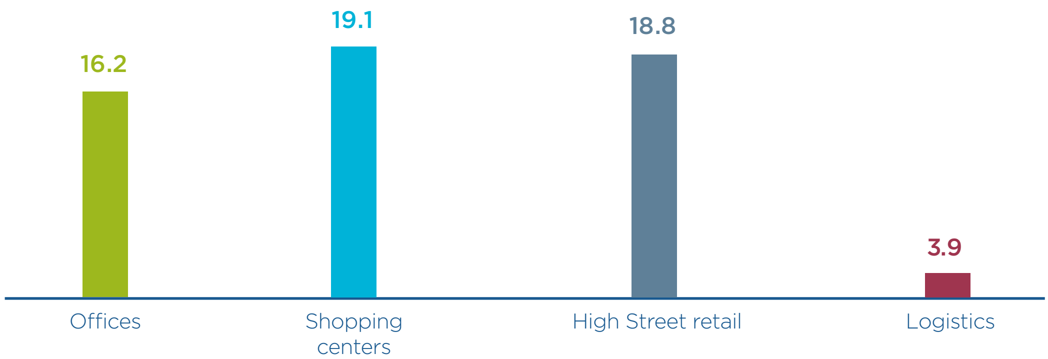
	6M17	6M16	YoY (%)
Office	108,504	57,799	88%
Shopping centers	47,305	19,047	148%
Logistics	19,525	9,846	98%
High street retail	52,097	49,419	5%
Other	7,687	18,512[1]	(58%)
Total	**235,117**	**154,625**	**52%**

[1] Includes hotels sold in Dec-16, and rented residential deconsolidated in 4Q16

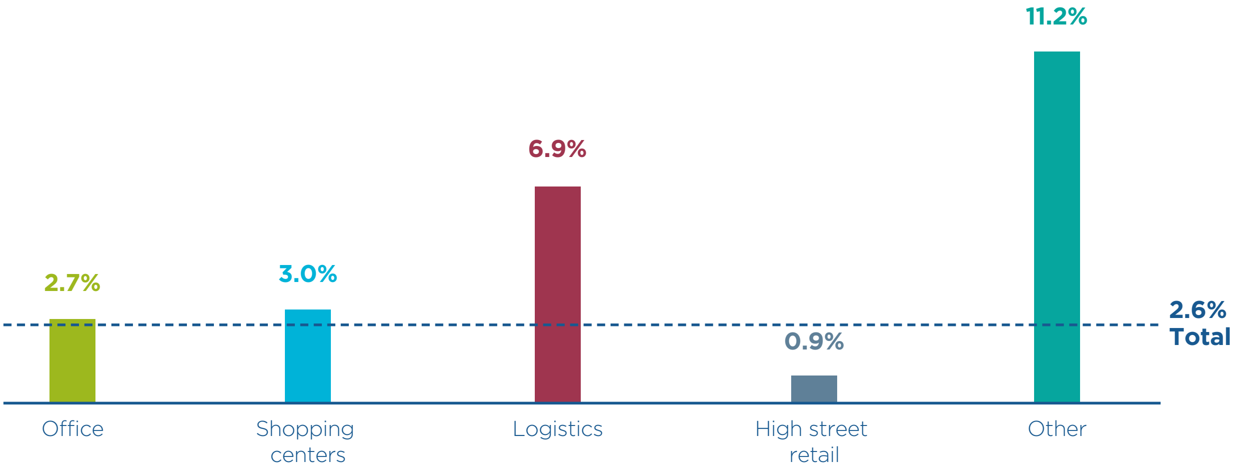
6M17 gross rents per asset category



Average passing rent (€/sqm/month)



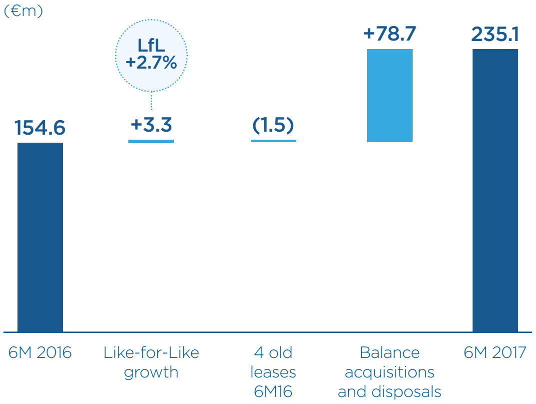
Aggregate gross rents have increased by 2.6% on a like-for-like basis:



Bridge of 6M16 gross rents to 6M17 gross rents, for MERLIN and by asset category:

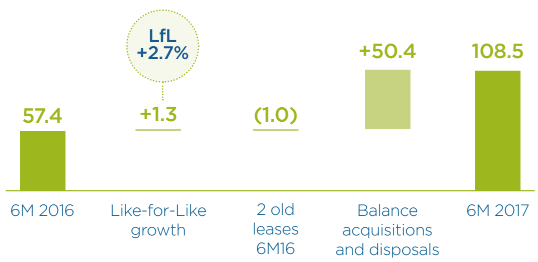
Consolidated

(€m)



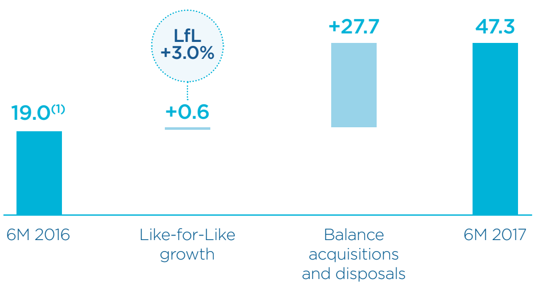
Offices

(€m)



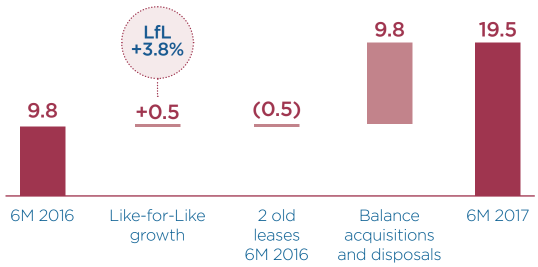
Shopping Centers

(€m)



Logistics

(€m)



OCCUPANCY

Total GLA of MERLIN as of 30 June 2017 amounts to 3,172,637 sqm (excluding Opción shopping center). GLA as of 31 December 2016 amounted to 3,001,176 sqm, resulting in a net increase of the stock during the period of 171,461 sqm. Occupancy rate as of 30 June 2017 is 93.1% up from 91.3% at year end.

	30/06/17	31/03/17	31/12/16
Offices			
Total G.L.A. (sqm)[1]	1,254,885	1,246,465	1,246,465
G.L.A. occupied (sqm)	1,120,071	1,103,108	1,096,139
Occupancy rate (%)	89.3%	88.5%	87.9%
Shopping centers[2]			
Total G.L.A. (sqm)	418,178	418,132	418,011
G.L.A. occupied (sqm)	373,304	376,646	370.329
Occupancy rate (%)	89.3%	90.1%	88.6%
Logistics			
Total G.L.A. (sqm)	921,226	869,880	755,071
G.L.A. occupied (sqm)	908,741	843,368	720,002
Occupancy rate (%)	98.6%	97.0%	95.4%
High Street retail			
Total G.L.A. (sqm)	460,233	460,355	460,524
G.L.A. occupied (sqm)	460,233	460,355	460,524
Occupancy rate (%)	100.0%	100.0%	100.0%
Other			
Total G.L.A. (sqm)	118,115	118,387	121,104
G.L.A. occupied (sqm)	89,933	90,153	92,646
Occupancy rate (%)	76.1%	76.2%	76.5%
MERLIN			
Total G.L.A. (sqm)	**3,172,637**	**3,113,219**	**3,001,176**
G.L.A. occupied (sqm)	**2,952,282**	**2,873,630**	**2,739,641**
Occupancy rate (%)	**93.1%**	**92.3%**	**91.3%**

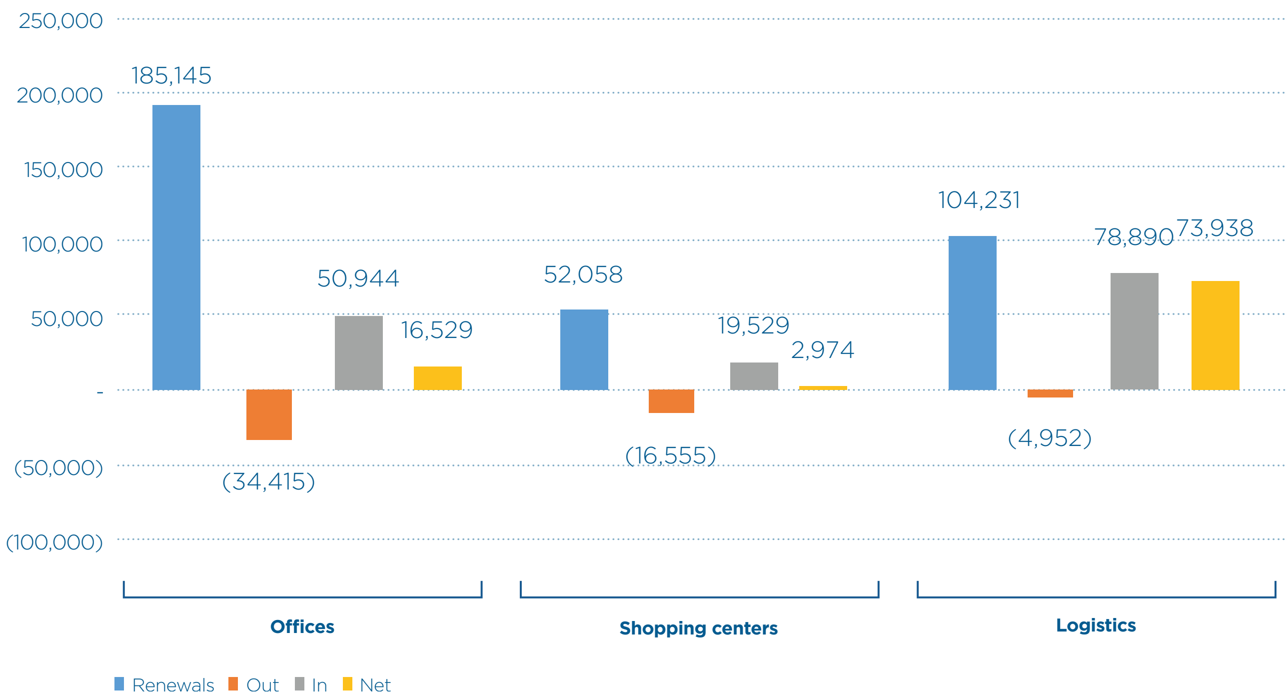
[1] Excluding Torre Glòries
[2] Excluding Opción SC

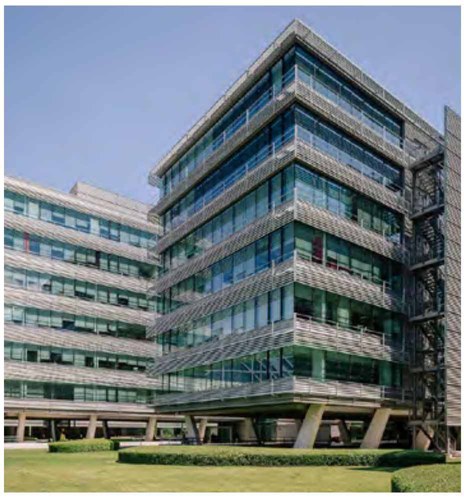
LEASING ACTIVITY

Since the beginning of 2017 (since the acquisition date for assets acquired during the year) until 30 June 2017, MERLIN has contracted 490,797 sqm, of which 149,363 sqm corresponds to new leases and 341,434 sqm to renewals.

Total contracts expired in the period represents 397,356 sqm, of which 341,434 have been renovated, equaling to a the retention ratio in the period of 85.9%.

The breakdown per asset category is as follows:





Offices

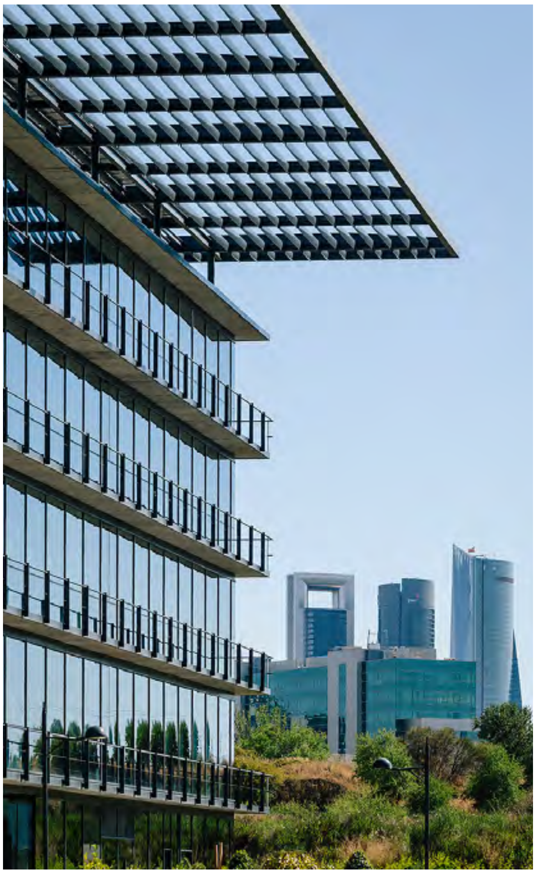
Total take-up amounts to 236,089 sqm, of which 50,994 sqm correspond to new contracts and 185,145 sqm to renewals.

Exits amounted to 34,415 sqm, resulting in positive net take up of 16,529 sqm. Main contracts signed are the following:

Asset	Tenant	G.L.A. (sqm)
Josefa Valcarcel 45	L'Oreal	19,893
PE Puerta de las Naciones	Roche	11,444
Avda de Bruselas 26	Codere	8,895
Eucalipto 25	Mondelez	7,368
Balmes 236-238	Eugin	6,187
Citypark Cornellá	Fujitsu	5,447
Partenon 12-14	Amex	4,749
Cristalia	Aktua	4,315
Trianon	Randstad	3.904

The release spread achieved in the contracts renewed or relet in the period amount to 3.4%, mainly driven by the excellent performance of our core markets, Madrid, Barcelona and Lisbon.

	Release spread	# contracts
Madrid	3.1%	72
Barcelona	6.3%	26
Lisbon	7.9%	1
Total	**3.4%**	**99**



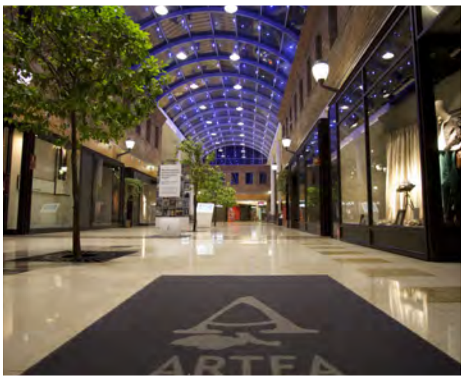
Shopping centers

Total take-up amounts to 71,587 sqm of which 19,529 sqm correspond to new contracts and 52,058 sqm to renewals. Exits amounted to 16,555 sqm, resulting in positive net take-up of 2,974 sqm. Main new contracts signed are the following:

Asset	Tenant	G.L.A. (sqm)
Thader	Nickelodeon	5,096
Marineda	Conforama	4,143
La Fira	H&M	3,110
Artea	H&M	1,878
Porto Pi	I-fitness	1,877
Marineda	Zara	906

The release spread achieved in the contracts renewed or relet in the period amount to 5.5% with 84 contracts renegotiated in the period. Top performers in the period have been La Fira, Porto Pi and El Saler.





Logistics

Total take-up amounts to 183,121 sqm of which 78,890 sqm correspond to new contracts and 104,231 sqm to renewals.

Exits amounted 4,952 sqm, resulting in positive net take-up of 73,938 sqm. Main new contracts signed are the following:

Asset	Tenant	G.L.A. (sqm)
Cabanillas Park I (Module E)	DSV	49,793
Guadalajara-Azuqueca I	Dachser	27,995
Barcelona-Sant Esteve	Zamorano	16,812
Madrid-Coslada Complex	Ayuntamiento de Madrid	4,959
Parc Logistic Zona Franca	Molenbergnatie	3,721

The release spread achieved in the contracts renewed or relet in the period amount to 16.3%, driven by the excellent performance of Madrid.

	Release spread	# contracts
Madrid	16.3%	6
Barcelona	-	-
Other	-	-
Total	**16.3%**	**6**

03

ACQUISITIONS, REFURBISHMENTS AND DEVELOPMENTS

ACQUISITIONS, REFURBISHMENTS AND DEVELOPMENTS

During the first half of 2017, investment activity has been as follows:

	Office	Shopping centers	Logistics	€ million
Acquisitions	• Torre Glories • Central Office			175.5
Developments & WIP	• Torre Chamartín		• MERLIN-Cabanillas Park I (Modules B, C, D & E) • MERLIN Cabanillas Park II • Madrid-Getafe (Gavilanes) • Madrid-Meco II • Madrid-Pinto II • Guadalajara-Azuqueca III	85.4
Refurbishment	• Juan Esplandiu • Avda Europa • Eucalipto 33 • Puerta de las Naciones	• Marineda • Porto Pi • El Saler • Arturo Soria • Thader		30.7
Like-for-like portfolio (Defensive Capex)[1]				7.3
Total				**298.8**

[1] € 6.0m are capitalized in balance sheet and € 1.3m are expensed in P&L

ACQUISITIONS

Acquisition of Torre Glòries

On 12 January, MERLIN completed the acquisition of Torre Glòries in Barcelona. Torre Glòries is an iconic building located at the junction of Avenida Diagonal with Plaza de Les Glòries, in the heart of the Barcelona techoriented business district known as 22@.

The building was originally designed by prestigious arquitects Jean Nouvel and Fermín Vázquez and opened in 2005. It comprises a gross area of 37,614 sqm, at ground level plus 34 above ground floors, plus an auditorium with over 350 pax seating capacity. It also benefits from 300 parking spaces located in four below ground levels.

22@ business district is the most dynamic area in the Barcelona office market and is now consolidated as the reference business area hosting tech oriented and innovative companies such as Cisco, Ebay, Yahoo, Deutsche Telekom, Sage, Sap, Capgemini, Indra and Amazon.

The acquisition price amounts to € 142 million (plus € 4.1 million of transaction costs), representing a capital value of

€ 3,775 per sqm. MERLIN will be investing approximately € 15 million to improve the lobby and interior design and to convert the building for multi-tenant use. MERLIN targets annual recurring revenues of € 10.3 million, representing an ERV yield of ca. 6.5% after completion of works.

	Torre Glòries
Acquisition Price of the asset[1] (€ thousand)	142,000
Asset debt outstanding as of the date of purchase (€ thousand)	-
Equity disbursement (€ thousand)	142,000
% Debt to acquisition Price of the asset	-
Estimated Capex (€ thousand)	15,000
ERV (€ thousand)	10,346
ERV Yield[2]	6.5%
Total G.L.A. (sqm)	**37,614**

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

Acquisition of Central Office

On 17 April, MERLIN Properties completed the acquisition of Central Office Building leading to an expansion of its footprint in the Lisbon office market and, more specifically, in the Expo area.

The asset, located in Dom Joao II 45, the main avenue in Parque das Nações, was originally designed by prestigious architect Federico Valsassina and opened in 2005. The 13 storey building comprises 10,310 sqm of lettable area and is let to best-in-class companies.

The acquisition price amounts to € 29 million representing € 2,850 per sqm and a 6.8% gross yield.

	Central Office
Acquisition price of the asset [1] (€ thousand)	29,385
Asset debt outstanding as of the date of purchase (€ thousand)	-
Equity disbursement (€ thousand)	29,385
% Debt to acquisition Price of the asset	-
Annualized gross rent 2017 (€ thousand)	1,996
Annualized net rent 2017 (€ thousand)	1,883
Gross yield	6.8%
EPRA Topped-up Yield [2]	6.4%
Total G.L.A. (sqm)	**10,310**
Occupancy rate	91.6%
WAULT by rents (years) [3]	1.2

[1] Excluding transaction costs
[2] Calculated as the gross / net annualized rent minus annualized property expenses not rechargeable to tenants, divided by the acquisition price of the asset
[3] Weighted average unexpired lease term, calculated as number of years of unexpired lease term, as from 30 June 2017, until the first break option window of the lease contracts, weighted by the gross rent of each individual lease contract

DEVELOPMENTS / WORK IN PROGRESS (WIP)

Torre Chamartin

Construction of an office building located at the intersection of the A-1 and M-30 highways of Madrid. The project includes the best specifications for the building designed by the architect Miguel Oriol.

The building will obtain a LEED Platinum certification. Works are progressing in accordance with the original schedule and are expected to be completed by end of 1Q 2018. Budget has been revised downwards due to savings in the construction budget (€ 31.0m versus € 38.0m). Key metrics are:

	Torre Chamartin
G.L.A. (sqm)	16,639
Acquisition price of land [1] (€ thousand)	30,750
Estimated Capex	30,960
Total cost (€ thousand)	**61,710**
ERV (€ thousand)	3,888
ERV Yield [2]	**6.25%**

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

MERLIN-Cabanillas Park I

On 4 May, MERLIN Properties inaugurated the logistics park MERLIN Cabanillas Park I, with 202,607 sqm of gross lettable area. The park is the largest logistics development in Spain since 2007 and successfully achieved 100% occupancy before opening.

The logistics park is located 51 kms from Madrid city centre and 42 kms from Barajas airport, in the main logistics hub in Spain, the Henares corridor, and benefits from direct access to both A-2 and R-2 highways. The park, divided into 5 modules, was conceived in accordance with the highest standards prevailing in the market. The logistics complex boasts large sized roads, minimum free height of 12 metres, very high allocation of docks (one every 800 sqm), closure with reinforced concrete, LED lighting and ample parking facilities. Module A, B & C are of the few logistics facilities in Spain with LEED Gold certification. Module A was acquired in December 2016, Modules B, C and D in March 2017 and Module E in June 2017. Total disbursements in the period (price less amounts disbursed in advance prior to 31/12/2016) amount to € 61,597 thousand.

MERLIN-Cabanillas Park I is 100% let to Logista, Luis Simoes, XPO Logistics and DSV. Total investment amounts to € 96.1m (plus € 3.2m of transaction costs), with gross annual rents over 7.8m, generating a 8.2% yield on cost.

	MERLIN-Cabanillas Park I
Acquisition price of the asset [1] (€ thousand)	96,131
Asset debt outstanding as of the date of purchase (€ thousand)	-
Equity disbursement (€ thousand)	96,131
% Debt to acquisition Price of the asset	-
Annualized gross rent 2017 (€ thousand)	7,835
Annualized net rent 2017 (€ thousand)	7,239
Gross yield	8.2%
EPRA Topped-up Yield [2]	7.5%
Total G.L.A. (sqm)	**202,607**
Occupancy rate	100.0%
WAULT by rents (years) [3]	5.3

[1] Excluding transaction costs
[2] Calculated as the gross / net annualized rent minus annualized property expenses not rechargeable to tenants, divided by the acquisition price of the asset
[3] Weighted average unexpired lease term, calculated as number of years of unexpired lease term, as from 30 June 2017, until the first break option window of the lease contracts, weighted by the gross rent of each individual lease contract

MERLIN Cabanillas Park II

On 14 June, MERLIN signed a forward purchase agreement of a logistics park comprising 6 warehouses located in Cabanillas (Guadalajara), whose construction will be executed in 3 phases, with delivery scheduled on June 2020 (phase 1), 2021 (phase 2) and 2022 (phase 3). Total GLA is 210,678. The future park will be located in the sector ST-31, very close to the fully occupied MERLIN Cabanillas Park I, with direct access to the A-2.

New Park Cabanillas is located in the third ring of Madrid (51km.), in the largest national logistics hub, the so-called Corredor de Henares. The strategy is to tap current market needs by building "XXL" facilities, as demanded by e-commerce and retail industry. The acquisition price amounts to € 107.4m, out of which € 15.0m have been disbursed in this semester as part of the forward purchase agreement. Key metrics are:

	Merlin-Cabanillas Park II
G.L.A. (sqm)	210,678
Acquisition Price of land [1] (€ thousand)	107,445
Total cost (€ thousand)	**107,445**
Estimated Capex	-
Delivery Date	June 2020-2021-2022
ERV (€ thousand)	8,343
ERV Yield [2]	**7.8%**

Madrid-Getafe (Gavilanes)

Forward purchase agreement of a logistics warehouse featuring cold storage located in Gavilanes (Madrid-Getafe), in the A-4 corridor, and divided into 6 modules, with a total GLA of 39,576 sqm. Construction is almost completed and the delivery date is expected for 4Q 2017. Total acquisition price is € 32.1m, out of which € 3.1m have been disbursed in the period. The agreement with the developer includes a rental guarantee component. Key metrics are:

	Madrid-Getafe (Gavilanes)
G.L.A. (sqm)	39,576
Acquisition price [1] (€ thousand)	32,100
Total cost (€ thousand)	**32,100**
Estimated Capex	-
Delivery date	4Q 2017
ERV (€ thousand)	2,707
ERV Yield [2]	**8.4%**

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

Madrid-Meco II

Logistics platform located in Meco (Madrid) in the A-2 corridor. First logistics warehouse in Spain to be awarded LEED Platinum certification, featuring all major construction advances including LED illumination and computerized energetic consumption.

The asset is divided into 4 modules, with a total GLA of 59,581 sqm. Delivery expected to take place in Q4 2017. .

	Madrid-Meco II
G.L.A. (sqm)	59,891
Acquisition price [1] (€ thousand)	8,797
Estimated Capex	20,657
Total cost (€ thousand)	**29,454**
Delivery date	4Q 2017
ERV (€ thousand)	2,695
ERV Yield [2]	**9.1%**

Guadalajara-Azuqueca III

Advanced negotiations for the forward purchase of a logistics warehouse located in one of the few plots available in Azuqueca, in the A-2 corridor. The plot enjoys great visibility from the highway and excellent access from both directions.

The asset will feature 51,000 sqm and state-of-the-art technical specifications. Expected delivery date in Q1 2019.

	Guadalajara-Azuqueca III
G.L.A. (sqm)	51,000
Acquisition price [1] (€ thousand)	29,835
Delivery date	1Q 2019
ERV (€ thousand)	2,264
ERV Yield [2]	**7.6%**

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

REFURBISHMENTS

During the first six months of 2017 the Avenida de Europa (Building II) and Marineda refurbishments have been completed:

Avenida de Europa (Building II)

Former headquarters of Vodafone, who left the building in 2014. A full Capex program was conceived to reconvert the asset into multitenancy, once a 50% pre-let level was surpassed. Building I was developed on the back of a pre-let to VASS (IT supplier of El Corte Ingles) and Doberman. Building II was 100% pre-let to Renault in November 2016 and construction was subsequently initiated. Construction has just finished and the building has been delivered to the tenant for their own internal fit out works. Renault lease starts in September.

G.L.A.	12,605
Capex (€ thousand)	6,500
ERV (€ thousand)	1,898
Occupancy	100%
Tenants	Renault

Marineda

Prior to the acquisition by MERLIN, Marineda had an area addressed to “luxury brands” that failed due to the poor conception of design and lack of demand which resulted in the area never being leased. After the acquisition MERLIN designed the following plan to bring this area back to life: (i) retenanting to convert the space into a sports related area, and (ii) re-design to improve visibility, vertical connections and interior design. Total investment amounts to € 2.5m, out of which € 1.8m of Capex and € 0.7m of FOC. The area is now running at 91% occupancy, with an ERV of € 0.5m

G.L.A.	3,402
Capex (€ thousand)	2,467
ERV (€ thousand)	453
Occupancy	91%
Tenants	Rock & Gym, Urban Jungle, Cooligan, Sprinter, Oteros

The assets currently under refurbishment as follows:

Asset	G.L.A.	Scope	Budget (€ m)	% executed	Delivery	Pre-let
Puerta de las Naciones	10,619	Full refurb	5.0	86%	4Q17	100%
Eucalipto 33	7,185	Lobby and common areas	3.4	11%	4Q17	n.a.
Balmes	6,187	Full refurb	1.8	1%	2Q18	100%
Juan Esplandiu	28,008	Façade, lobby and floor 7	1.8	58%	4Q17	n.a.
Porto Pi	26,559	Full refurb	11.6	4%	4Q21	n.a.
El Saler	23,086	Extension (3,100 sqm), façade and access	13.1	5%	4Q18	n.a.
Arturo Soria	5,974	Improvement of entrances and façade, interiors refurb (lighting, floors, signage)	2.8	16%	2Q18	n.a.
Thader	5,096	Nickelodeon Park and common areas	8.9	85%	4Q17	100%

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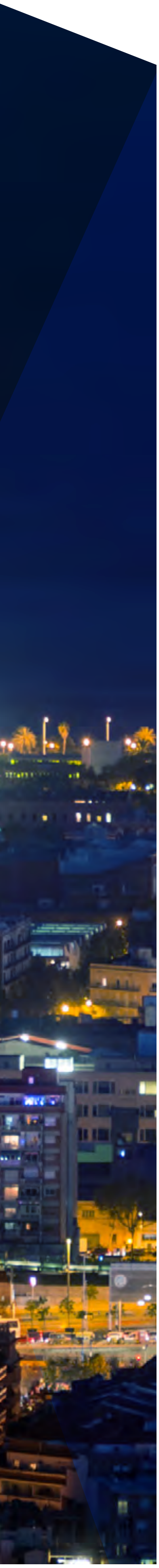
PORTFOLIO VALUATION



PORTFOLIO VALUATION

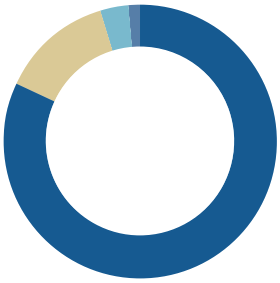
MERLIN portfolio has been appraised by CBRE and Savills, for a total GAV of € 10,459m. GAV breakdown is the following:

	€ thousand	€/sqm AG	Gross yield
Offices	4,772	3,803	4.6%
Shopping centers	1,694	3,721	5.4%
Logistics	590	641	7.0%
High Street retail	2,208	4,798	4.7%
Others	294	2,487	4.3%
Logistics WIP	127		
Land for development	295		
Non-core land	132	348	
Total	**10,113**	**2,371**	**4.9%**
Equity method stakes	346		
Total	**10,459**		

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

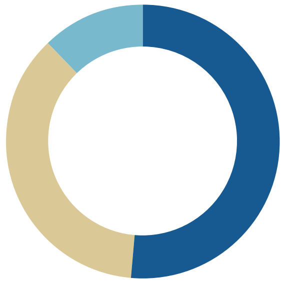
Offices (by GAV)

By geography



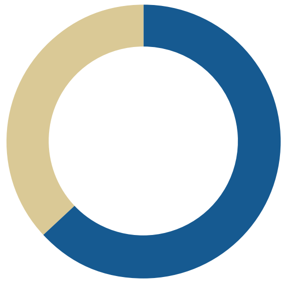
- Madrid **82%**
- Barcelona **13%**
- Lisbon **4%**
- Other Spain **1%**

By location



- NBA **51%**
- Prime + CBD **37%**
- Periphery **12%**

By product



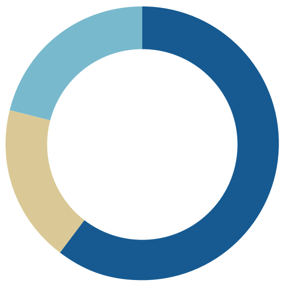
- Multi tenant **63%**
- Single tenant **37%**

Shopping centers (by GAV)

By geography

- Catalonia **19%**
- Galicia **18%**
- Madrid **17%**
- Valencia **13%**
- Andalusia **8%**
- Murcia **5%**
- Lisbon **1%**
- Other Spain **19%**

By type



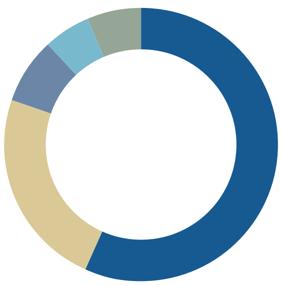
- Urban **61%**
- Secondary **21%**
- Dominant **18%**

By size

- Large **43%**
- Medium **31%**
- Extra-large **18%**
- Small **8%**

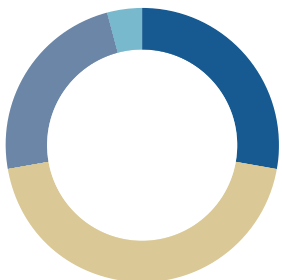
Logistics (by GAV)

By geography



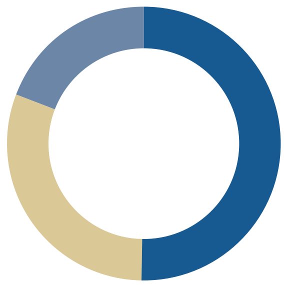
- Madrid **57%**
- Catalonia **24%**
- Sevilla **8%**
- Basque Country **5%**
- Other Spain **6%**

By reach



- National **44%**
- Regional **28%**
- Ports **24%**
- Production related **4%**

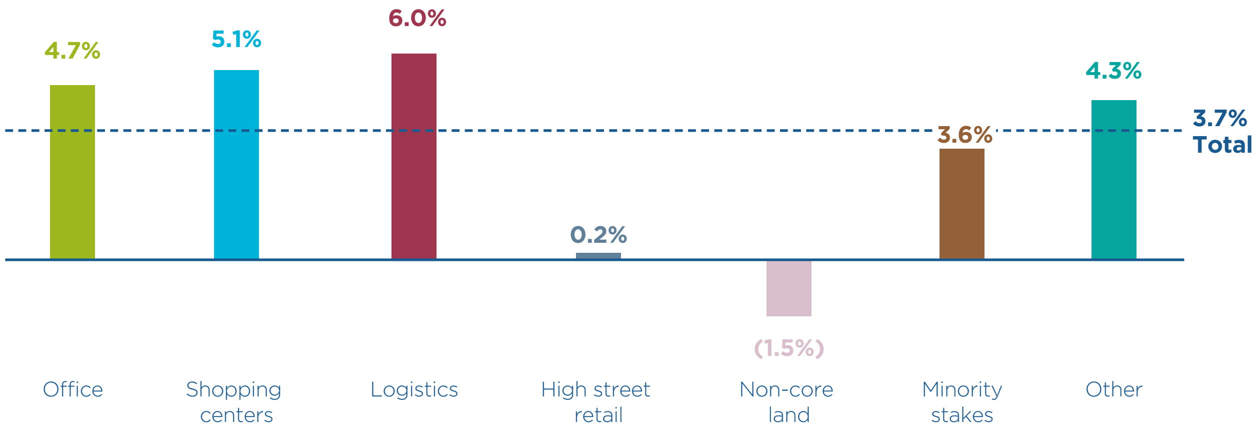
By tenant type



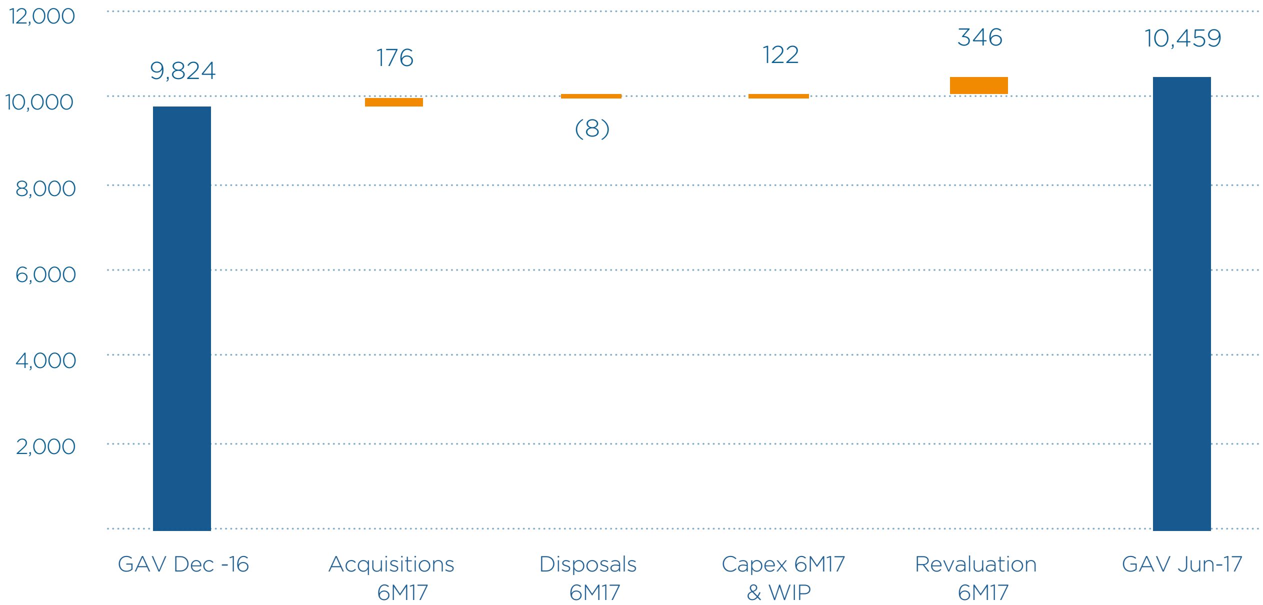
- 3PL multi-client **51%**
- 3PL mono-client **19%**
- End user **30%**

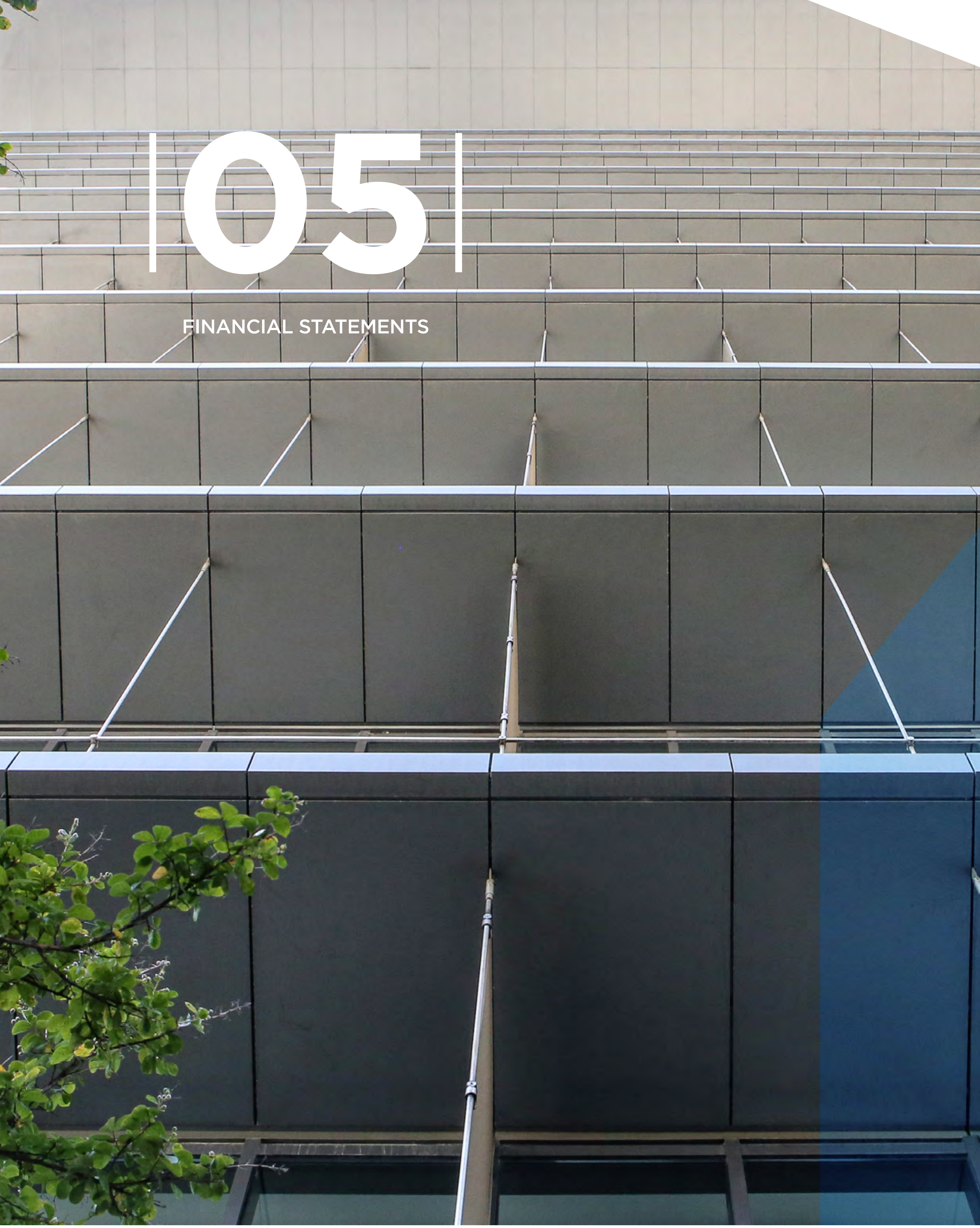
GAV LfL increase

GAV has increased by € 635m, rising from a GAV of € 9,824m as of 31 December 2016 to € 10,459m. The like-for-like GAV increase from 31 December 2016 is +3.7%.



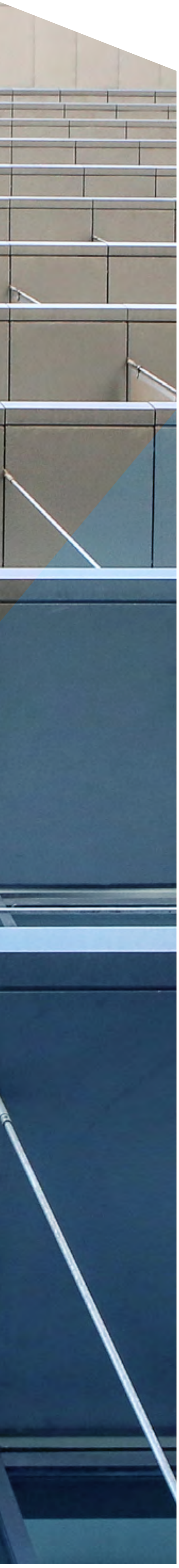
GAV Bridge





05

FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT

(€ thousand)	6M17	6M16
Gross rents	**235,117**	**154,625**
Office	108,504	57,799
Shopping centres	47,305	19,047
Logistics	19,525	9,846
High street retail	52,097	49,419
Other	7,687	18,512
Other income	**7,440**	**3,404**
Total revenues	**242,557**	**158,029**
Incentives	(7,704)	(3,042)
Collection loss	(876)	(613)
Total operating expenses	**(65,095)**	**(26,200)**
Property expenses not recharged to tenants	(18,510)	(8,693)
Personnel expenses	(38,517)	(6,967)
Recurring general expenses	(5,096)	(3,229)
Non-recurring general expenses	(2,972)	(7,311)
EBITDA	**168,882**	**128,174**
Depreciation	(3,612)	(2,043)
Gain/ (losses) on disposal of assets	241	64
Provision surpluses	96	54
Negative difference on business combination	(1,775)	(4,343)
Absorption of the revaluation of investment property	(9,839)	(114,278)
Change in fair value of investment property	332,316	275,384
EBIT	**486,310**	**283,012**
Net interest expense	(51,603)	(38,131)
Debt amotization costs	(8,184)	-
Gain / (losses) on disposal of financial instruments	101	-
Change in fair value of financial instruments	(701)	(26,292)
Share in earnings of equity method investees	8,337	2,810
PROFIT BEFORE TAX	**434,259**	**221,399**
Income taxes	(12,260)	(10,212)
PROFIT (LOSS) FOR THE PERIOD	**421,999**	**211,187**
Minorities	(601)	(44)
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	**421,398**	**211,143**

Notes to the consolidated income statement

Gross rents (€ 235,117 thousand) less portfolio operating expenses not rechargeable to tenants (€ 18,510 thousand) equals net rents before incentives and collection loss of € 216,607 thousand. After deducting incentives and collection loss (€ 8,580 thousand) the resulting amount is € 208,027 thousand of net rents.

Other operating income includes mainly asset management services performed for third parties for € 4.6m (Testa Residencial and Aedas Homes) and Tree inflation derivative (€ 1.3m).

The total amount of operating expenses of the Company in the first six months of the year is € 46,585 thousand, with the following breakdown:

i. € 11,767 thousand correspond to personnel expenses.

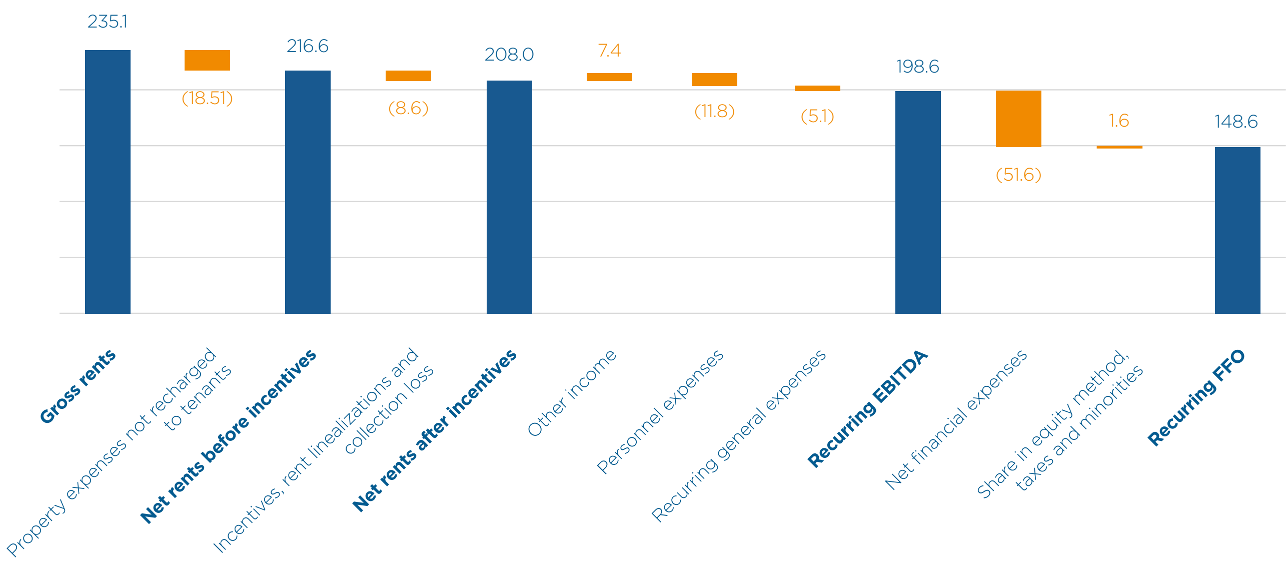
ii. € 5,096 of recurring general expenses.

iii. € 26,750 thousand corresponding to the long-term incentive plan (LTIP) accrued: (i) € 8 million for incentive awarded in 2016 (6 million shares, multiplied by the 25% accrued in 2017, divided by half a year), and (ii) a € 18.75 million provision for the 2017-2019 incentive plan (half a year out of 3). This provision, as per the Spanish GAAP, is also booked under personnel expenses.

iv. € 2,972 thousand of non-recurring operating expenses. Non-recurring expenses correspond mainly to expenses for the bond issuance executed in May and new acquisitions costs.

The sum of the personnel expenses (excluding the amount accrued for the LTIP) and the recurring operating expenses of the Company are within the threshold of overheads of the Company, of 0.6% 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	30/06/17	EQUITY AND LIABILITIES	30/06/17
NON CURRENT ASSETS	**10,688,479**	**EQUITY**	**5,151,862**
Intangible assets	245,888	Subscribed capital	469,771
Property plant and equipment	3,893	Share premium	3,970,842
Investment property	9,650,154	Reserves	340,709
Investments accounted for using the equity method	324,561	Treasury stock	(35,498)
Non-current financial assets	321,116	Other equity holder contributions	540
Deferred tax assets	142,867	Interim dividend	-
		Profit for the period	421,398
		Valuation adjustments	(37,812)
		Minorities	21,912
		NON CURRENT LIABILITIES	**5,774,458**
		Long term debt	5,144,718
		Long term provisions	52,901
		Deferred tax liabilities	576,839
CURRENT ASSETS	**534,053**	**CURRENT LIABILITIES**	**296,212**
Trade and other receivables	55,442	Short term debt	185,970
Short term investments in group companies and associates	72,513	Short term debt in group companies and associates	427
Short term financial assets	7,058	Short term provisions	867
Cash and cash equivalents	395,456	Trade and other payables	93,944
Other current assets	3,584	Other current liabilities	15,004
TOTAL ASSETS	**11,222,532**	**TOTAL EQUITY AND LIABILITIES**	**11,222,532**

Notes to the consolidated balance sheet

Fair value of the portfolio corresponds to the appraisal value delivered by CBRE and Savills as of 30 June 2017. It is important to note that in accordance with accounting regulations the increase of value in concessions, equity method and non-current assets for disposal are not reflected in the financial statements. The referred appraisal value is reflected in the following accounting Items:

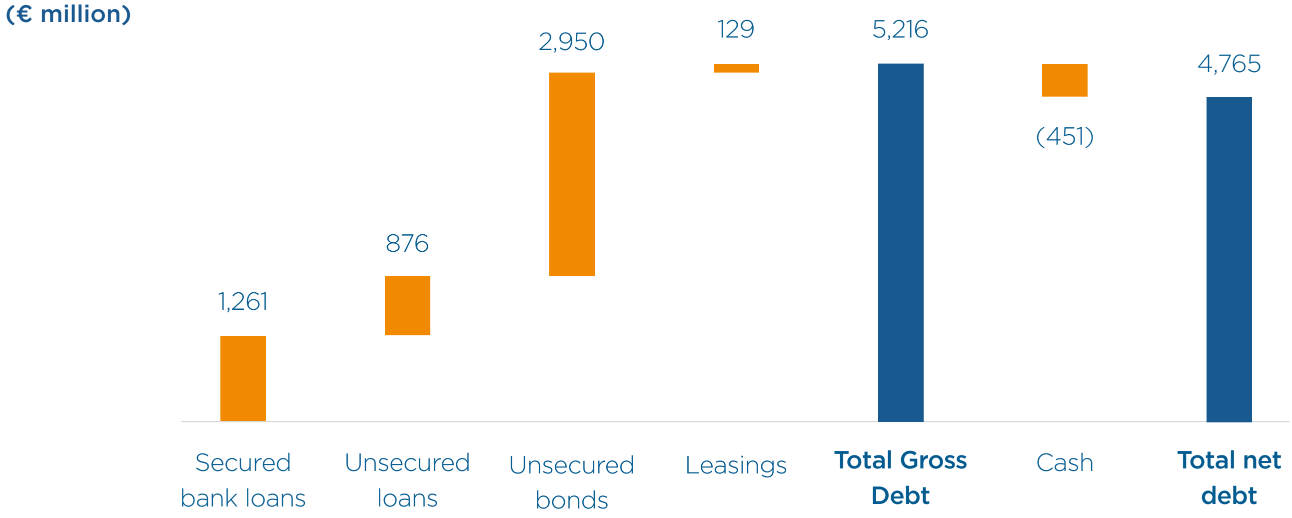
€ million	
Leaseholds (included in intangible assets)	244.5
Investment property	9,650.2
Derivatives (in non-current financial assets)	199.9
Equity method	324.6
Non-current assets	0.9
Total balance sheet items	**10,420.0**
Off-balance sheet adjustment of value in concessions	16.9
Off-balance sheet adjustment of value in equity method	21.7
Off-balance sheet adjustment of value in non-current assets	0.3
Total valuation	**10,458.8**

FINANCIAL DEBT

During the period, MERLIN has issued an unsecured bond for an aggregate amount of € 600m, with the following characteristics:

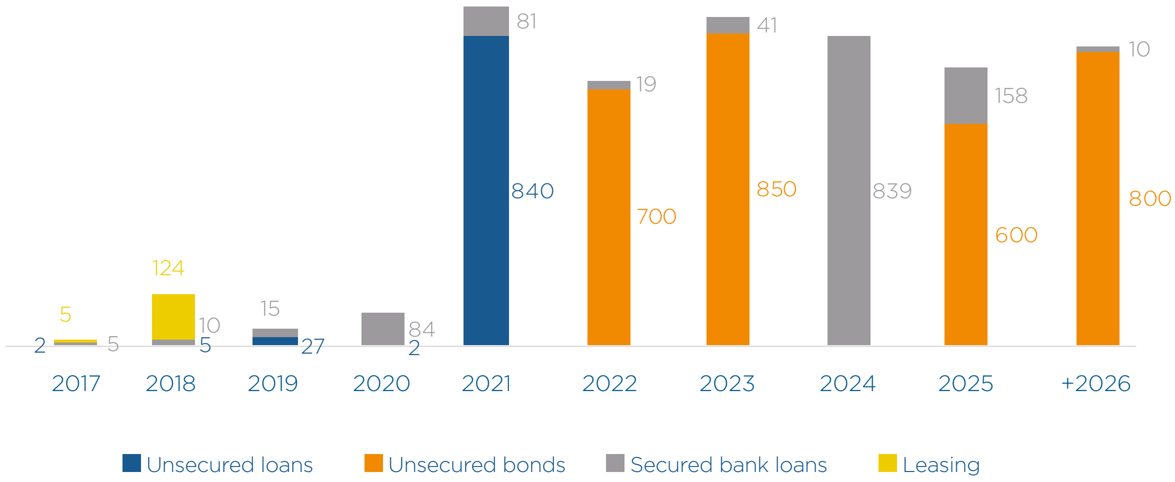
	MRL III
Issuance date	26 May 2017
Size	€ 600m
Coupon	1.750%
Expiration date	26 May 2025
Spread on Euribor	ms + 125 bps
Covenants	
LTV	≤ 60%
ICR	≥ 2,5x
Unencumbered ratio	≥ 125%

MERLIN's net financial debt as of 30 June is € 4,765,096 thousand. The breakdown of MERLIN's debt is the following:



% Gross financial debt	24.2%	16.8%	56.6%	2.5%	**100.0%**
Spot average cost (%)	2.7%	2.0%	2.1%	3.1%	**2.24%**
% interest rate hedged	99.0%	96.4%	100.0%	68.4%	**98.4%**

MERLIN'S debt has an average maturity period of 6.2 years. The chart with debt maturity is the following:



MERLIN's debt as of 30 june 2017 has a spot average cost of 2.24%. Nominal debt either fixed rates or subject to interest rate hedges amounts to 98.4%. Key debt ratios are shown below:

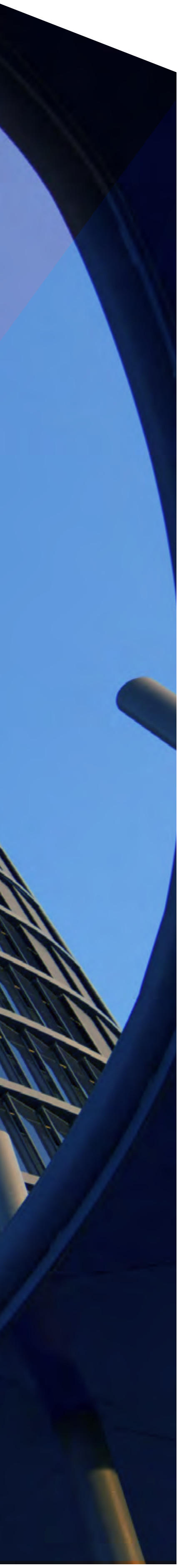
(€ thousand)	30/06/17	31/12/16
Gross financial debt	5,216,385	5,193,247
Cash [1]	451,289	722,122
Net financial debt	4,765,096	4,471,124
GAV	10,458,773	9,823,619
LTV	45.6%	45.5%
Average cost	2.24%	2.26%
Floating interest rate	1.6%	11.3%
Average maturity (years)	6.2	6.2
Liquidity [2]	871,289	949,043
Non-mortgage debt	75.8%	75.6%

Related party transactions are detailed in note 15 of the interim financial statements.

[1] Including cash and net proceeds from the sale of hotels
[2] Including available treasury plus payment rights of divestments and unused credit facilities (€ 420m)

|06|

EPRA METRICS



EPRA METRICS

Performance Measure	Definition	30/06/2017	
		€ thousand	€ per share
EPRA Earnings (€ thousand)	Recurring earnings from core operational activities	148,964	0.32
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	5,585,890	11.89
EPRA NNNAV (€ thousand)	EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes	5,129,951	10.92
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	4.4%	
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)	4.5%	
EPRA vacancy rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	6.9%	
EPRA costs	Running costs of the Company divided by recurring rents	20.0%	
EPRA costs (excluding non-recurring costs)	Recurring running costs of the Company divided by recurring rents	18.7%	

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

07

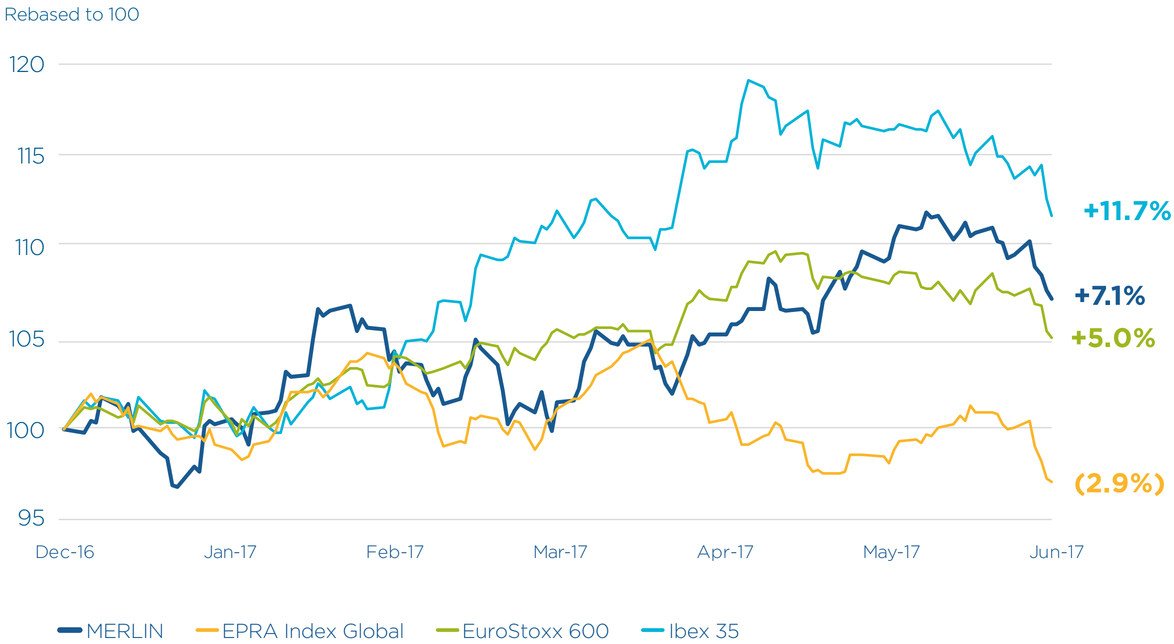
STOCK EXCHANGE EVOLUTION

STOCK EXCHANGE EVOLUTION

MERLIN shares closed on 30 June 2017 at € 11.06, an increase of 7.1% versus 31 December 2016 closing price (€ 10.33).

The share has outperformed the sectorial EPRA Europe reference index (-2.9%) Euro Stoxx 600 (+5.0%), and underperformed the IBEX-35 (+11.7%).

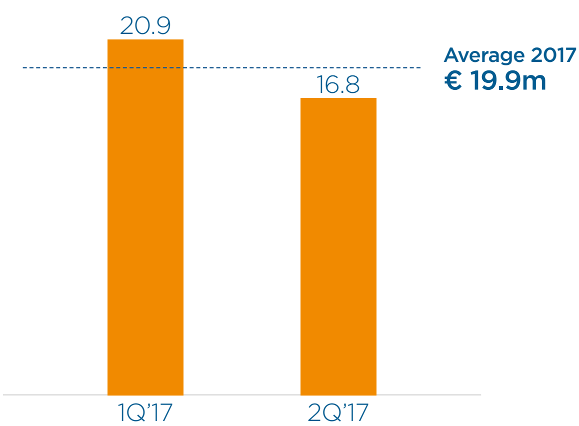
MERLIN share price performance vs IBEX 35 / EPRA Index / Euro Stoxx 600



Source: Bloomberg, as of June 30th 2017.

Average daily trading value (€ m)

Average daily trading volume during the period has been € 19.9 million.



As of the date of this report, MERLIN is covered by a wide variety of 24 equity research houses. Consensus target price is € 12.47.

Target prices and analyst recommendations

Broker	Report date	Recommendation	Target price
Mirabaud	11-09-17	Sell	11.50
Deutsche Bank	07-09-17	Buy	14.00
BBVA	06-09-17	Buy	13.00
Exane BNP Paribas	06-09-17	Neutral	12.00
Morgan Stanley	29-08-17	Buy	14.50
Alantra	25-08-17	Neutral	12.25
J.P.Morgan	22-08-17	Buy	13.51
Credit Suisse	22-08-17	Buy	13.00
Green Street Advisors	16-08-17	Neutral	12.55
Haitong	13-07-17	Neutral	12.00
ING	11-07-17	Buy	13.30
Societe Generale	10-07-17	Neutral	12.20
bankinter	26-06-17	Buy	12.79
BPI	14-06-17	Neutral	12.35
Bank of America	23-05-17	Neutral	11.60
Kempen & Co	09-04-17	Buy	12.00
Kepler Cheuvreux	22-03-17	Neutral	11.31
Goldman Sachs	07-03-17	Neutral	11.90
JBCapitalMarkets	13-02-17	Buy	12.50
GVC Gaesco	10-11-16	Buy	12.51
intermoney valores sv	19-09-16	Buy	12.10
UBS	21-07-16	Buy	11.80
fidentiis	13-07-16	Buy	11.80
Sabadell	23-06-16	Buy	11.07
Market consensus(1)			**12.47**

(1) Excluding 2 houses that have not updated their projections after Metrovacesa acquisition

APPENDIX

EPRA METRICS

EPRA Earnings

(€ thousand)	
Consolidated net profit in accordance with IFRS	**421,398**
Adjustments to calculate EPRA earnings:	(302,547)
(i) changes in value of investment properties	(328,800)
(ii) gain/(losses) on disposal of assets	(241)
(iii) absorption of revaluation on investment properties	9,839
(iv) non recurring taxes	11,879
(v) share in equity method investments	(5,783)
(vi) negative difference in business combination	1,775
(vii) changes in fair value of financial instruments and cancellation costs	8,885
(viii) impairment of fiscal credit	-
(ix) gain/(losses) on disposal of financial instruments	(101)
Minority interests in respect of previous adjustments	431
EPRA net earnings pre-specific adjustments	**119,281**
EPRA net earnings per share pre-specific adjustments	**0.25**
EPRA net earnings per share pre-specific adjustments (weighted)	**0.25**
Company specific adjustments:	29,722
(i) LTIP provision	26,750
(ii) non recurring general expenses	2,972
Minority interests in respect of previous adjustments	(42)
EPRA net earnings post-specific adjustments	**148,961**
EPRA net earnings per share post-specific adjustments (weighted)	**0.32**
EPRA net earnings per share post-specific adjustments	**0.32**

EPRA NAV

(€ thousand)		
Equity in balance sheet		**5,129,951**
Derivatives Mark-to-market		40,910
Deferred taxes Mark-to-market		433,971
Deferred tax assets	(142,867)	
Deferred tax liabilities	576,839	
Cost of debt		(57,767)
Revaluations not recorded in the financial statements		38,825
Adjustment in concessions	16,865	
Adjustments in tangible assets	310	
Adjustments in equity method	21,650	
EPRA NAV		**5,585,890**
Shares		**469,770,750**
EPRA NAV / share		**11.89**

EPRA Yields

(€ thousand)	Offices	Shopping centers	Logistics
Gross asset value	4,772,243	1,694,110	590,337
Exclude:			
Land for development			
Non-core land			
Gross asset value income producing assets	4,772,243	1,694,110	590,337
Gross rents annualized	**217,615**	**91,585**	**41,198**
Exclude:			
Property expenses not recharged to tenants	(17,909)	(11,295)	(1,573)
"Topped-up" net rents annualized	**199,706**	**80,290**	**39,626**
Exclude:			
Incentives and collection loss	(3,520)	(2,854)	(1,893)
Net rents annualized	**196,186**	**77,436**	**37,733**
EPRA "topped-up" yield	**4.18%**	**4.74%**	**6.71%**
EPRA net initial yield	**4.11%**	**4.57%**	**6.39%**

High Street Retail	Other	Logistics WIP	Land for development	Non-core land	TOTAL
2,208,178	293,719	127,316	294,856	131,803	10,112,562
		(127,316)	(294,856)		(422,172)
				(131,803)	(131,803)
2,208,178	293,719	-	-	-	9,558,587
104,094	**12,776**	**-**	**-**	-	**467,268**
(1,986)	(1,301)	-	-	-	(34,063)
102,108	**11,475**	**-**	**-**	-	**433,205**
(57)	(203)	-	-	-	(8,526)
102,052	**11,272**	**-**	**-**	-	**424,679**
4.62%	**3.91%**				**4.53%**
4.62%	**3.84%**				**4.44%**

EPRA cost ratio

(€ thousand)	**30/06/2017**
Property expenses not recharged to tenants	(18,510)
Incentives	(7,704)
Collection loss	(876)
Personnel expenses	(38,517)
General expenses recurring	(5,096)
General expenses non-recurring	(2,972)
LTIP accrual	26,750
Exclude	
Investment property depreciation	-
Ground rent costs	-
Service charge recovered through rents but not invoiced separately	-
Expenses related to 3rd party asset management services	-
EPRA Cost ratio (including direct vacancy costs)	**(46,925)**
Gross rents	235,117
Less: service fee if part of gross rents	-
Add: income of Joint-Ventures	-
Gross rental income	**235,117**
EPRA Cost ratio	**20.0%**
EPRA Cost ratio (excluding non-recurring general expenses)	**18.7%**

ALTERNATIVE MEASURES OF PERFORMANCE

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

Glossary

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

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

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

EPRA costs
Recurring running costs of the Company divided by recurring rents.

EPRA Earnings (€ thousand)
Recurring earnings from core operational activities.

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

EPRA NNNAV (€ thousand)
EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes.

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

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

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

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

GAV
Value of the commercial portfolio in accordance with the latest external valuation available as of 30 June 2016 plus advanced payments for turn-key projects and developments.

Gross annualized rents
Passing rent as of 30 June multiplied by 12.

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

Recurring EBITDA
EBITDA less non-recurring general expenses of the Company.

Recurring FFO
FFO less non-recurring general expenses of the Company.

Release Spread
Difference between the new rent signed and the old prevailing rent on renewals (same space, same tenant) or relets (same space, different tenant) during the period of analysis

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

WAULT
Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 30 June 2017, until the lease contract expiration, weighted by the gross rent of each individual lease contract.

LIST OF ASSETS

	Location	G.L.A. sqm AG
Office		**1,254,885**
Ribera del Loira 60	Madrid	54,960
PE Puerta de las Naciones	Madrid	39,150
PE Via Norte	Madrid	37,224
PE Cerro Gamos	Madrid	35,498
Avenida de Bruselas 33	Madrid	33,718
PE Alvento	Madrid	32,928
PE Euronova	Madrid	32,665
Sollube	Madrid	31,576
Juan Esplandiu 11-13	Madrid	28,008
Adequa 1	Madrid	27,399
PE Las Tablas	Madrid	27,073
Parking Princesa*	Madrid	26,963
PE Alvia	Madrid	23,567
Torre Castellana 259	Madrid	21,390
Josefa Valcarcel 48	Madrid	19,893
Partenon 12-14	Madrid	19,609
Trianon	Madrid	18,400
Partenon 16-18	Madrid	18,343
Princesa 3	Madrid	17,810
PE Sanchinarro	Madrid	17,191
PE Churruca	Madrid	16,979
Castellana 280	Madrid	16,918
Costa Brava 2-4	Madrid	16,000
Adequa 3	Madrid	15,937
PE Atica XIX	Madrid	15,411
Castellana 83-85	Madrid	15,254
Castellana 278	Madrid	14,468
Adequa 5	Madrid	13,790
Adequa 6	Madrid	13,789
Santiago de Compostela 94	Madrid	13,130
Avenida de Europa 1	Madrid	12,606
Avenida de Europa 2	Madrid	12,605

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

Cristalia	Madrid	11,712
Castellana 93	Madrid	11,650
Aquamarina	Madrid	10,856
Principe de Vergara 187	Madrid	10,732
Ventura Rodriguez 7	Madrid	10,071
Alfonso XI	Madrid	9,945
Ulises 16-18	Madrid	9,576
Atica 5	Madrid	9,526
Alcala 40	Madrid	9,315
PE Minipark Alcobendas 1	Madrid	9,195
Avenida de Bruselas 24	Madrid	9,164
Avenida de Bruselas 26	Madrid	8,895
Elipse	Madrid	7,515
Eucalipto 25	Madrid	7,368
Eucalipto 33	Madrid	7,185
Atica 1	Madrid	7,080
Pedro de Valdivia 10	Madrid	6,721
Arturo Soria 343	Madrid	6,615
Avenida de Burgos 210	Madrid	6,176
Al-Andalus	Madrid	5,972
Princesa 5	Madrid	5,788
Maria de Portugal T2 1	Madrid	5,749
Maria de Portugal T2 3	Madrid	5,749
Atica 3	Madrid	5,746
Atica 2	Madrid	5,644
Maria de Portugal T2 2	Madrid	5,641
Vegacinco 1	Madrid	5,496
Vegacinco 2	Madrid	5,400
Adequa 2	Madrid	5,013
Atica 4	Madrid	4,936
Fuente de la Mora	Madrid	4,482
Avenida de Aragon 334	Madrid	3,890
Atica 6	Madrid	3,790
Encinar	Madrid	3,623
PE Minipark Alcobendas 2	Madrid	3,347
Arturo Soria 128	Madrid	3,206
Plantio 12 D	Madrid	1,816
Plantio 6 G	Madrid	1,780
Plantio 10 E	Madrid	1,749
Plantio 8 F	Madrid	1,723

PE Poble Nou 22@	Cataluña	31,337
Muntadas I	Cataluña	24,380
Vilanova 12-14	Cataluña	16,494
Sant Cugat I	Cataluña	15,378
Diagonal 605	Cataluña	14,795
WTC8	Cataluña	14,542
WTC6	Cataluña	14,461
Citypark Cornella	Cataluña	12,916
PLZFA	Cataluña	11,411
PLZFB	Cataluña	10,652
Sant Cugat II	Cataluña	10,008
Diagonal 514	Cataluña	9,664
Balmes 236-238	Cataluña	6,187
Diagonal 199	Cataluña	5,934
E-Forum	Cataluña	5,190
Diagonal 458	Cataluña	4,174
Muntadas II	Cataluña	3,783
Lerida - Mangraners	Cataluña	3,228
Monumental	Lisboa	16,892
Torre Lisboa	Lisboa	13,715
Lisboa Expo	Lisboa	6,740
Sevilla - Borbolla	Andalucia	13,037
Granada - Escudo del Carmen	Andalucia	2,041
Zaragoza - Aznar Molina	Aragon	4,488

Shopping centers		**455,343**
Opción	Madrid	37,165
Centro Oeste	Madrid	10,876
Nassica	Madrid	10,006
Arturo Soria	Madrid	5,974
Marineda	Galicia	100,207
Vilamarina	Cataluña	32,224
Arenas	Cataluña	31,918
La Fira	Cataluña	29,013
El Saler	Comunidad Valenciana	23,086
La Vital	Comunidad Valenciana	20,853
Bonaire	Comunidad Valenciana	17,559
Medianas Bonaire	Comunidad Valenciana	9,934

Larios	Andalucia	21,504
Artea	Pais Vasco	24,323
Thader	Murcia	48,646
Porto Pi	Baleares	26,559
Monumental CC	Lisboa	5,495
Logistics		**921,226**
Madrid-Coslada Complex	Madrid	36,234
Madrid-Meco I	Madrid	35,285
Madrid-Coslada	Madrid	28,491
Madrid-Getafe	Madrid	16,242
Madrid-Getafe (Los Olivos)	Madrid	11,488
PLZF	Cataluña	132,554
Nave Castellbisbal	Cataluña	21,508
Barcelona-Sant Esteve	Cataluña	16,811
Barcelona-Granada Penedes	Cataluña	16,758
Barcelona-Lliça del Vall	Cataluña	14,911
Guadalajara-Cabanillas I	Castilla la Mancha	70,134
Guadalajara-Alovera	Castilla la Mancha	38,763
Guadalajara-Cabanillas II A	Castilla la Mancha	38,054
Guadalajara-Cabanillas II E	Castilla la Mancha	49,793
Guadalajara-Cabanillas II C	Castilla la Mancha	48,952
Guadalajara-Cabanillas II D	Castilla la Mancha	47,892
Guadalajara-Cabanillas II B	Castilla la Mancha	17,917
Guadalajara-Azuqueca I	Castilla la Mancha	27,995
Valencia-Almussafes	Comunidad Valenciana	26,613
Zaragoza-Pedrola	Aragon	21,579
Zaragoza-Plaza	Aragon	20,764
Vitoria-Jundiz	Pais Vasco	72,717
Sevilla Zal	Andalucia	109,772
Logistics WIP		**580,449**
Madrid-Pinto I	Madrid	11,098
Madrid-Pinto II	Madrid	59,017
Madrid-Meco II	Madrid	59,891
Madrid-Getafe (Gavilanes)	Madrid	39,576
Madrid-San Fernando II	Madrid	34,224
Madrid-San Fernando I	Madrid	11,165
Guadalajara-Azuqueca II	Castilla la Mancha	98,000
Guadalajara-Azuqueca III	Castilla la Mancha	51,000
Guadalajara-Cabanillas III	Castilla la Mancha	210,678
Sevilla ZAL WIP	Andalucia	5,400

High Street Retail		**460,233**
Tree		366,479
Plaza de los Cubos	Madrid	13,479
Callao 5	Madrid	11,629
Torre Madrid locales	Madrid	4,393
Caprabo	Cataluña	64,252

Hotels & Other		**118,115**
Eurostars Torre Castellana 259	Madrid	31,800
Hotel Marineda	Galicia	5,898
Novotel Diagonal 199	Cataluña	15,332
Locales Plaza Castilla - Castellana 193 (McD)	Madrid	311
Parking Palau *	Comunidad Valenciana	597
General Ampudia 12 *	Madrid	4,619
Yunque	Madrid	1,780
San Francisco de Sales	Madrid	171
Bizcargi 1 1D	Pais Vasco	46
Jovellanos 91	Cataluña	4,519
Rambla Salvador Sama 45-47-49	Cataluña	1,140
Amper	Madrid	22,510
Torre Madrid residencial	Madrid	120
Sant Boi de Llucanes (54,6% MVC)	Cataluña	15,424
CIM Valles	Cataluña	19,064

Non-core land		**379,015**
Navalcarnero	Madrid	288,389
Vadebebas - office	Madrid	25,955
Arapiles 8	Madrid	1,700
Zaragoza - residencial	Aragon	47,971
Zaragoza Plaza - Logistics	Aragon	15,000

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

Land for development		**95,923**
Adequa 7	Madrid	26,744
Adequa 4	Madrid	14,926
Torre Chamartin	Madrid	16,639
Torre Glories	Cataluña	37,614
TOTAL		**4,264,788**

Equity method		
ZAL Port (32%)	Cataluña	127,695
Tres Aguas (50%)	Madrid	33,505
Testa residencial (16%)	Other	116,112
Arasur (44%)	Pais Vasco	37,393
Villajoyosa (50%)	Comunidad Valenciana	-
Pazo de Vigo (44%)	Galicia	18,523
Parking Palau (33%)	Comunidad Valenciana	-
Costa Ballena (32,5%)	Andalucia	5,045
TOTAL		**338,273**
TOTAL including equity method		**4,603,601**

MERLIN PROPERTIES

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MERLIN PROPERTIES, SOCIMI, S.A.
Formulación de los Estados Financieros Intermedios correspondientes al periodo de 6 meses terminado el 30 de junio de 2017

Reunidos los Administradores de Merlin Properties SOCIMI, S.A., con fecha de 21 de septiembre de 2017, proceden a formular los Estados Financieros Intermedios correspondientes al periodo de 6 meses terminado el 30 de junio de 2017. Los Estados Financieros Intermedios vienen constituidos por los documentos anexos que preceden a este escrito, y constan extendidos en ______ folios de papel común. Asimismo, mediante la suscripción y firma del presente folio de firmas, los miembros que integran el Consejo de Administración de MERLIN PROPERTIES, SOCIMI, S.A. declaran como firmados de su puño y letra los Estados Financieros Intermedios Consolidados, que han sido rubricados en todas sus páginas por la Secretario o el Vice-Secretario no consejero a los solos efectos de su identificación.

Firmantes:

D. Ismael Clemente Orrego VIcepresidente	D. Javier Garcia-Carranza Benjumea Presidente
D. Fernando Javier Ortiz Vaamonde Vocal	Dña. Ana Maria García Fau Vocal
D. Alfredo Fernández Agras Vocal	D. George Donald Johnston Vocal
	[firmado por representación]
D. Miguel Ollero Barrera Vocal	Dña. Pilar Cavero Mestre Vocal
	[no asiste]
D. Juan María Aguirre Gonzalo Vocal	D. José Ferrís Monera Vocal
Dña. Maria Luisa Jorda Castro Vocal	Dña. Francisca Ortega Hernández-Agero Vocal
D. John Gomez-Hall Vocal	

D. Ismael Clemente y D. Ildefonso Polo como Vice-Presidente y Vice-Secretario (no consejero) del Consejo de Administración de Merlin Properties, SOCIMI, S.A., certifican que los Estados Financieros Intermedios Resumidos Consolidados correspondientes al período de seis meses terminado el 30 de junio de 2017:

(i) han sido aprobados, formulados y firmados por todos los miembros del Consejo de Administración en su reunión de 21 de septiembre de 2017 a excepción de **(i) Dña. Pilar Cavero Mestre**, por no haber asistido personalmente a la reunión del Consejo de Administración en la que se han aprobado dichos estados financieros, si bien dicho Consejero (a) ha mostrado expresamente su conformidad y voto a favor de las mismas, y (b) ha facultado expresamente al Consejero D. Juan María Aguirre para que en su respectivo nombre, firme las referidas cuentas y la declaración de responsabilidad sobre el contenido de las mismas y **(ii) D. José Ferrís Monera**, que excuso sus asistencia al consejo por temas profesionales.

(ii) que anteceden a esta certificación se corresponden con los formulados y aprobados por el Órgano de Administración y revisados por el auditor de cuentas de la Sociedad.

D. Ismael Clemente D. Ildefonso Polo

MERLIN PROPERTIES, SOCIMI, S.A.

Declaración de responsabilidad de los Estados Financieros Intermedios correspondientes al periodo de 6 meses terminado el 30 de junio de 2017

Los miembros del Consejo de Administración de Merlin Properties, SOCIMI, S.A. declaran que, hasta donde alcanza su conocimiento los Estados Financieros Intermedios correspondientes al periodo de 6 meses terminado el 30 de junio de 2017 formulados y aprobados por el Consejo de Administración en su reunión de 21 de septiembre de 2017 y elaborados conforme a los principios de contabilidad que resultan de aplicación ofrecen la imagen fiel del patrimonio, de la situación financiera y de los resultados de Merlin Properties, SOCIMI, S.A., así como de las sociedades dependientes comprendidas en la consolidación, tomadas en su conjunto, y que el Informe de gestión intermedio incluye un análisis fiel de la información exigida

Firmantes:

D. Ismael Clemente Orrego
VIcepresidente

D. Javier Garcia-Carranza Benjumea
Presidente

D. Fernando Javier Ortiz Vaamonde
Vocal

Dña. Ana Maria García Fau
Vocal

D. Alfredo Fernández Agras
Vocal

D. George Donald Johnston
Vocal

[firmado en representación]

D. Miguel Ollero Barrera
Vocal

Dña. Pilar Cavero Mestre
Vocal

[no asiste]

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Dña. Maria Luisa Jorda Castro
Vocal

Dña. Francisca Ortega Hernández-Agero
Vocal

D. John Gomez-Hall
Vocal