

Merlin Properties SOCIMI, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements
for the six-month period ended 30 June 2024 prepared
in accordance with International Financial Reporting
Standards (IFRS) as adopted by the European Union

Merlin Properties SOCIMI, S.A. and Subsidiaries

Explanatory notes for the Interim Condensed Consolidated Financial Statements for the six-month period ending 30 June 2024

1. Nature, activity and composition of the Group

Merlin Properties SOCIMI, S.A. (hereinafter, the "Parent") was incorporated in Spain on 25 March 2014 under the Corporate Enterprises Act. On 22 May 2014, it was requested the inclusion of the Parent in the tax regime for real estate investment trusts (SOCIMIs), effective from 25 March 2014 (date of incorporation of the Parent).

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

The Parent's corporate purpose, as set out in its bylaws, is as follows:

- the acquisition and development of urban real estate for subsequent leasing, including the refurbishment of buildings as per the Value Added Tax Law 37/1992, of 28 December;
- the holding of equity stakes in other SOCIMIs or in other non-resident entities in Spain with the same corporate purpose as the aforesaid and that operate under a similar regime as that established for SOCIMIs vis-à-vis the mandatory, legal or bylaw policy on the appropriation of results;
- the holding of equity stakes in other resident or non-resident entities in Spain whose corporate purpose is to acquire urban real estate for subsequent leasing, and which operate under the same regime as that established for SOCIMIs vis-à-vis the mandatory, legal or bylaw policy on the appropriation of results, and which fulfil the investment requirements stipulated for these companies; and
- the holding of shares or equity stakes in collective real estate investment institutions regulated by the Collective Investment Institution Law 35/2003, of 4 November, or any law that may replace this in the future.

In addition to the economic activity relating to the main corporate purpose, the Parent may also carry on any other ancillary activities, i.e., those that generate income, which in total represents less than 20% of its income in each tax period, or those that may be considered ancillary activities under the legislation applicable at any time.

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

None of the activities reserved for other entities under special legislation cannot be directly (or where applicable, indirectly) performed. If the law prescribes the need for a professional qualification, administrative authorisation, entry in a public register, or any other requirement for the purpose of exercising any of the activities within the corporate purpose, no such activity can be exercised until all the applicable professional or administrative requirements have been met.

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

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

On 15 January 2020, the Parent's shares were listed on Euronext Lisbon under a dual listing.

The Parent and the majority of its subsidiaries are governed by Spanish Law 11/2009, of 26 October, as amended by Spanish Law 16/2012, of 27 December, regulating SOCIMIs (*Ley 16/2012, de 27 de diciembre, por la que se*

regulan las Sociedades Anonimas Cotizadas de Inversión en el Mercado Inmobiliario). Article 3 of said Law sets out the investment requirements for these types of companies, namely:

1. At least 80% of a SOCIMI's assets must be invested in urban real estate for leasing purposes and/or in land to be developed for leasing purposes provided such development starts within three years of acquisition, along with investments in the capital or equity of other entities referred to in Section 1, Article 2 of the Law.

The value of the assets will be determined according to the average of the individual balance sheets for each quarter of the year, whereby the SOCIMI may opt to calculate such value by taking into account the market value of the assets included in such balance sheets instead of their carrying amount, in which case that value would apply to all balance sheets for the year. For these purposes, the money and collection rights arising from the disposal of these properties or shareholdings, if applicable, during the same year or previous years will not be calculated, provided that, in this last case, the reinvestment period referred to in Article 6 of this Law has not elapsed.

2. Similarly, at least 80% of the income for the tax period corresponding to each year, excluding the income arising from the transfer of the ownership interests and the properties used to achieve 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 profits arising from these investments.

This percentage will be calculated on the basis of the consolidated profit or loss if the company is the parent of a group as per the criteria of Article 42 of the Code of Commerce, irrespective of residence and of the obligation to draw up consolidated financial statements. That group will be exclusively composed of the SOCIMI and all the other entities referred to in Section 1, Article 2 of said Law.

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

This period will be calculated:

- a. For real estate in the SOCIMI's asset base before the SOCIMI becomes subject to the regime: From the beginning of the first tax period during which the special tax regime applies as regulated by the Law, provided that at the time the asset was leased or on lease. Otherwise, the paragraph below will apply.
- b. For real estate subsequently developed or acquired by the SOCIMI: From the date on which it was leased or offered for lease for the first time.
- c. Shares or equity investments in entities referred to in Section 1, Article 2 of the Law must be kept in the SOCIMI's asset base at least during three years after their acquisition or, if applicable, from the beginning of the first tax period during which the special tax regime established in the Law applies.

As provided by the First Transitional Provision of Law 11/2009 of 26 October, as amended by Law 16/2012 of 27 December, regulating SOCIMIs, the companies may opt to be subject to the special tax regime as provided by Article 8 of the mentioned Law, even when the legal requirements at the date of inclusion in that regime are not fulfilled, provided said requirements are met within two years of the date application of the SOCIMI tax regime is sought.

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

With effect from 1 January 2021, Law 11/2021 of 9 July on Measures to Prevent and Combat Tax Fraud amends Section 4 of Article 9 of Law 11/2009 of 26 October, which regulates listed real estate investment companies (SOCIMI). Specifically, it introduces a special tax of 15% on the amount of profit earned in the year that is not distributed, in the portion derived from a) income that was not taxed at the general corporate tax rate, and b) income that is not derived from the transfer of eligible assets after the expiration of the three-year holding period, which fall under the three-year reinvestment period set forth in Article 6.1.b) of Law 16/2012 of 27 December. This special levy shall be treated in the same way as corporate income tax and shall accrue on

the date of the resolution of the general meeting or equivalent body to appropriate the annual profits. Self-assessment and payment of the tax must be made within two months of the tax accruing.

The transitional period in which the Parent had to meet all requirements of this tax regime ended in 2017. At 30 June 2024, the Parent met all requirements under current law.

In view of the business activities currently carried on by the Group, it does not have any environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. For this reason, no specific disclosures on environmental issues are included in these interim condensed consolidated financial statements.

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

2.1 Regulatory framework

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

- The Spanish Code of Commerce and other 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 Spanish Law 62/2003, of 30 December, on tax, administrative and social security measures (*Ley de medidas fiscales, administrativas y de orden social*), and applicable rules and circulars of the Spanish National Securities Market Commission (CNMV).
- Law 11/2009, of 26 October, amended by Law 16/2012, of 27 December, regulating SOCIMIs and other corporate law; and
- Other applicable Spanish accounting standards.

The consolidated financial statements for 2023 were prepared in accordance with the regulatory financial reporting framework described in the paragraph above and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2023 and the consolidated results of its operations, the changes in consolidated equity and the consolidated cash flows in the year ended 31 December 2023.

The separate and consolidated financial statements of Merlin Properties SOCIMI, S.A. for 2023, prepared by its directors, were approved by the shareholders at the Annual General Meeting on 9 May 2024.

The 2023 separate financial statements of the Group companies, which were prepared by their respective directors, were approved by their shareholders at the respective General Meetings within the periods established in applicable tax legislation.

These interim condensed consolidated financial statements are presented in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and were approved by the Parent's directors on 19 July 2024, in accordance with Article 12 of Royal Decree 1362/2007.

Pursuant to IAS 34, interim financial reports must be prepared with the sole intention of updating the content of the Group's previous consolidated annual financial statements, with an emphasis on any new activities, events or circumstances that may have occurred during the semester, but not duplicating the information that was already published in the consolidated annual financial statements. The interim condensed consolidated financial statements at 30 June 2024 therefore 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 condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2023.

The consolidated results and determination of consolidated equity are sensitive to the accounting policies and measurement bases and estimates adopted by the Directors of the Parent Company in the preparation of the condensed consolidated financial statements. The main accounting principles and policies and valuation

criteria used correspond to those applied in the 2023 consolidated financial statements, except for the standards and interpretations that came into force during the first half of 2024.

2.2 Bases for reporting the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were obtained from the accounting records of the Parent and consolidated companies, and have been prepared in accordance with the regulatory financial reporting framework described in Note 2.1 and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 30 June 2024 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 2024.

Given that the accounting policies and measurement bases applied in preparing the Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2024 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 interim condensed consolidated financial statements, the accounting policies and measurement bases used by the Parent Company were applied to all the consolidated companies.

These interim condensed consolidated financial statements at 30 June 2024 were subject to review by the auditors. The figures relating to 30 June 2023 and 31 December 2023 are presented for comparison purposes only.

2.2.1 Adoption of International Financial Reporting Standards effective as from 1 January 2024

During the first six months of 2024, the following standards, amendments and interpretations came into force, which, where applicable, were used by the Group in preparing the interim condensed consolidated financial statements:

Standards, Amendments and Interpretations	Description	Mandatory application in the years beginning on or after:
Amendments to IAS 1 Classification of liabilities as current and non-current and those subject to covenants	Clarifications regarding the presentation of liabilities as current or non-current, and in particular those maturing conditional on compliance with covenants.	1 January 2024
Amendments to IFRS 16 Liabilities for leases in a sale under subsequent lease	This amendment clarifies the subsequent accounting of lease liabilities arising in the sale and subsequent lease transactions.	1 January 2024
Amendments to IAS 7 and IFRS 7 Supplier financing arrangements	This amendment introduces requirements for discounting information specific to financial agreements with suppliers and their effects on the Company's liabilities and cash flows, including liquidity risk and associated risk management.	1 January 2024

These standards and amendments have not had a significant impact.

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

2.2.2 Standards not yet in force in 2024

The following standards were not yet in force in the first six months of 2024, either because their effective date is subsequent to the date of the interim consolidated financial statements, or because they have not yet been adopted by the European Union:

Standards, Amendments and Interpretations	Description	Mandatory application in the years beginning on or after:
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures depending on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business."	No date set
Amendments to IAS 21 Lack of exchangeability	This amendment adds requirements to help institutions determine whether a currency is exchangeable for another currency and the spot exchange rate to use when it is not.	1 January 2025
Amendments to IFRS 9 and IAS 7 Amendments to the classification and measurement of financial instruments	These amendments clarify the date of recognition and derecognition of certain financial assets and financial liabilities; clarify and add additional guidance for assessing whether a financial asset complies with the criteria solely for principal and interest payments; include new disclosure requirements; and update the disclosures for equity instruments designated at fair value through other comprehensive income.	1 January 2026
IFRS 18 Presentation and disclosure in financial statements	A new standard replacing IAS 1, the key new concepts introduced relate to the structure of the income statement; disclosures for certain performance measures reported in the financial statements; and improved principles on aggregation and disaggregation of information in the financial statements and notes.	1 January 2027
IFRS 19 Subsidiaries without public accountability: Disclosures	This new standard has been developed to permit subsidiaries without public accountability, with a parent that applies IFRS Standards in its consolidated financial statements, to apply IFRS Standards with reduced disclosure requirements.	1 January 2027

The Group is currently assessing the impacts that the future application of these standards, which must be applied for all periods beginning on or after 1 January 2025, may have on the consolidated financial statements once they enter into force, although the impacts are not expected to be material.

2.3 Functional currency

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

2.4 Comparative information

As required by international financial reporting standards adopted by the European Union, the information contained in these interim condensed consolidated financial statements for the period ended 30 June 2024 is presented for comparison purposes with the information relating to the six-month period ended 30 June 2023 for the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and for the year ended 31 December 2023 for the condensed consolidated statement the financial position.

2.5 Responsibility for the information and use of estimates

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

The Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2024 occasionally use estimates made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, to quantify certain of the assets, liabilities, income, expenses and obligations reported by them. These estimates relate basically to the following:

1. The market value of the Group's property assets. The Group obtained valuations from independent experts at 30 June 2024.
2. The fair value of certain financial instruments.
3. The assessment of provisions and contingencies.
4. Management of financial risk and, in particular, of liquidity risk.
5. The recovery of deferred tax assets and the tax rate applicable to temporary differences.
6. Definition of the transactions carried out by the Group as a business combination in accordance with IFRS 3 or as an acquisition of assets.
7. The market value of the net assets acquired in business combinations.
8. Compliance with the requirements that govern listed real estate investment companies.

Changes in estimates

Although these estimates were made on the basis of the best information available at 30 June 2024 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statement.

2.6 Contingent assets and liabilities

There were no significant changes in the Group's main contingent assets or liabilities in the first six months of 2024.

2.7 Seasonal nature of Group transactions

In view of the activities carried out by the Group companies, the transactions are not markedly cyclical or seasonal. Accordingly, no specific disclosures in this regard are included in these explanatory notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2024.

2.8 Consolidated statement of cash flows

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

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

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

2.9 Relative importance

In determining the information to be broken down in the explanatory notes to the interim condensed consolidated financial statements or other matters, the Group has, in accordance with IAS 34, taken into account the relative importance in relation to the interim condensed consolidated financial statements for the six-month period ending on 30 June 2024.

2.10 Quantitative and qualitative information on the current economic and geopolitical impacts

In recent months, economic activity has accelerated somewhat on a global scale, while the process of disinflation has continued, albeit with less intensity than expected, in a scenario in which geopolitical tensions persist and may affect the behaviour of consumers and investors.

The rate of expansion of activity accelerated slightly in the first months of the year -especially in the case of services- and was more dynamic than expected. Inflation continued to decelerate in the first months of 2024, although less strongly than in the course of 2023. In part, this was due to the fact that services inflation was characterized by a greater degree of inertia than anticipated and with respect to the rest of the components of the consumption basket.

Looking ahead to the coming quarters, these relatively favourable macro-financial dynamics are not expected to change significantly. In particular, the analyst consensus expects that, in a context in which services and labour markets continue to show considerable strength, economic activity will gain some traction over the 2024-2026 period. In any case, the pace of GDP expansion over this period would be relatively modest from a historical perspective as a result, among other factors, of the high uncertainty that still characterizes the current geopolitical scenario and the eminently restrictive tone that is anticipated for monetary policy during much of this time horizon.

Likewise, most analysts project that inflation rates will continue to fall in the coming quarters, although this process would be, in light of the most recent dynamics, somewhat more gradual than was contemplated a few months ago. In the euro area, for example, the European Central Bank's (ECB) June projection exercise has revised upwards the projected GDP growth for the euro region in 2024 (by three tenths to 0.9%) and has also raised the average headline inflation rates forecast for 2024 (by two tenths to 2.5%) and 2025 (by two tenths to 2.2%). The markets anticipate that most central banks in the rest of the economies will reduce their interest rates in the coming months. Thus, in this scenario, in particular, the ECB decided to lower its benchmark interest rates by 25 basis points (bps) at its meeting on June 6, after keeping them unchanged since September 2023.

As has become normal in other periods, these projections are subject to a high degree of uncertainty, with no major changes related to the nature or valuation of the main sources of risk:

- Thus, at the international level, geopolitical tensions - for example, those associated with the armed conflicts in Ukraine and the Gaza Strip or trade tensions between the United States and China - pose, in the event of an escalation, a considerable downside risk to activity and an upside risk to prices. Furthermore, in a context in which the financial markets have been showing very favorable dynamics in recent months - with some international stock market indexes close to all-time highs and with relatively low risk premiums - episodes of financial turbulence cannot be ruled out, leading to a sharp correction in the prices of financial assets and a deterioration in the macroeconomic outlook in the short and medium term.
- On a domestic level, we highlight the uncertainty regarding the outcome of political and social tensions, which could lead to changes in legislation and other factors that could significantly impact the overall economic growth in Spain, as well as the environment in which the Group operates, as indicated by different agents in the Spanish real estate market.

Measurement of fair value of investment property

The Group adjusted the fair value of its real estate investments in accordance with IAS 40. This fair value is determined by using the appraisals carried out every six months by independent third-party experts as reference values, such that at the end of each six-month period the fair value reflects the market conditions of the investment properties at that date. In accordance with the Group's policy, valuers are rotated on a regular basis between the different types of real estate assets, which was carried out in the first half of 2023.

At 30 June 2024, the valuations conducted by CBRE Valuation Advisors, S.A., Jones Lang LaSalle, S.A., and Savills Consultores Inmobiliarios, S.A. did not provide any indications of uncertainty regarding the market value of the Group's investment property.

Furthermore, there have been no modifications to the valuation methodology described in Note 6.

In 2023 and the first half of 2024, the Group included at fair value those assets constructed that came into operation in 2023 in the data centers business line, since Group management considers that they meet the necessary requirements for their valuation at market value.

Although these assets are in their early stages, it should be noted that assumptions have been taken into consideration for these assets regarding growth in occupancy, rents and normalised margins in mature markets, and the rate of completion of the capacity expansion work. The valuation of these assets is therefore sensitive to the assumptions made are achieved, and there may be significant changes in value in the event of deviations with respect to these assumptions.

The details of the main assumptions used in the appraisals at June 2024 and December 2023, based on the nature of the assets and the sensitivities to increases and decreases of those variables are included in Note 6 to the accompanying financial statements.

Liquidity risk

In the opinion of the Parent Company's directors, the current scenario of uncertainty and continued high interest rates for longer than expected may lead to negative movements in capital values and greater volatility in some real estate markets. Experience has shown that consumer and investor behaviour can change rapidly during these times of uncertainty and volatility, so lending and investment decisions must reflect this high level of volatility and a potential deterioration in market conditions which may have a significant impact on the companies' overall financial position, which could be divided into the companies' or groups' own liquidity risk and their customers' liquidity risk or credit risk.

Against this backdrop, at 30 June 2024 the Group had a leverage ratio of 35.6%, understood as debt over the fair value of the assets (LTV) (this ratio is obtained by dividing the Company's net debt by the fair value of the assets including transaction costs) and cash and cash equivalents (including treasury shares) amounting to EUR 739,740 thousand. The only significant debt maturity for the Group over the next twelve months is in May 2025, due to the maturity of a bond amounting to EUR 600 million. However, the Group has a liquidity position, including the corporate credit facility and undrawn borrowings, of EUR 1,572 million (see Note 10).

Credit risk

As indicated in the consolidated director's report for the year ended 31 December 2023, the deterioration of the Group's receivables was not significant, considering that the risk of default was less than 1% of turnover and that the Group has deposits from its tenants to secure the credits.

In applying the simplified approach to impairment and credit risk, and also taking into consideration other differential factors of the Group's portfolio of tenants, the characteristics of their leases, and the amounts collected thus far, the Group has concluded that the credit risk of its customers is less than 1% of turnover.

In relation to its other financial assets exposed to credit risk, which mainly correspond to loans to associates and third parties, the Parent's directors have determined that there has not been a significant increase in this risk, considering the measures agreed in some cases with borrowers and the long-term expectations based on the historical experience with those entities, which make it possible to estimate that the credit risk will remain stable over the expected life of the financial asset.

3. Changes in the scope of consolidation

During the first half of 2024, the merger by absorption of the companies Slack Tailwind Systems, S.L.U. and Slow Rise Spain, S.L.U., by MERLIN Oficinas, S.L.U. (all of them wholly owned by MERLIN Properties SOCIMI, S.A.) took place. This transaction had no effect on the Consolidated Financial Statements.

On 7 November 2023, the Group acquired all the shares representing the share capital of Merlin Edged, S.L.U. for EUR 3 thousand. In the first half of 2024, the Company acquired land for the development of a data centers in Álava (Note 6).

On 13 January 2023, the Group acquired 7.32% of the shares representing the share capital of Moregal Hotels, S.L. for EUR 1,585 thousand. The Company owns land for tertiary use in the city of Malaga.

In 2023, Metroparque, S.A. was fully spun off with the dissolution of Metroparque, S.A. through the transfer en bloc of its shopping centers business to Merlin Retail, S.L. and its office business to Merlin Oficinas, S.L. (both wholly owned by Merlin Properties SOCIMI, S.A.). This transaction had no effect on the Consolidated Financial Statements.

In 2023, the Group increased its ownership interest in Silicius Real Estate, SOCIMI, S.A. to 17.91% (previously 17.80%) due to the distribution of a dividend by means of promissory notes convertible into shares amounting to EUR 1,554 thousand.

4. Financial information by business line

a) Criteria

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

- Office buildings
- Shopping centers
- Logistics assets
- Data centers
- Others: Assets not included in the above business lines, which relate mainly to three hotels (which are part of other buildings corresponding to the office and shopping centers business lines), non-strategic land and other smaller assets.

Any revenue or expense that cannot be attributed to a specific business line 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 business lines (prepared using a management approach) and the Group's consolidated financial statements.

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

The Group carried out its business activities in Spain and Portugal in the six-month period ended 30 June 2024.

b) Basis and methodology for business line reporting

The business line 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 business line information are the same as those used by the Group, as described in Note 2.

Business line ordinary revenue relates to the revenue directly attributable to the business line plus the relevant proportion of the Group's general revenue that can be allocated on a reasonable basis to that business line. The ordinary revenue of each business line does not include interest or dividend income, gains on the disposal of investment property, or gains on bailouts or repayment transactions.

The expenses of each business line are the expenses directly attributable to each line directly attributable to its operating activities, plus the corresponding proportion of the expenses that can be allocated on a reasonable basis to the business line.

The business line's profit or loss is presented before any adjustment for non-controlling interests.

The assets and liabilities of the business lines are those that are directly related to their operations plus those that can be directly attributed to them in accordance with the above allocation basis, and include the relevant proportion of joint ventures.

c) Information on business lines

The information by business line at 30 June 2024 and the comparative information for the previous period (30 June 2023 for income and expenses, and 31 December 2023 for assets and liabilities) is as follows:

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2024

(Thousands of Euros)

ASSETS	Notes to the financial statement	30-06-2024	31-12-2023	EQUITY AND LIABILITIES	Notes to the financial statement	30-06-2024	31-12-2023
NON-CURRENT ASSETS:				EQUITY:	Note 9		
Other intangible assets	Note 5	1,304	1,570	Share capital		469,771	469,771
Property, plant and equipment	Note 5	10,204	7,142	Share premium		3,432,874	3,541,379
Investment property	Note 6	10,743,870	10,639,763	Reserves		2,549,586	2,729,403
Investments accounted for using the equity method	Note 7	535,977	537,288	Other shareholder contributions		540	540
Non-current financial assets-	Note 8	232,396	202,109	Valuation adjustments		9,983	(9,475)
Derivatives		13,524	3,429	Treasury shares		(14,407)	(15,410)
Other financial assets		218,872	198,680	Interim dividend		-	(93,673)
Deferred tax assets		65,583	77,573	Profit/(Loss) for the year attributable to the Parent		132,768	(83,497)
Total non-current assets		11,589,334	11,465,445	Equity attributable to the Parent		6,581,115	6,539,038
				NON-CURRENT LIABILITIES:			
				Debt instruments and other marketable securities	Note 10	2,778,656	3,283,337
				Long-term bank borrowings	Note 10	1,484,254	1,223,731
				Other financial liabilities	Note 11	173,995	171,262
				Deferred tax liabilities	Note 11	613,396	613,190
				Provisions	Note 11	17,259	20,181
				Total non-current liabilities		5,067,560	5,311,701
CURRENT ASSETS:				CURRENT LIABILITIES:			
Inventories		51,342	50,976	Debt instruments and other marketable securities	Note 10	635,923	20,966
Trade and other receivables	Note 8	61,842	62,598	Bank borrowings	Note 10	3,973	4,528
Other current financial assets	Note 8	5,154	4,990	Other current financial liabilities	Note 11	4,851	7,369
Other current assets		19,470	20,179	Trade and other payables	Note 12	123,492	164,008
Cash and cash equivalents		725,333	461,223	Current income tax liabilities		10,374	7,591
Total current assets		863,141	599,966	Other current liabilities	Note 11	25,187	10,210
				Total current liabilities		803,800	214,672
TOTAL ASSETS		12,452,475	12,065,411	TOTAL EQUITY AND LIABILITIES		12,452,475	12,065,411

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of financial position at 30 June 2024.

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

(Thousands of Euros)

	Notes to the financial statements	30-06-2024	30-06-2023
CONTINUING OPERATIONS:			
Revenue	Notes 4 y 13.a	242,640	229,521
Other operating income		2,481	2,201
Staff costs	Note 13.c	(17,886)	(18,549)
Other operating expenses	Note 13.b	(45,986)	(33,457)
Profit/(loss) on disposal of non-current assets	Note 6	409	(7,188)
Depreciation and amortisation charge	Note 5	(1,373)	(1,003)
Allocation to profit or loss of grants related to non-financial non-current assets and other grants		26	14
Provisions	Note 11	(2,838)	94
Changes in fair value of investment properties	Note 6	6,253	(198,477)
PROFIT/(LOSS) FROM OPERATIONS		183,726	(26,844)
Changes in fair value of financial instruments		775	(1,327)
Finance income	Note 13.d	12,636	5,523
Finance expenses	Note 13.d	(63,897)	(57,338)
Profit/(loss) on disposal of financial instruments		11	-
Share of results of companies accounted for using the equity method	Note 7	2,856	40,930
Exchange rate differences		-	107
PROFIT/(LOSS) BEFORE TAX		136,107	(38,949)
Income tax		(3,339)	(8,579)
PROFIT/(LOSS) FOR THE YEAR		132,768	(47,528)
Attributable to shareholders of the Parent		132,768	(47,528)
Attributable to minority interests		-	-
EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in euros)			
Basic	Note 9.5	0.28	(0.10)
Diluted		0.28	(0.10)

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2024.

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

(Thousands of Euros)

	Notes to the financial statements	30-06-2024	30-06-2023
PROFIT/(LOSS) PER INCOME STATEMENT		132,768	(47,528)
OTHER COMPREHENSIVE INCOME:			
Income and expense recognised directly in equity-			
Cash flow hedges	Note 9.6	26,062	3,256
OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY		26,062	3,256
Transfers to income statement			
Hedging instruments		(6,604)	(673)
TOTAL TRANSFERS TO INCOME STATEMENT	Note 9.6	(6,604)	(673)
TOTAL COMPREHENSIVE INCOME		152,226	(44,945)
Attributable to shareholders of the Parent		152,226	(44,945)
Attributable to minority interests		-	-

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2024.

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Shareholder contributions	Profit/(Loss) for the year	Interim dividends	Valuation Adjustments	Treasury shares	Equity attributable to the Parent	Total Equity
Balance at 31 December 2022	469,771	3,541,379	3,023,630	540	263,087	(444,815)	12,798	(17,166)	6,849,224	6,849,224
Consolidated comprehensive income	-	-	-	-	(47,528)	-	2,583	-	(44,945)	(44,945)
Distribution of profit for 2022 (Note 9)	-	-	(181,728)	-	(263,087)	444,815	-	-	-	-
Transactions with shareholders or owners:										
Distribution of dividends (Note 9)	-	-	(113,350)	-	-	-	-	-	(113,350)	(113,350)
Acquisition / (disposal) of treasury shares	-	-	(106)	-	-	-	-	42	(64)	(64)
Share-based payments	-	-	1,402	-	-	-	-	-	1,402	1,402
Delivery of share distribution scheme	-	-	(371)	-	-	-	-	1,338	967	967
Balance at 30 June 2023	469,771	3,541,379	2,729,477	540	(47,528)	-	15,381	(15,786)	6,693,234	6,693,234
Balance at 31 December 2023	469,771	3,541,379	2,729,403	540	(83,497)	(93,673)	(9,475)	(15,410)	6,539,038	6,539,038
Consolidated comprehensive income	-	-	-	-	132,768	-	19,458	-	152,226	152,226
Distribution of profit for 2023 (Note 9)	-	-	(177,170)	-	83,497	93,673	-	-	-	-
Transactions with shareholders or owners:										
Distribution of dividends (Note 9)	-	(108,505)	(3,937)	-	-	-	-	-	(112,442)	(112,442)
Acquisition / (disposal) of treasury shares	-	-	(16)	-	-	-	-	(16)	(32)	(32)
Share-based payments	-	-	1,402	-	-	-	-	-	1,402	1,402
Delivery of share distribution scheme	-	-	(96)	-	-	-	-	1,019	923	923
Balances at 30 June 2024	469,771	3,432,874	2,549,586	540	132,768	-	9,983	(14,407)	6,581,115	6,581,115

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of changes in equity at 30 June 2024.

MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

(Thousands of Euros)

CONTINUING OPERATIONS	Notes to the financial statement	30-06-2024	30-06-2023
CASH FLOWS FROM OPERATING ACTIVITIES:		125,643	132,182
Profit for the year before tax		136,107	(38,949)
Adjustments for-		46,544	220,067
Depreciation and amortisation charge	Note 5	1,373	1,003
Change in fair value of investment property	Note 6	(6,253)	198,477
Changes in operating provisions		-	-
Allocation to profit or loss of grants related to non-financial non-current assets and other grants		(26)	(14)
Changes in provisions for contingencies and charges		2,838	(94)
Profit/(Loss) on derecognition and disposal of non-current assets	Note 3	(409)	7,188
Finance income	Note 13	(12,636)	(5,523)
Finance expenses	Note 13	63,897	57,338
Changes in fair value of financial instruments	Note 8	(775)	1,327
Impairment and result on disposal of financial instruments		(11)	-
Share of results of investments accounted for using the equity method	Note 7	(2,856)	(40,930)
Exchange rate differences		-	(107)
Other adjustments to profit or loss		1,402	1,402
Changes in working capital-		(30,399)	(12,799)
Inventories		(366)	(2,158)
Accounts receivable	Note 8	756	5,006
Other financial assets		(2,447)	(3,808)
Other current assets and liabilities	Note 8	-	-
Accounts payable	Note 12	(40,516)	(20,182)
Other assets and liabilities		12,174	8,343
Other cash flows from operating activities-		(26,609)	(36,137)
Interest paid		(50,044)	(42,416)
Interest received		11,689	5,358
Income tax recovered/(paid)		11,746	921
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:		(115,370)	(152,665)
Payments due to investments-		(118,780)	(185,516)
Net cash flow from business acquisitions		-	-
Investment property	Note 6	(101,145)	(179,408)
Intangible assets and property, plant and equipment		(5,362)	(772)
Contributions to associates and other non-current investments		(12,273)	(5,336)
Proceeds from disposals-		3,410	32,851
Financial assets		-	-
Investment property		3,410	32,851
Property, plant and equipment		-	-
Other disposals		-	-
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:		253,837	(200,034)
Proceeds and payments relating to equity instruments-		(106,552)	(113,348)
Premium refund	Note 9.2 y 9.3	(108,505)	-
Dividends paid	Note 9.3	(3,937)	(113,350)
Dividends Paid/ Premium refunds from subsidiaries		5,922	66
Issue of equity instruments	Note 9.4	(32)	(64)
Proceeds and payments relating to financial liabilities-		360,389	(86,686)
Debt issuance with credit institutions		282,875	656,929
Repayment of bank borrowings	Note 10.1	(12,661)	(829)
Issue/(Redemption) of debt instruments	Note 10.2	92,025	(742,786)
Other amounts received (paid) from financing activities	Note 10.5	(1,849)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		264,110	(220,517)
Cash and cash equivalents at beginning of period		461,223	429,449
Cash and cash equivalents at end of period		725,333	208,932

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of cash flows

At 30 June 2024

	Thousand of euros						
	Office buildings	Shopping centers	Logistics	Data centers	Other	Corporate Unit	Total Group
Revenue from non-Group customers:							
Rental income	124,727	61,308	40,463	917	7,072	-	234,487
Services rendered	6,368	1,030	-	115	-	640	8,153
Revenue	131,095	62,338	40,463	1,032	7,072	640	242,640
Other operating income	1,611	512	198	-	25	135	2,481
Staff costs	(3,750)	(3,428)	(1,124)	(185)	-	(9,399)	(17,886)
Operating expenses	(17,924)	(6,971)	(1,402)	(3,723)	(2,192)	(13,774)	(45,986)
Gains/(losses) on disposal of assets	(159)	27	(52)	-	593	-	409
Depreciation and amortisation charge	(620)	-	-	-	(12)	(741)	(1,373)
Allocation of grants to profit or loss	26	-	-	-	-	-	26
Provisions	-	-	-	(3,543)	-	705	(2,838)
Changes in fair value of investment property	(25,615)	(5,104)	(3,743)	40,188	527	-	6,253
Profit/(Loss) from operations	84,664	47,374	34,340	33,769	6,013	(22,434)	183,726
Changes in fair value of financial instruments-							
Changes in fair value of financial instruments - Other	-	-	1,208	-	-	(433)	775
Finance income	-	-	2	-	-	12,634	12,636
Finance costs	(7,630)	-	(765)	30	(1,315)	(54,217)	(63,897)
Profit/(Loss) on disposal of financial instruments	-	-	-	-	-	11	11
Share of results of companies accounted for using the equity method	-	-	-	-	-	2,856	2,856
Exchange differences	-	-	-	-	-	-	-
Profit/(loss) before tax	77,034	47,374	34,785	33,799	4,698	(61,583)	136,107
Corporate tax	(2,084)	(1,218)	298	-	-	(335)	(3,339)
Profit/(Loss) for the year	74,950	46,156	35,083	33,799	4,698	(61,918)	132,768

At 30 June 2023

	Thousand of euros						
	Office buildings	Shopping centers	Logistics	Data centers	Other	Corporate Unit	Total Group
Revenue from non-Group customers:							
Rental income	118,834	58,730	38,217	-	6,630	-	222,411
Services rendered	5,633	758	-	-	-	719	7,110
Revenue	124,467	59,488	38,217	-	6,630	719	229,521
Other operating income	1,174	257	123	-	-	647	2,201
Staff costs	(3,885)	(3,703)	(1,122)	(188)	-	(9,651)	(18,549)
Operating expenses	(16,550)	(6,045)	(1,655)	(120)	(1,908)	(7,179)	(33,457)
Gains/(losses) on disposal of assets	109	(10,024)	411	-	2,316	-	(7,188)
Depreciation and amortisation charge	(344)	-	-	-	(6)	(653)	(1,003)
Allocation of grants to profit or loss	14	-	-	-	-	-	14
Provisions	-	-	-	-	-	94	94
Changes in fair value of investment property	(164,821)	(60,077)	66,534	-	(40,113)	-	(198,477)
Profit/(Loss) from operations	(59,836)	(20,104)	102,508	(308)	(33,081)	(16,023)	(26,844)
Changes in fair value of financial instruments-							
Changes in fair value of financial instruments - Other	-	-	503	-	-	(1,830)	(1,327)
Finance income	-	-	-	-	-	5,523	5,523
Finance costs	(598)	-	(7,107)	-	-	(49,633)	(57,338)
Profit/(Loss) on disposal of financial instruments	-	-	-	-	-	-	-
Share of results of companies accounted for using the equity method	-	-	-	-	-	40,930	40,930
Exchange differences	-	-	-	107	-	-	107
Profit/(loss) before tax	(60,434)	(20,104)	95,904	(201)	(33,081)	(21,033)	(38,949)
Corporate tax	904	(1,863)	(7,420)	-	-	(200)	(8,579)
Profit/(Loss) for the year	(59,530)	(21,967)	88,484	(201)	(33,081)	(21,233)	(47,528)

At 30 June 2024

	Thousand of euros						
	Office buildings	Shopping centers	Logistics	Data centers	Other	Corporate Unit	Total Group
Investment property	6,295,713	2,003,890	1,645,779	452,152	346,336	-	10,743,870
Non-current financial investments-	38,158	25,131	12,897	261	3,325	152,624	232,396
<i>Derivatives</i>	3,677	-	3,404	-	1,230	5,213	13,524
<i>Other financial assets</i>	34,481	25,131	9,493	261	2,095	147,411	218,872
Deferred tax assets	768	8	3,492	-	-	61,315	65,583
Other non-current assets	8,161	-	2	-	1,595	537,727	547,485
Non-current assets	6,342,800	2,029,029	1,662,170	452,413	351,256	751,666	11,589,334
Trade receivables	21,730	20,874	5,641	2,350	1,471	9,776	61,842
Other current financial assets	1,707	262	-	1	48	3,136	5,154
Other current assets	105,628	73,348	15,175	11,308	1,204	589,482	796,145
Current assets	129,065	94,484	20,816	13,659	2,723	602,394	863,141
Total assets	6,471,865	2,123,513	1,682,986	466,072	353,979	1,354,060	12,452,475
Non-current bank borrowings and debenture issues	555,270	-	69,138	-	73,480	3,565,022	4,262,910
Other non-current liabilities	345,591	253,348	94,880	18,359	14,178	78,294	804,650
Non-current liabilities	900,861	253,348	164,018	18,359	87,658	3,643,316	5,067,560
Current liabilities	47,358	30,580	8,545	18,776	26,193	672,348	803,800
Total liabilities	948,219	283,928	172,563	37,135	113,851	4,315,664	5,871,360

At 31 December 2023

	Thousand of euros						
	Office buildings	Shopping centers	Logistics	Data centers	Other	Corporate Unit	Total Group
Investment property	6,289,822	2,005,848	1,648,314	350,177	345,602	-	10,639,763
Non-current financial investments-	27,540	25,329	12,827	261	2,150	134,002	202,109
<i>Derivatives</i>	-	-	3,429	-	-	-	3,429
<i>Other financial assets</i>	27,540	25,329	9,398	261	2,150	134,002	198,680
Deferred tax assets	768	22	3,492	-	-	73,291	77,573
Other non-current assets	4,554	1	2	-	1,559	539,884	546,000
Non-current assets	6,322,684	2,031,200	1,664,635	350,438	349,311	747,177	11,465,445
Trade receivables	19,850	17,471	7,888	3,819	4,033	9,537	62,598
Other current financial assets	111	196	(1)	-	63	4,621	4,990
Other current assets	76,197	55,628	9,071	9,222	72	382,188	532,378
Current assets	96,158	73,295	16,958	13,041	4,168	396,346	599,966
Total assets	6,418,842	2,104,495	1,681,593	363,479	353,479	1,143,523	12,065,411
Non-current bank borrowings and debenture issues	285,179	-	68,901	-	75,670	4,077,318	4,507,068
Other non-current liabilities	344,640	253,165	94,596	10,205	19,039	82,988	804,633
Non-current liabilities	629,819	253,165	163,497	10,205	94,709	4,160,306	5,311,701
Current liabilities	54,832	29,980	18,742	18,090	10,746	82,282	214,672
Total liabilities	684,651	283,145	182,239	28,295	105,455	4,242,588	5,526,373

d) Information by geographical area

For the purpose of reporting information on geographical areas, business line revenue is grouped based on the geographical location of the assets. The assets of the business line are also grouped according to their geographical location.

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

At 30 June 2024

	Thousands of euros			
	Rental income	%	Investment properties	%
Comm. Of Madrid	110,528	48%	5,868,287	54%
Catalonia	35,087	15%	1,484,689	14%
Portugal	31,059	13%	1,238,728	12%
Castilla-La Mancha	14,950	6%	665,693	6%
Andalusia	10,876	5%	301,055	3%
Comm. Of Valencia	9,478	4%	285,307	3%
Galicia	9,935	4%	325,554	3%
Basque Country	7,376	3%	406,124	3%
Rest of Spain	5,198	2%	168,433	2%
	234,487	100%	10,743,870	100%

At 31 December 2023

	Thousands of euros			
	Rental income	%	Investment properties	%
Comm. Of Madrid	208,681	48%	5,799,909	54%
Catalonia	68,073	14%	1,498,010	14%
Portugal	63,873	14%	1,231,631	12%
Castilla-La Mancha	26,833	6%	662,635	6%
Andalusia	21,600	5%	303,354	3%
Comm. Of Valencia	17,713	4%	282,167	3%
Galicia	17,895	4%	328,731	3%
Basque Country	12,937	3%	362,225	3%
Rest of Spain	9,602	2%	171,101	2%
	447,207	100%	10,639,763	100%

e) Main customer

The table below lists the main lessees at 30 June 2024 and 31 December 2023, and the primary characteristics of each of them:

Position	Name	Type	% of total rental income	% accumulated	Maturity
1	Endesa	Offices	4.0%	4.0%	2028-2030
2	Inditex	Shopping Centers	3.2%	7.2%	2024-2026
3	Comunidad de Madrid	Offices	2.4%	9.6%	2025-2031
4	Técnicas Reunidas	Offices	2.3%	11.9%	2025
5	PWC	Offices	1.8%	13.7%	2028-2030
6	Hotusa	Hotels	1.6%	15.3%	2028
7	BPI	Offices	1.5%	16.8%	2031
8	Logista	Logistics	1.3%	18.1%	2025-2040
9	Indra	Offices	1.3%	19.4%	2030
10	Dachser	Logistics	1.2%	20.6%	2025-2027

31 December 2023

Position	Name	Type	% of total rental income	% accumulated	Maturity
1	Endesa	Offices	4.2%	4.2%	2024-2030
2	Inditex	Shopping centers/Log.	3.3%	7.5%	2024-2025
3	Madrid	Offices	2.5%	10.0%	2024-2031
4	Técnicas Reunidas	Offices	2.4%	12.4%	2025
5	Hotusa	Hotels	1.6%	14.0%	2028
6	PWC	Offices	1.5%	15.5%	2028
7	BPI	Offices	1.5%	17.0%	2031
8	Logista	Logistics	1.4%	18.4%	2025-2040
9	Indra	Offices	1.3%	19.7%	2030
10	IBM	Offices	1.3%	21.0%	2030

5. Other intangible assets and property, plant and equipment

The changes in “Other intangible assets” and “Property, plant and equipment” in the first six months of 2024 were due mainly to the additions corresponding to plant, furniture and office equipment and to the amortisation and depreciation for the year, which amounted to EUR 1,373 thousand and is recognised under “Depreciation and amortisation charge” in the accompanying condensed consolidated income statement.

6. Investment property

The changes in this heading in the six-month period ended 30 June 2024 and in 2023 were as follows:

	Thousands of Euros
Balances at 1 January 2023	10,714,200
Additions during the year	308,172
Disposals	(46,625)
Changes in value of investment property	(335,984)
Balances at 31 December 2023	10,639,763
Additions during the year	100,857
Disposals	(3,003)
Changes in value of investment property	6,253
Balances at 30 June 2024	10,743,870

Investment property is recognised at fair value. The income recognised in the condensed consolidated income statement at 30 June 2024 from measuring investment property at fair value amounted to EUR 6,253 thousand.

Investment property mainly includes real estate assets in the office, shopping centers, logistics and data centers business lines.

The main additions in the first six months of 2024 relate to the construction of data centers and the construction and refurbishment work carried out on certain logistics warehouses and office buildings, and to the purchase of land for the construction of a data centers in Álava and the acquisition of part of an office building in Madrid.

The disposals in the first half of 2024 relate to the sale of an office building in Granada for a total of EUR 3,000 thousand, which resulted in a capital loss of EUR 75 thousand at 30 June 2024, recognised under “Gains/(losses) on disposal of assets” in the accompanying condensed consolidated income statement.

At 30 June 2024, the Group had pledged real estate assets totalling EUR 1,650 million to secure various loans and derivative financial instruments, the balances of which at 30 June 2024 amounted to EUR 704 million and EUR 8.3 million, respectively, the latter of which were provided in favour of the Group (see Note 10).

At 30 June 2024, all properties included in “Investment property” are insured.

At 30 June 2024, the Group did not have any firm purchase commitments for investment property, excluding the committed investments in construction and improvements.

At 30 June 2024, the gross surface areas and occupancy rates of the assets by business line were as follows:

	Square metres (*)										Occupancy rate (%)
	Gross leasable area										
	Comm. of Madrid	Catalonia	Comm. of Valencia	Galicia	Andalusia	Basque Country	Castilla-La Mancha	Rest of Spain	Portugal	Total	
Offices	809,387	217,229	-	-	13,037	-	-	-	123,832	1,163,485	92.3%
Shopping centers	74,606	31,905	49,897	118,105	37,956	25,922	-	32,869	60,089	431,349	96.0% (**)
Logistics	330,375	132,100	61,604	-	139,218	99,491	681,270	21,579	45,171	1,510,808	97.6%
Data centers	22,508	22,131	-	-	-	17,600	-	-	-	62,239	n.a. (1)
Other	38,161	16,472	-	5,898	-	46	-	-	-	60,577	98.0%
Total surface area	1,275,037	419,837	111,501	124,003	190,211	143,059	681,270	54,448	229,092	3,228,458	
% weight	39.5%	13.0%	3.5%	3.8%	5.9%	4.4%	21.1%	1.7%	7.1%	100.0%	

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

(**) Does not include vacant units acquired for refurbishment.

(1) The market standard for data centers is to measure occupancy based on processing capacity, and not in relation to leasable area. At 30 June 2024, the Group's three data centers currently in operation have an available processing capacity of 9 MW, with 6.2 MW (68.9%) committed at that date. The Group considers committed capacity to be that which is physically occupied at the reporting date or, while not occupied at the reporting date, that for which there are contractual commitments that reserve such capacity to ensure future growth for the Group's customers.

Fair value measurement and sensitivity

All investment property leased or to be leased through operating leases are classified as investment property.

The Group adjusts periodically the fair value of its real estate investments in accordance with IAS 40. This fair value is determined by using the appraisals carried out every six months by independent third-party experts as reference values, such that at the end of each six-month period the fair value reflects the market conditions of the investment properties at that date.

The market value of the Group's investment property at 30 June 2024, calculated based on appraisals carried out by Savills Consultores Inmobiliarios, S.A., CBRE Valuation Advisory, S.A. and Jones Lang LaSalle, S.A., independent valuers not related to the Group, amounted to EUR 10,643,957 thousand (EUR 10,566,124 thousand in 2023). This appraisal does not include the value of the rights of use recognised in accordance with IFRS 16 amounting to EUR 53,322 thousand (EUR 51,903 thousand in 2023) or the amounts relating to advances paid by the Group to third parties to purchase assets and other unvalued assets amounting to EUR 46,591 thousand (EUR 21,736 thousand in 2023). 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). In relation to the fair value of the rights of use, the Group also obtains valuations from independent third parties.

The method used to calculate the market value of investment property, involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual amount at the end of Year 10 is calculated by applying an exit yield of 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. In the case of data centers, 7-year projections have been used, which is the period considered for market stabilisation. The projections are intended to reflect the best estimate of future income and expenses from the real estate assets. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

Breakdown of fair value of investment property

At 30 June 2024 and at 31 December 2023, the detail of assets measured at fair value by their level in the fair value hierarchy is as follows:

At 30 June 2024

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement:				
Investment property-				
Offices				
Land	2,180,889	-	-	2,180,889
Buildings	4,114,824	-	-	4,114,824
Shopping centers				
Land	381,097	-	-	381,097
Buildings	1,622,793	-	-	1,622,793
Logistics				
Land	428,418	-	-	428,418
Buildings	1,217,361	-	-	1,217,361
Data Centers				
Land	59,570	-	-	59,570
Buildings	392,582	-	-	392,582
Other				
Land	148,899	-	-	148,899
Buildings	197,437	-	-	197,437
Total assets measured at fair value	10,743,870	-	-	10,743,870

At 31 December 2023

	Thousands of euros			
	Total	Level 1	Level 2	Level 3
Fair value measurement:				
Investment property-				
Offices				
Land	2,172,572	-	-	2,172,572
Buildings	4,117,250	-	-	4,117,250
Shopping centers				
Land	379,805	-	-	379,805
Buildings	1,626,043	-	-	1,626,043
Logistics				
Land	405,689	-	-	405,689
Buildings	1,242,625	-	-	1,242,625
Data Centers				
Land	31,852	-	-	31,852
Buildings	318,325	-	-	318,325
Other				
Land	148,680	-	-	148,680
Buildings	196,922	-	-	196,922
Total assets measured at fair value	10,639,763	-	-	10,639,763

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

Hypotheses used in the valuation

In relation to determining the fair value of investment property, the significant unobservable inputs used to measure the fair value of investment property corresponded to the rental income, exit yields and the rate used for discounting the cash flows of the projections (IRR).

The quantitative information on the significant unobservable inputs used in measuring fair value of the investment property is shown below.

30 June 2024

	Exit yield	Discount rate
Offices	3.70% - 7.60%	5.20% - 10.10%
Shopping centers	3.92% - 7.75%	6.25% - 9.75%
Logistics	4.75% - 6.50%	6.50% - 9.50%
Data centers	5.50% - 6.75%	12.00%
Other	4.45% - 7.50%	5.25% - 18.50%

31 December 2023

	Exit yield	Discount rate
Offices	3.70% - 7.35%	5.20% - 10.10%
Shopping centers	3.92% - 7.75%	6.25% - 9.75%
Logistics	4.75% - 6.25%	6.25% - 9.50%
Data centers	5.50% - 6.25%	12.00%
Other	4.50% - 7.50%	5.25% - 16.00%

The market rents per square metre per month used in the valuation have ranged between EUR 3.24 and EUR 61.27 depending on the type of asset and location. The growth rates of the rents used in the projections used in the valuations are mainly based on the CPI. The minimum range corresponds to a logistics asset and the maximum range is a retail asset located in a prime area.

Analysis of sensitivity of assumptions

The effect of a one-quarter, one-half and one-point change in the required rates of return (the "IRR," the rate used for discounting the cash flows of the projections), on the consolidated assets and the consolidated income statement, with respect to investment property, would be as follows:

30 June 2024

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in IRR	(206,563)	(408,295)	(797,776)	(206,563)	(408,295)	(797,776)
Decrease in IRR	211,525	428,146	877,242	211,525	428,146	877,242

31 December 2023

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in IRR	(206,813)	(408,786)	(798,719)	(206,813)	(408,786)	(798,719)
Decrease in IRR	211,785	428,677	878,346	211,785	428,677	878,346

The effect of a 1%, 5% and 10% change in the rents considered has the following impact on investment property in consolidated assets and in the consolidated income statement:

30 June 2024

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	1%	5%	10%	1%	5%	10%
Increase in rents	83,142	415,710	831,419	83,142	415,710	831,419
Decrease in rents	(83,142)	(415,710)	(831,419)	(83,142)	(415,710)	(831,419)

31 December 2023

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	1%	5%	10%	1%	5%	10%
Increase in rents	83,131	415,654	831,308	83,131	415,654	831,308
Decrease in rents	(83,131)	(415,654)	(831,308)	(83,131)	(415,654)	(831,308)

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

30 June 2024

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in exit yield	(294,743)	(564,592)	(1,041,241)	(294,743)	(564,592)	(1,041,241)
Decrease in exit yield	323,248	679,347	1,512,392	323,248	679,347	1,512,392

31 December 2023

	Thousands of euros					
	Assets			Consolidated profit/(loss) before tax		
	0.25%	0.50%	1%	0.25%	0.50%	1%
Increase in exit yield	(293,554)	(562,416)	(1,037,559)	(293,554)	(562,416)	(1,037,559)
Decrease in exit yield	321,810	676,164	1,504,467	321,810	676,164	1,504,467

Accordingly, the impact on the consolidated income statement of the revaluations of the Group's investment property during the first six months of 2024, taking into consideration all headings affected in the consolidated income statement, is as follows:

	Thousands of euros	
	30-06-2024	30-06-2023
Changes in fair value of investment property	6,253	(198,477)
Effect on the income statement	6,253	(198,477)

7. Investments accounted for using the equity method

The changes in the first six months of 2024 in investments in companies accounted for using the equity method are as follows:

	Thousand of euros	
	30-06-2024	31-12-2023
Beginning balance	537,288	500,300
Additions	1,317	6,678
Disposals	-	-
Transfers	438	(110)
Dividends	(5,922)	(9,503)
Profit/(Loss) for the year	2,856	39,923
Ending balance	535,977	537,288

In relation to the investments accounted for using the equity method, the additions in the first half of 2024 relate mainly to the subscription of the capital increase carried out by Crea Madrid Nuevo Norte, S.A. as a result of the capital increase carried out in June 2024, which led to an increase in the Group's investment of EUR 1,317 thousand.

The rest of the changes in the first half of 2024 related to the profit obtained by the minority stake companies and the dividend distributed by CILSA.

The additions in 2023 relate mainly to the subscription of the capital increase carried out by Crea Madrid Nuevo Norte, S.A. as a result of the capital increase carried out during the year, which entailed an increase in the Group's share capital of EUR 3,040 thousand, the distribution of a dividend in shares of Silicius Real Estate SOCIMI, S.A. amounting to EUR 1,554 thousand, and the purchase of 7.32% of Moregal Hotels, S.L. (see Note 3) for EUR 1,585 thousand.

The investee Silicius Real Estate SOCIMI, S.A. holds a call option on the shares held by the Group, the fair value of which is recognised under "Other non-current financial liabilities." Its final settlement will not be in cash but rather will affect the final valuation adjustment of the shareholding, if any.

The most significant shareholdings relate to the 48.5% investment in CILSA with a consolidated net value of EUR 235,121 thousand and the 14.46% investment in Crea Madrid Nuevo Norte, S.A. with a consolidated net value of EUR 176,305 thousand. In relation to the investment accounted for using the equity method in Crea Madrid Nuevo Norte, S.A., the Group considers that the value recognised for accounting purposes is reasonable as it does not differ significantly from the current value, in view of the long-term time horizon for developing the investment.

Appendix I to the Group's consolidated financial statements for 2023 includes a list of the main investments in associates, including the name, country of incorporation, business activity and the percentage of interest in the share capital, and there were no significant changes in the main aggregates of the Group's associates.

8. Current and non-current financial assets

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

Classification of financial assets by category

	Thousands of euros	
	30-06-2024	31-12-2023
Non current:		
At fair value-		
Interest rate derivatives	13,524	3,429
At cost		
Equity instruments	10,721	9,915
At amortised cost-		
Loans to third parties	137,853	130,107
Loans to associates	13,484	3,303
Deposits and guarantees	56,814	55,355
	232,396	202,109
Current:		
At cost		
Investments in associates	3,321	3,148
At amortised cost-		
Loans to third parties	236	236
Other financial assets	1,597	1,606
Trade and other receivables	61,842	62,598
	66,996	67,588

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

Derivatives

At the end of June 2024 and December 2023, the valuation of interest rate derivatives receivable was recognised under "Derivatives" (see Note 10).

Loans to third parties

"Other non-current financial assets" includes the loan granted to Desarrollos Urbanísticos Udra, S.A.U. for an initial amount of EUR 86,397 thousand, which accrues interest at market rates. At 30 June 2024, EUR 92,219 thousand in principal and EUR 1,250 thousand in interest are yet to be paid. In relation to the above loan, the Group has guarantees from the creditor associated with the 10% shareholding in Crea Madrid Nuevo Norte, S.A. and the borrower was not identified as having any credit risk.

In addition, this heading also includes rental income recognised on a straight-line basis, marketing costs and tenant establishment expenses amounting to EUR 43,729 thousand (EUR 37,571 at 31 December 2023).

Deposits and guarantees

"Deposits and guarantees" primarily includes the guarantees provided by lessees as security deposits amounting to EUR 55,057 thousand (EUR 53,796 thousand at 31 December 2023), which the Group has deposited with the housing authority (Instituto de la Vivienda) in each region. At 30 June 2024, the guarantees provided by lessees as security deposits amounted to EUR 65,701 thousand (EUR 64,567 thousand at 31 December 2023) and were recognised under "Non-current liabilities - Other financial liabilities" on the liability side of the accompanying consolidated statement of financial position for the period ended 30 June 2024 (see Note 11).

Classification of financial assets by maturity

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

At 30 June 2024

	Thousand of euros				
	Less than 1 year	From 1 to 5 years	More than 5 years	Undetermined	Total
Interest rate derivatives	-	-	13,524	-	13,524
Equity instruments	-	-	-	10,721	10,721
Loans to third parties and associates	236	35,676	115,661	-	151,573
Deposits and guarantees	-	-	-	56,814	56,814
Investments in Group companies and associates	3,321	-	-	-	3,321
Other financial assets	1,597	-	-	-	1,597
Trade and other receivables	61,842	-	-	-	61,842
Total financial assets	66,996	35,676	129,185	67,535	299,392

At 31 December 2023

	Thousand of euros				
	Less than 1 year	From 1 to 5 years	More than 5 years	Undetermined	Total
Interest rate derivatives	-	-	3,429	-	3,429
Equity instruments	-	-	-	9,915	9,915
Loans to third parties and associates	236	22,089	111,321	-	133,646
Deposits and guarantees	-	-	-	55,355	55,355
Investments in Group companies and associates	3,148	-	-	-	3,148
Other financial assets	1,606	-	-	-	1,606
Trade and other receivables	62,598	-	-	-	62,598
Total financial assets	67,588	22,089	114,750	65,270	269,697

9. Equity

9.1 Share capital

There were no changes in the share capital of the Parent in the first half of 2024.

At 30 June 2024, 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 grant the same rights to their holders.

All the Parent Company's shares can be publicly traded and are listed on the Madrid, Barcelona, Bilbao and Valencia and Lisbon Stock Exchanges. The market price of the Parent's shares at 30 June 2024 and the average market price for the fourth quarter amounted to EUR 10.40 and EUR 10.52 per share, respectively.

At 30 June 2024, according to information extracted from the CNMV, in relation to the provisions of Royal Decree 1362/2007, of 19 October and Circular 2/2007, of 19 December, the shareholders with significant holdings in the share capital of Merlin Properties SOCIMI, S.A., both direct and indirect, in excess of 3% of the share capital, are as follows according to public information:

	Shares			% of share capital
	Direct	Indirect	Total	
Banco Santander, S.A.	89,542,423	26,072,123	115,614,546	24.61%
Nortia Capital Investment Holding, S.L.	38,371,083	-	38,371,083	8.17%
BlackRock, INC	-	26,419,907	26,419,907	5.62%

The information on Banco Santander and Nortia Capital Investment Holding, S.L. was obtained from the Company's Shareholder Register as at 30 June 2024.

9.2 Share premium

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

This reserve is unrestricted as long as its allocation does not lower equity to below the amount of share capital of the Parent.

On 9 May 2024, the shareholders at the Annual General Meeting approved the distribution of a dividend with a charge to the share premium in the amount of EUR 108,505 thousand.

9.3. Reserves

The detail of reserves at 30 June 2024 and 31 December 2023 is as follows:

	Thousands of euros	
	30-06-2024	31-12-2023
Legal reserve	93,954	93,954
Reserves of consolidated companies	2,105,466	2,286,573
Other reserves	350,166	348,876
Total other reserves	2,549,586	2,729,403

The balance of "Other reserves" includes EUR 332,691 thousand, which originated from the undistributed profit arising from the transfer of properties and the shares or holdings referred to in section 2.1 of Law 11/2009, of 26 October, regulating real estate investment trusts. This amount relates to the undistributed profits from the divestment of the Net Lease business line in 2022 and must be reinvested in other properties or holdings used for the Parent's main corporate purpose within three years of the date of transfer.

Legal reserve

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

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

At 30 June 2024, the Parent had reached the legally required minimum established in the consolidated text of the 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 SOCIMIs, must not exceed 20% of share capital. The bylaws of these companies may not establish any other type of restricted reserves.

Dividends

On 9 May 2024, the shareholders at the Annual General Meeting approved the distribution of a dividend with a charge to the share premium in the amount of EUR 108,505 thousand, and the distribution of a dividend out of 2023 profit for EUR 3,937 thousand, with both dividends being paid on 4 June 2024.

On 16 November 2023, the Company's Board approved the distribution of an interim dividend out of profit for 2023 in the amount of EUR 93,673 thousand, which was paid on 12 December 2023.

On 27 April 2023, the shareholders at the General Meeting approved the distribution of a dividend out of profit for 2022 in the amount of EUR 113,350 thousand, which was paid on 22 May 2023.

9.4 Treasury shares

At 30 June 2024, the Parent held treasury shares amounting to EUR 14,407 thousand.

The changes in 2023 and in the first six months of 2024 were as follows:

	Number of shares	Thousands of Euros
Balance at 31 December 2022	1,536,184	17,166
Additions	83,106	689
Disposals	(220,166)	(2,445)
Balance at 31 December 2023	1,399,124	15,410
Additions	16,400	156
Disposals	(105,421)	(1,159)
Balance at 30 June 2024	1,310,103	14,407

The shareholders at the Annual General Meeting held on 27 April 2023 revoked the unused portion of the authorisation granted by the shareholders at the General Meeting of 10 April 2019 and authorised the acquisition of treasury shares by the Parent itself or by Group companies pursuant to section 146 et seq. of the Corporate Enterprises Act, complying with the requirements and restrictions established in current law during the five-year period.

The disposal of 105,421 treasury shares (average cost of EUR 11.00 per share) relate mainly to the delivery of shares to employees under the flexible remuneration plan in the amount of EUR 1,019 thousand and to sales under the Group's liquidity agreement for securities listed on the Lisbon Stock Exchange. Net acquisitions of 3,600 shares were made under this liquidity agreement in the first six months of 2024.

At 30 June 2024, the Parent held treasury shares representing 0.28% of its share capital.

9.5 Earnings per share

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

Basic

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

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

	30-06-2024	30-06-2023
Weighted average number of shares outstanding (thousands)	468,412	468,291
Continuing operations		
Profit/(Loss) for the period attributable to the Parent (thousands of euros)	132,768	(47,528)
Basic earnings/(loss) per share (euros)	0.28	(0.10)

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

	Number of Shares	
	30-06-2024	30-06-2023
Ordinary shares at beginning of period	469,770,750	469,770,750
Treasury shares	(1,310,103)	(1,425,062)
Average effect of outstanding shares	(49,105)	(55,011)
Weighted average number of ordinary shares outstanding at 30 June (shares)	468,411,542	468,290,677

Diluted

In accordance with paragraph 41 of IAS 33, potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares could reduce the earnings per share of the continuing activities. As at 30 June 2024, there is no potential dilutive effect due to the variable remuneration granted by the Group to its executives and key management personnel (see Note 15), with basic earnings matching diluted earnings.

9.6 Valuation adjustments

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

10. Current and non-current financial liabilities

The detail of bank borrowings and debentures issued is as follows:

	Thousands of euros	
	30-06-2024	31-12-2023
Non current:		
Measured at amortised cost-		
Syndicated loan	665,000	665,000
Syndicated loan arrangement expenses	(3,438)	(3,889)
Total syndicated loan	661,562	661,111
Non-mortgage loan	127,880	127,880
Mortgage loans	703,438	431,735
Loan arrangement expenses	(8,625)	(6,470)
Total other loans	822,693	553,145
Debtentures and bonds	2,800,000	3,300,000
Debtenture issue expenses	(21,345)	(16,663)
Total debtentures and bonds	2,778,655	3,283,337
Total amortised cost	4,262,910	4,497,593
Measured at fair value-		
Derivative financial instruments	-	9,475
Total at fair value	-	9,475
Total non-current	4,262,910	4,507,068
Current:		
Measured at amortised cost-		
Syndicated loans	997	1,144
Debtentures and bonds	636,587	20,966
Mortgage loans	2,536	2,943
Non-mortgage loan	618	291
Revolving credit facility	504	525
Loan arrangement expenses	(664)	-
Total amortised cost	640,578	25,869
Measured at fair value-		
Interest on derivative financial instruments	(682)	(375)
Total at fair value	(682)	(375)
Total current	639,896	25,494

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

The detail of the Parent Company's rating is as follows:

AGENCY	RATING	OUTLOOK	LAST REVIEW	PREVIOUS
Standard & Poor's	BBB+	Stable	26/03/2024	BBB Positive
Moody's	Baa2	Positive	24/07/2023	Baa2 Positive

10.1 Loans and credits

The detail of the bank borrowings at 30 June 2024 and 31 December 2023 is as follows:

Bank borrowings

At 30 June 2024

	Thousands of euros				
	Limit	Debt arrangement expenses	30-06-2024		Short-term interest
			Long term	Short term	
Syndicated loan	665,000	(3,438)	665,000	-	997
Non-mortgage loan	220,225	(254)	127,880	-	618
Revolving credit facilities	740,000	(2,821)	-	-	504
Mortgage loans	704,000	(5,550)	703,438	469	2,067
Total	2,329,225	(12,063)	1,496,318	469	4,186

At 31 December 2023

	Thousands of euros				
	Limit	Debt arrangement expenses	31-12-2023		Short-term interest
			Long term	Short term	
Syndicated loan	665,000	(3,889)	665,000	-	1,144
Non-mortgage loan	220,225	(283)	127,880	-	291
Revolving credit facilities	740,000	(3,191)	-	-	525
Mortgage loans	441,000	(2,996)	431,735	1,629	1,314
Total	2,066,225	(10,359)	1,224,615	1,629	3,274

Certain financing arrangements include commitments to maintain certain coverage ratios, which are standard in these types of real estate companies, such as the loan-to-value ratio, the ratio of the Company's income used to service the debt (interest coverage ratio, ICR), or the ratio of mortgage-free assets and non-mortgage debt. The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

Syndicated loan and revolving credit facility of the Parent

On 25 April 2019, the Group arranged a senior syndicated loan amounting to EUR 1,550 million, which included two tranches, a corporate loan of EUR 850 million and a corporate credit facility of EUR 700 million due in 2024.

The syndicated loan of EUR 850 million accrued interest at a rate of the one-month EURIBOR + 120 basis points, while the revolving credit facility accrued interest at a rate of the one-month EURIBOR + 90 basis points, with both including a cost adjustment mechanism based on four sustainability criteria.

The initial maturity date for this revolving credit facility was 2024, with the possibility of two optional one-year extensions. The second one-year extension was approved on 30 June 2021, and the new maturity date is 9 May 2026.

On 21 June 2022, the Group repaid the syndicated loan of EUR 850 million early.

In 2022, as a result of repaying this financing early, the application of the amortised cost option in relation to IFRS 9 resulted in a finance cost of EUR 4,213 thousand.

On 18 November 2022, the Parent Company entered into a new senior syndicated loan facility of EUR 600 million with the possibility of drawdown before 24 April 2023 to repay the bond maturing in 2023. This financing has a term of 5 years from the date of drawdown and accrues interest at a market rate of EURIBOR plus 130 basis points. As long as the financing is not drawn down, an undrawn funds fee of 26 basis points is applicable. On 20 April 2023, the Parent had drawn down the full amount of this financing.

In addition, a novation agreement was entered into on that date for the senior syndicated loan, including a Tranche B corresponding to a revolving credit facility with a limit of EUR 700 million.

This new credit facility has a term of 5 years with the possibility of two optional one-year extensions. This credit facility accrues interest at a rate of EURIBOR + 100 basis points; it includes a cost adjustment mechanism based on four sustainability criteria.

On 18 July 2023, the novation of the syndicated loan and credit facility was signed. The senior syndicated loan was increased to EUR 665 million with the inclusion of the amounts of the bilateral loans of Kutxabank and Unicaja described in the following section. In addition, the credit facility limit was increased to EUR 740 million. At 30 June 2024, this credit facility had not been drawn down.

This financing includes the same obligations to maintain certain coverage ratios as the Group's bonds and the financing from Banco Sabadell and the European Investment Bank. These ratios are defined as the ratio of the value of assets to outstanding debt (Loan to Value), the ratio of Group income to debt service (interest coverage ratio, or ICR) and the ratio of assets to debt, both without collateral (Unencumbered Ratio). The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

Bilateral loans without mortgage guarantee

On 18 November 2022, the Parent took out an unsecured loan with Banco Sabadell for EUR 60 million, maturing in January 2028 and accruing interest at a market rate of EURIBOR + 120 basis points.

This financing includes obligations to maintain the coverage ratios described in the previous point. The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

On 31 March 2023, the Parent took out an unsecured loan with Kutxabank, S.A. for EUR 30 million, maturing in 5 years from its drawdown and accruing interest at a market rate of EURIBOR + 130 basis points. While the financing was not drawn down, an undrawn funds fee of 26 basis points was applied. On 20 April 2023, this financing was drawn down in full.

On 24 April 2023, the Parent took out and drew down on an unsecured loan with Unicaja Banco, S.A. for EUR 35 million, maturing in 5 years from its drawdown and accruing interest at a market rate of EURIBOR + 130 basis points.

On 18 July 2023, both entities (Kutxabank, S.A. and Unicaja Banco, S.A.) were included in the senior syndicated loan, becoming part of this arrangement.

European Investment Bank Loan

On 20 December 2018, the Parent formalised a loan without mortgage security with the European Investment Bank in an amount of EUR 51 million. On 4 November 2019, the Parent arranged the second tranche of the unsecured loan with the European Investment Bank for EUR 64 million, with the two tranches amounting to EUR 115 million. Such financing can be made available through several loans with a maturity of 10 years each drawdown. This credit facility will be allocated to the development of logistical assets in the Castilla-La Mancha region.

On 10 March 2020 and 26 October 2020, the Group drew down EUR 23.4 million and EUR 5.6 million corresponding to the first tranche of the financing. This loan accruals a fixed interest rate of 60 basis points. On 20 December 2022, the Group drew down EUR 22 million at an interest rate of 358 basis points and the first tranche of EUR 51 million was drawn down in full.

On 20 December 2023, the Group drew down EUR 16.9 million at an interest rate of 386 basis points. This loan corresponds to the first drawdown of the second tranche of EUR 64 million.

On 16 December 2021, the Parent arranged an unsecured loan with the European Investment Bank amounting to EUR 45.2 million and maturing in 10 years. This financing will be used for energy efficiency investments. At year-end, this loan had not yet been drawn down.

This financing includes obligations to meet certain coverage ratios. These ratios are defined as the ratio of the value of assets to outstanding debt (Loan to Value), the ratio of Group income to debt service (interest coverage ratio, or ICR) and the ratio of assets to debt, both without collateral (Unencumbered Ratio). The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

Mortgage loans - other assets

At 30 June 2024 and 31 December 2023, the Group had taken out the following mortgage loans:

At 30 June 2024

Financial institution	Thousand of euros				Collateral
	Original Loan	Long Term	Short Term	Interest	
Novo Banco	134,000	134,000	-	56	Mortgage
Caixabank	150,000	149,438	469	1,620	Mortgage
ING	70,000	70,000	-	27	Mortgage
BBVA	180,000	180,000	-	65	Mortgage
Allianz	170,000	170,000	-	299	Mortgage
Total	704,000	703,438	469	2,067	

At 31 December 2023

Financial institution	Thousand of euros				Collateral
	Original Loan	Long Term	Short Term	Interest	
Caixabank	21,000	11,735	1,629	182	Mortgage
ING	70,000	70,000	-	29	Mortgage
BBVA	180,000	180,000	-	99	Mortgage
Allianz	170,000	170,000	-	1,004	Mortgage
Total	441,000	431,735	1,629	1,314	

On 26 March 2015, the Group subrogated a mortgage-backed loan taken out with Caixabank, S.A. with a mortgage guarantee on the Alcalá 38-40 office building. This loan has a principal of EUR 21 million, a term of 15 years, an interest rate of 3-month EURIBOR + 150 basis points, a 4-year grace period for the principal, and the principal is repayable in full using the French method over the following 11 years. On 2 April 2024, the Group repaid this loan early.

On 26 April 2019, the Group entered into a novation agreement modifying the mortgage loan taken out on 4 December 2015 with ING Bank N.V. by the subsidiary Merlin Logística, S.L.U. The maturity date for this financing arrangement, originally set to be in 2020, was extended until 2026. This financing accrues interest at a rate of 3-month EURIBOR + 100 basis points, and it includes a mechanism for adjusting the finance cost based on complying with four sustainability criteria. On 26 March 2021, the mortgage financing agreement was amended, increasing the loan amount by EUR 2.1 million to a total of EUR 70 million.

This financing includes obligations to maintain certain coverage ratios, such as the loan-to-value ratio and the ratio of the subsidiary's income used to service the debt (interest coverage ratio, ICR). It also includes certain conditions linked to compliance with the following environmental and sustainability factors: i) sustainable capex, ii) LEED and BREAM certifications, iii) AIS certifications, and iv) green energy consumption, which can lead to certain savings in finance charges. The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

In accordance with IFRS 9, the Group assessed the nature of the refinancing carried out for the previous ING loan and concluded that it did not represent a material change (10% test). Therefore, the difference between the value of the old debt at amortised cost and the new debt discounted at the effective interest rate of the old debt was recognised as a decrease in finance costs of EUR 2,291 thousand under "Finance costs" in the consolidated income statement for 2019. This amount will be reversed in the consolidated income statement for subsequent years in accordance with the effective interest rate of the debt.

In the first half of 2024, the application of the amortised cost method in relation to these items gave rise to a finance cost of EUR 181 thousand (EUR 362 thousand in 2023).

On 27 July 2023, the Parent took out a loan with BBVA secured by a mortgage on the Torre Castellana. The loan is for EUR 180 million, with a term of 7 years and accrues interest at a market rate of EURIBOR + 110 basis points.

On 15 November 2023, the Parent took out a loan with Allianz secured by a mortgage on a portfolio of four office buildings in Madrid. The loan is for EUR 170 million, with a term of 10 years and accrues interest at a fixed interest rate of 4.523%.

On 17 January 2024, the Parent took out a loan with Caixabank, S.A. secured by a mortgage on a portfolio of two office buildings in Madrid. The loan is for EUR 150 million, matures in 2034 and has a spread of 130 basis points. This loan was drawn down on 2 April 2024.

On 28 June 2024, the Group took out a loan with Novo Banco, S.A., secured by mortgage on a portfolio of 5 office buildings in Lisbon. The loan amounts to EUR 134 million, maturing in 2031 and have a spread of 125 basis points. At 30 June 2024, the loan has been drawn down in full.

This financing includes obligations to maintain certain coverage ratios, such as the loan-to-value ratio and the ratio of the subsidiary's income used to service the debt (interest coverage ratio, ICR). The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

10.2 Debenture issues

On 12 May 2017, the Parent subscribed a Euro Medium Term Notes (EMTN) issue programme of up to EUR 4,000 million, which replaced the original bond issue programme and its supplement subscribed on 25 April 2016 and 14 October 2016, respectively, for an overall maximum amount of EUR 2,700 million.

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

On 17 June 2020, the shareholders at the Annual General Meeting approved the extension of this bond issuance programme up to an amount of EUR 6,000 million, with the extension carried out on 21 March 2021. The programme was subsequently renewed on 4 August 2022, 11 May 2023 and 10 May 2024 for another year.

On 1 June 2022, the Group obtained the consent of its bondholders to the conversion of all its bonds into green bonds in accordance with the Green Funding Framework published by the Group on 25 April 2022. The reclassification of the bonds to green bonds does not entail changes to any other features of the bonds, such as their terms and conditions, interest or maturity. In April 2024, the Group has renewed the Green Financing Framework.

On 25 April 2023, the Group repaid the corresponding bond on the maturity date in the amount of EUR 742.8.

On 2 February 2024, the Group increased the amount drawn down (tap) on the bond maturing in September 2029 at 2.375% for an amount of EUR 100 million (implicit cost 3.93%).

The detail at 30 June 2024 and at 31 December 2023 of the bonds issued by the Parent is as follows:

30 June 2024

Maturity	Par value (Millions of Euros)	Coupon	Listed price	Yield	Market
May 2025	600	1.750%	MS +38 p.b.	3.98%	Luxembourg
November 2026	800	1.875%	MS +52 p.b.	3.67%	Luxembourg
July 2027	500	2.375%	MS +84 p.b.	3.87%	Luxembourg
September 2029	400	2.375%	MS +105 p.b.	3.91%	Luxembourg
June 2030	500	1.375%	MS +133 p.b.	4.17%	Luxembourg
December 2034	600	1.875%	MS +163 p.b.	4.47%	Luxembourg
	3,400	1.912%			

31 December 2023

Maturity	Par value (Millions of Euros)	Coupon	Listed price	Yield	Market
May 2025	600	1.750%	MS +82 bp	3.94%	Luxembourg
November 2026	800	1.875%	MS +74 bp	3.32%	Luxembourg
July 2027	500	2.375%	MS +105 bp	3.54%	Luxembourg
September 2029	300	2.375%	MS +102bp	3.44%	Luxembourg
June 2030	500	1.375%	MS +176 bp	4.18%	Luxembourg
December 2034	600	1.875%	MS +184 bp	4.35%	Luxembourg
	3,300	1.898%			

These debenture issues include obligations to meet certain coverage ratios. These ratios are defined as the ratio of the value of assets to outstanding debt (Loan to Value), the ratio of Group income to debt service (interest coverage ratio, or ICR) and the ratio of assets to debt, both without collateral (Unencumbered Ratio). The Parent's directors have confirmed that these ratios were met at 30 June 2024 and do not expect that they will not be fulfilled in the coming years.

During the first half of 2024, the interest expense on debenture issues amounted to EUR 32,107 thousand (EUR 36,217 thousand in the first half of 2023). The accrued interest payable at 30 June 2024 amounted to EUR 36,587 thousand (EUR 20,966 thousand at 31 December 2023). Debt arrangement expenses taken to the consolidated income statement in the first half of 2024 amounted to EUR 2,631 thousand (EUR 2,131 thousand in the first half of 2023).

10.3 Derivatives

The detail of the financial instruments at 30 June 2024 is as follows:

	Thousands of euros	
	30-06-2024	31-12-2023
Non current:		
Interest rate derivatives on assets	(13,524)	(3,429)
Interest rate derivatives on liabilities	-	9,475
Other (Note 11)	15,400	14,828
Total non-current	1,876	20,874
Current:		
Interest rate derivatives	(682)	(375)
Total current	(682)	(375)

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

These financial instruments have been classified as Level 2 in accordance with the fair value hierarchy established in IFRS 7, except for that related to the investment in Silicius classified as Level 3, associated with the value of the call option that Silicius Real Estate SOCIMI, S.A. has on the ownership interest held by the Group.

The detail of the derivative financial instruments, without including non-current interests, included in the consolidated statement of financial position at 30 June 2024 and at 31 December 2023, and their hedged notional amount, is as follows:

30 June 2024

Type of loan	Interest Contracted	Thousands of euros					
		Fair Value	Notional Outstanding at Each Year End				Subsequent Years
			2024	2025	2026	2027	
Syndicated - the Parent	2.537%	(4,724)	665,000	665,000	665,000	665,000	665,000
Non-mortgage - the Parent	2.512%	(489)	60,000	60,000	60,000	60,000	60,000
Mortgage - the Parent	2.470%	(4,907)	329,719	329,063	328,313	327,000	313,500
Other subsidiaries	0.310%	(3,404)	67,900	67,900	67,900	-	-
		(13,524)	1,122,619	1,121,963	1,121,213	1,052,000	1,038,500

31 December 2023

Type of loan	Interest Contracted	Thousands of euros					
		Fair Value	Notional Outstanding at Each Year End				Subsequent Years
			2023	2024	2025	2026	
Syndicated - the Parent	2,537%	7,839	665,000	665,000	665,000	665,000	665,000
Non-mortgage - the Parent	2,512%	594	60,000	60,000	60,000	60,000	60,000
Mortgage - the Parent	2,363%	1,042	180,000	180,000	180,000	180,000	180,000
Other subsidiaries	0,310%	(3,429)	67,900	67,900	67,900	67,900	-
		6,046	972,900	972,900	972,900	972,900	905,000

In the first half of 2024, the Group arranged a new interest rate hedge to cover the new mortgage financing with Caixabank, S.A. for the period from April 2024 to March 2034. The initial notional amount contracted totals EUR 150,000 thousand and, in accordance with the loan repayment schedule, decreases to EUR 133,500 thousand, with a fixed cost of 2.598%.

The Group opted to use hedge accounting, having adequately designated the hedging relationships in which these derivative instruments hedge the financing used by the Group, neutralising changes in interest payment flows by setting a fixed rate to be paid for the financing. The derivatives that are highly effective, prospectively and retrospectively, on a cumulative basis, since the date of designation are those associated with the new syndicated financing, the bilateral loan with Banco Sabadell, the mortgage loan with BBVA and the mortgage loan with Caixabank, with their changes in value therefore recognised under "Equity."

The Group recognised the fair value of the derivatives that meet the requirements for effectiveness under "Equity," without taking into consideration any tax effect due to application of the SOCIMI regime. The Group recognised an income of EUR 1,208 thousand (EUR 503 thousand in the first half of 2023) under "Changes in fair value of financial instruments" in the consolidated income statement at 30 June 2024 as a result of the derivative financial instruments that did not meet the hedging requirements due to ineffectiveness.

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

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

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

Furthermore, the Group's net exposure has been taken into account as regards each of the counterparties for the credit risk adjustment, if the financial derivatives arranged with them are included in a framework agreement for financial transactions that provides for netting-off positions. For counterparties for whom credit information is available, credit spreads have been obtained from the credit default swaps (CDS) quoted in the market; whereas for those with no available information, references from peers have been used. The Group hired an independent expert to measure the fair value of the derivatives.

The impact on the balance sheet and the income statement before tax of a 5% fluctuation in the estimated credit risk rate would be as follows:

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit/(loss) before tax
5% rise in credit risk rate	(23,299)	22,813	(486)
5% reduction in credit risk rate	24,068	(23,574)	494

10.4 Maturity of bank borrowings

The detail of the bank borrowings, by maturity, at 30 June 2024 is as follows:

	Thousands of euros			
	Syndicated and other loans	Mortgage loans	Revolving credit facility	Total
2H 2024	-	188	-	188
2025	-	656	-	656
2026	-	70,750	-	70,750
2027	-	1,313	-	1,313
2028	725,000	1,500	-	726,500
5 years or more	67,880	629,500	-	697,380
	792,880	703,907	-	1,496,787

10.5 Debt arrangement expenses

The changes in debt arrangement expenses in the first half of 2024 are as follows:

	Thousands of euros				
	31-12-2023	Allocation to profit or loss – Amortised cost	Impact on income statement of IFRS 9	Capitalisation of arrangement expenses	30-06-2024
Unsecured financing	7,363	(849)	-	-	6,514
Mortgage loans - other assets	2,996	(240)	(181)	2,974	5,549
Debentures and bonds	16,663	(2,631)	-	7,977	22,009
	27,022	(3,720)	(181)	10,951	34,072

11. Other current and non-current liabilities

The detail of these headings at 30 June 2024 and 31 December 2023 is as follows:

	Thousands of euros			
	30-06-2024		31-12-2023	
	Non-current	Current	Non-current	Current
Other provisions	17,259	-	20,181	-
Guarantees and deposits received	85,403	2,132	84,190	1,976
Deferred tax liabilities	613,396	-	613,190	-
Other payables	73,192	2,719	71,794	5,393
Other (Note 10.3)	15,400	-	14,828	-
Payable to Group companies and associates	-	-	450	-
Other current liabilities	-	25,187	-	10,210
	804,650	30,038	804,633	17,579

“Other provisions” includes provisions for measuring the risk associated with a number of lawsuits and claims filed by third parties arising from the Group’s activities, which have been recognised in accordance with the best estimates to date, and the provision corresponding to the long-term variable remuneration to be paid in the amount of EUR 1,518 thousand (EUR 4,510 thousand in 2023).

In addition, “Other provisions” includes liabilities for tax charges that are uncertain as to their amount or timing, whereby it is probable that an outflow of resources will be required to settle these obligations as the result of a present obligation. On 10 January 2022, the tax authorities notified the Parent of the commencement of a tax audit relating to corporate tax, value added tax and tax withholdings for various years. Based on the best estimates of the amounts to be paid as a result of the assessments arising from this tax audit and supplementary tax returns for the years subsequent to those reviewed, in 2023 the Group recognised a provision of EUR 5,862 thousand under “Period provisions” in the accompanying consolidated income statement. On 21 February 2024, the following assessments were signed on an uncontested basis:

- Corporate tax for 2016 to 2019, by virtue of which it was determined that EUR 13,984 thousand was to be refunded to the Parent, which includes the tax charge and late payment interest. This assessment recognises the effects of the ruling of 19 January 2024 handed down by the Spanish Constitutional Court, which renders null and void certain provisions of Royal Decree Law 3/2016 that had an impact on taxable profit for corporate tax for 2016 to 2019.
- Value added tax for 2018 to 2019, by virtue of which EUR 799 thousand was determined to be payable, which includes the tax charge and late payment interest.
- Tax withholdings on non-resident income tax for 2018 to 2019, by virtue of which EUR 834 thousand was determined to be payable, which includes the tax charge and late payment interest.
- Tax withholdings and prepayments on income from capital for 2018 and 2019, by virtue of which it was determined that no amount was to be paid or refunded.

On 2 April 2024, the tax authorities made a net payment for the amounts relating to the assessments described above.

During the first half of 2024, the Parent filed supplementary tax returns for value added tax and tax withholdings for 2020 to 2023 amounting to EUR 2,138 thousand, which includes the tax charge and late payment interest. Provisions were recognised for these amounts at 2023 year-end under “Non-current liabilities - Other provisions” in the accompanying balance sheet.

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

The Parent and the majority of its subsidiaries adhere to the SOCIMI tax regime. Under this regime, gains from the sale of assets are taxed at a rate of 0%, provided that certain requirements are met (basically, the assets must have been owned by the SOCIMI for at least three years). Any gains from the sale of assets acquired before inclusion in the SOCIMI tax regime, and those belonging to companies that are not included in that regime, will be distributed on a straight-line basis (unless proven otherwise) over the periods in which the asset was owned by the SOCIMI. The gains relating to periods before inclusion in the SOCIMI tax regime will be taxed at the standard rate, while a rate of 0% will be applied to the other years. The Parent’s directors estimated the tax rate applicable to the tax gain on the assets acquired before their inclusion in the SOCIMI tax regime (calculated in accordance with the fair value of the assets obtained from the appraisals at the date of the business combination and their tax value), recognising the related deferred tax liability.

The Parent’s directors do not envisage disposing of any of the investment property acquired after the Parent and its subsidiaries adhered to the SOCIMI 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%.

12. Trade and other payables

The detail of this heading at 30 June 2024 and 31 December 2023 is as follows:

	Thousands of euros	
	30-06-2024	31-12-2023
Current:		
Providers	64,767	84,585
Payable to suppliers - Group companies and associates	1,895	1,800
Sundry accounts payable	9,387	8,660
Remuneration payable	9,497	12,612
Other accounts payable to public authorities	8,662	31,392
Advances from customers	29,284	24,959
	123,492	164,008

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

13. Revenue and expenses

a) Revenue

The detail of revenue, together with the business line information, is provided in Note 4.

b) Other operating expenses

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

	Thousands of euros	
	30-06-2024	30-06-2023
Non-recoverable expenses of leased properties	25,386	21,947
Overhead expenses:		
Professional services	6,825	5,671
Travel expenses	581	556
Insurance	328	379
Other	1,503	1,241
Costs associated with asset acquisitions, sales and financing	5,563	1,274
Losses on, impairment of and changes in provisions	539	(654)
Other expenses	5,261	3,043
	45,986	33,457

The Group obtained income during the period as a result of having passed on the rental property expenses to tenants amounting to EUR 48,348 thousand (EUR 48,023 thousand in the same period of the previous year).

c) Staff costs and average headcount

The breakdown of "Staff costs" is as follows:

	Thousands of euros	
	30-06-2024	30-06-2023
Wages, salaries and similar expenses	14,353	14,940
Termination benefits	-	45
Social security costs	1,848	1,869
Other employee benefit costs	283	293
Long-term incentive plans (Note 15)	1,402	1,402
	17,886	18,549

In the first half of 2024 and 2023, the amount recognised under “Wages, salaries and similar expenses” includes EUR 5,940 thousand and EUR 6,800 thousand, respectively, as a provision for short-term variable remuneration.

The average number of employees at the various Group companies in the six-month period ended 30 June 2024 was 269 (256 in the same period of 2023).

d) Finance income and costs

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

	Thousand of euros	
	30-06-2024	30-06-2023
Finance income:		
Credit interest	947	933
Interest on deposits and current accounts	9,171	3,414
Other financial income	2,518	1,176
	12,636	5,523
Finance costs:		
Interest on loans and other credits	(62,682)	(51,406)
Other finance costs	(1,215)	(5,932)
	(63,897)	(57,338)
Net finance expense	(51,261)	(51,815)

During the first half of 2024, the finance costs mainly included the interest corresponding to the bank borrowings and debentures detailed in Note 10 amounting to EUR 33,278 thousand and EUR 32,106 thousand, respectively (EUR 10,716 thousand and EUR 36,217 thousand, respectively, in the first half of 2023). These amounts do not include the amortisation of the debt arrangement expenses amounting to EUR 3,901 thousand (EUR 5,147 thousand in the first half of 2023), as a result of applying the effective interest rate to the financial debt (see Note 10), and the finance income associated with the interest rate derivatives amounting to EUR 6,603 (income of EUR 674 thousand in the first half of 2023).

14. Related party transactions

Related party transactions are transactions carried out by the Company or its subsidiaries with directors, shareholders holding 10% or more of the voting rights or represented on the Company's board of directors, or any other persons who must be considered related parties in accordance with International Accounting Standards, adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

At 30 June 2024, the detail of transactions that are significant in amount or subject, carried out between the Parent or its Group companies and related parties, is as follows:

Related party	Nature of the relationship	Thousand of euros			
		Income	Expense	Assets	Liabilities
Banco Santander, S.A. (a)	Financing	-	217	-	100,000*
Banco Santander, S.A. (a)	Cash	1,388	-	134,554	-
Banco Santander, S.A. (b)	Lease	417	-	-	391
Banco Santander, S.A. (b)	Services	-	110	-	-
Paseo Comercial Carlos III (c)	Financing	179	-	12,799	-
Provitae Centros Asistenciales, S.L. (e)	Financing	21	-	1,221	-
Silicius Real Estate SOCIMI, S.A. (e)	Financing	-	-	-	1,350
Total		2,005	327	148,574	101,741

(*) Part of the revolving credit facility corresponding to Banco Santander, undrawn at 30 June 2024

Transactions with significant shareholders

During the first half of 2024, the only shareholder considered a significant shareholder pursuant to current regulation was Banco Santander, S.A.

a) Financing transactions

At 30 June 2024, the Group did not have any loans arranged with shareholders except for a corporate credit facility of EUR 740 million, undrawn at 30 June 2024, in which Banco Santander, S.A. participates with EUR 100 million. This credit facility was signed on 20 April 2023 and replaces the existing credit facility until then in force.

In the first half of 2024, the finance costs incurred in transactions with Banco Santander, S.A. amounted to EUR 217 thousand, which includes, mainly EUR 180 thousand related to the finance costs of the revolving credit facility, EUR 19 thousand in guaranteed fees and EUR 16 thousand in current account management expenses.

The income of EUR 1,388 thousand due to the ordinary remuneration of the current accounts held by the Group with Banco Santander.

Also, at 30 June 2024, the Group has bank balances deposited with Banco Santander amounting to EUR 134,554 thousand (which include the accounts in the name of the associated company Edged Spain, S.L.U. amounting to EUR 23 thousand).

Finally, the Group was granted guarantee lines by Banco Santander, S.A. for an amount of EUR 3,070 thousand euros granted to Merlin Properties SOCIMI, S.A.

b) Lease transactions and services rendered

During the first half of 2024, the Group had 5 leases with the Banco Santander Group for various office buildings and shopping centers. The terms of the leases cover a period of up to 7 years and in the first half of

2024 they generated income amounting to EUR 417 thousand (EUR 412 thousand in the first half of 2023), which includes rental income, and income from parking spaces and the assignment of space for ATMs in shopping centers. The security deposits received for these leases amounted to EUR 391 thousand (same amount that 2023 year-end).

In addition, the Group contracted organisational services for the General Meeting and shareholder registration services amounting to EUR 80 thousand, in addition to agent services for the listing on the Euronext Lisbon stock exchange and agent services for dividends amounting to EUR 30 thousand.

Financing transactions with companies accounted for using the equity method

c) *Paseo Comercial Carlos III, S.A.*

At 30 June 2024, the Parent Company and the associate Paseo Comercial Carlos III, S.A. (owner of a shopping centers in Madrid) have a loan in force amounting to EUR 12,799 thousand.

This amount includes EUR 2,539 thousand of the initial loan that was granted on 27 July 2020 (2,539 at 30 June 2023).

During the first half of 2024, Paseo Comercial Carlos III, S.A., has made a novation of this mortgage loan with credit institutions. This novation included a partial repayment of EUR 20,000 thousand. To this end, the Group has made a contribution, via loan, to the concession subsidiary of EUR 10,000 thousand.

Also, the amount at 30 June 2024, includes EUR 259 thousand of accrued interest (EUR 65 thousand at 30 June 2023), being the financial income for the year 2024, EUR 179 thousand.

e) *Provita Centros Asistenciales, S.L.*

At 30 June 2024, the Parent Company has a loan in force, initially granted on 10 January 2002, in the amount of EUR 1,221 thousand, which includes EUR 203 thousand of accrued interest, being the financial income for the year 2024, EUR 21 thousand.

e) *Silicius Real Estate SOCIMI, S.A.*

At 30 June 2024, the Parent had outstanding obligations amounting to EUR 1,350 thousand, recognised as current and non-current other financial liabilities.

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

	30-06-2024	30-06-2023
Significant shareholders	27,357	27,527
Banco Santander, S.A.	27,357	27,527
Directors and executives	1,703	1,623
Directors	977	985
Executives	726	638
Total	29,060	29,150

15. Information on directors

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

Directors' compensation and other benefits

At 30 June 2024, the salaries, attendance fees and fixed remuneration earned by members of the Parent's managing bodies amounted to EUR 2,101 thousand (EUR 1,868 thousand at 30 June 2023) as detailed below:

	Thousands of euros	
	30-06-2024	30-06-2023
Fixed remuneration	1,979	1,750
Statutory compensation	-	-
Termination benefits	-	-
Attendance fees	122	118
Life and health insurance	5	5
	2,106	1,873

In addition to the above amounts, in the first half of 2024, the executive directors received payments totalling EUR 2,561 thousand corresponding to the variable remuneration for 2023 and the deferred variable remuneration for 2021 and 2022. At 30 June 2024, the accrued amounts payable related to the variable remuneration for 2022 and 2023 totalled EUR 1,886 thousand, of which EUR 621 thousand are recognised under "Non-current provisions" and EUR 1,265 thousand under "Trade and other payables" in the accompanying balance sheet.

The breakdown, by Board member, of the amounts disclosed above received for fixed remuneration and attendance fees, is as follows:

Director	Type	Thousands of euros	
		30-06-2024	30-06-2023
Directors' remuneration:			
José Luis de Mora Gil-Gallardo (*)	Chairman - Proprietary director	55	-
Javier García Carranza Benjumea (*)	Chairman - Proprietary director	170	-
Ismael Clemente Orrego	CEO	500	500
Miguel Ollero Barrera	Executive director	500	500
Maria Luisa Jordá Castro	Independent director	91	95
Ana García Fau	Independent director	105	105
Fernando Ortiz Vaamonde	Independent director	72	72
George Donald Johnston	Independent director	95	95
Juan María Aguirre Gonzalo	Independent director	90	90
Pilar Caveró Mestre	Independent director	77	78
Francisca Ortega Hernández-Agero	Proprietary director	85	85
Emilio Novela Berlín	Independent director	95	93
María Ana Forner Beltrán	Proprietary director	-	78
Ignacio Gil Casares Satrustegui	Proprietary director	51	72
Juan Antonio Alcaraz García	Proprietary director	72	5
Julia Bayón Pedraza	Proprietary director	21	-
Inès Archer Toper	Independent director	22	-
		2,101	1,868

(*) On 16 May 2024, the Parent's Board accepted and approved the resignation of Javier García Carranza Benjumea as Board member. At this same meeting, the Parent's Board unanimously approved the appointment by co-option of José Luis de Mora Gil-Gallardo as proprietary director representing the shareholder Banco Santander, S.A., and his appointment as Chairman of the Board of the Parent, following a favourable report from the Appointments and Remuneration Committee, to fill the vacancy on the Board as a result of the resignation of Javier García-Carranza Benjumea.

In the first half of fiscal year 2024, the mandate of Ignacio Gil Casares Satrustegui as a member of the Board of Directors expired.

At the Ordinary General Shareholders' Meeting held on 9 May 2024, the appointment of Inès Archer Toper as independent director was approved, as well as the appointment of Julia Bayón Pedraza, as proprietary director representing the shareholder Banco Santander, S.A., thus fixing the number of members of the Board of Directors of the Parent Company at 14.

The Parent has not granted any advances, loans or guarantees to any of its Board members.

The Parent's directors are covered by the "Corporate Third-Party Liability Insurance Policies for Directors and Executives" taken out by the Parent to cover any possible harm and loss that may be claimed, and that are evidenced as a result of a management error committed by its directors or executives, and those of its subsidiaries, in discharging their duties. The premium amounted to an annual total of EUR 251 thousand (EUR 320 thousand in 2023).

As regards golden parachute clauses for executive directors in the event of dismissal or a takeover, at 30 June 2024 these golden parachute clauses provide for compensation that represented a total commitment of EUR 9,058 thousand

Remuneration and other benefits of senior executives

The remuneration of the Parent's senior executives, including the Head of Internal Audit and excluding those who are simultaneously Board members (whose remuneration is disclosed above), in the six-month period ended 30 June 2024 is summarised as follows:

Thousands of euros							
30-06-2024				30-06-2023			
Number of people	Fixed remuneration	Other remuneration	Total	Number of people	Fixed remuneration	Other remuneration	Total
9	1,120	17	1,137	9	1,067	16	1,083

In addition to the above amounts, in the first half of 2024, the senior executives received payments totalling EUR 3,736 thousand corresponding to the variable remuneration for 2023 and the deferred variable remuneration for 2021 and 2022. At 30 June 2024, the accrued amounts payable related to the variable remuneration for 2022 and 2023 totalled EUR 2,624 thousand, of which EUR 854 thousand are recognised under “Non-current provisions” and EUR 1,770 thousand under “Trade and other payables” in the accompanying balance sheet.

The main characteristics of the incentive plan with an impact on these condensed consolidated financial statements are set out below:

2022-2024 Incentive Plan

The shareholders at the General Meeting held on 4 May 2022 approved a long-term remuneration plan consisting of the delivery of 3,491,767 ordinary shares of the Company (representing 0.74% of the share capital), for the management team and other important members of the Group’s workforce (“2022-2024 Incentive Plan”).

The 2022-2024 Incentive Plan consists of a single cycle with a target measurement period that will last three years, starting on 1 January 2022 and ending on 31 December 2024. If the targets are met, the shares will be delivered in 2025 once the financial statements for 2024 have been authorised for issue and audited. All shares delivered under the 2022-2024 Incentive Plan to executive directors will be subject to a 2-year retention period. A maximum of 1,088,082 shares will be allocated to executive directors.

The specific number of Company shares that, within the established maximum, will be delivered to the beneficiaries of the 2022-2024 Incentive Plan at the end of the Plan will be conditional on achievement of the following targets linked to the creation of shareholder value and sustainability:

Metrics	Definition	Weighting
Absolute TSR Relative TSR	Absolute Total Shareholder Return (TSR) is the return on the share considering the cumulative change in the Company's share price, including dividends and other similar items received by the shareholder during the 2022-2024 period. Relative TRS measures the performance of the TRS of the Company's share over the 2022-2024 period in relation to the TRS of the FTSE EPRA Nareit Developed Europe Index over the same period.	50%
EPRA NTA 31/12/24 + Dividends (2022-2024) / share	The EPRA NTA is calculated based on the Company's consolidated equity and adjusting specific items in accordance with EPRA recommendations. Furthermore, the dividends paid and other similar items received by the shareholder during the target measurement period (2022, 2023 and 2024) are taken into account	35%
Net carbon emissions	Level of reduction of the Company's CO2 emissions at 31 December 2024, compared to 31 December 2021, calculated for the comparable portfolio of assets over which the Company has operational control (scope of the Company's pathway to net zero).	10%

Environment and society	Progress on the initiatives linked to improving the environment and society. The economic and social impact of the Company's assets on the local communities around these assets and the various stakeholders will therefore be assessed.	5%
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At 30 June 2024, the Group had recognised an expense of EUR 1,402 thousand corresponding to the accrued portion of the 2022-2024 Incentive Plan (EUR 1,402 thousand in the same period of 2023), with a balancing entry in reserves.

16. Events after the reporting period

No significant events have taken place between 30 June 2024 and the date of authorisation for issue of these interim consolidated financial statements.

Merlin Properties SOCIMI, S.A. and Subsidiaries

Trading update for the six-month period ended 30 June 2024