

## A LA COMISIÓN NACIONAL DEL MERCADO DE VALORES

**DON ISMAEL CLEMENTE ORREGO**, en su condición de Presidente del Consejo de Administración y Consejero Delegado de **MERLIN PROPERTIES SOCIMI, S.A.**, sociedad con domicilio en Madrid, Paseo de la Castellana 42 (la *Sociedad*), debidamente facultado al efecto, en relación con el procedimiento de aprobación y registro por la Comisión Nacional del Mercado de Valores del Folleto Informativo relativo al aumento de capital y admisión a negociación de nuevas acciones ordinarias de la Sociedad,

### CERTIFICA

Que la versión en soporte informático del Folleto Informativo que se adjunta a la presente, coincide con la última versión en papel del mismo presentada por escrito a la Comisión Nacional del Mercado de Valores, para su aprobación e incorporación al correspondiente registro oficial.

Asimismo, se autoriza a la Comisión Nacional del Mercado de Valores para que haga público el mencionado Folleto Informativo en soporte informático en su página *web*.

Y para que así conste, a los efectos oportunos, expido la presente certificación en Madrid, a 16 de julio de 2015.

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Fdo.: Don Ismael Clemente Orrego  
En nombre y representación de  
**MERLIN Properties SOCIMI, S.A.**

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Prospectus, or as to what action you should take, you should immediately consult an appropriately authorised professional adviser.**

This document constitutes a prospectus (the “*Prospectus*”) for the purposes of Article 3 of the European Parliament and Council Directive 2003/71/EC of 4 November 2003, as amended by Directive 2010/73/EU (the “*Prospectus Directive*”), its implementing measures in Spain and the Commission Regulation (EC) No. 809/2004, as amended, relating to the Company. The Prospectus has been approved by the Comisión Nacional del Mercado de Valores (“*CNMV*”), as competent authority under the Prospectus Directive and its implementing measures in Spain, on 16 July 2015. Such approval relates only to the New Ordinary Shares (as defined below) that are to be admitted to trading on the Spanish Stock Exchanges (as defined below), or other regulated markets for the purposes of the Directive 2004/39/EC.

Investing in the New Ordinary Shares (as defined below) involves certain risks. You should read this Prospectus in its entirety and in particular the risk factors set out in the section of this Prospectus headed “*Risk Factors*” before investing in the New Ordinary Shares (as defined below).

Mr. Ismael Clemente, acting in the name and on behalf of MERLIN Properties, SOCIMI, S.A. (the “*Company*”) in his condition as Chairman of the Board of Directors and Chief Executive Officer, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and Mr. Ismael Clemente, acting in the name and on behalf of the Company in his condition as Chairman of the Board of Directors and Chief Executive Officer (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.



## **MERLIN PROPERTIES, SOCIMI, S.A.**

*(Incorporated and registered in Spain under the Spanish Companies Act)*

### **OFFERING OF NEW ORDINARY SHARES TO RAISE GROSS PROCEEDS OF €1,033,696,000 BY MEANS OF A RIGHTS OFFERING OF NEWSHARES AT AN OFFERING PRICE OF €8 PER SHARE**

This Prospectus relates to the offering of 129,212,000 new ordinary shares, each with a nominal value of €1 (the “*New Ordinary Shares*”), of the Company pursuant to a rights offering (the “*Offering*”).

Subject to the terms and conditions set out herein, holders (the “*Shareholders*”) of the Company’s ordinary shares (the “*Existing Ordinary Shares*”) as of 23:59 (Madrid time) on the date of publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil* or “*BORME*”), which is expected to be 17 July 2015 (respectively, the “*Eligible Shareholders*” and the “*Record Date*”) will be granted one transferable subscription right for each Existing Ordinary Share held by such Eligible Shareholders on that date (the “*Preferential Subscription Rights*”). The exercise of three Preferential Subscription Rights entitles the relevant Eligible Shareholder to subscribe for two New Ordinary Shares in exchange for payment of a subscription price of €8 per New Ordinary Share, which is referred to as the “*Subscription Price*”.

The preferential subscription period will commence on the day following the publication of the Offering in the BORME and will last up to and including the fifteenth day thereafter. During the preferential subscription period the Eligible Shareholders will be able to sell all or part of their Preferential Subscription Rights if they decide not to subscribe, or to subscribe in part, for New Ordinary Shares, subject to any applicable restrictions on transfer described in this Prospectus, while other investors apart from the Shareholders may acquire Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding New Ordinary Shares. Eligible Shareholders and other investors that may acquire Preferential Subscription Rights may also subscribe for additional New Ordinary Shares during the additional allocation period, as described in this Prospectus.

Preferential Subscription Rights not exercised within the preferential subscription period will expire.

Assuming the New Ordinary Shares are fully subscribed, they will represent approximately 40% of the Company’s issued and paid up share capital following the Offering.

The Existing Ordinary Shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the “*Spanish Stock Exchanges*”) and are quoted through the Automated Quotation System (SIBE - *Sistema de Interconexión Bursátil* or *Mercado Continuo*) of the Spanish Stock Exchanges. Application will be made to list the New Ordinary Shares on the Spanish Stock Exchanges and to have the New Ordinary Shares quoted through the SIBE (“*Admission*”). The Company

expects the New Ordinary Shares to be listed and quoted on the Spanish Stock Exchanges on or about 11 August 2015. On 15 July 2015, the last reported sale price of the Existing Ordinary Shares was €11.50 per Existing Ordinary Share.

The Company has entered into an underwriting agreement with Morgan Stanley & Co. International plc, as sole global coordinator (the “**Sole Global Coordinator**”), Credit Suisse Securities (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and UBS Limited, as joint bookrunners (the “**Joint Bookrunners**”), Banco Santander, S.A., Bankinter, S.A., BNP PARIBAS, Crédit Agricole Corporate and Investment Bank and Société Générale, as co-bookrunners (the “**Co-Bookrunners**”) and Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., Fidentiis Equities, Sociedad de Valores, S.A., Kempen & Co N.V. and Mediobanca - Banca di Credito Finanziario S.p.A., as co-lead managers (the “**Co-Lead Managers**”, and jointly with the Joint Bookrunners and the Co-Bookrunners, the “**Managers**”) in connection with the Offering (the “**Underwriting Agreement**”). The Managers will seek to place any underwritten New Ordinary Shares that are not subscribed for during the preferential subscription period or the additional allocation period to the extent described herein with qualified institutional investors during a discretionary allocation period, and any such underwritten New Ordinary Shares that remain unsold after such discretionary allocation period will, subject to the terms of the Underwriting Agreement, be acquired by the Managers, pro rata to their respective underwriting commitments, at the Subscription Price.

The Preferential Subscription Rights and the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Preferential Subscription Rights may only be exercised (i) within the United States by ‘qualified institutional buyers’ (“**QIBs**”) (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Annex 2 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S under the Securities Act (“**Regulation S**”)) in reliance on Regulation S. In addition, the Managers may arrange for New Ordinary Shares not taken up through the preferential or discretionary allocation to be offered and sold (i) within the United States only to persons they reasonably believe are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

Prospective investors are hereby notified that the Managers may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Preferential Subscription Rights and the New Ordinary Shares, see Part XIX (“**The Offering**”). By exercising the Preferential Subscription Rights or purchasing New Ordinary Shares, prospective investors will be deemed to have made the acknowledgments, representations, warranties and agreements set out in section 6 of Part XIX (“**The Offering**”). In addition, prospective investors must represent (unless otherwise specifically agreed with the Company) that they are not using assets of retirement plans or pension plans subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) or Section 4975 of the United States Internal Revenue Code (the “**Code**”) to invest in the New Ordinary Shares or the Preferential Subscription Rights.

The New Ordinary Shares are expected to be delivered to the final investors through the book entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*) (“**Iberclear**”), subject to payment, on or about 7 August 2015 for New Ordinary Shares subscribed during the preferential subscription period and the additional allocation period and on or about 13 August 2015 for New Ordinary Shares, if any, placed during the discretionary allocation period.

**Sole Global Coordinator**  
**Morgan Stanley**

**Joint Bookrunners**

<b>Credit Suisse</b>	<b>Goldman Sachs International</b>	<b>J.P. Morgan</b>	<b>Morgan Stanley</b>	<b>UBS Investment Bank</b>
<b>Co-Bookrunners</b>				
<b>Banco Santander</b>	<b>Bankinter</b>	<b>BNP PARIBAS</b>	<b>Crédit Agricole CIB</b>	<b>Société Générale Corporate and Investment Banking</b>
<b>Co-Lead Managers</b>				
<b>BBVA</b>	<b>CaixaBank</b>	<b>Fidentiis</b>	<b>Kempen &amp; Co</b>	<b>Mediobanca</b>

**16 July 2015**

## Notice to Overseas Investors

The distribution of this Prospectus and the offering of the New Ordinary Shares and the Preferential Subscription Rights in certain jurisdictions may be restricted by law. No action has been taken by the Company to permit a public offering of the New Ordinary Shares and the Preferential Subscription Rights or possession or distribution of this Prospectus (or any other offering or publicity materials relating to the New Ordinary Shares or the Preferential Subscription Rights) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Company and the Managers to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute or form part of an offer to sell, or the solicitation of an offer to buy or subscribe for, New Ordinary Shares or Preferential Subscription Rights to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. Further information on the restrictions to which the distribution of this Prospectus is subject is set out in section 6 of Part XIX (“*The Offering*”).

**None of the United States Securities and Exchange Commission, any other United States federal or state securities commission or any United States regulatory authority has approved or disapproved of the New Ordinary Shares or the Preferential Subscription Rights offered through this Prospectus nor have such authorities reviewed or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.**

The Preferential Subscription Rights and the New Ordinary Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Preferential Subscription Rights may only be exercised (i) within the United States by QIBs in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Annex 2 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. In addition, the Managers may arrange for New Ordinary Shares not taken up through the preferential or discretionary allocation to be offered and sold (i) within the United States only to persons they reasonably believe are QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

The New Ordinary Shares and the Preferential Subscription Rights are subject to selling and transfer restrictions in certain jurisdictions. Prospective purchasers should read the restrictions described in section 6 of Part XIX (“*The Offering*”). Each purchaser of the New Ordinary Shares or Preferential Subscription Rights will be deemed to have made the relevant representations described therein.

The New Ordinary Shares and the Preferential Subscription Rights have not been and will not be registered under the applicable securities laws of Canada, the Dubai International Financial Centre, Hong Kong, Mexico, Qatar, Singapore, Switzerland, the United Arab Emirates, the United Kingdom or the United States. Accordingly, subject to certain exceptions, the New Ordinary Shares and the Preferential Subscription Rights may not be offered or sold in Canada, the Dubai International Financial Centre, Hong Kong, Mexico, Singapore, Switzerland, the United Arab Emirates, the United Kingdom or the United States or to, or for the account or benefit of, any resident of Canada, the Dubai Financial Centre, Hong Kong, Mexico, Singapore, Switzerland, the United Arab Emirates, the United Kingdom or the United States.

### NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (“RSA”), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

### Other Important Notices

The Managers are acting exclusively for the Company and no one else in connection with the Offering (as defined herein)

and will not be responsible to anyone other than the Company for providing any advice in relation to the Offering. Apart from the responsibilities and liabilities, if any, which may be imposed by the CNMV or other relevant authorities, the Managers, or any person affiliated with them, do not accept any responsibility whatsoever and make no representation or warranty, express or implied, in respect of the contents of this Prospectus including its accuracy or completeness or for any other statement made or purported to be made by any of them, or on behalf of them, in connection with the Company and nothing in this Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. In addition, the Managers do not accept responsibility for, or authorise the contents of, this Prospectus or its issue. The Managers accordingly disclaim all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have to any person in respect of this Prospectus.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Neither the publication of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date. The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for advice.

References in this Prospectus to employment contracts refer to both labour contracts (*contratos laborales*) and mercantile services contracts (*contratos mercantiles de prestación de servicios*).

Certain terms used in this Prospectus, including certain technical and other items, are explained or defined in Part XXIII (“*Definitions*”), as the case may be.

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## PART I: SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary and it is shown as ‘not applicable’. Capitalised terms used in this Summary shall have the meaning given to them in the “Definitions” section of this Prospectus.

<b>Section A—Introduction and warnings</b>		
<b>A.1</b>	Introduction:	<p><b>THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS PROSPECTUS. ANY DECISION TO INVEST IN THE NEW ORDINARY SHARES SHOULD BE BASED ON CONSIDERATION OF THIS PROSPECTUS AS A WHOLE BY THE INVESTOR, INCLUDING IN PARTICULAR THE RISK FACTORS.</b></p> <p><b>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</b></p> <p>Under Spanish law, civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<b>A.2</b>	Subsequent resale of securities or final placement of securities through financial intermediaries:	Not applicable. The Company is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document.

<b>Section B – Issuer</b>		
<b>B.1</b>	Legal and commercial name:	The legal name of the issuer is MERLIN Properties SOCIMI, S.A. The commercial name of the issuer is “MERLIN Properties”.
<b>B.2</b>	Domicile and legal form:	<p>The Company is incorporated as a public limited company (a <i>sociedad anónima</i> or S.A.) in Spain under the Spanish Companies’ Act. It has its registered office at Paseo de la Castellana, 42, 28046, Madrid. The Company is incorporated for an unlimited term.</p> <p><b><u>Regulatory Status of the Company</u></b></p> <p>The Company has elected to become a Listed Corporation for Investment in the Real Estate Market (<i>Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario</i>) (“<b>SOCIMI</b>”) and has notified such election to the Spanish tax authorities by means of the required filing. Such election will remain applicable until the Company waives its applicability or it does not meet the SOCIMI Regime requirements.</p> <p>An entity eligible for the SOCIMI Regime may apply for the special tax</p>

<b>Section B – Issuer</b>		
		<p>regime even if when the election is made such entity does not meet all the eligibility requirements, provided that it meets them within two years (as from the date the corresponding election is filed with the Spanish tax authorities). In addition, such entity will have a one-year grace period to cure any non-compliance with certain of the eligibility requirements.</p>
<b>B.3</b>	<p>Key factors relating to the nature of the issuer’s current operations and its principal activities:</p>	<p>The target return that the Company seeks once the Net Proceeds are fully invested is a combination of a dividend yield of between 4% to 6% annually plus value creation through increases in the Company’s EPRA NAV, with a total annual target leveraged return of 10%.</p> <p>This is a target only and not a profit forecast. There can be no assurance that this target can or will be met and such target should not be seen as an indication of the Company’s expected or actual results or returns. Accordingly, investors should not place any reliance on this Target Return in deciding whether to invest in the New Ordinary Shares. The Target Return is not a fact and should not be relied upon as being necessarily indicative of future results.</p> <p>None of the Group, any of the Board of Directors, the Management Team, the Joint Bookrunners or any of their respective affiliates, advisers, officers, directors or representatives can give any assurance that the Target Return will be realised or that actual results will not vary significantly from the Target Return.</p> <p><b><u>Business Strategy</u></b></p> <p>The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments primarily in Spain and, to a lesser extent, in Portugal. The Management Team intends to focus on creating both sustainable income and strong capital returns for the Group with an annual Target Return as described in this Prospectus.</p> <p>“<i>Core</i>” segments are segments with real estate assets, with a stabilised long-term cash flow stream derived from leases and low capital expenditure needs, which are easier to finance and generally command the lowest capitalisation rates.</p> <p>“<i>Core Plus</i>” segments are segments with assets of good quality, normally representing to an investor the opportunity to increase the asset’s investment yield through some event (for example, the asset might have some scheduled vacancy or leases rolling over which would give the owner the opportunity to increase rents) as well as assets which can benefit from some upgrades or renovations by which the investor can then command higher rents and improve its returns.</p> <p><i>The strategy pillars and active asset management</i></p> <p>The Business Strategy of the Group is based on three strategy pillars:</p> <ul style="list-style-type: none"> <li>• <b><i>Commercial Property Assets</i></b>: focus on commercial real estate and mainly on office, retail, logistics, and prime urban hospitality assets.</li> <li>• <b><i>Geographies</i></b>: focus on Spain and, to a lesser extent, on Portugal (with a maximum limit of 25% of Total GAV). Within Spain, the Company expects most of the Group’s office and logistics assets to be located in Madrid and Barcelona although it may also consider other major urban clusters. As for Portugal, the Company primarily intends to focus on acquiring assets located in Lisbon.</li> <li>• <b><i>Gearing</i></b>: seek to maintain gearing below 50% LTV (calculated as Net Debt over Total GAV). After the acquisition of the controlling stake in</li> </ul>



## Section B – Issuer

Testa and the capital increase, the Company expects the Combined Group's Net LTV to be around 51.0%. The Company intends to maintain this LTV temporarily, with a view to reaching a target LTV of 50% by year-end 2016 through the progressive disposal of non-core assets (rented residential, and land or part of the hotel portfolio, on an opportunistic basis), cash generation and asset revaluation.

A central part of the Group's Business Strategy is the Management Team's intention to improve income profiles and add value to the Group's Assets through active management techniques which would include (as applicable):

- renegotiating or surrendering leases;
- improving lease lengths and tenant profile;
- undertaking physical improvements;
- improving layouts and space efficiency of specific assets;
- changing the tenant mix of certain properties;
- maintaining dialogue with tenants to assess their requirements;
- taking advantage of planning opportunities;
- repositioning and upgrading assets;
- selective development and/or refurbishment; and
- debt refinancing.

### *Types of property*

The target acquisitions which would comply with the Group's strategy pillars are, amongst others, assets with the following characteristics:

- office and retail properties acquired in central Madrid, Barcelona and other major urban clusters;
- retail properties in city centres and certain suburban areas;
- logistics properties located in close proximity to transport hubs;
- prime or good quality secondary assets and locations;
- prime urban hospitality in Madrid, Barcelona and Lisbon;
- prime office/retail assets in the Lisbon area;
- primary focus on undermanaged properties with upside potential; and
- properties in locations that benefit from inward foreign direct investments.

Residential properties, both built and for development, are excluded as a type of target property.

### *Gearing*

The Company intends to use gearing to seek to enhance Shareholder returns over the long term. The level of gearing will be carefully monitored by the Company in light of the risk profile of the relevant asset, the availability of generally favourable lending conditions and borrowing costs. The Company also aims to continue using hedging derivatives where considered appropriate to mitigate interest rate and or inflation risk. The level of gearing is subject to the following criteria: (i) while the Company aims to maintain a stable gearing

## Section B – Issuer

LTV ratio (calculated as net debt over Total GAV) of between 30% and 40%, the aggregate amount outstanding under any external financing immediately following any acquisition of asset opportunities or entry into external financings may not exceed a maximum of 50% LTV; (ii) debt financing for acquisitions will be assessed on a deal-by-deal basis initially with reference to the capacity of the Company to support leverage and to the risk profile of the asset to be acquired; and (iii) debt on development properties will be, to the extent possible, ring-fenced in order to exclude recourse to other assets of the Group.

After the acquisition of the controlling stake in Testa and after the capital increase carried out pursuant to the Offering the Company expect the LTV to be of 35.2% (51.0% assuming an acquisition of a 100% stake of Testa). The Company intends to maintain this LTV temporarily, with a view to reaching a target LTV of 50% by year-end 2016 through the progressive disposal of non-core assets (rented residential and land or part of the hotel portfolio on an opportunistic basis), cash generation and asset revaluation.

Notwithstanding the foregoing, the Board of Directors may modify the Company's gearing policy (including the level of gearing) from time to time in light of economic conditions, the relative costs of debt and equity capital, the fair value of the Group's assets, growth and acquisition opportunities and any other factors it may deem appropriate.

### *Sourcing*

The Management Team has a track record of securing real estate investments and the Company believes it is well-placed to continue to implement the Business Strategy due to its strong track record in commercial real estate in Spain and Portugal, its established network to source off-market deals and as a result of the high visibility of the Company through its listing on the Spanish Stock Exchanges. The Management Team expects to source deals from competitive auctions, restricted auctions and off-market transactions.

It is expected that the Group's further acquisitions will primarily be sourced through a combination of the following core avenues (of which the Management Team has detailed knowledge):

- banking institutions/receivers/borrowers;
- SAREB;
- public institutions;
- large corporates;
- private and institutional investors;
- investors in non-performing loans.

### *Acquisition of Testa*

On 8 June 2015, the Company and Sacyr entered into the Investment Agreement for the acquisition by the Company, in several phases, of a 99.6% stake in Testa. At the date hereof, the Company holds a 25% stake in Testa, following the capital increase of approximately €431 million in Testa. After completion of the referred acquisition, the Company will hold a stake of at least 99.6% in Testa. Pursuant to the terms of the Investment Agreement, the Company will hold a controlling stake of 50.1% in Testa before 29 July 2015.

The Investment Agreement envisages the following transactions:

- (i) The implementation of the resolutions approved by the General

## Section B – Issuer

		<p>Shareholders' Meeting of Testa on 3 February 2015, related to:</p> <ul style="list-style-type: none"> <li>• the Testa Share Capital Reduction for an amount of €669,759,570.40, by means of a reduction of the par value of the ordinary shares from €6.00 to €0.20, by paying to Testa's shareholder €5.80 per share (; and</li> <li>• the payment of the Extraordinary Dividend for an amount of €527,724,351.16, giving the right to Testa's shareholders to receive €4.57 per share;</li> </ul> <p>and the subsequent cancellation of the Intercompany Loan by setting-off the amount of €952,693,000 (excluding the accrued financial expenses) owed by Sacyr to Testa with some of the amounts due by Testa to Sacyr as a consequence of the Testa Share Capital Reduction and the Extraordinary Dividend.</p> <p>The implementation took place on 8 June 2015, prior to the investment of the Company in the share capital of Testa.</p> <p>(ii) The subscription by the Company of the Testa Share Capital Increase for an effective amount of €430,838,704.01, that was subscribed and paid-up by the Company on 8 June 2015, in exchange for 38,491,930 New Testa Shares, each issued at €0.20 of par value and with share premium of €10.99, representing 25% of its share capital.</p> <p>The New Testa Shares have all ordinary rights attached to them, including the right to receive the ordinary dividend of €0.15 per share amounting to €23,095,157.60 and approved by the General Shareholders' Meeting of Testa on 29 June 2015 and by the Board of Directors on 30 June 2015 and paid on 10 July 2015, but excluding the right to receive the amounts payable to Testa's Shareholders under the Testa Share Capital Reduction and the Extraordinary Dividend.</p> <p>The proceeds from the Testa Share Capital Increase were used, along with the set-off of the amounts due by Sacyr to Testa under the Intercompany Loan, to pay the amounts due pursuant to the Testa Share Capital Reduction and the Extraordinary Dividend to Sacyr and the rest of Testa's shareholders, resulting in a cash payment of €238,759,636.23 to Sacyr and €6,031,285.33 to Testa's minority shareholders, with the remaining €186,047,782.45 to be used by Testa for investments or general corporate uses and to pay transaction costs.</p> <p>Both the referred share capital reduction and share capital increase were registered with the Commercial Registry of Madrid on 12 June 2015.</p> <p>(iii) The Acquisition by the Company from Sacyr of 114,894,179 shares in Testa for a consideration of €1,555,240,363.77.</p> <p>As of the date of the Investment Agreement the referred 114,894,179 shares in Testa were pledged by Sacyr in favour of a banking syndicate, as collateral in connection with the financing granted by said syndicate to Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U for its acquisition of shares in Repsol, S.A. (i.e. the Testa Share Pledge). Pursuant to the terms of the Investment Agreement, Sacyr has agreed to release the Testa Share Pledge with respect to the shares to be transferred to the Company, prior to each relevant transfer date. Sacyr has informed the Company that the Testa Share Pledge with respect to the Control Shares has been released subject to application of part of the funds to be received by Sacyr upon the First Delivery to</p>
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## Section B – Issuer

partial prepayment of the abovementioned syndicated loan.

The Acquisition was approved by the General Shareholders' Meeting of the Company, on 14 July 2015.

The Acquisition allows the Company to integrate with its current management team an experienced and highly complementary platform. The Company intends to leverage upon Testa's strong in-house management capabilities and track-record focused on leasing, refurbishment and development, and overall asset management facilitating integration and know-how exchange.

Testa is a leading operator of prime real estate assets in Spain with a long-standing track record across asset classes. The core business is the rental management and development of prime real estate assets, owned by Testa itself and secondarily those owned by third parties, including the purchase, rental, sale and operation of such assets. Testa is a pioneer in the Spanish real estate market, operating for over 60 years and, as a result, has substantial experience throughout the economic cycles. The Company believes that Testa's portfolio is composed of top-level well-located properties, mainly in Madrid and Barcelona, and of a diversified, reputable and financially-strong tenant base. The property portfolio includes 88 assets, from which 83 are in operation or under refurbishment and five land plots are under development (CBRE considers the tower located at Paseo de la Castellana 259 B as two separate assets), as of 31 March 2015, consisting of offices, shopping centres, hotels, logistics centres, rented residential properties, senior residences, parking facilities and land development plots, and including emblematic properties such as the PwC Tower in Madrid.

Testa's portfolio is managed internally by the maintenance, legal, commercial, urban development and finance teams. Testa also enlists and supervises services granted by third party providers who enable them to manage the portfolio efficiently and professionally to achieve its profitably objectives. Real estate assets owned by third parties are managed through Testa's wholly-owned subsidiary Gesfontesta. Gesfontesta manages real estate assets owned by investment funds.

Testa's business is exclusively focused in Spain, with Madrid and Barcelona being the two principal markets (representing 84.1% of the GAV of the operating assets at 31 March 2015). Testa is the leading listed operator of real estate assets in Spain in terms of GLA, of 1,085,207 sqm at 31 March 2015 (including independently-leased parking facilities and financial assets), and GRI of €39.3 million for the first quarter of 2015 ended 31 March 2015. The assets have been valued by CBRE (with respect to the assets in operation or under refurbishment) and Instituto de Valoraciones (with respect to the land plots and assets under development) at a GAV of €2935 million and €267 million, respectively, for an aggregate GAV of €3,202 million, as at 31 March 2015.

### *Asset rotation*

As part of Testa's acquisition the Company has acquired certain assets corresponding to asset classes where it did not operate before such as hotels, rented residential and land.

With relation to hotel assets acquired by means of Testa's acquisition, the Management Team does not anticipate the disposal of those assets which fit with the Company's business strategy. In this regard, the intention of the Company is to focus on urban hospitality with attractive locations (specially Madrid and Barcelona), whereas the hotels located in coastal regions could be gradually disposed of on an opportunistic basis.

## Section B – Issuer

Regarding rented residential and land plots, the Management Team could consider gradually divesting these non-core assets. The process of capital recycling will take place in the short to medium term on an opportunistic basis. Although the Company aims to hold assets for a relatively long period of time, it recognises value can be created through the rotation of assets that comprise the Assets over time. The number of years over which assets are expected to be held as Assets can change depending on, among other factors, market conditions, the portfolio composition from time to time and the situation of each particular property. However, any such rotation of assets is subject to compliance with the requirements under the SOCIMI Regime including the three-year minimum holding period for real estate assets.

### **Financing Strategy**

The Company's principal use of the Net Proceeds of the Offering will be to fund the acquisition of Testa, to partially prepay the Bridge Facility and the Group's general corporate purposes, which includes the funding of acquisitions of future real estate assets in a manner which is consistent with the Business Strategy. As of the date of this Prospectus, the Company has 9 transactions which are under exclusivity, advanced due diligence, execution phase or pending completion with a size of approximately €370 million. Within this amount, €256 million of investments are expected to be funded within the next 12 months, out of which the Company has already disbursed €25.2 million. By asset class, 54% of these transactions are logistics, 37% retail and 9% office. The most relevant transaction is the acquisition of a retail portfolio for 96.5 million (i.e. 27% of the total transactions amount). This retail transaction comprises the acquisition of 33 supermarkets leased to Caprabo on a triple net and long term basis (8 years on average), at a net initial yield of 7.2%. All of these investments may be funded with equity or debt and may result in changes to the Group's leverage.

The Group may choose to finance a portion of certain acquisitions with debt financing (initially, mainly through secured mortgages, and in the future, through the issuance of debt and convertible debt securities or other financings that may be available to the Company). The Company and the Management Team intend to determine the appropriate level of borrowings on a deal-specific basis.

### **Commitment by members of Management Team**

#### *Exclusivity*

Save for the obligations in respect of the Legacy Mandates, the Management Team will act exclusively for the Group in respect of any type of deal sourcing until all net proceeds raised by the Company are fully invested in suitable opportunities. This exclusivity covers the raising of proceeds in the Offering as well as any other capital raisings that the Company may carry out in the future in the public market. However, an exception to the foregoing is that the Management Team will not act exclusively for the Group in respect of the acquisition of rented residential assets and/or non-performing loans to the extent that these activities arise from existing or future engagements with The Blackstone Group and/or Deutsche Bank AG, as a result of the longstanding commercial relationship between the members of the Management Team and these two entities.

The Company believes that the rented residential component of Testa does not represent a conflict with the exclusivity exception granted in favour of the Blackstone Group and/or Deutsche Bank AG in respect of the acquisition of residential assets, as Testa's rented residential assets have not been acquired on a stand-alone basis but rather as a part of a full acquisition of an operating

## Section B – Issuer

company. The rented residential component does only represent 8.6% of the total GAV of Testa, as of 31 March 2015 and 5% of the Combined Group. Notwithstanding the foregoing, the Board of Directors of the Company will be informed.

### *Non-Compete*

In addition, each member of the Management Team will not, and will procure that a Controlled Person does not, directly or indirectly:

(i) acquire or invest (on its own behalf or on behalf of a third party) in a property asset which is within the parameters of the Business Strategy of the Group (except for the following asset acquisitions which are expressly permitted (a) non-income producing property assets with a market value lower than €5 million (this limit to be applied on a cumulative basis); (b) rented residential assets for own use; (c) property assets where the Group has had the opportunity to invest but has declined to do so and has consented that the relevant member of the Management Team may pursue the opportunity), or (ii) act as an adviser to any investor in competition with the Group for the acquisition of property with the same exceptions set out in connection with (i) above.

### *Conflicts of interest*

MAGIC Real Estate will not establish, or invest in, a SOCIMI and/or real estate company which is involved in a business with the same, analogous or complementary object to the corporate object of the Group.

### **Treasury Policy**

The Group seeks to carry out a treasury policy designed to ensure capital preservation. Accordingly, the Group seeks to generate positive and steady rates of return with limited risk exposure. In particular, the Group focuses on highly liquid financial products where any early termination would result in no or merely a limited penalty.

### **Applicant's Service Providers**

#### *The Management Team*

The day-to-day operations of the Company, including the implementation of the Business Strategy, is carried out by the Management Team, which consists of property and finance professionals who have extensive experience in Spanish and Portuguese real estate markets and a notable track record of creating value for shareholders. The Management Team is led by Mr. Ismael Clemente (CEO), Mr. David Brush (CIO) and Mr. Miguel Ollero (CFO/COO) and currently comprises nine members. The remaining six members of the Management Team are Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Luis Lázaro, Mr. Miguel Oñate, Mr. Fernando Ramírez and Mr. Manuel García Casas.

As of the date of this Prospectus, the Company's total headcount is 25. The Management Team expects to reach a stabilised base of approximately 125 employees, following the integration of Testa. Testa's management team is currently composed of 94 qualified professionals, of which 50 manage Testa and its portfolio and 44 are part of its third-party asset management business. After the Acquisition, the current organisational structure of the Company will not be changed. After the merger or in its context, the Company will consider potential changes to maximise efficiency.

Four employees of the Company, Mr. Ismael Clemente (Executive Chairman & CEO), Mr. Miguel Ollero (CFO/COO), Mr. Luis Lázaro (Asset Management) and Mr. Miguel Oñate (Asset Management) are continuing as

## Section B – Issuer

MAGIC Contracts Key Employees pursuant to several agreements currently in place and entered into between MAGIC Real Estate and various third parties.

The MAGIC Contracts Key Employees devote part of their time to the supervision and management of certain assets ultimately managed by MAGIC Real Estate. Three additional employees of the Company (Mr. Francisco Rivas, Mr. Enrique Gracia and Mr. Enrique Fonseca) devote part of their time to MAGIC Real Estate to support the MAGIC Contracts Key Employees.

### *Remuneration of the Management Team*

The remuneration system of the Company includes the following elements:

- annual remuneration, comprising:
  - annual fixed remuneration; and
  - bonus incentive plans; and
- Management Stock Plan.

The breakdown of amounts received by the Board of Directors in 2014 is as follows:

Board member	Type	€ thousands
Ismael Clemente Orrego	Executive Chairman	442
Miguel Ollero Barrera	Executive director	438
Donald Johnston	Independent director	30
Maria Luisa Jordá Castro	Independent director	30
Ana García Fau	Independent director	30
Alfredo Fernández Agras	Independent director	30
Fernando Ortiz Vaamonde	Independent director	30
Matthew Glowasky	Independent director	-
José García Cedrún	Independent director	-
<b>Total</b>		<b>1,030</b>

### *(i) Annual Remuneration*

#### Expected cost of the Annual Remuneration

Annual compensation of the employees (including the Management Team) will be included as part of the Annual Total Overheads. The aggregate annual remuneration of the Management Team will not exceed an amount equal to Annual Total Overheads less the Annual Running Costs. The annual fixed remuneration will initially represent approximately 40% of personnel expenses of the members of the Management Team, and bonus incentive plans will represent approximately 60% of such expenses, subject to compliance with Annual Total Overheads.

The Company's Annual Total Overheads will be the higher of (a) 6.0% of the Company's consolidated GRI and (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level, and will be calculated using the year-end metrics of the Company with reference to its consolidated financial statements for the relevant year. Bonus incentive plans will act as a buffer to achieve the referred limit.

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### Annual fixed remuneration

Fixed remuneration constitutes the basic component of the remuneration system of the Company and shall be paid monthly. This item is linked to the essential features of the positions held by each employee, such as (i) its relevance in the Company, (ii) its impact on the entity's performance, and (iii) the scope of responsibility assumed. The annual fixed remuneration will include the cash component and any remuneration in kind that could be granted to the employees such as the use of a vehicle, medical insurances and life insurances.

### Bonus incentive plan

The variable remuneration policy of the Company will be based on the assessment of individual performance goals.

The variable remuneration will entail two components:

- annual bonus, to which all employees of the Company are, in principle, entitled (initially, 50% of the bonus incentive plan); and
- annual restricted bonus, to which only members of the Management Team are entitled (initially, 50% of the bonus incentive plan).

### *(ii) Management Stock Plan*

In addition, the Company has agreed to grant an additional annual variable remuneration incentive to the Management Team as designated by the Remuneration and Nomination Committee, linked to the shares of the Company, which has been designated to incentivise and reward the Management Team for generating returns to the Shareholders.

### Severance indemnity provisions

The Management Team (including the existing executive Directors) has entered into employment contracts with the Company which came into effect upon Initial Admission. The following is a description of the severance indemnity provisions that are included in these contracts:

In the case of termination of the employment or mercantile relationship due to (i) voluntary resignation, (ii) death, retirement or permanent total disability; (iii) justified dismissal on disciplinary grounds in case of employment relationships, or (iv) in the case of executive Directors, the removal from the position of Director due to a breach of its duties, performance of any action or omission that causes any harm to the Company, or the existence of a corporate liability claim against the executive Director filed by the Company, the executive Director shall not be entitled to any kind of payment in concept of leaving compensation.

If the termination of the employment or mercantile relationship (in the case of the executive Directors) is motivated by any different reason, including at the will of the Company even without just cause, unfair dismissal or a change in control event (in the terms described in the applicable employment legislation), the Company will recognise to the members of the Management Team in the referred employment or mercantile contracts, the right to receive an indemnity that will include any legal indemnity that could be applicable.

The maximum amount of such indemnity will be equivalent to a multiple of the total gross remuneration (including all concepts, such as base salary and bonus paid, any Awarded Shares related to the Management Stock Plan awarded to the member of the Management Team and any restricted bonus to which such member was entitled) in the 12-month period prior to termination.



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		<p>If the termination takes place during the first year following Initial Admission, the relevant member will be entitled to five times such total gross remuneration. In the event such termination takes place after the first year following Initial Admission, such indemnity would be reduced by 20% in each year during the subsequent four years.</p> <p><b>Audit Services</b></p> <p>Deloitte, S.L. is providing audit services to the Company and its subsidiaries. The Company’s consolidated financial statements are prepared in accordance with IFRS-EU.</p> <p>The audit fees charged by Deloitte, S.L. are negotiated annually and are set forth in Deloitte, S.L.’s annual engagement letter.</p> <p><b>Property Appraisers</b></p> <p>Valuations of the Company’s consolidated real estate assets will be made (i) as at 30 June of each year through an external desktop valuation (i.e., a limited valuation which does not involve a physical inspection of the properties and which is intended to update the previous 31 December valuation incorporating significant changes that may have taken place in market conditions and/or within the relevant assets (i.e., leases, capital expenditures, acquisitions or legal liabilities)) and (ii) as at 31 December of each year through a physical valuation, in each case performed by a suitably qualified RICS-accredited appraiser to be appointed by the Audit and Control Committee. The first external valuation took place on 31 December 2014. Valuations of the Company’s real estate assets will be made in accordance with the appropriate sections of the RICS Red Book at the date of valuation. This is an internationally accepted basis of real estate valuation.</p> <p>Given that it is expected that the Company will acquire the control over Testa after 30 June 2015, the first joint valuation of the Group’s and Testa’s assets is expected to be the valuation as at 31 December 2015.</p>
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<b>B.4a</b>	<p>A description of the most significant recent trends affecting the issuer and the industries in which it operates:</p>	<p>The economies of Spain and Portugal started to show signs of recovery in 2013 and the recovery gained momentum in 2014 with the majority of macroeconomic indicators posting signs of improvement. The collapse in oil prices in 2014 could drive down inflation with a knock-on impact on rents; however this should be offset by a boost in economic growth. The weakened Euro has benefited the Spanish and Portuguese real estate markets by keeping European exports competitive and aiding the economic recovery. The precise impact of the weak Euro depends on how investors see the future evolution of the exchange rate. Long-term weakening on the euro could imply a requirement of higher returns and lower prices by dollar-based investors to offset exchange rate induced capital losses, and vice-versa. Lower interest rates are also helping to keep property yields down.</p> <p>Current dynamics in property yields and capital values show an improvement in real estate. Average property yields of certain property types in the central business districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of first quarter 2015 of around 5.25% (-125 bps in Madrid and -150 bps in Barcelona) for high street retail in both cities, 4.75% (-150 bps) for Madrid offices, 4.90% (-135 bps) for Barcelona offices and 7.0% (-150 bps) for industrial logistics space in Madrid, and it is expected that yields in this asset class will continue to harden as a result of demand pressure to at least 6.5% by the current year-end (source: CBRE). Capital values for these property types in Madrid have shown a similar trend and as of first quarter 2015 were of approximately €16,000/sqm, €6,442/sqm, and €857/sqm, respectively; a 29%, 33%, and 21% change when compared to their respective</p>
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		<p>low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €17,142/sqm, €4,408/sqm and €993/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 28%, and 14%, respectively (source: <i>CBRE</i>).</p> <p>The Portuguese property market has also shown signs of recovery since 2012. Property yields as of first quarter 2015 in the central business districts of Lisbon were of around 6.25% (-150 bps) for high street retail, 6.25% (-200 bps) for office and 7.50% (-200 bps) for industrial logistics space. Capital values have also shown signs of recovery at first quarter 2015 at €16,320/sqm, €3,552/sqm and €520/sqm, respectively, representing an increase of 24%, 32% and 27%, respectively, since 2012 (source: <i>CBRE</i>).</p> <p>In summary, values of high street retail, office and logistics properties in Madrid and Barcelona have suffered an important contraction since 2007, and despite a more favourable economic outlook and a general recovery in 2014, were 42%, 40%, 47% (in Madrid), and 14%, 40%, and 42% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of high street retail, office and logistics properties in Lisbon were 20%, 13% and 39% lower at the first quarter of 2015 than compared to 2007 (source: <i>CBRE</i>).</p>																		
<b>B.5</b>	Group description:	<p>As at the date of this Prospectus, the Company has six wholly-owned subsidiaries, each of which holds and manages a particular asset class (except for Merlin Logistica II, S.L.U., that only manages Meco, and MPVCI – Compra e Venda Imobiliaria, S.A., that only manages Lisbon-Expo): Tree Inversiones Inmobiliarias SOCIMI, S.A.U., MERLIN Retail, S.L.U., MERLIN Oficinas, S.L.U., MERLIN Logistica, S.L.U., Merlin Logistica II, S.L.U. and MPVCI – Compra e Venda Imobiliaria, S.A. In addition, the Company holds a participation of 25% in the share capital of Testa.</p>																		
<b>B.6</b>	Major shareholders:	<p>At the date of this Prospectus, the issued share capital of the Company consists of €129,212,001 divided into a single series of 129,212,001 shares in book-entry form, with a nominal value of €1 each. All of these shares are fully paid.</p> <p>According to the latest information available from the CNMV, Mainstay Marketfield Fund, EJF Capital LLC and UBS Group AG held 6.653%, 5.038% and 4.713%, respectively, of the Company's share capital prior to the Offering.</p> <p>The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company as at the date of this Prospectus.</p>																		
<b>B.7</b>	Historical key financial information:	<p>The Company's Unaudited Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2015 presented below have been prepared in accordance with IAS 34 on interim financial reporting.</p> <p align="center"><b><u>(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION</u></b>  <b><u>AT 31 MARCH 2015</u></b>  <b><u>(€ thousands)</u></b></p> <table border="1" data-bbox="632 1758 1453 2038"> <thead> <tr> <th align="center">ASSETS</th> <th align="center">31/03/2015 (unaudited)</th> </tr> </thead> <tbody> <tr> <td><b>NON-CURRENT ASSETS:</b></td> <td></td> </tr> <tr> <td><b>Intangible assets</b></td> <td align="right"><b>143</b></td> </tr> <tr> <td><b>Property, plant and equipment</b></td> <td align="right"><b>968</b></td> </tr> <tr> <td><b>Investment property</b></td> <td align="right"><b>2,029,352</b></td> </tr> <tr> <td><b>Non-current financial assets-</b></td> <td align="right"><b>280,240</b></td> </tr> <tr> <td><b>Deferred tax assets</b></td> <td align="right"><b>7,348</b></td> </tr> <tr> <td><b>Total non-current assets</b></td> <td align="right"><b>2,318,051</b></td> </tr> <tr> <td><b>CURRENT ASSETS:</b></td> <td></td> </tr> </tbody> </table>	ASSETS	31/03/2015 (unaudited)	<b>NON-CURRENT ASSETS:</b>		<b>Intangible assets</b>	<b>143</b>	<b>Property, plant and equipment</b>	<b>968</b>	<b>Investment property</b>	<b>2,029,352</b>	<b>Non-current financial assets-</b>	<b>280,240</b>	<b>Deferred tax assets</b>	<b>7,348</b>	<b>Total non-current assets</b>	<b>2,318,051</b>	<b>CURRENT ASSETS:</b>	
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<b>Total non-current assets</b>	<b>2,318,051</b>																			
<b>CURRENT ASSETS:</b>																				

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Trade and other receivables	2,133
Other current financial assets	125,000
Other current assets	94
Cash and cash equivalents	149,234
Total current assets	276,461
<b>TOTAL ASSETS</b>	<b>2,594,512</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY:</b>	
Subscribed capital	129,212
Share premium	1,162,368
Reserves	19,169
Other equity holder contributions	540
Valuation adjustments	(26,996)
Profit for the period	19,599
Equity attributable to equity holders of the Parent	1,303,892
<b>NON-CURRENT LIABILITIES:</b>	
Non-current bank borrowings	1,220,283
Other financial liabilities	21,975
Deferred tax liabilities	18,969
Provisions	1,317
Non-current accruals and deferred income	500
Total non-current liabilities	1,263,044
<b>CURRENT LIABILITIES:</b>	
Bank borrowings	12,763
Other current financial liabilities	-
Trade and other payables	7,174
Current tax liabilities	6,139
Other current liabilities	1,500
Total current liabilities	27,576
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,594,512</b>

### (II) CONSOLIDATED INCOME STATEMENT AT 31 MARCH 2015 (€ thousands)

	31/03/2015 (unaudited)
<b>CONTINUING OPERATIONS:</b>	
Revenue	32,042
Other operating income	413
Employee benefits expense	(1,576)
Other operating expenses	(1,204)
Gains on disposal of assets	6
Depreciation and amortization	(25)
Negative goodwill on business combinations	
<b>OPERATING PROFIT</b>	<b>29,656</b>
	429
Finance income	
Finance costs	(7,929)
Change in fair value of investment properties	66
<b>PROFIT BEFORE TAX</b>	<b>22,222</b>
Income tax	(2,623)
<b>PROFIT FOR THE PERIOD FROM</b>	<b>19,599</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE</b>	<b>19,599</b>
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>0.15</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>0.15</b>

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**(III) CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST  
QUARTER OF 2015 ENDED 31 MARCH 2015  
(€ thousands)**

	<b>31/05/2015 (unaudited)</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:</b>	<b>10,390</b>
<b>Profit before tax</b>	<b>22,222</b>
<b>Adjustments for:</b>	<b>8,300</b>
Depreciation and amortization	25
Change in fair value of investment properties	(66)
Change in current provisions	-
Change in Provisions	841
Finance income	(429)
Finance costs	7,929
<b>Changes in working capital-</b>	<b>(11,568)</b>
Trade and other receivables	1,207
Other current assets	28
Trade and other payables	(16,128)
Other assets and liabilities	3,325
<b>Other cash flows from/(used in) operating activities-</b>	<b>(8,564)</b>
Interest paid	(8,903)
Interest received	339
Income tax paid	-
	<b>(34,604)</b>
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:</b>	<b>(103,987)</b>
<b>Payments on investments-</b>	<b>(103,770)</b>
Investment property	(103,770)
Property, plant and equipment	(93)
Financial assets	(124)
<b>Proceeds from disposals-</b>	<b>69,383</b>
Investment property	68,592
Financial assets	791
	<b>147,398</b>
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:</b>	<b>147,398</b>
<b>Proceeds from and payments for financial liabilities-</b>	<b>147,398</b>
Bank borrowings	156,445
Repayment of bank borrowings	(5,244)
Financing expenses	(3,803)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>123,184</b>
Cash and cash equivalents at beginning of period	26,050
Cash and cash equivalents at end of period	<b>149,234</b>

The historical Audited Consolidated Financial Statements for the Company and its subsidiaries for the period of nine months and seven days ended 31 December 2014 presented below has been prepared in accordance with IFRS-EU.

**Section B – Issuer**

**(I) CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2014  
(€ thousands)**

ASSETS	31/12/2014
<b>NON-CURRENT ASSETS:</b>	
Intangible assets	149
Property, plant and equipment	894
Investment property	1,969,934
Non-current financial assets-	281,192
Derivatives	261,689
Other financial assets	19,503
Deferred tax assets	9,369
<b>Total non-current assets</b>	<b>2,261,538</b>
<b>CURRENT ASSETS:</b>	
Trade and other receivables	3,340
Other current financial assets	125,791
Other current assets	122
Cash and cash equivalents	26,050
<b>Total current assets</b>	<b>155,303</b>
<b>TOTAL ASSETS</b>	<b>2,416,841</b>
<b>EQUITY AND LIABILITIES</b>	
<b>31/12/2014</b>	
<b>EQUITY:</b>	
Subscribed capital	129,212
Share premium	1,162,368
Reserves	(30,475)
Other equity holder contributions	540
Valuation adjustments	(2,636)
Profit for the period	49,670
Equity attributable to equity holders of the Parent	1,308,679
<b>NON-CURRENT LIABILITIES:</b>	
Non-current bank borrowings	1,027,342
Other financial liabilities	21,498
Deferred tax liabilities	24,432
Provisions	476
<b>Total non-current liabilities</b>	<b>1,073,748</b>
<b>CURRENT LIABILITIES:</b>	
Bank borrowings	10,809
Other current financial liabilities	190
Trade and other payables	23,302
Current tax liabilities	75
Other current liabilities	38
<b>Total current liabilities</b>	<b>34,414</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,416,841</b>

**(II) CONSOLIDATED INCOME STATEMENT FOR  
THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31  
DECEMBER 2014  
(€ thousands)**

	2014
<b>CONTINUING OPERATIONS:</b>	
Revenue	56,616
Other operating income	381
Employee benefits expense	(3,079)
Other operating expenses	(16,013)
Gains on disposal of assets	126
Depreciation and amortization	(35)
Negative goodwill on business combinations	7,247
<b>OPERATING PROFIT</b>	<b>45,243</b>

## Section B – Issuer

Finance income	473
Finance costs	(18,555)
Change in fair value of financial instruments	(25,920)
Change in fair value of investment properties	49,471
<b>PROFIT BEFORE TAX</b>	<b>50,712</b>
Income tax	(1,042)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>49,670</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT</b>	<b>49,670</b>
<b>EARNINGS PER SHARE (in euros)</b>	0.38
<b>BASIC EARNINGS PER SHARE (in euros)</b>	0.58
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	0.58

### (III) CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014 (€ thousands)

	2014
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:</b>	<b>27,928</b>
Profit before tax	50,712
Adjustments for:	(12,128)
Depreciation and amortization	35
Change in fair value of investment properties	(49,471)
Change in current provisions	77
Change in Provisions	476
Negative goodwill on business combinations	(7,247)
Finance income	(473)
Finance expenses	18,555
Change in fair value of financial instruments	25,920
<b>Changes in working capital-</b>	<b>19,165</b>
Trade and other receivables	(3,417)
Other current assets	(122)
Trade and other payables	22,471
Other assets and liabilities	233
<b>Other cash flows from/(used in) operating activities-</b>	<b>(29,821)</b>
Interest paid	(28,616)
Interest received	473
Income tax paid	(1,678)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:</b>	<b>(1,401,988)</b>
<b>Payments on investments-</b>	<b>(1,401,988)</b>
Net cash flow from acquisition	(723,725)
Investment property	(551,394)
Property, plant and equipment	(929)
Intangible assets	(149)
Financial assets	(125,791)
<b>Proceeds from disposals-</b>	<b>-</b>
Investment property	-
Property, plant and equipment	-
<b>CASH FLOWS FROM/(USED IN) FINANCING</b>	<b>1,400,110</b>

**Section B – Issuer**

		<table border="1"> <tr> <td><b>ACTIVITIES:</b></td> <td></td> </tr> <tr> <td><b>Proceeds from and payments for equity instruments-</b></td> <td align="right"><b>1,261,645</b></td> </tr> <tr> <td>Issue of equity instruments</td> <td align="right">1,261,105</td> </tr> <tr> <td>Other equity holder contributions</td> <td align="right">540</td> </tr> <tr> <td><b>Proceeds from and payments for financial liabilities-</b></td> <td align="right"><b>138,465</b></td> </tr> <tr> <td>Bank borrowings</td> <td align="right">206,838</td> </tr> <tr> <td>Repayment of bank borrowings</td> <td align="right">(68,373)</td> </tr> <tr> <td><b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b></td> <td align="right"><b>26,050</b></td> </tr> <tr> <td>Cash and cash equivalents at beginning of period</td> <td align="right">-</td> </tr> <tr> <td>Cash and cash equivalents at end of period</td> <td align="right"><b>26,050</b></td> </tr> </table> <p>There has been no significant change in the financial or trading position of the Company since 31 December 2014 (the date to which the financial information reported on in the auditors' report in respect of the Company was prepared) other than as disclosed in this Prospectus.</p>	<b>ACTIVITIES:</b>		<b>Proceeds from and payments for equity instruments-</b>	<b>1,261,645</b>	Issue of equity instruments	1,261,105	Other equity holder contributions	540	<b>Proceeds from and payments for financial liabilities-</b>	<b>138,465</b>	Bank borrowings	206,838	Repayment of bank borrowings	(68,373)	<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>26,050</b>	Cash and cash equivalents at beginning of period	-	Cash and cash equivalents at end of period	<b>26,050</b>
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Cash and cash equivalents at end of period	<b>26,050</b>																					
<b>B.8</b>	Selected key pro forma financial information:	<p>In addition to the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements, the Company has included in this Prospectus financial information to illustrate, on a pro forma basis, how the Company's consolidated statement of financial position and its consolidated statement of comprehensive income might have been affected by:</p> <ul style="list-style-type: none"> <li>• the May Capital Increase;</li> <li>• the Testa Share Capital Reduction and subsequent Testa Share Capital Increase that took place on 8 June 2015;</li> <li>• the distribution of the Extraordinary Dividend on 8 June 2015 and the repayment of the Intercompany Loan between Sacyr and Testa;</li> <li>• the full subscription of the Offering in an amount of €1,033,696,000;</li> <li>• the Acquisition; and</li> <li>• the financing of the Acquisition other than through the May Capital Increase and the Offering, including the Bridge Facility;</li> </ul> <p>assuming each of these events had taken place on 1 January 2015 (in respect of the Company's consolidated statement of comprehensive income) or on 31 March 2015 (in respect of the Company's consolidated statement of financial position), which are collectively referred to herein as the Unaudited Consolidated Pro Forma Financial Information.</p>																				
<b>B.9</b>	Profit forecast:	Not applicable. This Prospectus does not contain profit forecasts or estimates.																				
<b>B.10</b>	A description of the nature of any qualifications in the audit report on the historical financial information:	Regarding the historical audited consolidated financial statements of the Company and the Group for the period of nine months and seven days ended 31 December 2014, the auditors understand that the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Company and the Group as at 31 December 2014, and their consolidated results and consolidated cash flows for the period of nine months and seven days then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.																				
<b>B.11</b>	Qualified working capital:	The Company believes that, taking into account the available cash at the date of this Prospectus, the Net Proceeds to be received by the Company from the																				

<b>Section B – Issuer</b>		
		<p>Offering, the cash generated from operations, and its access to funds from one or a combination of the following actions:</p> <ul style="list-style-type: none"> <li>• new financing raised against existing unencumbered assets; and/or</li> <li>• new financing raised against new assets acquired within the period; and/or</li> <li>• opening of new credit lines; and/or</li> <li>• refinancing of the Bridge Facility; and/or</li> <li>• refinancing of Testa’s indebtedness; and/or</li> <li>• disposal of non-core assets,</li> </ul> <p>the Company has sufficient working capital available for the Company’s present requirements and for at least the next twelve months from the date of this Prospectus.</p>

<b>Section C- Securities</b>		
<b>C.1</b>	Type and class of security:	<p>New Ordinary Shares of a nominal value of €1.00 each.</p> <p>The ISIN number of the Existing Ordinary Shares is ISIN:ES0105025003. The New Ordinary Shares will receive a provisional ISIN number which upon Admission will be replaced with the ISIN number of the Existing Ordinary Shares. The Ordinary Shares are of the same class and the Company currently has no other class of shares.</p>
<b>C.2</b>	Currency of the securities issue:	The New Ordinary Shares are denominated in euro.
<b>C.3</b>	The number of shares issued:	<p>The Offering will be in respect of 129,212,000 New Ordinary Shares at a Subscription Price of €8 per New Ordinary Share.</p> <p>The Company expects the New Ordinary Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or about 11 August 2015. The Company will communicate significant developments in the Offering via a regulatory information notice (<i>hecho relevante</i>).</p>
<b>C.4</b>	A description of the rights attached to the securities:	<p>When issued, the New Ordinary Shares will rank pari passu with the Existing Ordinary Shares, including in respect of the right to receive dividends approved by the Shareholders after the date on which ownership of such New Ordinary Shares is registered in the book-entry registries of Iberclear, which, in accordance with the envisaged timetable, is expected to take place on 10 August 2015.</p> <p>The Ordinary Shares grant their owners the rights set forth in the By-laws and under Spanish corporate law, such as, among others, (i) the right to attend general shareholders’ meetings of the Company with the right to speak and vote, (ii) the right to dividends proportional to their paid-up shareholding in the Company, (iii) the pre-emptive right to subscribe for newly-issued Ordinary Shares in capital increases with cash contributions, and (iv) the right to any remaining assets in proportion to their respective shareholdings upon liquidation of the Company.</p>
<b>C.5</b>	Restrictions on the free transferability of the securities:	<p>Under Spanish Law, the Company may not impose restrictions in its By-laws on the free transferability of its Ordinary Shares.</p> <p>However, the By-laws contain indemnity obligations from Substantial</p>



### Section C- Securities

		<p>Shareholders in favour of the Company designed to discourage the possibility that dividends may become payable to Substantial Shareholders. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Company in a worse position).</p> <p>In addition, the By-laws contain certain information obligations with respect to Shareholders or beneficial owners of Ordinary Shares who are subject to a special legal regime applicable to pension funds or benefit plans (such as ERISA). The Company will have the ability to request from any Shareholder or beneficial owner of Ordinary Shares such information as the Company considers necessary or useful to determine whether any such person is subject to a special legal regime applicable to pension funds or benefit plans. Furthermore, according to the By-laws, the Company will be able to take any measures it deems appropriate to avoid any adverse effects on the Company or its Shareholders resulting from the application of laws and regulation relating to pension funds or benefit plans (in particular, ERISA). The purpose of these provisions is to provide the Company with the ability to minimise the risk that Benefit Plan Investors (or other similar investors) hold 25% or greater of any class of equity interest in the Company.</p> <p>The holding of New Ordinary Shares by investors may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares. Investors should consult their own advisers prior to an investment in the New Ordinary Shares.</p> <p>Additionally, MAGIC Kingdom (the investment vehicle through which the members of the Management Team hold Ordinary Shares) has agreed to lock-up arrangements, as further described in section E.5 of this Summary.</p>
C.6	Admission:	<p>The Existing Ordinary Shares are listed on the Spanish Stock Exchanges and are quoted through the Automated Quotation System (SIBE (<i>Sistema de Interconexión Bursátil</i> or <i>Mercado Continuo</i>) of the Spanish Stock Exchanges. Application will be made to list the New Ordinary Shares on the Spanish Stock Exchanges and to have the New Ordinary Shares quoted through the SIBE. The Company expects the New Ordinary Shares to be admitted to listing and trading on the Spanish Stock Exchanges on or about 10 August 2015. The Existing Ordinary Shares are listed and traded on the Spanish Stock Exchanges under the symbol “MRL”.</p>
C.7	Dividend policy:	<p>The Company intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution and which reflects the Company’s view on the outlook for sustainable recurring earnings. The Company does not aim to create reserves that are not available for distribution to Shareholders other than those required by law. The Company intends to pay dividends when the Board of Directors considers it appropriate. However, under the Spanish SOCIMI Regime, the Company will be required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to Shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the</p>

<b>Section C- Securities</b>		
		<p>transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds, and (iii) at least 80% of all other profits obtained. If the relevant dividend distribution resolution is not adopted in a timely manner, the Company would lose its SOCIMI status in respect of the year to which the dividends relate.</p> <p>Only those Shareholders that are registered in the clearance and settlement system managed by Iberclear at 23:59 hours (Madrid time) on the day of approval of a dividend distribution will be entitled to receive such dividend distribution. Dividends will be received in respect of the Ordinary Shares owned at such time. Unless otherwise agreed by the Shareholders' Meeting or the Board of Directors, the By-laws provide that the payment date will take place within the following 30 calendar days after the dividend distribution is approved.</p> <p>The record date criteria referred to above intends to allow the Company to timely identify Substantial Shareholders before having to make a dividend distribution to them. According to the By-laws, any Shareholder must give notice to the Company's Board of Directors of any acquisition of Ordinary Shares which results in such Shareholder reaching a stake in the Company equal to or higher than 5% of its share capital. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder.</p>

<b>Section D- Risks</b>		
<b>D.1</b>	Key information on the key risks that are specific to the issuer or its industry:	<p>Prior to investing in the New Ordinary Shares, prospective investors should consider the risks associated therewith.</p> <p><u>1. Specific risks relating to the acquisition of Testa</u></p> <ul style="list-style-type: none"> <li>• The acquisition of Testa is structured to take place in several phases which could fail to occur. The shares in Testa held by Sacyr are currently pledged as collateral for a syndicated loan.</li> <li>• The Group faces potential risks related to its significant liquidity requirements.</li> <li>• Testa is a party to financing agreements containing change of control provisions that may be triggered by the acquisition by the Company of more than 50% of the shares of Testa, which may result in the need to renegotiate or repay financing agreements or other contractual agreements.</li> <li>• Testa faces a potential refinancing risk as a result of the Acquisition.</li> <li>• Sacyr's relationship with Testa.</li> <li>• The operational integration of the Combined Group may result in costs and difficulties beyond those foreseen, and the Combined Group may not be able to efficiently manage the larger organisation.</li> <li>• The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Testa Group effectively, including the successful integration and motivation of certain key employees of the Company and Testa.</li> <li>• The Unaudited Consolidated Pro Forma Financial Information included elsewhere in this Prospectus does not represent, and may not give a true picture of, the actual or future financial condition and results of operations of the Group.</li> <li>• Any due diligence by the Company in connection with the Acquisition</li> </ul>

## Section D- Risks

may not reveal all relevant considerations or liabilities of Testa's Group, which could have a material adverse effect on the Company's financial condition or results of operations.

- Testa has granted certain pledges and personal guarantees with respect to debts of other members of the Sacyr Group.
- The market price of the Ordinary Shares may decline as a result of the Acquisition.
- The acquisition price includes a control premium.
- The transfer by Testa of real estate assets that were acquired prior to the application of the SOCIMI regime would be subject to taxation

### 2. Risks relating to the Group's activity and to its real estate business

#### *I. General risks*

##### **(A) Risks relating to the Group's activity**

- The Company is recently formed and has only operated for a limited period.
- The Group's Assets are and will be concentrated in the Spanish and Portuguese commercial property market and the Group will therefore have greater exposure to political, economic and other factors affecting the Spanish and Portuguese markets than more diversified businesses.
- The Group's investments will be concentrated in certain asset classes.
- Any costs associated with potential acquisitions that do not proceed to completion will affect the Group's performance.
- There can be no assurance that any target returns will be achieved.
- The Group may not have full control of its Assets and may therefore be subject to the risks associated with minority investments and joint venture investments.
- The Group's net asset value is expected to fluctuate over time.
- The Group may dispose of assets at a lower than expected return or at a loss, and may be unable to dispose of assets at all.
- Competition may affect the ability of the Group to make appropriate investments and to secure tenants at satisfactory rental rates.
- The Group may acquire various types of real estate loans, some of which may be subordinated debt which would rank behind senior debt tranches for repayment in the event that a borrower defaults.
- Real estate loans are subject to the risk that tenants at the underlying properties could default and/or seek to renegotiate terms during the course of a tenancy, which could, in turn, result in the borrower defaulting on the loans or result in a reduction in the value of the underlying real estate assets.
- In the event of the insolvency of a borrower, the Group's ability to enforce the underlying collateral may be adversely impacted by the insolvency regime or insolvency regimes which may apply to that borrower and/or the underlying collateral.
- The Group's return on real estate loans may be adversely affected if the Group cannot obtain the underlying collateral in the event of a default.
- Repayments of loans could be subject to the availability of refinancing options or sale of the underlying asset.
- The Group may be subject to prepayment risk on its loan assets.
- The Company's ability to pay dividends will depend upon the Group's ability to generate profits available for distribution and its access to sufficient cash.
- The composition of the Group's Assets is expected to fluctuate.
- The Group faces potential risks related to its indebtedness.

## Section D- Risks

- The Group may not be able to obtain further financing on satisfactory terms or at all.
- The Group is exposed to risks associated with movements in interest rates as a result of incurring floating rate debt.

### B) Risks relating to the real estate business

- The value of any properties that the Group has acquired and will acquire and the rental income those properties yield are and will be subject to fluctuations in the Spanish and Portuguese property markets.
- The Group's business may be materially adversely affected by a number of factors inherent to the sale and purchase of properties and their management.
- Investing in commercial property asset classes is subject to certain risks inherent in each of these asset classes.
- Property valuation is inherently subjective and uncertain.
- The Group's due diligence may not identify all risks and liabilities in respect of an asset acquisition.
- Real estate assets are illiquid.
- The Group may be dependent on the performance of third-party contractors when undertaking development, refurbishment or redevelopment projects and may suffer delays, non-completion or may fail to achieve expected results.
- The Group may be subject to liability following the disposal of assets.
- The Group may be subject to potential claims relating to the development, construction and refurbishment of real estate assets.
- The Group may suffer losses in excess of insurance proceeds, if any, or from uninsurable events.

### II) Specific risks relating to the Merlin's Existing Assets

- Tree's assets are fully leased to a single tenant.
- Tree has significant levels of debt and has not yet incurred profits.
- The Assets' valuation over time could be lower than the price paid for the acquisition of the assets that comprise the Assets.
- A significant number of financing agreements, including the Senior Facility Agreement and the Bridge Facility contain covenants that could be breached.

### III) Specific risks relating to Testa

- Testa faces potential risks related to its indebtedness, such as refinancing risks.
- Investing in real estate, including rented residential properties and hotels, is subject to certain inherent risks.
- The appraised value of Testa's real estate portfolio may not accurately reflect the current market value of Testa's assets. Valuation of land presents special difficulties.
- Testa relies on certain key personnel.
- Testa faces risks related to court claims and out-of-court claims.

### 3. Risks relating to the Management Team, the Group's employees and the Board of Directors

- The Group is reliant on the performance and the expertise of the Management Team.
- Members of the Management Team may have conflicts of interest in allocating their time and activity between the Group and MAGIC Real Estate and the Group may be harmed if its reputation or the reputation of MAGIC Real Estate suffers.

## Section D- Risks

- The Management Stock Plan is based on EPRA NAV and volatility in property values might lead to increased entitlements ahead of a cyclical peak.
- There can be no assurance that the Management Team will be successful in implementing the Group's Business Strategy.
- The arrangements between the Company and the Management Team were negotiated in the context of an affiliated relationship and may contain terms that are less favourable to the Company than those which otherwise might have been obtained from unrelated parties.
- The members of the Management Team are expected to be entitled to substantial severance payments, in certain circumstances, upon termination of their employment with the Company.
- The Company is reliant on the performance and retention of the members of the Board of Directors.
- Reputational risk in relation to the Board of Directors may materially adversely affect the Group.
- There may be circumstances where Directors have a conflict of interest.

### 4. Regulatory, structure and taxation risks

- The Group is subject to certain laws and regulations relating to real estate assets.
- Environmental, health and safety laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities.
- The assets of the Company could be deemed to be "plan assets" that are subject to certain requirements of ERISA and/or section 4975 of the Code, which could restrain the Company from making certain investments.
- The Company believes that it was a passive foreign investment company (PFIC) for US federal income tax purposes for the previous taxable year and that it will be classified as a PFIC for the current taxable year and expects to be a PFIC in future taxable years, which generally will result in adverse US federal income tax consequences for US investors.
- The Company may cease to be qualified as a Spanish SOCIMI which would have adverse consequences for the Group and its ability to deliver returns to Shareholders.
- Any change in tax legislation (including the Spanish SOCIMI Regime) may adversely affect the Group.
- Restrictions under the Spanish SOCIMI Regime may limit the Group's ability and flexibility to pursue growth through acquisitions.
- Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime.
- Spanish taxation of capital gains obtained by certain investors from the transfer of their Ordinary Shares.
- The Company may become subject to an additional tax charge if it pays a dividend to a Substantial Shareholder, which may result in a loss of profits for the Group.
- The Company may not impose restrictions on the free transferability of its Ordinary Shares and the acquisition of Ordinary Shares by certain investors could adversely affect the Company.

### 5. Risks relating to the economy

- Since the Group's assets are and will be concentrated in Spain and, to a lesser extent, Portugal, adverse developments in general economic conditions in Spain and Portugal and elsewhere and concerns regarding

<b>Section D- Risks</b>		
		instability of the Eurozone may adversely affect the Group.
<b>D.3</b>	Key information on the key risks that are specific to the securities:	<ul style="list-style-type: none"> <li>• The Underwriting Agreement between the Company and the Managers provides that such agreement may be terminated in certain circumstances and the underwriting commitment by the Managers is subject to certain customary conditions precedent.</li> <li>• There can be no assurance that an active trading market will develop for the Preferential Subscription Rights or that there will be sufficient liquidity for such rights.</li> <li>• A significant decline in the Company's Ordinary Share price would likely have a material adverse effect on the value of the Preferential Subscription Rights.</li> <li>• The Ordinary Shares or the Preferential Subscription Rights may be sold on the market during the subscription period (in the case of Preferential Subscription Rights), or during or after the subscription period (in the case of Ordinary Shares), which may have an unfavourable impact on the value of the Preferential Subscription Rights or the market price of the Ordinary Shares.</li> <li>• Any delay in the admission to listing and trading of the New Ordinary Shares would affect their liquidity and would prevent their sale until they are so admitted.</li> <li>• Shareholders and investors who exercise their Preferential Subscription Rights during the preferential subscription period will not be able to revoke their subscriptions.</li> <li>• The market price of the Ordinary Shares may not reflect the value of the assets of the Group and the Company's Ordinary Share price may fluctuate widely in response to different factors.</li> <li>• Shareholders who do not exercise their Preferential Subscription Rights will have their interest in the Company diluted.</li> <li>• The Company may in the future issue new Ordinary Shares, which may dilute investors' interest in the Company.</li> <li>• A current minority Shareholder or a third party may acquire a significant stake in the Company in the context of the Offering or otherwise.</li> <li>• The achievement of the target returns set by the Management Team may have a dilutive effect on investors' interest in the Company.</li> <li>• Sales of Ordinary Shares by the Management Team or other large Shareholders, or the possibility of such sales, may affect the market price of the Ordinary Shares.</li> <li>• The interests of the Company's major Shareholders may conflict with those of other Shareholders.</li> <li>• The Preferential Subscription Rights must be exercised through the Iberclear member entity in whose book entry registry such rights are registered and the Subscription Price must be paid for in euros</li> <li>• Shareholders outside Spain may be unable to subscribe for New Ordinary Shares in the Offering or to exercise their Preferential Subscription Rights.</li> <li>• It may be difficult for Shareholders outside Spain to serve process on or enforce foreign judgments against the Company or the Directors.</li> <li>• An investor whose currency is not the euro is exposed to exchange rate fluctuations.</li> <li>• Shareholders may face difficulties in protecting their interests because of differences in shareholders' rights and fiduciary responsibilities between Spanish laws and the laws of other jurisdictions, including most U.S. states.</li> <li>• The holding of Ordinary Shares does not guarantee the right to attend Shareholders' meetings.</li> </ul>

<b>Section E- Offer</b>		
<b>E.1</b>	The total net proceeds and an estimate of the total expenses of the issue:	The Company expects to raise Net Proceeds of approximately €1,000.2 million (assuming full subscription of the New Ordinary Shares and after deducting commissions and other estimated expenses and taxes related to the Offering).
<b>E.2</b>	Reasons for the issue, use of proceeds:	The Company's principal use of the Net Proceeds of the Offering will be to fund the acquisition of Testa, to partially prepay the Bridge Facility and the Group's general corporate purposes.
<b>E.3</b>	A description of the terms and conditions of the issue:	<p>The Offering will be in respect of 129,212,000 New Ordinary Shares at a Subscription Price of €8.00 per New Ordinary Share.</p> <p>The Company is granting Eligible Shareholders (that is, the Shareholders as of 23:59 (Madrid time) on the Record Date, that is the date of publication of the Offering in the BORME which, in accordance with the envisaged timetable, is expected to be 17 July 2015) Preferential Subscription Rights to subscribe for an aggregate of 129,212,000 New Ordinary Shares with a nominal value of €1 each. Each Existing Ordinary Share registered in the records of Iberclear at 23:59 (Madrid time) on the Record Date entitles its holder to receive one Preferential Subscription Right. The exercise of three Preferential Subscription Rights entitles the exercising holder to subscribe for two New Ordinary Shares against payment of the Subscription Price in cash.</p> <p><u>The preferential subscription period (which lasts fifteen calendar days from 18 July 2015 through 1 August 2015 (both inclusive)):</u> the Preferential Subscription Rights are expected to be traded on the AQS of the Spanish Stock Exchanges from 8:30 (Madrid time) on 20 July 2015 to 8:30 (Madrid time) on 31 August 2015, both inclusive. During the preferential subscription period, Eligible Shareholders may exercise or sell their Preferential Subscription Rights, in whole or in part, and those having exercised their Preferential Subscription Rights in full may confirm their agreement to subscribe for additional New Ordinary Shares in excess of their <i>pro rata</i> entitlement during the additional allocation period described below. Alternatively, Eligible Shareholders may sell all or part of their Preferential Subscription Rights in the market during this period and other investors aside from the Eligible Shareholders may acquire said Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding number of New Ordinary Shares, in each case, in compliance with applicable laws and regulations.</p> <p>Any Preferential Subscription Right regarding which full payment of the Subscription Price has not been received on or before the expiration date of the preferential subscription period will lapse and the holders of Preferential Subscription Rights that lapse will not be compensated. The exercise of Preferential Subscription Rights in the preferential subscription period is irrevocable, firm and unconditional and may not be cancelled or modified (except where a supplement to the Prospectus is published, in which case investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within two working days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the final closing of the Offering and the delivery of the New Ordinary Shares).</p> <p><u>Additional allocation period:</u> the allocation of additional New Ordinary Shares is currently expected to take place on the fourth AQS Trading Day immediately following the end of the preferential subscription period (which,</p>

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in accordance with the envisaged timetable, is expected to be 6 August 2015). To the extent that at the expiration of the preferential subscription period there are New Ordinary Shares that have not been subscribed for, the Company will allocate them to holders of Preferential Subscription Rights that have exercised their Preferential Subscription Rights in full and have indicated their agreement to subscribe for additional New Ordinary.

Depending on the number of New Ordinary Shares taken up in the preferential subscription period and the applications the Company receives for additional New Ordinary Shares in the additional allocation period, holders of Preferential Subscription Rights may receive fewer additional New Ordinary Shares than they have requested or none at all (but, in any event, not more additional New Ordinary Shares than those requested by them).

Discretionary allocation period: if any New Ordinary Shares remain unsubscribed following the close of the additional allocation period, the Managers have agreed, subject to the terms and conditions of the Underwriting Agreement, to use reasonable efforts to procure subscribers during a discretionary allocation period and, failing which, to subscribe and pay for the unsubscribed Underwritten Shares (as defined below) at the Subscription Price pro rata to their respective underwriting commitments.

The discretionary allocation period, if any, is expected to begin at 17:00 (Madrid time) on the fourth AQS Trading Day immediately following the end of the preferential subscription period (this day is currently expected to be 6 August 2015) and end at 9:00 (Madrid time) on the fifth AQS Trading Day immediately following the end of the preferential subscription period (this day is currently expected to be 7 August 2015). During the discretionary allocation period the Managers will only offer and sell unsubscribed New Ordinary Shares (i) within the United States only to QIBs (as defined in Rule 144A) and in reliance on Section 4(a)(2) under the Securities Act or on Rule 144A or on another exemption from the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions in reliance with Regulation S.

Underwriting: On 15 July 2015 the Company entered into an English law underwriting agreement with the Managers and BNP PARIBAS Securities Services, Sucursal en España, as Agent Bank (the “**Underwriting Agreement**”) with respect to 128,462,000 New Ordinary Shares (the “**Underwritten Shares**”). The number of the Underwritten Shares is the result of deducting the New Ordinary Shares that the Management Team, through their investment vehicle MAGIC Kingdom, has committed to subscribe and pay for in the Offering (i.e. 750,000 New Ordinary Shares (the “**MAGIC Kingdom Shares**”)) from the total aggregate number of New Ordinary Shares to be issued pursuant to the Offering (i.e. 129,212,000 New Ordinary Shares). Subject to the terms of the Underwriting Agreement, any of the Underwritten Shares that remain unsubscribed after the discretionary allocation period shall be acquired by the Managers, *pro rata* to their respective underwriting commitments, at the Subscription Price. If all the Underwritten Shares offered are subscribed for by Eligible Shareholders or qualified investors in the preferential subscription period, the additional allocation period and the discretionary allocation period, as the case may be, the Managers will not be required to subscribe for any Underwritten Shares.

The Underwriting Agreement contemplates the possibility for a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, (on behalf of the Managers), to terminate the Underwriting Agreement until the time of registration of the capital increase deed with the Mercantile Registry of Madrid under certain circumstances. These circumstances include the occurrence of certain material adverse changes in



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		<p>the Company's condition (financial or otherwise), business affairs or prospects and certain changes in, among other things, certain national or international political, financial or economic conditions.</p> <p>In addition, the Managers' obligations under the Underwriting Agreement are subject to the fulfilment of certain conditions precedent, including the delivery of customary legal opinions, the acquisition by the Company of the Control Shares on or before 29 July 2015 or the Investment Agreement being in force during the Preferential Subscription Period.</p> <p>Morgan Stanley &amp; Co. International plc is acting as Sole Global Coordinator, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley &amp; Co. International plc and UBS Limited, are acting as Joint Bookrunners, Banco Santander, S.A., Bankinter, S.A., BNP PARIBAS, Crédit Agricole Corporate and Investment Bank and Société Générale, are acting as Co-Bookrunners and Banco Bilbao Vizcaya Argentaria, S.A., Caixabank, S.A., Fidentiis Equities, Sociedad de Valores, S.A., Kempen &amp; Co N.V. and Mediobanca - Banca di Credito Finanziario S.p.A., are acting as Co-Lead Managers.</p>
<p><b>E.4</b></p>	<p>A description of any interest that is material to the issue/offer including conflicting interests:</p>	<p>The Company is not aware of any link or significant economic interest between the Company and the entities participating in the Offering (Directors, company secretary, Sole Global Coordinator, Joint Bookrunners and Co-Lead Managers, Agent Bank and legal advisers), except for the strictly professional relationship derived from the legal and financial advice described therein in relation to the Offering and the interests of (1) the Sole Global Coordinator (entities in whose corporate group at the date of this Prospectus hold 4,981,341 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 7,472,011 Ordinary Shares) and (2) the Management Team (through their investment vehicle, MAGIC Kingdom, which at the date of this Prospectus holds 1,124,999 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 1,874,999 Ordinary Shares). Additionally, certain of the Managers have, directly or through affiliates, performed services for, and engaged in investment, financial and commercial banking transactions with, the Company in the ordinary course of their business, and may do so in the future.</p>
<p><b>E.5</b></p>	<p>Name of the person or entity offering to sell the securities and details of any lock-up agreements:</p>	<p>Save for the Company, there are no entities or persons offering to sell New Ordinary Shares.</p> <p><u>Company lock-up</u></p> <p>Under the terms of the Underwriting Agreement, the Company has agreed that, during the period from the date of this Agreement to and including 180 days after the AQS trading day following the Subscription Date, the Company will not, without the prior written consent (which consent shall not be unreasonably withheld or delayed) of a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator:</p> <p>(i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;</p> <p>(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences</p>

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of ownership of any Ordinary Shares or other shares of the Company; or

(iii) enter into any other transaction with the same economic effects, or agree to do or announce or otherwise publicise the intention to do any of the foregoing,

whether any such transaction described in any of sub-clauses (i), (ii) or (iii) above is to be settled by delivery of Ordinary Shares or any other securities, in cash or otherwise.

The foregoing sentence shall not apply to (A) the issue and/or sale and offer by the Company of the Subscription Rights and the New Shares as described herein, (B) the grant or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares under the Company's employees' share and incentive schemes, in each case as disclosed in the Prospectus, and (C) the issue of Ordinary Shares for the purpose of executing the potential merger between the Company and Testa.

### Management lock-up

In relation to the Initial Issue, MAGIC Kingdom (the investment vehicle through which the members of the Management Team hold Ordinary Shares) has agreed that during the period commencing on the date of the Placing Agreement relating to the Initial Issue (13 June 2014) and ending 720 days following Initial Admission, that it will not, without the prior written unanimous consent of the Initial Issue Joint Bookrunners (which consent shall not be unreasonably withheld or delayed):

(i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares; or

(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Ordinary Shares,

whether any such swap or transaction described in sub-clause (i) or (ii) above is to be settled by delivery of Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares, in cash or otherwise.

Such lock-up arrangement will not apply to (i) any arrangements between MAGIC Kingdom and any financial institutions which have provided, or may provide in the future, financing for the purposes of the subscription of such Ordinary Shares by MAGIC Kingdom, provided that such Ordinary Shares may only be used to secure MAGIC Kingdom's payment or other obligations under any such financing; (ii) transfers of Ordinary Shares in favour of members of the shareholders of MAGIC Kingdom or their direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing), provided that any such transferee shall agree to be bound by the lock-up obligations during the remainder of the lock-up period; (iii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors; (iv) the implementation of a scheme of arrangement in respect of the sale of the Ordinary Shares of the Company that has been recommended by the Board of Directors; (v) a scheme of reconstruction of the Company which has been recommended by the Board of Directors; and (vi) any buyback by the Company of Ordinary Shares on identical terms to the terms offered to all Shareholders.

In addition, each member of the Management Team, pursuant to the terms of the Management Stock Plan and subject to the exceptions below, shall not dispose of any Ordinary Shares received as part of or pursuant to the

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		Management Stock Plan prior to the first anniversary of the date on which the Ordinary Shares are delivered to any member of the Management Team. The lock-up shall not apply (i) if the employment or commercial relationship is terminated or ends as a result of the retirement, redundancy, death, ill-health, injury or disability of the relevant member of the Management Team or (ii) under a change of control of the Company.
<b>E.6</b>	Dilution:	<p>The Eligible Shareholders will receive Preferential Subscription Rights to subscribe for New Ordinary Shares and, thus, in the event they exercise such rights in full, they will suffer no dilution of their holdings of the Company's share capital at the Record Date.</p> <p>In the event that none of the Eligible Shareholders subscribes for New Ordinary Shares in the percentage to which their Preferential Subscription Rights entitle them, and further assuming that the New Ordinary Shares were entirely subscribed for by investors other than the Eligible Shareholders, or by the Managers, the holdings of the Eligible Shareholders would represent approximately 60% of the total number of Ordinary Shares following the Offering, which would represent a dilution in ownership percentage of approximately 40%.</p>
<b>E.7</b>	Estimated expenses charged to the investor by the Issuer:	Not applicable. No expenses will be charged to any investor by the Company in respect of the Offering.

## PART II: RISK FACTORS

*Any investment in the New Ordinary Shares and the Preferential Subscription Rights is subject to a number of risks. Accordingly, prior to making any investment decision, prospective investors should carefully consider all the information contained in this Prospectus and, in particular, the risk factors described below.*

*This Prospectus also contains forward-looking statements that involve risks and uncertainties. See “Forward-Looking Statements” in Part IX (“Important Information”) of this Prospectus. The Group’s actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below and elsewhere in this Prospectus.*

*Prospective investors should note that the risks relating to the Group, its industry (being the commercial real estate market in Spain and Portugal), the New Ordinary Shares and the Preferential Subscription Rights summarised in the section of this Prospectus headed Part I (“Summary”) are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider to invest in the New Ordinary Shares and the Preferential Subscription Rights. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed Part I (“Summary”) but also, among other things, the risks and uncertainties described below.*

*Following the execution of the Investment Agreement with SACYR (see “Recent Developments” in Part XVI “Management’s Discussion And Analysis Of Financial Condition And Results Of Operations”) the Company has acquired a 25% participation in the share capital of Testa and shall, upon completion of the Acquisition, hold a participation of, at least, 99.6% in the share capital of Testa. Testa operates in the same sector as the Company, but it is exposed to additional risks as further described below. In addition, the Company is exposed to additional risks as a result of the acquisition and integration of Testa, as further described below.*

*The Board of Directors considers the following risks to be material for prospective investors in the Company. However, the following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the New Ordinary Shares and the Preferential Subscription Rights and should be used as guidance only. Additional risks and uncertainties not currently known to the Board of Directors, or that the Board of Directors currently deems immaterial, may also have an adverse effect on the Group’s business, financial condition, results of operations and/or prospects. In such case, the market price of Ordinary Shares and of the Preferential Subscription Rights could decline and investors may lose all or part of their investment.*

*Prospective Investors should consider carefully whether an investment in the New Ordinary Shares and the Preferential Subscription Rights is suitable for them in light of the information in this Prospectus and their personal circumstances. If prospective investors are in any doubt about any action they should take, they should consult a competent independent professional adviser who specialises in advising on the acquisition of listed securities. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group’s business, financial condition, results of operations and prospects.*

*Prospective investors should read this section in conjunction with this entire Prospectus.*

### **1. SPECIFIC RISKS RELATING TO THE ACQUISITION AND INTEGRATION OF TESTA**

***The acquisition of Testa is structured to take place in several phases which could fail to occur. The shares in Testa held by Sacyr are currently pledged as collateral for a syndicated loan.***

On 8 June 2015 the Company and Sacyr, S.A. (“**Sacyr**”) entered into an investment agreement for the acquisition by the Company from Sacyr, in several phases, of a 99.6% stake in the Spanish listed company Testa Inmuebles en Renta, S.A. (“**Testa**”) (the “**Investment Agreement**”) (see Part X “**Acquisition of Testa**”). On the same date, the Company subscribed and paid for 38,491,930 new ordinary shares of Testa, representing 25% of its current share capital. As of the date of this Prospectus, Testa is a subsidiary of Sacyr and the Company has no special minority protection rights other than as required by law and provided for in the by-laws of Testa and in the framework agreement signed between Testa and Sacyr.

Pursuant to the terms of the Investment Agreement, Sacyr has undertaken to deliver to the Company, before 29 July 2015, 38,645,898 ordinary shares in Testa (the “**Control Shares**”) free of any pledge, lien or encumbrance representing an additional 25.1% of Testa’s current share capital and the Company shall, on the moment that it effectively acquires the Control Shares, acquire control over Testa by holding a 50.1% of its share capital. As of the date of the Investment Agreement, all of Sacyr’s shares in Testa were pledged as collateral (the “**Testa Share Pledge**”) for a syndicated loan made to Sacyr Vallehermoso Participaciones Mobiliarias, S.L. in order to finance the acquisition of a stake in Repsol, S.A. and which had an aggregate outstanding principal amount of €2,265 million as at 31 March 2015. Sacyr has informed the Company that the Testa Share Pledge with respect to the Control Shares has been released subject to application of part of the funds to be received by Sacyr upon the First Delivery to partial prepayment of the abovementioned syndicated loan. If Sacyr fails to deliver the Control Shares as contemplated in the Investment Agreement, then, despite the remedies and compensations included in the Investment Agreement, the delivery of the Control Shares (the “**First Delivery**”) could be

delayed or terminated by the Company and, if the First Delivery does not finally occur, the Company will therefore hold a minority stake (25%) in Testa with no control over it and this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Following the First Delivery, Sacyr has undertaken to deliver to the Company, not before 30 September 2015 but no later than 30 June 2016, 76,248,281 additional ordinary shares in Testa (the "**Remaining Shares**"), free of the Testa Share Pledge and free of any other liens and encumbrances. Once the Company effectively acquires the Remaining Shares, it will hold a stake of at least 99.6% in Testa. If Sacyr is unable to cancel the Testa Share Pledge with respect to the Remaining Shares before 1 July 2016, or if the creditors under the above referred syndicate loan enforce said pledge before such date, or if Sacyr otherwise fails to deliver the Remaining Shares as contemplated in the Investment Agreement, the remedies and compensations included in the Investment Agreement (the "**Second Delivery**") may not be sufficient to cover all the damages suffered by the Company. If the Second Delivery does not occur, the Company may face additional challenges for the operational integration of Testa within the Company's Group and this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Pending completion of the Second Delivery, the Group intends to hold the Net Proceeds as cash or cash equivalents or bank deposits with one or more banks. Such instruments are likely to yield lower returns than the targeted returns from real estate investments. Should the First Delivery or the Second Delivery not occur, there can be no assurance as to how long it will actually take for the Group to invest the Net Proceeds.

#### ***The Group faces potential risks related to its significant liquidity requirements***

In accordance with the Group's Business Strategy, the Group has made significant investments and has significant liquidity requirements for the next twelve months from the date of this Prospectus, in particular in light of the Bridge Facility entered into in relation to the Acquisition. See section 5 ("**The Group's Business Strategy**") in Part XI ("**Information on the Group**") for further details and section 5 ("**Recent Developments**") in Part XVI ("**Management's Discussion and Analysis of Financial Condition and Results of Operation**").

The Company believes that, taking into account, the available cash at the date of this Prospectus, the Net Proceeds to be received by the Company from the Offering, the cash generated from operations, and its access to funds from one or a combination of the following actions:

- new financing raised against existing unencumbered assets; and/or
- new financing raised against new assets acquired within the period; and/or
- opening of new credit lines; and/or
- refinancing of the Bridge Facility; and/or
- refinancing of Testa's indebtedness; and/or
- disposal of non-core assets,

the Company has sufficient working capital available for the Company's present requirements and for at least the next twelve months from the date of this Prospectus.

The Company's access to funds, however, depends on several factors, many of which are beyond its control, including general political and economic conditions, the availability of liquidity in the debt market, the availability of liquidity or credit to potential purchasers and monetary policy in the markets in which the Company operates. The Company cannot, therefore, assure you that it will be able to raise the necessary funds when needed on economically attractive terms, for example with respect to the applicable interest rate, the amount, the maturity and any applicable financial covenants, or at all, and any failure to do so may lead to adverse consequences, including forfeiture of contractual rights and benefits, early termination and/or the payment of penalties or other liquidated damages, or the acceleration of financing arrangements which may in turn trigger cross-default provisions contained in other current or future financing agreements causing any funds advanced thereunder to become immediately due and payable. Failure by the Company to access funds could therefore have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

***Testa is a party to financing agreements containing change of control provisions that may be triggered by the acquisition by the Company of more than 50% of the shares of Testa, which may result in the need to renegotiate or repay financing agreements or other contractual agreements.***

Certain of Testa's financing agreements contain change of control provisions which would be triggered upon the acquisition by the Company of more than 50% of the shares of Testa (which will occur upon the completion of the First Delivery, expected to take place on or before 29 July 2015). This may lead to adverse consequences, including the acceleration of said financing agreements, requiring their immediate repayment or renegotiation, and also the trigger of cross-default and cross-acceleration provisions in other financing agreements to which Testa is a party.

As of 31 March 2015, Testa was a party to financing agreements subject to such change of control provisions with an aggregate outstanding principal amount of €1,071.5million.

If the Company is unable to obtain a waiver from each of the relevant lenders to Testa under said financing agreements with change of control provisions, upon acquisition by the Company of more than 50% of the shares of Testa (which will occur upon completion of the First Delivery, expected to take place on or before 29 July 2015), the lenders under such facilities may be entitled to accelerate such financings, which may trigger cross-default and cross-acceleration provisions in other financing agreements to which Testa is a party. The foregoing could have a material adverse effect on Testa's financial condition, business, prospects and results of operations.

As of the date of the Prospectus, the Company has obtained waivers from Testa's lenders under those financing agreements including change of control provisions with an aggregate principal amount outstanding at 31 March 2015 of €928.4 million (representing 86.6% of Testa's debt which may trigger change of control provisions as a result of the Acquisition), subject to certain repayment obligations (See "*Testa faces a potential refinancing risk as a result of the Acquisition*" in this Part II ("*Risk Factors*").

#### ***Testa faces a potential refinancing risk as a result of the Acquisition.***

Certain of Testa's financing agreements contain change of control provisions which would be triggered upon the acquisition by the Company of more than 50% of the shares of Testa (See "*Testa is a party to financing agreements containing change of control provisions that may be triggered by the acquisition by the Company of more than 50% of the shares of Testa, which may result in the need to renegotiate or repay financing agreements or other contractual agreements*" in this Part II ("*Risk Factors*"). Those financing agreements amounted to an aggregate outstanding principal amount of €1,071.5 million as of 31 March 2015.

As of the date of the Prospectus, the Company has obtained waivers from two of Testa's lenders under such financing agreements which included change of control provisions, which represent an aggregate principal amount outstanding of €928.4 million of the €1,075.1 million outstanding as of 31 March 2015. As a result of the first waiver agreement, Testa will need to repay all its existing debt with the first waiving lender which amounted to €798.3 million as of 31 March 2015 (of which, as of 31 March 2015, €218 million were not subject to change of control provisions) by June 2016. Additionally, and as a result of the second waiver agreement, unless Testa refinances its debt with such waiving lender, it is obliged to maintain certain loan to value ratios which will require Testa to repay an aggregate principal amount of €137.5 million of its existing debt during the period running from the sixth to twelfth month following the acquisition by the Company of the controlling stake in Testa.

If the Company is unable to refinance or pay this debt prior to its maturity and if Testa does not have the funds to pay the outstanding balance thereunder, Testa would default on these financing agreements, which could in turn trigger cross-default and cross-acceleration provisions in other financing agreements to which Testa is a party. No assurance may be given that any remedy, including obtaining appropriate waivers from Testa's lenders or refinancing Testa's debt, can be effected on reasonable terms or at all. Any of the foregoing could have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

Additionally, the Company is likely to seek to refinance Testa in order to adapt Testa's debt structure to that of the Group. If the Company is unable to refinance Testa's debt, or the refinancing is delayed, the debt structure of the Combined Group may not be efficient, which could have a material adverse effect on the Combined Group's financial condition, business, prospects and results of operations.

#### ***Sacyr's relationship with Testa.***

As of the date of this Prospectus, the Company holds 25% of the shares of Testa, which is a subsidiary of Sacyr. As of the date of this Prospectus the Company has no special minority protection rights other than as required by law and provided for in the by-laws of Testa and in the Framework Agreement signed between Testa and Sacyr. Accordingly, Sacyr continues to have the power to determine the composition of Testa's Board of Directors and determine or exercise significant influence over matters requiring approval at its general meeting of shareholders.

Although it is expected the Company will take control of more than 50% of the shares of Testa upon completion of the First Delivery on or before 29 July 2015, Sacyr will continue to hold a stake in Testa until completion of the Second Delivery, which is expected to be no earlier than 30 September 2015 and no later than 30 June 2016 in accordance with the Investment Agreement. Until the Second Delivery is consummated, Sacyr will have the power to appoint various members of Testa's Board of Directors and may continue to exercise certain minority rights over Testa. Moreover, such Second Delivery may be delayed or terminated (See "*The acquisition of Testa is structured to take place in several phases which could fail to occur. The shares in Testa held by Sacyr are currently pledged as collateral for a syndicated loan*" in this Part II ("*Risk Factors*").

Sacyr may have economic or other interests which are inconsistent with the interests of the Company or its strategic plans with respect to Testa. If Sacyr were to take actions contrary to the Company's interests with respect to Testa, this could adversely affect the Company's ability to implement its business strategy regarding Testa and to divest from certain asset classes in the Testa portfolio.

Sacyr and Testa entered into a Framework Agreement to govern the relationships between the Testa Group and the non-Testa Group companies of the Sacyr Group. See section 7.1 ("*Other Transactions with Related Parties*") in Part XVIII ("*Information on Testa*") for further details.

***The operational integration of the Combined Group may result in costs and difficulties beyond those foreseen, and the Combined Group may not be able to efficiently manage the larger organisation.***

The operational integration (and merger, if implemented) of the Group and Testa's Group following the acquisition of control in Testa by the Company, may be difficult and expensive and the benefits derived from, and/or costs associated with, such integration (and merger, if implemented) may not be in line with expectations. The diversion of the Management Team's attention from their other responsibilities as a result of the need to deal with integration issues could also have an adverse effect on the Group's business. If the Company is not able to manage the broader organisation efficiently, it could lose key customers and fail to achieve full integration of the assets and resources of Testa's Group, which could, in turn have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Testa Group effectively, including the successful integration and motivation of certain key employees of the Company and Testa.***

The success of the Combined Group will depend in part on the ability of the Combined Group to retain key employees of both the Company's and Testa's groups and successfully manage the larger organization resulting from the combination of both groups, given Testa's Group has approximately three times the employees of the Group. Key employees may depart as a result of issues relating to the uncertainty and difficulty of integration or a general intention not to remain with the Combined Group, and competition for qualified personnel to replace them may be intense. Accordingly, no assurance may be given that the Combined Group will be able to retain key employees or successfully manage the larger and more diverse combined organization, either of which could disrupt the Combined Group's business and negatively affect the Combined Group's financial condition and results of operations.

***The Unaudited Consolidated Pro Forma Financial Information included elsewhere in this Prospectus does not represent, and may not give a true picture of, the actual or future financial condition and results of operations of the Group***

This Prospectus includes an unaudited consolidated pro forma statement of comprehensive income and statement of financial position of the Company as of and for the period ended 31 March 2015. This financial information has been included to illustrate, on a pro forma basis, how the Company's statement of financial position at 31 March 2015 and its statement of comprehensive income for the three months ended 31 March 2015 might have been affected by the Offering, the Acquisition and all the events related to both transactions as further described in "*Presentation of the Group's financial information*" in Part IX ("*Important Information*"), assuming that the Offering and the Acquisition had been completed on the dates stated therein.

The Unaudited Consolidated Pro Forma Financial Information presented in this Prospectus is based on (i) estimates and assumptions that are preliminary, and (ii) the limited information on the Offering and the Acquisition that is currently available to the Management Team. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation that does not purport to represent, and may not give a true picture of, the actual financial condition and results of operations of the Group that would have been achieved if the Offering and the Acquisition had been completed on 1 January 2015 for the purpose of the statement of comprehensive income and on 31 March 2015 for the purpose of the statement of financial position.. Moreover, the Unaudited Consolidated Pro Forma Financial Information does not purport to project the financial condition or results of operations as of any future date or for any future period of the Group. Accordingly, investors are cautioned not to place undue reliance on the Unaudited Pro Forma Financial Information.

The Unaudited Consolidated Pro Forma Financial Information does not constitute, and should not be relied upon as constituting, a complete set of financial statements. For a proper interpretation of the Unaudited Pro Forma Financial Information, it must be read together with the Consolidated Financial Statements included elsewhere in this Prospectus.

***Any due diligence by the Company in connection with the Acquisition may not reveal all relevant considerations or liabilities of Testa's Group, which could have a material adverse effect on the Company's financial condition or results of operations.***

Although the Company has conducted a due diligence over Testa, there can be no assurance that the due diligence undertaken for the purposes of the Acquisition will have revealed all relevant facts that may be necessary to evaluate the Acquisition, including the determination of the price the Company paid, or to formulate a business strategy. Furthermore, the information provided during the due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, the Company also made subjective judgments regarding the results of operations, financial condition and prospects of Testa. If the due diligence investigations fail to correctly identify material issues and liabilities that may be present in Testa, or if the Company considers such material risks to be commercially acceptable relative to the opportunity, the Company may subsequently incur substantial impairment charges or other losses that may not be covered by the contractual protections in the Investment Agreement. In addition, following the Acquisition, the Company may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during the due diligence and which could contribute to poor operational performance, undermine any attempt to restructure Testa in line with the Company's business plan and have a material adverse effect on the Company's financial condition and results of operations. The Company has not been involved in the preparation of the consolidated financial statements for Testa and its subsidiaries, included in this Prospectus, which have been prepared by Testa's management team, and therefore cannot

confirm their accuracy, completeness or veracity.

***Testa has granted certain pledges and guarantees with respect to debts of other members of the Sacyr Group.***

As of 31 March 2015, the Testa Group had granted *in rem* securities (mortgages and pledges over rents) and guarantees (to secure from multi-group credit facilities) securing debts of the Sacyr Group against third parties, including the Spanish tax authorities, which amounted to €424.4 million. Such securities and guarantees Testa had provided as of 31 March 2015 included:

- mortgages of €121.1 million to secure certain tax liabilities for which Testa has mortgaged certain assets (primarily land plots) as collateral. Testa's obligations as mortgagor of these tax liabilities are scheduled to be reduced over time as the underlying obligations are paid. The majority of these obligations (€69.6 million as of 31 March 2015) are scheduled to be extinguished under the current payment calendars by September 2017. The payment calendars with respect to the remaining €516 million have been suspended and are currently under appeal before the Spanish courts;
- guarantees together with other Sacyr Group companies of €259.6 million to secure multi-group credit facilities of Sacyr where €204.2 million had been drawn down as of 31 March 2015; and
- guarantees to third parties in respect of other financial and commercial debt of Sacyr Group companies.

As of the date of this Prospectus, Testa has obtained releases for all guarantees and security interests in relation to the Sacyr Group debts, except for:

(i) a mortgage over a land plot that is securing a debt of the Sacyr Group with the Spanish tax authorities amounting to €46.9 million. On 9 July 2015, Sacyr requested from the Spanish National High Court (*Audiencia Nacional*) the replacement of the existing mortgage by an insurance guarantee which was executed on 6 July 2015; and

(ii) a guarantee of €111.0 million granted in favour of Banc Sabadell, S.A., which is expected to be released on or before 29 July 2015.

Pursuant to the Investment Agreement (as further described in Part X ("Acquisition of Testa")), Sacyr has undertaken to procure the release of all guarantees and security interests granted by Testa and its subsidiaries in favour of Sacyr and its group companies no later than the date of completion of the First Delivery. However, to the extent Sacyr is unable to procure the release of these guarantees and security interests, and although the Company will retain an amount equal to each relevant personal guarantee and security interest not so released from the consideration to be paid to Sacyr in exchange for the Control Shares, if any relevant Sacyr Group company were to default on its obligations under any financing agreement guaranteed or secured by Testa or its subsidiaries, the relevant guarantees or security interests granted by Testa or its subsidiaries could be enforced. Moreover, a default under any debt so secured or guaranteed could trigger cross-default and/or cross-acceleration provisions under other financing agreements also guaranteed or secured by Testa or its subsidiaries. If any of the foregoing were to occur, it could have a material adverse effect on Testa's financial condition, business, prospects and results of operations.

***The market price of the Ordinary Shares may decline as a result of the Acquisition.***

The market price of the Ordinary Shares may decline as a result of the Acquisition if, among other:

- the integration of Testa's business is delayed or unsuccessful;
- the Company does not achieve the expected benefits of the Acquisition as rapidly or to the extent anticipated by analysts or investors or at all;
- the effect of the Acquisition on the Company's financial results is not consistent with the expectations of analysts or investors; or
- Shareholders sell a significant number of Shares after completion of the Acquisition.

***The acquisition price includes a control premium***

The implied premium to NAV of the acquisition amounts to 15.9%, which results from comparing an implied equity value for 100% of Testa of €1,994 million with Testa's NAV of 1,721 million (as of 31 March 2015). Both numbers include the Cash Resulting from the Testa Equity Restructuring. €1,994 million derived from the total purchase price of €1,794 million paid by the Company to Sacyr for its 99.6% stake in Testa (including the Cash Resulting from the Testa Equity Restructuring and €6 million paid to minority shareholders pursuant to the Testa Share Capital Reduction and the Extraordinary Dividend) plus €8 million expected to be paid to minority shareholders for the remaining 0.4% stake (based on a price per share of €13.54). The total purchase price can be broken down into the following payments made at the different stages: €431 million from the Company's subscription of the New Testa Shares in 8 June 2015 (which has been already completed), €1,555 million for the acquisition of the Control Shares and the Remaining Shares (which is expected to take place on or before 29 July 2015, and not before 30 September 2015 and no later than 30 June 2016, respectively) and €8 million expected to be paid to acquire the minorities' stake pursuant to the Takeover Bid, resulting in a €273



million premium. The implied premium to GAV amounts to 8.4% on Testa's valuations as of 31 March 2015. This premium results from the comparison of the market value of Testa's assets as of 31 March 2015, which amounted to €3,202 million, with an implied enterprise value of €3,473 million.

Whilst the Company believes that the premium is reasonable given the point in the market cycle, the high quality of the assets acquired, the complementarity of both portfolios and the additional management capabilities brought by Testa's management team, there is no guarantee that the Company will be able to exploit these opportunities and failure to do so could have a material adverse effect on the Company's financial condition, business, prospects and results of operations since the difference between the premium and the incapacity to exploit such opportunities would be accounted for as a loss in the income statement. See "*The transfer by Testa of real estate assets that were acquired prior to the application of the SOCIMI regime would be subject to taxation*" of this Part II ("*Risk Factors*").

***The transfer by Testa of real estate assets that were acquired prior to the application of the SOCIMI regime would be subject to taxation***

The transfer of Testa's real estate assets that were held prior to the application of the SOCIMI regime would be partly subject to taxation. In particular, the profit that is deemed to be obtained prior to the application of the SOCIMI regime would be subject to taxation at the general corporate income tax rate (currently 28% but 25% as of next year).

For this purpose, the SOCIMI Act sets out a rebuttable presumption by virtue of which any profit obtained on the transfer of real estate assets that were held prior to the application of the SOCIMI regime is deemed to be obtained on a lineal basis along the holding period of the relevant asset. Therefore, the tax payable on any such profits would generally be lower the longer the asset is held after the application of the SOCIMI regime. Therefore, if Non Core assets are disposed of shortly after the application of the SOCIMI regime, depending on the date of transfer, they may be subject to taxation at the abovementioned general CIT rate.

To reflect this, the Company will register a deferred tax liability in its accounts at 25% on the difference between the market value of Testa's real estate assets and their tax value. However, the final tax payable might finally be lower depending on the asset transferred and the date of that transfer. This deferred tax liability amounts to €271 million.

## **2. RISKS RELATING TO THE GROUP'S ACTIVITY AND TO ITS REAL ESTATE BUSINESS**

### **I GENERAL RISKS**

#### **A) RISKS RELATING TO THE GROUP'S ACTIVITY**

***The Company is recently formed and has only operated for a limited period***

The Company was incorporated on 25 March 2014, acquired its first investments in July 2014 and, except for the audited and unaudited financial information referred to in Part XVII ("*Selected Historical Financial Information*") and the limited operating data contained in Part XIV ("*The Assets*") of this Prospectus, does not have any other historical financial statements or other meaningful operating or financial data. It is therefore difficult to evaluate the probable future performance of the Group in the longer term. The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of real estate assets, in particular (i) office properties; (ii) retail (shopping centres, retail parks including big box properties (i.e., retail stores that occupy large warehouse-style buildings) on a selective basis, and high street retail properties (i.e., retail stores located in the primary business and retail streets of a city, such as top fashion boutiques) on a selective basis); (iii) logistics, including industrial properties; (iv) prime urban hospitality (urban hospitality assets located in prime locations); and (v) other commercial real estate properties, which are expected to represent a limited percentage of Total GAV ("*Commercial Property Assets*") in the Core and Core Plus segments (as defined in section 5 of Part XI ("*Information on the Group*")) primarily in Spain and, to a lesser extent, in Portugal.

Whilst the Company has designed and is implementing financial controls and supporting systems and procedures to support its governance, reporting and disclosure obligations as a publicly traded company, as a recently incorporated entity which has only operated for a limited period, these have yet to be fully implemented and tested extensively in a live environment and there is no certainty that they will function as designed in practice or at all. Accordingly, no assurance can be given that the Company will be able to provide investors with the financial or other information they may expect or desire or that the Company will be able to provide such information within the timeframe that investors expect.

Any investment in the New Ordinary Shares and the Preferential Subscription Rights is, therefore, subject to all of the increased risks and uncertainties associated with a recently formed business, including the increased risk that the Group will not achieve its business objectives, and that the value of any real estate acquisitions made by the Group, and of the New Ordinary Shares and the Preferential Subscription Rights, could substantially decline.

The fact that the Group's performance relies on the expertise of the Management Team and that the Company is a recently formed company that commenced operations only a short time ago and has limited financial records are factors that contribute to increase the risk of an investment in the New Ordinary Shares and the Preferential Subscription Rights. As a result, institutional and qualified investors are more capable to understand the investment in the Company and the risks involved therewith, and, in any event, consultation with financial, legal and tax advisers is strongly recommended in order to assess any such potential investment.

***The Group's Assets are and will be concentrated in the Spanish and Portuguese commercial property market and the Group will therefore have greater exposure to political, economic and other factors affecting the Spanish and Portuguese markets than more diversified businesses.***

The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments primarily in Spain, such as Tree's assets, and, to a lesser extent, in Portugal. The majority of the property acquisitions (other than Tree's assets) are expected to be located in Madrid, Barcelona and certain secondary locations as well as in Lisbon (Portugal). As a result of this strategy, the Group will have a significant industry and geographic concentration and an investment in the New Ordinary Shares and the Preferential Subscription Rights may therefore be subject to greater risk than investments in companies with more diversified portfolios or business strategies. The Group's performance may be significantly affected by events beyond its control affecting Spain and Portugal, and the Spanish and Portuguese commercial property market in particular, such as a further general downturn in the Spanish and Portuguese economies, negative changes in demand for, or increased supply of, commercial property in Spain and Portugal, the attractiveness of property relative to other investment choices, changes in domestic and/or international regulatory requirements and applicable laws and regulations (including in relation to taxation), Spain's and Portugal's attractiveness as foreign direct investment destinations, political conditions, the condition of financial markets, sovereign debt defaults in the Euro area, European Union exits, the availability of credit, the financial condition of tenants, interest rate and inflation rate fluctuations, higher accounting and control expenses and other developments. Any of these events could reduce the rental and/or capital values of the Group's property assets and/or the ability of the Group to acquire or dispose of properties and to secure or retain tenants on acceptable terms or at all and, consequently, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, significant concentration of investments in the Spanish and/or Portuguese real estate markets (and/or any particular sector within these markets) or significant concentration of certain industry sectors as a result of the Group's properties being rented predominantly to tenants from such industry sectors may result in greater volatility in the value of the Group's investments and its net asset value and any downturn in such markets may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group is subject to certain restrictions on investments under the SOCIMI Regime (see Part XX ("*Spanish SOCIMI Regime and Taxation Information*") for further information). There can be no assurance that a sufficient number of suitable opportunities will be available on satisfactory terms or at all to enable the Group to diversify its assets in order to limit the risks derived from the specific exposure to the Spanish and Portuguese commercial property markets (including Tree's assets), which may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's investments will be concentrated in certain asset classes***

The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments. An investment in the New Ordinary Shares and the Preferential Subscription Rights may therefore be subject to greater risk than investments in other companies that have more diversified portfolios or business strategies. See "*Investing in commercial property asset classes is subject to certain risks inherent in each of these asset classes*" in this Part II ("*Risk Factors*").

***Any costs associated with potential acquisitions that do not proceed to completion will affect the Group's performance***

The Group will need to identify further suitable real estate opportunities, investigate and pursue such opportunities and negotiate property acquisitions on suitable terms, all of which require significant expenditure prior to completion of the acquisitions. The Group incurs certain third-party costs, including in connection with financing, valuations and professional services associated with the sourcing and analysis of suitable assets. While the Management Team is incentivised to limit costs under the Group's cost structure with any costs related to transactions which do not proceed to completion to be deducted from the Annual Total Overheads (thereby reducing the Management Team's potential bonus incentive plan), there can be no assurance as to the level of such costs and there can be no guarantee that the Group will be successful in its negotiations to acquire any given property. Please see section 4 of Part XI ("*Information on the Group*") for a definition of Annual Total Overheads. The greater the number of potential property acquisitions that do not reach completion, the greater the likely adverse impact of such costs on the Group's business, financial condition, results of operations and prospects.

***There can be no assurance that any target returns will be achieved***

The Target Return set out in this Prospectus for the Group is a target only (and for the avoidance of doubt is not a profit forecast). There can be no assurance that the Group will be able to meet this target or any other level of return, or that the Group will achieve or successfully implement its Business Strategy. The existence of such Target Return should not be interpreted as an assurance or guarantee that such level of return can or will be met by the Group. The actual returns achieved by the Group may vary from the Target Return and these variations may be material.

The Target Return, while presented with numerical specificity, necessarily reflects numerous estimates and assumptions made by the Group with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Group's businesses, all of which are difficult or impossible to predict and many of which are beyond the Group's control. The Target Return reflects subjective judgments

in many respects and, thus, is susceptible to multiple interpretations and periodic revisions based on actual experience and business, economic, regulatory, financial and other developments.

Although the Group aims to achieve such Target Return through the careful selection of its real estate assets and the active management of such assets, the Target Return is based on the Group's assessment of appropriate expectations for returns on the type of assets that the Group has acquired and proposes to acquire and the ability of the Management Team to enhance the return generated by those assets through active management. The Group's ability to achieve the Target Return and any other level of return depends on its ability to forecast market rents, property-related costs and property values. In connection with the acquisition of buildings for the Group's rental business, the Group bases the purchase price in large part on anticipated returns and estimates these returns using certain assumptions relating to future property values and future market rents. There can be no assurance that these assessments and assumptions will prove accurate. The Group's failure to accurately forecast such values and rents could result in lower profits and have a material adverse effect on the actual returns on assets, and, consequently, the Group's ability to achieve the Target Return.

Neither the Group's nor its independent auditors, nor any other independent accountants, nor the Joint Bookrunners, compiled, examined or performed any procedures with respect to the Target Return nor have they expressed any opinion or any other form of assurance on the Target Return or its achievability, and such parties assume no responsibility for, and disclaim any association with, the Target Return. The ultimate achievability of the Target Return is also subject to numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in this Prospectus.

As such, the Target Return constitutes forward-looking information and is subject to risks and uncertainties that could cause actual results to differ materially from the Target Return, including, but not limited to, the Group's and the Management Team's performance, industry performance, general business and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and the various risks set forth in this Prospectus. None of the Group, the Board of Directors, the Management Team, the Joint Bookrunners or any of their respective affiliates, advisers, officers, directors or representatives can give any assurance that the Target Return will be realised or that actual results will not vary significantly from the Target Return.

Prospective investors should decide for themselves whether or not the Target Return is reasonable or achievable and carefully evaluate whether investing in the New Ordinary Shares and the Preferential Subscription Rights is appropriate for them bearing in mind personal circumstances and the information included in this Prospectus, particularly taking into account the risk factors described herein.

***The Group may not have full control of its Assets and may therefore be subject to the risks associated with minority investments and joint venture investments***

Pursuant to the Group's Business Strategy, the Group may enter into a variety of acquisition structures in which the Group acquires less than a 100% interest in a particular asset or entity with the remaining ownership interest being held by one or more third parties. As of the date of this Prospectus, the Company has acquired 25% of the share capital of Testa (See the risk factor entitled "*–Sacyr's relationship with Testa*"). The management and control of such an asset or entity may entail risks associated with multiple owners and decision makers, including the risks that:

- investment partners become insolvent or bankrupt, or fail to fund their share of any capital contribution which might be required, resulting in the Group having to pay the investment partner's share or bearing the risk of losing the particular asset;
- investment partners have economic or other interests that are inconsistent with the Group's interests and are in a position to take or influence actions contrary to the Group's interests and plans (for example, in implementing active asset management measures), which may create impasses on decisions and affect the Group's ability to implement its strategies and/or dispose of the asset or entity;
- income obtained from these minority investments may not qualify as income received from Qualifying Subsidiaries and hence may affect the Company's ability to comply with the SOCIMI Regime requirement that at least 80% of the Company's net annual income must derive from rental income and from dividends or capital gains in respect of certain specified assets;
- disputes develop between the Group and investment partners, resulting in the Group incurring litigation or arbitration costs and distracting the Board of Directors and/or the Management Team from their other managerial tasks;
- investment partners do not have enough liquid assets to make cash advances that may be required in order to fund operations, maintenance and other expenses related to the property, which could result in the loss of current or prospective tenants and may otherwise adversely affect the operation and maintenance of the property;
- an investment partner breaches agreements related to the property, which may cause a default under such agreements and result in liability for the Group;
- the Group may, in certain circumstances, be liable for the actions of investment partners; and
- a default by an investment partner constitutes a default under mortgage loan financing documents relating to the

particular asset, which could result in a foreclosure and the loss of all or a substantial portion of the particular asset held by the Group.

Any of the foregoing may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, the Group may also invest in properties through minority investments or joint ventures (which could include minority investments or joint ventures with sellers of properties). In such cases, it will need to negotiate suitable arrangements with each of its proposed investment partners, which may also prove to be time-consuming or could restrict the Group's ability to act quickly or unilaterally. The Group's inability to select and invest, alone or as an investment partner, in properties on a timely basis may have a material adverse effect on the Group's business, financial condition, results of operations and prospects and may delay or limit distributions to Shareholders by the Company.

***The Group's net asset value is expected to fluctuate over time.***

The Group's net asset value is expected to fluctuate over time in line with the performance of the Group's Assets. Moreover, valuations of the Group's Assets may not reflect the price at which such individual assets can be realised.

To the extent that the net asset value information of an asset or that of a material part of an investment's own underlying asset is not available in a timely manner, the net asset value will be published based on estimated values of the asset and on the basis of the information available to the Group at the time. There can be no guarantee that any such asset could ultimately be realised at such estimated valuation. Because of the expected overall size, concentration in particular markets and nature of the Group's Assets, the value at which its assets could be disposed of may differ, sometimes significantly, from the valuations obtained by the Group. In addition, the timing of disposals may also affect the values ultimately obtained.

In calculating the net asset value, the Group will be relying, among other things, on estimated valuations that may include information derived from third-party sources. Such valuation estimates will be unaudited and may not be subject to independent verification or other due diligence. In addition, at times, third-party pricing information may not be available for certain properties held by the Group, thereby making a valuation of such assets even more difficult. Accordingly, as a result of each of these factors, Shareholders should note that Group's actual net asset value may fluctuate from time to time, potentially materially.

***The Group may dispose of assets at a lower than expected return or at a loss, and may be unable to dispose of assets at all.***

The Group may elect to dispose of assets and may also be required to dispose of an asset at any time, including due to a requirement imposed by a third party (for example, a lending bank). There can be no assurance that, at the time the Group seeks to dispose of assets (whether voluntarily or otherwise), relevant market conditions will be favourable or that the Group will be able to maximise the returns on such disposed assets. It may be particularly difficult to dispose of certain types of real estate assets during recessionary times, such as land plots (see "*The appraised value of Testa's real estate portfolio may not accurately reflect the current market value of Testa's assets. Valuation of land presents special difficulties.*" in this Part II ("*Risk Factors*"). To the extent that market conditions are not favourable, the Group may not be able to dispose of property assets at a gain and may even have to dispose of property assets at a loss. Furthermore, the Group may be unable to dispose of assets at all, which would tie up the capital allocated to such assets and could impede the Group's ability to take advantage of other real estate opportunities. If the Group is required to dispose of an asset on unsatisfactory terms, it may realise less than the value at which the asset was previously recorded, which could result in a decrease in net asset value and lower returns to Shareholders. In addition, if the Group disposes of an asset within a period of three years from completion of development or its acquisition, the profits arising from disposal of the property and potentially, the entire income derived from such asset, including rental income, will be taxable. See the risk factor entitled "*Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime*" in this Part II ("*Risk Factors*").

Further, in acquiring a property, the Group may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. In addition, if the Group purchases properties where the rate of return is low and the purchase price is high, the value of such properties may not increase over time, and if the property is then sold the Group may incur a loss.

Any inability of the Group to dispose of its assets or the inability to do so at a gain, or any losses on the disposal of the Group's assets, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Competition may affect the ability of the Group to make appropriate investments and to secure tenants at satisfactory rental rates.***

The Group expects to face competition from property investors for the purchase of desirable properties and in seeking creditworthy tenants for the acquired properties. Competitors include not only regional Spanish or Portuguese investors and real estate developers with in-depth knowledge of the local markets, but also property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. The competitiveness in the Spanish real estate sector has been heightened recently by the entry of new participants in the Spanish real estate market, such as

other real estate investment companies, backed by both national and international investors, that have recently entered the Spanish market to take advantage of what they perceive as attractive valuations of real estate assets. Further, competition in the real estate market may vary in the future, not only due to an increase in the number of competitors but also in their ability to invest, for example, as a consequence of international investors teaming with Spanish investors or real estate managers to take advantage of their local market knowledge and combining such knowledge with the financial resources of such investors. Furthermore, the number of entities and the amount of funds competing for suitable properties may increase. There can be no assurance that the Group will be successful in identifying or acquiring further suitable investment opportunities. Competition in the commercial property market may lead to prices for existing properties being driven up through competing bids by potential purchasers.

The Group's competitors may have greater financial, technical and marketing resources than the Group and a greater ability to borrow funds to acquire properties, and may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those the Group may be prepared to accept.

The existence and extent of competition in the commercial property market may also have a material adverse effect on the Group's ability to secure tenants for properties it acquires at satisfactory rental rates and on a timely basis and to subsequently retain such tenants. Competition may cause difficulty in achieving rents in line with the Group's expectations and may result in increased pressure to offer new and renewing tenants incentives, which may, in turn, result in lower than expected rental revenues.

Any inability by the Group to compete effectively against other property investors or to effectively manage the risks related to competition may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may acquire various types of real estate loans, some of which may be subordinated debt which would rank behind senior debt tranches for repayment in the event that a borrower defaults.***

Although as at the date of this Prospectus it has not done so, as part of its Business Strategy and subject to the restrictions on investments set out under the SOCIMI Regime (see Part XX ("*Spanish SOCIMI Regime and Taxation Information*") for further information), the Group may invest in performing or non-performing real estate loans (loans secured on real estate assets) in Spain and, to a lesser extent, in Portugal, with underlying real estate collateral that fits within the Business Strategy of the Group, with the objective of gaining ownership over the real estate collateral through the loan. The Group may acquire junior or mezzanine debt and, where it acquires senior debt or whole loans, it may undertake the syndication, sale, assignment, sub-participation or other financing (including securitisation) of the senior portion of the relevant loan, with the same maturity as the original loan. In circumstances where the Group's debt acquisition is a junior ranking one, it would be subordinated in right of payment and ranked junior to other obligations that are secured by the same asset or pool of assets. In the event of default by a borrower in relation to any such loan, the holders of the borrower's more senior obligations will have priority in terms of directing the enforcement of the underlying security and be entitled to payments in priority to the Group and the Group may not be repaid in full or at all, resulting in a capital loss. Some loans may also have structural features that divert payments of interest and/or principal (temporarily or permanently) to more senior creditors secured by the same asset or pool of assets on the occurrence of certain events. This may lead to interruptions in the income stream that the Group expects to receive from its real estate loans, which may lead to a reduction in the Group's income and, consequently, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Real estate loans are subject to the risk that tenants at the underlying properties could default and/or seek to renegotiate terms during the course of a tenancy, which could, in turn, result in the borrower defaulting on the loans or result in a reduction in the value of the underlying real estate assets.***

The borrowers under real estate loans may be significantly exposed to factors that affect the commercial property environment generally and the related real estate markets, including the success of tenant businesses, property management decisions, changes in laws which may lead to, among other things, increased operating expenses or transfer taxes or limited rents, declines in regional or local real estate values or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, increases in unemployment, increases in the amount of the loans as a percentage of property values and increases in the percentage of income that borrowers must use to service their mortgages. A decline in overall tenant revenues or the insolvency or financial difficulty of a number of significant individual tenants, or a substantial number of smaller tenants, may materially decrease the borrower's revenues and available cash to service such loans, which could result in the borrower defaulting on the loan held by the Group. Such factors could also materially lower the value of the underlying real estate asset, which could reduce the value available to the Group in any enforcement action. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***In the event of the insolvency of a borrower, the Group's ability to enforce the underlying collateral may be adversely impacted by the insolvency regime or insolvency regimes which may apply to that borrower and/or the underlying collateral.***

In the event of the insolvency of a borrower under a real estate loan, the Group's recovery of amounts outstanding in insolvency proceedings may be impacted by the insolvency regimes in force in the jurisdiction in which such borrower

and/or the underlying collateral is located. Insolvency regimes generally impose rules for the protection of creditors and may adversely affect the Group's ability to recover such amounts as are outstanding from the insolvent borrower, which may adversely affect the Group's business performance, financial condition, results of operations, prospects or net asset value and/or the market price of the Ordinary Shares.

In particular, it should be noted that a number of European jurisdictions (including Spain and Portugal) operate insolvency regimes, the outcome of which may be uncertain and unpredictable and which may cause delays to the recovery of amounts owed by insolvent borrowers subject to those regimes. The different insolvency regimes applicable in the different European jurisdictions result in a variability of recovery rates for secured loans and other debt obligations entered into in such jurisdictions.

***The Group's return on real estate loans may be adversely affected if the Group cannot obtain the underlying collateral in the event of a default.***

Although as at the date of this Prospectus it has not done so, as part of its Business Strategy, and subject to the restrictions on investment set out under the SOCIMI Regime as described in Part XX ("*Spanish SOCIMI Regime and Taxation Information*"), the Group may acquire real estate loans that are in default or which the Group expects to go into default, with the expectation of obtaining the underlying collateral. In these circumstances, the Group's asset will be the loan and not the underlying collateral. The Group's target return on such assets will depend on the ease and value of enforcement against the collateral following default, the net proceeds of realisation of any subsequent sale of the collateral and, where the Group retains the collateral, the income generated from the Group's management of the collateral. In some circumstances, the Group may not be able to obtain the underlying collateral but will receive only the net proceeds of the sale of the collateral by the receiver of the loan. There is no guarantee that the amount of proceeds will be equal to what the Group would have been able to obtain had it sold the collateral itself or retained and managed the collateral. To the extent the Group receives lower than expected amounts, it may have an adverse effect on the return on those assets and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Repayments of loans could be subject to the availability of refinancing options or sale of the underlying asset.***

Upon maturity of real estate loans held by the Group, the borrower may either sell the underlying asset to repay the loan or seek to refinance the loan with the Group or an alternative lender. However, there can be no certainty that refinancing options will be available to borrowers on maturity of any loan owned by the Group and the sale of the underlying asset may not yield sufficient capital to repay the loan in full or may otherwise result in a delay in the receipt of proceeds. Both eventualities could reduce the expected return obtained from the loan by the Group and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be subject to prepayment risk on its loan assets.***

Prepayment risk is the risk that principal will be repaid earlier than anticipated, causing the return to be lower than expected. In general, an increase in prepayment rates may reduce the overall income earned on the Group's assets. Further, the Group may not be able to reinvest the capital arising from prepayments at rates as favourable as those on the loans being prepaid, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Company's ability to pay dividends will depend upon the Group's ability to generate profits available for distribution and its access to sufficient cash***

All dividends and other distributions paid by the Company will be made at the discretion of the Board of Directors and will be dependent on the availability of profits available for distribution and other reserves, including share premium, (after fulfilling any relevant Spanish Companies Act requirement) and sufficient cash. The generation of profits available for distribution depends on a number of factors including the successful management of the Group's investments, the yields on the Group's properties, interest costs, taxes and profits on the development and sale of properties. The payment of any such dividends or other distributions will depend on the Company's ability to generate profits available for distribution and cash flow. This could be mitigated if the Company were to increase its reserves available for distribution, for example by means of a court-approved reduction of the Company's capital.

Pursuant to the Spanish SOCIMI Regime, in order to benefit from a 0% Spanish Corporate Tax rate, the Company will be required, among other things, to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the end of the Company's financial year in the following amounts: (i) at least 50% of the profits arising from the transfer of Qualifying Assets carried out once the minimum three-year holding period described in section 1.2 of Part XX ("*Spanish SOCIMI Regime and Taxation Information*") has ended (in which case the remainder of such profits must be reinvested in other Qualifying Assets within a maximum period of three years from the date of the sale or, otherwise distributed as dividends once such reinvestment period has elapsed); (ii) 100% of the profits derived from dividends received from Qualifying Subsidiaries; and (iii) at least 80% of all other profits obtained (i.e., profits derived from ancillary activities).

There is a risk that the Group may generate profits but the Company or its subsidiaries may not have sufficient cash to make distributions. If the Company or its subsidiaries do not have sufficient cash, they may have to borrow to fund the distribution, which would increase the Group's finance costs, could reduce the Group's ability to borrow to finance

property acquisitions and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The dividend distributions requirements that are necessary to achieve the full tax benefits associated with qualifying as a Spanish SOCIMI can be met by approving such distribution and satisfying the dividend in kind or, immediately thereafter, converting credit rights deriving from such dividends into share capital of the Company, provided such dividends qualify as income for tax purposes. However, any such distribution may not be approved by its Shareholders or may not be considered as income for tax purposes for all Shareholders.

***The composition of the Group's Assets is expected to fluctuate***

The principal activity of the Group is the acquisition, directly or indirectly, active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments, such as offices, retail, logistics and prime urban hospitality primarily in Spain, and to a lesser extent, in Portugal. The Group, however, may freely acquire different real estate assets at different times within those categories of assets. The allocation of the Commercial Property Assets of the Group between offices, retail, logistics and prime urban hospitality assets may therefore fluctuate from time to time. As at 31 March 2015, BBVA branches, shopping centres, office buildings, and logistics assets represent 73%, 12%, 11% and 4%, respectively of the Assets (calculated over market value as of 31 March 2015) and 67%, 14%, 13% and 6%, respectively of the gross annualised rent of the Assets as of 31 March 2015.

At the time a particular acquisition is made, the real estate market for each asset class may be at a different stage of the cycle than other types of assets. Also, acquisition of each class of real estate presents inherent risks, and investors may from time to time be more or less exposed to such risks as a result of fluctuations in the Group's Assets.

Accordingly, as a result of each of these factors, Shareholders should note that the actual composition of the assets of the Group may fluctuate from time to time, which may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group faces potential risks related to its indebtedness.***

At 31 March 2015, the Group's gross financial debt, which takes into consideration long-term debt with banks and short-term debt with banks, was €1,186.9 million compared to €1,010.2 million at 31 December 2014. The Net LTV as of 31 March 2015 was 39.8%. The Group's net financial indebtedness, calculated as gross financial debt less cash and short-term financial investment, was €912.6 million at 31 March 2015, compared to €857.3 million at 31 December 2014.

Upon completion of the Acquisition and partial repayment of the Bridge Facility, assuming no variation in the perimeter of the assets of the Combined Group and assuming that there is no revaluation of the assets of the Combined Group, the Combined Group's net financial debt will be €2,803.4 (based on the Pro Forma accounts and including the Offering), the Combined Group's gross financial debt will be €3,204.8 and the Combined Group's Net LTV will be 51.0%. See section 5 ("Capital Structure") in Part X ("Acquisition of Testa"). The Group aims that its Net LTV will not exceed 50% from time to time. See "Testa is a party to financing agreements containing change of control provisions that may be triggered by the acquisition by the Company of more than 50% of the shares of Testa, which may result in the need to renegotiate or repay financing agreements or other contractual agreements" and "Testa faces a potential refinancing risk as a result of the Acquisition" of this Part II ("Risk Factors") in relation to Testa's debt.

The indebtedness incurred by the Group, or that it may incur in the future, even within the limits set forth in its Business Strategy, could reduce the Group's financial flexibility and cash available to the Company to pay dividends to Shareholders due to the need to service its debt obligations. Prior to agreeing the terms of any debt financing, the Group comprehensively considers its potential debt servicing costs and all relevant financial and operating covenants and other restrictions, including restrictions that might limit the Company's ability to make distributions to Shareholders in light of cash flow projections. However, if certain extraordinary or unforeseen events occur, including a breach of financial covenants, the Group's borrowings and any hedging arrangements that it may have entered into may be repayable prior to the date on which they are scheduled for repayment or could otherwise become subject to early termination. If the Group is required to repay borrowings early, it may be forced to sell assets when it would not otherwise choose to do so in order to make the payments and it may be subject to prepayment penalties. The Group may also find it difficult or costly to refinance indebtedness as it matures, such as the Bridge Facility which matures in April 2016 (nine months from the date in which the loan is drawn), and if interest rates are higher when the indebtedness is refinanced, the Group's costs could increase.

In addition, the use of leverage may increase the exposure of the Group to adverse economic factors such as rising interest rates, downturns in the economy, deterioration in the condition of the Group's investment and/or the Spanish and Portuguese real estate and banking sectors, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Likewise, if the rental income of the Group's Assets decreases (for example, due to tenant defaults), the use of leverage will increase the impact of such reduction on the net income of the Group and, accordingly, will have an adverse effect on the Company's ability to pay dividends to Shareholders. Moreover, in circumstances where the value of the Group's assets is declining, the use of leverage by the Group may result in the Group's net asset value declining at a higher rate than the value of its assets.

***The Group may not be able to obtain further financing on satisfactory terms or at all***

The Group's Business Strategy contemplates the funding of investments through the Group's own funds and/or, in part, through borrowings. There can be no guarantee, however, that the Group will be able to obtain such borrowings on acceptable terms or at all, which could adversely affect the implementation of the Business Strategy.

The level of the Group's borrowings and the terms thereof will depend, among other things, on the Group's and the lenders' estimate of the stability of the relevant investments' expected cash flows and the expected evolution of the value of the assets as well as macroeconomic factors and credit market conditions.

If the Group is unable to obtain financing on commercially acceptable terms or at all, or delays are incurred in obtaining financing, this may impair the Group's ability to make investments and leverage its resources, which may have a material adverse effect on the implementation of the Business Strategy and the Group's business, financial condition, results of operations and prospects.

***The Group is exposed to risks associated with movements in interest rates as a result of incurring floating rate debt***

As at the date of this Prospectus, the Group has incurred debt under the Senior Facility Agreement, the Madrid A1 Office Facility Agreement, the Marineda Facility Agreement, the WTCAP 6 Facility Agreement, the Alcala Facility Agreement and the Meco Facility Agreement. In addition, in order to finance the acquisition of the shares of Testa that is expected to take place on or before 29 July 2015 in accordance with the Investment Agreement, the Group will incur additional debt by drawing down funds under the Bridge Facility. All this debt has floating interest rates and the Group may incur further debt with floating interest rates. Interest rates are highly sensitive to many factors beyond the Group's control, including central banks' policies, international and domestic economic and political conditions. The level of interest rates can fluctuate due to, among other things, inflationary pressures, disruption to financial markets or the availability of bank credit. If interest rates rise, the Group will be required to use a greater proportion of its revenues to pay interest expenses on its floating rate debt. While the Group intends to hedge, totally or partially, its interest rate exposure, any such measures may not be sufficient to protect the Group from risks associated with movements in prevailing interest rates. As at the date of this Prospectus, the Group has hedged 95.6% of the interest rate exposure on the gross financial debt of the Group. Any hedging arrangements will expose the Group to credit risk in respect of the hedging counterparty. Any of the foregoing may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**B) RISKS RELATING TO THE REAL ESTATE BUSINESS**

***The value of any properties that the Group has acquired and will acquire and the rental income those properties yield are and will be subject to fluctuations in the Spanish and Portuguese property markets***

Real estate markets are cyclical in nature and are affected by the condition of the economy as a whole. The Group's performance will be subject to, among other things, the conditions of the commercial property market in Spain and, to a lesser extent, Portugal, which will affect both the value of any properties that the Group has acquired and will acquire and the rental income those properties yield. The value of real estate in Spain declined sharply starting in 2007 as a result of the economic recession, the credit crisis and reduced confidence in global financial markets caused by the failure, or near-collapse, of a number of global financial institutions, increased unemployment rates, an overhang of excess supply, overleveraged local real estate companies and developers and the absence of bank funding. From an early 2007 peak in Spanish commercial property values to the end of 2013, the capital values of office, retail and industrial assets fell by approximately 47.5%, 58.1% and 43.1%, respectively (source: *CBRE*). In 2014, both Spain and Portugal have started to show signs of recovery which has been reflected in key real estate indicators. Capital values for high street retail, offices and logistics property types in Madrid as of the end of the first quarter of 2015 were approximately €16,000/sqm, €6,442/sqm and €840/sqm, respectively, representing a 29%, 31% and 18% change when compared to 2013 levels. Similar positive trends have also been observed in Barcelona (29%, 24% and 14% change) and Lisbon (32%, 20% and 23% change). Further declines in the performance of the Spanish economy or the Spanish property market could have a negative impact on consumer spending, levels of employment, rental revenues and vacancy rates and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects (source: *CBRE*).

There is no assurance that any recovery of the value of Spanish real estate assets will occur, or that if such a recovery does occur, it will continue or be sustainable. Spanish real estate values could decline further and those declines could be substantial, particularly if recessionary conditions in the Spanish economy continue and/or if demand does not recover.

In addition to the general economic climate, the Spanish commercial property market and prevailing rental rates and asset values may also be affected by factors such as an excess supply of properties, the availability of credit, the level of interest rates and changes in laws and governmental regulations (both domestic and international), including those governing real estate usage, zoning and taxes. In addition, rental rates may also be affected by a fall in the general demand for rental property and reductions in tenants' and potential tenants' space requirements. All of these factors are outside of the Group's control, and may reduce the attractiveness of holding property as an asset class.

These factors could also have a material effect on the Group's ability to maintain the occupancy levels of the properties it has acquired and will acquire through the execution of leases with new tenants and the renewal of leases with existing tenants, as well as its ability to maintain or increase rents over the longer term. In particular, non-renewal of leases or early termination by significant tenants in the Group's property portfolio could materially adversely affect the Group's net rental income. If the Group's net rental income declines, it would have less cash available to service and repay its



indebtedness or make distributions to Shareholders and the value of its properties could further decline. In addition, significant expenditures associated with a property, such as taxes, service charges and maintenance costs, are generally not reduced in proportion to any decline in rental revenue from that property. If rental revenue from a property declines while the related costs do not decline, the Group's income and cash receipts could be materially adversely affected. Declines in rent and demand for space might render refurbishment and redevelopment properties unattractive.

Any deterioration in the Spanish and Portuguese commercial property markets, for whatever reason, could result in declines in market rents received by the Group, in occupancy rates for the Group's properties, in the carrying values of the Group's property assets and the value at which it could dispose of such assets. A decline in the carrying value of the Group's property assets may also weaken the Group's ability to obtain financing for new asset acquisitions at favourable credit terms and conditions or at all. Any of the above may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's business may be materially adversely affected by a number of factors inherent to the sale and purchase of properties and their management***

Revenues earned from, and the capital value and disposal value of, properties held or sold by the Group and the Group's business may be materially adversely affected by a number of factors inherent in real estate asset sales and management, including, but not limited to:

- decreased demand by potential buyers for properties or tenants for space;
- relative illiquidity of the assets;
- sub-optimal tenant rotation policies or lease renegotiations;
- material declines in property and/or rental values;
- material disposals in extensions/refurbishment and/or re-letting of a relevant property;
- the inability to recover operating costs such as local taxes and service charges on vacant space;
- incorrect repositioning of an asset in changing market conditions;
- exposure to the creditworthiness of buyers and tenants, which could result in delays in receipt of contractual payments, including rental payments, the inability to collect such payments at all including the risk of buyers and tenants defaulting on their obligations and seeking the protection of bankruptcy laws, the renegotiation of purchase agreements or tenant leases on terms less favourable to the Group, or the termination of purchase agreements or tenant leases;
- defaults by a number of tenants with material rental obligations (including pre-let obligations) or a default by a significant tenant of a specific property that may hinder or delay the sale or re-letting of such property;
- material litigation with buyers or tenants;
- material expenses in relation to the construction of new tenant improvements and re-letting a relevant property, including the provision of financial inducements to new tenants such as rent-free periods;
- limited access to financing;
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants;
- increase in the taxes and fees on real estate as well as other costs and expenses associated with the ownership of real estate (for example, insurance expenses); and
- regulatory changes which impose burdens on owners of real estate or which imply additional expenses or costs (for example, obligations to obtain energy certificates in relation to real estate assets in order to be able to lease them.)

The above factors could materially adversely affect the Group's business, financial condition, results of operations and prospects.

***Investing in commercial property asset classes is subject to certain risks inherent in each of these asset classes***

The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments, such as offices, retail, logistics and prime urban hospitality primarily in Spain, and to a lesser extent, in Portugal. An investment in the Ordinary Shares may therefore be subject to greater risk than investments in other companies that have more diversified portfolios or business strategies. As of 31 March 2015, BBVA branches, shopping centres, office buildings, and logistics assets represent 73%, 12%, 11% and 4%, respectively of the Assets (calculated over market value as of 31 March 2015). Investing in these types

of assets is subject to certain inherent risks:

*Offices.* Demand for office space is subject to a number of factors, including overall economic conditions and the attractiveness of a particular location due to changes in transport links, the proximity of other office space and commercial tenants and general trends in the commercial real estate market, such as trends in the usage of office space. Even where demand for office space is generally high, the offices owned by the Group may not be of interest to potential tenants due to the characteristics of the office space (e.g., tenants may seek bigger surfaces or a particular layout of office space). In addition, a downturn in a particular economic sector may adversely affect the Group where it has let offices to commercial tenants from that particular economic sector. Furthermore, any excess in supply is likely to exert a downward pressure on the rental income and the assets of the Group.

*Retail.* Demand for retail space is closely linked to general economic conditions, including levels of employment and consumption, and demand for rented residential properties in adjacent areas. In addition, the retail sector, which is currently experiencing an excess of supply, is facing competition from large commercial premises, as well as a considerable competition from e-commerce and online retail with consumer shopping habits increasingly shifting from store usage to internet shopping, putting pressure on retailers' revenues. These factors could have an adverse impact on demand for retail space and, in turn, may negatively affect the Group's ability to attract tenants for its retail properties or may force the Group to accept lower rents to fill space.

*Logistics.* While the increase in e-commerce and online retail has driven a certain rise in demand for logistics space, potential tenants increasingly require such space to be suitable for storage, classification and distribution, in accordance with the needs of online retail, which are different from traditional warehousing needs. In addition, the attractiveness of logistics space is closely linked to access to infrastructure and proximity to large cities. In the event the Group's logistics properties were to fail to have these characteristics, this could negatively affect the Group's ability to attract tenants for its logistics properties or may force the Group to accept lower rents to fill space.

*Prime urban hospitality.* Demand for hotel beds is seasonal in nature, depending principally on location and on the customer base served. In addition, the hotel industry is cyclical and demand generally follows, with a certain lag, the general trends of the economy. The seasonality and cyclicity of the industry may affect the gross margins and the valuation of the hotel-related assets of the Group, which may contribute to fluctuations in the results of operations and financial condition. In addition, the hotel industry is highly competitive and the Group's hotel properties are likely to face intense competition from major hotel chains with well-established and recognised brands, smaller hotel chains and independent local hotel owners. Hotels typically compete on the basis of brand name recognition and reputation, location, room rates, property size and availability of rooms and conference space, quality of the accommodations, amenities and the ability to earn and redeem loyalty programme points. These factors may affect negatively the demand for the Group's hotel properties.

If the Group's revenues earned from its assets or their market value are adversely impacted by any of the above or other factors, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Property valuation is inherently subjective and uncertain***

The success of the Group depends significantly on the ability of the Group to assess the values of properties, both at the time of acquisition and the time of disposal. Valuations of the Group's property assets will also have a significant effect on the Group's financial standing on an ongoing basis and on its ability to obtain further financing. The valuation of property and property-related assets is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate (particularly in periods of volatility or low transaction flow in the commercial real estate market), and in part because of the individual nature of each property. Therefore property valuations might not accurately reflect the current market value of the Group's assets at a certain time.

In determining the value of properties, the valuers are required to make assumptions in respect of matters including, but not limited to, the existence of willing sellers in uncertain market conditions, title, condition of structure and services, existence of deleterious materials, environmental matters, permits and licences, statutory requirements and planning, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying a valuation could negatively affect the value of any property assets the Group has acquired or will acquire and thereby have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Valuations are particularly difficult to carry out in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked. Valuations carried out by or on behalf of the Group may not reflect actual transaction prices even where any such transactions are undertaken shortly after the relevant valuation date, and the estimated yield and annual rental income in such valuations may prove to be unattainable.

The Group may acquire properties through investments in various property-owning vehicles, and may in the future utilise a variety of investment structures for the purpose of acquiring properties, such as joint ventures and minority investments. Where a property or an interest in a property is acquired through another company or an investment structure, the value of the entity or investment structure may not be the same as the value of the underlying property due to, for example, tax, environmental, contingent, contractual or other liabilities, or structural considerations. As a result, there can be no assurance that the value of investments made through those structures will fully reflect the value of the underlying

property.

To the extent valuations of the Group's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group's due diligence may not identify all risks and liabilities in respect of an asset acquisition***

Prior to entering into an agreement to acquire any property, the Group performs due diligence on the proposed asset. For instance, the Group performed due diligence on Testa before its acquisition (See "*Any due diligence by the Company in connection with the Acquisition may not reveal all relevant considerations or liabilities of Testa's Group, which could have a material adverse effect on the Company's financial condition or results of operations.*" in this Part II ("*Risk Factors*"). In doing so, it typically relies in part on third parties to conduct a significant portion of this due diligence (including providing legal reports on title and property valuations). There can be no assurance, however, that due diligence examinations carried out by the Group or third parties in connection with any properties the Group has acquired or may acquire did or will reveal all of the risks associated with that asset, or the full extent of such risks. Properties the Group acquires or invests in may be subject to hidden material defects that were not apparent at the time of acquisition. To the extent that the other third parties underestimate or fail to identify risks and liabilities associated with an asset, the Group may be subject to one or more of the following risks:

- defects in title;
- environmental liabilities or structural or operational defects or liabilities requiring remediation and/or not covered by indemnities or insurance;
- lack or insufficiency of permits and licences (e.g., occupancy and activity licences from municipal authorities);
- an inability to obtain permits enabling the property to be used as intended; or
- the acquisition of properties that are not consistent with the Group's Business Strategy or that fail to perform in accordance with expectations.

Any of these consequences of a due diligence failure may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Real estate assets are illiquid***

Real estate assets can be illiquid for reasons including but not limited to the long-term nature of leases, commercial properties being tailored to tenants' specific requirements and varying demand for commercial property. This is specially the case with land (See "*The appraised value of Testa's real estate portfolio may not accurately reflect the current market value of Testa's assets. Valuation of land presents special difficulties.*" in this Part II ("*Risk Factors*"). Such illiquidity may affect the Group's ability to change the composition of its portfolio or dispose of properties in a timely fashion and/or at satisfactory prices in response to changes in economic, property market or other conditions. This may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be dependent on the performance of third-party contractors when undertaking development, refurbishment or redevelopment projects and may suffer delays, non-completion or may fail to achieve expected results***

In circumstances where the Group seeks to create value by undertaking development, refurbishment or redevelopment of its property assets, it will typically be dependent on the performance of third-party contractors who undertake the management or execution of such development, refurbishment or redevelopment on behalf of the Group. The risks of development, refurbishment or redevelopment include, but are not limited to:

- failure by such third-party contractors in performing their contractual obligations;
- insolvency of such third-party contractors;
- the inability of the third-party contractors to retain key members of staff;
- cost deviations in relation to the services provided by the third-party contractors;
- delays in properties being available for occupancy;
- poor quality execution;
- fraud or misconduct by an officer, employee or agent of a third-party contractor;
- diversion of resources and attention of the Board of Directors and the Management Team from operations and acquisition opportunities;
- disputes between the Group and third-party contractors, which may increase the Group's costs and require the time and attention of the Board of Directors and the Management Team;
- liability of the Group for the actions of the third-party contractors;

- inability to obtain governmental and regulatory permits on a timely basis or at all;
- inability to sell the developed, redeveloped or refurbished units at prices that are favourable to the Group or at all; and
- inability to rent the units to tenants at rental rates that are favourable to the Group or at all.

If the Group's third-party contractors fail to successfully perform the services for which they have been engaged, either as a result of their own fault or negligence, or due to the Group's failure to properly supervise any such contractors, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, development, refurbishment or redevelopment projects are based on business plans devised by the Management Team and actual results might differ. Unexpected developments may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

There is no assurance that the Group will realise anticipated returns on property development, refurbishment or redevelopment. Failure to generate anticipated returns may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be subject to liability following the disposal of assets***

The Group may be exposed to future liabilities and/or obligations with respect to the properties that it sells. The Group may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Group may be required to pay damages (including but not limited to litigation costs) to a purchaser to the extent that any representations or warranties given to a purchaser prove to be inaccurate or to the extent that the Group breaches any of its covenants or obligations contained in the sale documentation. In certain circumstances, it is possible that representations and warranties incorrectly given could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Group may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments can also continue to exist notwithstanding any disposal, such as certain environmental liabilities or any liability arising from construction defects or damages (*responsabilidad decenal*). Any such claims, litigation or obligations, and any steps which the Group is required to take to meet this cost, such as sales of assets or increased borrowings could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be subject to potential claims relating to the development, construction and refurbishment of real estate assets***

The Group may be subject to claims due to defects relating to the development, construction and refurbishment of its properties. This liability may apply to damages and construction defects unknown to the Group, but that could have been identified, at the time of acquisition. In addition, the Group may be exposed to substantial undisclosed or unascertained liabilities relating to properties that were incurred or that arose prior to the completion of the Group's acquisition of such properties. Although the Group may have obtained contractual protection against such claims and liabilities from the seller, there can be no assurance that such contractual protection will always be successfully obtained, or that it would be enforceable or effective if obtained under contract. Any claims for recourse that the Group may have against parties from which the Group has purchased such a property may fail because of, among other things, the expiration of warranty periods and the statute of limitations, lack of proof that the seller knew or should have known of the defect, the insolvency of the seller, or lack of proof of the knowledge that the seller had or should have had regarding the corresponding defect or contingency.

Certain obligations and liabilities associated with the ownership of assets can also continue to exist notwithstanding any disposal, such as certain environmental liabilities or any liability arising from construction defects or damages (*responsabilidad decenal*). Any such claims, litigation or obligations, and any steps which the Group is required to take to meet this cost, such as sales of assets or increased borrowings could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may suffer losses in excess of insurance proceeds, if any, or from uninsurable events***

The Group's properties may suffer physical damage resulting in losses (including loss of rent) which may not be compensated for by insurance, either fully or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being unavailable or insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Group may lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group may also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**II. SPECIFIC RISKS RELATING TO THE MERLIN'S EXISTING ASSETS**

***Tree's assets are fully leased to a single tenant***

On 3 July 2014, the Company completed the acquisition of Tree, a company which owns and operates branches and buildings fully leased to the international Spanish banking group BBVA, and Bosque, Tree's properties manager, for an aggregate price based on the enterprise value of Tree, which the parties to the sale and purchase agreement of Tree agreed amounted to €1,577.4 million, and consequently the purchase price of Tree amounted to €739,483,659 (please see section 3 of Part XIV ("*The Assets*") for further details).

As of 31 March 2015, Tree's assets represented approximately 73% of the Assets (calculated over market value). Tree's core business is the holding and operation of real estate assets for lease. Tree's assets are fully leased to Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**"), the parent company of the global Spanish financial group BBVA. As a result, the performance of the Group's business will be highly linked to the compliance of BBVA with the terms of the BBVA Lease Agreement as well as to BBVA's financial strength and the overall performance of BBVA's business, prospects and financial condition and the performance of the wider financial institutions sector in general, in particular in Spain. Accordingly, following the completion of the acquisition of Tree by the Company, any adverse developments affecting the financial institutions sector or BBVA or the failure by BBVA to comply with the terms of the BBVA Lease Agreement could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the BBVA Lease Agreement provides only contractual protection to Tree (as lessor) in the event that BBVA (as lessee) were to fail to comply with the terms of the BBVA Lease Agreement. In the event of such a breach, the legal remedies available to Tree and/or the Company, as the case may be, would be unlikely to extend beyond a claim for breach of contract, action for eviction or similar remedies. Moreover, given the size of the Tree's assets, Tree and/or the Company would likely be unable to mitigate the impact of any default by BBVA on its obligations under the BBVA Lease Agreement. Due to the systemic importance of BBVA for the Spanish economy, any such default by BBVA may also have an adverse effect on the business and financial condition of potential third-party tenants and purchasers that the Group or Tree may seek to approach for any potential sale or letting of Tree's assets.

***Tree has significant levels of debt and has not yet incurred profits***

Tree is currently a party to a Senior Facility Agreement, most recently amended on 30 December 2014. The total outstanding principal amount under the Senior Facility Agreement as at 31 March 2015 was €937,406 thousand.

Tree's indebtedness leads to certain risks, to which the Group has been exposed following its acquisition of Tree. Tree's significant indebtedness makes it more difficult for it to borrow more money in the future, reduces the amount of money available to pay dividends and finance Tree's operations and other business activities, exposes Tree to the risk of increased interest rates, makes Tree more vulnerable to general economic downturns and adverse industry conditions, and could reduce Tree's flexibility in planning for, or responding to, changing business and economic conditions.

If Tree does not have enough cash to service its debt, it may be required to take actions such as selling assets, restructuring or refinancing all or part of its existing debt, or seeking additional equity capital. There can be no assurance that any of these remedies could be effected on reasonable terms or at all. Tree's ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest, or refinance existing borrowings depends on future business performance that is subject to economic, financial, competitive and other factors.

Furthermore, upon maturity of the Senior Facility Agreement in September 2024, Tree may either proceed to repay any amounts then due or seek to refinance the Senior Facility Agreement. However, there can be no assurance that Tree would be able to raise financing on favourable terms or at all on maturity of the Senior Facility Agreement and Tree may therefore be unable to repay the Senior Facility Agreement in full.

Any failure by Tree to comply with the terms of the Senior Facility Agreement could result in the acceleration of such debt, which would entitle the lender to declare due and payable all amounts outstanding under the Senior Facility Agreement prior to its maturity together with accrued and unpaid interest and to enforce the security interests granted as security. In such circumstances, the Group may need to use its resources to prevent the default and foreclosure or risk losing the value of its investment in Tree, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, Tree was established in 2009 and has incurred losses in each of its financial years since incorporation. There can be no assurance that Tree will be able to generate profits and distribute dividends to the Group in the future.

***The Assets' valuation over time could be lower than the price paid for the acquisition of the assets that comprise the Assets***

At the Company's request, Savills Consultores Inmobiliarios, S.A. ("**Savills**"), external independent real estate appraisers, have prepared a valuation report (the "**Company's Valuation Report**") dated July 2015, which valued the Group's Assets at an aggregate amount of approximately €2,231.6 million as at 31 December 2014. See Part XV ("**Company's Valuation Report**") of this Prospectus.

The valuation of real estate assets and real estate-related acquisitions is inherently subjective due to their lack of liquidity and, among other factors, the nature of each property, its location, the expected future rental revenues from that particular property or real estate-related acquisitions and the valuation methodology adopted. Any such valuation is subject to a degree of uncertainty and may be made on the basis of assumptions and methodologies which may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the real estate market. In addition,

any valuations relied on by the Management Team and the Group will reflect the position only at their date, and market movements since the date of any such valuations and over the longer term may cause significant fluctuations in the value of the real estate or real estate-related acquisitions.

Accordingly, there can be no assurance that the valuations given in the Company's Valuation Report for the Assets will continue at a level equal to or in excess of such valuations. Also, the valuation may not accurately reflect the current market value of the Group's assets.

If the valuation of the Assets turns out to have been inaccurate or decreases over time, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***A number of the Company's financing agreements, including the Senior Facility Agreement and the Bridge Facility contain covenants that could be breached***

A number of the Company's financing agreements contain standard covenants and specially the Senior Facility Agreement and the Bridge Facility contain covenants relating to the interest coverage ratio and loan to value ratio (see section 3.5 of Part XIV ("*The Assets*") for further details of these covenants) that, if breached, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In particular, pursuant to the Senior Facility Agreement, in the event that the long-term credit rating of BBVA, as occupational tenant of Tree's assets, or its assignees or sub-tenants from time to time, were to fall below BBB- under Standard & Poor's rating and Baa3 under Moody's rating (the "**Required Rating**"), there would be a breach of the Required Rating, which would require Tree to apply towards prepayment of the Senior Facility Agreement certain amounts of any free cash flow available after the debt service and any mandatory distributions to be made by Tree to comply with the SOCIMI regime. As of the date of this Prospectus, BBVA's latest long-term rating is BBB with stable outlook (Standard and Poors, February 2015) and Baa1 with stable outlook (Moody's, June 2015) but any breaches of such covenants or rating downgrades of BBVA are outside the control of the Group and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**III. SPECIFIC RISKS RELATING TO TESTA**

As a manager and developer of real estate assets in Spain, Testa's business involves, to a greater or lesser degree, many of the same risks as the Company's business. Accordingly, prospective investors should carefully consider all the information contained in this Part II Risk Factors describing risks relating to the real estate industry and the macroeconomies of Spain and Europe when evaluating Testa's business and should assume that such risk factors, in particular those risk factors set forth in "*Risks Relating to the Group's Activity and to Its Real Estate Business—General Risks*", "*Regulatory, Structure and Taxation Risks*" and "*Risks Relating to the Economy*" in this Part II ("*Risk Factors*"), apply, mutatis mutandis, to Testa. In addition, Testa faces certain risks specifically relating to its business, including those set forth below.

***Testa faces potential risks related to its indebtedness, such as refinancing risks.***

Testa's net financial indebtedness was €1,635.7 million at 31 March 2015, compared to €1,685.4 million at 31 December 2014. Testa's gross financial debt, which takes into consideration long-term debt with banks and short-term debt with banks and other financial instruments, was €1,668.0 million at 31 March 2015, compared to €1,721.4 million at 31 December 2014. €107.3 million of Testa's gross financial debt at 31 March 2015 matures in 2015. 52% of Testa's debt, €867.8 million as of 31 March 2015, is scheduled for maturity in 2018. Additionally, as a result of the Acquisition, Testa will need to refinance or repay an additional €9358 million in 2016. See "*Testa faces a potential refinancing risk as a result of the Acquisition.*" in this Part II ("*Risk Factors*").

Although Testa has a relatively low loan-to-value ratio (52.1% at 31 March 2015 (excluding current financial assets)) and low-cost debt (average interest rate of 2.0% at 31 March 2015) its indebtedness may make it more difficult for Testa to borrow more money in the future, or require Testa to borrow at a higher cost (reducing the amount of money available to pay dividends and to finance its operations and other business activities), expose Testa to the risk of increased interest rates, make it more vulnerable to general economic downturns and adverse industry conditions and reduce Testa's flexibility in planning for or responding to changing business and economic conditions. Out of the €1,668 million of Testa's gross financial debt (of which €10 million are from derivative instruments), as of 31 March 2015, €1,553 million were subject to variable interest rates, this represented 93.1% of the total as of 31 March 2015. Testa has not entered into agreements to hedge the variable interest rate of its financing agreements.

Testa is also subject to other risks normally associated with debt financing, including the risk that the cash flow from its operations is insufficient to meet its debt service requirements. Moreover, certain of its financing obligations contain cross-default and cross-acceleration provisions, which could be triggered if Testa were unable to meet its obligations under any one of its financing agreements.

In addition, certain of Testa's financing agreements contain customary provisions and covenants requiring the Company to provide certain information to the lenders, setting forth certain restrictions on the Company's operations, as well as requirements to maintain certain financial ratios. If Testa were to fail to comply with one of these provisions or covenants, it could result in an event of default and acceleration of the relevant indebtedness, which in turn could trigger cross-default or cross-acceleration provisions in other agreements.

Testa has also guaranteed certain debt obligations of certain of its equity accounted affiliates. For example, Testa has guaranteed certain obligations of the concessionaire company related to Palacio de Congresos de Vigo for an aggregate amount of €17.3 million as of 31 December 2014. The concessionaire is currently renegotiating the economic arrangements related to the concession. If it is not able to renegotiate such arrangements or its indebtedness otherwise becomes due and payable, Testa could be called upon to satisfy its portion of the indebtedness, which could affect Testa's liquidity, financial condition, business, prospects and results of operation.

Additionally, Testa is exposed to interest rate risk arising from its bank borrowings, which are mostly based on variable interest rates. Any increase to these rates could have a material adverse effect on its ability to service its debt. See "*The Group is exposed to risks associated with movements in interest rates as a result of incurring floating rate debt*" of this Part II ("*Risk Factors*")

Any of the foregoing could have a material adverse effect on Testa's financial condition, business, prospects and results of operations.

***Investing in real estate, including rented residential properties and hotels, is subject to certain inherent risks.***

In addition to the asset classes in which the Group currently invests in (See "*Investing in commercial property asset classes is subject to certain risks inherent in each of these asset classes*" in this Part II ("*Risk Factors*")), Testa holds real estate assets of other types, including rented residential properties, hotels and land. Investing in these asset classes is subject to certain inherent risks.

*Rented residential properties.* Low demand for rented residential properties because private tenants deem a particular location to be undesirable or if the private tenants move to other areas as a result of economic, social or other conditions may lead to higher vacancy rates and subsequently lower gross rental income. Moreover, a recovery of the Spanish economy may result in private tenants increasingly opting to acquire rented residential properties rather than renting. Low demand for rented residential properties could force Testa to lease its rented residential units on less favourable terms, or could make Testa unable to find tenants. Testa's rented residential properties are leased principally to private tenants, who may request the registration of their lease agreements in the Spanish Property Registry (*Registro de la Propiedad*), with corresponding costs. Testa is subject to the Spanish Urban Renting Act (*Ley de Arrendamientos Urbanos*), which requires the mandatory annual extension of lease agreements for at least three years, unless otherwise stated by the lessee, and the amendment or removal of government subsidies for leasing.

*Hotels.* Testa's hotel properties are leased to tenants who operate the hotels. Although the tenant bears the operational risks, there remains the contractual risk, for instance that the tenants default on their rental payments, breach the terms of the leases or that the leases end and Testa is unable to renew them on terms as favourable or at all. Demand for hotel rooms is seasonal in nature, depending principally on location and on the customer base served. In addition, the hotel industry is cyclical and demand generally follows, with a certain lag, the general trends of the economy. The seasonality and cyclicity of the industry may affect the tenants of Testa's hotel properties' ability to make payments to Testa on time or at all, which may contribute to fluctuations in Testa's results of operations and financial condition. In addition, the hotel industry is highly competitive and the tenants of Testa's hotel properties are likely to face intense competition from major hotel chains with well-established and recognised brands, smaller hotel chains and independent local hotel owners. Hotels typically compete on the basis of brand name recognition and reputation, location, room rates, property size and availability of rooms and conference space, quality of the accommodations, amenities and the ability to earn and redeem loyalty program points. Failure by the operators of Testa's hotel properties to compete successfully for hotel guests may adversely affect their ability to perform their contractual obligations in their leases with Testa, which, if drastic enough, could even lead Testa to have to take expensive legal action to enforce their rights.

*Land.* Land plots are relatively illiquid and valuations of land plots present special difficulties. See "*The appraised value of Testa's real estate portfolio may not accurately reflect the current market value of Testa's assets. Valuation of land presents special difficulties.*" in this Part II ("*Risk Factors*").

***The appraised value of Testa's real estate portfolio may not accurately reflect the current market value of Testa's assets. Valuation of land presents special difficulties.***

At least once a year Testa engages independent appraisers to prepare a valuation of all assets that form part of its property portfolio. While such independent appraisers carry out their valuation applying mainly objective market criteria to each of such assets, real estate valuation is inherently subjective. See "*Property valuation is inherently subjective and uncertain*" in this Part II ("*Risk Factors*").

This is particularly the case in relation to Testa's land plots, where there is limited real estate transactional data against which the valuations can be benchmarked due to the restricted number of market transactions completed in Spain during the recent financial crisis. There is also no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable. See "*Valuation*" section in Part IX ("*Important Information*").

The assets comprising Testa's property portfolio (excluding the land plots) have been valued by CBRE at an aggregate amount of approximately €2,935.3 million at 31 March 2015, €2,912.7 million at 31 December 2014 and €2,877 million at 31 December 2013. Additionally, Instituto de Valoraciones has, for the first time, valued Testa's land plots at an aggregate

amount of approximately €267.1 million at 31 March 2015 and Tasaciones Hipotecarias valued Testa's land plots (for the purposes of preparation of its annual accounts for the years ended 31 December 2014 and 31 December 2013) at an aggregate amount of €267.3 million at 31 December 2014 and €410.2 million at 31 December 2013. However, the market value of real estate assets could decrease due to a number of factors, such as increases in the risk premium leading to lower than expected returns, decline in demand and/or increase in supply of real estate assets and land, macroeconomic conditions, infrastructures, financing, construction, development or other costs, Testa's inability to obtain or maintain necessary licences, planning, zoning and regulatory changes, and other factors, some of which may be beyond its control.

The valuation of Testa's property portfolio may serve as an estimate or an indication of the price at which a property would sell, but the specific price at which the property may sell can only be determined by negotiation between a willing buyer and seller. Investors are cautioned not to place undue reliance on such statements.

***Testa relies on certain key personnel.***

Testa's ability to manage its business depends in part on its ability to retain certain key individuals. Testa's commercial success depends on, among other things, the expertise of such key individuals in identifying appropriate business opportunities and managing such activities once identified. The departure of one or more of such key individuals, especially to the extent any such key individual cannot be substituted in a timely manner at a reasonable cost, could have a material adverse effect on Testa's financial condition, business, prospects and results of operations.

***Testa faces risks related to court claims and out-of-court claims.***

As described in "Legal Proceedings" in Part XVIII ("*Information on Testa*"), Testa has some ongoing litigation proceedings. While Testa has insurance in place to cover legal costs or potential damages against Testa and its directors and management, such insurance may not be adequate to cover all of the costs resulting from such legal claims. Moreover, there is no assurance that Testa's current liability insurance coverage will continue to be available on commercially acceptable terms, and the insurer may, in any event, deny coverage on any future claim.

Consequently, Testa could incur significant expenditures and reputational damage in defending any of these claims (even if the outcome were favourable to Testa).

Any such claim, or any other claim related to the Group's business and activities, could have a material adverse effect on its financial condition, business, prospects and results of operations.

### **3. RISKS RELATING TO THE MANAGEMENT TEAM, THE GROUP'S EMPLOYEES AND THE BOARD OF DIRECTORS**

***The Group is reliant on the performance and the expertise of the Management Team***

The ability of the Group to achieve its objectives is significantly dependent upon the expertise and operating skills of the Management Team. The departure for any reason of a member of the Management Team could have an adverse impact on the ability to implement the Business Strategy of the Group. Whilst the Company has endeavoured to ensure that the Management Team is suitably incentivised, the retention of the members of the Management Team cannot be guaranteed and any such member could become unavailable due to, for example, death or incapacity, as well as due to resignation. In the event of such departure or unavailability of any member of the Management Team, there can be no guarantee that the Company would be able to find and attract other individuals with similar levels of expertise and experience in the Spanish commercial property market or similar relationships with commercial real estate lenders, property funds and other market participants in Spain. The loss of any member of the Management Team could also result in lost business relationships and reputational damage and, in particular, if any member of the Management Team transfers to a competitor this could have a material adverse effect on the Group's competitive position within the Spanish commercial real estate market. If alternative personnel are found, it may take time for the transition of those persons to the Group and the transition might be costly and ultimately might not be successful. In addition, the Group is dependent on the Management Team's ability to identify, attract and retain suitably skilled and experienced staff for the Group's operations. The departure of any member of the Management Team without timely and adequate replacement of such person(s) by the Company, or the inability of the Management Team to identify, attract and retain suitably skilled and experienced staff may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Additionally, after the Acquisition, the Management Team will need to integrate Testa's management into the Combined Group. See "*The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Testa Group effectively, including the successful integration and motivation of certain key employees of the Company and Testa*" of this Part II ("*Risk Factors*").

***Members of the Management Team may have conflicts of interest in allocating their time and activity between the Group and MAGIC Real Estate and the Group may be harmed if its reputation or the reputation of MAGIC Real Estate suffers***

Members of the Management Team, in particular those who are defined as key employees pursuant to several contracts entered into between MAGIC Real Estate, S.L. ("**MAGIC Real Estate**") and third parties (the "**MAGIC Contracts Key Employees**") may have conflicts of interest in allocating their time and activity to matters relating to the Group.

Certain members of the Management Team are employed by the Company on a part-time basis and are also MAGIC Contracts Key Employees under several contracts signed by MAGIC Real Estate. While these employees are required to



agree under the terms of their employment contracts to allocate a significant amount of time to the Group, the Company does not have entire control over such employees and has not put in place specific procedures to monitor the amount of time they allocate to the Group. If the Management Team were unable to allocate the appropriate time or human resources to the Group's investments or any members of the Management Team were not available due to death or illness, the Group may be unable to implement its Business Strategy as set out in this Prospectus.

In addition, if any member of the Management Team were to do anything or be alleged to do anything that may be the subject of public criticism or other negative publicity or may lead to investigation, litigation or sanction, this may have an adverse impact on the Group by association, even if the criticism or publicity is factually inaccurate or unfounded.

Moreover, the Group may be harmed if the Group's or the Management Team's reputation suffers. In particular, litigation, allegations of misconduct or operational failures by, or other negative publicity and press speculation involving the Group or the Management Team, whether or not accurate, may harm the reputation of the Group or the Management Team. Any damage to the reputation of the Group or the Management Team could result in potential counterparties and other third parties such as occupiers, landlords, joint venture partners, lenders, public administrations, real estate sellers, developers, investors or others being less willing or unwilling to transact with the Group or the Management Team. This may have a material adverse effect on the ability of the Group to successfully implement its Business Strategy and may have a material adverse effect on the Group's financial condition, business results of operations and prospects.

For further information see sections 5 and 6 of Part XI ("*Information on the Group*").

***The Management Stock Plan is based on EPRA NAV and volatility in property values might lead to increased entitlements ahead of a cyclical peak***

The Management Team will be entitled to participate in the Management Stock Plan which is linked to the EPRA NAV of the Company and the distributions to Shareholders. Increases in the EPRA NAV of the Company will lead to an increase in the Management Team's entitlement under the Management Stock Plan. If increases in the EPRA NAV are the result of price overheating in the real estate sector, it is possible that the Management Team's entitlement increases ahead of a cyclical peak. Entitlements under the Management Stock Plan are not subject to reduction or clawback due to any subsequent decrease that may occur in the consolidated EPRA NAV of the Company. In addition, in general, the NAV of real estate companies and the evolution of such companies' share prices are not perfectly correlated. Accordingly, the Management Team's compensation will not be directly linked to the price performance of the Ordinary Shares and may be payable or increased when the price performance of the Ordinary Shares is deteriorating.

Furthermore, this compensation is only partially linked to the Company having made distributions to Shareholders.

***There can be no assurance that the Management Team will be successful in implementing the Group's Business Strategy***

No assurance can be given that the implementation of the Group's Business Strategy by the Management Team will be successful under current or future market conditions. The approach employed by the Management Team may be modified and altered from time to time, so it is possible that the approach adopted by the Management Team to achieve the Group's Business Strategy in the future may be different from that presently used and disclosed in this Prospectus.

***The arrangements between the Company and the Management Team were negotiated in the context of an affiliated relationship and may contain terms that are less favourable to the Company than those which otherwise might have been obtained from unrelated parties***

The Company's internal policies and procedures for dealing with the members of the Management Team, including their remuneration policy, were negotiated in the context of the Company's formation and the Initial Issue by persons who were, at the time of negotiation, members of the Management Team and affiliates of MAGIC Real Estate, the Company's sole Shareholder at the time. While the Company believes that the terms of these arrangements are broadly similar to what would have been obtainable from unaffiliated third parties, such terms, including terms relating to fees, performance criteria, contractual or fiduciary duties, conflicts of interest, limitations on liability, indemnification and termination, may be less favourable to the Company than otherwise might have resulted if the negotiations had involved unrelated parties from the outset.

***The members of the Management Team are expected to be entitled to substantial severance payments, in certain circumstances, upon termination of their employment with the Company***

As of the date of this Prospectus, each of the members of the Management team has signed an employment contract with the Company, which came into effect upon Initial Admission. Such contracts contain provisions, which entitle the members of the Management Team to substantial severance payments, in certain circumstances, in case any such employment were terminated. The maximum amount of such severance payments will be equivalent to a multiple of the total gross remuneration (including all concepts, such as base salary and bonus paid, any Awarded Shares related to the Management Stock Plan awarded to the member of the Management Team and any restricted bonus to which such member was entitled) in the 12-month period prior to termination. If the termination were to have taken place during the first year following Initial Admission, the relevant member would have been entitled to five times such total gross remuneration. In the event such termination takes place after the first year following Initial Admission, such severance package would be reduced by 20% in each year during the subsequent four years. Consequently, the termination of employment of any of the

members of the Management Team may be costly to the Company, particularly if any such termination were to occur during the first five years following Initial Admission, which in turn, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. For further information, please refer to section 1 of Part XII ("*The Management Team*").

***The Company is reliant on the performance and retention of the members of the Board of Directors***

The Company relies on the expertise and experience of the Directors to supervise the management of the Group's affairs. Certain reserved matters require the consent of the Board of Directors, including, among other things, approval of the Group's long-term Business Strategy, annual business plan and five-year strategic plan and property acquisitions, disposals developments, refurbishments and other transactions in each case in excess of €150 million. The performance of the Directors and their retention as members of the Board of Directors are, therefore, significant factors in the Group's ability to achieve its Business Strategy. The Directors' involvement with the Group is on a part-time basis rather than a full-time basis, and if there is any material disruption to the Management Team's performance of its services, the Directors may not have sufficient time or experience to manage the Group's business until new members of the Management Team are appointed. In addition, there can be no assurance as to the continued service of such individuals as Directors of the Company. The departure of any of these individuals from the Company without timely and adequate replacement may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Reputational risk in relation to the Board of Directors may materially adversely affect the Group***

The Board of Directors may be exposed to reputational risks. In particular, litigation, allegations of misconduct or operational failures by the Directors, or other negative publicity and press speculation involving any of the Directors, whether or not accurate, may harm the reputation of the relevant Director. Any damage to the reputation of any of the Directors could result in potential counterparties and other third parties such as tenants, landlords, joint venture partners, lenders or developers being less willing to deal with the Group. This may have a material adverse effect on the ability of the Group to successfully pursue its Business Strategy and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***There may be circumstances where Directors have a conflict of interest***

There may be circumstances in which a Director has, directly or indirectly, a material interest in a transaction being considered by the Group or a conflict of interests with the Group. Any of the Directors and/or any person connected with them may from time to time act as director, investor or be otherwise involved in other investment vehicles or companies including vehicles or companies that may have investment strategies similar to the Group's which may also be purchased or sold by the Group, subject at all times to the provisions governing such conflicts of interest both in law and in the by-laws (*Estatutos*) of the Company, as amended from time to time (the "***By-laws***"). The Board of Directors has not yet carried out an annual evaluation and, therefore, an action plan for the Board of Directors and members of the Management Team, as recommended by the Spanish Corporate Governance Code, has not yet been defined. Four employees of the Company, including Ismael Clemente and Miguel Ollero (Executive Directors of the Company) will continue as MAGIC Contracts Key Employees under several contracts currently in place entered into between MAGIC Real Estate and various third parties. Although procedures have been put in place to manage conflicts of interest, it is possible that any of the Directors and/or their connected persons may have potential conflicts of interest with the Group. For further information on conflicts of interests in relation to the Management Team, see section 6 of Part XI ("*Information on the Group*") and section 2 of Part XII ("*The Management Team*"), and for further information in relation to Directors see section 5 of Part XIII ("*Directors and Corporate Governance*").

#### **4. REGULATORY, STRUCTURE AND TAXATION RISKS**

***The Group is subject to certain laws and regulations relating to real estate assets***

The Group's operations must comply with laws and governmental regulations (whether domestic or international (including in the EU)) which relate to, among other things, property ownership and use, land use, development, zoning, health and safety requirements and environmental compliance. Additionally, the applicable laws within Spain may vary from one autonomous region to another, and between different assets within the same autonomous region. These laws and regulations often provide broad discretion to the administering authorities. Additionally, all of these laws and regulations are subject to change, which may be retrospective, and changes in regulations could adversely affect existing planning consents, costs of property ownership, the capital value of the Group's assets and the rental income arising from the Group's properties. Such changes may also adversely affect the Group's ability to use a property as intended and could cause the Group to incur increased capital expenditure or running costs that may not be recoverable from tenants. The occurrence of any of these events may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Environmental, health and safety laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities***

Environmental, health and safety laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities. Applicable environmental, health and safety laws and regulations, as currently in effect and as amended from time to time, impose obligations and potential liabilities on the owners of properties (including

liabilities that were incurred or that arose prior to the acquisition of such properties). Such obligations and liabilities may result in significant investigation, removal or remediation costs regardless of whether or not the Group originally caused the corresponding environmental, health and safety risk or damage. In addition, liabilities could adversely affect the Group's ability to construct, manage, sell, lease or redevelop a property, or to borrow using a property as security.

Applicable environmental, health and safety laws and regulations, may also constitute the basis for liabilities for third parties for personal or other types of damages (for example, in the case of environmental legislation, as a consequence of emitting or leaking contaminating products). In the event that due diligence does not uncover or underrates material defects or liabilities, including environmental liabilities, which are not covered by insurance proceeds, such defects or liabilities could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Furthermore, applicable environmental, health and safety laws and regulations may also limit the use that may be given to the assets of the Group, and impose liability for, among other things, the types of activities that may be developed in them. The Group's acquisitions may include, as part of its Business Strategy properties historically used for commercial, industrial and/or manufacturing uses. Such properties are more likely to contain, or may have contained, storage tanks for the storage of hazardous or toxic substances. Leasing properties to tenants that engage in industrial, manufacturing and other commercial activities will cause the Group to be subject to increased risks or liabilities under environmental, health and safety laws and regulations.

In the event the Group is exposed to environmental, health and safety liabilities or increased costs or limitations on its use or disposal of properties as a result of the applicable laws and regulations this may have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

***The assets of the Company could be deemed to be "plan assets" that are subject to certain requirements of ERISA and/or section 4975 of the Code, which could restrain the Company from making certain investments***

Under the current Plan Asset Regulations, if interests held by Benefit Plan Investors are deemed to be "significant" within the meaning of the Plan Asset Regulations (broadly, if Benefit Plan Investors hold 25% or greater of any class of equity interest in the Company) then the assets of the Company may be deemed to be "plan assets" within the meaning of the Plan Asset Regulations. Since the Existing Ordinary Shares have been listed, the Company has been unable to control whether Benefit Plan Investors have acquired Ordinary Shares and is unable to require Benefit Plan Investors to sell their Ordinary Shares and, therefore, there can be no assurance that Benefit Plan Investors do not currently and will not in the future hold 25% or greater of the Ordinary Shares. If the Company's assets were deemed to constitute "plan assets" within the meaning of the Plan Asset Regulations, certain transactions that the Company may enter into in the ordinary course of business and operation may constitute non-exempt prohibited transactions under ERISA or the Code, resulting in the imposition of excise taxes and penalties. In addition, any fiduciary of a Benefit Plan Investor or a governmental, church, non-US or other plan which is subject to Similar Law that is responsible for such plans investment in the Ordinary Shares could be liable for any ERISA fiduciary violations or violations of such Similar Law relating to the Company. Investors should read the representations and warranties with respect to ERISA in section 6 of Part XIX ("*The Offering*").

***The Company believes that it was a passive foreign investment company (PFIC) for US federal income tax purposes for the previous taxable year and that it will be classified as a PFIC for the current taxable year and expects to be a PFIC in future taxable years, which generally will result in adverse US federal income tax consequences for US investors***

In general, a non-US corporation will be a passive foreign investment company (a "**PFIC**") for US federal income tax purposes for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. Passive income generally includes interest, rents, dividends, royalties and certain gains.

The Company believes that it was a PFIC for the previous taxable year and that it will be classified as a PFIC for the current taxable year and expects to be a PFIC in future taxable years. The Company may, directly or indirectly, invest in equity interests in subsidiaries and other entities that are PFICs ("**Lower-tier PFICs**"). US investors may be subject to adverse US federal income tax consequences on a disposition of the Company's Preferential Subscription Rights or New Ordinary Shares or a deemed disposition of interests in Lower-tier PFICs and on certain distributions made by the Company on New Ordinary Shares or by Lower-tier PFICs. The Company has not to date undertaken to provide US investors the information necessary to make "qualified electing fund" elections. Prospective US investors should review "Certain US Federal Income Tax Considerations" in section 3 of Part XX ("*Spanish SOCIMI Regime and Taxation Information*") and consult their tax advisers regarding the US federal income tax consequences applicable to shareholders in a PFIC.

***The Company may cease to be qualified as a Spanish SOCIMI which would have adverse consequences for the Group and its ability to deliver returns to Shareholders***

As described in section 11 of Part XI ("*Information on the Group*"), the Company has elected for Spanish SOCIMI status under the SOCIMI Act and, thus, it will generally be subject to a 0% Corporate Income Tax rate. The requirements for maintaining Spanish SOCIMI status, however, are complex and the Spanish SOCIMI Regime is relatively new with no practical history of interpretation (see Part XX ("*Spanish SOCIMI Regime and Taxation Information*") for additional

information on these requirements). Furthermore, there may be changes subsequently introduced (including a change in interpretation) to the requirements for maintaining Spanish SOCIMI status. Prospective investors should note that there is no guarantee that the Company will, following its election to become a Spanish SOCIMI, continue to maintain its SOCIMI status (whether by reason of failure to satisfy the conditions for Spanish SOCIMI status or otherwise).

A company may lose its SOCIMI status due to any of the following:

- delisting;
- substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year;
- failure to adopt a dividend distribution resolution or to effectively satisfy the dividends within the deadlines described in “Mandatory dividend distribution” in section 1.2 of Part XX (“*Spanish SOCIMI Regime and Taxation Information*”). In this case, the SOCIMI status would be lost in respect of the tax year in which the undistributed profits were obtained and any subsequent period; or
- failure to meet the requirements established in the SOCIMI Act unless such failure is remedied within the following fiscal year. Assets must be held for a certain minimum period of time; however, the failure to observe such minimum holding period requirement would not give rise to the loss of SOCIMI status, but (i) the assets that do not meet such requirement would be deemed to be non-Qualifying Assets; and (ii) income derived from such assets would be taxed at the standard Corporate Income Tax rate (currently 28% and 25% from 1 January 2016).

The application by Testa to benefit from the SOCIMI regime, which has to be approved by Testa’s General Shareholders’ Meeting, is currently expected to take place before 30 September 2015. Once Testa communicates its application to the Delegation of the Spanish Tax Administration Agency (*Delegación de la Agencia Estatal de Administración Tributaria*) of its corporate address, it will become a Qualifying Asset. If Testa does not apply for the SOCIMI regime before 30 September 2015, (i) Testa would not benefit from the SOCIMI regime in 2015, and (ii) it would not be considered a Qualifying Asset and the Company would therefore not comply with the requirements in the SOCIMI Act, although it would have a one year remedy period.

If the Company were to lose such status as a result of any of the above, it would have to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard Corporate Income Tax rate (currently 28% and 25% from 1 January 2016), and would not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years. The shareholders in a company that loses its SOCIMI status are expected to be taxable as if the SOCIMI Regime had not been applicable to the company.

If the Company is unable to maintain its SOCIMI status, the resulting consequences could have a material adverse effect on the Group’s business, financial condition, prospects or results of operations and could adversely impact the marketability and liquidity of the Ordinary Shares and their value.

***Any change in tax legislation (including the Spanish SOCIMI Regime) may adversely affect the Group***

The Company has elected to become a Spanish SOCIMI. Provided certain conditions and tests are satisfied (see section 1.2 of Part XX (“*Spanish SOCIMI Regime and Taxation Information*”)), as a Spanish SOCIMI, the Company will not pay Spanish Corporate Tax on the profits deriving from its activities. Therefore, any change (including a change in interpretation) in the legislative provisions relating to Spanish SOCIMIs or in tax legislation more generally, either in Spain or in any other country in which the Group may operate in the future, including but not limited to the imposition of new taxes or increases in tax rates in Spain or elsewhere, may have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

***Restrictions under the Spanish SOCIMI Regime may limit the Group’s ability and flexibility to pursue growth through acquisitions***

The Directors contemplate further growth for the Group through acquisitions. However, since the Company has become a SOCIMI, the Spanish SOCIMI Regime distribution requirements may limit the Group’s ability to fund acquisitions and capital expenditures through retained income and debt financing.

In order to benefit from a 0% Spanish Corporate Tax rate, the Company is required, among other things, to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the end of the Company’s financial year in the following amounts: (i) at least 50% of the profits arising from the transfer of Qualifying Assets, Qualifying Subsidiaries and real estate collective investment funds carried out once the minimum three-year holding period described in section 1.2 of Part XX (“*Spanish SOCIMI Regime and Taxation Information*”) has ended (in which case the remainder of such profits must be reinvested in other Qualifying Assets within a maximum period of three years from the date of the sale or, otherwise distributed as dividends once such reinvestment period has elapsed); (ii) 100% of the profits derived from dividends received from Qualifying Subsidiaries; and (iii) at least 80% of all other profits obtained (i.e., profits derived from other activities).

If the relevant dividend distribution resolution is not adopted in a timely manner, the Company will lose its SOCIMI status

for the year in which the undistributed profits were obtained and the Company will be required to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard rate (currently, 28% and 25% from 1 January 2016) as from the relevant tax period in which the Company loses such status. In such case, the Company will not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years. A general guide to the Spanish SOCIMI Regime is included in Part XX ("*Spanish SOCIMI Regime and Taxation Information*").

As a result of the restrictions referred to above, the Company will be able to apply only a limited amount of its income to acquiring additional properties and its ability to grow through acquisitions will be limited if it is unable to obtain further debt or equity financing. If the Company elects to rely on equity financing, Shareholders' interests in the Company may be diluted.

In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the rules governing Spanish SOCIMIs and the effect of any potential debt amortisation payments could require the Company to borrow funds to make cash distributions.

The dividend distributions requirements that are necessary to achieve the full tax benefits associated with qualifying as a Spanish SOCIMI can be met by approving such distribution and satisfying the dividend in kind or, immediately thereafter, converting credit rights deriving from such dividends into share capital of the Company, provided such dividends qualify as income for tax purposes. However, any such distribution may not be approved by the Shareholders and the distribution may not be considered as income for tax purposes for all Shareholders.

These requirements to maintain status as a Spanish SOCIMI could limit the Group's ability and flexibility to acquire properties and pursue growth through acquisitions and, in turn, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

#### ***Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime***

At least 80% of a SOCIMI's net annual income must derive from the lease of Qualifying Assets (as described in Part XX ("*Spanish SOCIMI Regime and Taxation Information*")), or from dividends distributed by Qualifying Subsidiaries.

Capital gains derived from the sale of Qualifying Assets are in principle excluded from the 80%/20% net income test. However, if a Qualifying Asset is sold before it is held for a minimum three-year period, then (i) such capital gain would compute as non-qualifying revenue within the 20% thresholds that must not be exceeded for the maintenance of the SOCIMI Regime (and such gain would be taxed in accordance with the general Corporate Income Tax regime and at the standard Corporate Income Tax rate (currently, 28% and 25% from January 1 2016)); and (ii) in relation to Qualifying Assets that are real estate assets, the entire income, including rental income, derived from such assets in all tax periods where the SOCIMI's special tax regime would have been applicable would be taxed in accordance with the general Corporate Income Tax regime and to the standard Corporate Income Tax rate.

Further, if the Company were to generate income which does not derive from the lease of Qualifying Assets or from dividends distributed by Qualifying Subsidiaries, the 80%/20% gross asset or net income tests may not be met. In such case, the Company would have a one-year grace period to cure such infraction. If the gross asset or net revenue tests were not met within that fiscal year, the Company would lose its SOCIMI status, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, any income derived from the sale of Qualifying Assets that are real estate assets held by the Company prior to the application of the Spanish SOCIMI Regime, would be deemed to have been generated on a lineal basis, unless proof to the contrary, during all the time the real estate asset has been held by the Company. The part of the income attributable to the tax years on which the Spanish SOCIMI Regime was not applicable to the Company, would be taxed in accordance with the tax rate and tax regime applicable on those tax years. The foregoing also applies to the transfer of shares of other SOCIMIs or Qualifying Subsidiaries.

For more information on the Spanish SOCIMI Regime please see Part XX ("*Spanish SOCIMI Regime and Taxation Information*").

#### ***Spanish taxation of capital gains obtained by certain investors from the transfer of their Ordinary Shares***

As a consequence of the application of the SOCIMI Regime, the tax treatment of capital gains obtained by certain investors from the transfer of the Company's Ordinary Shares may be negatively affected.

In particular, in accordance with the SOCIMI regulations currently in force, non-resident investors without a permanent establishment in Spain holding 5% or more of the share capital of the Company will not be entitled to benefit from the Spanish Non-Resident Income Tax exemption that is applicable to shares that are listed on an official secondary securities market in Spain and, consequently, will be subject to Spanish taxation on capital gains derived from the transfer of the Company's Ordinary Shares unless otherwise provided under an applicable Double Taxation Treaty (e.g., U.S. investors should note that the U.S.-Spain Double Taxation Treaty does not provide otherwise in the case of the sale of shares of an entity the property of which is, directly or indirectly, mainly real estate, such as the Company).

***The Company may become subject to an additional tax charge if it pays a dividend to a Substantial Shareholder, which may result in a loss of profits for the Group***

The Company may become subject to a 19% Corporate Income Tax on the gross dividend distributed to any shareholder that holds a stake equal to or higher than 5% of the share capital of the Company and either (i) is exempt from any tax on the dividends or subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non-Resident Income Tax Law is also taken into consideration) or (ii) does not timely provide the Company with the information evidencing its equal or higher than 10% taxation on dividends distributed by the Company in the terms set forth in the By-laws (a “**Substantial Shareholder**”).

The By-laws contain indemnity obligations from Substantial Shareholders in favour of the Company designed to discourage the possibility that dividends may become payable to Substantial Shareholders. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Company in a worse position). However, these measures may not be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for the Company (since it may have to pay a 19% Corporate Income Tax on such dividend) and, thus, may result in a loss of profits for the rest of the Shareholders.

***The Company may not impose restrictions on the free transferability of its Ordinary Shares and the acquisition of Ordinary Shares by certain investors could adversely affect the Company***

Under Spanish law, the Company may not impose restrictions on the free transferability of its Ordinary Shares in its By-laws. Accordingly, the Company cannot refuse to register a transfer of any shares in the capital of the Company in favour of a person to whom a sale or transfer of shares, or whose direct, indirect or beneficial ownership of shares, would or might (i) cause the Company to be required to register under the United States Exchange Act of 1934, as amended (the “**Exchange Act**”) or any similar legislation; (ii) cause the Company not to be considered a “foreign private issuer” as such term is defined in rule 3b-4(c) under the Exchange Act; (iii) result in a person holding shares in violation of the transfer restrictions set forth in any offering memorandum published by the Company (including in this Prospectus), from time to time; (iv) result in any Ordinary Shares being owned, directly or indirectly, by Benefit Plan Investors or Controlling Persons; (v) cause the assets of the Company to be considered “plan assets” under the Plan Asset Regulations; (vi) cause the Company to be a “controlled foreign corporation” for the purposes of the Code; (vii) result in Ordinary Shares being owned by a person whose giving, or deemed giving, of the representations as to ERISA and the Code set forth in the By-laws is or is subsequently shown to be false or misleading; (viii) result in a person becoming a Substantial Shareholder, or (ix) otherwise result in the Company incurring a liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantage. Any of the above could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

## **5. RISKS RELATING TO THE ECONOMY**

***Since the Group’s assets are and will be concentrated in Spain and, to a lesser extent, Portugal, adverse developments in general economic conditions in Spain and Portugal and elsewhere and concerns regarding instability of the Eurozone may adversely affect the Group***

The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments primarily in Spain, and to a lesser extent, in Portugal. Accordingly, the performance of the Spanish and the Portuguese economy will affect the Group’s business, financial condition, results of operations and prospects.

The global financial system began to experience difficulties in mid-2007. This resulted in severe dislocation of financial markets around the world, including Spain, significant declines in the values of nearly all asset classes and unprecedented levels of illiquidity in capital markets. After rapid economic growth since 2004, Spain entered into a severe economic crisis which led to a GDP contraction between 2008 and 2013. Although the Spanish economy continues to face several challenges, the country is now on track to recovery, with GDP at constant prices increasing by 1.6% in 2014 after 2 years of recession. According to the IMF, GDP at constant prices will grow by 1.6% and 1.7% in 2015 and 2016, respectively, and is expected to reach 2.0% growth in 2019 (source: *INE, IMF*). Unemployment rate is also expected to decrease to 23.8% and 22.6% in 2015 and 2016, respectively, from 24.4% at 2014 year-end (source: *IMF*). Portugal’s economy is also under recovery, having successfully exited the EU/IMF bailout programme in May 2014, and with a positive short-term outlook, with GDP at constant prices expected to grow by 1.0% in 2014 and 1.8% in 2019 (source: *IMF*).

The recent negotiations between Greece and the European Union and the IMF and the results of the recent referendum in Greece have raised concerns on the country’s creditworthiness and its permanence within the European Union and/or Eurozone. Despite the agreement to extend the bailout from the European Union for four additional months, the adoption of economic reforms demanded by creditors is still under negotiation.

Fear among investors is that if negotiations between Greece and the European Union fail, there could be a contagion and deterioration of some of the countries most affected by the sovereign debt, including Spain and Portugal. Additionally, political uncertainty in Spain is increasing due to recent local election which have seen the rise into power of new parties supporting similar policies to Greece’s Syriza. A potential change of government in Spain after the November 2015 general elections could eventually increase the political uncertainty in Spain. Therefore, despite the recent improvement in the European financial markets and the recovery of Spain’s economy, further instability is expected in the coming months.

Sovereign debt default and the failure of negotiations between Greece and the European could translate in the exit from the European Union and/or the IMF, which could have a material adverse effect on the Group by, for example, impacting the cost and availability of credit and causing uncertainty and disruption in relation to financing. Austerity and other measures (including, but not limited to currency redenomination or the reintroduction of exchange controls) introduced to limit, or to contain these issues, whether in Spain or elsewhere, may themselves lead to economic contraction and result in adverse effects on the Group's business, financial condition, results of operations and prospects.

In addition, uncertainty continues to surround the pace and scale of economic recovery, in particular in Spain and Portugal, and globally, and conditions could further deteriorate. As seen by macroeconomic indicators, despite the improvement of conditions in Spain, there is still room for fiscal consolidation, external rebalancing and reforms, which, coupled with increasing challenges from global market turmoil, including Greece's situation, weakening of the euro, current oil price and potential further decreases, economic recession and deflation, may continue to affect rental and/or capital values of property assets and may reduce the ability of the Group to obtain liquidity or acquire or dispose of properties and to secure or retain tenants on acceptable terms and, consequently, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

## **6. RISK RELATING TO THE OFFERING, THE NEW ORDINARY SHARES AND THE PREFERENTIAL SUBSCRIPTION RIGHTS**

***The Underwriting Agreement between the Company and the Managers provides that such agreement may be terminated in certain circumstances and the underwriting commitment by the Managers is subject to certain customary conditions precedent***

The Underwriting Agreement between the Company and the Managers may be terminated by a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, (on behalf of the Managers), until the time of registration of the capital increase deed with the Mercantile Registry of Madrid under certain circumstances, including upon the occurrence of certain material adverse changes in the condition (financial or otherwise), business affairs or prospects of the Company, and certain changes in, among other things, certain national or international political, financial or economic conditions and an event of *force majeure*. In addition, the Underwriting Agreement is subject to certain customary conditions precedent, including that before 29 July 2015 the Company shall have acquired the Control Shares and that during the preferential subscription period the Investment Agreement shall not have been terminated and shall remain in full force and effect. For more information about the Underwriting Agreement, see section 3 of Part XX ("*The Offering*").

Should the Underwriting Agreement be early terminated or should one or more of the Managers fail to comply with their commitments under the Underwriting Agreement, the Offering may not be fully subscribed or may be revoked by the Company, which could have an adverse effect on the Company.

If the Offering is revoked by the Company, the monies paid by subscribers would be returned to them. However, any investors who had acquired Preferential Subscription Rights from existing Rightsholders would not receive any such amounts from the Company.

***There can be no assurance that an active trading market will develop for the Preferential Subscription Rights or that there will be sufficient liquidity for such rights***

The Preferential Subscription Rights to subscribe for New Ordinary Shares offered hereby do not have an established trading market. Although the Preferential Subscription Rights offered hereby will be admitted to trading on the Spanish Stock Exchanges through the AQS during the preferential subscription period described herein, the Company cannot assure holders of Preferential Subscription Rights that an active trading market will develop for these rights on the Spanish Stock Exchanges or that any over the counter trading market in the Preferential Subscription Rights will develop or that there will be sufficient liquidity for such rights during such period.

Pursuant to the Offering, the Company is offering New Ordinary Shares that are fungible with the Existing Ordinary Shares. The New Ordinary Shares will be listed on the Spanish Stock Exchanges and will be quoted on the AQS. The owners of the New Ordinary Shares will be able to liquidate their investment through the sale on the respective trading markets. However, liquidity problems could arise and sell orders may not be promptly matched by adequate buy orders.

***A significant decline in the Company's Ordinary Share price would likely have a material adverse effect on the value of the Preferential Subscription Rights***

Because the trading price of the Preferential Subscription Rights depends on the trading price of the Ordinary Shares, a significant decline in such Ordinary Share price would be likely to have material adverse effect on the value of the Preferential Subscription Rights. Accordingly, all of the risks that affect the market price of the Ordinary Shares, including those risks described in this Prospectus, may also affect the trading price of the Preferential Subscription Rights. In addition, the Company cannot assure Rightsholders that the trading price of the Ordinary Shares will not decline below the Subscription Price after Rightsholders elect to exercise their Preferential Subscription Rights. If that occurs, Rightsholders will have committed to buy the New Ordinary Shares at a price above the prevailing market price, and will suffer an immediate unrealised loss as a result. Moreover, the Company cannot assure Rightsholders that following the exercise of the Preferential Subscription Rights they will be able to sell their New Ordinary Shares at a price equal to or greater than the Subscription Price.

***The Ordinary Shares or the Preferential Subscription Rights may be sold on the market during the subscription period (in the case of Preferential Subscription Rights), or during or after the subscription period (in the case of Ordinary Shares), which may have an unfavourable impact on the value of the Preferential Subscription Rights or the market price of the Ordinary Shares***

The Ordinary Shares or the Preferential Subscription Rights may be sold on the market, or such sales may be anticipated, during the subscription period (in the case of Preferential Subscription Rights) or during or after the subscription period (in the case of Ordinary Shares), which may have an unfavourable impact on the market price of the Ordinary Shares or the value of the Preferential Subscription Rights. The Company cannot predict the possible effects on the value of the Preferential Subscription Rights or the market price of the Ordinary Shares of any such sales by the Shareholders.

***Any delay in the admission to listing and trading of the New Ordinary Shares would affect their liquidity and would prevent their sale until they are so admitted***

The issuance of the New Ordinary Shares is subject to the registration of the capital increase deed in the Mercantile Registry (*Registro Mercantil*). Although such deed is scheduled to be registered promptly with the Mercantile Registry once it has been granted, such registration may, despite the Company's best efforts and for reasons beyond its control, not take place in time to enable the New Ordinary Shares to be effectively trading on the expected date (currently, 11 August 2015). Any postponement of the effective trading of the New Ordinary Shares due to a delay in the registration of the capital increase deed with the Mercantile Registry or for any other reason would affect the liquidity of the New Ordinary Shares and would make it more difficult for an investor to sell such New Ordinary Shares until they are admitted to listing and trading.

***Shareholders and investors who exercise their Preferential Subscription Rights during the preferential subscription period will not be able to revoke their subscriptions***

Shareholders who exercise their Preferential Subscription Rights, and investors who acquire and exercise those Preferential Subscription Rights during the preferential subscription period described herein, will not be able to revoke the subscriptions made during that period (except where a supplement to the Prospectus is published, in which case shareholders and investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within two working days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the final closing of the Offering and the delivery of the New Ordinary Shares). Also, orders relating to the request for additional New Ordinary Shares to be allocated in the additional allocation period described herein and requests for subscription of New Ordinary Shares in the discretionary allocation period described herein will be deemed to be firm, irrevocable and unconditional whether or not the full amount of New Ordinary Shares ordered by the relevant holder will be delivered in full. Notwithstanding the foregoing, in the case of termination of the Underwriting Agreement or if the pre-funding or other obligations of the Joint Bookrunners do not become effective due to the Company's failure to fulfil one of the conditions precedent in the Underwriting Agreement, requests for subscription of New Ordinary Shares in the discretionary allocation period will be without effect.

Where a supplement to the Prospectus is needed according to the circumstances contained in article 22 of the Spanish Royal Decree 1310/2005, of 4<sup>th</sup> of November, of the Law of Securities Markets, investors who had already accepted to subscribe shares before the aforementioned supplement was published will be entitled to withdraw their acceptance for the subscription. This right may be exercised within a period of at least two days from the supplement's publication.

***The market price of the Ordinary Shares may not reflect the value of the assets of the Group and the Company's Ordinary Share price may fluctuate widely in response to different factors***

The market price of the Ordinary Shares may not reflect the value of the assets of the Group and may be subject to wide fluctuations in response to many factors, including, among other things, variations in the Group's operating results, additional issuances or future sales of the Company's Ordinary Shares or other securities exchangeable for, or convertible into, its Ordinary Shares in the future, the addition or departure of members of the Board of Directors, replacement of or change in the Management Team, expected dividend yield, divergence in financial results from stock market expectations, changes in stock market analyst recommendations regarding the Spanish commercial property market as a whole, the Group or any of its assets, a perception that other markets may have higher growth prospects, general economic conditions, prevailing interest rates, legislative changes in the Group's market and other events and factors within or outside the Group's control. Stock markets experience extreme price and volume volatility from time to time, and this, in addition to general economic, political and other conditions, may materially adversely affect the market price for the Ordinary Shares. The market value of the Ordinary Shares may vary considerably from the Group's underlying net asset value. There can be no assurance, express or implied, that Shareholders (or investors, if the case may be) will receive back the amount of their investment in the Ordinary Shares.

***Shareholders who do not exercise their Preferential Subscription Rights will have their interest in the Company diluted***

The Offering is designed to enable the Company to raise capital in a manner that gives the opportunity to existing Shareholders to subscribe for New Ordinary Shares. Shareholders who do not exercise their Preferential Subscription Rights during the preferential subscription period described herein will have their equity interest diluted by approximately 40% with respect to their current holding, if all the New Ordinary Shares are subscribed for in full, by current Shareholders



or other investors exercising their Preferential Subscription Rights and/or subscribing for additional New Ordinary Shares in excess of their *pro rata* entitlement during the additional allocation period described herein, or by qualified investors during the discretionary allocation period or by the Managers in accordance with the Underwriting Agreement.

Even where a Shareholder sells unexercised Preferential Subscription Rights, the consideration received by such Shareholders who elect to sell their Preferential Subscription Rights prior to the expiration of the preferential subscription period may not be sufficient to fully compensate them for the dilution of their percentage ownership of the Existing Ordinary Shares that may result from the Offering. Furthermore, after the preferential subscription period ends, Preferential Subscription Rights that have not been exercised will expire and Shareholders that have not exercised those Preferential Subscription Rights will not receive compensation for any expired Preferential Subscription Rights.

***The Company may in the future issue new Ordinary Shares, which may dilute investors' interest in the Company***

In case a share capital increase or the issue of any instruments convertible into new Ordinary Shares is approved excluding pre-emption rights or existing Shareholders choose not to subscribe for new Ordinary Shares (or any instruments convertible into new Ordinary Shares), the issuance of new Ordinary Shares may be dilutive to such existing Shareholders and could have an adverse effect on the market price of the Ordinary Shares as a whole.

The Spanish Companies Act provides for pre-emptive rights in respect of equity offerings for cash to be granted to its existing shareholders except in certain circumstances, including where such rights are disapplied.

The Company has agreed under the Underwriting Agreement that, without the prior written consent of majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, it will not, during the period commencing on the date of the Underwriting Agreement and ending 180 days after the AQS trading day following the Subscription Date, directly or indirectly, issue any new Ordinary Shares; provided however, the foregoing restriction shall not apply to (A) the issue and/or sale and offer of the New Ordinary Shares and the Preferential Subscription Rights pursuant to the Offering as described in this Prospectus, (B) the grant or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares under the Company's employees' share and incentive schemes as disclosed in this Prospectus and (C) the issue of Ordinary Shares for the purposes of executing the potential merger between the Company and Testa. See section 3 of Part XIX ("*The Offering*") for further information on the Underwriting Agreement and the restrictions on equity securities of the Company.

***A current minority Shareholder or a third party may acquire a significant stake in the Company in the context of the Offering or otherwise***

It is possible that a current minority Shareholder and/or a third party acquires a significant number of New Ordinary Shares in the Offering or acquires Ordinary Shares otherwise, which could potentially reduce the free float of the Ordinary Shares which are available for trading on the open market, having an adverse effect on the liquidity of the Ordinary Shares.

***The achievement of the target returns set by the Management Team may have a dilutive effect on investors' interest in the Company***

The members of the Management Team will be entitled to receive Ordinary Shares pursuant to a Management Stock Plan, which is an additional variable remuneration incentive as a reward for generating returns to Shareholders, which was approved by the Company's sole Shareholder on 4 June 2014 and by the Board of Directors on 5 June 2014 and the remuneration report including a description of such annual remuneration was approved by the General Shareholders' Meeting in a non-binding vote on 1 April 2015.

The Ordinary Shares payable under the Management Stock Plan may be newly-issued Ordinary Shares, treasury stock or repurchased Ordinary Shares and the incentive is subject to a cliff vesting period from the Calculation Date subject to continuing services. If the Company were to issue new Ordinary Shares by means of a share capital increase in order to deliver such Ordinary Shares to the members of the Management Team under the Management Stock Plan, Shareholders may have their interest in the Company diluted.

***Sales of Ordinary Shares by the Management Team or other large Shareholders, or the possibility of such sales, may affect the market price of the Ordinary Shares***

Sales of Ordinary Shares or interests in Ordinary Shares by the Management Team or other large Shareholders, or the possibility of such sales, could cause the market price of the Ordinary Shares to decline.

At the time of Initial Admission, MAGIC Kingdom, the investment vehicle through which the members of the Management Team hold Ordinary Shares, issued a lock-up letter by virtue of which MAGIC Kingdom is subject to lock-up provisions of 720 days following Initial Admission (see section 4 of Part XIII ("*Directors and Corporate Governance*"). Furthermore, under the Management Stock Plan, the members of the Management Team are entitled to receive Ordinary Shares (which are subject to a one-year lock-up) after meeting certain performance thresholds.

The sale of a substantial number of Ordinary Shares, or the perception that sales of this type could occur, could depress the market price of the Ordinary Shares. The occurrence of either or both of these scenarios could make it more difficult for other Shareholders to sell the Ordinary Shares at a favourable price and time or at all.

***The interests of the Company's major Shareholders may conflict with those of other Shareholders***

As at the date of this Prospectus and according to the latest information available from the CNMV, Mainstay Marketfield Fund, EJP Capital LLC and UBS Group AG held 6.653%, 5.038% and 4.713%, respectively, of the Company's share capital prior to the Offering. A significant investor may potentially possess sufficient voting power to have a significant influence on matters requiring Shareholder approval. The interests of a significant investor may conflict with those of other Shareholders. In addition, any significant investor may make investments in other businesses in the Spanish or Portuguese property market that may be, or may become, competitors of the Group.

***The Preferential Subscription Rights must be exercised through the Iberclear member entity in whose book entry registry such rights are registered and the Subscription Price must be paid for in euros***

The Preferential Subscription Rights will have to be exercised through the Iberclear member entity in whose book entry registry such rights are registered. Such Iberclear member will be located in Spain. In addition, payment of the Subscription Price must be made in euros to such Iberclear member. As a result, it may be difficult for those Shareholders and investors who are located outside Spain to exercise the Preferential Subscription Rights they hold, request any additional allocation of New Ordinary Shares and pay the Subscription Price in respect thereof.

***Shareholders outside Spain may be unable to subscribe for New Ordinary Shares in the Offering or to exercise their Preferential Subscription Rights***

The Company may not be able to offer the New Ordinary Shares to Shareholders in certain jurisdictions pursuant to the Preferential Subscription Rights or any new Ordinary Shares in any future share capital increase subject to preferential subscription rights, including to Shareholders in the United States, where unless a registration statement under the Securities Act is effective with respect to such Ordinary Shares and preferential subscription rights, or an exemption from the registration requirements of the Securities Act is available, no such offer could be made. The Company is not obliged to file a registration statement relating to preferential subscription rights with respect to the Ordinary Shares, and the Company has no present intention to do so. Preferential subscription rights (including the Preferential Subscription Rights) that are not exercised will lapse and Shareholders will not be compensated.

***It may be difficult for Shareholders outside Spain to serve process on or enforce foreign judgments against the Company or the Directors***

The Company is a public limited company (a *sociedad anónima* or S.A.) incorporated in Spain. The rights of the Shareholders are governed by Spanish law and by the By-laws. These rights may differ from the rights of shareholders in non-Spanish corporations. A majority of the current Directors are resident in Spain and all of the assets of the Group are currently located in Spain. As a result it may be difficult for Shareholders outside Spain to serve process on or enforce foreign judgments against the Company or the Directors.

***An investor whose currency is not the euro is exposed to exchange rate fluctuations***

The Assets and any acquisitions made by the Group are and will be in euro. Additionally, the Ordinary Shares have been priced in euro on their primary trading market and any future payments of dividends on the Ordinary Shares will be denominated in euros. Any investment in Ordinary Shares by an investor whose principal currency is not the euro exposes the investor to foreign currency exchange risk. The US dollar or other currency equivalent of any dividends paid on the Ordinary Shares or any distributions made on an investment made in the Ordinary Shares could be adversely affected by the appreciation of the euro against other currencies.

***Shareholders may face difficulties in protecting their interests because of differences in shareholders' rights and fiduciary responsibilities between Spanish laws and the laws of other jurisdictions, including most U.S. states***

Corporate governance matters for the Company are principally determined by Spanish corporate law, the By-Laws and the Company's internal rules governing the meetings of the Board of Directors and the Shareholders. Shareholders' rights and the fiduciary responsibilities of directors, officers and controlling shareholders are different under Spanish law when compared with the statutes and judicial precedents of other jurisdictions, including most states in the United States. As a result, Shareholders may have more difficulty in protecting their interests with regard to any acts on any failure to act by the Company's directors, officers or controlling Shareholders than would shareholders of a corporation incorporated in another jurisdiction or a state in the United States.

***The holding of Ordinary Shares does not guarantee the right to attend Shareholders' meetings***

The Company's By-laws require that Shareholders will need to hold, at least, a number of shares equivalent to the smaller of: (i) 500 Ordinary Shares of the Company; or (ii) a number of Ordinary Shares representing 1/1000 of the Company's share capital, in order to be able to attend Shareholders' meetings. However, Shareholders who do not reach this threshold may group their holdings and choose a proxy to represent them. In the event a Shareholder does not reach such threshold and is unable to group its holdings with those of other Shareholders, such Shareholder will not be able to attend or vote at Shareholders' meetings, whether in person or by proxy.

### PART III: USE OF PROCEEDS

The Company estimates that the Net Proceeds to be received from the Offering will amount to approximately €1,000.2 million (assuming full subscription of the New Ordinary Shares and after deducting commissions and other estimated expenses and taxes related to the Offering). The Company intends that the principal use of the Net Proceeds will be to fund the acquisition of Testa, to partially prepay the Bridge Facility and the Group's general corporate purposes.

#### PART IV: DILUTION

The Eligible Shareholders will receive Preferential Subscription Rights to subscribe for New Ordinary Shares and, thus, in the event they exercise such rights in full, they will suffer no dilution of their holdings of the Company's share capital at the Record Date.

In the event that none of the Eligible Shareholders subscribes for New Ordinary Shares in the percentage to which their Preferential Subscription Rights entitle them, and further assuming that the New Ordinary Shares were entirely subscribed for by investors other than the Eligible Shareholders, or by the Managers, the holdings of the Eligible Shareholders would represent approximately 60% of the total number of Ordinary Shares following the Offering, which would represent a dilution in ownership percentage of approximately 40%.

The table below sets forth the increase in the number of the Shares as a result of the Offering.

	<b>Prior to the Offering</b>		<b>Following Completion of the Offering</b>	
Number of Shares outstanding prior to the Offering	193,818,000	100%	193,818,000	60%
Number of Shares issued in the Offering <sup>(1)</sup>	—	—	129,212,000	40%
<b>Total</b>	<b>193,818,000</b>	<b>100%</b>	<b>323,030,000</b>	<b>100%</b>

*Notes:*

*(1) Assuming that the Underwriting Agreement is not terminated and the relevant conditions precedent for its effectiveness are complied with (and that, therefore, there is no "incomplete subscription" (suscripción incompleta)).*

The Company may decide to carry out additional share capital increases in the future. In the event that share capital increases were effected, Shareholders could be diluted were they not to exercise their Preferential Subscription Rights or in the event such share capital increases excluded preferential subscription rights for Existing Shareholders in accordance with Spanish law.

## PART V: CAPITALISATION AND INDEBTEDNESS

The table below presents the Group's actual consolidated capitalisation and indebtedness as of 31 March 2015, derived from the Group's Unaudited Interim Condensed Consolidated Financial Statements and as of 31 December 2014 derived from the Group's Audited Consolidated Financial Statements, both included elsewhere in this Prospectus.

The table should be read in conjunction with the Unaudited Interim Condensed Consolidated Financial Statements. Please also refer to Part XVI ("Management's Discussion and Analysis of Financial Condition and Results of Operations").

### Capitalisation and indebtedness

(€ in thousand)	As of 31 March 2015 (unaudited)	As of 31 December 2014 (audited)
<b>Debt<sup>(1)</sup></b>		
Current borrowings:		
Secured	10,512	10,398
Unsecured	-	-
<b>Total current borrowings</b>	<b>10,512</b>	<b>10,398</b>
Non-current borrowings:		
Secured	1,174,090	999,358
Unsecured	-	-
<b>Total Non-current borrowings</b>	<b>1,174,090</b>	<b>999,358</b>
<b>Total borrowings</b>	<b>1,184,602</b>	<b>1,009,756</b>
Minority interests	-	-
<b>Shareholders' equity:</b>		
Share capital plus share premium	1,292,120	1,292,120
Reserves and results	11,771	16,559
<b>Total shareholders' equity</b>	<b>1,303,891</b>	<b>1,308,679</b>

Note:

(1) Bank borrowings excluding accrued interest (€2,251 thousand as of 31 March 2015 and €411 thousand as of 31 December 2014) and debt arrangement expenses (€28,468 thousand as of 31 March 2015 and €25,423 thousand as of 31 December 2015).

There have been no material changes to the Company's actual consolidated capitalisation and indebtedness other than the new financings described in section 5 of Part XVI ("Management's Discussion and Analysis of Financial Condition and Results of Operations") and the share capital increase of approximately €614 million, dated 8 May 2015 (the "May Capital Increase").

The following table shows the evolution of the capitalisation and indebtedness of the Company since 31 March 2015:

	(€ thousand)
<b>Total borrowings as of 31 March 2015</b>	<b>€1,184,602</b>
Financing signed since 31 March 2015	€7,94 <sup>(1)</sup>
Principal amounts of debt repaid after 31 March 2015	(€2,688)
<b>Total borrowings as of the date of this Prospectus</b>	<b>€1,189,854</b>
<b>Total shareholders' equity as of 31 March 2015</b>	<b>€1,292,120</b>
Gross proceeds of May Capital Increase	€613,757
<b>Total shareholders' equity as of the date of this Prospectus</b>	<b>€1,905,877</b>

Note:

(1) Corresponding to the financing agreement entered into with CaixaBank regarding the Meco asset.

The table above reflects the indebtedness of the Company as of 31 March 2015 and, thus, does not reflect the indebtedness the Company has incurred on 21 June 2015 to finance the Acquisition by means of the Bridge Facility (which amounts to €500 million). The Company intends to partially use the Net Proceeds to partially prepay the Bridge Facility. See Part III ("Use of Proceeds").

For illustration, on a pro forma basis, of how the Company's consolidated balance sheet at 31 March 2015 might have been affected by the Acquisition, assuming that the Acquisition had been completed on 31 March 2015, see Annex 1 ("*Unaudited Consolidated Pro Forma Financial Information for MERLIN Properties, SOCIMI, S.A. and its subsidiaries*") (included the notes thereto).

## PART VI: EXPECTED TIMETABLE

Each of the times and dates is subject to change without further notice. All references are to Madrid time.

Record Date / Announcement of the Offering in the BORME.....	17 July 2015
Commencement of the preferential subscription period.....	18 July 2015
End of the preferential subscription period .....	1 August 2015
Additional allocation period (if applicable).....	6 August 2015
Commencement of discretionary allocation period (if applicable).....	6 August 2015
End of discretionary allocation period (if applicable).....	7 August 2015
Payment by the participating entities of Iberclear to the Agent Bank of the New Ordinary Shares subscribed during the preferential subscription period and the additional allocation period (if applicable).....	7 August 2015
Payment by the Joint Bookrunners of the New Ordinary Shares subscribed in the discretionary allocation period (if applicable) .....	7 August 2015
Execution of the notarised deed of capital increase .....	7 August 2015
Registration with the Commercial Registry (Registro Mercantil) of the notarised deed of capital increase .....	10 August 2015
Registration of the New Ordinary Shares with Iberclear.....	10 August 2015
Admission to listing and trading of the New Ordinary Shares by the CNMV.....	10 August 2015
Commencement of trading of the New Ordinary Shares.....	11 August 2015

*Note: the preferential subscription period closes on 1 August 2015 but 1 August 2015 is not a business day in Spain, and, therefore, Preferential Subscription Rights cannot be exercised on such date.*

## PART VII: OFFERING STATISTICS

Subscription Price per New Ordinary Share .....	€8
Total number of Existing Ordinary Shares in issue immediately before the Offering.....	193,818,000
Total number of New Ordinary Shares being issued pursuant to the Offering <sup>(1)</sup> .....	129,212,000
Total number of Ordinary Shares in issue immediately following Admission <sup>(1)</sup> .....	323,030,000
Estimated market capitalisation of the Company following Admission <sup>(1) (2)</sup> .....	€3,262,603,000
Estimated net proceeds receivable by the Company <sup>(1) (3)</sup> .....	€1,000,204,250

*Notes:*

*(1) Assuming that the Underwriting Agreement is not terminated and the relevant conditions precedent for its effectiveness are complied with (and that, therefore, there is no “incomplete subscription” (suscripción incompleta)).*

*(2) Based on the issued share capital of the Company immediately following Admission and the Subscription Price of €8 per New Ordinary Share.*

*(3) The estimated Net Proceeds receivable by the Company are stated after the deduction of commissions and other estimated expenses payable by the Company in connection with the Offering of approximately €33,491,750 million (on the basis of a €1,033,696,000 Offering).*



## PART VIII: DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

### DIRECTORS

The By-laws and the Regulations of the Board of Directors provide for a Board of Directors consisting of three to 15 members. As at the date of this Prospectus there are eight Directors who are as follows:

Mr. Ismael Clemente	Executive Chairman
Mr. Miguel Ollero	Executive Director
Ms. Ana García Fau	Non-Executive Independent Director
Mr. Alfredo Fernández	Non-Executive Independent Director
Mr. Fernando Ortiz	Non-Executive Independent Director
Ms. María Luisa Jordá	Non-Executive Independent Director
Mr. Donald Johnston	Non-Executive Independent Director
Ms. Ana de Pro	Non-Executive Independent Director

As of the date of this Prospectus, all Directors have been appointed, have accepted their appointment and have been registered with the Commercial Registry of Madrid.

It is the Company's intention to have a Board of Directors comprising between 12 and 15 members, out of which two members will be executive Directors, eight to nine members will be independent Directors and two to four members will be non-executive proprietary Directors.

**COMPANY SECRETARY**  
Mrs. Mónica Martín de Vidales

**COMPANY VICE SECRETARY**  
Mr. Ildefonso Polo

### **COMPANY REGISTERED OFFICE**

MERLIN Properties, SOCIMI, S.A.  
Paseo de la Castellana, 42  
28046 Madrid  
Spain

### **LEGAL ADVISERS TO THE COMPANY**

*As to US, English and Spanish law:*  
Freshfields Bruckhaus Deringer LLP  
Fortuny, 6  
28010 Madrid  
Spain

### **SOLE GLOBAL COORDINATOR**

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### **JOINT BOOKRUNNERS**

Credit Suisse Securities (Europe) Limited One Cabot Square Canary Wharf London E14 4QJ United Kingdom	Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB United Kingdom	J.P. Morgan Securities plc 25 Bank Street Canary Wharf London E14 5JP United Kingdom	Morgan Stanley & Co. International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom	UBS Limited 1 Finsbury Avenue London EC2M 2PP United Kingdom
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### **CO-BOOKRUNNERS**

Banco Santander, S.A. Paseo de Pereda, 9-12	Bankinter, S.A. Paseo de la Castellana	BNP PARIBAS 16, Boulevard des Italiens	Crédit Agricole Corporate and Investment Bank 9, quai du Président Paul	Société Générale 29 Boulevard
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39004 Santander  
(Cantabria) Spain

29 28046 Madrid  
Spain

75009 Paris France

Doumer 92920 Paris La  
Défense Cedex France

Hausmann 75009  
Paris France

***CO-LEAD MANAGERS***

Banco Bilbao Vizcaya  
Argentaria, S.A.

CaixaBank, S.A.

Fidentiis Equities, Sociedad  
de Valores, S.A.

Kempen & Co N.V.

Mediobanca – Banca  
di Credito Finanziario  
S.p.A.

Plaza San Nicolás, 4  
48005 Bilbao  
Spain

Avenida Diagonal 621,  
08028 Barcelona  
Spain

Velázquez 140, 2<sup>nd</sup> floor  
28006 Madrid  
Spain

Beethovenstraat 300  
1077 WZ  
Amsterdam  
The Netherlands

Piazzetta Enrico  
Cuccia 1  
20121 Milan  
Italy

***LEGAL ADVISERS TO THE JOINT BOOKRUNNERS***

*As to US, English and Spanish law:*

Linklaters, S.L.P.  
Calle Almagro, 40  
28010 Madrid  
Spain

***INDEPENDENT AUDITORS***

Deloitte, S.L.  
Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid  
Spain

## PART IX: IMPORTANT INFORMATION

### FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should” or “will”, or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, targets, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial position, prospects, anticipated growth, Target Return, Shareholder Return, Shareholder Return Rates, Business Strategy, financing strategies, prospects for sourcing, acquiring and relationships with tenants, liquidity of the Company’s assets, the state of the Spanish and Portuguese and global economy and expectations for the Spanish and Portuguese real estate industry and elsewhere.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Company’s operations and the development of the markets and the industry in which the Company operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Company’s results of operations, financial position and growth, and the development of the markets and the industry in which the Company operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments of the Company to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, Spanish and Portuguese real estate market conditions, industry trends, competition, changes in law or regulation, changes in taxation regimes or development planning regime, the availability and cost of capital, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in Part II (“*Risk Factors*”). The Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this Prospectus, except where required by applicable law. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

The Joint Bookrunners assume no responsibility or liability for, and make no representations, warranty or assurance whatsoever in respect of, any of the forward-looking statements contained in this Prospectus.

### MARKET, ECONOMIC AND INDUSTRY DATA

Certain market, economic and industry data used in this Prospectus have been extracted without material adjustment from industry publications, data and reports compiled by professional organisations and analysts, data from other external sources and internal surveys conducted by or on behalf of the Management Team. The Company confirms that these data have been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information provided to it by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain of such third-party sources may state that the information they contain has been obtained from sources believed to be reliable. However, these third-party sources may also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, such information has not been independently verified and investors are cautioned not to place undue reliance on such market, economy and industry data.

### CURRENCIES

Unless otherwise indicated, all references in this Prospectus to euro and € are to the lawful single currency of member states of the EU that adopt or have adopted the euro as their currency in accordance with the legislation of the EU relating to European Monetary Union and all references to US dollars are to the lawful currency of the United States of America. The Company prepares its financial statements in euro.

### PRESENTATION OF THE GROUP’S FINANCIAL INFORMATION

This Prospectus contains the Company’s audited consolidated financial information for the period from incorporation (being 25 March 2014) through 31 December 2014 (the “*Audited Consolidated Annual Accounts*”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“*IFRS-EU*”) and the Company’s unaudited quarterly interim consolidated condensed financial information for the three month period ended 31 March 2015 (the “*Unaudited Interim Consolidated Accounts*”).

The Company’s audited consolidated financial information is originally drafted in Spanish. In the event of any discrepancy between the English and the Spanish versions, the latter version shall prevail.

### ***Unaudited Consolidated Pro Forma Financial Information***

In addition to the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements, the Company has included in this Prospectus financial information to illustrate, on a pro forma basis, how the Company's consolidated statement of financial position and its consolidated statement of comprehensive income might have been affected by:

- (i) the May Capital Increase;
- (ii) the Testa Share Capital Reduction and subsequent Testa Share Capital Increase that took place on 8 June 2015;
- (iii) the distribution of the Extraordinary Dividend on 8 June 2015 and the repayment of the Intercompany Loan between Sacyr and Testa;
- (iv) the full subscription of the Offering in an amount of €970 million;
- (v) the Acquisition; and
- (vi) the financing of the Acquisition other than through the May Capital Increase and the Offering, including the Bridge Facility;

assuming each of these events had taken place on 1 January 2015 (in respect of the Company's consolidated statement of comprehensive income) or on 31 March 2015 (in respect of the Company's consolidated statement of financial position), which are collectively referred to herein as the "***Unaudited Consolidated Pro Forma Financial Information***".

For further information in relation to the Acquisition, see Part X ("*Acquisition of Testa*").

The historical financial information, the basis used to prepare, the assumptions underlying and adjustments applied to, the Unaudited Consolidated Pro Forma Financial Information are described in Annex 1 ("*Unaudited Consolidated Pro Forma Financial Information for MERLIN Properties, SOCIMI, S.A. and its subsidiaries*") and in the notes to the Unaudited Consolidated Pro Forma Financial Information included elsewhere in this Prospectus.

The Unaudited Consolidated Pro Forma Financial Information presented in this Prospectus is based on (i) estimates and assumptions that are preliminary, and (ii) the limited information on the Acquisition that is currently available to the Company's management. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation that does not purport to represent, and may not give a true picture of, the actual financial condition and results of operations of the Group that would have been achieved if the Acquisition had been completed on the dates indicated therein. Moreover, the Unaudited Consolidated Pro Forma Financial Information does not purport to project the financial condition or results of operations as of any future date or for any future period of the Group. Accordingly, investors are cautioned not to place undue reliance on the Unaudited Pro Forma Financial Information.

The Unaudited Consolidated Pro Forma Financial Information does not constitute, and should not be relied upon as constituting, a complete set of financial statements. For a proper interpretation of the Unaudited Pro Forma Financial Information, it must be read together with the Audited Consolidated Financial Statements and the Unaudited Interim Condensed Consolidated Financial Statements described above.

The Unaudited Consolidated Pro Forma Financial Information has not been prepared in accordance with the requirements of Article 11 of Regulation S X under the Exchange Act.

### ***Unaudited Non-IFRS-EU Management Measures***

The discussion and analysis of the financial condition and results of operations presented under "Management's Discussion and Analysis of Financial Condition and Results of Operations" includes an analysis of certain unaudited management financial measures, which the Company's management uses to evaluate the performance of the Company. These measures include, among others, EBITDA, operating EBITDA, EBITDA margin, yields, GRI, NRI and GRM. The Company's management believes that these measures are helpful to understand the way in which the Company's management makes investment decisions and evaluates the profitability of the Company's investments in properties purchased for resale. These measures are not audited and are not measurements required by, or presented in accordance with, IFRS-EU or U.S. GAAP. The measures are not measurements of the Company's financial performance under IFRS-EU or U.S. GAAP and should not be considered as alternatives to the information in the Audited Consolidated Financial Statements for any financial period or to any performance measures prepared in accordance with IFRS-EU or U.S. GAAP. Further, these measures, as they are defined and calculated by the Company's management, may not be comparable to other similarly-titled measures used by other companies. These management measures should not be considered in isolation. Investors are advised to review these unaudited management measures in conjunction with the Audited Consolidated Financial Statements included elsewhere in this Prospectus and the related discussion set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Investors are cautioned not to place undue reliance on these management measures.

## Rounding

Some financial information in this Prospectus has been rounded. As a result of this rounding, figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## PRESENTATION OF TESTA'S FINANCIAL INFORMATION

Additionally, this Prospectus contains Testa's audited consolidated financial statements for the financial years ended 31 December 2014 (the "*Testa 2014 Consolidated Financial Statements*"), 31 December 2013 (the "*Testa 2013 Consolidated Financial Statements*"), and 31 December 2012 (the "*Testa 2012 Consolidated Financial Statements*") respectively, together in each case with the audit report thereon and Testa's unaudited consolidated quarterly interim condensed financial information as of 31 March 2015. The Company has not been involved in the preparation of Testa's unaudited consolidated quarterly interim condensed financial information as of 31 March 2015, the Testa 2014 Consolidated Financial Statements, the Testa 2013 Consolidated Financial Statements or the Testa 2012 Consolidated Financial Statements, which have been prepared by Testa's management team, and therefore cannot confirm their accuracy, completeness or veracity.

The audited consolidated financial information is originally drafted in Spanish. In the event of any discrepancy between the English and Spanish versions, the latter version prevails.

### Application of IFRS 11

IFRS 11 came into effect with respect to "joint arrangements" on 1 January 2014 under IFRS-EU. The Testa 2014 Consolidated Financial Statements reflect the adoption of IFRS 11 and, as required per IFRS-EU, include restated numbers as of and for the year ended 31 December 2013 and the statement of financial position as of 31 December 2012. The Testa 2013 Consolidated Financial Statements present 2013 results as originally reported. The adoption of IFRS 11 has resulted in significant changes to Testa's assets and liabilities, as well as its separate consolidated income statement, as presented in the Testa 2014 Consolidated Financial Statements. Prior to the adoption of IFRS 11, Testa accounted for its investments in jointly-controlled entities using the proportional integration method under International Accounting Standards 31 ("*Interests in Joint Ventures*"), which is no longer applicable upon adoption of IFRS 11. Accordingly, Testa have now classified these joint arrangements as joint ventures and have reflected the appropriate reclassifications in its consolidated statements of financial position and separate income statements in the Testa 2014 Consolidated Financial Statements. See Note 2(a.1) to the Testa 2014 Consolidated Financial Statements.

Testa presents its results as of and for the year ended 31 December 2013 both as restated in the Testa 2014 Consolidated Financial Statements and as originally reported in the Testa 2013 Consolidated Financial Statements in various instances in this Prospectus. In order to facilitate comparability, the restated 2013 numbers are used when presenting comparisons of 2014 results to 2013 results, and the originally reported numbers are used when comparing 2013 results to 2012 results. Outside the context of year-on-year comparisons, unless otherwise indicated, the 2013 numbers are presented from the originally reported results. All numbers presented for 2012 are as originally reported.

The table below shows the impact that the restatement had on Testa's consolidated statement of financial position at 31 December 2013 and its separate consolidated income statement for the year ended 31 December 2013.

Consolidated Statement of Financial Position (€ thousand)	At 31 December 2013		
	Reported	Restated	Change
Non-current assets	3,122,890	3,088,687	(34,203)
Current assets	184,886	182,826	(2,060)
<b>Total assets</b>	<b>3,307,776</b>	<b>3,271,513</b>	<b>(36,263)</b>
Equity	1,356,476	1,356,476	—
<b>Equity of the parent</b>	<b>1,356,476</b>	<b>1,356,476</b>	—
Equity of non-controlling interest	—	—	—
Non-current liabilities	1,641,905	1,610,153	(31,752)
Current liabilities	309,395	304,884	(4,511)
<b>Total equity and liabilities</b>	<b>3,307,776</b>	<b>3,271,513</b>	<b>(36,263)</b>

### Separate Consolidated Income Statement

Separate Consolidated Income Statement (€ thousand)	Year Ended 31 December 2013		
	Reported	Restated	Change
Operating income	269,464	266,388	(3,076)

Operating costs	(114,813)	(106,772)	8,041
<b>Operating profit</b>	<b>154,651</b>	<b>159,616</b>	<b>4,965</b>
Profit/(loss) of associates	(791)	(3,980)	(3,189)
Gain/(loss) on Disposal of assets	—	—	—
<b>Net financial expense</b>	<b>(18,414)</b>	<b>(20,728)</b>	<b>(2,314)</b>
Consolidated profit before tax	135,446	134,908	(538)
Income tax	(57,763)	(57,225)	538
Profit for the year from continuing operations	77,683	77,683	—
Profit/(loss) for the year from discontinued operations	—	—	—
<b>Consolidated profit for the year</b>	<b>77,683</b>	<b>77,683</b>	<b>—</b>
Non-controlling interests	—	—	—
Parent	77,683	77,683	—

### *Use of Unaudited Non-IFRS Management Measures*

The discussion and analysis of the financial condition and results of operations presented under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” includes an analysis of certain unaudited management financial measures, which Testa’s management uses to evaluate the performance of Testa. These measures include, among others, EBITDA, operating EBITDA, EBITDA margin, yields, GRI, NRI and GRM. Testa’s management believes that these measures are helpful to understand the way in which Testa’s management makes investment decisions and evaluates the profitability of the Company’s investments in properties purchased for resale. These measures are not audited and are not measurements required by, or presented in accordance with, IFRS-EU or U.S. GAAP. The measures are not measurements of the Company’s financial performance under IFRS-EU or U.S. GAAP and should not be considered as alternatives to the information in the audited consolidated financial statements for any financial period or to any performance measures prepared in accordance with IFRS-EU or U.S. GAAP. Further, these measures, as they are defined and calculated by management, may not be comparable to other similarly-titled measures used by other companies. These management measures should not be considered in isolation. Investors are advised to review these unaudited management measures in conjunction with the annual consolidated financial statements included elsewhere in this Prospectus and the related discussion set forth under the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of Part XVIII (“*Information on Testa*”). Investors are cautioned not to place undue reliance on these management measures.

In addition, certain figures are presented on a “like-for-like” basis in Part XVIII (“*Information on Testa*”) of this Prospectus. Unless otherwise indicated, these figures have been calculated using the assets that were both in Testa’s portfolio as of the most recent date presented in the relevant table and in its portfolio as of the earliest date or for the earliest period ended in such table, showing the historical results for only such assets at certain dates or over certain periods set forth in such table and excluding any other assets that were in Testa’s portfolio on any such date or during any such period. Like-for-like numbers are shown as of these dates and over these periods because the Company believes they are helpful in analysing the performance of Testa’s assets over the course of the economic and real estate cycle. While the Company believes like-for-like numbers are helpful in showing the historical performance of Testa’s current portfolio, they are not measurements of Testa’s financial performance under IFRS-EU or U.S. GAAP and should not be considered as alternatives to the information in Testa’s audited consolidated financial statements for any financial period or to any performance measures prepared in accordance with IFRS-EU or U.S. GAAP. In particular, such like-for-like information excludes other significant assets in Testa’s portfolio which do not meet such presentation criteria, and results of such excluded assets may be material to Testa’s historical results as of such dates or for such periods. Further, these figures, as defined and calculated, may not be comparable to other similarly-titled figures used by other companies. These like-for-like figures should not be considered in isolation. Investors are advised to review these figures in conjunction with the corresponding historical figures of Testa, which is included before the presentation of the like-for-like figures throughout Prospectus.

### *Rounding*

Some financial information in this Prospectus has been rounded. As a result of this rounding, figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

### **NO INCORPORATION OF WEBSITE INFORMATION**

This Prospectus will be made available to the public in Spain at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)). Notwithstanding the foregoing, the contents of the Company’s website ([www.merlinproperties.com](http://www.merlinproperties.com)) and the contents of

any website accessible from hyperlinks on the Company's website, or any other website referred to in this Prospectus are not incorporated in, and do not form part of, this Prospectus. The Company's website ([www.merlinproperties.com](http://www.merlinproperties.com)) includes the content required under applicable regulations.

## INVESTMENT CONSIDERATIONS

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the potential risk of capital loss and that there may be limited liquidity in the underlying asset portfolio of the Group and in the Ordinary Shares, for whom an investment in the New Ordinary Shares constitutes part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment. It is anticipated that the profile of typical investors in the Company are expected to be institutional and qualified investors including specialised international property investors and private wealth investors who are looking to allocate part of their investment portfolio to the Spanish real estate market. Investors should consult their financial adviser before making an investment in the Company.

The New Ordinary Shares are designed to be held over the long term and may not be suitable as short-term investments. There is no guarantee that any appreciation in the value of the New Ordinary Shares will occur and investors may not get back the full value of their investment. Any Business Strategy objectives of the Group are targets only and should not be treated as assurances or guarantees of performance.

A prospective investor should be aware that the value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the New Ordinary Shares will occur or that the Business Strategy objectives of the Group will be achieved. The value of investments and any income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company.

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, accounting or regulatory matters, investment decisions or any other matter. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein. There can be no assurance that the Company's Business Strategy objectives will be achieved. It should be remembered that the price of the New Ordinary Shares, and the income from the New Ordinary Shares (if any), can go down as well as up.

This Prospectus should be read in its entirety before making any investment in the New Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the By-laws, which prospective investors should review. A summary of the By-laws is contained in section 6 of Part XXII ("*Additional Information*").

## VALUATION

At the Company's request, Savills, external independent real estate appraisers, have prepared the Company's Valuation Report dated July 2015, which valued the Group's Assets at an aggregate amount of approximately €2,231.6 million as at 31 December 2014. By virtue of such Company's Valuation Report, Savills authorised its inclusion in this Prospectus, accepted responsibility for its content and confirmed that to the best of its knowledge and belief (having taken all reasonable care to ensure such is the case), the information contained therein is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

Savills has its business address in José Abascal 45, 1<sup>a</sup> Planta, 28003 Madrid, and has confirmed that: (i) they have prepared a valuation report in accordance with the RICS Valuation Standards 8<sup>th</sup> Edition as amended (the "**Red Book**"); (ii) they are acting as External Valuers, as set out in the Red Book; and (iii) they are not aware of any conflict of interest with the Issuer preventing them from providing with an independent valuation of the Assets in accordance with the Red Book.

The valuation in the Company's Valuation Report is based on Savills' estimate of the market prices that could be obtained for the Group's Assets at that date. However, the valuation of property is inherently subjective due to the individual nature of each property. The Company's Valuation Report was prepared by Savills on the basis of certain information provided by the Company which was not independently verified.

Additionally, at Testa's request, CBRE and Instituto de Valoraciones, external independent real estate appraisers, have prepared respective valuation reports ("**Testa's Valuation Reports**" and, together with the Company's Valuation Report, the "**Valuation Reports**"), dated 14 July 2015 and 15 July 2015, respectively, which valued Testa's assets (each with respect to a portion of Testa's assets based on different valuation methods (as further explained below)) ("**Testa's Assets**") at an aggregate amount of €3,202.4 million at 31 March 2015. CBRE and Instituto de Valoraciones have authorised (as applicable) the inclusion of Testa's Valuation Reports in this Prospectus, have accepted responsibility for their content and have confirmed that to the best of their respective knowledge and belief (having taken all reasonable care to ensure such is the case), the information contained therein (as applicable) is in accordance with the facts and does not omit anything likely to affect the accuracy of such information.

CBRE has its business address in Paseo de la Castellana 200, 8<sup>th</sup> floor, 28003 Madrid, and Instituto de Valoraciones in

Avenida de Europa 34, 28023 Madrid, and they both have confirmed that: (i) they have prepared a valuation report in accordance with the Red Book; (ii) they are acting as External Valuers, as set out in the Red Book; and (iii) they are not aware of any conflict of interest with the Company preventing them from providing with an independent valuation of Testa's Assets in accordance with the Red Book.

The respective valuations in Testa's Valuation Reports are based on CBRE and Instituto de Valoraciones' respective estimates of the market prices that could be obtained for the respective portion of Testa's assets at the relevant date of the valuations. However, the valuation of property is inherently subjective due to the individual nature of each property. Testa's Valuation Reports were prepared by each of CBRE and Instituto de Valoraciones on the basis of certain information provided by Testa which was not independently verified.

Below is a summary of certain aspects of the Company's Valuation Report. This summary should be read together with, and is qualified in its entirety by reference to, the Company's Valuation Report, which is included in this Prospectus under Part XV ("*Company's Valuation Report*").

#### ***Company's Valuation Report***

The value of the properties in the Company's Valuation Report has been assessed on the basis of market value in accordance with the appropriate sections of both the current Professional Standards and Valuation Practice Statements contained in the Red Book. These are internationally accepted valuation standards. Market value is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". Savills made no allowance of any expenses of realisation or for taxation (including VAT) which might arise in the event of a disposal and each property has been considered free and clear of all mortgages or other charges.

#### ***Company's Declaration***

Since the date of the valuation included in the Company's Valuation Report (i.e., since 31 December 2014), there have been no material changes in the Company's assets which were the subject of such valuation. Since the date of the valuation included in the Company's Valuation Report, the Company has acquired the Alcalá 38-40 office building, the Madrid-Coslada logistics warehouse, the Mecol logistics warehouse and the Lisbon-Expo office building described in section 4.5.1 of Part XVI ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*"). The Company has also acquired 25% stake in Testa. See section 1 of Part X ("*Acquisition of Testa*").

Below is a summary of certain aspects of Testa's Valuation Reports. This summary should be read together with, and is qualified in its entirety by reference to, Testa's Valuation Reports, which are included in their entirety in this Prospectus under section 6 ("*Testa's Valuation Reports*") of Part XVIII ("*Information on Testa*").

#### ***CBRE's Valuation Report***

CBRE's Valuation Report covers 83 of Testa's properties (all of Testa's properties excluding land plots and assets under development), which it valued at an aggregate amount of €2,935.3 million, exclusive of VAT, at 31 March 2015. The value of such properties has been assessed on the basis of market value in accordance with the appropriate sections of both the current Professional Standards and Valuation Practice Statements contained in the Red Book. These are internationally accepted valuation standards. The CBRE Valuation Report defines "market value" as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The valuation of each property was facilitated by CBRE's experience and knowledge of the market.

In order to determine the market value of the aforementioned Testa's properties, CBRE valued each property individually and did not take into account any possible effect (discount or premium) of marketing the portfolio simultaneously. CBRE values the properties on the basis of the freehold equivalent interest in each property as at the date of the valuation. Moreover, it bases its valuations in part on onsite inspections. As it is a regular valuer of Testa, CBRE conducts these onsite inspections on a staggered rolling basis such that it inspects assets each year but inspects each individual asset only once every three years. For assets not inspected in the most recent year, it assumes no changes in the condition of such asset in its valuation.

#### ***Instituto de Valoraciones' Valuation Report***

Instituto de Valoraciones' Valuation Report covers Testa's five land plots and assets under development, which it valued at an aggregate amount of €267.1 million, VAT included at 31 March 2015. The value of such properties has been assessed on the basis of market value in accordance with the appropriate sections of the Red Book and the guidance of the International Valuation Standards Council. Instituto de Valoraciones' Valuation Report defines "market value" as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The valuation of each property was facilitated by Instituto de Valoraciones's experience and knowledge of the market.

In order to determine the market value of the aforementioned Testa's assets, Instituto de Valoraciones has used the residual method and the discounted cash flow method. Instituto de Valoraciones based its valuation of the land plots in part onsite inspections, and its valuations of the other properties covered by its report were conducted based on information provided by



Testa. Instituto de Valoraciones valued each property individually and did not take into account any possible effect (discount or premium) of marketing the portfolio simultaneously.

#### *Company's Declaration*

Since the date of each of the valuations included in Testa's Valuation Reports (i.e., since 31 March 2015), the Company is not aware of any material changes in Testa's assets which were the subject of such valuations.

#### **Cautionary Statement**

The valuation of property and property-related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all property valuations, including the Valuation Reports referred to in this document, are made on the basis of material assumptions which may not prove to be correct and which, in the case of the Valuation Reports, have not been confirmed or investigated by any third party. These assumptions include rental growth forecasts, the existence of marketable title to the properties, the lack of contamination of the properties or the fact that tenants are capable of meeting their leasehold obligations and that existing occupational leases will be maintained. The Company cannot assure that any of the Group's Assets or Testa's assets could have been or could be sold at their respective market values set forth in the Valuation Reports, if at all, or that the actual market value of the Group's Assets or Testa's assets, whether or not equivalent to the values set forth in the Valuation Reports, will not decline significantly over time due to various factors, including changing macro- and microeconomic conditions in the countries in which portions of the Group's Assets or Testa's assets are currently located or may be located in the future and other factors set forth under "Risk Factors". The appraised value of the Group's Assets or Testa's assets cannot, therefore, be construed as a guarantee of the prices which could be obtained should the Group seek to sell assets in the open market and is not an indication of any price at which the Ordinary Shares or the Preferential Subscription Rights may trade on the Spanish Stock Exchanges. The Valuation Reports are as of 31 December 2014 and 31 March 2015, as applicable. The Company can give no assurance that a valuation at a more recent date would not produce a lower or higher value. This Prospectus contains the Company's Valuation Report at Part XV ("*Company's Valuation Reports*") and Testa's Valuation Reports at section 6 ("*Testa's Valuation Reports*") at Part XVIII ("*Information on Testa*").

#### **IMPORTANT NOTE REGARDING PERFORMANCE DATA**

This Prospectus includes information regarding the track record and performance data of the members of the Management Team. Such information is not necessarily comprehensive and prospective investors should not consider such information to be indicative of the possible future performance of the Group or any investment opportunity to which this Prospectus relates. Past performance of the members of the Management Team is not a reliable indicator of, and cannot be relied upon as a guide to, the future performance of the Group. The Group will not make the same real estate acquisitions reflected in the track record and performance data included herein. For a variety of reasons, the comparability of the track record and performance data to the Group's future performance is by its nature very limited. Without limitation, results can be positively or negatively affected by market conditions beyond the control of the Group, which may be different in many respects from those that prevailed in the past or prevail at present or in the future, with the result that the performance of assets originated now or in the future may be significantly different from those originated in the past. Prospective investors should be aware that any investment in the Company is speculative, involves a high degree of risk, and could result in the loss of all or substantially all of their investment.

#### **AVAILABLE INFORMATION**

The Company has agreed that, for so long as any Ordinary Shares are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, it will during any period that it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder furnish, upon request, to any holder or beneficial owner of Ordinary Shares or any prospective purchaser designated by any such holder or beneficial owner the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

#### **SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES**

The Company was incorporated and is domiciled in Spain. The majority of the Directors and all of the members of the Management Team of the Company are resident outside the United States, and a substantial portion of the assets of such persons and the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce against any of them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States. There is doubt that a lawsuit based upon United States federal or state securities laws could be brought in an original action in Spain and that a foreign judgment based upon United States securities laws would be enforced in Spain.

## PART X: ACQUISITION OF TESTA

### 1. ACQUISITION OF TESTA

On 8 June 2015, the Company and Sacyr entered into the Investment Agreement for the acquisition by the Company, in several phases, of a 99.6% stake in Testa. At the date hereof, the Company holds a 25% stake in Testa, following the capital increase of approximately €431 million in Testa. After completion of the referred acquisition, the Company will hold a stake of at least 99.6% in Testa. Pursuant to the terms of the Investment Agreement, the Company will hold a controlling stake of 50.1% in Testa before 29 July 2015.

#### *Transaction structure*

The Investment Agreement envisages the following transactions:

- (i) The implementation of the resolutions approved by the General Shareholders' Meeting of Testa on 3 February 2015, related to:
  - a share capital reduction for an amount of €669,759,570.40, by means of a reduction of the par value of the ordinary shares from €6.00 to €0.20, by paying to Testa's shareholder €5.80 per share (the '**Testa Share Capital Reduction**'); and
  - the payment of an extraordinary dividend for an amount of €527,724,351.16, giving the right to Testa's shareholders to receive €4.57 per share (the '**Extraordinary Dividend**');

and the subsequent cancellation of the Intercompany Loan by setting-off the amount of €952,693,000 (excluding the accrued financial expenses) owed by Sacyr to Testa with some of the amounts due by Testa to Sacyr as a consequence of the Testa Share Capital Reduction and the Extraordinary Dividend.

The implementation took place on 8 June 2015, prior to the investment of the Company in the share capital of Testa.

- (ii) The subscription by the Company of a share capital increase in Testa for an effective amount of €430,838,704.01, that was subscribed and paid-up by the Company on 8 June 2015, in exchange for 38,491,930 new ordinary shares of Testa, each issued at €0.20 of par value and with share premium of €10.99, representing 25% of its share capital (the '**New Testa Shares**') ('**Testa Share Capital Increase**').

The New Testa Shares have all ordinary rights attached to them, including the right to receive the ordinary dividend of €0.15 per share amounting to €23,095,157.60 and approved by the General Shareholders' Meeting of Testa on 29 June 2015 and by the Board of Directors on 30 June 2015 and paid on 10 July 2015, but excluding the right to receive the amounts payable to Testa's Shareholders under the Testa Share Capital Reduction and the Extraordinary Dividend.

The proceeds from the Testa Share Capital Increase were used, along with the set-off of the amounts due by Sacyr to Testa under the Intercompany Loan, to pay the amounts due pursuant to the Testa Share Capital Reduction and the Extraordinary Dividend to Sacyr and the rest of Testa's shareholders, resulting in a cash payment of €238,759,636.23 to Sacyr and €6,031,285.33 to Testa's minority shareholders, with the remaining €186,047,782.45 (the '**Cash Resulting from the Testa Equity Restructuring**') to be used by Testa for investments or general corporate uses and to pay transaction costs.

Both the referred share capital reduction and share capital increase were registered with the Commercial Registry of Madrid on 12 June 2015.

- (iii) The acquisition by the Company from Sacyr of 114,894,179 shares in Testa for a consideration of €1,555,240,363.77 (the '**Acquisition**').

As of the date of the Investment Agreement the referred 114,894,179 shares in Testa were pledged by Sacyr in favour of a banking syndicate, as collateral in connection with the financing granted by said syndicate to Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U for its acquisition of shares in Repsol, S.A. (i.e. the Testa Share Pledge). Pursuant to the terms of the Investment Agreement, Sacyr has agreed to release the Testa Share Pledge with respect to the shares to be transferred to the Company, prior to each relevant transfer date. Sacyr has informed the Company that the Testa Share Pledge with respect to the Control Shares has been released subject to application of part of the funds to be received by Sacyr upon the First Delivery to partial prepayment of the abovementioned syndicated loan.

The Acquisition was approved by the General Shareholders' Meeting of the Company, on 14 July 2015.

In accordance with the terms of the Investment Agreement, the delivery of the shares in Testa by Sacyr and the payment of the acquisition price by the Company is to be done in two phases, as follows:

- (a) on the First Delivery, expected to take place on or before 29 July 2015, Sacyr is to transfer to the Company the Control Shares in Testa (i.e. 38,645,898 shares in Testa), free of the Testa Share Pledge and free of any

other liens and encumbrances, and the Company is to pay to Sacyr €861,240,363.77, upon which the Company will hold a stake of 50.1% in Testa; and

- (b) on the Second Delivery, i.e. not before 30 September 2015 and no later than 30 June 2016, Sacyr is to transfer to the Company the Remaining Shares in Testa (i.e. 76,248,281 shares in Testa), free of the Testa Share Pledge and free of any other liens and encumbrances, and the Company will pay to Sacyr €694,000,000, upon which the Company will hold a stake of at least 99.6% in Testa. The delivery of the Remaining Shares might eventually be executed in one or more transfers, on a quarterly basis, as and when the Testa Share Pledge is released by the relevant creditors.

The total consideration to be paid by the Company to Sacyr, on a euro-per-euro basis, in the Acquisition amounts to €1,555,240,363.77 (subject to adjustment, as applicable, for dividends paid by Testa to Sacyr after the First Delivery).

- (iv) Following the acquisition of the Control Shares, upon which it will hold a controlling stake in Testa (50.1% of its share capital), the Company must launch a mandatory takeover bid over 100% of the shares in Testa which, given Sacyr's commitment not to tender the Remaining Shares in it, will effectively be addressed to those shares in Testa owned by shareholders other than Sacyr, representing approximately 0.4% of Testa's issued share capital in accordance with applicable takeover regulations in Spain and at a price per share which is expected to be around €13.54, subject to approval by the CNMV and to adjustment, as applicable, for dividends paid by Testa after the First Delivery (the "**Takeover Bid**").

Under the Investment Agreement, Sacyr irrevocably undertook to immobilise and not tender the Remaining Shares in the Takeover Bid.

#### ***Indemnities and collateral***

In the event that the Company or Sacyr fail to comply with their respective undertakings to buy and sell the relevant Testa shares in the Acquisition:

- (i) In case of breach by Sacyr of its obligations related to the delivery of the Control Shares, the Company will be entitled to request Sacyr to call a General Shareholders' Meeting in Testa to agree the distribution (by means of a dividend or any other way) to Testa's shareholders of an amount of at least €184,755,049. Sacyr undertakes to assist to such General Shareholders' Meeting in Testa and to vote in favour of such distribution or to grant, at the Company's request, a special power of attorney to the Company so that the Company, in the name and on behalf Sacyr, may assist and vote in favour of such distribution. As indicated below, dividends and other distributions received by Sacyr from Testa are pledged in favour of the Company until the First Delivery.
- (ii) In case of breach by Sacyr of its obligation to deliver the Control Shares or the Remaining Shares to the Company free of charges due to any other cause than the Testa Share Pledge not being released, the Company will be entitled to either (i) demand specific performance of Sacyr's undertakings to sell its shares in Testa to the Company and claim for damages against Sacyr up to an amount of €137,868,378.57, or (ii) declare the termination of the Acquisition (if the breach occurs after the delivery of the Control Shares, only in respect of the Remaining Shares), in which case Sacyr shall pay to the Company an indemnification of €137,868,378.57.
- (iii) In case of breach by Sacyr of its obligation to deliver the Control Shares or the Remaining Shares to the Company due to the Testa Share Pledge not being released, the Company will be entitled to either (i) grant Sacyr a deferral for compliance with its undertakings (and if after such deferral has elapsed the Testa Share Pledge has not been released yet, the Acquisition will be automatically terminated (if the breach occurs after the delivery of the Control Shares, only in respect of the Remaining Shares) and Sacyr shall pay to the Company an indemnification of €137,868,378.57), or (ii) declare the termination of the Acquisition (if the breach occurs after the First Delivery, only in respect of the Remaining Shares), in which case Sacyr shall pay to the Company an indemnification of €137,868,378.57.
- (iv) In case of breach by the Company of its undertakings due on the First Delivery (i.e. to acquire and pay for the Control Shares), due to any other cause other than the General Shareholders' Meeting of the Company not granting its approval to the Acquisition, Sacyr will be entitled to either (i) demand specific performance of the Company's undertakings to buy from Sacyr the Control Shares and claim for damages against the Company up to an amount of €137,868,378.57, or (ii) declare the termination of the Acquisition, in which case the Company shall pay to Sacyr an indemnification of €137,868,378.57.
- (v) In case of breach by the Company of its undertakings due on the Second Delivery (i.e. to acquire and pay for the Remaining Shares), Sacyr will be entitled to either (i) demand specific performance of the Company's undertakings to buy from Sacyr the Remaining Shares and claim for damages against the Company up to an amount of €137,868,378.57, or (ii) declare the termination of the uncompleted part of the Acquisition (only in respect of the Remaining Shares), in which case the Company shall pay to Sacyr an indemnification of €137,868,378.57.

As collateral with respect to their respective indemnification obligations referred to above:

- (i) the Company pledged in favour of Sacyr on 8 June 2015 12,317,417 shares in Testa representing 8% of Testa's share capital; and
- (ii) Sacyr pledged in favour of the Company on 8 June 2015 its rights to receive dividends or other distributions (other than the Extraordinary Dividend and the ordinary dividend relating to 2014 approved by Testa's General Shareholders' Meeting on 29 June 2015) from Testa up to an amount of €137,868,378.57. Upon the First Delivery, such pledge will be replaced by an escrow deposit in cash in the amount of €137,868,378.57.

The economic and political rights corresponding to the 12,317,417 shares in Testa pledged by the Company in favour of Sacyr will remain vested with the Company. In case of breach by the Company of its undertakings to pay for the Control Shares or the Remaining Shares, as the case may be, on the First Delivery or on the Second Delivery, Sacyr will be entitled to directly acquire, under the terms of the pledge granted in favour of Sacyr, the referred 12,317,417 shares (and the relevant price of said 12,317,417 shares will be set-off against the indemnification payable by the Company to Sacyr in the terms set out above).

### ***Corporate governance***

The respective rights of the Company and Sacyr as shareholders in Testa shall be as established under applicable Spanish laws and Testa's bylaws and internal regulations. The Company shall be entitled to appoint a number of members to the Board of Directors of Testa in proportion to its stake in the latter from time to time, and it currently intends to appoint a majority of directors following the acquisition of a controlling stake in Testa. Under the Investment Agreement Sacyr has undertaken to cause that its nominated directors tender their resignations as appropriate in order to allow the Company to appoint its own directors.

### ***Related party transactions and cross-guarantees between Sacyr and Testa***

In accordance with the terms of the Investment Agreement, on 8 June 2015 Sacyr and Testa settled all outstanding intragroup indebtedness (other than debts accrued within the ordinary course of business).

Additionally, upon the First Delivery:

- (i) Any and all guarantees, collateral or any form of security interest reciprocally provided between Sacyr and Testa (and/or their respective subsidiaries) must be terminated by Sacyr. If Sacyr fails to release any such guarantees, collateral or security interests by the First Delivery, the Company will retain from the price to be paid to Sacyr for the Control Shares, an amount equivalent to the amount of the relevant unreleased guarantees, collateral or security interests. This amount will be kept by the Company until Sacyr releases Testa from any such guarantees, collateral or security interests. See Part XVIII ("*Information on Testa*").
- (ii) At Testa's request, any and all contractual relationships between Sacyr and Testa (and/or their respective subsidiaries) will be terminated –except for certain facility management agreements that will remain in force until 31 December 2016– without any right to compensation or indemnification accruing for either party due to such terminations.

### ***Conversion of Testa into a SOCIMI***

In accordance with the terms of the Investment Agreement, upon the First Delivery the Company and Sacyr shall cause (and vote in favour of) the election by Testa for the SOCIMI Regime no later than 29 September 2015.

### ***Merger***

Following the execution of the Investment Agreement, the Company has made public its further intention to merge Testa into the Company following completion of the Acquisition in full.

### ***Sources of Funds***

On 21 June 2015, the Company entered the Bridge Facility for an aggregate amount of €500 million in order to finance the acquisition of 25.1% of the shares in Testa. See section 5.3. ("*Bridge Facility*") of Part XVI ("*Management's Discussion And Analysis Of Financial Condition And Results Of Operations*") for further details. The Net Proceeds from the Offering will also be used for the Acquisition, to partially prepay the Bridge Facility and the Group's general corporate purposes. See section 8.1 ("*Proceeds of the Offering*") in Part XI ("*Information on the Group*") for further details. The Company will also use the amounts resulting from the May Capital Increase and other available cash to fund the Acquisition.

The Company also intends to progressively dispose of Testa's non-core assets (rented residential and land, or part of the hotel portfolio on an opportunistic basis). See section 6 ("*The Company's Long-Term Plan for Testa*") in this Part X ("*Acquisition of Testa*")

## **2. ACQUISITION RATIONALE OF TESTA**

### ***Creation of the leading Spanish real estate property company, presenting a unique opportunity to capture growth in the Spanish real estate market***

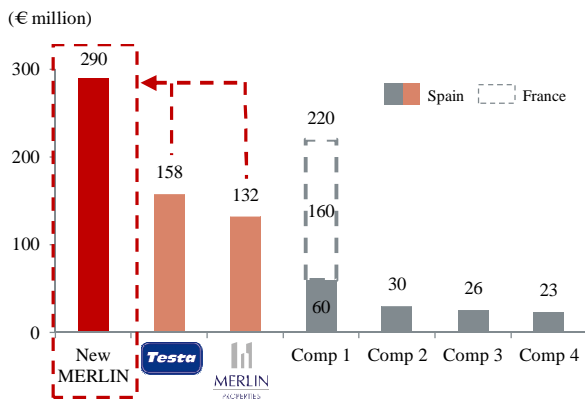
The acquisition of Testa is fully aligned with the Company's strategic pillars and will result in a significant increase in exposure to the Spanish real estate cycle. The transaction will lead to the creation of the largest Spanish property company.

Post-transaction, the Company will become the undisputed largest player in terms of Spanish gross asset value and gross rental income, with a combined portfolio of over €55 billion and combined gross annual rents of over €290 million as of the date of this Prospectus.

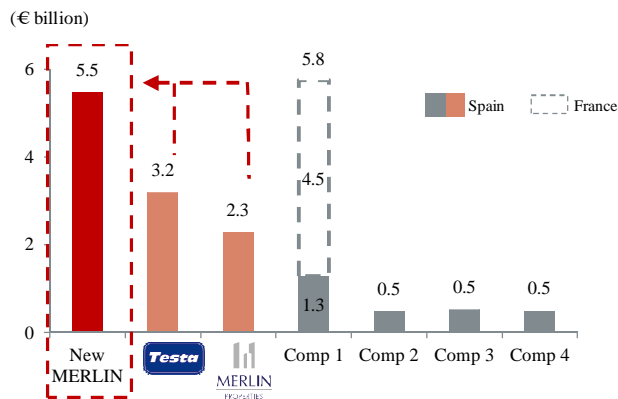
The chart below shows a comparison versus other Spanish Real Estate players by GRI and GAV before and after the acquisition of Testa by the Company:

### Spanish Real Estate Players Benchmarking

#### By GRI<sup>(1)</sup>



#### By GAV<sup>(2)</sup>



Source: Company Reports

Source: Company Reports

#### Notes:

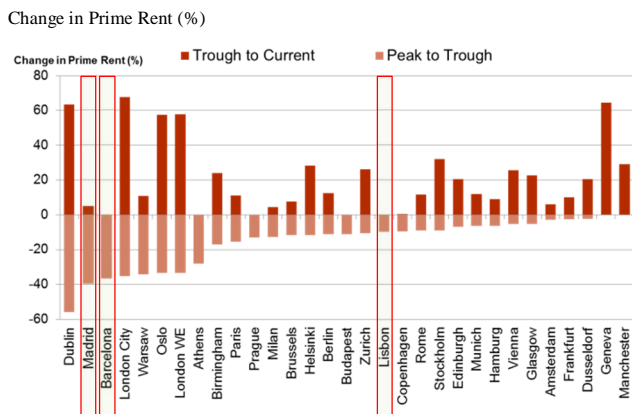
(1) Latest reported GRI (as of March 2015). Calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for assets which the tenants have left following 31 March 2015 for the Company and Testa and Q1 GRI multiplied by 4 for Comp 1, Comp 2, Comp 3 and Comp 4.

(2) Based on latest reported GAV.

The acquisition of Testa also represents a unique opportunity to capture growth in the Spanish real estate market from a position of leadership, through the combination of growth in rental levels, currently significantly below peak in the main cities in which the Company is present (Madrid, Barcelona or Lisbon), and a strong expected recovery in GDP growth. Therefore the Company expects room for rental uplift driven by strong recovery in Spanish GDP growth.

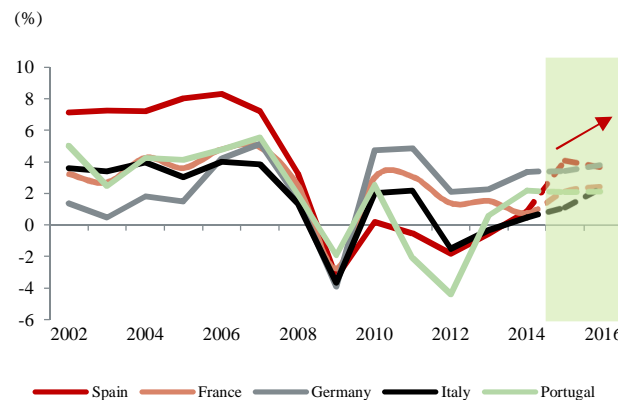
The chart on the left below shows the evolution of prime office rents in different cities in EMEA, Madrid, Barcelona and Lisbon, among others, showing the percentage change in rents from peak to trough as well as from trough to current rental levels. The chart on the right shows Nominal GDP Growth in Spain, France, Germany, Italy and Portugal from 2002 to 2016.

### Prime Office Rents – Previous Peak To Current Trough & Current Trough To Present (Q4 2014)



Source: CBRE

### Nominal GDP Growth



Source: OECD

### Unique opportunity to acquire a non-replicable portfolio of high quality assets

The Company's acquisition of Testa is a unique opportunity to acquire a high quality and sizeable portfolio in one single transaction, anchored by large corporate blue chip tenants under long leases providing with stable and predictable revenues. Acquiring all these assets on an individual basis would require a lot of time, losing the possibility of entering the market at this point in the cycle, would entail a higher price, as competition for prime assets would increase individual acquisition prices and the large amount of individual, acquisitions would significantly increase transaction costs, and it would take significant time and resources from the Management Team.

See section 3 ("Business Strengths") of Part XI ("Information on the Group") for further details.

### Testa acquisition provides diversification and complementarity to the Company's asset base, creating a market referent in Spain with critical mass across the most attractive asset classes

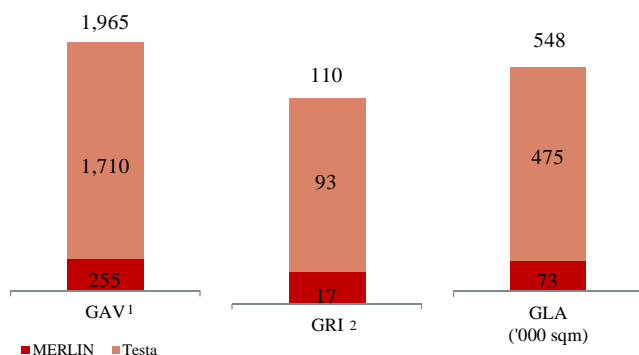
Testa owns a non-replicable prime portfolio of high quality rental assets. In terms of asset class, with this transaction, the Company is making a significant addition to three of its core segments: offices, retail and logistics. The Company's integration with Testa places the combined entity as the leader in the Spanish office segment, the third player in the Spanish logistics segment and a relevant player in the Spanish shopping centres segment in terms of GLA under management (source: CBRE).

Furthermore, the acquired portfolio is highly complementary with the Company's current asset base not only in terms of asset class and overall quality, but also because it does not overlap on a micro-location basis.

The following charts show the combined GAV, GRI and GLA for the offices, shopping centres and logistics, respectively; as well as the high street retail.

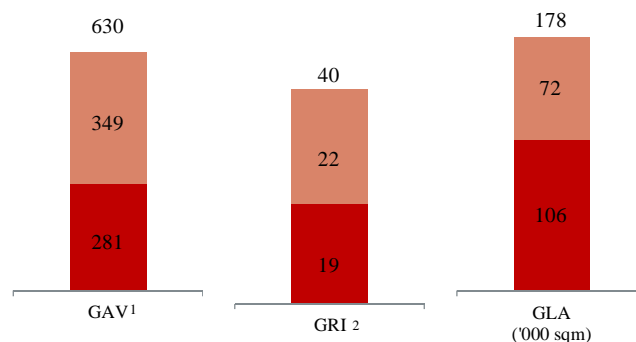
#### Offices

(€ million)



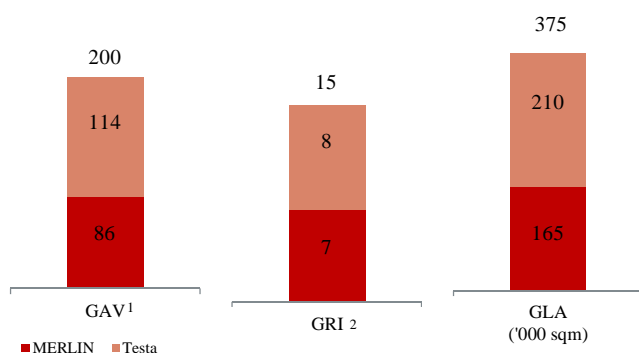
#### Shopping Centres

(€ million)



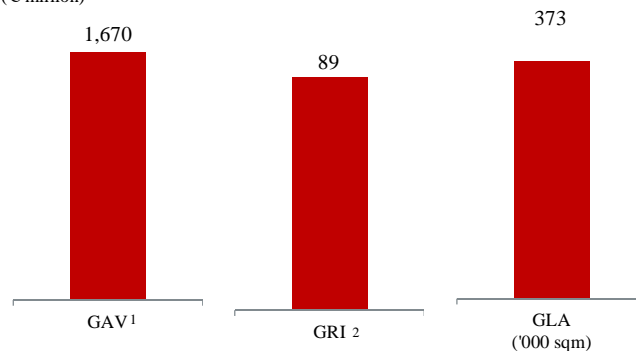
#### Logistics

(€ million)



#### High Street Retail – Tree

(€ million)



Notes:

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala,

Coslada) for the Company and on market value as per CBRE and Instituto de Valoraciones appraisal reports as of March 2015 for Testa.

(2) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

Testa's office portfolio mostly includes prime office properties located in Madrid and Barcelona, increasing the Company's exposure to these cities' prime office market recovery. The combined office portfolio allows the Company to follow its clients throughout their entire life cycle, offering a wide variety of alternatives to its tenants, from providing more space and better locations to scaling back to more affordable premises.

Additionally, the Company becomes a reference player in the Spanish shopping centres segment with a focus in large-scale dominant shopping centres (Marineda) as well as urban shopping centres in affluent and strategic catchment areas based on retail assets from the Testa portfolio (including Porto Pi, Larios, Centro Oeste and Plaza de los Cubos).

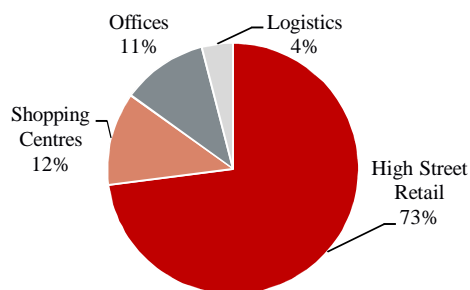
The transaction allows the Company to gain significant scale in the logistics segment, focusing on sizeable assets located in close proximity with transport hubs, reinforcing the Company's position in the A2 corridor, and diversifying its tenant base, although exposure to single-tenant contracts remains high. The Company becomes a reference for key logistics tenants looking for a single landlord across the Spanish geography.

To a lesser extent, the Company has added to its portfolio prime urban hospitality and rented residential assets. The hotels, mostly located in Madrid and Barcelona and leased to leading hotel operators, have proven to be stable and resilient during the downturn and add a variable rent component which will enhance the ability to capture the market recovery. The rented residential complexes, of which 78% are located in Madrid, are modern assets with high-quality construction standards, resulting in a very appealing and liquid portfolio.

The acquisition of Testa will lead to the diversification of the Company's revenue profile, with offices representing 36% and 38% of the post-transaction GAV and GRI as of 31 March 2015, high street retail (Tree portfolio) 30% and 31% respectively (down from 73% and 67%), shopping centres 11% and 14% respectively, and logistics 4% and 5% respectively. This diversification significantly increases the exposure of the Company to the recovery of the Spanish real estate market. The charts below show the percentage represented by each asset type before and after the acquisition of Testa by GAV and by GRI.

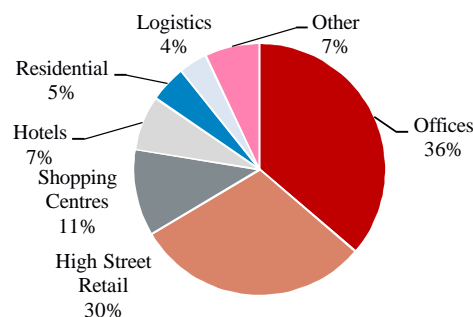
**Pre-Acquisition**

**By GAV<sup>(1)</sup>**

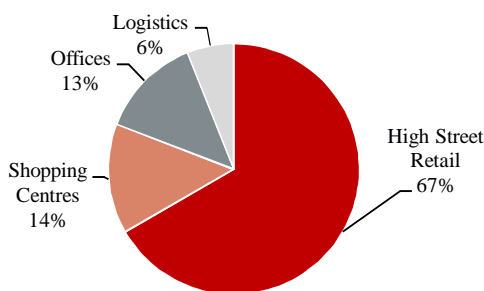


**Post-Acquisition**

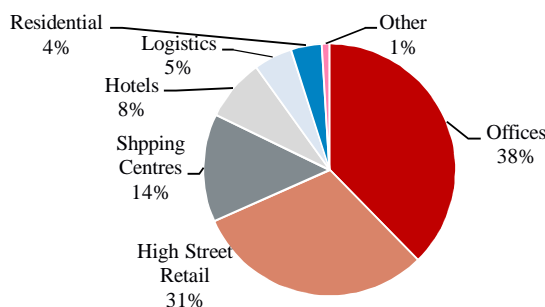
**By GAV<sup>(1)(2)</sup>**



**By GRI<sup>(3)</sup>**



**By GRI<sup>(3)</sup>**



**Notes:**

(1) Gross asset value based on market value as per Savills appraisal report for the 2014 acquisitions and acquisition price for the 2015 acquisitions (Alcala, Coslada) for the Company.

(2) Gross asset value based on market value as per CBRE and Instituto de Valoraciones appraisal reports as of March 2015 for Testa.

(3) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

See section 6 (“The Company’s Long-Term Plan for Testa”) in this Part X (“Acquisition of Testa”) for further details on Testa’s non-core assets disposal.

### ***Enhances the corporate and capital markets profile of the Company***

The Company believes its resulting highly visible corporate profile and enhanced overall scale may improve its credit rating profile as well as the liquidity of its shares, further enhancing its access to equity capital markets and facilitating its access to public debt capital markets. As a result, the Company expects to reduce its overall cost of capital.

### ***Addition of a complementary team with strong in-house capabilities focused on asset management***

With the acquisition of Testa, the Company will add to its current team a highly complementary platform with strong in-house capabilities focused on leasing, refurbishment and development, and overall asset management.

Testa’s management team has more than 150 years of combined real estate experience in the Spanish market and has extensive expertise and know-how in the assessment, execution and management of real estate opportunities across its asset classes. Currently composed of 94 qualified professionals, of which 50 manage Testa and its portfolio and 44 are part of its third-party asset management business, the management team’s strong in-house leasing, refurbishment and development capabilities create synergies across the entire real estate value chain.

The Company believes the strong in-house asset management capabilities that Testa brings are highly valuable for the successful implementation of the Company’s business plan, adding efficiency as well as increasing the control of critical asset management operations. The two complementary and highly experienced teams will facilitate integration and the exchange of best practices and know-how.

## **3. VALUATION**

The implied premium to NAV of the acquisition amounts to 15.9%, which results from comparing an implied equity value for 100% of Testa of €1,994 million with Testa’s NAV of 1,721 million (as of 31 March 2015). Both numbers include the Cash Resulting from the Testa Equity Restructuring. The total purchase price can be broken down into the following payments made at the different stages: €431 million from the Company’s subscription of the New Testa Shares in 8 June 2015 (which has been already completed), €1,555 million for the acquisition of the Control Shares and the Remaining Shares (which is expected to take place, on or before 29 July 2015, and not before 30 September 2015 and no later than 30 June 2016, respectively) and €8 million expected to be paid to acquire the minorities’ stake pursuant to the Takeover Bid, resulting in a €273 million premium.

The implied premium to GAV amounts to 8.4% on Testa’s valuations as of 31 March 2015. This premium results from the comparison of the market value of Testa’s assets as of 31 March 2015, which amounted to €3,202 million with an implied enterprise value of €3,473 million.

The Company believes that the acquisition of Testa has been done at an attractive entry valuation, evidenced by comparing the acquisition’s implied capital values to recent market transactions and the acquisition implied yields to Q1 2015 prime market yields.

The Company believes that given the current point in the cycle and Testa’s portfolio quality, this transaction shall exceed the Company’s target return.

The table below shows the average implied capital values per asset class of the acquisition (based on the purchase price assigned by the Company), which lie within the range of recent transactions comparable to Testa’s assets:

<u>Asset Class</u>	<u>Implied Capital Values (€/sqm, unless otherwise stated)</u>
Offices	4,088
Shopping Centres	5,738
Logistics	706
Hotels	225k <sup>(1)</sup>
Rented Residential	2,233

*Note:*

*(1) Measured in implied €/room.*

The implied gross yields of the acquisition, calculated based on the valuation assigned by the Company to the commercial assets (excluding the rented residential portfolio) results in a passing yield of 4.9% and a Full ERV yield of 5.5%.

The following table shows the breakdown by asset class of the implied yields derived from the price paid for Testa and how they compare with current market yields according to CBRE:



<b>Asset Class</b>	<b>Implied Passing Yield<sup>(1)</sup> for Testa Acquisition (%)</b>	<b>Full ERV Yield<sup>(2)</sup> for Testa Acquisition (%)</b>	<b>Q1 2015 Market Prime Yield (%)<sup>(3)</sup></b>
Offices	5.0%	5.4%	4.8%
Shopping Centres	5.0%	5.3%	5.0%
Logistics	5.4%	6.6%	6.5% <sup>(4)</sup>
Hotels	4.8% <sup>(5)</sup>	5.3% <sup>(6)</sup>	5.9%
Rented Residential	3.9%	4.4%	N/A
<b>Average</b>	<b>4.9%</b>	<b>5.5%</b>	<b>N/A</b>

*Notes:*

(1) The Implied Passing Yield is calculated dividing annualised gross rents for each asset class by implied enterprise value for the acquisition (€3,443 million), allocated by the Company to each asset class. Annualised gross rents have been calculated as passing monthly gross rent at 31 March 2015, multiplied by 12.

(2) Full ERV Yield is calculated dividing annualised estimate reversionary value (ERV) of rents with 100% occupancy rate for each asset class, by implied enterprise value for the Acquisition (€3,443 million), allocated by the Company to each asset class. Annualised estimated reversionary value of rents is calculated as estimated market rents at 31 March 2015, multiplied by 12.

(3) The Prime Market Yield represents the yield which an investor would receive when acquiring a grade/class A building in a prime location (CBD, for example), which is fully let at current market value rents. Prime Yield reflects the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, a hypothetical yield is quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in the light of market conditions, but the same criteria on building location and specification still apply.

(4) Source: CBRE. The logistics yield presented is as of Q2 2015.

(5) Implied passing yield at acquisition excluding Eurostars Tower Hotel would be 5.3%

(6) ERV yield excluding Eurostars Tower Hotel would be 5.4%

#### 4. COMBINED KPIS

The main metrics of the combined entity are as follows:

<b>As of 31 March 2015</b>	<b>MERLIN Properties</b>	<b>Testa<sup>(10)</sup></b>	<b>New MERLIN Properties</b>
GAV (€ million) <sup>(1)</sup>	2,291.0	3,202.4	<b>5,493.4</b>
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	132.3	157.9	<b>290.2</b>
Total Annualised Net Rents (€ million) <sup>(3)</sup>	129.9	147.9	<b>277.8</b>
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	128.6	146.7 <sup>(4)</sup>	<b>275.4</b>
EPRA Gross Yield (%) <sup>(5)</sup>	5.77%	5.49%	<b>5.61%</b>
EPRA Topped-Up Yield (%) <sup>(6)</sup>	5.67%	5.14%	<b>5.37%</b>
EPRA Net Initial Yield (%) <sup>(7)</sup>	5.61%	5.10%	<b>5.33%</b>
Total GLA (sqm) <sup>(8)</sup>	716,826	1,043,901	<b>1,760,728</b>
GLA Occupied (sqm)	692,060	993,292	<b>1,685,352</b>
GLA Vacant (sqm)	24,766	50,609	<b>75,376</b>
Physical Occupancy Rate	96.5%	95.2%	<b>95.7%</b>
WAULT by Rents (years) <sup>(9)</sup>	17.2	4.5	<b>10.3<sup>(11)</sup></b>

*Notes:*

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014 (€2,231.6 million), and acquisition price for the 2015 acquisitions (Alcala (€39.1 million) and Coslada(€20.3 million)) for the Company and based on CBRE and Instituto de Valoraciones appraisal report as of 31 March 2015 for Testa.

(2) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present)

(3) Annualised net rental income has been calculated as the NRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NRI for which was included only for the period in which the tenant was present) Net rents deducts from gross rents direct property expenses non-rechargeable to tenants.

(4) Annualised net operating income has been calculated as the NOI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NOI for which was included only for the period in which the tenant was present) Net operating income deducts from net rents direct collection loss and rents discounts.

(5) EPRA Gross Yield is calculated dividing annualised gross rents by GAV. See Note (10) for Testa's GAV.

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV. See Note (10) for Testa's GAV.

(7) EPRA Net Yield is calculated dividing annualised net operating income by GAV. See Note (10) for Testa's GAV.

(8) For the Company, GLA above ground and for Testa, above ground rental surface for all assets except independently-leased parking facilities.

(9) WAULT means the weighted average unexpired lease term, calculated as of 31 March 2015. Calculated weighted by GRI. For Testa, WAULT excludes financial assets (i.e. Hotel AC Forum and Costa Ballena).

(10) Testa's GAV includes financial assets and land plots, rest of operating metrics exclude them. Resulting GAV excluding financial assets and land plots would be of €2,878.2 million.

(11) Calculated as the weighted average by GRI between the Company and Testa.

### EPRA Performance Metrics

The following metrics were calculated taking into account the ordinary shares of both Testa and the Company as at 31 March 2015, i.e. without taking into account the shares issued in the May Capital Increase in the case of the Company, or the New Shares in the case of Testa.

Performance Measure	Definition	MERLIN Properties (reported as of 31/03/2015)	Testa (adjusted <sup>(3)</sup> as of 31/03/2015)	New MERLIN Properties
EPRA Earnings	Recurring earnings from core operational activities	€22.1 million	€18.1 million	€40.2 million
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	€1,367.2 million <sup>(1)</sup>	€1,720.7 million	€2,690.4 million <sup>(4)</sup>
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	€1,280.9 million <sup>(2)</sup>	€1,440.1 million	€2,323.5 million
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	5.61%	5.10%	5.33%
EPRA “topped-up” NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.67%	5.14%	5.37%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	4.40%	3.97%	4.35%

Note:

(1) Following the May Capital Increase, EPRA NAV amounted to €1,963 million.

(2) Following the May Capital Increase, EPRA NNNAV amounted to €1,876 million.

(3) Adjusted to reflect the Testa Share Capital Reduction, the Extraordinary Dividend and the Testa Share Capital Increase, and excluding all transaction costs and the ordinary dividend distributed the 10 July 2015.

(4) Calculated as the sum of the Company and Testa NAVs, adjusted for the May Capital Increase (€596.3 million), net proceeds from the Offering (€1,000.2 million) and the Acquisition of Testa (€1,994.0 million).

### GAV by Asset Class

As of 31 March 2015 (€ million)	MERLIN Properties <sup>(1)</sup>	Testa <sup>(2)</sup>	New MERLIN Properties
Office	255.0	1,710.4	<b>1,965.3</b>
High Street Retail	1,669.5	-	<b>1,669.5</b>
Shopping Centres	281.1	349.4	<b>630.5</b>
Logistics	85.5	114.0	<b>199.4</b>
Hotels	-	387.7	<b>387.7</b>
Rented Residential <sup>(3)</sup>	-	274.8	<b>274.8</b>
Other <sup>(4)</sup>	-	366.3	<b>366.3</b>
<b>Total</b>	<b>2,291.0</b>	<b>3,202.4</b>	<b>5,493.4</b>

Notes:

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala, Coslada) for the Company.

(2) Gross asset value based on CBRE and Instituto de Valoraciones appraisal report as of 31 March 2015 for Testa.

(3) Includes commercial units that are within rented residential assets.

(4) Includes senior residences, parking facilities, financial assets and land plots.

The table below shows the proportion of each asset class in the total GAV before and after the Acquisition:

As of 31 March 2015 (%)	Pre-Acquisition <sup>(3)</sup>	Post-Acquisition <sup>(4)</sup>
Office	11%	36%
High Street Retail	73%	30%
Shopping Centres	12%	11%
Logistics	4%	4%
Hotels	-	7%
Rented Residential <sup>(1)</sup>	-	5%
Other <sup>(2)</sup>	-	7%

Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Includes senior residence, parking facilities, financial assets and land plots.

(3) Includes data related to the Company.

(4) Includes data related to New MERLIN Properties.

### GRI<sup>(1)</sup> by Asset Class

As of 31 March 2015 (€ million)	MERLIN Properties	Testa	New MERLIN Properties
Office	17.1	93.3	<b>110.4</b>
High Street Retail	89.1	-	<b>89.1</b>
Shopping Centres	18.7	21.7	<b>40.3</b>
Logistics	7.4	8.1	<b>15.5</b>
Hotels	-	21.9	<b>21.9</b>
Rented Residential <sup>(2)</sup>	-	11.1	<b>11.1</b>
Other <sup>(3)</sup>	-	1.9	<b>1.9</b>
<b>Total</b>	<b>132.3</b>	<b>157.9</b>	<b>290.2</b>

Notes:

(1) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

(2) Includes commercial units that are within rented residential assets.

(3) Includes senior residences and parking facilities.

As of 31 March 2015 (%)	Pre-Acquisition	Post-Acquisition
Office	13%	38%
High Street Retail	67%	31%
Shopping Centres	14%	14%
Logistics	6%	5%
Hotels	-	8%
Rented Residential <sup>(1)</sup>	-	4%
Other <sup>(2)</sup>	-	1%

Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Includes senior residences and parking facilities.

### GAV by Geography

As of 31 March 2015 (%)	MERLIN Properties <sup>(1)</sup>	Testa <sup>(2)(4)</sup>	New MERLIN Properties
Madrid <sup>(3)</sup>	28%	73%	<b>53%</b>
Barcelona <sup>(3)</sup>	11%	11%	<b>11%</b>
Other	60%	16%	<b>36%</b>

Notes:

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala, Coslada) for the Company.

(2) Gross asset value based on CBRE and Instituto de Valoraciones appraisal report as of 31 March 2015 for Testa.

(3) Defined as province.

(4) Excludes land and financial assets.

EPRA Gross Yield<sup>(1)</sup> by Asset Class

As of 31 March 2015 (%)	MERLIN Properties	Testa	New MERLIN Properties
Office	6.7%	5.5%	5.6%
High Street Retail	5.3%	-	5.3%
Shopping Centres	6.6%	6.2%	6.4%
Logistics	8.7%	7.1%	7.8%
Hotels	-	5.6%	5.6%
Rented Residential <sup>(2)</sup>	-	4.0%	4.0%
Other <sup>(3)</sup>	-	4.6%	4.6%
<b>Total</b>	<b>5.8%</b>	<b>5.5%</b>	<b>5.6%</b>

Notes:

(1) EPRA Gross Yield is calculated dividing annualised gross rental income by market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on acquisition price for the acquisitions carried out during 2015.

(2) Includes commercial units that are within rented residential assets.

(3) Includes senior residences and parking facilities, with a total GAV of €42.0 million and GRI of €1.9 million.

GLA by Asset Class

As of 31 March 2015 (sqm)	MERLIN Properties <sup>(1)</sup>	Testa <sup>(2)</sup>	New MERLIN Properties
Office	72,568	475,131	547,669
High Street Retail	373,157	-	373,157
Shopping Centres	106,276	72,104	178,380
Logistics	164,826	209,616	374,442
Hotels	-	110,843	110,843
Rented Residential <sup>(3)</sup>	-	124,330	124,330
Other <sup>(4)</sup>	-	51,877	51,877
<b>Total</b>	<b>716,826</b>	<b>1,043,901</b>	<b>1,760,728</b>

Notes:

(1) GLA above ground.

(2) Above ground rental surface for all assets except independently-leased parking facilities.

(3) Includes commercial units that are within rented residential assets.

(4) Includes senior residences and parking facilities.

Occupied and Vacant GLA by Asset Class

As of 31 March 2015 (sqm)	MERLIN Properties <sup>(1)</sup>		Testa <sup>(2)</sup>		New MERLIN Properties		Occupancy (%)
	Occupied	Vacant	Occupied	Vacant	Occupied	Vacant	
Office	59,206	13,361	437,695	37,436	496,902	50,797	90.7%
High Street Retail	373,157	-	-	-	373,157	-	100.0%
Shopping Centres	94,871	11,405	70,651	1,453	165,522	12,858	92.8%
Logistics	164,825	-	202,827	6,789	367,653	6,789	98.2%
Hotels	-	-	110,843	-	110,843	-	100.0%
Rented Residential <sup>(3)</sup>	-	-	119,398	4,932	119,398	4,932	96.0%
Other <sup>(4)</sup>	-	-	51,877	-	51,877	-	100.0%
<b>Total</b>	<b>692,060</b>	<b>24,766</b>	<b>993,292</b>	<b>50,609</b>	<b>1,685,352</b>	<b>75,376</b>	<b>95.7%</b>

Notes:

(1) GLA above ground.

(2) Above ground rental surface for all assets except independently-leased parking facilities.

(3) Includes commercial units that are within rented residential assets.

(4) Includes senior residences and parking facilities.

WAULT<sup>(1)</sup> by Asset Class

As of 31 March 2015 (years)	MERLIN Properties	Testa	New MERLIN Properties <sup>(3)</sup>
Office	3.2	5.2	<b>4.9</b>
High Street Retail	23.0	-	<b>23.0</b>
Shopping Centres	3.1	2.2	<b>2.6</b>
Logistics	8.3	1.6	<b>4.8</b>
Hotels <sup>(2)</sup>	-	4.6	<b>4.6</b>
Rented Residential	-	2.5	<b>2.4</b>
Other	-	11.4	<b>11.4</b>
<b>Total</b>	<b>17.2</b>	<b>4.5</b>	<b>10.3</b>

Notes:

(1) WAULT means the weighted average unexpired lease term, calculated as of 31 March 2015. Calculated weighted by GRI.

(2) Excludes financial assets (i.e. Ac Forum Concession and Hotel Costa Ballena), if included WAULT would be 7.0 years.

(3) Weighted average by GRI between the Company and Testa.

## 5. CAPITAL STRUCTURE

As of 31 March 2015, on a pro-forma basis for the May Capital Increase, the Offering and the acquisition of 100% of Testa, the loan-to-value would be 51.0%.

Such analysis does not include any potential asset disposals that the Company could contemplate as a result of the Acquisition. See next section 6 (“The Company’s long-term plan for Testa”) in this Part X (“Acquisition of Testa”).

Although the Company aims to maintain a stable gearing LTV ratio (calculated as net debt over Total GAV) of between 30% and 40%, it will maintain this resulting LTV temporarily, with a view to reaching a target of 50% by year-end 2016 through the progressive disposal of non-core assets (rented residential and land or part of the hotel portfolio on an opportunistic basis), cash generation and asset revaluation.

The following table explains the Company’s and Testa’s capital structures at different stages of the transaction. It is based on the Unaudited Consolidated Pro Forma Financial Information prepared by the directors of the Company, which are based on the combination of 31 March 2015 statements for both companies adjusted to make them pro-forma for the transaction. The first column shows the Company’s capital structure as per the aforementioned pro-forma accounts. This structure is adjusted by the actual size of the capital increase and the 49.9% stake that does not belong to MERLIN, leading to the Company’s capital structure after the second payment to Sacyr, by which MERLIN will gain control with a 50.1% stake. The last column reflects the envisaged capital structure after the third stage of the transaction, due to happen by the end of June 2016, after which MERLIN will have acquired Sacyr’s 99.6% stake and launched a tender offer over the remaining 0.4% of Testa’s share capital.

### Capitalisation Table

(€ million, unless otherwise indicated)					
Proforma Net Debt Calculations	As per PF Accounts	Adjusted for PF Capital Increase <sup>(1)</sup>	Adjusted for Real Capital Increase <sup>(2)</sup>	MERLIN Post Second Payment (50.1% Stake)	MERLIN Post Third Payment (100% Stake)
<b>GAV</b>	<b>5,493.5</b>	-	-	<b>3,895.5</b>	<b>5,493.5</b>
o/w MERLIN <sup>(3)</sup>	2,291.0	-	-	2,291.0	2,291.0
o/w Testa <sup>(4)</sup>	3,202.4	-	-	1,604.4	3,202.4
<b>Net Debt</b>	<b>(2,833.6)</b>	<b>(970.0)</b>	<b>1,000.2</b>	<b>(1,370.3)</b>	<b>(2,803.4)</b>
<b>o/w MERLIN</b>	<b>(1,352.5)</b>	<b>(970.0)</b>	<b>1,000.2</b>	<b>(628.3)</b>	<b>(1,322.3)</b>
Gross Debt <sup>(6)</sup>	(1,536.9)	-	-	(1,536.9)	(1,536.9)
Cash and Equivalents <sup>(5)(6)</sup>	184.3	(970.0)	1,000.2	908.5	214.5
<b>o/w Testa<sup>(7)</sup></b>	<b>(1,481.0)</b>	-	-	<b>(742.0)</b>	<b>(1,481.0)</b>

(€ million, unless otherwise indicated)	As per PF Accounts	Adjusted for PF Capital Increase <sup>(1)</sup>	Adjusted for Real Capital Increase <sup>(2)</sup>	MERLIN Post Second Payment (50.1% Stake)	MERLIN Post Third Payment (100%)
Gross Debt	(1,668.0)	-	-	(835.6)	(1,668.0)
Cash and Equivalents <sup>(8)</sup>	186.9	-	-	93.6	186.9
<b>Loan-to-Value Calculations</b>					
Net Debt <sup>(1)</sup>	(2,833.6)	(970.0)	1,000.2	(1,370.3)	(2,803.4)
GAV <sup>(2)</sup>	5,493.5	-	-	3,895.5	5,493.5
<b>PF Loan-to-Value (1) / (2)</b>	<b>51.6%</b>			<b>35.2%</b>	<b>51.0%</b>

Notes:

(1) PF assume a Rights Issue of €1,000.0 million and 3.0% of transaction costs, while the capitalisation table is based on a Rights Issue of €1,033.7 million and transaction costs of €33.5 million.

(2) Based on final Rights Issue size net of transaction costs of €1,000.2 million.

(3) Includes €261.7 of fair value of embedded financial derivative related with BBVA lease agreement.

(4) GAV includes financial assets GAV of €57.1 million.

(5) Cash from May Capital Increase is net from €17.5 MM of transaction costs and cash from July Capital Increase is net from €30.0 million of transaction costs.

(6) Assumes €150 million of Bridge Facility repayment with proceeds from rights issue (PF accounts assume €250 million)

(7) Testa figures are adjusted for the €23.1 million ordinary dividend and doesn't include Testa Share Capital Increase and Testa Share Capital Reduction transaction related expenses.

(8) Includes current financial assets

## 6. THE COMPANY'S LONG-TERM PLAN FOR TESTA

The Company has a strategic long-term plan for Testa based on the complementarity of the portfolios. It intends to leverage the strong portfolio complementarities, gradually capturing growth in rental levels and maximising profitability through strategic capex and active management. Given the point in the market cycle, the high quality of the assets acquired and the absence of overlap, there are no anticipated disposals of assets from the Company's core segments. The Company will adopt an opportunistic approach in relation to recycling capital from the non-core segments (rented residential, part of the hotel portfolio and land).

The Company will seek to optimise Testa's current financing structure through the refinancing of Testa's debt in the medium term. The Company might consider renegotiating the current debt amortisation profile, adapting the capital structure with Testa's operating cash flow generation. In addition, given Testa's debt current lack of interest rate hedging, the Company might seek to hedge its variable interest cost in anticipation of a scenario of rising rates. These actions would be carried out with a view for the Company or the combined entity (if the Company elects to merge with Testa) to achieve an investment grade rating in the short or medium term.

The Company currently intends, subject to detailed analysis, to cause the election by Testa for the SOCIMI Regime no later than 29 September 2015 in order to benefit from this tax efficient regime. Although initially integrated as a subsidiary of the Group, the Company currently envisages, subject to detailed analysis, a merger with Testa following completion of the Acquisition.

In the event of disposal of Testa's assets and when the buyer is related to the Management Team through MAGIC Real Estate, the approval of the disposal by the Board of Directors of the Company will require the abstention of the Executive Directors.

## PART XI: INFORMATION ON THE GROUP

### 1. INTRODUCTION

MERLIN Properties, SOCIMI, S.A. is a Spanish real estate company and the largest Spanish REIT in terms of market capitalisation listed on the Spanish Stock Exchanges. The principal activity of the Company is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments, such as offices, retail, logistics and prime urban hospitality primarily in Spain, and to a lesser extent, in Portugal. The Company aims to generate returns to Shareholders through the distribution of a cash-on-cash dividend and the value enhancement of its Assets.

The Company's shares were admitted to listing on the regulated market of the Spanish Stock Exchanges and to trading through the SIBE of the Spanish Stock Exchanges on 30 June 2014. The Company raised net proceeds of €1,292 million in the Initial Offering and €614 million in the May Capital Increase. The Company's consolidated EPRA NAV at 31 March 2015 was €1,367 million, equating to €10.58 per Existing Ordinary Share.

As at the date of this Prospectus, the Assets are held by six wholly-owned subsidiaries of the Company, each of which holds and manages a particular asset class (except for Merlin Logística II, S.L.U., that only manages Meco, and MPVCI – Compra e Venda Inmobiliaria, S.A. (“MPVCI”), that only manages Lisbon-Expo): Tree Inversiones Inmobiliarias SOCIMI, S.A.U. (“Tree”), MERLIN Retail, S.L.U. (“MERLIN Retail”), MERLIN Oficinas, S.L.U., (“MERLIN Oficinas”), MERLIN Logística, S.L.U. (“MERLIN Logística”), Merlin Logística II, S.L.U. (“MERLIN Logística II”) and MVPCI. In addition, the Company holds a participation of 25% in the share capital of Testa.



As at 31 March 2015, the Assets consisted of real estate assets in the office, retail and logistics segments, with a gross asset value of approximately €2,291 million as at 31 March 2015 (based on market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on acquisition price for the acquisitions carried out during 2015), an annualised gross rental income of €132.3 million, an aggregate GLA of 716,826 sqm and a gross yield of 5.77% calculated over the aggregate market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on the acquisition price for the acquisitions carried out during 2015. As at 31 March 2015, Tree holds and manages 883 branch offices and five buildings, MERLIN Retail owns and operates Marineda, MERLIN Oficinas owns and operates both the Madrid A1 Office, WTCAP 6 & 8 and Alcalá 38-40, whilst MERLIN Logística holds and manages the Group's logistics assets (Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes, Zaragoza-Plaza and Madrid-Coslada). Further details of the Assets are set out in Part XIV (“The Assets”). The main metrics for each of the Company's subsidiaries are as follows:

(€ million, unless otherwise indicated)	Tree Inversiones	Total (%)	MERLIN Retail	Total (%)	MERLIN Oficinas	Total (%)	MERLIN Logística	Total (%)	Total MERLIN
Total Acquisition Price <sup>(1)</sup>	1,577.4	72.1%	267.5	12.2%	256.2	11.7%	86.1	3.9%	2,187.2
Market Value <sup>(2)</sup>	1,669.5	72.9%	281.1	12.3%	255.0	11.1%	85.5	3.7%	2,291.0
Total Annualised Gross Rents <sup>(3)</sup>	89.1	67.3%	18.7	14.1%	17.1	12.9%	7.4	5.6%	132.3
Total Annualised Net Rents <sup>(4)</sup>	89.1	68.6%	17.4	13.4%	16.1	12.4%	7.4	5.7%	129.9
Total Annualised NOI <sup>(5)</sup>	89.1	69.2%	16.3	12.7%	15.9	12.4%	7.4	5.7%	128.6
Gross Yield <sup>(6)</sup>	5.33%		6.65%		6.71%		8.66%		5.77%
Topped-Up Yield <sup>(7)</sup>	5.33%		6.19%		6.31%		8.63%		5.67%
Net Yield <sup>(8)</sup>	5.33%		5.79%		6.24%		8.63%		5.61%
Total GLA (sqm) <sup>(9)</sup>	373,157	52.1%	106,276	14.8%	72,568	10.1%	164,826	23.0%	716.826

GLA Occupied (sqm)	373,157	53.9%	94,871	13.7%	59,206	8.6%	164,826	23.8%	692.060
GLA Vacant (sqm)	0	0.0%	11,405	46.0%	13,362	54.0%	0	0.0%	24.766
Occupancy Rate	100.0%		89.3%		81.6%		100.0%		96.5%
WAULT by Rents Years <sup>(10)</sup>	23.0		3.1		3.2		8.3		17.2

#### Notes

- (1) Total acquisition price includes purchase price plus transaction costs associated with the acquisition. In the case of Tree, acquisition price corresponds to the enterprise value of Tree, agreed by the parties to the sale and purchase agreement of Tree at the time of acquisition by the Company.
- (2) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala, Coslada).
- (3) Annualised gross rental income has been calculated as of the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).
- (4) Annualised net rental income has been calculated as of the NRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NRI for which was included only for the period in which the tenant was present). Net rents deducts from gross rents direct property expenses non-rechargeable to tenants.
- (5) Annualised net operating income has been calculated as of the NOI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NOI for which was included only for the period in which the tenant was present). Net operating income deducts from net rents direct collection loss and rents discounts.
- (6) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.
- (7) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.
- (8) EPRA Net Yield is calculated dividing annualised net operating income by GAV.
- (9) GLA above ground.

The Company has an experienced Board of Directors, chaired by Mr. Ismael Clemente, and the management team currently comprises nine members: Mr. Ismael Clemente (CEO), Mr. David Brush (CIO), Mr. Miguel Ollero (CFO/COO), Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Manuel García Casas, Mr. Luis Lázaro, Mr. Miguel Oñate and Mr. Fernando Ramírez (together the “**Management Team**”).

## 2. SELECTED FINANCIAL INFORMATION

### 2.1 Income Statement

During the first quarter of 2015 ended 31 March 2015, the Group recognised revenues (in terms of Gross Rental Income) of €32.2 million, an EBITDA (operating profit less negative goodwill on business combination plus depreciation and amortisation less gains on disposal of assets) of €29.7 million and a consolidated net profit of €19.6 million (€0.15 per Ordinary Share, taking into account the number of Ordinary Shares as at 31 March 2015).

During the period of nine months and seven days ended 31 December 2014, the Group recognised revenues (in terms of Gross Rental Income) of €56.6 million, an EBITDA (operating profit less negative goodwill on business combination plus depreciation and amortisation less gains on disposal of assets) of €38.0 million and a consolidated net profit of €49.7 million (€0.38 per Ordinary Share, taking into account the number of Ordinary Shares as at 31 March 2015).

The table below sets forth certain information in relation to the financial performance of the Group.

(€ million, unless indicated otherwise)	31/03/2015 (unaudited)	31/12/2014 (audited)
Gross Rental Income	32.2	56.6
Net Rental Income	32.0	54.0
EBITDA (unaudited)	29.7	38.0
Net Profit for the Period	19.6	49.7

The table below sets forth the breakdown of the Group’s revenues by subsidiaries:

	Revenues by subsidiaries			
	(€ million)		% of total	
	31/03/2015 (unaudited)	31/12/2014 (audited)	31/03/2015	31/12/2014
Tree	22.3	44.2	69.5	78.1
MERLIN Retail	4.7	7.6	14.3	13.4
MERLIN Oficinas	3.7	3.9	11.5	6.9
MERLIN Logística	1.5	0.845	4.7	1.5
<b>Total</b>	<b>32.2</b>	<b>56.6</b>	<b>100</b>	<b>100</b>

In compliance with the policy committed by the Company when it started trading on the Spanish Stock Exchanges, the Annual Total Overheads of the Company are set at the higher of (a) 6.0% of the Company’s consolidated GRI and (b) 0.6% of the Company’s consolidated EPRA NAV. As detailed in the chart below, for the period from Initial Admission to 31 December 2014, the resulting amounts were (a) €3.4 million and (b) €4.1 million, respectively. Based on the foregoing formula, (b) is



applicable to determine the Annual Total Overheads for this financial year.

The table below sets forth certain information in relation to the Group's operational costs.

	31/03/2015 (unaudited)	31/12/2014 (audited)	% of total	
			31/03/2015	31/12/2014
Non-recoverable expenses on leased properties (€ million)	0.7	2.6	25,00%	13,50%
Costs associated with asset acquisitions and financing (€ million)	0.1	11.8	3,57%	61,60%
Non-capitalised costs associated with flotation and acquisition of Tree (€ million)	0.0	0.7	0,00%	3,50%
<b>Total Costs excluded from the Overheads Limit (€ million)</b>	<b>0.8</b>	<b>15.0</b>	<b>28,57%</b>	<b>78,60%</b>
Overheads (independent professional services, travel expenses, office rental, insurance and others) (€ million)	0.4	1.0	14,29%	5,20%
Employee benefits expenses (€ million)	1.6 <sup>(1)</sup>	3.1	57,14%	16,20%
<b>Total Costs included in Overheads Limit (€ million)</b>	<b>2.0</b>	<b>4.1</b>	<b>71,43%</b>	<b>21,40%</b>
<b>Total Operating Costs (€ million)</b>	<b>2.8</b>	<b>19.1</b>	<b>100,00%</b>	<b>100,00%</b>

Notes:

(1) Employee benefits expenses includes estimate of variable remuneration component.

As at 31 March 2015, the total amount of personnel costs amounted to €1.6 million, of which €582,000 corresponds to fixed remuneration, €938,000 corresponds to variable remuneration and €56,000 corresponds to the Company's labour costs (social security).

## 2.2 Statement of financial position

The main financial figures of the statement of financial position as of 31 March 2015 are as follows:

	<u>(€ million, unless indicated otherwise)</u>
Total assets	2,594.5
Total equity	1,303.9
Gross financial debt	1,186.9
Cash and short-term financial investments	274.2
Net financial debt	912.6

On 31 March 2015, the Company's gross financial debt of € 1,186.9 million, has the following characteristics:

- Average period of duration of the debt from 31 March 2015 until maturity: 9.2 years.
- Average cost of the debt from 31 March 2015 until 31 December 2017: 3.8%
- Average cost of the debt from 31 December 2017 until maturity: 2.7%.
- % of gross financial debt with interest rate hedged: 95.6%

As at 31 March 2015, the net financial debt of the Company was €912.6 million (calculated as gross financial debt less cash and short-term financial investments), which equates to 39.8% of the gross value of the Assets at that date. The cash position and short-term financial investments of the Company were €274.2 million. Please see section 8.3 of this Part XI ("Information on the Group") for further details of the Group's hedging arrangements and details of the Senior Facility Agreement, the Madrid A1 Office Facility Agreement and the Alcalá Facility Agreement.

### EPRA Performance Metrics

<u>Performance Measure</u>	<u>Definition</u>	<u>Reported as of 31/03/2015)</u>
EPRA Earnings	Recurring earnings from core operational activities	€22.1 million
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	€1,367.2 million <sup>(1)</sup>
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments,	€1,280.9 million <sup>(2)</sup>

debt and deferred taxes.

EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	5.61%
EPRA “topped-up” NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.67%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	4.40%

Notes:

(1) Following the May Capital Increase, EPRA NAV amounted to €1,963 million.

(2) Following the May Capital Increase, EPRA NNAV amounted to €1,876 million.

### 3. THE MANAGEMENT TEAM

The Management Team consists of property and finance professionals who have extensive experience in Spanish and Portuguese real estate markets and a notable track record of creating value for shareholders. The Company believes that the extensive experience of the Management Team, which it believes is one of the most experienced real estate management teams in Spain, will provide the Group with acquisition opportunities across all of its targeted asset classes.

For more information on the Management Team, see section 1.1 of Part XII (“*The Management Team*”).

### 4. THE BUSINESS STRENGTHS

The Company believes that it has the following key business strengths:

#### ***Strong positioning in the attractive Iberian Core and Core Plus real estate segment***

The Company believes that it is one of the first Spanish SOCIMIs focused on Core and Core Plus investments in the Spanish and Portuguese markets. The Company is the largest SOCIMI in the Spanish market by market capitalisation as at the date of this Prospectus. The competition in the real estate sector for assets in these segments is currently low compared to certain periods in the past, with only a limited number of international investors and Spanish family offices actively participating in the market. However, the Company believes that international and core investors are cautiously returning to those market segments, looking for investments in prime commercial properties with historically low rents. As a result, the Company believes it continues to be the right time to target the Core and Core Plus segments. International and domestic investors, including recently floated SOCIMIs and REITs, are mostly focused on Opportunistic and Value Added investments.

On 8 June 2015 the Company and Sacyr entered into the Investment Agreement for the acquisition by the Company, in several phases, of 99.6% stake in Testa (see Part X “*Acquisition of Testa*”). Testa owns a portfolio of high quality rental assets, composed primarily of prime office properties in Madrid and Barcelona, dominant and urban shopping centres and logistic assets located near transport hubs. The transaction will lead to the creation of the largest Spanish property company both in terms of GAV and GRI, with a total GAV of over €5.5 billion and a combined GRI of over €290 million as of the date of this Prospectus and further reinforces the strong position in Core and Core Plus segments.

The acquisition of Testa creates a market referent in Spain across the most attractive asset classes:

In offices, with a combined GAV of approximately €1,965 million, GRI of approximately €113 million and GLA of approximately 548,000 sqm, the Company will become the largest prime office player in Spain by GLA (source: *CBRE*), with a strong presence in Madrid and Barcelona, which are expected to benefit first from the rental growth recovery.

In logistics, with a combined GAV of approximately €199 million, GRI of approximately €15 million and GLA of approximately 374,000 sqm, the Company will become the third largest Spanish platform in logistics by GLA (source: *CBRE*), being the leader in the attractive A-2 corridor (“*Corredor del Henares*”) that connects Madrid and Barcelona;

In shopping centres, combination allows the Company to become a reference for key tenants with six strategically located, dominant and urban retail assets.

Testa has built a high-quality and diverse portfolio of assets, with reputable and financially-strong tenants and high occupancy rates that has remained resilient throughout the economic cycle (physical occupancy rate with an average of 96.4% during the past 10 years).

Concurrently to the execution of the agreement for the acquisition of Testa and the integration of its portfolio with the Company's current asset base, the combined Group will continue to pursue the acquisition of additional assets it currently has under exclusivity or in advanced negotiations. In addition, the Company will continue to analyse what it considers attractive investment opportunities in the Core and Core Plus segments, although in a more selective basis. The Company's main focus is increasing the scale of its logistics portfolio and to be highly selective regarding office opportunities, with the aim of gaining critical mass in Lisbon.

Testa's acquisition has reinforced the Company's positioning in offering investors an attractive investment opportunity in the Iberian real estate market as a result of the currently limited competition in the Core and Core Plus segments, the Group's focused Business Strategy, the opportune timing with which it entered the market and acquired the Assets, a selective pipeline of identified high-quality potential acquisition opportunities and its focus on the Core and Core Plus segments.

***Reputed and highly experienced Management Team with a proven track record in real estate***

The Management Team of the Company consists of experienced industry experts. The Management Team currently comprises nine members. It is led by Mr. Ismael Clemente and Mr. Miguel Ollero, formerly Managing Directors at RREEF, and Mr. David Brush, formerly the head of RREEF Europe (now Deutsche Bank Asset & Wealth Management, Alternatives and Real Assets) and Managing Partner at Brookfield Property Group. In addition, a team of 20 experienced professionals, which is expected to grow over time in line with deployed capital, is managing the Assets.

The members of the Management Team have a long and successful track record in investing in and managing properties across a wide range of real estate asset classes in Spain and Portugal, including the management of Tree's assets since 2009.

Including the track record acting for the Group as well as the track record achieved during their previous tenure at Bankers Trust, Deutsche Bank Real Estate, RREEF and MAGIC Real Estate, the Management Team has participated in transactions in Spain, Portugal and Morocco with an aggregate volume of approximately €10,600 million, invested equity in an amount of approximately €5,386 million in 41 different transactions, executed liquidity events for investors in excess of €2,900 million and raised approximately €3,400 million of debt in the market with no default up to the date of this Prospectus.

In 2014, the Management Team invested approximately €2,128 million in the Spanish real estate market as part of the Group's activity. The Management Team was able to deploy 100% of the funds raised in the IPO of the Company within the first six months of operations following Initial Admission, which was ahead of the initial estimates of the Management Team (to fully deploy the proceeds of the IPO in 24 months following Initial Admission). The Management Team was also able to raise €614 million in the May Capital Increase and which proceeds will partly be used to finance the Testa acquisition.

The members of the Management Team have considerable expertise in generating returns and creating value across all major real estate asset classes, based on a highly disciplined investment approach. This know-how is supported by their strong reputation and an extensive network of relationships with key decision makers in the Spanish and Portuguese property and rental markets, which allows them to identify investment opportunities which are not available broadly to investors in the market. The Company believes that these strong relationships with key decision makers and market participants, including commercial real estate lenders, domestic banks, property funds, planning authorities, tenants and private investors, together with the Management Team's reputation for flexible transaction structuring, financing capabilities and speed of execution provide the Company with a competitive advantage in the market.

With the acquisition of Testa, the Company will add to its current team a highly complementary platform with strong in-house capabilities focused on leasing, refurbishment and development, and overall asset management. Testa's management team is currently composed of 94 qualified professionals, of which 50 manage Testa and its portfolio and 44 are part of its third-party asset management business. Testa's management team has more than 150 years of combined real estate experience in the Spanish market and has extensive expertise and know-how in the assessment, execution and management of real estate opportunities across its asset classes. The management team's strong in-house leasing, refurbishment and development capabilities create synergies across the entire real estate value chain. The Company believes it can leverage upon Testa's management team capabilities and track record, adding efficiency as well as increasing the control of critical asset management operations.

The Company believes that the Company's current Management Team's distinct knowledge of, and competence within, the Spanish and Portuguese commercial market enables the Company to be well-placed to capitalise on the opportunities presented by current and expected market conditions in the Core and Core Plus segments. Moreover, given the change in the investment phase in which the Company will find itself after the acquisition of Testa, the Company believes the strong in-house asset management capabilities that Testa brings are highly valuable for the successful implementation of the Company's business plan. The two complementary and highly experienced teams will facilitate integration and know-how exchange.

The members of Testa's management team will maintain their current working conditions without prejudice that, during the integration process and by mutual agreement between the parties, the Company will analyse the possibility of incorporating any members of Testa's management team to the working conditions of the Management Team of the Company.

### ***Best-in-class quality structure***

The Company believes that its corporate structure ensures an appropriate alignment of stakeholders' interests through its solid corporate governance, its Management Team's remuneration plan and what it considers to be one of the most efficient cost structures among its peers.

The Company believes the remuneration of the Management Team is fully aligned with the interest of the Shareholders, with a significant portion of the Management Team's compensation being in the form of long-term deferred variable awards and another portion being paid in Ordinary Shares through the Management Stock Plan, which is linked to the return (including both dividends and EPRA NAV appreciation) obtained by Shareholders on an annual basis. As of the date of this Prospectus, the members of the Management Team, through their investment vehicle MAGIC Kingdom, hold 1,124,999 Ordinary Shares representing 0.58% of the share capital of the Company. The Management team, through their investment vehicle MAGIC Kingdom, has committed to participate in the Offering.

The Company has implemented an efficient cost structure which the Company believes is investor-friendly. This optimised cost structure sets annual overheads and other recurring costs at the higher of (a) 6.0% of the Company's consolidated gross rental income ("**GRI**") and (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level, and will be calculated using the year-end metrics of the Company with reference to its consolidated financial statements for the relevant year (the "**Annual Total Overheads**"), which the Company believes is on par with the most efficient international peers.

The Company's cost structure is considered by the Management Team to be significantly lower than the average cost structure of European real estate companies and compares in cost structure to American peers with significantly lower operating leverage size, according to the Company's internal estimates based on 2014 peer cost structures.

In addition, the Spanish tax regime applicable to SOCIMIs allows the Company to maximise Shareholder returns. A minimum of 80% of the general income, a minimum of 50% of the profits derived from disposals and 100% of the profits from the Company's affiliates and subsidiaries will be distributed annually to the Shareholders, if sufficient cash and/or net profits are available for distribution. The Company intends to convert Testa into a SOCIMI before 30 September 2015 in order to benefit from the tax efficient regime.

### ***Robust corporate and capital markets profile***

The acquisition of Testa, a sizeable, best-in-class real estate platform will allow the Company to expand its footprint and build critical mass in the office, logistics and retail segments, becoming the reference player in Spain. The transaction will lead to the creation of the largest property company both in terms of Spanish GAV and GRI, with a total GAV of over €5.5 billion and combined GRI of over €290 million as of the date of this Prospectus.

In addition, the acquisition of Testa will lead to the diversification of the Company's revenue profile as Tree will account for 30% of post-transaction GAV and 31% of post-transaction GRI whereas pre-transaction it represented 73% and 67% respectively. This diversification significantly increases the exposure of the Company to the recovery of the Spanish real estate market.

Testa's portfolio is anchored by large corporate tenants under long leases providing with stable and predictable revenues and therefore its portfolio has relatively high historical revenue rates and low vacancy risk. This tenant base helps maintain Testa's portfolio's low risk profile and helps this Company attract other large corporate tenants as it helps demonstrate the sophistication and capabilities of the management team and its ability to meet the requirements of highly complex clients.

The Company believes its resulting highly visible corporate profile and enhanced overall scale will improve its credit rating profile as well as the liquidity of its shares, and hence enhance its access to public debt and equity capital markets. As a result, the Company expects to reduce its overall cost of capital.

## **5. THE GROUP'S BUSINESS STRATEGY**

The principal activity of the Group is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments primarily in Spain and, to a lesser extent, in Portugal. The Management Team intends to focus on creating both sustainable income and strong capital returns for the Group with an annual Target Return as described in this Prospectus. For more information on the Target Return see section 5.3 of this Part XI ("*Information on the Group*").

"**Core**" segments are segments with real estate assets, with a stabilised long-term cash flow stream derived from leases and low capital expenditure needs, which are easier to finance and generally command the lowest capitalisation rates. "**Core Plus**" segments are segments with assets of good quality, normally representing to an investor the opportunity to increase the asset's investment yield through some event (for example, the asset might have some scheduled vacancy or leases rolling over which would give the owner the opportunity to increase rents) as well as assets which can benefit from some upgrades or renovations by which the investor can then command higher rents and improve its returns.

### **5.1 The strategy pillars and active asset management**

The Group focuses on acquiring Commercial Property Assets in the Core and Core Plus segments in which it believes there

is currently relatively low competition and which it considers to have the ability to generate the highest risk-adjusted returns over time. These include:

- office properties across Spain, primarily focusing on office properties in Madrid and Barcelona;
- retail (shopping centres in Spain; retail parks including big box properties (i.e., retail stores that occupy large warehouse-style buildings) on a selective basis; and high street retail properties (i.e., retail stores located in the primary business and retail streets of a city, such as top fashion boutiques) on a selective basis);
- logistics;
- prime urban hospitality (urban hospitality assets (e.g., hotels) located in prime areas in the geographical scope of the Group); and
- other selected commercial real estate properties, for example, industrial properties, which are expected to represent a limited percentage of Total GAV.

The Company may also consider carrying out further corporate transactions on a highly selective basis if the characteristics of the underlying portfolio are for the most part in line with the Group's Business Strategy.

The Business Strategy of the Group is based on three strategy pillars:

- **Commercial Property Assets:** focus on commercial real estate and mainly on office, retail, logistics, and prime urban hospitality assets.
- **Geographies:** focus on Spain and, to a lesser extent, on Portugal (with a maximum limit of 25% of Total GAV). Within Spain, the Company expects most of the Group's office and logistics assets to be located in Madrid and Barcelona although it may also consider other major urban clusters. As for Portugal, the Company primarily intends to focus on acquiring assets located in Lisbon.
- **Gearing:** seek to maintain gearing below 50% LTV (calculated as Net Debt over Total GAV). After the acquisition of the controlling stake in Testa and the capital increase, the Company expects the Combined Group's Net LTV to be around 51.0%. The Company intends to maintain this LTV temporarily, with a view to reaching a target LTV of 50% by year-end 2016 through the progressive disposal of non-core assets (rented residential, and land or part of the hotel portfolio, on an opportunistic basis), cash generation and asset revaluation.

A central part of the Group's Business Strategy is the Management Team's intention to improve income profiles and add value to the Group's Assets through active management techniques which would include (as applicable):

- renegotiating or surrendering leases;
- improving lease lengths and tenant profile;
- undertaking physical improvements;
- improving layouts and space efficiency of specific assets;
- changing the tenant mix of certain properties;
- maintaining dialogue with tenants to assess their requirements;
- taking advantage of planning opportunities;
- repositioning and upgrading assets;
- selective development and/or refurbishment; and
- debt refinancing.

One of the Group's main tasks in relation to Tree's assets is maintaining a good working relationship with BBVA whilst implementing the BBVA Lease Agreement and with the lenders under the Senior Facility Agreement. Tree's management of BBVA's branches entails, in collaboration with the owner associations, supervising and managing the relationships with the presidents of the associations, receiving, reading, organising and filing invitations, minutes and communications. The Management Team must follow up on any issues that arise and, if applicable, attend meetings. Finally dealing with the owner associations requires expenditure control as all payments are made by Tree and re-invoiced to BBVA. The Management Team must also deal with public bodies, including public registries and cadastres, and pay property and municipal taxes on BBVA's behalf before re-invoicing to BBVA. Finally, Tree makes sure that the assets are properly maintained and conducts technical reviews of the proposals of the housing associations (normally regarding the installation of elevators).

More specifically, for the retail Assets, every year the Management Team defines a business plan and approves the shopping centre budget, every three months it approves the marketing and communication strategy, defines and follows up on one-off capex plans, as well as carrying out weekly functions such as monitoring the Asset's key performance indicators

(e.g. sales, footfall, effort rates) creating and managing the leasing strategy (i.e. tenant mix, terms of the lease contracts), dealing with tenants' lease incentives requests, debt negotiations and legal procedure as well as managing the accountancy aspects of the business.

The Company expects that the active management of office Assets to be the most onerous of the business lines. The Management Team manages the marketing and financial side of the business (including the invoicing of rents and service charges, bookkeeping, arrears control, financial forecasting and annual budgeting and quarterly control) as well as managing the tenancies and occupancy levels, which entails setting up a letting strategy (analysis of rental levels, void periods and incentives), in-house letting activities and renegotiations, the hiring and coordination of letting agents on both exclusive and non-exclusive bases, meeting with tenants in a proactive manner to satisfy their needs and anticipate future rollovers and drafting leases. In addition, the Management Team must manage the facilities (including the hiring of utilities, suppliers and facility managers, dealing with service charge control and annual renegotiations with suppliers and the surveillance of the maintenance executed by third party suppliers and tenants) and conduct an all-risk and liability insurance analysis for every Asset.

For the logistic Assets, on a yearly basis the Management Team must define the business plan and approve the warehouse budget and capex plans for each Asset. Each year it must also create and put into practice a leasing strategy, including negotiating the provisions of the leases (duration, financial conditions). Finally, on a monthly basis it deals with general property management and supervises the management of each facility. The Management Team seeks to add value through the active management of such Assets, maximising revenues through higher rents and occupancy rates, whilst reducing costs.

As part of Testa's acquisition the Company has acquired certain assets corresponding to asset classes where it did not operate before such as hotels, rented residential and land.

With relation to hotel assets acquired by means of Testa's acquisition, the Management Team does not anticipate the disposal of those assets which fit with the Company's business strategy. In this regard, the intention of the Company is to focus on urban hospitality with attractive locations (specially Madrid and Barcelona), whereas the hotels located in coastal regions could be gradually disposed of on an opportunistic basis.

Regarding rented residential and land plots, the Management Team could consider gradually divesting these non-core assets. The process of capital recycling will take place in the short to medium term on an opportunistic basis. In addition, although the Company aims to hold assets for a relatively long period of time, it recognises value can be created through the rotation of assets that comprise the Assets over time. The number of years over which assets are expected to be held as Assets can change depending on, among other factors, market conditions, the portfolio composition from time to time and the situation of each particular property. However, any such rotation of assets is subject to compliance with the requirements under the SOCIMI Regime including the three-year minimum holding period for real estate assets.

## **5.2 Types of property**

The target acquisitions which would comply with the Group's strategy pillars are, amongst others, assets located in Spain and, to a lesser extent, Portugal with the following characteristics:

- office and retail properties acquired in central Madrid, Barcelona and other major urban clusters;
- retail properties in city centres and certain suburban areas;
- logistics properties located in close proximity to transport hubs;
- prime or good quality secondary assets and locations;
- prime urban hospitality in Madrid, Barcelona and Lisbon;
- prime office/retail assets in the Lisbon area;
- primary focus on undermanaged properties with upside potential; and
- properties in locations that benefit from inward foreign direct investments.

Residential properties, both built and for development, are excluded as a type of target property.

## **5.3 Target return**

The Company intends to deliver capital growth by taking advantage of commercial property opportunities primarily in the Spanish real estate market and, to a lesser extent, in the Portuguese real estate sector and, in particular, by further developing its Assets to generate recurring income and capital gains from divestments. The target return that the Company seeks once the Net Proceeds are fully invested is a combination of a dividend yield of between 4% to 6% annually plus value creation through increases in the Company's consolidated EPRA NAV, with a total annual target leveraged return of 10% (the "**Target Return**"). The Company is currently of the opinion that, on the basis of the past performance of the members of the Management Team, and always subject to favourable macroeconomic, real estate, financing and other conditions prevailing in the future, the Target Return is attainable. However, this is a target only and not a profit forecast. There can be no

assurance that this target can or will be met and such target should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on this Target Return in deciding whether to invest in the New Ordinary Shares. The Target Return is not a fact and should not be relied upon as being necessarily indicative of future results. For further detail please see risk factor entitled "*The past and current performance of the Management Team is not a guarantee of the future performance of the Group*" under Part II ("*Risk Factors*").

The Group may invest in performing or non-performing real estate loans (loans secured by real estate assets) in Spain and, to a lesser extent, in Portugal, with underlying real estate collateral that matches the Business Strategy of the Group, with the purpose of gaining ownership over the real estate collateral through acquisition of the loan thereon. If such opportunities are pursued, the Company intends to limit these investments to a maximum of 20% of the Group's gross assets.

None of the Company's independent auditors or the Managers, compiled, examined or performed any procedures with respect to the Target Return nor have they expressed any opinion or any other form of assurance on the Target Return or its achievability, and such parties assume no responsibility for, and disclaim any association with, the Target Return. The ultimate achievability of the Target Return is also subject to numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in this Prospectus.

The Target Return, while presented with numerical specificity, necessarily reflects numerous estimates and assumptions made by the Company with respect to industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Group's businesses, all of which are difficult or impossible to predict and many of which are beyond the Group's control. The Target Return reflects subjective judgments in many respects and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business, economic, regulatory, financial and other developments.

As such, the Target Return constitutes forward-looking information and is subject to risks and uncertainties that could cause actual results to differ materially from the Target Return, including, but not limited to, the Group's performance, industry performance, general business and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and the various risks set forth in this Prospectus (see Part IX ("*Important Information*") for further information). None of the Company, its subsidiaries, the Board of Directors, the Managers or any of their respective affiliates, advisers, officers, directors or representatives can give any assurance that the Target Return will be realised or that actual results will not vary significantly from the Target Return. In addition, prior to making any investment decision prospective investors should carefully consider the risk factors described in Part II ("*Risk Factors*"), including, but not limited to, the risk factor entitled "*There can be no assurance that any target returns will be achieved*".

#### **5.4 Gearing**

The Company intends to use gearing to seek to enhance Shareholder returns over the long term. The level of gearing will be carefully monitored by the Company in light of the risk profile of the relevant asset, the availability of generally favourable lending conditions and borrowing costs. The Company also aims to continue using hedging derivatives where considered appropriate to mitigate interest rate and or inflation risk. The level of gearing is subject to the following criteria: (i) while the Company aims to maintain a stable gearing LTV ratio (calculated as net debt over Total GAV) of between 30% and 40%, the aggregate amount outstanding under any external financing immediately following any acquisition of asset opportunities or entry into external financings may not exceed a maximum of 50% LTV; (ii) debt financing for acquisitions will be assessed on a deal-by-deal basis initially with reference to the capacity of the Company to support leverage and to the risk profile of the asset to be acquired; and (iii) debt on development properties will be, to the extent possible, ring-fenced in order to exclude recourse to other assets of the Group.

After the acquisition of the controlling stake in Testa and after the capital increase carried out pursuant to the Offering the Company expect the LTV to be of 35.2% (51.0% assuming an acquisition of a 100% stake of Testa). The Company intends to maintain this LTV temporarily, with a view to reaching a target LTV of 50% by year-end 2016 through the progressive disposal of non-core assets (rented residential and land or part of the hotel portfolio on an opportunistic basis), cash generation and asset revaluation. For LTV calculation assumptions see the Capitalisation Table in section 5 ("*Capital Structure*") of Part X ("*Acquisition of Testa*").

Notwithstanding the foregoing, the Board of Directors may modify the Company's gearing policy (including the level of gearing) from time to time in light of economic conditions, the relative costs of debt and equity capital, the fair value of the Group's assets, growth and acquisition opportunities and any other factors it may deem appropriate.

#### **5.5 Sourcing**

The Management Team has a track record of securing real estate investments and the Company believes it is well-placed to continue to implement its Business Strategy due to its strong track record in commercial real estate in Spain and Portugal, its established network to source off-market deals (including as a result of its strong domestic banking contacts and successful reputation working with third-party investors as co-investors and in joint ventures, among other things) and as a result of the high visibility of the Company through its listing on the Spanish Stock Exchanges. The Management Team expects to source deals from competitive auctions, restricted auctions and off-market transactions.

It is expected that the Group's further acquisitions will primarily be sourced through a combination of the following core avenues (of which the Management Team has detailed knowledge):

- banking institutions/receivers/borrowers;
- SAREB;
- public institutions;
- large corporates;
- private and institutional investors; and
- investors in non-performing loans.

## 5.6 Acquisition Rationale of Testa

The Acquisition allows the Company to integrate with its current management team an experienced and highly complementary platform. The Company intends to leverage upon Testa’s strong in-house management capabilities and track-record focused on leasing, refurbishment and development, and overall asset management, facilitating integration and know-how exchange. See Part X “*Acquisition of Testa*” for further information on the Acquisition.

## 6. CONFLICTS OF INTEREST

### 6.1 The Legacy Mandates

Four members of the Management Team, Mr. Ismael Clemente (Executive Chairman & CEO), Mr. Miguel Ollero (CFO/COO), Mr. Luis Lázaro (Asset Management) and Mr. Miguel Oñate (Asset Management) are continuing as MAGIC Contracts Key Employees pursuant to several contracts currently in place, signed between MAGIC Real Estate and various third parties. Three additional employees of the Company (Mr. Francisco Rivas, Mr. Enrique Gracia and Mr. Enrique Fonseca) devote part of their time to MAGIC Real Estate to support the MAGIC Contracts Key Employees.

The MAGIC Contracts Key Employees devote part of their time to the supervision and management of certain assets ultimately managed by MAGIC Real Estate under the agreements on Delegated Management (where MAGIC Real Estate has an agreement with the asset manager) and on Separate Accounts Management (where MAGIC Real Estate has an agreement with the asset holder) (together, the “*Legacy Mandates*”) as described in the following paragraphs.

As of the date of this Prospectus, the Legacy Mandates are as follows:

#### *DB Real Estate Iberian Value Added I, S.A., SICAR*

MAGIC Real Estate is the delegated manager of this Luxembourg-incorporated investment vehicle, which is fully invested. The vehicle has targeted Value Added opportunities in Spain and/or Portugal. The assets managed are:

*Penha Longa.* Plot with 2.2 million sqm known as “Quinta da Penha Longa” located in the Portuguese golden triangle composed by Sintra, Estoril, Cascais (25 km from Lisbon). The complex includes (i) a five-star hotel with 194 rooms, managed by Ritz-Carlton; (ii) two golf courses (27 holes) designed by Robert Trent Jones Jr.; (iii) a collection of individual villas and a plot of undeveloped land for luxury rented residential accommodation; and (iv) an additional area for the construction of a condo hotel; and

*Silcoge, S.A.* A joint venture that was established through the acquisition from Grupo SIL, a leading Portuguese real estate player, of a 49.9% interest in Silcoge, S.A. The company owns a commercial real estate portfolio which currently comprises 12 office buildings (56,094 sqm of GLA), five retail assets (23,891 sqm of GLA) and four rented residential and office developments. All these assets are located in Lisbon, except for one of the developments which is located in Porto.

#### *RREEF Moroccan Explorer I, S.A., SICAR*

MAGIC Real Estate is the delegated manager of this investment vehicle. The vehicle, which is fully invested, has targeted opportunistic investments in Morocco, mainly focused on the development of social housing. The day-to-day management of the assets acquired is performed by an ad hoc local platform, Ardim, with its own employee base. The assets managed include two projects for the development of social housing, located in Tetuan and Fez, one middle-income rented residential project located in Casablanca, one middle-to-upper-income rented residential project located in Tangier and one logistics development in Casablanca.

#### *Separate Accounts Management*

##### *Fidere group*

Fidere group is a SOCIMI exclusively dedicated to the management of rented residential units for rent. The properties managed by Fidere are mainly located in the Madrid region. Fidere is currently managing over 4,700 units and its business plan contemplates the acquisition of additional rented residential units in the future. The management of the units is carried out by MAGIC Real Estate pursuant to an agreement entered into with The Blackstone Group, which includes a mandate to create an ad hoc management platform with its own employees (already in place) and internal supervision of the platform.

##### *Loans Portfolio*

MAGIC Real Estate manages a portfolio of both performing and non-performing loans, comprising loans with underlying



real estate assets. The management of the loan positions is carried out by MAGIC Real Estate by virtue of an agreement entered into with Deutsche Bank AG.

#### *Hoyo 10*

Hoyo 10 is a first-time buyer rented residential development with over 60 units located in El Encinar de los Reyes, east of Madrid, adjacent to the exclusive district of La Moraleja. The project management of Hoyo 10 is carried out by MAGIC Real Estate by virtue of an agreement entered into with Martell Investments under which MAGIC Real Estate manages all aspects of the rented residential development.

A breakdown of the MAGIC Contracts Key Employees as of the date of this Prospectus is set forth below:

Key Employees	DB Real Estate Iberian Value Added I, S.A., SICAR	RREEF Moroccan Explorer I, S.A., SICAR	Fidere group	Loans Portfolio
Ismael Clemente	Yes	Yes	Yes	Yes
Miguel Ollero	No	No	Yes	Yes
Luis Lázaro	No	No	No	Yes
Miguel Oñate	No	No	Yes	No

The Management Team believes the Legacy Mandates do not create conflicts of interest for the Management Team with respect to the Group or the Business Strategy as the Legacy Mandates are primarily concentrated on rented residential properties, non-performing loans, non-Iberian assets or assets in the Opportunistic / Value Added segments, respectively. The MAGIC Contracts Key Employees will be active in the Core and Core Plus segments of the real estate market in Spain and Portugal on an exclusive basis for the Group.

## **6.2 Commitment by members of the Management Team**

### *Exclusivity*

Save for the obligations in respect of the Legacy Mandates explained above, the Management Team will act exclusively for the Group in respect of any type of deal sourcing until all net proceeds raised by the Company are fully invested in suitable opportunities. This exclusivity covers the raising of proceeds in the Offering as well as any other capital raisings that the Company may carry out in the future in the public market. However, an exception to the foregoing is that the Management Team will not act exclusively for the Group in respect of the acquisition of rented residential assets and/or non-performing loans to the extent that these activities arise from existing or future engagements with The Blackstone Group and/or Deutsche Bank AG as a result of the longstanding commercial relationship between the members of the Management Team and these two entities. The Company believes that these engagements would not have a material impact on the Group or the Business Strategy given that the Business Strategy does not include the acquisition of rented residential real estate assets and any acquisitions of non-performing loans by the Group will, in any event, be limited to 20% of the assets or 20% of the revenues of the Group in each taxable year pursuant to the obligations under the SOCIMI Regime (see Part XX (“*Spanish SOCIMI Regime and Taxation Information*”) of this Prospectus).

The Company believes that the rented residential component of Testa does not represent a conflict with the exclusivity exception granted in favour of the Blackstone Group and/or Deutsche Bank AG in respect of the acquisition of residential assets, as Testa’s rented residential assets have not been acquired on a stand-alone basis but rather as a part of a full acquisition of an operating company. The rented residential component does only represent 8.6% of the total GAV of Testa, as of 31 March 2015 and 5% of the Combined Group. Notwithstanding the foregoing, the Board of Directors of the Company will be informed.

### *Non-Compete*

In addition, each member of the Management Team will not, and will procure that any person that is controlled by such member of the Management Team (a “*Controlled Person*”) does not, directly or indirectly (i) acquire or invest (on its own behalf or on behalf of a third party) in property assets which are within the parameters of the Business Strategy of the Group, provided, however, that the following asset acquisitions are expressly permitted: (a) non-income producing property assets with a market value lower than €5 million (this limit to be applied on a cumulative basis); (b) rented residential assets for the private use of members of the Management Team; (c) property assets where the Group has had the opportunity to invest but has declined to do so and has consented that the relevant member of the Management Team may pursue such opportunity, or (ii) act as an adviser to any investor in competition with the Group for the acquisition of property, provided, however, that the same exceptions will apply as set out in connection with (i) above.

### *Conflicts of interest*

The members of the Management Team are required to disclose to the Board of Directors in writing any potential conflicts of interest. The Board of Directors will decide upon the existence of a conflict of interest by simple majority vote of the Directors. Executive Directors will abstain from voting when the Board of Directors decides upon the existence of a conflict of interest but will count towards the quorum for such a vote and may not frustrate such vote by failing to attend

the relevant meeting.

MAGIC Real Estate will not establish, or invest in, a SOCIMI and/or real estate company which is involved in a business with the same, analogous or complementary object to the corporate object of the Group.

## **7. SPANISH AND PORTUGUESE COMMERCIAL REAL ESTATE MARKET AND ECONOMY**

### **7.1 The Spanish economy**

The Spanish economy has experienced two economic cycles in the recent past — an expansionary period from 1996 until 2007 and a contractionary period from 2008 until 2013 and is now on track for recovery.

In 1996, Spain started emerging from the 1993 housing crisis and was aiming to meet the so-called “Maastricht criteria” to become a member of the Eurozone. Following the introduction of the European single currency in Spain in 2001, the Spanish economy started enjoying comparatively low interest rates set by the ECB, which together with subsidies from the European Union led over time to a credit-fuelled growth in GDP and increase in asset prices. During the 1996-2007 period, GDP at constant prices grew at 3.9% CAGR (source: *INE*), unemployment decreased from 22.1% to 7.9% in the second quarter of 2007 (source: *INE*) and private debt (including households and non-financial corporates) increased from 79.2% to 206.1% of GDP (source: *Eurostat*). Spanish and international institutions, such as the Spanish Central Bank and the IMF, later acknowledged that this growth rate was unsustainable going forward as it was based on (i) high dependence on external financing, as reflected in a current account deficit of 10% in 2007, (ii) a productivity decline in the labour market during the period due to the Spanish economy being highly exposed to low value-added residential construction and dependent almost exclusively on credit to generate growth and, (iii) a fragmented financial system with approximately half of its financial institutions in 2007 being public savings banks (*cajas*) without proper risk-management strategies.

During the global financial and economic crisis that started in 2008, the Spanish economy suffered a significant decline (as reflected in most macroeconomic indicators) which resulted in a pronounced double dip recession through the third quarter of 2013. Since 2008, GDP at constant prices contracted by 1.5% CAGR (source: *INE*), and the unemployment rate reached 26.1% in the fourth quarter of 2013 (source: *IMF*). This macroeconomic decline, the economic deficiencies and an increasing government deficit as a percentage of GDP (4.4%, 11.0% and 9.4% in 2008, 2009 and 2010, respectively) (source: *Eurostat*), combined with an implied obligation of the Spanish government to provide support to and eventually bail out its financial institutions led to overall concerns regarding the sustainability of Spanish sovereign debt, a downgrade in credit ratings of the Spanish financial institutions and the creditworthiness of the Spanish government which resulted in a significant increase in the “risk premium” of Spanish sovereign debt over German government bonds during the period.

Since the start of 2012, the Spanish and international authorities have taken a series of measures to address the macroeconomic imbalances and the concerns regarding the sustainability of Spain’s sovereign indebtedness. Over time, the effect of such measures has been as follows:

- (i) the Spanish current account balance adjusted from a 10% deficit in 2007 to a 0.1% surplus in 2014, the first surplus since the 1980’s, and is expected to gradually grow to 0.9% by 2019 (source: *IMF*). Such growth is expected to result from sustained export growth without a currency devaluation such as the one experienced before the introduction of the euro;
- (ii) the export growth is a result of increased productivity of the economy which grew above European average since 2008 (source: *Euromonitor*). A decrease in real unit labour costs between 2009 and 2014, that compares to a slight increase in the average labour costs in the Eurozone (source: *Eurostat*), is expected to continue to have a positive impact on the competitiveness of the Spanish economy going forward given unused capacity and high unemployment levels (source: *IMF*). In addition, the Spanish economic model has changed since 2008, with private sector credit as a percentage of GDP decreasing from its peak levels in 2007 to 137% in 2013. Such figure is expected to continue to decrease to 127% in 2015 (source: *IMF*), with an insignificant impact on nominal GDP during this period;
- (iii) the Spanish financial system has undergone a restructuring process, during which the largest 50 banks and public savings banks (*cajas*) in 2009 were merged into 12 privately-held financial institutions in 2012. The restructuring process was supported by international financial, public and supranational institutions, including the IMF, EC and the ECB which provided up to €100,000 million to the Spanish government to recapitalise the failing financial institutions. As part of this assistance package, the Spanish government spent €41,000 million on measures to improve the capital adequacy of the financial institutions; and
- (iv) the decrease in “risk premium” of Spanish sovereign debt over German government bonds, supported by the ECB’s statement in 2012 that it would take all necessary measures to preserve the euro. The structural reforms introduced by the Spanish government since 2011 and the improvement in macro indicators since 2013 has led to a positive investor perception of the Spanish economy (source: *Christine Lagarde, Chairman of the IMF*).

Although the Spanish economy continues to face challenges, such as current high levels of sovereign debt, in 2014, Moodys’ upgraded Spain’s sovereign credit rating from Baa3 (stable) to Baa2 (positive) and Standard and Poor’s from BBB- to BBB. Such change reflects the measures introduced by the Spanish government to rebalance the Spanish economy towards a more sustainable growth model, the progress made in implementing broad structural reforms and the improvement in the

government's funding cost. Despite high unemployment rates and recovering private consumption levels, expected to grow by 3.4% in 2015 after years of contraction (source: *IMF*), the Spanish financial markets have continued to strengthen in 2014, with spreads on sovereign and bank bonds as of March 2015 decreasing by 70% since the IMF programme started in 2012 (source: *Bloomberg*).

The real economy has also started to recover. According to INE, GDP at constant prices grew by 1.4% during 2014 — the first year of growth after two years of recession. According to the IMF, GDP at constant prices will grow by 2.5% and 2.0% in 2015 and 2016, respectively. Unemployment rate also started to decline in 2014, although it remained at a high level of 24.4% at year-end (26.1% in 2013). According to the IMF, the unemployment rate is expected to decrease to 22.6% and 21.1% in 2015 and 2016, respectively (source: *IMF*).

## 7.2 The Portuguese economy

The global financial and economic crisis had a severe impact on the Portuguese economy. The onset of the sovereign debt crisis in the Eurozone combined with concerns regarding high levels of the budget deficit and public debt forced the Portuguese government to request international financial assistance from the IMF, the European Commission and the ECB in April 2011. Economic activity has decreased in Portugal as a result of reduced public and private expenditure, limited financing and increased unemployment. In 2012, Portugal's GDP further contracted by 3.2% and the average annual unemployment rate increased to 15.5%. Portugal's general sovereign debt peaked at 130% of GDP as of 31 December 2014, as compared to 128.9%, 124.1% and 108.2% as of 31 December 2013, 2012 and 2011, respectively (source: *IMF*).

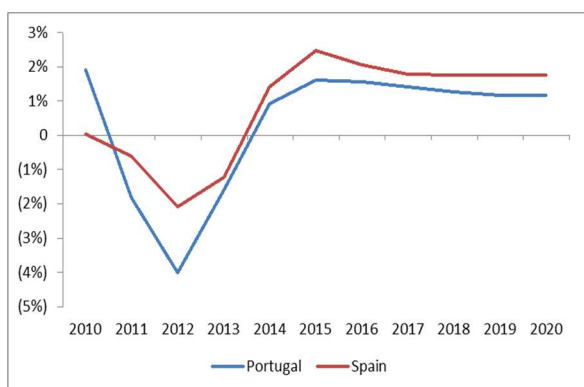
There continue to be challenges for the Portuguese economy. Additional budgetary deficits, the process of implementation of structural reforms in the labour market and the pressure resulting from a higher tax burden on the disposable income of households and spending by businesses are among the most important ones. According to Eurostat, the Portuguese economy recorded a current account balance surplus for seven consecutive quarters in 2013-2014. The Portuguese authorities continue to implement adjustment measures in order to effectively reduce the level of external debt, which is expected to be reduced through an increase in exports (which represented approximately 40% of GDP in the fourth quarter of 2014) in the coming years (source: *Eurostat; IMF*).

According to the IMF, in April 2015, the short-term outlook for the Portuguese economy continued the positive trend. The economic activity and employment have turned out better than expected, supported by reduced economic uncertainty and benign market conditions in the region. The growth in GDP at constant prices is estimated to be 1.6% in 2015 and 1.2% in 2019. This is expected to support an increase in gross fixed investment activity and a lower unemployment rate, which reached 13.9% in the fourth quarter of 2014 and which is expected to reduce to 11.2% in 2019. In addition, the Portuguese current account balance has evolved from a 12.1% deficit in 2008 to a 0.6% surplus in 2014 for the first time in several decades. The current account surplus is expected to be 0.2% in 2019 (source: *IMF*).

With regard to its financial and fiscal stability, the yields on Portuguese sovereign debt have declined sharply. The government has taken advantage of improved conditions to tap the bond market at lengthening maturities, with successful issuances in both January and February of 2014 for the first time since 2007. Despite high private sector debt levels, financial stability has improved and Portuguese banks are meeting the minimum capital requirements (source: *IMF*).

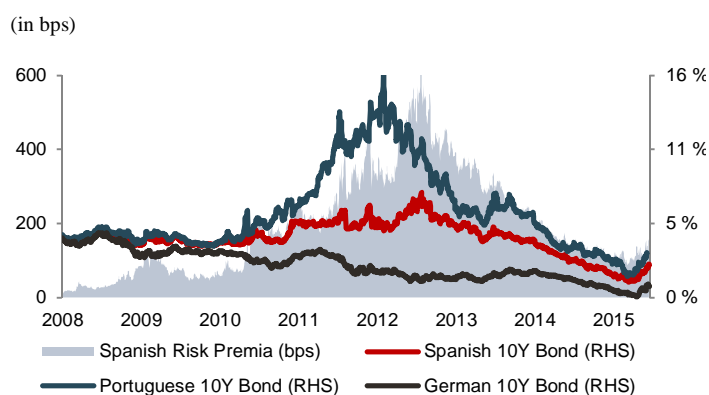
On 17 May 2014, Portugal successfully exited the EU/IMF bailout programme.

Spanish and Portuguese GDP growth



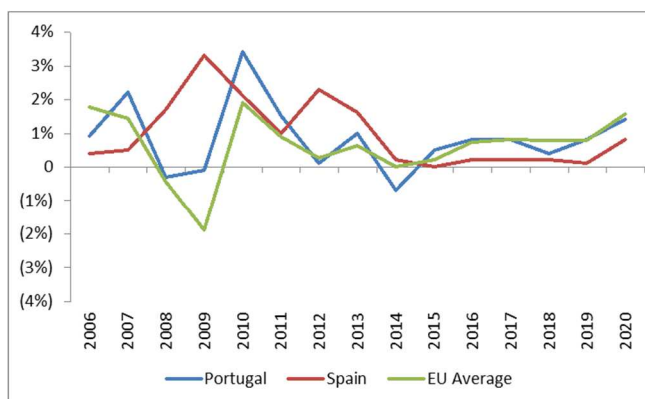
Source: IMF, extract from April 2015 World Economic Outlook

Historical country risk evolution (Spain)

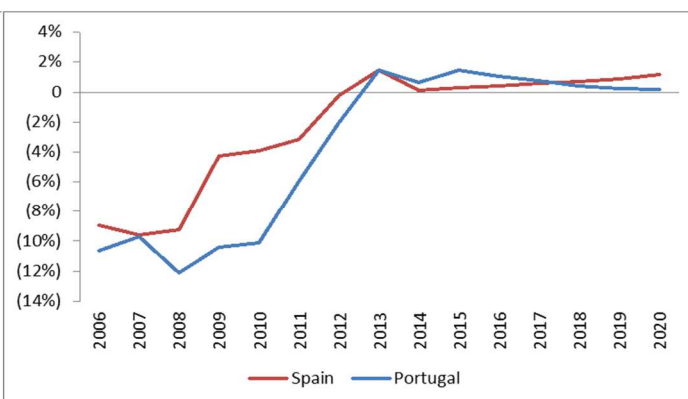


Source: Bloomberg as of June 2015

### Labour productivity growth



### Current account (as % of GDP)



Source: EIU as of June 2015

Source: IMF, World Economic Outlook Database as of April 2015

Note: EU Average includes Spain, Portugal, France, Germany, Italy, Greece

## 7.3 The Spanish and Portuguese property sectors

### Historic Overview

Property stock in Spain expanded during the first years of the millennium driven by a buoyant economy supported by government spending, strong exports, and easy access to debt. This expansion was accompanied by healthy real estate indicators such as high absorption levels and low vacancy rates. The economic momentum in the region was also reflected by low property yields and high property capital values. During 2007, average prime property yields in the central business and industrial districts of Madrid and Barcelona reached the lowest levels in the past ten years when high street retail, office, and industrial logistics yields touched levels in both cities of around 5.0%, 4.3%, and 6.1% respectively. In addition, respective property capital values of such property types also reached maximum historical levels in 2007 when values in Madrid reached levels of €27,600/sqm, €10,700/sqm and €1,400/sqm and in Barcelona of €7,300/sqm in office and €1,700/sqm in industrial logistics (source: *CBRE*).

The buoyant years in Spain were interrupted by the financial crisis in 2008 as the adverse economic conditions negatively affected the demand for real estate. From 2008 to 2012, when the “risk premium” of Spanish sovereign debt over German government bonds reached a peak, capital values of high street retail, office, and industrial logistics properties in the central business districts of both Madrid and Barcelona decreased by around 30%, 54%, and 47% respectively. During the same period, property yields in both Madrid and Barcelona suffered an expansion of around 150 bps, 175 bps, and 175 bps for each of such property types, respectively (source: *CBRE*).

The story in Lisbon was not much different. Capital values of high street retail, office and industrial logistics properties in the central business districts of Lisbon decreased by 14%, 37% and 49%, respectively, from 2008 to 2012 when the “risk premium” of Portugal sovereign debt over German government bonds reached a peak. During the same period, property yields of each such property types in Lisbon suffered an expansion of around 150 bps, 250 bps and 275 bps, respectively (source: *CBRE*).

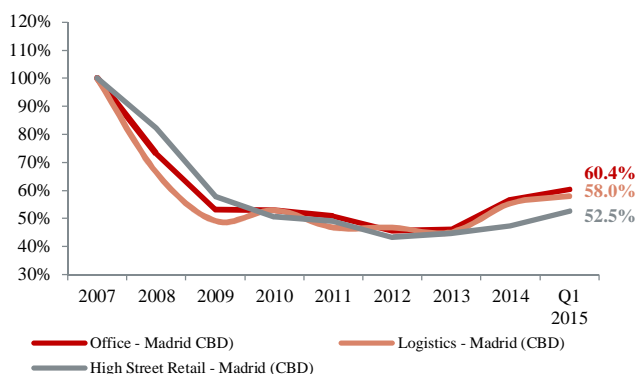
As mentioned above, the economies of Spain and Portugal started to show signs of recovery in 2013 and the recovery gained momentum in 2014 with the majority of macroeconomic indicators posting signs of improvement. The collapse in oil prices in 2014 could drive down inflation with a knock-on impact on rents; however this should be offset by a boost in economic growth. The weakened Euro has benefited the Spanish and Portuguese real estate markets by keeping European exports competitive and aiding the economic recovery. The precise impact of the weak Euro depends on how investors see the future evolution of the exchange rate. Long-term weakening on the euro could imply a requirement of higher returns and lower prices by dollar-based investors to offset exchange rate induced capital losses, and vice-versa. Lower interest rates are also helping to keep property yields down.

Current dynamics in property yields and capital values show an improvement in real estate. Average property yields of certain property types in the central business districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of first quarter 2015 of around 5.25% (-125 bps in Madrid and -150 bps in Barcelona) for high street retail in both cities, 4.75% (-150 bps) for Madrid offices, 4.90% (-135 bps) for Barcelona offices and 7.0% (-150 bps) for industrial logistics space in Madrid, and it is expected that yields in this asset class will continue to harden as a result of demand pressure to at least 6.5% by the current year-end (source: *CBRE*). Capital values for these property types in Madrid have shown a similar trend and as of first quarter 2015 were of approximately €16,000/sqm, €6,442/sqm, and €857/sqm, respectively; a 29%, 33%, and 21% change when compared to their respective low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €17,142/sqm, €4,408/sqm and €993/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 28%, and 14%, respectively (source: *CBRE*).

The Portuguese property market has also shown signs of recovery since 2012. Property yields as of first quarter 2015 in the central business districts of Lisbon were of around 6.25% (-150 bps) for high street retail, 6.25% (-200 bps) for office and 7.50% (-200 bps) for industrial logistics space. Capital values have also shown signs of recovery at first quarter 2015 at €16,320/sqm, €3,552/sqm and €520/sqm, respectively, representing an increase of 24%, 32% and 27%, respectively, since 2012 (source: *CBRE*).

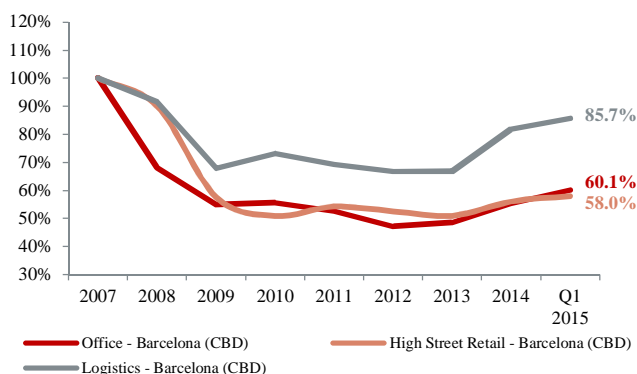
In summary, values of high street retail, office and logistics properties in Madrid and Barcelona have suffered an important contraction since 2007, and despite a more favourable economic outlook and a general recovery in 2014, were 42%, 40%, 47% (in Madrid), and 14%, 40%, and 42% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of high street retail, office and logistics properties in Lisbon were 20%, 13% and 39% lower at the first quarter of 2015 than compared to 2007 (source: *CBRE*).

#### Historical capital values evolution | Madrid (CBD)



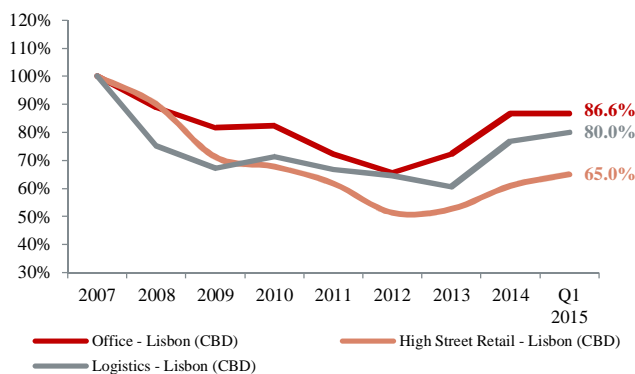
Source: CBRE

#### Historical capital values evolution | Barcelona (CBD)



Source: CBRE

#### Historical capital values evolution | Lisbon (CBD)



Source: CBRE

#### Snapshot of office space in Spain

Total annual take-up of office space in Madrid during 2014 was 330,000 sqm, in line with that of 2009 and 2011, and lower compared to the previous year. This performance was strongly influenced by a few large transactions (Cepsa, Vodafone), and 12% lower than during 2013. Total take-up in Barcelona during 2014 was 258,000 sqm, 40% higher than during 2013 (source: *CBRE*).

Total stock in these two cities as of March 2015 was 12.5 million sqm and of 5.6 million sqm, respectively, while market vacancy stood at 17.26% and 14.97% in each city. Finally, average market prime rent for office space in Madrid and Barcelona as of March 2015 was €25.50/sqm/month and €18.00/sqm/month respectively, representing a €1.0 change in Madrid and a €0.25 change in Barcelona since year-end 2013 (source: *CBRE*).

#### The case for Madrid

The take-up figure for the first quarter of 2015 exceeded that of any quarter in 2014 and was higher than the average of any recent years, equal to the combined total of the two best quarters in 2013. However, the improved take-up figure continues

to be due in large part to various large deals that stand out from the remainder of the transactions, which are still for a smaller average size of office. There has not been a significant increase in the number of lettings.

Rents generally continue to remain stable, with prime properties in the commercial center of the city being the only ones that are showing signs of an upward trend. It appears that the market is tending towards offering fewer concessions, which could be the first step towards a subsequent and more general increase in rents.

Supply has not noticeably decreased; net take-up has only managed to fall to some degree in the commercial center of the city, particularly in prime properties. The market has seen a trend for relocating offices in order to take more space, an increase in the number of new companies and less second-hand supply, probably due to the improved economic and business context.

Office stock has remained virtually unchanged due to the shortage of new-build speculative projects. Future supply is limited to some refurbishments in the city centre, which are mainly properties that have been vacated by large financial institutions relocating to new corporate headquarters (source: *CBRE*).

### The case for Barcelona

The Barcelona office market had a solid start to the year, with the first quarter of 2015 being the best start to the year since 2008. Gross take-up reached almost 81,000 sqm, with a total of 113 transactions completed. This is an encouraging figure which, taking into account the fourth quarter 2014, would suggest that this year the market could register positive growth.

By areas, the city centre registered the highest take-up, followed very closely by the new business areas.

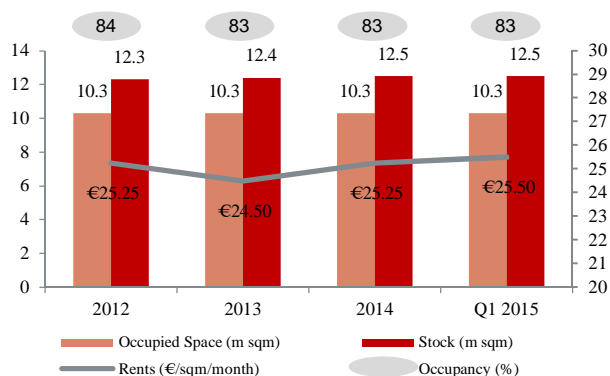
The average size of office space taken in the first quarter of 2015 fell to 714 sqm, primarily due to the large number of small transactions in the city centre. The average size of office taken in the city centre was 500 sqm, whilst in the new business areas the average size stood at 1,400 sqm.

The vacancy rate fell and now stands at 14.97%. All sub-markets, except for the city centre, saw a drop in supply.

Prime rents rose slightly in both the commercial centre and the new business areas, reaching €18.00 and €15.00 per sqm/month, respectively. They remained stable in the city centre and the periphery. (source: *CBRE*).

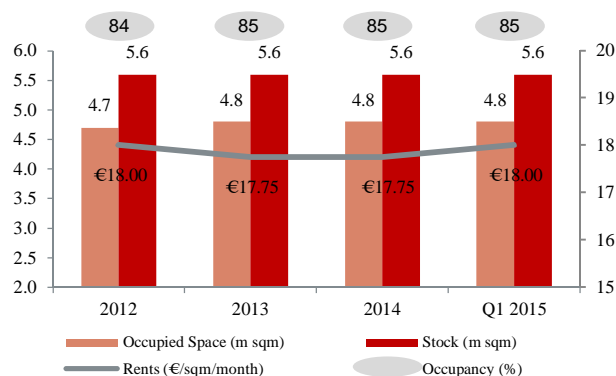
The charts below show the evolution of office stock, which has remained practically flat since 2012 in both Madrid and Barcelona, and the evolution of take-up, which shows a strong positive trend in Q1 2015 compared to the previous year in office markets in both cities.

Madrid office market (total stock)



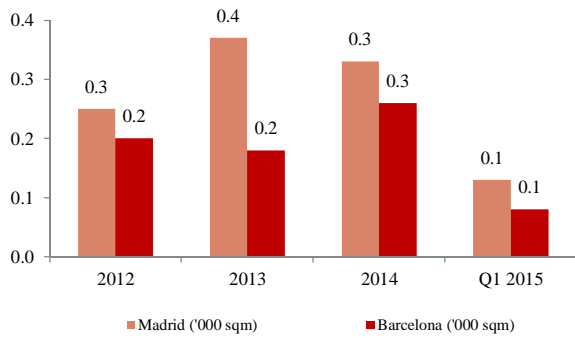
Source: CBRE

Barcelona office market (total stock)



Source: CBRE

**Office market take-up (total stock)**



Source: CBRE

The chart below shows the moment in the prime office rent cycle in which different cities in EMEA are situated. In Madrid and Barcelona, both of which were standing as of year-end 2013 at the bottom of the rent cycle, rental growth is starting to accelerate like many other European cities.

**EMEA Prime Office Rent Cycle: Recovery Progress as of Q1 2015**



Source: CBRE as of Q1 2015

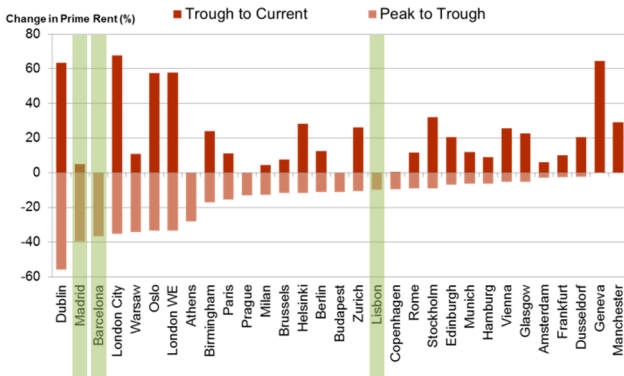
The following charts show CBRE’s views relating to the decline in prime office rents and capital values in major European business hubs since the peak, pursuant to which the Madrid, Barcelona and Lisbon markets are at the bottom of the cycle, with potential recovery in rental levels and yields still to come, following the rest of European cities that have emerged from the trough earlier in time.



## Prime Office Rents

### Previous peak to current trough & current trough to present (Q1 2015)

Change in Prime Rent (%)

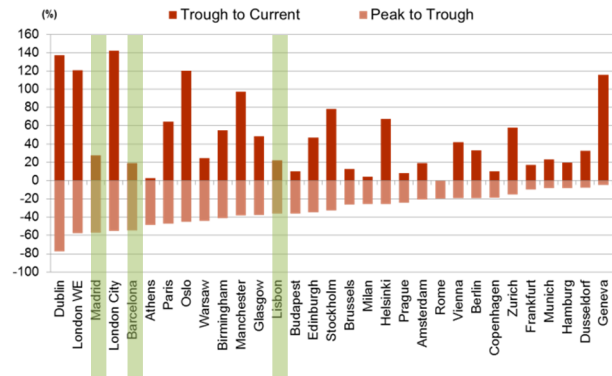


Source: CBRE

## Prime Office Capital Values

### Previous peak to current trough & current trough to present (Q1 2015)

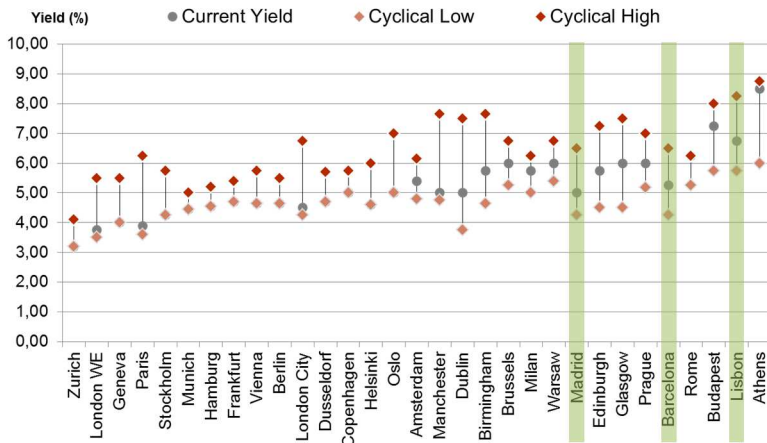
Change in Cap Values (%)



Source: CBRE

## Prime Office Yields

### Yield relative to high & low of current cycle | as of Q1 2015



Source: CBRE

## Snapshot of retail space in Spain

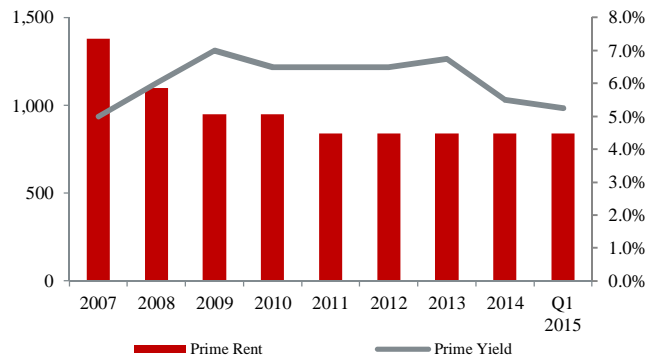
Consumer confidence in Spain has been recovering with an increase in Spain's consumer confidence index of 38% from February 2014 to February 2015 (source: *Centro de Investigaciones Sociológicas*).

Rents for high street retail in Madrid and Barcelona remained flat during 2014 and since 2012, at levels of €840/sqm/year and €900/sqm/year, respectively, but has experimented a slight increase at the beginning of 2015 to €840/sqm/year and €900/sqm/year, respectively (source: *CBRE*).



### Historical high street retail yield & rent evolution | Madrid

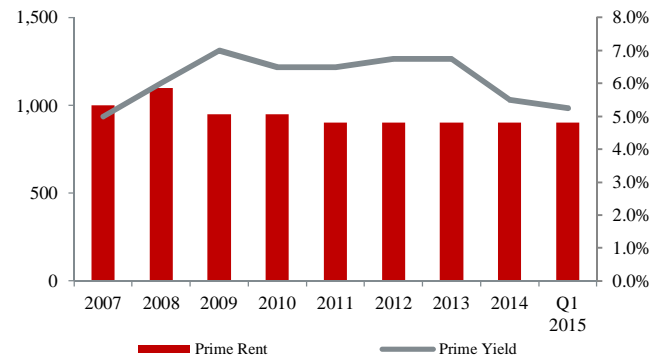
(000' of €/sqm/per annum)



Source: CBRE

### Historical high street retail yield & rent evolution | Barcelona

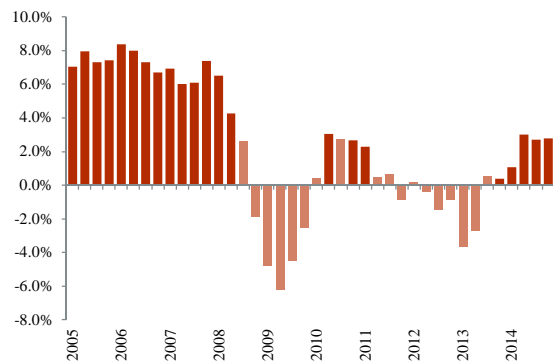
(000' of €/sqm/per annum)



Source: CBRE

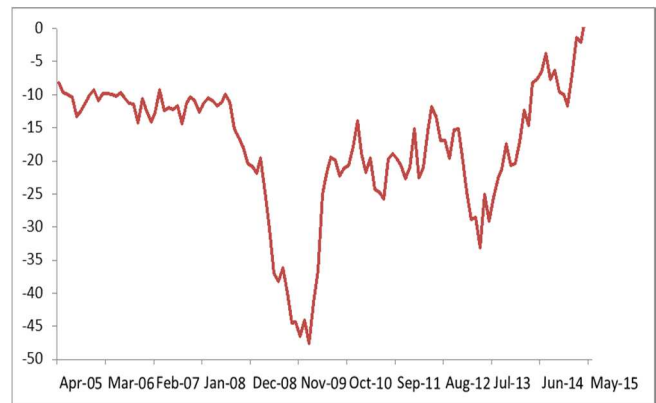
### Total household consumer spending

Y-o-Y (%)



Source: INE

### Spanish consumer confidence index



Source: Datastream

### Snapshot of industrial space in Spain

The improvement in the main macroeconomic indicators is an indication of just of the recovery in the Spanish economy has recovered. From negative GDP growth of -1.3% in 2013, GDP is predicted to increase by around 2.6% in 2015 and 2016, which is above the overall growth figure for the Eurozone.

Take-up in Madrid in 2014 was the highest registered over the past four years, and was also the highest in Spain as a whole. Generally speaking, occupiers mainly continued to look to consolidate and improve the quality of their space, as opposed to expanding.

The vacancy rate fell in Madrid and Barcelona in 2014, although it remained stable in other cities. Despite the supply figures being high in absolute terms, there is a major shortage of large warehouses that meet the requirements of occupiers in terms of quality and/or size.

Some speculative projects are started to be built in Madrid and Barcelona, albeit scattered around the cities. The safest option for developers appears to be turnkey projects, which are also on the increase, given the lack of good-quality large warehouses in the market.

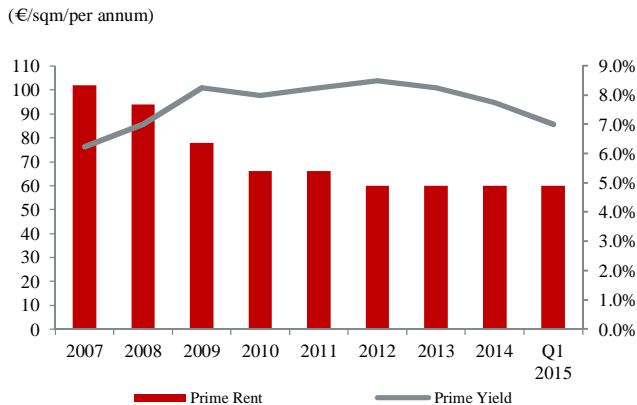
After several years of virtually no demand for land, things started to pick up in 2014. However, buyers have been focusing on large pieces of land ready for construction, in very specific prime areas.

Prime rents remained stable in all cities and, in all cities, the extent to which rents will rise or fall will very much depend on the gap between supply and demand, together with factors such as the size of industrial units and their location.

2014 was a record year for the investment market, with investment reaching €617 million. The lion's share of investment activity was concentrated in Madrid and Barcelona, although there were some one-off deals in Zaragoza, Valencia and Seville. Overseas funds and SOCIMIs were the main buyers.

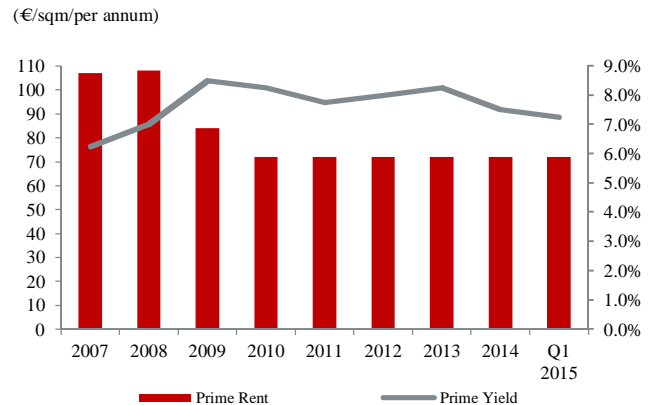
Prime yields are predicted to continue to harden as a result of demand pressure, shifting from the 7.5% at the end of 2014, to at least 6.5% by the current year-end, if not even lower (source: *CBRE*).

### Historical Logistics rents and yields evolution | Madrid



Source: CBRE

### Historical Logistics rents and yields evolution | Barcelona



Source: CBRE

### Snapshot of office space in Lisbon

During 2014, take-up of office space in Lisbon was 126,530 sqm, while the total take-up of 77,800 sqm in 2013 represented the lowest annual amount in the last 20 years. Total office stock in Lisbon amounted to 4.5 million sqm at year-end 2014, of which approximately 540,000 sqm were vacant. Rent of prime office space in the central business district of Lisbon closed 2014 at €18.5/sqm/month (flat compared to 2013), and occupancy rate closed the year at levels of 91% (+64 bps compared to 2013)

Office gross take-up in Lisbon achieved 29,500 sqm in the first quarter of this year, with 68 letting deals concluded. This represents a quarter-on-quarter decrease of 47% but an increase of 71% compared to the first quarter of 2014.

Prime rental values continued to be stable in the majority of Lisbon office areas, except in Parque das Nações which registered an increase of 6%. Despite the fact that no buildings were completed during the first quarter of 2015, an increase in office construction volume is expected for this year, in comparison to 2014, with the completion of 4 buildings.

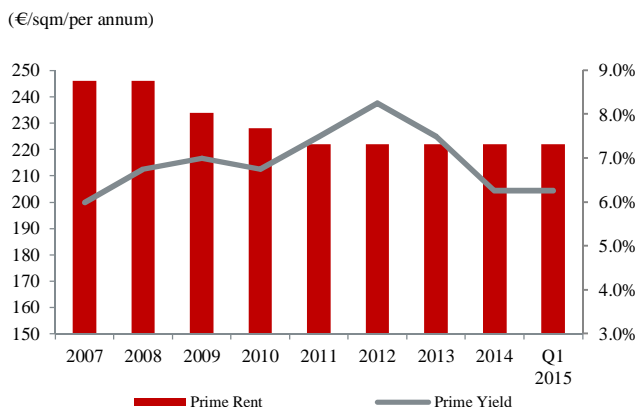
However, scarcity of new supply is intensifying, further reducing the vacancy rate.

Take-up is expected to increase in the next quarter, mainly driven by the conclusion and occupation of the new EDP headquarters (14,000 sqm).

Nevertheless, the lack of new supply and the still fragile economy recovery suggest that it will take some time before take-up levels are similar to the pre-crisis period.

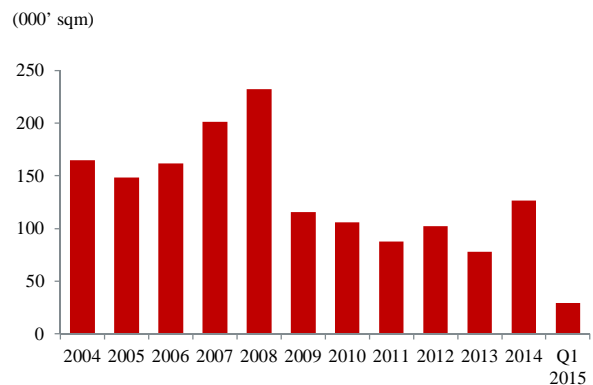
Prime rents are expected to remain unchanged in the next few months, although an increase in effective rents is likely to occur, with a notable reduction in the incentives currently granted (rent free period, etc.) (source: *CBRE*).

### Historical office rents and yields evolution Lisbon



Source: CBRE

### Office gross take-up Lisbon



Source: CBRE

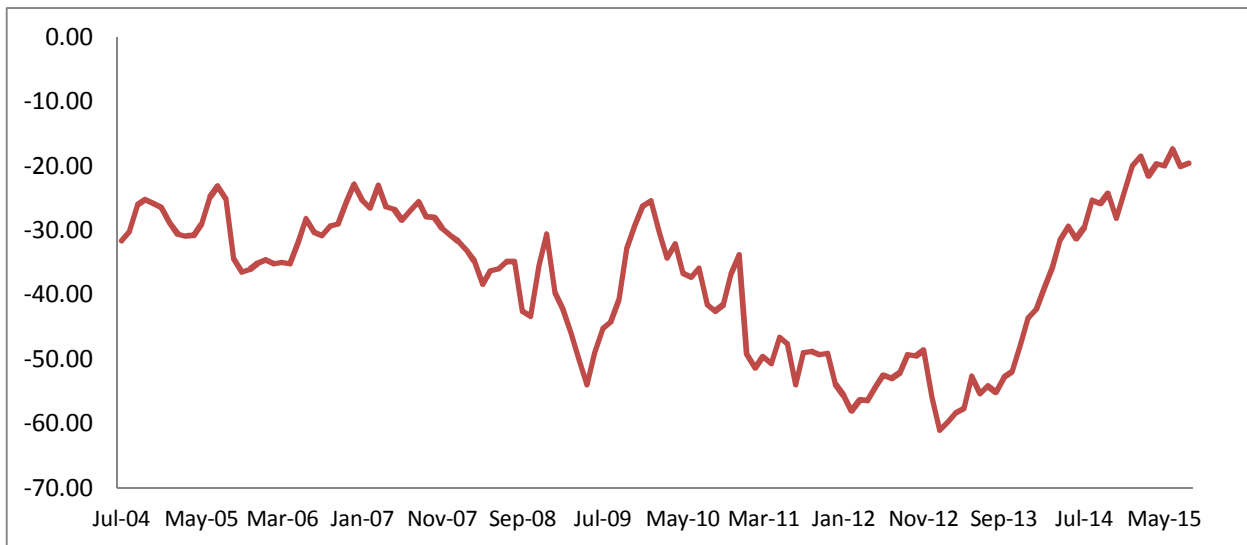
### Snapshot of retail space in Lisbon

Consumer confidence in Portugal continued the upward trend started in 2013, increasing in 2014 too and it is expected that such increase will have a positive impact on the property market in Lisbon.

Total stock of retail space in Portugal was 3.6 million sqm as of June 2014. For the second year in a row, no new commercial complexes in Portugal were opened. Although there was a slight improvement in sales in prime shopping centres, many shopping centres continue to struggle due to strong competition and low purchasing power in their catchment areas. During 2013, stock increased by only 3,000 sqm due to the expansion of an existing shopping centre and remained flat during the first half of 2014.

Prime rents in high street retail in Lisbon dropped by 6.3% in 2014 driven by weak consumption while yields have significantly compressed, reaching 6.25% in March 2015 compared to 7.75% in December 2013 (source: *CBRE*).

#### Consumer Confidence Index Portugal



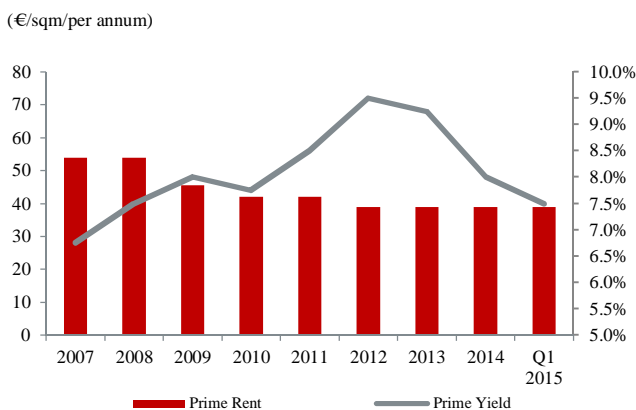
Source: Datastream

### Snapshot of industrial logistics space in Lisbon

The Index of Industrial Production has been positive since the end of 2013 and pursued the upward trend in 2014.

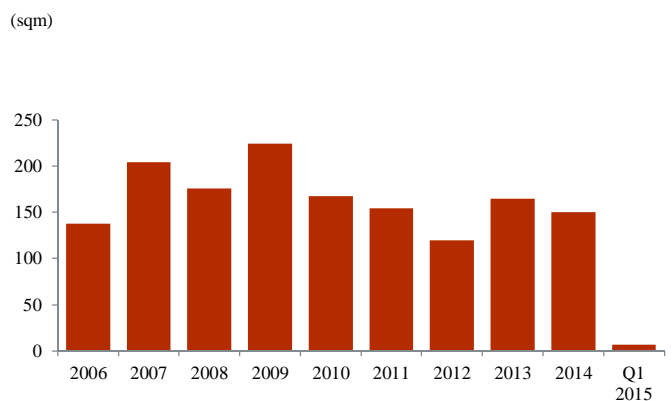
Total take-up of logistic space in Lisbon was 150,000 sqm in 2014 compared to 164,500 sqm in 2013 and has slowed down in the first quarter of 2015 reaching 7,000 sqm only. Rents of this property type stayed flat in March 2015 compared to 2014 (source: *CBRE*).

#### Historical logistics yield & rent evolution | Lisbon



Source: CBRE

#### Logistics gross take-up | Lisbon



Source: CBRE

### Investment activity

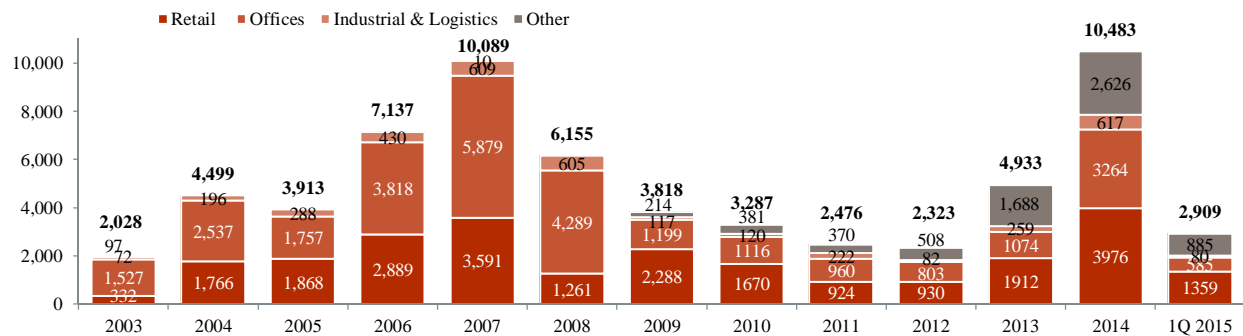
Bottoming rents and low property values have raised investors' interest for prime real estate properties in Spain. Such appetite was reflected in property investment volumes in Spain which, during 2014, reached €10,483 million representing the largest amount in the former cycle and similar to figures back in 2008 when total investment volume was €10,089 million. Property investments in the retail property market during 2014 doubled figures from 2013, while on the office and industrial property markets increased by 206% and 138%, respectively, when compared to 2013 (source: CBRE).

Generally speaking, during the first quarter of 2015 the investment market continued to register high levels of activity in all sectors. Funds are under pressure to purchase properties in Spain, although they do have minimum cut-off yields to adhere to.

In the first three months of the year, €585 million was invested in offices across Spain, 58% more than in the same period the year before. There is a high amount of investor demand looking to acquire properties in Spain. There is a great deal of liquidity in international financial markets and significant pressure to invest in assets that will generate good returns. In a market of negative or historically low interest rates, the alternative of investing in real estate in Spain could be seen to be appealing. (source: CBRE).

### Spain: Historical Real Estate investment volumes

(€ in millions)

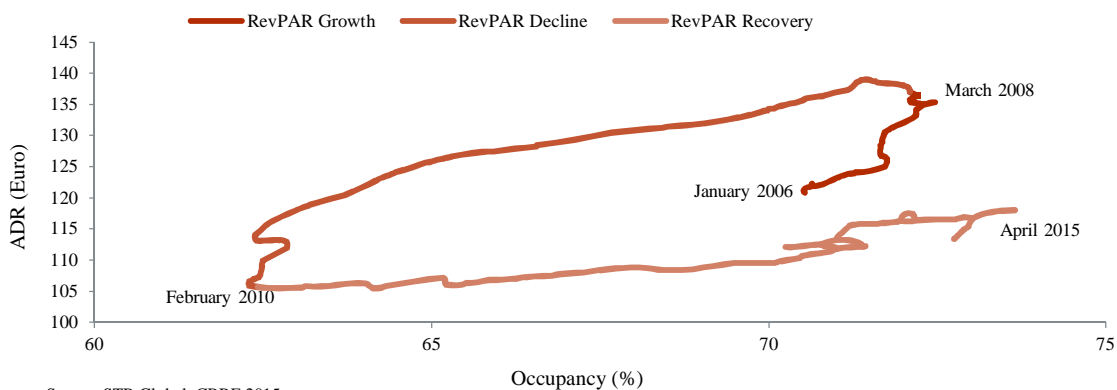


Source: CBRE

### Hotel Market Performance

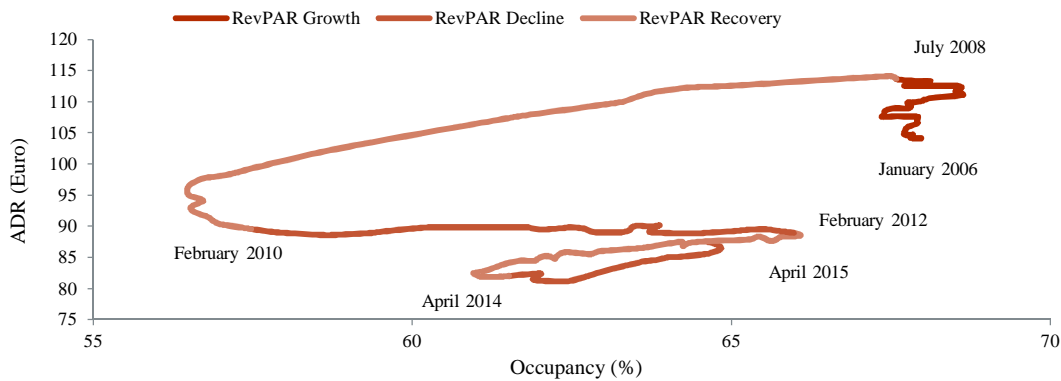
Economic growth has been categorically welcomed across the Spanish hotel markets, as has been the case in the city of Madrid. Fluctuations in hotel demand for the capital show a strong, positive correlation of 81% with the relative annual movement of Spanish GDP; indicating the markets reliance on corporate and domestic demand. Barcelona hotel performance shows a much weaker relationship with Spanish GDP, however, displays a strong, positive correlation of 86% with EU GDP; highlighting the international travel driving hotel performance on Spain's north-east coast.

### Barcelona performance evolution, 2006 to November 2014, 12MMA



Source: STR Global, CBRE 2015

## Madrid performance evolution, 2006 to November 2014, 12MMA



Source: STR Global, CBRE 2015

As a result, the evolution of revenue per available room (“*RevPAR*”) through the course of the current cycle has differed tremendously for the two cities. Both experienced declines from 2008 to 2010, typical with most European hotel markets, however, Barcelona has since experienced a consistent, balanced recovery, whereas Madrid was blighted heavily by the second plunge of Spain’s double-dip recession and significant levels of new supply entering the market.

Barcelona is unsurprisingly some way ahead in terms of *RevPAR* recovery, and rate (“*ADR*”) growth is likely to be the key driver of future performance improvement. Operators are expected to leverage off of the high occupancy base and capitalize on the consumer spending boom in the key source markets of Northern and Western Europe, to take advantage of the €20.25 headroom in *ADR* that exists based on the pre-recession peak. Such increases in rate are also highly advantageous to the bottom line and will aid the continuation of gross operating profit (“*GOPPAR*”) growth, which is up 12% in the 12 months to April 2015. Other factors acting in favour of Barcelona’s continued recovery include a displacement of tourists from alternative markets in North Africa, Turkey and Greece which are experiencing geopolitical issues and also a reduction in the price of air travel following a fall in the cost of oil.

Madrid, on the other hand, has more work to do in regaining its performance. Both occupancy and rate still fall short of their former recovery to February 2012 before performance declined again. However, the rate of *RevPAR* growth in the last 12 months to April 2015 has been at a greater pace than that of Barcelona and eclipsed most key European markets. Improving domestic leisure demand has nudged rate up by 3 percentage points, whilst corporate activity is the key driver of €6.03 uplift in rate. Improving occupancy has undoubtedly improved the operational efficiency of hotels in Madrid, also aided by a global reduction in the price of commodities and therefore profit is up 17% in the past 12 months. If considering the 2008 high-*RevPAR* mark as the target of Madrid’s recovery, the capacity for further growth is promising (source: *CBRE*).

### Investment Overview

The Spanish hotel investment volume for 2014 reflected the aforementioned uplift in trading performance and economic fortunes; increasing by 63.4% on the previous year to €1,093m. This is the highest annual volume recorded since 2008 and with the first quarter of 2015 volumes up 283% year-over-year at €703m this year the Spanish market could surpass the €1,600m of hotel investment recorded for 2006. There was also a shift in the hotel share of all commercial real estate investment; increasing from 5.7% in 2013 to 8% in 2014; underlining the recognition from investors that hotels can lever GDP and consumer spending growth into improved returns better than any other asset class.

Excluded from the above transaction volume is over 100 hotel debt trades which took place in 2014 and this trend is expected to continue throughout the course of this year. SAREB and other banks, both Spanish and international, have begun divesting from hotel debt as they come under increasing pressure to clean up their balance sheets in compliance with European regulation.

Despite the downward pressure on yields, the comparison to other key European hotel markets (particularly markets in Northern and Western Europe which are further along in the economic cycle) would suggest that there remains abundant value in Spanish hotel real estate and scope for continued yield compression

### Rented Residential market

#### General Overview

Following several years of adjustments, the downward corrections look to have come to an end. However, the diversity of the rented residential market means that some areas are still suffering, whilst others are firmly recovering.

The demand for housing has not yet been fully reactivated and this can be seen from the performance of prices which must first bottom out before there can be a period of stabilisation. However, there are other signs of hope, such as the demand for housing from foreign investors whose market share continues to increase quarter on quarter.

At the end of 2014, the number of house sales in Spain stood at 318,928, 10,218 down on 2013, with new housing accounting for 118,863 of these sales, and 200,065 existing housing.

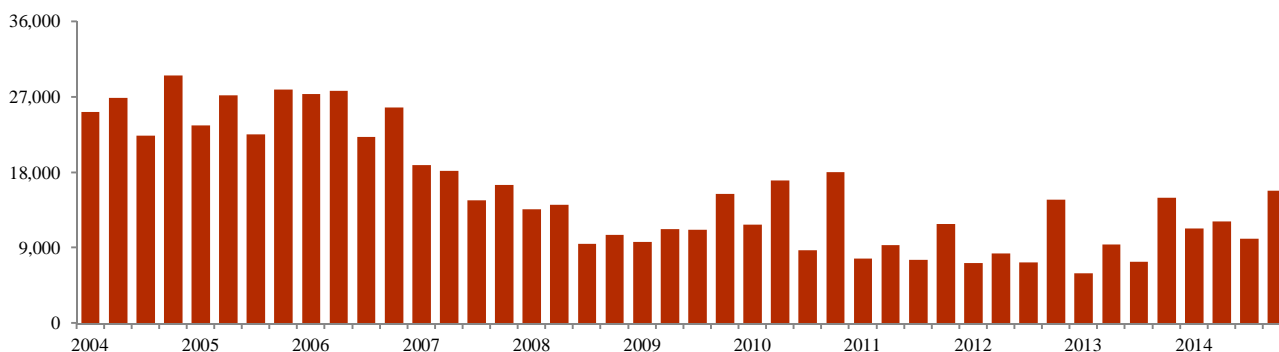
The latter figure is one of the most striking, over 200,000 annual sales of existing housing, a level which had not been reached since the second quarter of 2011. In fact, existing home sales rose by 23,144 units in 2014 compared to 2013.

In contrast, new housing remains on a fairly negative path, down by 33,362 units compared to 2013 and hitting a new all-time low. Over the last year in all seventeen of Spain's autonomous regions, fewer new homes have been sold than existing homes. All signs point to this trend continuing as there are virtually no new housing projects and the stock of new-builds waiting to be sold is gradually reducing.

Andalusia was the region which registered the largest number of sales in 2014 with 63,725, this was followed by Catalonia with 47,955, Valencia with 46,808 and Madrid with 44,734.

In terms of provinces, Madrid remains the province with the largest number of annual sales, seeing 44,734 transactions, a long way ahead of the second-place Barcelona with 31,394, Alicante with 24,210, Málaga with 21,948, Valencia with 16,675 and Seville with 10,950.

### Performance of house sales in Madrid



Source: Ministerio de Fomento

### Offer

Developers are once again positioning themselves and are starting to see opportunities. The consumer confidence index for construction in Spain is on the up and has already reached the average level for the EU.

Financial entities remain a dominating factor within the rented residential sector, with a two-fold role: firstly selling their own stock of acquired housings and secondly deciding whether to grant credit to other developers. Slowly but surely they are financing more projects for third parties.

Financial entities also remain very active, selling large real estate portfolios. Banco Sabadell sold several debt packages to the Malaysian fund Aiqon Capital, which had already acquired a portfolio from Catalunya Bank. Blackstone purchased another large portfolio also from Catalunya Bank. The result is that there are currently many assets in the hands of international capital-risk funds, which are a new developer to be taken into account.

### Land

Given the new landscape, purchasing land has returned to the table for developers. Unlike during the economic crisis, the main interest is in urban land which is ready to develop. At present, plots of land where the end buyer has an above-average acquisitive power in major cities are the ones attracting the most attention.

However, the current lack of ready to develop land in good locations is causing investors to start to analyse other options of land where there is still more work to be done.

As a result of the standstill in construction during the economic crisis, there is a certain deficit in the supply of the areas which have traditionally created more demand (urban-land in major cities), and in some cases, developers are starting to sell apartments which only exist on floorplans at a surprisingly quick pace.

Banks are once again granting loans for rented residential developments, however, they require developers to contribute their own equity, at least 30% of the investment. Banks are very selective when it comes to giving credit, and the real estate experience that they have gained over recent years means they are now analysing the real estate proposals they receive in more detail.

### Prices

In general terms, housing prices in Spain appear to be reaching the end of their adjustment.

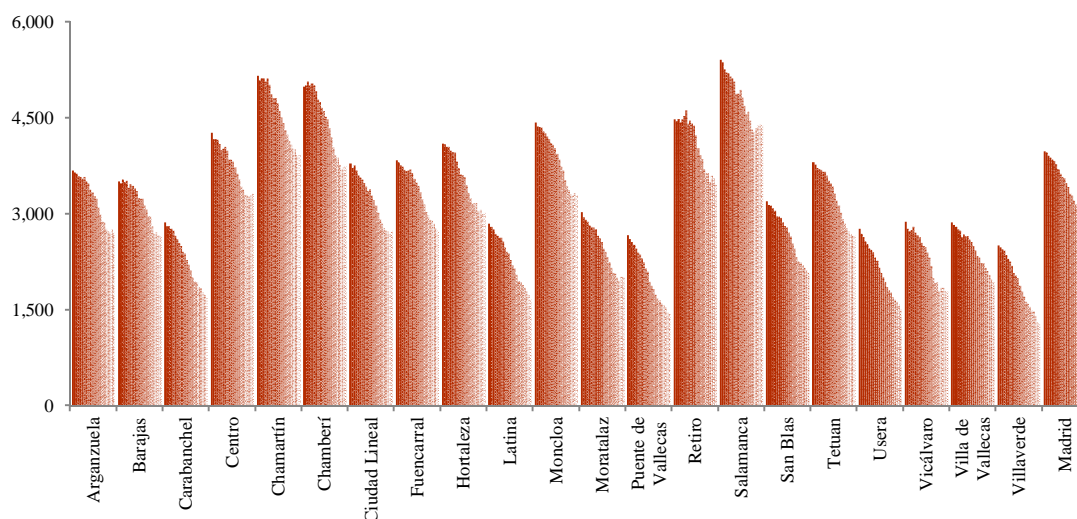
There is major disparity in terms prices of assets depending on asset type and location.



Most of the adjustments have been seen in areas of oversupply where in recent years the inexistence of any potential demand has led to assets which have never even been marketed; whilst, in the main town centres– and especially in prime and luxury assets–, prices have fallen less, given the lower level of supply and the different investor profile.

In Madrid, in recent years, the starting prices for assets in the main high-end rented residential areas (Salamanca, Chamartín, Chamberí, Retiro) are those which have on average fallen the least and where the average year-over-year drop for 2008 to 2014 was lower than the 4.9% average of the whole of Madrid. The Salamanca district, the number one location for luxury housing, recorded the lowest average drop in all of Madrid (barely 3%), and started to recover ahead of the rest, registering positive figures as early as the first two quarters of 2014.

#### Starting prices in Madrid by district (2009 – 2014)



Source: Idealista

## 8. FINANCING STRATEGY

### 8.1 Proceeds of the Offering

The Company's principal use of the Net Proceeds of the Offering will be to fund the acquisition of Testa, to partially prepay the Bridge Facility and the Group's general corporate purposes, which includes the funding of acquisitions of future real estate assets in a manner which is consistent with the Business Strategy as set out in section 5 of this Part XI (*"Information on the Group"*). As of the date of this Prospectus, the Company has 9 transactions which are under exclusivity, advanced due diligence, execution phase or pending completion with a size of approximately €370 million. Within this amount, €256 million of investments are expected to be funded within the next 12 months, out of which the Company has already disbursed €25.2 million. By asset class, 54% of these transactions are logistics, 37% retail and 9% office. The most relevant transaction is the acquisition of a retail portfolio for 96.5 million (i.e. 27% of the total transactions amount). This retail transaction comprises the acquisition of 33 supermarkets leased to Caprabo on a triple net and long term basis (8 years on average), at a net initial yield of 7.2%. All of these investments may be funded with equity or debt and may result in changes to the Group's leverage.

### 8.2 Operating expenses

In addition to using cash to make acquisitions and distributions to Shareholders, the Group is incurring operating expenses that need to be funded through its operating income. The Company's Annual Total Overheads are the higher of (a) 6.0% of the Company's consolidated GRI and (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level, and will be calculated using the year-end metrics of the Company with reference to its consolidated financial statements for the relevant year. The calculation of the Annual Total Overheads includes personnel expenses of the Management Team, as well as running costs of the Company and its Group. Such running costs include, among other things, personnel expenses of the employees of the Company and its Group (other than the Management Team), audit expenses, legal, tax and labour advisers, appraisers expenses, office costs, property management fees, housekeeping, bookkeeping, travel expenses, remuneration of the Board of Directors, and transaction costs associated with new acquisitions ultimately not completed and/or asset sales ultimately not completed (the *"Annual Running Costs"*). After the execution of the Acquisition, it is expected that the Combined Group will continue applying the same policy regarding Annual Total Overheads.

As the Assets have grown, the Company pays its Annual Total Overheads as well as the payment of interest on its borrowings with income generated from the Company's properties and surplus cash. For further information on the Annual Total Overheads, please refer to sections 1.2 of Part XII (*"The Management Team"*) and section 4.2 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*).

### 8.3 Borrowings

The Group may choose to finance a portion of certain acquisitions with debt financing (initially, mainly through secured mortgages, and in the future, through the issuance of debt and convertible debt securities or other financings that may be available to the Company). The Company and the Management Team intend to determine the appropriate level of borrowings on a deal-specific basis. As at the date of this Prospectus, the Group has borrowings in relation to seven of the Assets. The Group has entered into the Senior Facility Agreement for Tree (see Part XIV (“*The Assets*”) for further details), the Madrid A1 Office Facility Agreement with Banco Santander for the acquisition of the Madrid A1 Office (see Part XIV (“*The Assets*”) for further details), the Marinada Facility Agreement with certain entities belonging to the Allianz group for the acquisition of Marinada (see Part XIV (“*The Assets*”) for further details), the WTCAP 6 Facility Agreement with Deutsche Pfandbriefbank (see Part XIV (“*The Assets*”) for further details), the Alcala Facility Agreement with CaixaBank, S.A. (see Part XIV (“*The Assets*”) for further details), the Madrid-Meco Facility Agreement (see Part XVI (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”) for further details) and the Brige Facility Agreement (see Part XVI (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”) for further details).

On 7 October 2014, MERLIN Oficinas signed a €70 million ten-year loan facility with Banco Santander, generating an LTV of 53.4% on that asset (the “**Madrid A1 Office Facility Agreement**”). The Madrid A1 Office Facility Agreement accrues an annual interest of three-month Euribor plus a margin of 1.85%. The Group has hedged 90% of the interest rate exposure on the Madrid A1 Office Facility Agreement at an all-in interest cost of 2.5% with an arrangement fee of 0.6% and annual amortisation of 1.4% per year.

On 30 December 2014, Tree signed the Senior Facility Agreement, a €939.75 million (increased from €776.5 million immediately before execution of the Senior Facility Agreement) nine and three quarter-year loan facility (with maturity in September 2024) with a syndicate of banks, generating an LTV of 56.7% on Tree’s assets. The Senior Facility Agreement accrues an annual interest of three-month Euribor plus a margin of 1.75%. The Group has maintained the existing hedging arrangement for 100% of the interest rate exposure up until September 2017, and has executed a further hedging arrangement for 100% of the interest rate exposure from September 2017 up until maturity of the facility. The all-in interest cost is 4.1% up until September 2017 and 2.7% from October 2017 until maturity, with an arrangement fee of 1.25% and annual amortisation of 1.0% during the first four years, 1.25% during the following three years and 1.5% during the last three years.

On 19 February 2015, MERLIN Retail signed a €133.6million ten-year loan facility agreement with several loans entered into with certain entities belonging to the Allianz group, with mortgage security on Marinada shopping centre a (the “**Marinada Facility Agreement**”), generating an LTV of 47.5%. This loan accrues a fixed interest rate of 2.66% with no annual amortisation requirement and full repayment of principal upon maturity. The Group signed the Marinada Facility Agreement as part of its capital management policy, allowing it to borrow money for future acquisitions whilst maintaining a stable gearing.

On 13 March 2015, MERLIN Oficinas signed a €22.84 million nine-year loan facility with Deutsche Pfandbriefbank, with mortgage security on WTCAP 6, generating an LTV of 48.1% (the “**WTCAP 6 Facility Agreement**”). This loan accrues a fixed interest rate of 2.408% with annual amortisation of 0.5% per year, and an arrangement fee of 1.0%.

On 26 March 2015, MERLIN Oficinas subrogated and restated a €21.0 million fifteen year-loan facility with CaixaBank, with mortgage security on the Alcala building (LTV of 55.0%), and subrogation fee of 0.75% (the “**Alcala Facility Agreement**”). The cost of this loan is 3-month Euribor plus 150 basis points. The loan has a 4-year grace period on principal amortisation and full repayment of principal from year 5 until maturity.

As of 31 March 2015, the Group’s gross financial debt amounted to €1,187 million, of which 99% was hedged.

On 17 April 2015, the Group acquired a company with a sole asset, a logistics warehouse located in the industrial area of Meco, in Madrid, for a purchase price of €22 million, of which €14.1 million have been funded with cash and the remaining €7.9 million through a ten year facility agreement with CaixaBank, with mortgage security on the Madrid-Meco warehouse, generating an LTV of 36.1%. This facility agreement accrues a variable interest of Euribor 6 months plus 250 basis points (the “**Meco Facility Agreement**”). The Company changed the corporate name of the acquired company to MERLIN Logística II.

On 21 June 2015, the Company entered into a syndicated Bridge Facility for an aggregate amount of €500million with Morgan Stanley, J.P. Morgan and Goldman Sachs in order to finance the acquisition of 25.1% of the shares in Testa and has undertaken to secure the liabilities assumed by the Company under such Bridge Facility granting a pledge over at least 40.1% of the shares acquired or to be acquired in Testa. As of the date of the Prospectus, the Company has not disposed of any amount under the Bridge Facility. See “*Recent Developments*” in Part XVI (“*Management’s Discussion And Analysis Of Financial Condition And Results Of Operations*”) for further details.

After the execution of the Acquisition, the Group will continue to seek to use gearing over the long term and will consider using hedging where appropriate to mitigate interest rate risk, subject to certain principles. The Management Team has undertaken, as a general rule and unless the Management Teams thinks otherwise appropriate due to the nature of a relevant acquisition opportunity, to carry out future acquisitions using the Net Proceeds and any net proceeds from future issues of



Ordinary Shares. Where necessary, the Company may enter into third-party debt financing in line with the gearing criteria described in section 5.4 of this Part XI (*“Information on the Group”*).

#### **8.4 Other Sources of Financing**

The Company intends to leverage the strong portfolio complementarities with Testa, gradually capturing growth in rental levels and maximising profitability through strategic capex and active management. Given the point in the market cycle, the high quality of the assets acquired and the absence of overlap, there are no anticipated disposals of assets from the Company’s core segments. The Company will adopt an opportunistic approach in relation to recycling capital from the non-core segments (rented residential, part of the hotel portfolio and land).

As substantially all of the Net Proceeds raised will be used in connection with the acquisition of Testa and the Group’s acquisitions of property, the Group’s future liquidity will depend primarily on: (i) the collection of rents from its Assets; (ii) the timing of the sale of the properties and property-holding entities it acquires; (iii) the Group’s management of available cash; and (iv) the use of borrowings to fund acquisitions and, if necessary, to fund short-term liquidity needs. The Group may also use further equity offerings or consideration in the form of equity to finance the Group’s growth.

Notwithstanding the foregoing, when implementing the Business Strategy, the Management Team has undertaken, as a general rule and unless the Management Teams thinks otherwise appropriate due to the nature of a relevant acquisition opportunity, to carry out acquisitions using the Net Proceeds and any net proceeds from future issues of Ordinary Shares. Where necessary, the Company may enter into third-party debt financing in line with the gearing criteria described in section 5.4 of this Part XI (*“Information on the Group”*).

### **9. VALUATION POLICY**

The Company calculates its consolidated EPRA NAV semi-annually, which will be communicated at the time of publication of the Company’s consolidated interim and annual financial results. The Company’s calculation of its consolidated EPRA NAV is supervised by the Audit and Control Committee.

*“EPRA NAV”* refers to the net asset value of the Company adjusted to include properties and other investment interests at fair value and excluding certain items not expected to crystallise in a long-term investment property business, in accordance with guidelines issued by the European Public Real Estate Association (August 2011 version only), unless otherwise agreed by the Company.

The consolidated EPRA NAV of the Company is based on the most recent valuation of the Company’s real estate assets on a consolidated basis, and is calculated in accordance with IFRS-EU. Valuations of the Company’s consolidated real estate assets are made (i) as at 30 June of each year through an external desktop valuation (i.e., a limited valuation which does not involve a physical inspection of the properties and which is intended to update the previous 31 December valuation incorporating significant changes that may have taken place in market conditions and/or within the relevant assets (i.e., leases, capital expenditures, acquisitions or legal liabilities)) and (ii) as at 31 December of each year through a physical valuation, in each case performed by a suitably qualified RICS-accredited appraiser to be appointed by the Audit and Control Committee. As of 31 March 2015, the Company’s consolidated EPRA NAV amounted to €1,367 million. Valuations of the Company’s consolidated real estate assets are and will be made in accordance with the appropriate sections of the RICS Red Book at the date of valuation. This is an internationally accepted basis of real estate valuation.

Given that it is expected that the Company will acquire the control over Testa after 30 June 2015, the first joint valuation of the Group’s and Testa’s assets is expected to be the valuation as at 31 December 2015.

### **10. TREASURY POLICY**

The Group seeks to carry out a treasury policy designed to ensure capital preservation. Accordingly, the Group seeks to generate positive and steady rates of return with limited risk exposure. In particular, the Group focuses on highly liquid financial products where any early termination would result in no or merely a limited penalty.

### **11. DIVIDEND POLICY**

No shareholder distributions were made against the Group’s 2014 results as the Company, in its individual accounts, incurred losses for the period covered by the Audited Consolidated Financial Statements. The Company intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution and which reflects the Company’s view on the outlook for sustainable recurring earnings. The Company does not aim to create reserves that are not available for distribution to Shareholders other than those required by law. The Company intends to pay dividends when the Board of Directors considers it appropriate. However, under the Spanish SOCIMI Regime, the Company will be required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to Shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate investment funds, and (iii) at least 80% of all other profits obtained. If the relevant dividend distribution resolution is not adopted in a timely manner, the Company would lose its SOCIMI status in respect of the year to which the

dividends relate.

Only those Shareholders that are registered in the clearance and settlement system managed by Iberclear at 23:59 hours (Madrid time) on the day of approval of a dividend distribution will be entitled to receive such dividend distribution. Dividends will be received in respect of the Ordinary Shares owned at such time. Unless otherwise agreed by the Shareholders' Meeting or the Board of Directors, the By-laws provide that the payment date will take place within the following 30 calendar days after the dividend distribution is approved.

The record date criteria referred to above intends to allow the Company to timely identify Substantial Shareholders before having to make a dividend distribution to them. According to the By-laws, any Shareholder must give notice to the Company's Board of Directors of any acquisition of Ordinary Shares which results in such Shareholder reaching a stake in the Company equal to or higher than 5% of its share capital. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder. See section 6 of Part XXII ("*Additional Information*") for additional information.

## **12. STRUCTURE AS A SPANISH SOCIMI**

The Company and each of its Spanish subsidiaries has elected to be Spanish SOCIMIs and each has notified such election to the Spanish tax authorities by means of the required filing. As a Spanish SOCIMI, the Company believes it will have a tax-efficient corporate structure with the consequences for Shareholders described in Part XX ("*Spanish SOCIMI Regime and Taxation Information*"). Provided certain conditions and tests are satisfied, as a Spanish SOCIMI, the Company will not pay Spanish corporate taxes on the profits deriving from its activities (exception made of (i) certain sales of Qualifying Assets made before the minimum three-years holding period has elapsed and (ii) the sale of Qualifying Assets held before the first application of the SOCIMI regime) . These conditions and tests are discussed in Part XX ("*Spanish SOCIMI Regime and Taxation Information*").

As further described in Part X (*Acquisition of Testa*), the Company intends to convert Testa into a SOCIMI before 30 September 2015 in order to benefit from the tax efficient regime.

## PART XII: THE MANAGEMENT TEAM

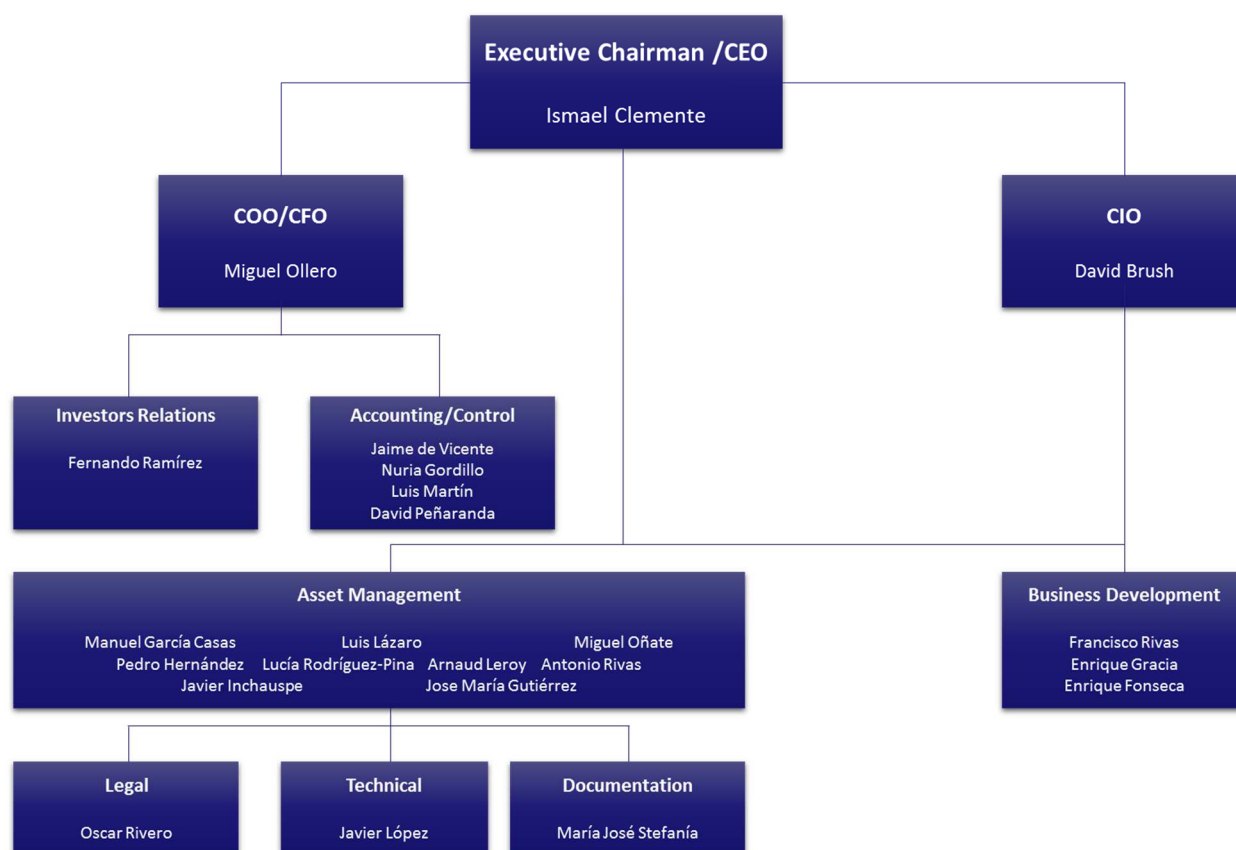
### 1. THE MANAGEMENT TEAM

#### 1.1 The Management Team

The day-to-day operations of the Company, including the implementation of the Business Strategy, is carried out by the Management Team, which consists of property and finance professionals who have extensive experience in Spanish and Portuguese real estate markets and a notable track record of creating value for shareholders. The Management Team is led by Mr. Ismael Clemente (CEO), Mr. David Brush (CIO) and Mr. Miguel Ollero (CFO/COO) and currently comprises nine members. The remaining six members of the Management Team are Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Luis Lázaro, Mr. Miguel Oñate, Mr. Fernando Ramírez and Mr. Manuel García Casas.

As of the date of this Prospectus, the Company's total headcount is 25. The Management Team expects to reach a stabilised base of approximately 125 employees, following the integration of Testa. Testa's management team is currently composed of 94 qualified professionals, of which 50 manage Testa and its portfolio and 44 are part of its third-party asset management business. After the Acquisition, the current organisational structure of the Company will not be changed. After the merger or in its context, the Company will consider potential changes to maximise efficiency.

The below chart shows the organisational structure of the Company as at the date of this Prospectus:



Four employees of the Company, Mr. Ismael Clemente (Executive Chairman & CEO), Mr. Miguel Ollero (CFO/COO), Mr. Luis Lázaro (Asset Management) and Mr. Miguel Oñate (Asset Management) are continuing as MAGIC Contracts Key Employees pursuant to several agreements currently in place and entered into between MAGIC Real Estate and various third parties.

The MAGIC Contracts Key Employees devote part of their time to the supervision and management of certain assets ultimately managed by MAGIC Real Estate. Three additional employees of the Company (Mr. Francisco Rivas, Mr. Enrique Gracia and Mr. Enrique Fonseca) devote part of their time to MAGIC Real Estate to support the MAGIC Contracts Key Employees.

Brief biographical details of the Management Team are set forth below:

*Mr. Ismael Clemente — Executive Chairman / CEO*

Over the last 20 years, Mr. Ismael Clemente worked at Bankers Trust REIB, DB Real Estate and RREEF, where he was a

Managing Director, having participated in transactions with an aggregate volume of approximately €5,000 million across all property sectors. These include the acquisition, private placement and sale of the Hotel Arts complex in Barcelona (IHF Deal of the Year 2001), the repositioning of Penha Longa in Lisbon and Alfamar in the Algarve; the investment in, public tender offer over, restructuring and sale to ING Real Estate of the Spanish listed shopping centre operator Filo, S.A.; the sale of Renta Inmobiliaria, S.A. to General Electric Capital; the structured sale and leaseback of the Spanish headquarters of Dragados; the advisory services to Suez Lyonnaise des Eaux, Telefónica and Portugal Telecom in the reorganisation of their property holdings; the joint venture with Grupo SIL in Portugal; the incorporation of ARDIM in Morocco; and the sale and leaseback of Tree's assets, the largest real estate transaction executed in Europe in 2009. Most recently, he has led the acquisition of a social housing portfolio from the Municipality of Madrid, FCC and SAREB for The Blackstone Group and over €1,200 million of performing and non-performing loans for Deutsche Bank AG London and Brookfield Strategic Real Estate Partners.

Before founding MAGIC Real Estate, he was responsible for a team managing an asset portfolio of more than €3,000 million, representing the full range of global funds advised by RREEF. This team also raised seven investment vehicles, of which five are still active, representing approximately €500 million of equity on behalf of Spanish private clients and family offices. Mr. Ismael Clemente is a Partner of MAGIC Real Estate.

Mr. Ismael Clemente joined Bankers Trust Co. (now part of Deutsche Bank) in 1996 from the Spanish law firm Garrigues Andersen. He holds superior degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE, is a teacher of the MRE programme at Instituto de Empresa and a member of the Spanish Council of the Urban Land Institute (ULI).

*Mr. Miguel Ollero — COO / CFO*

In his 12 years at Deutsche Bank, Mr. Miguel Ollero worked at the Mergers & Acquisitions group in Madrid and London, joining RREEF in 2005, where he was a Managing Director. At RREEF, he led the execution of real estate transactions with an aggregate value of approximately €4,000 million, ranging from Core to Opportunistic, as well as the subsequent asset management of the resulting portfolios. He also played a key role in the structuring and equity raising of five investment vehicles for the Iberian peninsula and Morocco, launched in cooperation with the Private Wealth Management Division of Deutsche Bank. Mr. Miguel Ollero is a Partner of MAGIC Real Estate.

Mr. Miguel Ollero holds superior degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE. Prior to joining Deutsche Bank, he worked at Arthur Andersen (Senior Auditor, Financial Institutions Group) and FCC Construcción, where he was Project Financial Controller.

*Mr. David Brush — CIO*

Mr. David Brush has over 30 years' experience as a real estate professional. He started his career at Philadelphia National Bank in 1983 and moved to Bankers Trust (now part of Deutsche Bank) as a Vice President in 1987. During his 20-year tenure at Bankers Trust/Deutsche Bank Real Estate, David founded the Real Estate Opportunistic investing division, where he was a Global Head and CIO of the business for 13 years.

During that time, he supervised the completion of over 150 transactions consisting of real estate acquisitions, equity investments, corporate recapitalisations and distressed loan portfolio acquisitions with an enterprise value in excess of \$50,000 million.

The most significant transactions he led in the past are: the €50 million recapitalisation of Polish property company GTC and subsequent IPO (1997); the investment in, public tender offer over, restructuring and sale to ING Real Estate of the Spanish listed shopping centre operator Filo, S.A (1997); the €800 million acquisition of the French property company ISM from distressed bank CréditSuez (1998); the \$200 million private equity investment and subsequent IPO of UK-based serviced office group Regus (1999); the acquisition of UK-listed office company Allied London (2001); the acquisition of the Hotel Arts complex in Barcelona (2001); the €1200 million acquisition and Opco/Propco split of the largest Italian department store operator La Rinascente (2004); the €1,100 million acquisition and Opco/Propco split of leading French department store operator Printemps (2005).

Most recently, David served as Managing Partner at Brookfield Property Group, responsible for the firm's real estate investing activities in Europe, where he closed the £500 million acquisition of Gazeley, a pan-European logistics company (2012).

David is a former member of the board of Directors of GTC, Prelios and Filo, S.A. and is a member of several real estate professional organisations. David holds a B.A. degree in Economics from the University of Pennsylvania.

*Mr. Francisco Rivas — Business Development*

Previously a Vice President of RREEF, Mr. Francisco Rivas participated in Value Added and Opportunistic real estate investments in Spain, Portugal and Morocco with an aggregate value of €4,000 million across all property sectors over the last eight years. Mr. Francisco Rivas is a Partner of MAGIC Real Estate.

Mr. Francisco Rivas holds degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE and is a member of the Madrid Bar Association. Prior to joining RREEF, Mr. Francisco Rivas worked at GE

Capital Real Estate and Baker & McKenzie.

*Mr. Enrique Gracia — Business Development*

Mr. Enrique Gracia has over 14 years' experience as a real estate professional. He started his career as CFO of Bami, a Spanish public company dedicated to rented residential development. From 2002 to 2007, Mr. Enrique Gracia served as CFO of Metrovacesa, the Spanish listed company focused on commercial real estate (office and retail), with €4,500 million of assets under management and 150 employees. From 2008 to 2010, Mr. Enrique Gracia led the corporate development department of Gecina, the French listed company, with €11,000 million of assets under management and 500 employees. Mr. Enrique Gracia is a Partner of MAGIC Real Estate and was the CEO of Silcoge, a private Portuguese company, with €400 million of assets under management. Mr. Enrique Gracia holds a Business Administration degree from the University of Alcalá.

*Mr. Luis Lázaro — Asset Management*

Previously a Director at RREEF, Mr. Luis Lázaro was in charge of Core real estate investments in Spain and Portugal on behalf of the German Open Ended and Special Funds, managing a portfolio with an aggregate value in excess of €600 million, including three shopping centres, seven office buildings, four hotels and two logistics warehouses.

Mr. Luis Lázaro joined RREEF in 2007 from ING Real Estate, having previously worked at General Electric and is a Partner of MAGIC Real Estate. He holds a degree in Economics & Business Administration from Universidad Complutense de Madrid and an Executive MBA from IESE Universidad de Navarra.

*Mr. Miguel Oñate — Asset Management*

Mr. Miguel Oñate previously acted as a Managing Director at Grupo Marina, a real estate company where he worked for 16 years and was responsible for rented residential and hospitality developments such as Marina El Rompido, Marina Islantilla (both in Huelva) and Isla Valdecañas (Cáceres). In those projects, he has led the execution of more than 700 rented residential units, six hotels with 1,300 rooms, three golf courses and two marinas with 400 moorings, with an aggregate investment of more than €400 million. Mr. Miguel Oñate is a Partner of MAGIC Real Estate.

Mr. Miguel Oñate holds degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE. Prior to joining Marina del Sur, he worked at Arthur Andersen ALT, where he was a Senior Tax Adviser in the Construction and Real Estate Group.

*Mr. Fernando Ramírez — Investors Relations*

Previously, a Vice President at RREEF, Mr. Fernando Ramírez participated in a variety of transactions, such as the private placement and sale of the Hotel Arts complex in Barcelona, the repositioning of Penha Longa in Lisbon, and the investment in, public tender offer over, restructuring and sale to ING Real Estate of the Spanish listed shopping centre operator Filo, S.A. Mr. Fernando Ramírez is a Partner of MAGIC Real Estate.

Mr. Fernando Ramírez holds degrees in Law and in Economics & Business Administration with a specialisation in Finance, from ICADE, and an MBA from the Institute of Advanced Finance. Prior to joining MAGIC Real Estate, he worked at Ahorro Corporacion Desarrollo, a leading generalistic private equity firm in Spain, and KPMG.

*Mr. Manuel García Casas — Asset Management*

Mr. Manuel García Casas has over 14 years' experience as a real estate professional. He started his career as an acquisition manager / risk analyst in GE Real Estate in Paris. During his ten years' experience with GE Real Estate, he held relevant positions at the underwriting, risk management and asset management departments as risk manager of the portfolio, asset manager and responsible for acquisitions underwriting. Mr. Manuel Garcia Casas was involved in relevant acquisitions such as Landscape, Cortefiel, El Arbol, Barajas, Albufera and Panrico. Mr. Manuel Garcia Casas is currently General Manager of Tree. He holds a Business Administration degree from the University Carlos III.

The Management Team undertook to invest in the Company €7.5 million through their investment vehicle, MAGIC Kingdom. MAGIC Kingdom acquired the 60,000 Ordinary Shares that MAGIC Real Estate held in the Company at a price of €10.00 per Ordinary Share and subscribed for 690,000 Ordinary Shares for an aggregate of €6.9 million. As a result, MAGIC Kingdom holds 1,124,999 Ordinary Shares representing 0.58% of the share capital of the Company. The Management Team believes its significant cash investment in the Company contributes to the alignment of its interests with those of the Company's other Shareholders. The Management Team, through MAGIC Kingdom, has committed to subscribe and pay for the MAGIC Kingdom Shares as further described in section 3 ("Underwriting Agreement") of Part XIX ("The Offering").

**Management Committee**

The Management Team has established a Management Committee, as an internal organisational instrument, which is generally responsible for the analysis, recommendation and pre-approval of property acquisitions, disposals, development, refurbishments and other transactions. Decisions of the Management Committee will be adopted by simple majority, with the favourable vote of the CIO of the Company.

Transactions pre-approved by the Management Committee shall be referred for formal approval, as the case may be, by the competent body of the Company. Therefore, transactions which, according to the internal regulations of the Company or the By-laws specifically fall within the authority of the Board of Directors (such as transactions in excess of €150 million or any significant transaction under €150 million where the transaction is not in the normal course of the Company's business), will be referred for the approval of the Board of Directors. All other transactions will be referred for the approval of the Chief Executive Officer. For further information on Reserved Matters, please refer to section 8 of Part XIII (*"Directors and Corporate Governance"*). Notwithstanding the above, transactions of essential assets shall need to be approved by the General Shareholders' Meeting. The assets shall be deemed to be essential when the amount of the transaction exceeds 25% of the value of the assets as reflected in the latest balance sheet approved by the General Shareholders' Meeting.

The Management Committee is comprised of nine members: Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. David Brush, Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Miguel Oñate, Mr. Luis Lázaro, Mr. Fernando Ramírez and Mr. Manuel García Casas.

Meetings are held on a monthly basis.

## **1.2 Overheads of the Company**

The Annual Total Overheads of the Company are set at the higher of (a) 6.0% of the Company's consolidated GRI and (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level, and are calculated using the year-end metrics of the Company with reference to its consolidated financial statements for the relevant year. Please see section 4 of Part XI (*"Information on the Group"*) for a definition of Annual Total Overheads and section 4.2 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) for a demonstration of how the Annual Total Overheads are calculated.

The calculation of the Annual Total Overheads includes personnel expenses of the Management Team as well as the Annual Running Costs. Testa's personnel costs and annual running costs will be taken into account for the calculation of the Annual Total Overheads of the Company and therefore will reduce the amount to be received by the Management Team as variable compensation. For further information please see section 8.2 of Part XI (*"Information on the Group"*).

Excluded items from the calculation of the Annual Total Overheads are, among other things, financing expenses and fees associated with the financing of any of the individual assets or the Company, taxes and facility management (cleaning, security, maintenance, etc.) associated to any of the individual assets, severance payments and/or any dismissal costs of employees and extraordinary expenses. Transaction costs associated with acquisitions successfully completed (such as due diligence expenses) will be excluded from Annual Total Overheads and will be accounted for as an addition to the purchase price of the asset. Transaction costs associated with divestments successfully completed will be excluded from Annual Total Overheads and will be accounted for as a deduction from the selling price of the asset.

In the case of assets acquired by the Company in partnerships with third-party investors, either in majority or minority stakes, as long as the effective management of the acquired assets is carried out by the Company due to a management contract with the third-party investors, the fees obtained by the Company from the third-party investors deriving from the management of the acquired assets (the *"Fees obtained from Third Parties"*), will be added to the Annual Total Overheads of the Company and therefore will increase the higher of (a) 6.0% of the Company's consolidated GRI or (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level by the same amount as the Fees obtained from Third Parties.

## **1.3 Remuneration of the Management Team**

The remuneration system of the Company includes the following elements:

- annual remuneration, comprising:
  - annual fixed remuneration; and
  - bonus incentive plans; and.
- Management Stock Plan.

Please see section 4.2 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) for an illustration of how the remuneration system of the Company functioned in 2014.

Remunerations of the seven Company's senior executives (excluding the Board of Directors) in 2014 totalled €1,671 thousand, composed of fixed and variable compensation. The total compensation for the first quarter of 2015 cannot yet be determined. The fixed compensation for this period has been of €435 thousand and other remuneration amounted to €6 thousand. The variable component will be allocated between the management team and the rest of personnel of the Company at year-end.

### ***Annual Remuneration***

The annual remuneration of the Management Team as described below was approved by the Board of Directors on 5 June 2014 and the remuneration report including a description of such annual remuneration was approved by the General Shareholders' Meeting in a non-binding vote held on 1 April 2015.

#### *Expected cost of the annual remuneration*

Annual compensation of the employees (including the Management Team) will be included as part of the Annual Total Overheads. The aggregate annual remuneration of the Management Team will not exceed an amount equal to Annual Total Overheads less the Annual Running Costs.

The annual fixed remuneration will initially represent approximately 40% of personnel expenses of the members of the Management Team, and bonus incentive plans will represent approximately 60% of such expenses, subject to compliance with Annual Total Overheads. Annual Total Overheads of the Company will be set at the higher of (a) 6.0% of the Company's consolidated GRI or (b) 0.6% of the Company's consolidated EPRA NAV plus any cash balance available at the Company's consolidated level, and will be calculated using the year-end metrics of the Company with reference to its consolidated financial statements for the relevant year. Bonus incentive plans will act as a buffer to achieve the referred limit.

For clarification purposes, under this scheme, if the Company bears lower Annual Running Costs on a given year, the bonus incentive plans will increase and, on the contrary, if the Company bears higher Annual Running Costs on a given year, the bonus incentive plans will decrease. The approval for surpassing the Annual Total Overheads corresponds to the Board of Directors of the Company, as a reserved matter.

#### *Annual fixed remuneration*

Fixed remuneration constitutes the basic component of the remuneration system of the Company and shall be paid monthly. This item is linked to the essential features of the positions held by each employee, such as (i) its relevance in the Company, (ii) its impact on the entity's performance, and (iii) the scope of responsibility assumed.

The annual fixed remuneration will include the cash component and any remuneration in kind that could be granted to the employees such as the use of a vehicle, medical insurances and life insurances.

#### *Bonus incentive plan*

The variable remuneration policy of the Company will be based on the assessment of individual performance goals.

The variable remuneration will entail two components:

annual bonus, to which all employees of the Company are, in principle, entitled (the "***Annual Bonus***") (initially, 50% of the bonus incentive plan); and

annual restricted bonus, to which only members of the Management Team are entitled (the "***Annual Restricted Bonus***") (initially, 50% of the bonus incentive plan).

The Bonus Incentive Plan will be determined annually by the Chairman at his own discretion, attending to the achievement of quantitative and qualitative objectives.

As member of the Management Team, the Bonus Incentive Plan of the Chairman will be determined by the Remuneration and Nomination Committee.

#### *Annual Bonus*

The Annual Bonus will be paid in cash within 10 Business Days from the preparation of the annual accounts.

#### *Annual Restricted Bonus*

The Management Team will be entitled to receive 50% of the bonus incentive plan in the form of cash applying a cliff vesting period under the following calendar, and subject to continuing services:

- 25% of the Annual Restricted Bonus will vest after 10 Madrid Business Days from the date of preparation of the annual statements corresponding to each year of measurement of the annual restricted bonus objectives ("***First Vesting Date***").
- 25% of the Annual Restricted Bonus will vest on three different dates ("***Vesting Dates***") on the date falling on the first, second, and third anniversary of the First Vesting Date.

The rules of the Annual Restricted Bonus will be broadly similar to those of the Annual Bonus and will be incorporated in the employment or mercantile agreements of each members of the Management Team.

This remuneration will be paid in cash in arrears on the fifth anniversary from the First Vesting Date (“**Payment Date**”).

Members of the Management Team shall not be entitled to any payment of Annual Restricted Bonus until the Payment Date, so they will not be able to require any right in this concept or request for any compensation in relation to this variable remuneration until said date.

Notwithstanding the previously mentioned, in case of termination of the employment or commercial relationship between a member of the Management Team and the Company during the vesting period, the following rules will be applicable:

- (a) If the employment or mercantile relationship is terminated or ends as a result of retirement, death, or permanent total disability, it will be considered as an accelerated vesting and payment event, so the total Annual Restricted Bonus should be vested and payable.
- (b) In case of termination of the employment or mercantile relationship due to (i) justified dismissal on disciplinary grounds, (ii) the removal from the position of executive Director due to the breach of his duties, performance of any action or omission that causes harm to the Company or the existence of the filing by the Company of a corporate liability claim against the director, or (iii) if a member of the Management Team voluntarily leaves the Company and afterwards a claim is filed against him for unfair competition or unlawful attracting customers, there shall be no entitlement to receive any amount in concept of Annual Restricted Bonus.
- (c) Under circumstances other than as set out in a) and b) above, the vested Annual Restricted Bonus will be payable at the Payment Date.

In the event of a change of control of the Company, the Annual Restricted Bonus will fully vest and will be paid within 10 Madrid business days after the date of the event.

#### **Management Stock Plan**

In addition, the Company has agreed, by virtue of a resolution adopted by the sole Shareholder on 4 June 2014, which resolution has been further developed by the Board of Directors on the same date, to grant an additional annual variable remuneration incentive to the Management Team as designated by the Remuneration and Nomination Committee, linked to the Ordinary Shares (the “**Management Stock Plan**”), which has been designated to incentivise and reward the Management Team for generating returns to the Shareholders. The remuneration report including a description of the Management Stock Plan was approved by the General Shareholders’ Meeting in a non-binding vote held on 1 April 2015.

The Shareholder Return for a given year is equivalent to the sum of (a) the change in the EPRA NAV of the Company during such year less the net proceeds of any issues of Ordinary Shares during such year; and (b) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year. The “**Shareholder Return Rate**” is the Shareholder Return for a given year divided by the EPRA NAV of the Company as of 31 December of the immediately preceding year. The initial EPRA NAV shall be deemed to be the Net Proceeds of the Issue (the “**Initial EPRA NAV**”).

The Management Stock Plan is due in respect of a given year only if the following two key hurdles are met:

The Shareholder Return Rate for such year exceeds 8% (the amount in euro by which the Shareholder Return for the year exceeds the Shareholder Return that would have produced a 8% Shareholder Return Rate, being the “**Shareholder Return Outperformance**”).

The sum of (A) the EPRA NAV of the Company on 31 December of such year and (B) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year or in any preceding year since the most recent year in respect of which a Management Stock Plan was payable exceeds the Relevant High Watermark (the amount by which such sum exceeds the Relevant High Watermark being the “**High Watermark Outperformance**”).

The “**Relevant High Watermark**” at any time is the higher of (i) the Initial EPRA NAV, and (ii) the EPRA NAV on 31 December (adjusted to exclude the net proceeds of any issuance of Ordinary Shares during that year) of the most recent year in respect of which a Management Stock Plan was payable.

If the above hurdles are met, the Management Stock Plan in respect of such year will be a “promote” equal to the lesser of:

- (x) 10% of the Shareholder Return Outperformance if the Shareholder Return Rate for such year exceeds 8% (the amount in euro by which the Shareholder Return for the year exceeds the Shareholder Return that would have produced a 8% Shareholder Return Rate), and 15% of the Shareholder Return Outperformance, if the Shareholder Return Rate for such year exceeds 12% (the amount in euro by which the Shareholder Return for the year exceeds the Shareholder Return that would have produced a 12% Shareholder Return Rate). A “Catch-Up” mechanism for both tranches (8% hurdle and 12% hurdle) will be implemented for the Management Stock Plan or
- (y) 20% of the High Watermark Outperformance.



Set out below are different hypothetical examples<sup>1</sup> of how the key hurdles are applied and how the Management Stock Plan would be calculated in five successive periods (from Year 1 to Year 5).

(1)	EPRA NAV BoP	BoP= Beginning of the Period. Starting EPRA NAV is assumed to be 100 for the purpose of clarity.
(2)	EPRA NAV EoP	EoP= End of the Period. Final EPRA NAV.
(3)	EPRA NAV Growth	Assumption of NAV growth for the year. EPRA NAV EoP = EPRA NAV BoP (1) + EPRA NAV Growth (3)
(4)	Dividends Paid in the year	Assumption of dividends paid on every year.
(5)	Total Shareholder Return	Is the total value created for the Shareholder, equivalent to the growth in NAV plus the dividends paid in the year. Total Shareholder Return = EPRA NAV Growth(3) + Dividends Paid(4)
(6)	Shareholder Return Rate (%)	Shareholder Return Rate = Total Shareholder Return (5) / EPRA NAV BoP(1)
(7)	Hurdle Return on EPRA NAV (8%)	The amount that would have produced a 8% Shareholder Return Rate. Hurdle Return on EPRA NAV (8%) = EPRA NAV BoP(1) x 8%
(8)	Shareholder Return Outperformance vs. 8%	The amount of Shareholder Return in excess of the 8% hurdle return. Total Shareholder Return(5) – Hurdle Return on EPRA NAV-8%(7)
(9)	Relevant High Watermark	The higher of the Initial EPRA NAV, and the EPRA NAV EoP (2) of the most recent year in respect of which a Management Stock Plan was payable.
(10)	EPRA Nav EoP + Dividends Paid since last promote	The sum of EPRA NAV EoP (2) and the total dividends that are paid in such year or in any preceding year since the most recent year in respect of which a Management Stock Plan was payable.
(11)	High Watermark Outperformance	Amount in excess of Relevant High Watermark Relevant EPRA NAV (10) – Relevant High Watermark (9)
(12)	Key Hurdles Test	Only when the two Key Hurdles are met (High Watermark Outperforce and Shareholder Return Outperformance) the Stock Management Plan is due on a given year.

<sup>1</sup> These are examples only and not Shareholder Return forecasts. There can be no assurance that the Shareholder Returns referred to in the examples can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on these examples in deciding whether to invest in the Ordinary Shares. In addition, prior to making any investment decision, prospective investors should carefully consider the risk factors described in Part II ("Risk Factors") of the Prospectus.

Shareholder Returns Example and Key Hurdle Test		Year 1	Year 2	Year 3	Year 4	Year 5
(1)	EPRA NAV BoP	100,0	104,5	98,8	107,2	110,4
(2)	EPRA NAV EoP	104,5	98,8	107,2	110,4	114,9
(3)	EPRA NAV Growth	4,5	(5,7)	8,4	3,2	4,5
(4)	Dividends Paid in the year	4,0	3,8	4,0	4,3	4,4
(5)	<b>Total Shareholder Return</b>	<b>8,5</b>	<b>(1,9)</b>	<b>12,4</b>	<b>7,5</b>	<b>8,9</b>
(6)	Shareholder Return Rate (%)	8,5%	(1,8%)	12,5%	7,0%	8,1%
(7)	Hurdle Return on EPRA NAV (8%)	8,0	8,4	7,9	8,6	8,8
(8)	<b>Shareholder Return Outperformance vs. 8%</b>	<b>0,5</b>	<b>0,0</b>	<b>4,4</b>	<b>0,0</b>	<b>0,1</b>
(9)	Relevant High Watermark	100,0	104,5	104,5	107,2	107,2
(10)	EPRA Nav EoP + Dividends Paid since last promote	108,5	102,6	115,0	114,7	123,6
(11)	<b>High Watermark Outperformance</b>	<b>8,5</b>	<b>0,0</b>	<b>10,5</b>	<b>7,5</b>	<b>16,4</b>
(12)	<b>Key Hurdles Test</b>					
	Shareholder Return above 8%	Yes	No	Yes	No	Yes
	High Watermark Outperformance	Yes	No	Yes	Yes	Yes
	<b>Key Hurdles met</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>

Based on the previous hypothetical example for several years, the calculation of the Management Stock Plan is explained in the following table:

Management Stock Plan Calculation		Year 1		Year 2		Year 3		Year 4		Year 5	
	<i>Key Hurdles Test met</i>	Yes		No		Yes		No		Yes	
<b>Promote Calculation</b>		Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.
(1)	Until 8% Shareholder Return Rate	8,0	0	0,0	0	7,9	0	7,5	0	8,8	0
	From 8% and up to 12% Shareholder Return rate										
	<i>"Catch up" to Management until 90/10% split</i>		0,5		0,0		0,9		0,0		0,1
	<i>90/10% Split of Shareholder Return from "catch up" to 12%</i>	0,0	0,0	0,0	0,0	2,8	0,3	0,0	0,0	0,0	0,0
(2)	Total distributions from 8% to 12% Shareholder Return	0,0	0,5	0,0	0,0	2,8	1,2	0,0	0,0	0,0	0,1
	Accumulated distributions up to 12% Shareholder Return	8,0	0,5	0,0	0,0	10,7	1,2	7,5	0,0	8,8	0,1
	From 12% Shareholder Return Rate onwards						0,5				
	<i>"Catch up" to Management until 85/15% split</i>		0,0		0,0		0,5		0,0		0,0
	<i>85/15% Split of Shareholder Return from "catch up" onwards</i>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(3)	Total distributions from 12% Shareholder Return onwards	0,0	0,0	0,0	0,0	0,0	0,5	0,0	0,0	0,0	0,0
(4)	<b>Accumulated distributions of Shareholder Return</b>	<b>8,0</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>10,7</b>	<b>1,7</b>	<b>7,5</b>	<b>0,0</b>	<b>8,8</b>	<b>0,1</b>
(5)	<b>Total Promote on Shareholder Return</b>	<b>0,5</b>	<b>0,0</b>	<b>1,7</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>
(6)	<b>20% of High Watermark Outperformance</b>	<b>1,7</b>	<b>0,0</b>	<b>2,1</b>	<b>1,5</b>	<b>3,3</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
(7)	<b>Management Stock Plan</b> (Lesser of Promote and 20% High Watermark Outperformance)	<b>0,5</b>	<b>0,0</b>	<b>1,7</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>
	<b>Shareholder Return:</b>										
	Shareholder return (EPRA NAV Growth + Dividends)	8,5		(1,9)		12,4		7,5		8,9	
	(- Management Stock Plan)	(0,5)		0,0		(1,7)		0,0		(0,1)	
(8)	<b>Total Net Shareholder Return</b>	<b>8,0</b>	<b>(1,9)</b>	<b>10,7</b>	<b>7,5</b>	<b>8,8</b>	<b>8,8</b>	<b>8,8</b>	<b>8,8</b>	<b>8,8</b>	<b>8,8</b>

"Inv." Refers to the Investor

"Mgt." refers to the Management Team

(1)	Until 8% Shareholder Return Rate	The amount of Shareholder Return, up to a 8% Shareholder Return Rate, distributed between the Investor and the Management Team. Until 8%, 100% of the Return is distributed to the Investor.
(2)	Total distributions from 8% to 12% Shareholder Return	Total amount of Shareholder Return distributed between the Investor and the Management Team for a Shareholder Return Rate going from 8% to 12%. After the catch-up, 90% of the Shareholder Return is distributed to the Investor.
(3)	Total distributions from 12% Shareholder Return onwards	Total amount of Shareholder Return distributed between the Investor and the Management Team for a Shareholder Return Rate in excess of 12%. After the catch-up 85% of the Shareholder Return is distributed to the Investor.
(4)	Accumulated distributions of Shareholder Return	The total amount of Shareholder Return distributed between the Investor and the Management team for a given year. For the Investor and the Management Team, it's the addition of (1) + (2) + (3).
(5)	Total Promote on Shareholder Return	Total amount of Shareholder Return that would be assigned (if the Key Hurdles Test was met) to the Management Team based on the Shareholder Return.
(6)	20% of High Watermark Outperformance	The total amount of High Watermark Outperformance, that would be assigned to the Management Team (if the Key Hurdles Test was met). It's equivalent to 20% of High Watermark Outperformance.
(7)	<b>Management Stock Plan</b>	The Management Stock Plan amount due for the year, if the Key Hurdle Test is met. It's the lesser of the Promote on Shareholder Return (5) and the High Watermark Outperformance (6).
(8)	Total Net Shareholder Return	Is the Net Shareholder Return that remains for the Shareholder after the Management Stock Plan is deducted. It is equivalent to the Shareholder Return minus the Management Stock Plan.

The detail of the calculation for each of the year following the above example would be:

On Year 1, the Shareholder Return is 8.5 economic units (equivalent to a Shareholder Return Rate of 8.5%) and the excess NAV on the High Watermark is also 8.5. Therefore the Key Hurdles Test is met and the Management Stock Plan would be due on Year 1, according to the following detail:

Until 8% Shareholder Return Rate (8 economic units in Year 1) all of the Return is distributed to the Investor.

From 8% to 12% Shareholder Return Rate (0.5 economic units in Year 1) an amount of 0.5 would be distributed to the Management Team and none to the Investor, given that the excess return above 8% would be below the catch-up. In total for that hurdle, 8 economic units would be distributed to the Investor and 0.5 to the Management Team.

No Return would be applicable above the 12% hurdle, since the Shareholder Return Rate is lower than 12%.

Therefore, the Promote for the Management Team on the Shareholder Return would be 0.5 economic units.

The excess on the High Watermark NAV is an amount of 8.5 economic units and the Promote attributable to the Management Team would be 20% of that excess, that is 1.7 economic units.

The Management Stock Plan for Year 1 would be 0.5 economic units, the lower of the Promote on the Shareholder Return (0.5) and the Promote on the excess over the High Watermark NAV (1.7).

No Management Stock Plan would be due on Year 2 since the Key Hurdles Test is not met.

On Year 3, the Shareholder Return is 12.4 economic units (equivalent to a Shareholder Return Rate of 12.5%) and the excess NAV on the High Watermark is 10.5 economic units. Therefore the Key Hurdles Test is met and the Management Stock Plan would be due on Year 3 according to the following detail:

Until 8% Shareholder Return Rate (7.9 economic units in value in Year 3) all of the Return is distributed to the Investor.

From 8% and up to the 12% Shareholder Return Rate (11.9 economic units in value in Year 3), 2.8 economic units would be distributed to the Investor and 1.2 to the Management Team.

From 12% Shareholder Return Rate and onwards, 0.5 economic units would be distributed to the Management Team and none to the Investor, given that the excess return above 12% would be below the catch-up.

Therefore the Promote for the Management Team on the Shareholder Return would be 1.7 economic units.

The excess on the High Watermark NAV is an amount of 10.5 economic units and the Promote attributable to the Management Team would be 20% of that excess, that is 2.1 economic units.

Therefore the Management Stock Plan for Year 3 would be 1.7 economic units, that is, the lower of the Promote on the Shareholder Return and the Promote on the excess over the High Watermark NAV.

No Management Stock Plan would be due on Year 4 since the Key Hurdles Test is not met in that year.

On Year 5, the Shareholder Return is 8.9 economic units (equivalent to a Shareholder Return Rate of 8.1%) and the excess NAV on the High Watermark is 16.4 economic units. Therefore the Key Hurdles Test is met and the Management Stock

Plan would be due. The Management Stock Plan would be an amount of 0.1 economic units, that is the lower of the Promote on the Shareholder Return (0.1 economic units in Year 5) and the Promote on the excess on High Watermark NAV (3.3 economic units).

It should be noted that the Company's ability to pay dividends and the amount thereof will depend on the Company's ability to generate distributable profits.

The Board of Directors has publicly informed the Company's Shareholders that the Management Team has stated its irrevocable commitment to amend the Management Stock Plan in conjunction with any increase in the size of the share capital of the Company if any of the capital increase proposals approved at the General Shareholders' Meetings held on 1 April 2015 are executed.

Consequently, the Management Team proposes to reduce the assignment Stock Plan percentages of the Management Team according to the effective capital increases of the Company.

The proposal of the Management Team is as follows:

	Current MSP		Capital increase of €500 million upto €1 bn		Capital increase of €1 billion or higher	
	Shareholders	Management	Shareholders	Management	Shareholders	Management
<b>I. Annual shareholders return</b>						
Until 8%	100%	0%	100%	0%	100%	0%
Between 8% and 12%	90%	10%	91%	9%	92%	8%
Above 12%	85%	15%	86%	14%	88%	12%
<b>II. High watermark outperformance</b>		20%		18%		16%

\* Includes a catch up for the management team to allow it to be pari passu with the company shareholders

The revised Management Stock Plan proposal will become effective following the approval at the General Shareholders' Meeting of the capital increase proposals, subject to execution of such capital increases, and shall be submitted for ratification by the next convened Ordinary General Shareholders' Meeting after the one held on 1 April 2015.

Set out below are different hypothetical examples of how the key hurdles are applied and how the Management Stock Plan would be calculated in five successive periods (from Year 1 to Year 5), with the revised Management Stock Plan proposal. These are examples only and not Shareholder Return forecasts. There can be no assurance that the Shareholder Returns referred to in the examples can or will be met and they should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not place any reliance on these examples in deciding whether to invest in the New Ordinary Shares. In addition, prior to making any investment decision, prospective investors should carefully consider the risk factors described in Part II ("Risk Factors") of this Prospectus.

#### Capital increase of €500 million up to €1,000 million:

<b>Shareholder Returns Example and Key Hurdle Test</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
(1) EPRA NAV BoP	100.0	104.5	98.8	107.2	110.4
(2) EPRA NAV EoP	104.5	98.8	107.2	110.4	114.9
(3) EPRA NAV Growth	4.5	(5.7)	8.4	3.2	4.5
(4) Dividends Paid in the year	4.0	3.8	4.0	4.3	4.4
<b>(5) Total Shareholder Return</b>	<b>8.5</b>	<b>(1.9)</b>	<b>12.4</b>	<b>7.5</b>	<b>8.9</b>
(6) Shareholder Return Rate (%)	8.5%	(1.8%)	12.5%	7.0%	8.1%
(7) Hurdle Return on EPRA NAV (8%)	8.0	8.4	7.9	8.6	8.8
Hurdle Return on EPRA NAV (12%)	12.0	12.5	11.9	12.9	13.2
<b>(8) Shareholder Return Outperformance vs. 8%</b>	<b>0.5</b>	<b>0.0</b>	<b>4.4</b>	<b>0.0</b>	<b>0.1</b>
(9) Relevant High Watermark	100.0	104.5	104.5	107.2	107.2

(10) EPRA Nav EoP + Dividends Paid since last promote	108.5	102.6	115.0	114.7	123.6
(11) <b>High Watermark Outperformance</b>	<b>8.5</b>	<b>0.0</b>	<b>10.5</b>	<b>7.5</b>	<b>16.4</b>
(12) <b>Key Hurdles Test</b>					
Shareholder Return above 8%	Yes	No	Yes	No	Yes
High Watermark Outperformance	Yes	No	Yes	Yes	Yes
<b>Key Hurdles met</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>

<b>Management Stock Plan Calculation</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Key Hurdles Test met</b>	Yes	No	Yes	No	Yes

	<b>Promote Calculation</b>									
	Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.
(1) Until 8% Shareholder Return Rate	8.0	0	0.0	0	7.9	0	7.5	0	8.8	0
From 8% and up to 12% Shareholder Return rate										
“Catch up” to Management until 91/9% split	0.5		0.0		0.8		0.0		0.1	
91/9% Split of Shareholder Return from “catch up” to 12%	0.0	0.0	0.0	0.0	2.9	0.3	0.0	0.0	0.0	0.0
(2) Total distributions from 8% to 12% Shareholder Return	0.0	0.5	0.0	0.0	2.9	1.1	0.0	0.0	0.0	0.1
Accumulated distributions up to 12% Shareholder Return	8.0	0.5	0.0	0.0	10.8	1.1	7.5	0.0	8.8	0.1
From 12% Shareholder Return Rate onwards										
“Catch up” to Management until 86/14% split	0.0		0.0		0.5		0.0		0.0	
86/14% Split of Shareholder Return from “catch up” onwards	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Total distributions from 12% Shareholder Return onwards	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
(4) <b>Accumulated distributions of Shareholder Return</b>	<b>8.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>10.8</b>	<b>1.6</b>	<b>7.5</b>	<b>0.0</b>	<b>8.8</b>	<b>0.1</b>
(5) <b>Total Promote on Shareholder Return</b>	<b>0.5</b>	<b>0.0</b>			<b>1.6</b>	<b>0.0</b>			<b>0.1</b>	
(6) <b>18% of High Watermark Outperformance</b>	<b>1.5</b>	<b>0.0</b>			<b>1.9</b>	<b>1.4</b>			<b>3.0</b>	
(7) <b>Management Stock Plan</b> (Lesser of Promote and 18% High Watermark Outperformance)	<b>0.5</b>	<b>0.0</b>			<b>1.6</b>	<b>0.0</b>			<b>0.1</b>	
<b>Shareholder Return:</b>										
Shareholder return (EPRA NAV Growth + Dividends)	8.5	(1.9)			12.4	7.5			8.9	
(- Management Stock Plan)	(0.5)	0.0			(1.6)	0.0			(0.1)	
(8) <b>Total Net Shareholder Return</b>	<b>8.0</b>	<b>(1.9)</b>			<b>10.8</b>	<b>7.5</b>			<b>8.8</b>	

The table below sets forth the applicable Shareholders’ Returns after the Offering.

Capital increase of €1,000 million or higher:

<b>Shareholder Returns Example and Key Hurdle Test</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
(1) EPRA NAV BoP	100.0	104.5	98.8	107.2	110.4
(2) EPRA NAV EoP	104.5	98.8	107.2	110.4	114.9

(3) EPRA NAV Growth	4.5	(5.7)	8.4	3.2	4.5					
(4) Dividends Paid in the year	4.0	3.8	4.0	4.3	4.4					
<b>(5) Total Shareholder Return</b>	<b>8.5</b>	<b>(1.9)</b>	<b>12.4</b>	<b>7.5</b>	<b>8.9</b>					
(6) Shareholder Return Rate (%)	8.5%	(1.8%)	12.5%	7.0%	8.1%					
(7) Hurdle Return on EPRA NAV (8%)	8.0	8.4	7.9	8.6	8.8					
Hurdle Return on EPRA NAV (12%)	12.0	12.5	11.9	12.9	13.2					
<b>(8) Shareholder Return Outperformance vs. 8%</b>	<b>0.5</b>	<b>0.0</b>	<b>4.4</b>	<b>0.0</b>	<b>0.1</b>					
(9) Relevant High Watermark	100.0	104.5	104.5	107.2	107.2					
(10) EPRA Nav EoP + Dividends Paid since last promote	108.5	102.6	115.0	114.7	123.6					
<b>(11) High Watermark Outperformance</b>	<b>8.5</b>	<b>0.0</b>	<b>10.5</b>	<b>7.5</b>	<b>16.4</b>					
<b>(12) Key Hurdles Test</b>										
Shareholder Return above 8%	Yes	No	Yes	No	Yes					
High Watermark Outperformance	Yes	No	Yes	Yes	Yes					
<b>Key Hurdles met</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Yes</b>					
<b>Management Stock Plan Calculation</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>					
<b>Key Hurdles Test met</b>	Yes	No	Yes	No	Yes					
<b>Promote Calculation</b>	Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.	Inv.	Man.
(1) Until 8% Shareholder Return Rate	8.0	0	0.0	0	7.9	0	7.5	0	8.8	0
From 8% and up to 12% Shareholder Return rate										
“Catch up” to Management until 92/8% split	0.5		0.0		0.7		0.0		0.1	
92/8% Split of Shareholder Return from “catch up” to 12%	0.0	0.0	0.0	0.0	3.0	0.3	0.0	0.0	0.0	0.0
(2) Total distributions from 8% to 12% Shareholder Return	0.0	0.5	0.0	0.0	3.0	0.9	0.0	0.0	0.0	0.1
Accumulated distributions up to 12% Shareholder Return	8.0	0.5	0.0	0.0	10.9	0.9	7.5	0.0	8.8	0.1
From 12% Shareholder Return Rate onwards										
“Catch up” to Management until 88/12% split	0.0		0.0		0.5		0.0		0.0	
88/12% Split of Shareholder Return from “catch up” onwards	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Total distributions from 12% Shareholder Return onwards	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
<b>(4) Accumulated distributions of Shareholder Return</b>	<b>8.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>10.9</b>	<b>1.4</b>	<b>7.5</b>	<b>0.0</b>	<b>8.8</b>	<b>0.1</b>
<b>(5) Total Promote on Shareholder Return</b>	<b>0.5</b>	<b>0.0</b>			<b>1.4</b>	<b>0.0</b>			<b>0.1</b>	
<b>(6) 16% of High Watermark Outperformance</b>	<b>1.4</b>	<b>0.0</b>			<b>1.7</b>	<b>1.2</b>			<b>2.6</b>	
<b>(7) Management Stock Plan</b> (Lesser of Promote and 16% High Watermark Outperformance)	<b>0.5</b>	<b>0.0</b>			<b>1.4</b>	<b>0.0</b>			<b>0.1</b>	

**Shareholder Return:**

Shareholder return (EPRA NAV Growth + Dividends)	8.5	(1.9)	12.4	7.5	8.9
(- Management Stock Plan)	(0.5)	0.0	(1.4)	0.0	(0.1)
<b>(8) Total Net Shareholder Return</b>	<b>8.0</b>	<b>(1.9)</b>	<b>10.9</b>	<b>7.5</b>	<b>8.8</b>

This variable incentive shall be paid to the members of the Management Team by the delivery of Ordinary Shares of the Company, according to the following general rules:

**Beneficiaries:**

Members of the management team annually designated by the Remuneration and Nominations Committee of the Company in order to participate in the Management Stock Plan (the “*Beneficiaries*”). For the first version of the Management Stock Plan, the Beneficiaries are the members of the Management Team of the Company.

**Calculation Date:**

For these purposes, the calculation date will be the date falling ten (10) Madrid business days after the date of preparation of the annual statements of the year in which the key hurdles are measured (the “*Calculation Date*”).

**Number of Shares granted:**

The amount of the Management Stock Plan shall first be calculated annually by the Company as a cash figure according to the rules established above (the “*Incentive*”). The number of Ordinary Shares to be delivered at the delivery date will be calculated dividing the Incentive by the average of the market price of the Ordinary Shares relating to the thirty (30) Madrid stock market sessions prior to the Calculation Date (the “*Awarded Shares*”).

The annual Incentive will be allocated among the Beneficiaries:

The Remuneration and Nomination Committee will allocate the annual Incentive to be granted to the Chairman.

The Chairman of the Company will annually distribute the Incentive among the Beneficiaries with the previous approval of the Remuneration and Nomination Committee,

**Vesting Period:**

The Awarded Shares determined according to the above paragraph will be subject to a cliff vesting period from the Calculation Date subject to continuing services, and according to the following calendar:

- 25% of the Awarded Shares will vest on the Calculation Date (First Vesting Date).
- 25% of the Awarded Shares will vest in three different dates (Second, Third and Fourth Vesting Dates) after the first, second, and third anniversary of the First Vesting Date.

**Shares Dividends:**

From each vesting date, the members of the Management Team will also be entitled to receive the dividends that, according to the resolutions held by General Shareholders’ Meetings, would derive from vested Shares (the “*Shares Dividends*”). This amount will also be paid by the delivery of additional Ordinary Shares at the Delivery Date.

**In this regard:**

As from the First Vesting Date, Beneficiaries will be entitled to receive a number of Ordinary Shares corresponding to the dividends generated by 25% of the Awarded Shares.

As from the Second Vesting Date, Beneficiaries will be entitled to receive a number of Ordinary Shares corresponding to the dividends generated by 50% of the Awarded Shares.

As from the Third Vesting Date, Beneficiaries will be entitled to receive a number of Ordinary Shares corresponding to the dividends generated by 75% of the Awarded Shares.

As from the Fourth Vesting Date, Beneficiaries will be entitled to receive a number of Ordinary Shares corresponding to the dividends generated by 100% of the Awarded Shares.

The number of Shares Dividends to be delivered to the Beneficiaries will be calculated dividing the accumulated amount of dividends to be considered, by the average price of the Ordinary Shares relating to the thirty (30) Madrid stock market sessions prior to the date of distribution of dividends approved by the General Shareholder’s Meeting.

**Delivery Date:**

“**Delivery Date**” means the date of delivery of the Awarded Shares and Shares Dividends, which will be established on the fifth anniversary of the Calculation Date.

Final number of Ordinary Shares to be delivered

The Company will charge the Beneficiaries or their successors, as appropriate, for any withholdings or prepayments relating to personal income tax chargeable in accordance with tax legislation in force at any given time.

The final number of Ordinary Shares to be delivered to each Beneficiary will result from applying the following formula:

$$\mathbf{FNS = NS \times (1-TW)}$$

Where:

*FNS = Number of Shares to be finally delivered to each Beneficiary, at Delivery Date, rounded down.*

*NS = Number of Shares to be received by the Beneficiary.*

*TW = Estimate of the rate of withholding on account of personal income tax or tax of a similar nature applicable on the market value of the total Shares on the Delivery Date, bearing in mind the other salary compensation received by each Beneficiary. Any differences arising as a consequence of the estimation of that withholding rate and the withholding rate finally applied will be adjusted in the pay slip of the month following that in which the Shares are delivered.*

The cash amount resulting from the round-off applied to determine the number of Ordinary Shares to be delivered to each Beneficiary will be paid by the Company, in each Beneficiary’s pay slip of the month following that in which the Ordinary Shares have been delivered, or by the procedure established by the Company, as the case may be.

Conditions of delivery of Awarded Shares and Shares Dividends:

The delivery of any Awarded Shares and Shares Dividends will be conditioned to the maintenance at the Delivery Date of the employment or mercantile relationship between each member of the Management Team and the Company, in accordance with the good leavers / bad leavers regulation set out below.

Lock-up period:

The Awarded Shares and Shares Dividends delivered to the Beneficiaries shall be subject to a lock-up period of one year, during which time there shall be no disposal of the Awarded Shares and Share Dividends by the Beneficiaries who therefore will not be entitled to sale or otherwise transfer or dispose by them until one year period has elapsed from the Delivery Date.

Such lock-up will not apply if any of following circumstances takes place during the lock-up period:

- if the employment or mercantile relationship is terminated or ends as a result of the retirement, redundancy, death, death, or permanent total disability; or
- under a change of control event.

Leavers:

In case of early termination of the employment or mercantile relationship between the Company and each member of the Management Team, the following rules will be applicable in relation to the Awarded Shares and Share Dividends to be delivered and, if applicable, the lock-up provisions:

If the employment or mercantile relationship is terminated or ends as a result of retirement, death, or permanent total disability, it will be considered as an accelerated vesting and payment event, so the Awarded Shares and Share Dividends will be fully delivered and transferred, and lock-up provisions will not be applicable.

In case of termination of the employment or mercantile relationship due to (i) justified dismissal on disciplinary grounds, or (ii) the removal from the position of executive Director due to the breach of duties, performance of any action or omission that causes harm to the Company, or the existence of the filing by the Company of a corporate liability claim against the director, or (iii) if a member of the Management Team leaves voluntarily the Company and afterwards a claim is filed against him due to unfair competition or unlawful attracting customers, there shall be no entitlement to receive any Ordinary Share or equivalent cash amount in concept of Management Stock Plan.

Under any other circumstances different than the ones included in provisions above, the vested Incentive would be delivered in Awarded Shares and Shares Dividends at the Delivery Date being subject to lock-up provisions.

Change of control event:

In case of a change of control event, the Awarded Shares and Shares Dividends will be fully vested and delivered at the



date in which the change of control occurs, and lock-up provisions will not be applicable.

For this purpose, it should be understood as a change of control event, when any of the following situations occurs:

- a new Shareholder directly or indirectly acquires a percentage of the stock capital of the Company higher than 30% of the stock capital of the Company; or
- a new Shareholder is able to appoint the majority of the members of the Board of Directors.

If the change of control in the Company is materialised through a successful tender offer, the Management Stock Plan of the year in which the tender offer takes place shall be calculated on the date on which such event occurred.

Under this scenario, the achievement of the key hurdles and calculation of the Incentive will be made taking into consideration the following:

Shareholder Return corresponding to the year of the tender offer would be considered as the sum of (a) the difference between the price of the equity value of the Company taking into consideration the tender offer price (multiplying the tender offer price per Ordinary Share by the total number of Ordinary Shares) and the EPRA NAV of the Company as of 31 December of the immediately preceding year less the net proceeds of any issues of Ordinary Shares during such year; and (b) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year.

High Watermark Outperformance would be the amount by which the sum of (A) the equity value of the Company taking into consideration the tender offer price (multiplying the tender offer price per Ordinary Share by the total number of Ordinary Shares) and (B) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year or in any preceding year since the most recent year in respect of which a Management Stock Plan was payable, exceeds the Relevant High Watermark.

The number of Awarded Shares to be delivered will be calculated dividing the Incentive by the average stock price of thirty (30) Madrid stock market sessions prior to the date in which the tender offer takes place.

The final number of Shares shall be delivered within ten (10) Madrid business days following the date in which the tender offer takes place.

Administration of the Plan:

The Board of Directors and the Remuneration and Nomination Committee will be responsible for administering the Management Stock Plan. All material decisions in relation to the Management Stock Plan in relation to executive Directors will be made by the Board of Directors or the Remuneration and Nomination Committee.

Approval of the Plan:

The Management Stock Plan was approved by the General Shareholders' Meeting held prior to Initial Admission, which also determined the market value to be taken into account when determining the total number of Ordinary Shares subject to the Plan, and delegating to the Board of Directors the power to determine the general conditions and the specific documents required for governing the Plan.

Shares of the Plan:

The Incentive may be granted over Ordinary Shares which are newly issued, held in treasury or purchased in the market.

*Severance Indemnity Provisions*

The Management Team (including the existing executive Directors) has entered into employment contracts with the Company which came into effect upon Initial Admission. The following is a description of the severance indemnity provisions that are included in these contracts:

In the case of termination of the employment or mercantile relationship due to (i) voluntary resignation, (ii) death, retirement or permanent total disability; (iii) justified dismissal on disciplinary grounds in case of employment relationships, or (iv) in the case of executive Directors, the removal from the position of Director due to a breach of its duties, performance of any action or omission that causes any harm to the Company, or the existence of a corporate liability claim against the executive Director filed by the Company, the executive Director shall not be entitled to any kind of payment in concept of leaving compensation.

If the termination of the employment or mercantile relationship (in the case of the executive Directors) is motivated by any different reason, including at the will of the Company even without just cause, unfair dismissal or a change in control event (in the terms described in the applicable employment legislation), the Company will recognise to the members of the Management Team in the referred employment or mercantile contracts, the right to receive an indemnity that will include any legal indemnity that could be applicable.

The maximum amount of such indemnity will be equivalent to a multiple of the total gross remuneration (including all concepts, such as base salary and bonus paid, any Awarded Shares related to the Management Stock Plan awarded to the

member of the Management Team and any restricted bonus to which such member was entitled) in the 12-month period prior to termination. If the termination takes place during the first year following Initial Admission, the relevant member will be entitled to five times such total gross remuneration. In the event such termination takes place after the first year following Initial Admission, such indemnity would be reduced by 20% in each year during the subsequent four years. The minimum indemnity to be received by the members of the Management Team will be the indemnity established by the labour legislation for severance payments under unfair dismissals or, in the case of executive Directors, the equivalent amount of severance payment calculated as if the executive Director had been under a labour contract with the Company. For clarification purposes, a table is shown below with the indemnity applicable as long as the referred minimum is surpassed, otherwise the indemnity established by the labour legislation for severance payments under unfair dismissals or, in the case of executive Directors, the equivalent amount of severance payment calculated as if the executive Director had been under a labour contract with the Company, will apply.

Year	<u>1</u>	<u>2</u>	<u>3</u>	<u>4 and onwards</u>
Indemnity Multiple over gross remuneration	5	4	3	2

## 2. POTENTIAL MANAGEMENT TEAM CONFLICTS OF INTEREST

Four employees of the Company, Mr. Ismael Clemente (Executive Chairman & CEO), Mr. Miguel Ollero (CFO/COO), Mr. Luis Lázaro (Asset Management) and Mr. Miguel Oñate (Asset Management) are continuing as key employees to several contracts currently in place, signed between MAGIC Real Estate and various third parties and are considered MAGIC Contracts Key Employees.

The MAGIC Contracts Key Employees devote part of their time to the supervision and management of certain assets ultimately managed by MAGIC Real Estate by virtue of the Legacy Mandates (the agreements on Delegated Management and on Separate Accounts Management). For further information please see section 6.1 of Part XI (“*Information on the Group*”).

Selected members of the Management Team (Mr. Francisco Rivas, Mr. Enrique Gracia and Mr. Enrique Fonseca) also devote part of their time to the acquisition of assets related to projects currently being analysed by MAGIC Real Estate as a consequence of existing mandates signed with third parties. If the assets are finally acquired, MAGIC Real Estate will continue performing the services agreed with these third parties, including the supervision and management of the eventually acquired assets.

### *Exclusivity*

Save for the obligations in respect of the Legacy Mandates explained in section 6.1 of Part XI (“*Information on the Group*”), the Management Team act and will act exclusively for the Company in respect of any type of deal sourcing until all net proceeds raised by the Company are fully invested in suitable opportunities. This exclusivity covers the raising of proceeds in the Offering as well as any other capital raisings that the Company may execute in the future in the public market. However, an exception to the foregoing is that the Management Team will not act exclusively for the Company in respect of the acquisition of rented residential assets and/or non-performing loans to the extent that these activities arise from existing or future engagements with The Blackstone Group and/or Deutsche Bank AG as a result of the longstanding commercial relationship between the members of the Management Team and these two entities. The Company believes that these engagements would not have a material impact on the Company or the Business Strategy given that the Business Strategy does not include the acquisition of rented residential real estate assets and any acquisitions of non-performing loans by the Company will, in any event, be limited to 20% of the assets or 20% of the revenues of the Company in each taxable year pursuant to the obligations under the SOCIMI Regime (see Part XX (“*Spanish SOCIMI Regime and Taxation Information*”) of this Prospectus).

The Company believes that the rented residential component of Testa does not represent a conflict with the exclusivity exception granted in favour of the Blackstone Group and/or Deutsche Bank AG in respect of the acquisition of residential assets, as Testa’s rented residential assets have not been acquired on a stand-alone basis but rather as a part of a full acquisition of an operating company. The rented residential component does only represent 8.6% of the total GAV of Testa, as of 31 March 2015 and 5% of the Combined Group. Notwithstanding the foregoing, the Board of Directors of the Company will be informed.

### *Non-Compete*

In addition, each member of the Management Team will not, and will procure a Controlled Person does not, whether directly or indirectly (i) acquire or invest (on its own behalf or on behalf of a third party) in a property asset which is within the parameters of the Business Strategy of the Company (except for the following asset acquisitions which are expressly permitted (a) non-income producing property assets with a market value lower than €5 million (this limit to be applied on a cumulative basis); (b) rented residential assets for own use; (c) property assets where the Company has had the opportunity to invest but has declined to do so and has consented that the relevant member of the Management Team may pursue the opportunity), or (ii) act as an adviser to any investor in competition with the Company for the acquisition of property with the same exceptions set out in connection with (i) above.

### *Conflicts of interest*

The members of the Management Team are required to disclose to the Board of Directors in writing any potential conflicts of interest. The Board of Directors will decide upon the existence of a conflict of interest by simple majority vote of the Directors. Executive Directors will abstain from voting when the Board of Directors decides upon the existence of a conflict of interest but will count toward the quorum for such a vote and will not frustrate such vote by failing to attend the relevant meeting. No conflict of interest has arisen so far and so no disclosure in this regard by the Board of Directors has been needed.

MAGIC Real Estate will not establish or invest in a SOCIMI and/or real estate company which is involved in a business with the same, analogous or complementary object to the corporate object of the Company.

### **3. OTHER DIRECTORSHIPS AND PARTNERSHIPS**

Save as set out below, members of the Management Team have not held any directorships of any company in the same sector of activity of the Company, or been a partner in a partnership in any such sector, at any time during the five years prior to the date of this Prospectus. Current directorships are marked with an asterisk.

<b>Management Team member</b>	<b>Current Directorship</b>
Mr. Ismael Clemente	<p>Ardim, S.A. *</p> <p>Ardim Casa Port I, S.àr.l. *</p> <p>Ardim Parc Logistique, S.àr.l. *</p> <p>Bincomerc, S.A. *</p> <p>Bosque Portfolio Management, S.L.</p> <p>Caesar Park Hotel Portugal, S.A. *</p> <p>DB Real Estate Iberian Value Added I, S.A., SICAR *</p> <p>Diars Tamouda, S.àr.l. *</p> <p>Felting, S.G.P.S. *</p> <p>LV Bureau, S.A. *</p> <p>MAGIC Real Estate, S.L. *</p> <p>MERLIN Properties, S.A. *</p> <p>Proargos Tánger, S.A. (under insolvency proceedings) *</p> <p>Prodec Immobilier, Sci *</p> <p>QPL Empreendimentos, S.A. *</p> <p>QPL Lux, S.àr.l. *</p> <p>RREEF Iberian Value Added II, S.A., SICAR</p> <p>RREEF Moroccan Explorer I, S.A., SICAR *</p> <p>Silcoge, S.A. *</p> <p>Tree Inversiones Inmobiliarias, S.A. *</p> <p>Tree Investments, S.A.</p>
Mr. Miguel Ollero	<p>Ardim Casa Port I, S.àr.l. *</p> <p>Ardim Parc Logistique, S.àr.l. *</p> <p>Ardim, S.A. *</p> <p>Bincomerc, S.A. *</p> <p>Caesar Park Hotel Portugal, S.A. *</p> <p>DB Real Estate Iberian Value Added I, S.A., SICAR *</p> <p>Diars Tamouda, S.àr.l. *</p> <p>Felting, S.G.P.S. *</p> <p>Fidere Residencial, S.L.U. *</p> <p>LV Bureau, S.A. *</p>

	MAGIC Real Estate, S.L. * MERLIN Properties, S.A. * Proargos Tánger, S.A. (under insolvency proceedings) * Prodec Immobilier, Sci * QPL Empreendimentos, S.A. * RREEF Iberian Value Added II, S.A., SICAR RREEF Moroccan Explorer I, S.A., SICAR * Silcoge, S.A. * Tree Investments, S.A.
Mr. Enrique Gracia	Corporate ImmoFin, S.A. * Silcoge, S.A. *
Mr. Miguel Oñate	Fidere Residencial, S.L.U. * Marina Isla Cristina, S.A. Martell Investments, SL (on behalf of MAGIC Real Estate, S.L.) * Fidere Patrimonio SOCIMI, S.A.U. *

Within the period of five years preceding the date of this Prospectus, none of the members of the Management Team:

- had any convictions in relation to fraudulent offences;
- has been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a director or senior manager (save for the cases mentioned in the table above); or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

There are no family relationships between any of the members of the Management Team.

## PART XIII: DIRECTORS AND CORPORATE GOVERNANCE

### 1. DIRECTORS

The business of the Group is managed by the Directors, each of whose business address is Paseo de la Castellana 42, 28010 Madrid, Spain.

The By-laws and the Regulations of the Board of Directors provide for a Board of Directors consisting of three to fifteen members. As at the date of this Prospectus, there are eight Directors who are as follows:

<u>Name</u>	<u>Position</u>	<u>Date appointed</u>	<u>Date of expiration</u>
Mr. Ismael Clemente	Executive Chairman	27/05/2014	27/05/2016
Mr. Miguel Ollero	Executive Director	27/05/2014	27/05/2016
Ms. Ana García Fau	Non-executive independent Director	06/06/2014	06/06/2016
Mr. Alfredo Fernández	Non-executive independent Director	06/06/2014	06/06/2016
Mr. Fernando Ortiz	Non-executive independent Director	06/06/2014	06/06/2016
Ms. Maria Luisa Jordá	Non-executive independent Director	10/06/2014	10/06/2016
Mr. Donald Johnston	Non-executive independent Director	11/06/2014	11/06/2016
Ms. Ana de Pro	Non-executive independent Director	01/04/2015	01/04/2017

As of the date of this Prospectus, all Directors have been appointed, have accepted their appointment and have been registered with the Commercial Registry of Madrid.

It is the Company's intention to have a Board of Directors comprising between 12 and 15 members, out of which two members will be executive Directors, eight to nine members will be independent Directors and two to four members will be non-executive proprietary Directors.

The Secretary of the Board of Directors is Ms. Mónica Martín de Vidales. The Vicesecretary of the Board of Directors is Mr. Ildefonso Polo.

Under the By-laws, Directors are appointed for a term of two years, which may be renewed by Shareholders. However, Directors holding office for a consecutive period of more than six years cannot qualify as independent Directors.

There are no family relationships between any of the Directors.

Brief biographical details of the Directors, are as follows:

#### *Mr. Ismael Clemente*

Mr. Ismael Clemente is the Executive Chairman and Chief Executive Officer (CEO) of the Company.

Mr. Ismael Clemente has over 20 years' experience as a real estate professional. He has worked at Garrigues, Bankers Trust REIB, DB Real Estate and RREEF, as Managing Director. Mr Clemente has participated in transactions with an aggregate volume of approximately €5,000 million across all property sectors. These include the acquisition, private placement and sale of the Hotel Arts complex in Barcelona (IHF Deal of the Year 2001), the repositioning of Penha Longa in Lisbon and Alfamar in the Algarve; the investment in, public tender offer over, restructuring and sale to ING Real Estate of the Spanish listed shopping centre operator Filo, S.A.; the sale of Renta Inmobiliaria, S.A. to General Electric Capital; the structured sale and leaseback of the Spanish headquarters of Dragados; the advisory services to Suez Lyonnaise des Eaux, Telefónica and Portugal Telecom in the reorganisation of their property holdings; the joint venture with Grupo SIL in Portugal; the incorporation of ARDIM in Morocco; and the sale and leaseback of Tree's assets, the largest real estate transaction executed in Europe in 2009. Most recently, he has led the acquisition of a social housing portfolio from the Municipality of Madrid, FCC and SAREB for The Blackstone Group and over €1,200 million of performing and non-performing loans for Deutsche Bank AG London and Brookfield Strategic Real Estate Partners.

During his tenure at RREEF, he was responsible for a team managing an asset portfolio of more than €3000 million, representing the full range of global funds advised by RREEF. This team also raised seven investment vehicles, of which five are still active, representing approximately €500 million of equity on behalf of Spanish private clients and family offices.

Mr. Clemente holds superior degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE, is a teacher of the MRE programme at Instituto de Empresa and a member of the Spanish Council of the Urban Land Institute (ULI).

*Mr. Miguel Ollero*

Mr. Miguel Ollero is the Chief Operating Officer (COO) and Chief Financial Officer (CFO) of the Company.

Mr. Ollero has over 12 years' experience as a real estate professional. He has worked at Arthur Andersen, FCC Construcción, Deutsche Bank M&A and RREEF, as Managing Director. During his tenure at RREEF, he led the execution of real estate transactions with an aggregate value of approximately €4,000 million, ranging from Coreto Opportunistic, as well as the subsequent asset management of the resulting portfolios. He also played a key role in the structuring and equity raising of five investment vehicles for the Iberian peninsula and Morocco, launched in cooperation with the Private Wealth Management Division of Deutsche Bank.

Mr. Ollero holds superior degrees in Law and in Economics & Business Administration, with a specialisation in Finance, from ICADE.

*Ms. Ana García Fau – Independent Director*

Over the last 20 years, Ms. Ana García Fau has worked at McKinsey & Company, Goldman Sachs, Wolff Olins, Telefónica Group and hibü (formerly Yell Group). During her tenure at hibü, she was CEO for Spain, Latin America and the US Hispanic market, member of the Executive Committee, and since 2013, Group Chief Strategy and Business Development Officer as well. Prior to joining hibü, she worked for the Telefónica Group for ten years where she held several positions at TPI-Páginas Amarillas, such as CFO and Managing Director of Corporate Development.

Ms. Ana García Fau was also a member of the board of directors of Publiguías-Chile, TPI Peru, TPI Internacional, Telinver-Argentina, Adquira and Telfisa.

Ms. Ana García Fau holds a superior degree in Law and in Economics & Business Administration from ICADE and an MBA in Business Administration from MIT Sloan School of Management.

*Mr. Alfredo Fernández – Independent Director*

Mr. Alfredo Fernández is currently the Managing Partner at AF Corporate Finance, an independent corporate finance advisory firm, as well as an active private investor in different enterprises.

Over the last 19 years, he has worked in investment banking as Managing Director and co-head at 360 Corporate (a corporate finance advisory firm), and Managing Director at UBS Investment Bank. He previously worked at Merrill Lynch and Morgan Stanley in London. Mr. Alfredo Fernández has multiple M&A and equity transactions experience in Southern Europe. He previously worked at Arthur Andersen as a corporate and tax lawyer.

He holds superior degrees in Law and in Economics & Business Administration from ICADE.

*Mr. Fernando Ortiz – Independent Director*

Mr. Fernando Ortiz is founder and Managing Partner at ProA Capital de Inversiones, SGEGR, S.A., one of the largest private equity firms in Spain with over €300 million under management. He currently represents ProA interests in Saba, Eugin, Ibermática and Hospital de Llevant.

Prior to founding ProA, Mr. Fernando Ortiz was a Partner at N+1 and was a member of the Executive Committee. Over the course of his tenure in N+1, which he joined in 2001, his primary responsibility was transaction origination, execution and the monitoring of portfolio company investments through to divestment. Mr. Fernando Ortiz had prior private equity and venture capital experience as a Director of Private Equity New Technologies at BBVA.

Prior to BBVA, Mr. Fernando Ortiz was a Corporate Finance Director at ING Barings. Mr. Fernando Ortiz started his professional career at Arthur Andersen Legal and Tax Advisors in 1992, where he dedicated five years principally in tax and legal advisory work.

Mr. Fernando Ortiz has been a member of the Board of Directors of Saba, Eugin, Ibermática, Iberdroper (Bodybell), Cadyssa, Aseguramiento Técnico y Calida, S.L. and Ydilo Advanced Voice Solutions.

He holds superior degrees in Law and in Economics & Business Administration from ICADE.

*Ms. María Luisa Jordá – Independent Director*

Ms. María Luisa Jordá has worked as Chief Economic and Financial Officer of the Deoleo Group. Previously she served as Chief of Internal auditing and Corporate Governance of SOS Corporación Alimentaria (currently Deoleo, SA) and Chief Financial and Economic Officer at Metrovacesa.

She has served as independent director for Jazztel since June 2010 where she also acts as Chairwoman of the company's Audit and Control Committee.

Ms. María Luisa Jordá has a bachelor in Business Administration, and a master in Business Administration from the IE.

She is a member of the Official Register of Auditors (ROAC) and Member the Institute of Directors and Managers (ICA).

*Mr. Donald Johnston – Independent Director*

Mr. Donald Johnston has over 30 years' experience as investment banker with an extensive strategic advisory and capital markets expertise. He is currently a chairman of Yankee Kingdom Advisory, which he set up to provide advisory services, and a Senior External Adviser to Deutsche Bank.

Mr. Donald Johnston was a Chairman of the European Mergers & Acquisitions Group at Deutsche Bank from 2005 to 2010. Prior to 2005, he was CEO of the European Mergers and Acquisitions Group and a member of the European Management Committee and Global Banking Operating Committee for Deutsche Bank's Global Corporate Finance Division. He joined Deutsche Bank on the acquisition of Bankers Trust in 1999. He was a board member at Bankers Trust International and a member of the Global Management Committee. He joined Bankers Trust as head of European M&A in 1992 and subsequently became co-head of Investment Banking in Europe while continuing to run BT Wolfensohn, the bank's European M&A practice.

Prior to setting up his own advisory business, Johnston Associates, between 1990 and 1992 in Madrid and London, he worked at Salomon Brothers for 11 years where he had responsibility in Investment Banking for Spain, Austria, Italy and Portugal from 1984 to 1990.

Mr. Donald Johnston holds a B.A. degree in Political Science and Spanish from the Middlebury College and a M.A. degree in International Economics and Latin American Studies from The John Hopkins University School in Advanced International Studies.

*Ms. Ana de Pro – Independent Director*

Ms. Ana de Pro is currently Chief Financial Officer of Amadeus and has global responsibility for financial management and control for the Amadeus Group. She is based in Madrid and is a member of the Amadeus executive management team.

Previous to her appointment in Amadeus, Ana was Corporate General Manager at Sacyr Vallehermoso since 2002. Reporting directly to the Chairman, she was responsible for the areas of corporate development, investor relations, marketing, e-business and communication. Prior to this position, she worked for eight years at Metrovacesa as Deputy General Manager & Finance Director and her duties included accounting and administration, treasury, management control, institutional relations and strategic planning.

Between 1990 and 1994, she was senior auditor at Arthur Andersen, working for companies from various sectors including telecommunications, engineering and construction.

Ms. Ana de Pro holds a BSc in Business Studies, specialising in Auditing, from Universidad Complutense de Madrid, and completed IESE Business School's PDG executive programme. She is a Spanish native and speaks English and French.

## **2. CONFLICTS OF INTEREST**

Subject to certain exceptions, the Spanish Companies Act and the By-laws generally prohibit Directors from voting at Board of Directors' meetings or meetings of committees of the Board of Directors on any resolution concerning a matter in which they have a direct or indirect interest which is material, or a duty which conflicts or may conflict with the interests of the Company. Directors may not be counted in the quorum in relation to resolutions on which they are not entitled to vote. See section 6 of Part XXII ("*Additional Information*") for a summary of the By-laws and details of the exceptions to the prohibition referred to above.

Mr. Ismael Clemente is executive Chairman of the Company as well as member of the Management Team and CEO of the Company. In addition, Mr Ismael Clemente is one of the founding partners of MAGIC Real Estate.

Mr. Miguel Ollero is an executive Director of the Company as well as a member of the Management Team and COO of the Company. In addition, Mr. Miguel Ollero is a founding partner at MAGIC Real Estate.

Each of Ms. Ana García Fau, Mr. Alfredo Fernández, Mr. Fernando Ortiz, Ms. María Luisa Jordá, Mr. Donald Johnston and Ms. Ana de Pro are independent in connection with the Company.

## **3. INTERESTS OF THE DIRECTORS IN THE SHARE CAPITAL**

Seven out of the nine current members of the Management Team (Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Luis Lázaro, Mr. Miguel Oñate and Mr. Fernando Ramírez) are currently partners of MAGIC Real Estate (with Mr. Ismael Clemente and Miguel Ollero being founding partners of MAGIC Real Estate) and shareholders of MAGIC Kingdom, a Shareholder of the Company. MAGIC Real Estate owns a 43.86% of MAGIC Kingdom, who is in turn a shareholder in Merlin. Furthermore, some of the members in the Management Team are individually shareholders in MAGIC Kingdom.

The Management Team, including Mr. Ismael Clemente and Mr. Miguel Ollero, have invested €7.5 million in the Company through their investment vehicle, MAGIC Kingdom. At the date of this Prospectus, MAGIC Kingdom holds 1,124,999 Ordinary Shares of the Company, representing 0.58% of the issued share capital of the Company. The Management Team, through MAGIC Kingdom, has committed to participate in the Offering.

#### 4. LOCK-UP ARRANGEMENTS

##### *Company lock-up*

Under the terms of the Underwriting Agreement, the Company has agreed that, during the period from the date of this Agreement to and including 180 days after the AQS trading day following the Subscription Date, the Company will not, without the prior written consent (which consent shall not be unreasonably withheld or delayed) of a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator:

- (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of any Ordinary Shares or other shares of the Company; or
- (iii) enter into any other transaction with the same economic effects, or agree to do or announce or otherwise publicise the intention to do any of the foregoing,

whether any such transaction described in any of sub-clauses (i), (ii) or (iii) above is to be settled by delivery of Ordinary Shares or any other securities, in cash or otherwise.

The foregoing sentence shall not apply to (A) the issue and/or sale and offer by the Company of the Subscription Rights and the New Shares as described herein, (B) the grant or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares under the Company's employees' share and incentive schemes, in each case as disclosed in the Prospectus, and (C) the issue of Ordinary Shares for the purpose of executing the potential merger between the Company and Testa.

##### *Management lock-up*

In relation to the Initial Issue, MAGIC Kingdom has agreed that during the period commencing on the date of the Placing Agreement relating to the Initial Issue (13 June 2014) and ending 720 days following Initial Admission, that it will not, without the prior written unanimous consent of the Initial Issue Joint Bookrunners (which consent shall not be unreasonably withheld or delayed):

- (iv) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares; or
- (v) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Ordinary Shares,

whether any such swap or transaction described in sub-clause (i) or (ii) above is to be settled by delivery of Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares, in cash or otherwise.

Such lock-up arrangement will not apply to (i) any arrangements between MAGIC Kingdom and any financial institutions which have provided, or may provide in the future, financing for the purposes of the subscription of such Ordinary Shares by MAGIC Kingdom, provided that such Ordinary Shares may only be used to secure MAGIC Kingdom's payment or other obligations under any such financing; (ii) transfers of Ordinary Shares in favour of members of the shareholders of MAGIC Kingdom or their direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing), provided that any such transferee shall agree to be bound by the lock-up obligations during the remainder of the lock-up period; (iii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors; (iv) the implementation of a scheme of arrangement in respect of the sale of the Ordinary Shares of the Company that has been recommended by the Board of Directors; (v) a scheme of reconstruction of the Company which has been recommended by the Board of Directors; and (vi) any buyback by the Company of Ordinary Shares on identical terms to the terms offered to all Shareholders.

In addition, each member of the Management Team, pursuant to the terms of the Management Stock Plan and subject to the exceptions below, shall not dispose of any Ordinary Shares received as part of or pursuant to the Management Stock Plan prior to the first anniversary of the date on which the Ordinary Shares are delivered to any member of the Management Team. The lock-up shall not apply (i) if the employment or commercial relationship is terminated or ends as a result of the retirement, redundancy, death, ill-health, injury or disability of the relevant member of the



Management Team or (ii) under a change of control of the Company.

The foregoing lock-up provisions will also apply to any of the New Ordinary Shares received by MAGIC Kingdom in the Offering but will expire for these New Ordinary Shares on the same expiry date as that of the other Ordinary Shares.

## 5. REMUNERATION ARRANGEMENTS

Pursuant to article 38 of the By-laws and article 22 of the Regulations of the Board of Directors, Directors are entitled to receive per diem allowances for attending any meetings of the Board of Directors and of the different Committees of the Company of which they form part at any given time, consisting of a fixed annual amount per Director set by the general meeting of Shareholders. The Shareholders can also decide when or for what reason such amount can be reviewed and/or updated periodically. The remuneration of each independent Director and of the other non-executive Directors of the Company for 2014 was set at €30,000. The remuneration of independent Directors and of the other non-executive Directors of the Company on an annual basis has been set at €60,000 by the General Shareholders' Meeting held on 1 April 2015. The remuneration report containing details of the remuneration arrangements of the Board of Directors was approved by the General Shareholders' Meeting in a non-binding vote held on 1 April 2015.

Pursuant to article 38 of the By-laws, the Proprietary Directors are not entitled to remuneration.

Mr. Ismael Clemente and Mr. Miguel Ollero, who are executive Chairman and executive Director, respectively, are not entitled to receive any remuneration in connection with their positions as executive Directors of the Company. However, they are entitled to receive remuneration in compensation for their executive duties. At 31 December 2014, Mr. Ismael Clemente and Mr. Miguel Ollero had accrued an entitlement to €580,000 of variable remuneration (half of which is deferred for five years). The Company has no pension obligations with members of the Board of Directors beyond those applicable to ordinary employees. The Company has granted no advances, loans or guarantees to any of its Directors.

The breakdown of amounts received by the Board of Directors in 2014 is as follows:

Board member	Type	€ thousands
Ismael Clemente Orrego	Executive Chairman	442 <sup>(2)</sup>
Miguel Ollero Barrera	Executive director	438 <sup>(3)</sup>
Donald Johnston	Independent director	30 <sup>(4)</sup>
Maria Luisa Jordá Castro	Independent director	30 <sup>(4)</sup>
Ana García Fau	Independent director	30 <sup>(4)</sup>
Alfredo Fernández Agras	Independent director	30 <sup>(4)</sup>
Fernando Ortiz Vaamonde	Independent director	30 <sup>(4)</sup>
Matthew Glowasky <sup>(1)</sup>	Independent director	_ <sup>(5)</sup>
José García Cedrún <sup>(1)</sup>	Independent director	_ <sup>(5)</sup>
<b>Total</b>		<b>1,030</b>

*Note:*

(1) As of the date of this Prospectus, not a member of the Board of Directors.

(2) €150 thousand correspond to fixed compensation and €292 thousand to variable compensation. This amount corresponds only to salary as no compensation is received as director.

(3) €150 thousand correspond to fixed compensation and €288 thousand to variable compensation. This amount corresponds only to salary as no compensation is received as director.

(4) Amount corresponding to fixed compensation received as director.

(5) As proprietary director (consejero dominical) no compensation is received.

## 6. DIRECTORS' LETTERS OF APPOINTMENT

Mr. Ismael Clemente and Mr. Miguel Ollero receive remuneration pursuant to their condition as members of the Management Team. For further information on the remuneration of the Management Team see section 1.3 of Part XII ("The Management Team").

Each Director has the same general legal responsibilities to the Company as any other Director of the Company and the Board of Directors of the Company as a whole is collectively responsible for the overall success of the Group.

No compensation is payable to any of the non-executive Directors in the event of the lawful termination of his or her appointment.

Executive Directors are entitled to a severance payments in case their employment contracts as members of the Management Team are terminated. The maximum amount of such severance payments will be equivalent to a multiple of the total gross remuneration (including all concepts, such as base salary and bonus paid, any Awarded Shares related to the Management Stock Plan awarded to the member of the Management Team and any restricted bonus to which such member

was entitled) in the 12-month period prior to termination. If the termination takes place during the first year following Initial Admission, the relevant member will be entitled to five times such total gross remuneration. In the event such termination takes place after the first year following Initial Admission, such severance package would be reduced by 20% in each year during the subsequent four years. For further information, please refer to section 1 of Part XII (“*The Management Team*”).

#### 7. OTHER DIRECTORSHIPS AND PARTNERSHIPS

Save as set out below, the Directors have not held any directorships of any company in the same sector of activity of the Company, or been a partner in a partnership in any such sector, at any time during the five years prior to the date of this Prospectus. Current directorships are marked with an asterisk.

Director	Directorships
Mr. Ismael Clemente	Please refer to section 3 of Part XII (“ <i>The Management Team</i> ”)
Mr. Miguel Ollero	Please refer to section 3 of Part XII (“ <i>The Management Team</i> ”)
Ms. Ana García Fau	Hibu Connect, S.A.
Mr. Alfredo Fernández	Alfer Corporate Finance Spain, S.L.U. * Catral Garden & Home Depot, S.L. * NH Hotel Group, S.A. RREEF Iberian Value Added II, S.A., SICAR
Mr. Fernando Ortiz	Proa Capital de Inversiones SGEGR, S.A. * ZENDA Capital, S.L. * Lujostil participaciones empresariales, S.L. * SABA infraestructuras, S.A. * Luarmia, S.L. * Ibermática, S.A. *
Ms. María Luisa Jordá	Jazztel, plc * Tubos Reunidos, S.A.*
Mr. Donald Johnston	Acerinox, S.A
Ms. Ana de Pro	Amadeus Americas, Inc. * Amadeus Content Sourcing, S.A. * Amadeus North America, Inc. * Amadeus, S.A. *

In respect of the companies described above, within the period of five years preceding the date of this Prospectus, and save as disclosed below, none of the Directors:

- has had any convictions in relation to fraudulent offences;
- has been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a director or senior manager (save for the cases mentioned in the table above); or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Save as discussed above, there are no arrangements or understandings with major Shareholders, members, suppliers or others pursuant to which any Director was selected.

There are no family relationships between any of the Directors.

## **8. CORPORATE GOVERNANCE AND BOARD PRACTICES**

### **8.1 Corporate Governance for the Company**

The Company complies with all the amendments introduced to the Spanish Companies Act pursuant to the Law 31/2014 amending the Spanish Companies Act for the improvement of the corporate governance (*Ley 31/2014, por la que se modifica la Ley de Sociedades de Capital para la mejora del gobierno corporativo*).

The Spanish Good Governance Code of Listed Companies (*Código de Buen Gobierno de Sociedades Cotizadas*) dated February 2015 sets out the recommendations on corporate governance to be considered by companies listed on the Spanish stock exchanges. The Board of Directors supports high standards of corporate governance and the development of corporate governance policies and procedures in accordance with the requirements of the Spanish Corporate Governance Code. As a recently incorporated company, the Company is still evaluating the feasibility, costs, suitability and benefits to shareholders and the Company of complying with all of the recommendations and the best way to implement them. As of the date of this Prospectus, the Company follows 52 of the recommendations contained in the Spanish Corporate Governance Code, with the following exceptions:

- Recommendation 6 advises listed companies to draw up certain reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting. The report on the independence of the auditor and the social corporate responsibility report have not been published on Merlin's website yet.
- Recommendation 25 states that the appointments and remuneration committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively and that the board of directors regulations should lay down the maximum number of company boards on which directors can serve. According to the Company's by-laws and internal regulations, there are no limitations in place at the moment for Director to hold director positions in other companies. The Appointments and Remuneration Committee is not yet under an obligation to ensure that non-executive Directors have an adequate amount of time to carry out their tasks. The Company aims to comply with these recommendations in the near future.
- Recommendation 40 states that listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee. There is no Internal Audit unit as such yet, due to the Company's short existence. However, there is a person in charge of carrying out risk management and internal management functions. An Internal Audit unit will be created in the near future.
- Recommendations 42, 43 and 44: these recommendations address certain functions which are recommended to be performed by the audit committee. The functions of the Audit Committee listed in these recommendations are mostly (but not all) included in the Company's by-laws and internal regulations.
- For Recommendations 45 and 46 regarding risk management policies and the internal audit unit please refer to comments on Recommendation 40.
- Recommendation 54 states that the corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups. According to the by-laws and the internal regulations, there is no corporate social responsibility policy in place yet due to the short term of existence of the Company, but the Company will define it in the near future.
- Recommendation 55 states that the company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology. The Company does not provide information in corporate social responsibility on the management report yet, but will do so in the future.

### **8.2 The Board of Directors**

The Spanish Companies' Act provides that a company's board of directors is responsible for the management, administration and representation of a company in all matters concerning the business of the company, subject to the provisions of the company's by-laws and the powers conferred by shareholders' resolutions.

The By-laws and the Regulations of the Board of Directors provide for a Board of Directors consisting of three to fifteen members. Directors are elected by the Shareholders to serve for a term of two years and may be re-elected to serve for an unlimited number of terms except for independent Directors, who may only be re-elected to serve for two additional terms after their initial term has been completed. A Director may resign or be removed from office at the recommendation of the Board of Directors at a general meeting of Shareholders. However, the Board of Directors of the Company can only make such recommendation in the case of an independent Director if there is justified cause, which shall be perceived by the Board of Directors subject to a report from the Remuneration and Nomination Committee. This may be the case where, for example, a Director has breached an applicable corporate governance recommendation or has not fulfilled his or her duties or when he/she no longer complies with the definition of independent Director. There are no limitations in place at the moment to hold director positions in other companies.

As at the date of this Prospectus, there are eight Directors on the Board of Directors. Mr. Ismael Clemente and Mr. Miguel Ollero are considered to be executive Directors as they are both members of the Management Team. Ms. Ana García Fau, Mr. Alfredo Fernández, Mr. Fernando Ortiz, Ms. María Luisa Jordá, Mr. Donald Johnston, and Ms. Ana de Pro are each considered independent pursuant to Ministerial Order ECC/461/2013. Mr. Donald Johnston was also named Senior Independent Director (*Consejero Independiente Coordinador*) at the board meeting held on 26 February 2015.

The Board of Directors of the Company is responsible for the management and establishes the strategic, accounting, organisational and financing policies of the Group. The By-laws provide that the Chairman of the Board of Directors shall be elected by the Board of Directors from among the members of the Board of Directors subject to a report from the Remuneration and Nomination Committee.

The Board of Directors supervises the operations of the Group. Moreover, the Board of Directors is entrusted with preparing General Shareholders' Meetings and carrying out their resolutions.

The Directors are also responsible for the determination of the Business Strategy of the Group and have overall responsibility for overseeing the performance of the Management Team and the Group's activities.

The By-laws provide that the Board of Directors of the Company meet as frequently as necessary, and at least four times in each calendar year, to effectively execute its duties and whenever its Chairman deems appropriate. In addition, the Board of Directors must meet when required to do so by at least a Director representing one third of its members, the Director especially authorised to do so or by two of the independent Directors, in which case it shall be called by the Chairman, by any written means personally addressed to each Director, to meet within the next fifteen days following the request. The Directors representing at least one third of the Board of Directors' members may call for a Board of Directors' meeting, indicating the agenda if, prior request to the Chairman, the latter, with no justified cause, had not called the meeting within the period of one month. The By-laws provide that a majority of the members of the Board of Directors (represented in person (in the case of non-executive Directors, they may be represented only by non-executive Directors) or by proxy by another member of the Board of Directors) constitutes a quorum. Resolutions of the Board of Directors are passed by an absolute majority of the Directors present or represented at a Board of Directors meeting unless otherwise indicated in applicable laws, the By-laws or the regulations of the Board of Directors. In the event of a tie, the Chairman will have a casting vote.

The Board of Directors met eleven times in 2014 and has met eight times in 2015. The Board of Directors intends to meet at least four times in each calendar year and all Directors will be given full and timely access to the information necessary to assist them in the performance of their duties. According to the Spanish Corporate Governance Code, the Board of Directors should meet at least eight times a year. As a general rule, an agenda and Board of Directors' papers are circulated to the Directors in advance of Board of Directors' meetings to allow them an adequate opportunity for review and preparation for Board of Directors' meetings. The Company Secretary is responsible for ensuring Board of Directors' procedures are followed and all Directors have access to his advice and services. With a view to receiving assistance in the exercise of their duties, non-executive Directors may request, at the expense of the Company, the services of legal, accounting, financial or other experts. These requests must necessarily refer to specific problems of a certain significance and complexity arising in the performance of their duties.

Any Director co-opted to the Board of Directors by the Directors will carry out his/her duties until the next General Shareholders' Meeting is held or until the legal deadline for holding the General Shareholders' Meeting that is to decide on the approval of the accounts for the previous financial year has passed.

In the performance of its duties, the Board of Directors is committed to maintaining a good understanding of the views of Shareholders and considerable importance will be given to communicating with Shareholders.

Directors are expected to attend all Board of Directors' meetings and the General Shareholders' Meetings of the Company. Details of the remuneration of Directors are set out at section 5 of this Part XIII ("*Directors and Corporate Governance*").

### **8.3 Delegation of powers**

Applicable law provides that when the company's by-laws do not state otherwise, the board of directors may appoint an executive committee or one or more chief executive officers (CEO). However, the board of directors may not delegate (i) its responsibility to present the annual report and accounting statements to the general shareholders' meeting, (ii) any powers granted to it by a general shareholders' meeting (unless it is expressly authorised to do so by the general shareholders' meeting), or (iii) certain faculties set out in the Spanish Companies Act, including, among others, the approval of the business plan, the annual budget or the investment, financing, corporate social responsibility or dividends policies.

The By-laws of the Company allow for the appointment of a CEO with general decision-making powers over those matters which are not Reserved Matters. As of the date of this Prospectus, Mr. Ismael Clemente Orrego is the CEO and executive Chairman of the Company.

The Board of Directors may also grant general or specific powers of attorney to any person, whether or not that person is a Director or a Shareholder, subject to certain legal limitations and exceptions.

### **8.4 Reserved matters**

The Board of Directors is invested with the widest powers of representation of the Company with the exception of those matters legally reserved to the General Shareholders' Meeting.

The Board of Directors shall ensure that no action or decision is taken to proceed with any of the following matters unless it is approved by an absolute majority of the Directors who are present or represented and entitled to vote at the relevant Board of Directors' meeting. In addition to the specific reserved matters contemplated under applicable legislation, the reserved matters of the Company are the following (each a "**Reserved Matter**"):

- (i) approval of the Group's long-term Business Strategy, annual business plan and five-year strategic plans;
- (ii) proposal to the General Shareholders' Meeting relating to changes to the Company's capital structure including share capital reductions, share issues (except under the Management Stock Plan) and share buybacks, mergers, transformations, spin-offs, etc., and any changes to the Company's listing or its status as a SOCIMI;
- (iii) approval of the annual report, the statement of responsibility and statements regarding the interim financial information (upon recommendation of the Audit and Control Committee);
- (iv) approval of any material changes in the Group's accounting policies or practices (upon recommendation of the Audit and Control Committee);
- (v) any matter concerned with or proposal to the General Shareholders' Meeting of the takeover of, or merger with, another listed company;
- (vi) property acquisitions, disposals, developments, refurbishments, and other transactions in excess of €150 million or any significant transaction under €150 million where the transaction is not in the normal course of the Group's business;
- (vii) appointment or removal of the Chairman, a Director (by co-option) and the Secretary or the Vicesecretary of the Board of Directors (upon favourable report or proposal of the Remuneration and Nomination Committee);
- (viii) remuneration of Directors of the Board of Directors in accordance with the remuneration policy approved by the General Shareholders' Meeting and their direct reports (upon recommendation of the Remuneration and Nomination Committee);
- (ix) any joint or co-investment between the Group and one or more third parties;
- (x) authorisation of any external financing for the acquisition of an individual asset in excess of 50% LTV together with any expected or proposed initial capital expenditure in respect of such asset;
- (xi) authorisation for the entering into hedging or derivatives transactions, unless such hedging transactions are related to the hedging of an external financing;
- (xii) the entering into any agreement with any third party (including in relation to the property management services) with an annual value per outsourcing contract exceeding €3 million;
- (xiii) changes relating to the Company's gearing policy;
- (xiv) conflicts of interest resolution, where this competence is not granted to the General Shareholders' Meeting by law or the By-laws; and
- (xv) approval for surpassing the Annual Total Overheads.

## **8.5 Board Committees of the Company**

Pursuant to the By-laws, the Board of Directors has established an Audit and Control Committee and a Remuneration and Nomination Committee. As at the date of this Prospectus, all members of the Audit and Control Committee and of the Remuneration and Nomination Committee are independent non-executive Directors.

### ***Audit and Control Committee***

The Audit and Control Committee is responsible for, among other things, the following basic functions:

- (i) informing in the General Shareholders' Meeting on issues of its competence brought up by Shareholders in relation to matters for which the Audit and Control Committee is responsible;
- (ii) submitting to the Board of Directors, for submission by the Board of Directors to the General Shareholders' Meeting, the appointment, revocation, renovation, substitution, scope of the mandate and terms of retention of the Group's external auditors, as well as receiving from the Group's external auditors information on the external auditing plan and its execution and preserving its independence when carrying out its mandate;
- (iii) examining the circumstances that motivate the resignation of the external auditor;

- (iv) supervising the efficiency of the internal control of the Company, the internal auditor and the risk management systems, as well as discussing with the Group's external auditors the relevant weaknesses in the internal control system revealed by the external audit report;
- (v) ensuring the independence and effectiveness of the internal auditing function, and verifying its adequacy and integrity;
- (vi) proposing the selection, appointment and substitution of the personnel responsible for the internal auditing services; proposing the budget for such services; receiving periodical information in relation to its activities and verifying that the members of the Management Team take into account the conclusions and recommendations included in their reports;
- (vii) acting as a channel of communication between the Board of Directors and the auditors, evaluating the results of each audit and supervising the responses of the Management Team to the recommendations of the external auditors and mediating in the event of discrepancies between the two in relation to the principles and criteria applicable in the preparation of the financial statements and, where appropriate, investigating the circumstances giving rise to the resignation of the auditors;
- (viii) reviewing, on a regular basis, the internal control and risk management systems of the Group and in particular, the correct design of the internal control system on the financial information ("*SCIIF*"), in order to duly identify, manage and give notice of the main risks;
- (ix) approving the internal auditing plan for the evaluation of *SCIIF* and receiving regular information of the outcome of its work, as well as of the action plan for dealing with the identified deficiencies;
- (x) dealing with the external auditors in order to receive information about any matters that might jeopardise such auditors' independence to be examined by the Audit and Control Committee and any other matters related to the audit process and other communications as provided in laws regarding the auditing and technical standards applied to auditing;
- (xi) overseeing the auditors' compliance with the terms of the auditors' engagement and ensuring that the audit opinion in respect of the Group's financial statement is clearly and precisely formulated;
- (xii) reviewing the accounts and periodic financial information furnished by the Board of Directors to the securities regulatory authorities and the regulatory bodies of the stock exchanges on which the Company's shares are traded, ensuring that the Group is in compliance with the rules and regulations of such regulatory authorities and that it is correctly applying generally accepted accounting principles, and reporting on any proposals for modification of the Group's accounting principles and criteria suggested by its senior management;
- (xiii) annually issuing, prior to the audit report, a report on the independence of the auditors;
- (xiv) informing the Board, prior to the adoption of a decision, on the creation or acquisition of shares of special purpose vehicles or with domicile in countries considered tax haven, as well as any other transaction of similar nature that, due to its complexity, might damage the transparency of the Group;
- (xv) informing the Board of Directors of all matters required by the law, the By-laws and the internal Board of Directors regulation, and in particular the Company's participation in SPVs or in companies located in tax havens and on issues relating to related parties transactions; and
- (xvi) appointing and supervising the services provided by the external appraiser in relation to the valuation of the Group's assets.

The Audit and Control Committee must have a minimum of three and a maximum of five members, who are appointed by the Board of Directors following proposals from the Remuneration and Nomination Committee. Only external or non-executive Directors can form part of the Audit and Control Committee. The majority of its members must be independent Directors. Members of the Audit and Control Committee serve for a term of up to two years and may be re-elected to serve for an unlimited number of terms of the same duration.

The Chairman of the Audit and Control Committee, who must be an independent Director, can serve a term of up to two years, and may only be re-elected as chairman at least a year after completing the original two-year term. The members of the Audit and Control Committee, and in particular its chairman, are appointed taking into account the appointees' knowledge and experience in accountancy, auditing and risk management standards. The Audit and Control Committee has appointed a Secretary and may appoint a Vice-Secretary, who may not be members of the Committee.

The Audit and Control Committee meets at least once every quarter to review periodic financial information to be submitted by the Board of the Directors to the securities regulatory authorities, and the information to be approved by the Board of Directors and included in the Company's annual report. The Audit and Control Committee is convened by its chairman, either at his or her own initiative or at the request of the Board of Directors' Chairman or of any of the Audit and Control Committee's members.

The Audit and Control Committee is validly assembled when the majority of its members attend in person or by proxy. Resolutions are adopted by the majority of members attending in person or by proxy. In the event of a tie, the Chairman of the Audit and Control Committee will have a casting vote.

Minutes of the meetings of the Audit and Control Committee must be prepared and passed on to the members of the Board of Directors.

As at the date of this Prospectus, the members of the Audit and Control Committee are Ms. Ana García Fau, Mr. Alfredo Fernández and Ms. María Luisa Jordá (Chairman). The Secretary of the Committee (who is not a member of the Committee) is Mr. Miguel Ollero Barrera. The Audit and Control Committee met three times in 2014 and four times in 2015.

### ***Remuneration and Nomination Committee***

Notwithstanding other duties which may be assigned thereto by the Board of Directors, the Remuneration and Nomination Committee has the following basic responsibilities:

- (i) to evaluate and define the requirements of competence, knowledge and experience required of the members of the Board of Directors and the time commitment required to duly perform their duties;
- (ii) to bring before the Board of Directors the proposals for appointment, re-election or removal of independent Directors in order for the Board of Directors to proceed with their appointment (co-optation) or take on such proposals for submission to the decision of the General Shareholders' Meeting, and report on the appointments, re-elections or removals of the other Directors.
- (iii) to report on the appointment of the Chairman, Vice-Chairman, Secretary and Vice-Secretary of the Board of Directors;
- (iv) to report on the proposed appointment of the members of the Audit and Control Committee;
- (v) to report to the Board of Directors on the performance by the Chairman of his or her duties. Such report has been prepared for the year 2014 and was approved at a meeting of the Board of Directors held on 26 February 2015;
- (vi) examining and organising the succession of the Chairman and, as the case may be, the CEO, and make proposals to the Board of Directors so the succession is done in an orderly manner;
- (vii) to report on the proposed appointment and removal of senior management (including the member of the Management Team) and the conditions in their contracts;
- (viii) to establish an objective for eliminating under-representation of the under-represented gender in the Board of Directors and setting out policies to achieve this objective;
- (ix) set up and supervise an annual evaluation and review programme of qualification, development and, if necessary, independence, as well as maintaining the conditions of respectability, capability, expertise, competence, availability, and commitment to their duties that must be satisfied in order to serve as director and as a member of a committee, and propose to the Board of Directors such measures as it deems advisable in this regard, while collecting any information or documentation that it deems necessary or appropriate for such purposes. No such annual evaluation and review programme has been established so far;
- (x) to consider the suggestions of the Chairman, the Board of Directors members, the managers or Shareholders of the Company;
- (xi) to propose to the Board of Directors (i) the policy remuneration, system and amount of remuneration of Directors, (ii) the individual remuneration of executive Directors and other basic terms of their contracts and (iii) the remuneration policy of the members of the Management Team;
- (xii) to analyse, formulate and periodically review the remuneration programmes, assessing their adequacy and performance;
- (xiii) to monitor observance of the remuneration policy established by the Company. This, together with the functions referred to in sub-paragraph (xii) above, is one of the main functions of the Remuneration and Nomination Committee and the members of the Committee regularly review, and monitor observance with, the Company's remuneration policy; and
- (xiv) to assist the Board of Directors in the compilation of the report on the remuneration policy of the Directors and to submit to the Board of Directors any other reports on retributions established in the Board of Directors Regulations.

The Remuneration and Nomination Committee determines the Bonus Incentive Plan of the Chairman in his condition as member of the Management Team. The Remuneration and Nomination Committee, together with the Board of Directors, is

also responsible for administering the Management Stock Plan. All material decisions in relation to the Management Stock Plan in relation to the executive Directors are made by the Board of Directors or the Remuneration and Nomination Committee. In addition, the Remuneration and Nomination Committee allocates the annual Incentive (as defined under section 1.3 of Part XII (“*The Management Team*”)) to be granted to the Chairman and approves the distribution of the Incentive among the Beneficiaries (as defined under section 1.3 of Part XII (“*The Management Team*”)) resolved by the Chairman.

The Remuneration and Nomination Committee must have a minimum of three and a maximum of five members. Its members are external or non-executive Directors and have been appointed by the Board of Directors. The majority of its members must be independent Directors. Members of the Remuneration and Nomination Committee serve for a term of up to two years and may be re-elected to serve for an unlimited number of terms of the same duration.

The Directors who are members of the Remuneration and Nomination Committee carry out their role while they still hold the position of Director, unless otherwise agreed by the Board of Directors. The re-appointment, re-election or termination of the appointment of a member of the Remuneration and Nomination Committee will be in accordance with what was agreed by the Board of Directors.

The chairman of the Remuneration and Nomination Committee, who must be an independent Director, can serve a term of up to two years, and may only be re-elected as chairman at least a year after completing the original two-year term. The Remuneration and Nomination Committee has appointed a secretary and may appoint a vice-secretary, who may not be members of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee meets at least once a year. In addition, it shall meet each time it is convened by its chairman, who must do so whenever the Board of Directors or the Chairman of the Board of Directors requests the issuance of a report or the adoption of proposals and, in any case, whenever expedient for the proper fulfilment of its functions.

The Remuneration and Nomination Committee is to be convened by the chairman of the Remuneration and Nomination Committee, either at his own initiative, or at the request of the Chairman of the Board of Directors or of any of the members of the Remuneration and Nomination Committee itself.

The Remuneration and Nomination Committee is validly assembled when the majority of its members attend in person or by proxy. Resolutions are adopted by the majority of members attending in person or by proxy. In the event of a tie, the chairman of the Nomination and Remuneration Committee will have a casting vote.

The Remuneration and Nomination Committee must keep minutes of its meetings and circulate them to the members of the Board of Directors.

As at the date of this Prospectus, the members of the Remuneration and Nomination Committee are Mr. Alfredo Fernández, Mr. Fernando Ortiz and Mr. Donald Johnston (Chairman). The Secretary of the Committee (who is not a member of the Committee) is Mr. Miguel Ollero Barrera. The Remuneration and Nomination Committee met once in 2015.

#### ***Executive Committee***

Pursuant to the By-laws, the Board of Directors may establish an executive committee. However, as at the date of this Prospectus, no such committee has been established.

### **8.6 Internal controls**

The Board of Directors acknowledges it is responsible for overseeing the efficiency of the system of internal control and risk management, in order to safeguard the Group’s assets. Such a system is designed to identify, manage and mitigate financial, operational and compliance risks inherent to the Group. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. Due to the Company’s short existence, there is not yet a unit in charge of the internal audit function as recommended in the Spanish Corporate Governance Code. However, there is a person in charge of carrying out the aforementioned risk management and internal management tasks and it is foreseen that such internal audit unit will be created in the near future. Please refer to section 8.1 of Part XIII (“*Directors and Corporate Governance*”).



## PART XIV: THE ASSETS

### 1. OVERVIEW

As at 31 March 2015, the Assets consisted of real estate assets in the office, retail and logistics segments which were held by four wholly-owned subsidiaries of the Company, each of which holds and manages a particular asset class. As at such date, Tree held and managed 883 branch offices and five buildings, MERLIN Retail owned and operated Marineda, MERLIN Oficinas held and operated the Madrid A1 Office, WTCAP 6 & 8 and Alcalá 38-40, whilst MERLIN Logistica held and managed the logistics assets (Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes, Zaragoza-Plaza and Madrid-Coslada). The Group acquired these Assets for an aggregate acquisition price of €2,187.2 million including transaction costs and expenses (€2,172.9 million excluding transaction costs and expenses). The Assets are consistent with the Group's Business Strategy and, as at 31 March 2015, consisted of the following assets:

- **Tree:** Tree owned and operated 883 branch offices and five buildings located across Spain, fully leased to BBVA, with a GLA of 373,157 sqm and a 100% occupancy rate. Please refer to section 3.2 of this Part XIV (*"The Assets"*) for information in relation to the substitution of assets exercised by BBVA after 31 December 2014.
- **MERLIN Retail:** MERLIN Retail owned and operated Marineda (shopping complex in La Coruña / Spain leased to tenants, including Zara, H&M, Primark and Media Markt) with a GLA of 106,276 sqm (including the hotel) and an occupancy rate of 89.3%.
- **MERLIN Oficinas:** MERLIN Oficinas owned and operated the following eight office buildings, located in Madrid and Barcelona, with a GLA of 72,568 sqm and an occupancy rate of 81.6%: Madrid A1 Office (five office buildings with a GLA of 34,175 sqm in Madrid, leased to tenants, including Philips and Neoris), WTCAP 6 & 8 (two office buildings in Barcelona / Spain with a GLA of 14,535 sqm and 14,543 sqm, respectively, leased to tenants, including Axa, Sharp and Panasonic) and Alcalá 38-40 (one office building with a GLA of 9,315 in Madrid, leased to the Home Office).
- **MERLIN Logistica:** MERLIN Logistica owned and operated the following five logistics facilities with a GLA of 164,826 sqm and an occupancy rate of 100%: Vitoria-Júndiz (logistics plot in Vitoria / Spain with a GLA of 72,717 sqm, fully leased to Norbert Dentressangle, one of the leading international logistics operators), Madrid-Getafe (logistics facilities in Madrid / Spain with a GLA of 16,242 sqm, fully leased to Transportes Souto, one of the leading logistics operators in the Spanish market), Valencia-Almussafes (seven modules with a GLA of 26,613 sqm in Valencia / Spain, comprising 24,757 sqm for storage and 1,856 sqm for office use, fully leased to operators and suppliers in the automotive industry, including Ford), Zaragoza-Plaza (industrial facilities comprising three buildings (two for logistics and one for office use) with a GLA of 20,764 sqm in Zaragoza / Spain, fully leased to retail operator Imaginarium) and Madrid-Coslada (one logistics warehouse with a GLA of 28,490 sqm and fully leased to Azkar). Please refer to section 4.5 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) for information on the acquisition made by MERLIN Logistica after 31 March 2015.

The Company has acquired an asset in Spain and an asset in Portugal since 31 March 2015. See Section 5.4 (*"Other Acquisitions"*) of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*).

As of 31 March 2015, the market value of the Assets is approximately €2,291 million. This valuation has been carried out in accordance with the RICS Red Book by Savills as at 31 December 2014, except for the two assets acquired in the first quarter of 2015 (Alcalá 38-40 and Madrid-Coslada) which valuation has been estimated as acquisition costs of these two assets (including transaction costs). Savills' valuation of the Assets acquired before 31 December 2014 is set out in Part XV (*"Company's Valuation Report"*) of this Prospectus.

All references to market value of the Assets (or part thereof) in this Part XIV (*"The Assets"*) of this Prospectus refer to the value ascribed to the Assets as at 31 December 2014 as set out in Part XV (*"Company's Valuation Report"*) of this Prospectus, except for the Alcalá 38-40 and Madrid-Coslada assets, which, as stated above, have been valued at their acquisition cost (including transaction costs).

The following table sets forth certain information in relation to the Assets as at 31 March 2015.

	<b>Tree</b>	<b>Total (%)</b>	<b>MERLIN Retail</b>	<b>Total (%)</b>	<b>MERLIN Oficinas</b>	<b>Total (%)</b>	<b>MERLIN Logistica</b>	<b>Total (%)</b>	<b>Total</b>
Market Value (€ million) <sup>(1)</sup>	1,669.5	72.9%	281.1	12.3%	255	11.1%	85.5	3.7%	<b>2,291.1</b>
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	89.1	67.3%	18.7	14.1%	17.1	12.9%	7.4	5.6%	<b>132.3</b>
Total Annualised Net Rents (€ million) <sup>(3)</sup>	89.1	68.6%	17.4	13.4%	16.1	12.4%	7.4	5.7%	<b>129.9</b>

Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	89.1	69.2%	16.3	12.7%	15.9	12.4%	7.4	5.7%	<b>128.6</b>
EPRA Gross Yield <sup>(5)</sup>	5.33%		6.65%		6.71%		8.66%		<b>5.77%</b>
EPRA Topped-Up Yield <sup>(6)</sup>	5.33%		6.19%		6.31%		8.63%		<b>5.67%</b>
EPRA Net Yield <sup>(7)</sup>	5.33%		5.79%		6.24%		8.63%		<b>5.61%</b>
Total GLA <sup>(8)</sup>	373,157	52.1%	72,568	10.1%	63,253	9.3%	164,826	23.0%	<b>716,826</b>
GLA Occupied	373,157	53.9%	59,206	8.6%	50,096	7.6%	164,826	23.8%	<b>692,060</b>
GLA Vacant	0	0.0%	13,362	54.0%	13,157	2.0%	0	0.0%	<b>24,766</b>
Occupancy Rate	100.0%		81.6%		80.0%		100.0%		<b>96.5%</b>
WAULT by Rents Years <sup>(9)</sup>	23.0		3.2		3.7		8.3		<b>17.2</b>

#### Notes

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala, Coslada).

(2) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

(3) Annualised net rental income has been calculated as the NRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NRI for which was included only for the period in which the tenant was present) Net rents deducts from gross rents direct property expenses non-rechargeable to tenants..

(4) Annualised net operating income has been calculated as the NOI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NOI for which was included only for the period in which the tenant was present). Net operating income deducts from net rents direct collection loss and rents discounts.

(5) EPRA Gross Yield is calculated dividing annualised gross rents by market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on acquisition price for the acquisitions carried out during 2015.

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on acquisition price for the acquisitions carried out during 2015

(7) EPRA Net Yield is calculated dividing annualised net operating income by market value as per the Company's Valuation Report for the acquisitions carried out during 2014 and on acquisition price for the acquisitions carried out during 2015

(8) GLA above ground.

(9) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 March 2015

## 2. GEOGRAPHY AND ASSET CLASS

As at 31 March 2015, all the Assets were located in Spain In terms of breakdown by asset class, high street retail, shopping centres, offices and logistics represent 73%, 12%, 11% and 4%, respectively, of the Assets (all calculated over market value) as at such date.

#### LOCATION OF THE PORTFOLIO



### 3. TREE

On 3 July 2014, the Company completed the acquisition of Tree, a company which owns and operates branches and buildings fully leased to the international Spanish banking group BBVA, and Bosque, Tree's properties manager, for an aggregate price based on the enterprise value of Tree, which the parties to the sale and purchase agreement of Tree agreed amounted to €1,577.4 million, and consequently the purchase price of Tree amounted to € 739,483,659. Bosque transferred all its assets and liabilities to the Company on 1 August 2014 and was wound up on 19 December 2014, meaning that the Group now takes care of all Bosque's duties in managing the properties.

One of the Group's main tasks in relation to Tree's assets is maintaining a good working relationship with BBVA whilst implementing the BBVA Lease Agreement and with the lenders under the Senior Facility Agreement. Tree's management of BBVA's branches entails, in connection with the owners associations, supervising and managing the relationships with the presidents of the associations, receiving, reading, organising and filing invitations, minutes and communications and scanning and delivering all such communications to BBVA on a weekly basis. The Group must follow up on any issues that arise and, if applicable, granting proxies in favour of BBVA for attendance at meetings. Finally dealing with the owner associations requires expenditure control as all payments are made by Tree and re-invoiced to BBVA. The Group must also deal with public bodies, including public registries and cadastres, and pay property and municipal taxes before re-invoicing to BBVA. Finally, Tree makes sure that the assets are properly maintained and conducts technical reviews of the proposals of the housing associations (normally regarding the installation of elevators).

Tree is a private limited company in the form of a *sociedad anónima*, incorporated and existing under the laws of Spain. On 25 September 2013, Tree applied for the special tax status pursuant to the SOCIMI Regime with effect as from the financial year commencing on 1 January 2013.

As at the date of this Prospectus, Tree's assets are comprised of 883 branch offices and five buildings located across Spain with a GLA of 373,157 sqm, fully leased to BBVA, following the substitution of assets exercised by BBVA on 3 February 2015, as further detailed in section 4.5 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*).

On 25 September 2009, 22 December 2009, 29 July 2010 and 27 October 2010, Tree acquired from BBVA and certain BBVA subsidiaries, by entering into relevant public deeds for sale and purchase, 1,105 real estate assets (1,097 branches and eight buildings) located throughout Spain. As part of that transaction, the assets were simultaneously leased back to BBVA (for a minimum term of 30 years for the branches and of 20 years for the buildings with the right to renew the leases for up to three successive periods of five years each), subject to a purchase option in favour of BBVA in the 45<sup>th</sup> year and the 35<sup>th</sup> year, respectively. Such purchase option only applies if BBVA remains the tenant at that time, i.e., if it has exercised its renewal rights in full. Furthermore, on 20 December 2011 and on 3 February 2015, Tree acquired certain additional properties from and sold certain properties to BBVA, as a consequence of the exercise by the latter of its substitution right (as further described in section 4.5 of Part XVI (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*))) under the BBVA Lease Agreement, by entering into additional public deeds for

sale and purchase (together with the public deeds for sale and purchase entered into on 25 September 2009, 22 December 2009, 29 July 2010 and 27 October 2010, the “*SPA Agreements*”). As of the date of this Prospectus, Tree’s assets are comprised of 883 branch offices and five buildings as a result of disposals made up to date.

#### **TREE KPIs (as at 31 March 2015)**

Enterprise value of Tree (€ million)	1,577.4
Assets debt outstanding as of the date of purchase (€ million)	(842.8)
Cash generated by the individual sale of assets during the second quarter of 2014	4.8
Equity disbursement (€ million)	739.5
Debt to acquisition price of assets	53.1%
Appraisal Value (€ million)	1,669.5
Annualised Gross Rent 2015 (€ million) <sup>(1)</sup>	89.1
Annualised Net Rent 2015 (€ million) <sup>(2)</sup>	89.1
EPRA Gross Yield <sup>(3)</sup>	5.33%
EPRA Topped-up Initial Yield <sup>(4)</sup>	5.33%
Total GLA (sqm)	373,157
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	23.0

*Notes:*

*(1) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present)*

*(2) Calculated as annualised Gross rent minus non-recoverable service charges.*

*(3) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.*

*(4) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.*

*(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 March 2015, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract.*

### **3.1 Valuation**

Tree’s assets were valued by Savills as at 31 December 2014 in accordance with the “Market Value” definition under the valuation standards of the RICS Red Book at an aggregate value of €1,669.5 million. See Part XV (“*Company’s Valuation Report*”) of this Prospectus for additional information.

The valuation methodology used by Savills considers each asset as an individual unit. For each particular asset, the assumed market yield over the rent was adjusted by the following parameters: (i) term of the lease and solvency of the tenant; (ii) exact location of the asset within the area of the municipality where it is located (prime area, secondary area or outskirts of the city); (iii) the specific surroundings of the property; (iv) the maintenance conditions of the asset (internal and external); (v) the façade to one or more streets (corner units); and (vi) the current rental level compared to the market.

Details of Tree's assets as at 31 December 2014 were as follows:

	<u>No. of Properties</u>	<u>Lettable Space (sqm)</u>	<u>Vacancy Rate (%)</u>	<u>Gross Rental Income per annum<sup>(1)</sup> (€ million)</u>	<u>Market Value<sup>(2)</sup> (€ million)</u>	<u>Tree's assets by market value (%)</u>	<u>Gross Initial Yield<sup>(3)</sup> (%)</u>	<u>2014 Net Acquisition Yield (%)</u>
Branch offices	880	350,419	0	85.0	1,615	96.8	5.26	5.56
Buildings	5	23,862	0	3.6	54	3.2	6.59	7.17
<b>TOTAL</b>	<b>885</b>	<b>374,181</b>	<b>0</b>	<b>88.5</b>	<b>1,669</b>	<b>100</b>	<b>5.30</b>	<b>5.61</b>

Notes:

(1) For the year ended 31 December 2014.

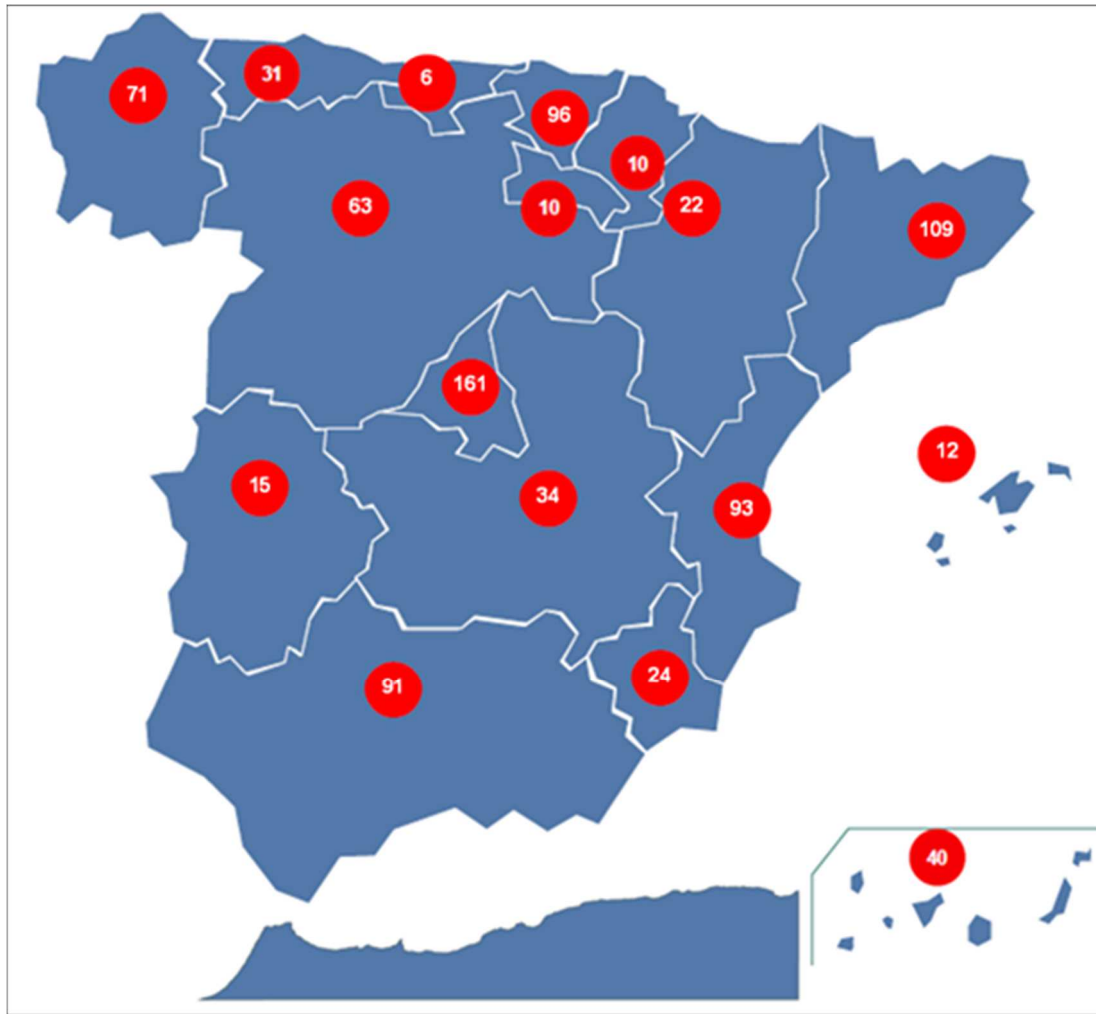
(2) As at 31 December 2014.

(3) Gross Rental Income per annum divided by Market Value.

On 3 February 2015, pursuant to the terms of the Master Lease Agreement with BBVA, BBVA signed with Tree the substitution of 42 properties (with a €68.6 million Savills valuation, €3.9 million rents) in exchange for 45 new properties entering the portfolio. The 45 new properties were also valued by Savills at €68.6 million. The geographical dispersion throughout Spain is similar in both groups of properties. All of the above mentioned substitutions are within the limits set out in the Master Lease Agreement with BBVA. The substitutions have been executed via a sale of the existing properties to BBVA and a purchase of the replacement properties from BBVA. As a result of the substitutions, the branches' total GLA has changed from 374,181 sqm to 373,157 sqm.

The assets were sold at a price equal to Savills valuation, triggering a taxable capital gain on sale of approximately €29.7 million subject to the general Corporate Income Tax of 28% (in 2015). 25% can be offset with tax losses carry-forwards existing at Tree level, reducing the effective taxable base to be paid to approximately €22.3 million. The tax accrued upon sale would amount to approximately €6.2 million (approximately €6.0 million to be paid in April 2015 and approximately €0.2 million to be paid in July 2016).

### 3.2 Geographical Distribution as at the date of this Prospectus



The 888 real estate assets that comprise Tree’s assets as at the date of this Prospectus are widely distributed across Spain. Tree’s assets as at the date of this Prospectus are located in 443 different Spanish municipalities in 49 different provinces. Nevertheless, the majority of the branches are located in the regions of Madrid, Catalonia and the Basque Country with 159, 109 and 96 branches, respectively.

The total regional weighting of Tree’s assets as at the date of this Prospectus is as follows:

Autonomous Region	Number of properties		Area (sqm)		Annual Rent 2015 (excluding tax and charges) (€)		Average Monthly Rent per sqm <sup>(2)</sup>
	No.	Total (%)	Sqm	Total (%)	€	Total (%)	
Madrid	159	17.9	58,843	15.8	20,451,878	23.0	33.5
Catalonia	109	12.3	49,440	13.2	11,079,257	12.4	20.8
Basque Country	96	10.8	32,655	8.8	9,696,441	10.9	27.7
Valencia	92	10.4	37,294	10.0	7,400,653	8.3	18.4
Castile and León	63	7.1	24,673	6.6	6,196,896	7.0	23.6
<b>Top 5</b>	<b>519</b>	<b>58.4</b>	<b>202,905</b>	<b>54.4</b>	<b>54,825,125</b>	<b>61.6</b>	<b>25.4</b>

Autonomous Region	Number of properties		Area (sqm)		Annual Rent 2015 (excluding tax and charges) (€)		Average Monthly Rent per sqm <sup>(2)</sup>
	No.	Total (%)	Sqm	Total (%)	€	Total (%)	
<b>Subtotal</b>							
Rest of Spain	364	41.0	146,490	39.3	30,653,379	34.4	19.3
<b>Branches</b>	<b>883</b>	<b>99.4</b>	<b>349,394</b>	<b>93.6</b>	<b>85,478,504</b>	<b>96.0</b>	<b>22.8</b>
<b>Buildings<sup>(1)</sup></b>	<b>5</b>	<b>0.6%</b>	<b>23,762</b>	<b>6.4</b>	<b>3,583,127</b>	<b>4.0</b>	<b>13.6</b>
<b>Total</b>	<b>888</b>	<b>100%</b>	<b>373,157</b>	<b>100</b>	<b>89,061,631</b>	<b>100</b>	<b>22.2</b>

Notes:

(1) Includes two logistics properties in the Greater Madrid area and three office buildings located in Alicante, Jaen and Las Palmas.

(2) Average monthly rent is calculated as the "Annual Rent 2015" divided by "Area (sqm)", where above ground square metres are weighted by a factor of 1.0x and below ground square metres are weighted by a factor of 0.5x.

Tree's assets comprise a mix of ground floor retail bank branches with ancillary office accommodation above, a number of pure office buildings and logistics warehouse properties on the outskirts of Madrid.

The buildings are of varying ages, ranging from recently constructed properties to much older turn-of-the-century properties. As at the date of this Prospectus, the GLA of Tree's assets is 373,157 sqm. The properties range substantially in size, from 57 sqm of lettable area at the low end of the spectrum to, at the high end thereof, an office building located in Las Palmas, Canary Islands which comprises 10,112 sqm.

### 3.3 The BBVA Lease Agreement

Tree entered into two master lease agreements with BBVA on 25 September 2009 (as amended by means of addendum agreements on 29 July 2010 for the purposes of including new acquisitions of properties) which apply, respectively, to all the branches and buildings comprising Tree's assets. In addition, Tree and BBVA entered into individual lease agreements which contain the specific conditions (e.g., address, registry details, rent agreed, lease term, etc.) for each of the branches and buildings currently included among Tree's assets.

The terms of the master lease agreement for the buildings and the master lease agreement for the branches have essentially the same general conditions. The two master lease agreements for the branches and the buildings, together with their respective addendum agreements and individual lease agreements are referred to in this Prospectus as the "**BBVA Lease Agreement**". The main terms and conditions of the BBVA Lease Agreement are the following:

- (a) *Term*: mandatory term of 30 years for the branches (24.5 years left) and of 20 years for the buildings (14.6 years left). The average lease term is 23 years. The tenant may renew up to three times for a five-year period each, with the maximum term being 45 years for the branches and 35 years for the buildings (with no mark-to-market).
- (b) *Payment of rent*: quarterly payment on the 15<sup>th</sup> day of the second month of each calendar quarter.
- (c) *Expenses*: both ordinary expenses (community expenses, property tax, local taxes, insurance, utilities and ordinary maintenance) and extraordinary expenses (community contributions and extraordinary expenses) will be borne by the tenant. Notwithstanding the foregoing, extraordinary maintenance expenses made during the last five years of the lease term shall be shared pro-rata between Tree and BBVA in the event that the estimated life of such expenses exceeds the term of the lease.
- (d) *Insurance*: BBVA is required to enter into insurance policies where Tree shall be the beneficiary thereof to cover potential damages and the potential loss of two years of rent.
- (e) *Rent step-up*: to be updated on the first day of January of each year during which the BBVA Lease Agreement is in force. During the first eight-year term of the BBVA Lease Agreement, the rent will be indexed at 1.85 times the positive variation of the annual HICP. From the ninth year onwards, the rents will be updated annually at 1.5 times the positive variation of the HICP until the end of the term of the BBVA Lease Agreement (including any extension of the initial term executed by the tenant).

- (f) *Sublease and assignment*: the tenant may sublease or assign the properties but if any property is assigned, a joint and several guarantee of BBVA is required.
- (g) *Substitution*: BBVA has the right to substitute a branch that is to be closed for business, subject to a time limit of the remaining mandatory lease term and subject to a maximum number of substitutions per annum of 1% (in terms of rent) of Tree's initial assets and up to a maximum of 27% (in terms of rent) minus the unilateral terminations (as described below). BBVA will assume the substitution costs, and, if applicable, any market value differences. The new properties will maintain the same lease terms and conditions as the substituted properties (i.e., same rent and same lease term). The substitution right also applies to buildings between the 10<sup>th</sup> year of the lease until the end of the 20<sup>th</sup> year, but the rent limitations mentioned for branches do not apply.
- (h) *Unilateral termination*: BBVA has the right to unilaterally terminate the leases in respect of the branches up to a maximum of 6% (in terms of rent) of Tree's initial assets. This maximum percentage of 6% (in terms of rent) is limited to 0.5% per year and it cannot exceed, together with the number of substitutions (during the mandatory lease term), 27% (in terms of rent) of the assets. This right can only be exercised between the 12<sup>th</sup> and 24<sup>th</sup> year from the date of execution of the BBVA Lease Agreement. If BBVA unilaterally terminates the leases the lessor has the right to receive, at its choice, (i) two years of rent or (ii) the net present value of the pending rents corresponding to the mandatory lease term (discounted at a rate of 5.5% and assuming no inflation for the pending rents). In the latter case, BBVA will be entitled to the usufruct of the relevant property. This right is only applicable to the branches.
- (i) *BBVA's purchase option*: BBVA has the right to exercise a purchase option at market price for the branches and for the buildings in the 45<sup>th</sup> year and the 35<sup>th</sup> year, respectively, provided that the three five-year renewals have been exercised by BBVA.
- (j) *Sales and pre-emptive right*: Tree may freely sell any property subject to a pre-emptive right conferred on BBVA. This requires Tree to notify BBVA of its intention to sell any property and entitles BBVA to acquire the properties within a specific term. This pre-emptive right comprises both direct and indirect sales (such as the sale of the shares of Tree). In addition, properties are not to be sold to BBVA's competitors or restricted purchasers (due to, among other factors, anti-money laundering, compliance and know your client tests).

In light of the terms of the BBVA Lease Agreement, the Company believes that Tree has great visibility as to its future recurrent income derived from such leasing activity. Additionally and as further explained below, the Company believes Tree holds suitable hedging instruments in order to cover any fluctuation risks related to rental income until September 2017.

### 3.4 The Tenant

BBVA is a Spanish financial multinational group founded in 1857 which provides a full range of financial and non-financial products and services across 31 countries and to 51 million customers throughout the world. BBVA's market capitalisation as at 31 March 2015 was €58,564 million.

The Company believes that BBVA is one of the leading Spanish financial institutions. It also has important franchises in South America, is the main financial institution in Mexico and one of the 15 largest banks in the United States, where it has a leading franchise in the Sunbelt region. BBVA also has a relevant presence in Turkey and operates an extensive branch network worldwide.

As of 31 March 2015, BBVA employed approximately 108,884 people worldwide and had around one million shareholders.

As at 31 March 2015, BBVA had €672,598 million in assets and €52,366 million in total equity, with a core capital of 12.7% and a tier I capital of 12.7%, with long-term ratings of A- with stable outlook (Fitch, May 2014), Baa1 with stable outlook (Moody's, June 2015) and BBB with stable outlook (Standard and Poor's, February 2015).

Information with respect to BBVA in this Prospectus has been taken from publicly available sources and has not been independently verified.

### 3.5 Tree Facility Agreement

#### *Senior Facility Agreement*

On 23 September 2009, a syndicate of financing entities, as lenders, and Tree, as borrower, entered into a senior facility agreement, governed by Spanish law, for a maximum amount of €1,139,002,613, to finance part of the acquisition price of the real estate assets acquired from BBVA and the payment of any related fees and expenses (as amended and restated on 29 July 2010, 25 March 2014 and 23 December 2014, the "*Senior Facility Agreement*"). The total amount of the Senior Facility Agreement as of 31 December 2014 was €939,755,725 and it matures on 27 September 2024 (the "*Termination Date*")

After the amendment of the Senior Facility Agreement on 23 December 2014, Tree significantly increased the recurrent cash flow of the Company as follows:

- the average of the annual interest rate (after hedging) of the Company has been reduced from 6.1% to 4.1% until



September 2017, and to 2.7% from September 2017 until the Termination Date. Total annual interest costs has been reduced from €59.7 million in 2014 to approximately €42.1 million expected for 2015; and

- annual repayment schedule is now set at 1% of the outstanding principal amount for the first four years. This means that the total amount to be repaid in 2015 is up to €9.4 million (as compared to €50.3 million repaid in 2014).

As of 31 March 2015, the total outstanding amounts, expenses and short-term and long-term repayment instalments are as follows:

<b>Senior Facility Agreement (as of 31 March 2015)</b>					
<b>(€ thousand)</b>					
<b>Principal amount</b>	<b>Debt arrangement expenses</b>	<b>Withdrawn amounts</b>		<b>Total withdrawn amount</b>	<b>Short-term interest</b>
		<b>Long term</b>	<b>Short term</b>		
937,406	(23,673)	928,009	9,398	937,407	1,538

The applicable interest rate under the Senior Facility Agreement is three-month Euribor plus a margin of 1.75%. The interest accrued after taking into account the hedging arrangements was recorded under the “Financial Expenses” line item in Tree’s profit and loss account.

The Senior Facility Agreement includes repayment instalments paid quarterly for the total annual amounts set out below, expressed as a percentage of the total commitments.

<b>Each year</b>	<b>Repayment total amount</b>
2015	1.00%
2016	1.00%
2017	1.00%
2018	1.00%
2019	1.25%
2020	1.25%
2021	1.25%
2022	1.50%
2023	1.50%
2024 (until August IPD)	1.13%
Termination Date	Any outstanding balance

#### *Covenants of the Senior Facility Agreement*

As at the date of this Prospectus, Tree is not in breach of any of the covenants under the Senior Facility Agreement. The main financial covenants under the Senior Facility Agreement are the following:

##### *I. ICR*

The Interest Coverage Ratio (“**ICR**”) at each interest payment date and in respect of the previous 12 months must not be less than 1.5x (as at 31 December 2014 the ICR was 2.3x).

##### *II. LTV*

The loan to value ratio (“**LTV Ratio**”), tested annually on the basis of the annual updated valuation, is higher than 75% (as at 31 December 2014, the LTV was 56.3%).

The Senior Facility Agreement provides certain mechanisms to cure a breach of the ICR or the LTV, including (i) the lock up of certain amount of cash available to distribute dividends (excluding, among others, those dividends to be distributed

mandatorily); and (ii) in respect of the LTV a second valuation to be delivered within a period of 9 months plus an additional cure period of 3 months if the LTV is not cured after the second valuation.

### III. BBVA Rating

If BBVA's long-term credit rating falls below a rating of (i) BBB- under Standard & Poor's rating and (ii) Baa3 under Moody's rating, Tree must apply towards prepayment of the Senior Facility Agreement the following percentage of any excess cash after deducting the debt service and any mandatory distributions to be made by Tree to comply with the SOCIMI regime (the "*Excess Cash*"):

Financial Year Ending	% of Excess Cash
December 2015	25%
December 2016	
December 2017	
December 2018	50%
December 2019	
December 2020	
December 2021	60%
December 2022	
December 2023	
December 2024	

As of the date of this Prospectus, BBVA's latest long-term rating is BBB with stable outlook (Standard and Poors, February 2015) and Baa1 with stable outlook (Moody's, June 2015).

### *Mandatory prepayment in case of sales*

The net sales proceeds received by Tree in connection with the sale, transfer or other disposal of any properties shall be deposited into the bank account identified in the Senior Facility Agreement as the "Deposit Account" and, on the next interest payment date under the Senior Facility Agreement, a certain amount of the net sales proceeds outstanding under the Deposit Account shall be applied towards prepayment or payment (as the case may be) *pari passu* of: (i) the amounts due under the Senior Facility Agreement; and (ii) any mark to market payments as a result of termination or closing out due but unpaid under a Hedging Agreement.

### *Security Package*

In order to secure the obligations assumed by Tree under the Senior Facility Agreement and the Hedging Agreements, Tree granted the following security interests on 25 September 2009 (as amended extended and ratified, amongst others, on 29 July 2010, on 25 March 2014, on 30 December 2014 and on 21 January 2015 the "*Security Package*"):

- first and second ranking mortgage over the properties in favour of the lenders under the Senior Facility Agreement;
- pledge without displacement over the surplus to which Tree may be entitled as a result and after full enforcement of the mortgages listed off in paragraph (i) above, to secure the obligations under the Hedging Agreements;
- first ranking pledge over the credit rights deriving from sale and purchase deeds and bank accounts, to secure the obligations under the Senior Facility Agreement and the Hedging Agreements;
- first ranking pledges without displacement over credit rights deriving from lease agreements, to secure the obligations under the Senior Facility Agreement and the Hedging Agreements;
- first ranking pledges without displacement over credit rights deriving from insurance policy, to secure the obligations under the Senior Facility Agreement and the Hedging Agreements; and
- English law assignment by way of security granted by Tree over any credit rights deriving from the Hedging Agreements, to secure the obligations under the Senior Facility Agreements and the Hedging Agreements.

### *Debt arrangement expenses*

Tree paid certain arrangement fees and expenses under the Senior Facility Agreement at the time it entered into such Senior Facility Agreement. As at 31 March 2015, Tree was pending the amortisation of €23.7 million in debt arrangement expenses as a result of amounts due under the Senior Facility Agreement. In accordance with applicable accounting legislation, these expenses must be directly assigned to the income statement of each year. During year 2014, Tree assigned

€4.3 million under the “Financial expenses” account of the income statement.

### **Hedging Agreements**

With the purpose of eliminating any risk associated with the evolution of the interest rates and the potential negative impact on the cost of the Senior Facility Agreement, Tree and certain lenders under the Senior Facility Agreement entered into interest hedging agreements on 25 September 2009, 29 July 2010 and 8 January 2015 (the “**Interest Hedging Agreements**”).

Certain of the Interest Hedging Agreements have a term expiring in September 2017 with the rest expiring on the Termination Date of the Senior Facility Agreement. As a result, the financial cost will be fixed until September 2024. Until September 2017 the financial cost will be fixed at 2.41% plus the applicable margin of 175 bps (aggregate rate of 4.16%) for the Senior Facility Agreement, and from September 2017 to September 2024 it will be fixed at 0.96% plus the 175 bps applicable margin (aggregate rate of 2.71%).

Likewise, and with the purpose of eliminating any risk associated with the evolution of the HICP (which is the parameter used for the indexation of the rent under the lease agreement with BBVA), Tree and certain lenders under the Senior Facility Agreement entered into inflation hedging agreements on 23 September 2009 (the “**Inflation Hedging Agreements**” and together with the Interest Hedging Agreements, the “**Hedging Agreements**”).

The termination date of the Inflation Hedging Agreements is 23 September 2017. The Inflation Hedging Agreements fix the annual review of the rent at a rate of 3.34% (including the multiplier) until September 2017.

### **4. MERLIN RETAIL**

On 31 July 2014, the Group acquired, through MERLIN Retail, the Marineda shopping centre and an adjacent hotel for a purchase price of €260.0 million (“**Marineda**”). The Group is focused on the active management of this Asset: every year the Group defines a business plan and approves the shopping centre budget, every three months it approves the marketing and communication strategy, defines and follows up on one-off capex plans, as well as carrying out weekly functions such as monitoring Marineda’s key performance indicators (e.g., sales, footfall, effort rates) creating and managing the leasing strategy (i.e, tenant mix, terms of the lease contracts), dealing with tenants’ lease incentives requests, debt negotiations and legal procedure as well as managing the accountancy aspects of the business.

Marineda is the leading shopping complex in Galicia and the second largest in Spain. Opened in 2011, as part of the “Marineda City” shopping and leisure complex, the entire complex has a built area of more than 500,000 sqm and a GLA of approximately 196,000 sqm. The complex, which received 15.1 million visitors in 2014, has 6,000 parking spaces.

The Marineda shopping centre is located just 6.6 km from the city centre of A Coruña and boasts excellent connections with both the city center and adjacent municipalities. The centre’s catchment area covers a population of almost 2,800,000 people. The centre has 100,378 sqm of GLA and an attractive and balanced retail mix which includes well-known operators such as the Inditex Group brands, Primark, H&M, C&A, Decathlon, Bricor, Media Markt and Worten. El Corte Inglés and IKEA’s company-owned stores also form part of the Marineda City shopping and leisure complex.

#### **MERLIN Retail KPIs (as at 31 March 2015)**

Acquisition price of the asset (€ million)	267
Assets debt outstanding as of the date of purchase (€ million)	0
Equity disbursement (€ million)	267
Debt to acquisition price of asset	0%
Appraisal value (€ million)	281
Annualised Gross Rent 2015 (€ million) <sup>(1)</sup>	18.68
Annualised Net Rent 2015 (€ million) <sup>(2)</sup>	17.39
EPRA Gross Yield <sup>(3)</sup>	6.65%
EPRA Topped-up Initial Yield <sup>(4)</sup>	6.19%
Total GLA (sqm)	106,276
Occupancy rate	89.3%
WAULT by rents (years) <sup>(5)</sup>	3.1

Notes:

(1) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present)

(2) Calculated as annualised Gross rent minus non-recoverable service charges.

(3) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 March 2015, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract.

On 19 February 2015, MERLIN Retail signed the Marineda Facility Agreement, a €133.6 million ten-year ban facility agreement with several loans entered into with certain entities belonging to the Allianz group, with mortgage security on Marineda generating an LTV of 47.5%. This loan accrues a fixed interest rate of 2.66% with no annual amortisation requirement and full repayment of principal upon maturity. The Group signed the Marineda Facility Agreement as part of its capital management policy, allowing it to borrow money for future acquisitions whilst maintaining a stable gearing. The covenants included in this facility agreement are market practice and as the date of this Prospectus are being met by the Company.

In order to secure the obligations assumed by MERLIN Retail under the Marineda Facility Agreement, MERLIN Retail granted the following securities: (i) first ranking mortgages over the shopping centre and the adjacent hotel in favour of the lenders under the Marineda Facility Agreement; (ii) first ranking pledge over rights and claims under (a) lease/rental agreements; (b) insurance policies; (c) sale and purchase agreements; (d) property and asset management contracts and (e) co-ownership agreements, in favour of the lenders under the Marineda Facility Agreement; and (iii) first ranking pledge over bank accounts in favour of the lenders under the Marineda Facility Agreement.

## 5. MERLIN OFICINAS

As at 31 March 2015, MERLIN Oficinas owned and operated eight office buildings, located in Madrid and Barcelona, with a GLA of 72,567,6 sqm. Five buildings are located in the Madrid A-1 corridor, and are leased to, among others, Vestas, Philips and Neoris. Two buildings are located in the World Trade Center Almeda Park business park, in Barcelona, leased to tenants including Axa, Sharp and Panasonic. One building is located in Madrid, at Alcalá 38-40 and is fully leased to the Home Office. As at 31 March 2015, the occupancy rate was 81.6%.

### MERLIN OFICINAS KPIs (as at 31 March 2015)

Acquisition price of the assets (€ million)	256
Assets debt outstanding as of the date of purchase (€ million)	21
Equity disbursement (€ million)	235
Debt to acquisition price of assets	8.2%
Appraisal value (€ million)	255
Annualised Gross Rent 2015 (€ million) <sup>(1)</sup>	17.11
Annualised Net Rent 2015 (€ million) <sup>(2)</sup>	16.08
EPRA Gross Yield <sup>(3)</sup>	6.71%
EPRA Topped-up Initial Yield <sup>(4)</sup>	6.31%
Total GLA (sqm)	72,567.6
Occupancy rate	81.6%
WAULT by rents (years) <sup>(5)</sup>	3.2

Notes:

(1) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present)

(2) Calculated as annualised Gross rent minus non-recoverable service charges.

(3) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 March 2015, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract.

## 5.1 Madrid A1 Office

On 2 October 2014, the Group purchased, through MERLIN Oficinas, 5 office buildings located in Madrid for a total amount of €130.0 million ("*Madrid A1 Office*").

The Madrid A1 Office has a total GLA of 34,175 sqm and is comprised of 5 office buildings, one with total GLA of 10,856 sqm and 281 parking places fully let to Vestas, an office complex with 3 buildings with total GLA of 17,139 sqm and 392 parking places, let to Philips and Neoris, and a building available for letting with a total GLA of 6,180 sqm and 98 parking places.

All the properties are built to the highest standards and are highly visible from the A1 highway, very close to Plaza de Castilla.

On 7 October 2014, MERLIN Oficinas signed the Madrid A1 Office Facility Agreement the Madrid A1 Office Facility Agreement, a €70 million ten-year loan facility with Banco Santander generating an LTV of 53.4% on that asset. The Madrid A1 Office Facility Agreement accrues an annual interest of three-month Euribor plus a margin of 1.85%. The Group has hedged 90% of the interest rate exposure on the Madrid A1 Office Facility Agreement at an all-in interest cost of 2.5% with an arrangement fee of 0.6% and annual amortisation of 1.4% per year. The covenants included in this facility agreement are market practice and as the date of this Prospectus are being met by the Company.

In order to secure the obligations assumed by MERLIN Oficinas under the Madrid A1 Office Facility Agreement, MERLIN Oficinas granted the following securities: (i) mortgages over the buildings comprising the Madrid A1 Office in favour of the lender under the Madrid A1 Office Facility Agreement; (ii) pledge without displacement over the credit rights deriving from the lease agreements; (iii) pledge without displacement over the credit rights deriving from the insurance policy agreements; and (iv) pledge over credit rights deriving from bank account in favour of the lender under the Madrid A1 Office Facility Agreement.

The debt repayment schedule for the Madrid A-1 Facility Agreement is detailed below.

Repayment	
Dates	Repayment Instalment
2015	1.43%
2016	1.43%
2017	1.43%
2018	1.43%
2019	1.43%
2020	1.43%
2021	1.43%
Termination Date	Any outstanding balance

## 5.2 World Trade Center Almeda Park 6&8

On 13 August 2014, the Group, through MERLIN Oficinas, purchased an office building located in World Trade Center Almeda Park business center ("*WTCAP 6*"), for a total amount of €46.8 million. On 10 December 2014, MERLIN Oficinas acquired a second building in World Trade Center Almeda Park ("*WTCAP 8*") for an amount of €36.5 million.

Both assets enjoy twin shape, lay-out and specifications, being efficient and class-A properties. The aggregate GLA is 29,078 sqm, distributed over a ground floor and four upper levels. The buildings are also equipped with 460 parking spaces and over 1,700 sqm of storage space. WTCAP 6 is fully let out with long-term lease contracts to blue chip multinationals such as Axa Seguros, Sharp Electronics and Eclipse Support, while WTCAP 8 is partially let to multinational companies such as Panasonic, Technip and Colt Telecom, for a combined occupancy rate of 85.8%.

The properties are located in Cornellá de Llobregat (Barcelona) and form part of the well-established WTCAP business park, which is made up of 7 office buildings with a total surface area of approximately 90,000 sqm. This strategic location, just 15 minutes from the centre of Barcelona and 10 minutes from the city's airport, coupled with its excellent connections (Ronda Litoral, Ronda de Dalt and A-2 roads) has attracted well-known multinational companies such as Luxottica, Revlon, Alstom, Panasonic and Schweppes to this business park.

On 13 March 2015, MERLIN Oficinas signed the WTCAP 6 Facility Agreement, a €22.84 million nine-year loan facility with Deutsche Pfandbriefbank, with mortgage security on WTCAP 6, generating an LTV of 48.1%. This loan accrues a fixed

interest rate of 2.408% with annual amortisation of 0.5% per year, and an arrangement fee of 1.0%. The covenants included in this facility agreement are market practice and as the date of this Prospectus are being met by the Company.

In order to secure the obligations assumed by MERLIN Oficinas under the WTCAP 6 Facility Agreement, MERLIN Oficinas granted the following securities: (i) mortgage over the WTCAP 6; (ii) pledge over credit rights deriving from (a) lease agreements, (b) insurance policy, (c) defects insurance and (d) sale and purchase agreement and (iii) pledge over credit rights deriving from bank accounts.

### 5.3 Alcalá 38-40

On 26 March 2015, the Group acquired, through MERLIN Oficinas, an office building located in the heart of Madrid, at calle Alcalá 38-40 (“**Alcalá 38-40**”), for a purchase price of €38.1 million. The building is located at the junction of the streets of Alcalá and Gran Vía, in an area known for its high density and retail concentration. This area is currently undergoing a redevelopment alongside the Canalejas project, which is taking place at the site of the former Banco Santander headquarters. The building has a GLA of 9,315 sqm, and is fully let to the Home Office, until 31 December 2016, with a renewal option for one additional year. The building has been acquired for a price of €381 million, of which €17.1 million have been funded with cash and the remaining €21 million is the outstanding principal amount of the Alcalá Facility Agreement, which MERLIN Oficinas has subrogated.

On 26 March 2015, MERLIN Oficinas subrogated and restated a €21.0 million fifteen year-loan facility with CaixaBank, with mortgage security on the Alcalá building (LTV of 55.0%), and subrogation fee of 0.75% (the “**Alcalá Facility Agreement**”). The cost of this loan is 3-month Euribor plus 150 basis points. The loan has a 4-year grace period on principal amortisation and full repayment of principal from year 5 until maturity. The covenants included in this facility agreement are market practice and as the date of this Prospectus are being met by the Company.

Please refer to section 4.5 of Part XVI (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”) for information on the acquisition made by MERLIN Oficinas after 31 March 2015.

## 6. MERLIN LOGISTICA

As at 31 March 2015, MERLIN Logística owned and operated five logistics facilities, located in Vitoria, Madrid, Valencia and Zaragoza, leased to tenants such as Norbert Dentressangle, Transportes Souto, Ford, Imaginarium and Azkar, with a GLA of 164,825.6 sqm and an occupancy rate of 100%.

### MERLIN LOGISTICA KPIs (as at 31 March 2015)

Acquisition price of the assets (€ million)	86
Assets debt outstanding as of the date of purchase (€ million)	0
Equity disbursement (€ million)	86
Debt to acquisition price of assets	0%
Appraisal Value (€ million)	85.5
Annualised Gross Rent 2015 (€ million) <sup>(1)</sup>	7.41
Annualised Net Rent 2015 (€ million) <sup>(2)</sup>	7.37
EPRA Gross Yield <sup>(3)</sup>	8.66%
EPRA Topped-up Initial Yield <sup>(4)</sup>	8.63%
Total GLA (sqm)	164,825.6
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	8.3

*Notes:*

(1) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

(2) Calculated as annualised Gross rent minus non-recoverable service charges.

(3) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 March

2013, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract.

### **6.1 Vitoria – Júndiz**

On 30 December 2014, the Group, through MERLIN Logística, purchased a logistics warehouse in Vitoria, for a total amount of €28.6 million.

On a plot of 107,183 sqm, the constructed area of the property is 72,717 sqm, and is fully leased on a long-term basis to Norbert Dentressangle, one of the leading international logistics operators. The property benefits from the highest logistics standards including 33 sheltered loading docks.

The property is located between the Ali Gobeo and Júndiz industrial parks. Ali Gobeo is notable for the presence of the 650,000 sqm Mercedes Benz factory, and Júndiz is in a well-positioned location, at the crossroads of national highways A68/A-1/N-1 and N-240, which make it an attractive location for logistics. Over 500 companies are located in Júndiz, including the Spanish Postal Service, DHL, DB Schenker, Azkar, ADIF, and Eroski.

### **6.2 Madrid – Getafe**

On 12 December 2014, the Group, through MERLIN Logística, purchased a logistics warehouse in Getafe, for a total amount of €12.8 million.

This asset, built in 2000 following the highest standards for logistics facilities, has a GLA of 16,242 sqm and is fully leased on a long-term basis to Transportes Souto, one of the leading logistics operators in the Spanish market.

The property is located in the industrial area known as CLA Getafe, one of the top logistics areas in South Madrid (15 kilometers from Madrid center), which boasts excellent access to the A-4, M-50, R-4 and A-42 roads.

### **6.3 Valencia – Almussafes**

On 30 September 2014, the Group, through MERLIN Logística, purchased a logistics warehouse in Almussafes, for a total amount of €12.2 million.

The asset, built in 2008 with the highest standards for logistics facilities, has a GLA of 26,613 sqm and is 100% leased to blue chip tenants such as Ford, Johnson Controls and Truck & Wheel. The property is located in the Sollana industrial area of the town of Almussafes (22 km from Valencia) and boasts excellent access to the AP-7, A-7 and V-31 roads. This industrial hub has successfully grown around Ford's main manufacturing facility in Spain, housing major operators serving the automobile industry.

### **6.4 Zaragoza – Plaza**

On 5 August 2014, the Group, through MERLIN Logística, purchased the logistic center and headquarters of Imaginarium, for a total amount of €10.8 million.

The asset comprises three buildings (two for logistic and storage use and one for office use), leased on a long-term basis, to Imaginarium, a leading brand in the educational toys sector, present in over 28 countries around the world. The asset benefits from approximately 15,000 sqm of unused buildability.

With a GLA of 20,764 sqm, the property is located in Zaragoza, in the consolidated Logistics Platform of Zaragoza ("**PLAZA**"), one of the largest logistics premises in Spain, with an area of over 13 million sqm. The strategic location and excellent communications, by road, rail and plane, make PLAZA an appealing location for renowned international companies such as Inditex, DHL, Azkar and Balay.

### **6.5 Madrid-Coslada**

On 27 March 2015, the Group acquired, through MERLIN Logística, a logistics warehouse located in Madrid, in the Logistics Transport Centre in Coslada ("**Madrid-Coslada**"), a consolidated logistics area, known for its good connection to the A-2 highway and proximity to Madrid (18 kms.) and the airport (7 kms.), for a purchase price of €9.81 million (fully funded with cash). The acquired asset has a GLA of 28,490 sqm and is fully let to Azkar (a subsidiary of Dachser, one of the leading logistics operators in Europe) under a 5-year unexpired lease contract.

Please refer to section 4.5 of Part XVI ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*") for information on the acquisition made by MERLIN Logística after 31 March 2015.

PART XV: COMPANY'S VALUATION REPORT



## PART XVI: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective Investors should read this "Management's Discussion and Analysis of Financial Condition and Results of Operations" in conjunction with "Presentation of Financial Information", "Industry Overview" and "Selected Financial Information on the Group". The following discussion and analysis of the Group's financial condition and results of operations is based on, and should be read in conjunction with, the Consolidated Financial Statements which are included elsewhere in this Prospectus. All financial information is taken or derived from such Consolidated Financial Statements, unless otherwise indicated.*

*The Audited Consolidated Financial Statements referred to in this discussion have been prepared in accordance with IFRS EU. Prospective investors should read the entire Prospectus and not just rely on the summary information set out below.*

*The following discussion of the Group's results of operations and financial condition contains forward-looking statements. The Group's actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under "Risk Factors" and "Forward-Looking Statements". In addition, certain industry issues also affect the Group's results of operations and are described in "Industry Overview".*

### 1. PRESENTATION OF FINANCIAL INFORMATION

#### ***Audited Consolidated Financial Statements of the Company***

This Prospectus contains the Company's Audited Consolidated Financial Statements for the period of nine months and seven days ended 31 December 2014 prepared in accordance with IFRS-EU and the Unaudited Interim Condensed Consolidated Financial Statements of the Company for the three month period ended 31 March 2015 prepared in accordance with IAS 34 on "interim financial reporting"(the "***Consolidated Financial Statements***").

Since the accounting policies and measurement bases used in preparing the Consolidated Financial Statements may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify such policies and bases and to make them compliant with the IFRS-EU.

In order to ensure the uniform presentation of the various items composing the Consolidated Financial Statements, the accounting policies and measurement bases used by the Company were applied to all the companies included in the scope of consolidation.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 5 to the Consolidated Financial Statements.

### 2. OVERVIEW

The Company is a Spanish real estate company and the largest Spanish REIT listed on the Spanish Stock Exchanges in terms of market capitalisation as at 31 March 2015. The principal activity of the Company is the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments, such as offices, retail, logistics and prime urban hospitality primarily in Spain, and to a lesser extent, in Portugal. The Company aims to generate returns to Shareholders through the distribution of a cash-on-cash dividend and the value enhancement of its Assets.

The Company's shares were admitted to the regulated market of the Spanish Stock Exchanges and to trading through the SIBE of the Spanish Stock Exchanges on 30 June 2014. The Company raised net proceeds of €1,292 million in the Initial Offering and an additional €614 million in the MayCapital Increase, of which, at the date of this Prospectus, 100% are fully invested or committed in the Assets. The Company's consolidated EPRA NAV at 31 March 2015 was €1,367 million, equating to €10.58 per Existing Ordinary Share.

As at 31 March 2015, the Assets consisted of real estate assets with an aggregate GLA of 716,826 sqm, namely Tree's assets, Marineda, the Madrid A1 Office, WTCAP 6 & 8, Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes, Madrid-Coslada, Zaragoza-Plaza and Alcalá 38-40. The Assets are held by four wholly-owned subsidiaries of the Company — Tree, MERLIN Retail, MERLIN Oficinas and MERLIN Logistica. Further details of the Assets are set out in Part XIV ("*The Assets*").

### 3. FACTORS AFFECTING RESULTS OF OPERATIONS

#### **3.1 Rental activities and rental rates**

The amount of rental income generated by the Group's real estate assets depends principally on the Group's ability to maintain the occupancy rates of currently leased space and to lease currently available, newly developed, redeveloped or acquired space and space available from unscheduled lease terminations and its ability to maintain or increase rental rates. To the extent the occupancy rates at the Group's properties were to decrease, whether due to a decrease in demand for commercial or rented residential real estate or due to certain of the Group's properties being unavailable for occupancy for a period of time (due to required maintenance, redevelopment or other reasons), this could cause a reduction in the Group's rental income. Conversely, an increase in occupancy rates would generally have a positive impact on the Group's rental income (subject to stability in other factors such as the total number of real estate assets owned by the Group and rental rates).

Both occupancy/vacancy levels and the rental rates achievable by the Group on the real estate assets it currently owns and operates will be heavily influenced by economic conditions in Europe and, in particular, the Spanish real estate market. To the extent the Group acquires real estate assets in Portugal, economic conditions in the Portuguese real estate market will also be relevant. See “—3.4 Economic and Real Estate Market Conditions” below.

### **3.2 Size and Composition of the Group’s Assets**

The Group acquired its first real estate assets in July 2014. The Group’s revenue depends significantly on the number of real estate assets owned by the Group, as well as the type and quality of such real estate assets. In respect of lettable real estate assets, the rental rates receivable by the Group on a particular asset will depend on a number of factors, including the asset’s size, location, surrounding area, use and condition. Real estate assets of a higher quality or in premium locations generally command higher acquisition prices but also achieve higher rental rates when leased to tenants. Additionally, assets which represent redevelopment opportunities generally command relatively lower acquisition costs but require additional costs in respect of redevelopment, after which the Group would typically expect rental rates on such assets to increase. The growth of the Group’s business going forward will depend significantly on the Group’s ability to identify and acquire suitable real estate assets that fit the Business Strategy and will contribute additional rental or other income to the Group without incurring disproportionate costs.

### **3.3 Property Values and Valuation**

The value of the real estate assets that comprise the Group’s Assets has a significant effect on the Group’s financial performance, both in terms of the valuation of the Group’s real estate assets reflected in the Group’s financial statements and the prices the Group will be able to achieve upon the sale of any real estate assets. In relation to the Group’s financial statements, the NAV attributable to the Ordinary Shares will be based on the most recent valuations of the Group’s assets, valued as at 30 June and 31 December of each year.

The consolidated EPRA NAV of the Company is based on the most recent valuation of the Group’s real estate assets on a consolidated basis, and is calculated in accordance with IFRS-EU. Valuations of the Group’s consolidated real estate assets are made (i) as at 30 June of each year through an external desktop valuation (i.e. a limited valuation which does not involve a physical inspection of the properties and which is intended to update the previous 31 December valuation incorporating significant changes that may have taken place in market conditions and/or within the relevant assets (i.e. leases, capital expenditures, acquisitions or legal liabilities)) and (ii) as at 31 December of each year through a physical valuation, in each case performed by a suitably qualified RICS-accredited appraiser to be appointed by the Audit and Control Committee.

The Group engages external, independent valuers to value the Group’s real estate assets at each reporting date, in accordance with the RICS Valuation Standards. However, real estate valuation is inherently subjective, in part because all real estate valuations are made on the basis of assumptions which may not prove to be accurate and in part because of the individual nature of each real estate asset.

The Group may seek to dispose of real estate assets from time to time. The price which the Group will be able to realise upon the sale of any real estate asset will depend on, amongst other things, market conditions at the time of the sale and may not always correspond with the most recent valuation of such asset. The price achieved by the Group upon the sale of an asset will affect both the Group’s income during the financial reporting period in which the asset is sold and the amount of proceeds the Group has available to re-deploy for subsequent investments.

### **3.4 Economic and Real Estate Market Conditions**

Real estate markets are cyclical in nature and are affected by the condition of the economy as a whole. The Group’s performance is subject to, among other things, the conditions of the commercial property market in Spain and, to a lesser extent, Portugal, which will affect both the value of any properties that the Group has acquired and will acquire and the rental income those properties yield.

Although the Spanish economy continues to face challenges, such as current high levels of sovereign debt, in 2014, Moodys’ upgraded Spain’s sovereign credit rating from Baa3 (stable) to Baa2 (positive) and Standard and Poor’s from BBB- to BBB. Such change reflects the measures introduced by the Spanish government to rebalance the Spanish economy towards a more sustainable growth model, the progress made in implementing broad structural reforms and the improvement in the government’s funding cost. Despite high unemployment rates and recovering private consumption levels, expected to grow by 3.4% in 2015 after years of falling (source: *IMF*), the Spanish financial markets have continued to strengthen in 2014-2015, with spreads on sovereign and bank bonds as of March 2015 decreasing by 70% since the IMF programme started in 2012 (source: *Bloomberg*). The real economy has also started to recover. According to INE, GDP at constant prices grew by 1.4% during 2014 — the first year of growth after two years of recession. According to the IMF, GDP at constant prices will grow by 2.5% and 2.0% in 2015 and 2016, respectively, and is expected to reach 1.7% growth in 2019. Unemployment rate also started to decline in 2014, although it remained at a high level of 24.4% at year-end (26.1% in 2013). According to the IMF, the unemployment rate is expected to decrease to 22.6% and 21.1% in 2015 and 2016, respectively (source: *IMF*).

There continue to be challenges for the Portuguese economy. Additional budgetary deficits, the process of implementation of structural reforms in the labour market and the pressure resulting from a higher tax burden on the disposable income of households and spending by businesses are among the most important ones. According to Eurostat, the Portuguese economy

recorded a current account balance surplus for seven consecutive quarters in 2013-2014. The Portuguese authorities continue to implement adjustment measures in order to effectively reduce the level of external debt, which is expected to be reduced through an increase in exports (which represented approximately 40% of GDP in the fourth quarter of 2014) in the coming years (source: *Eurostat*; *IMF*). According to the IMF, in April 2015, the short-term outlook for the Portuguese economy continued the positive trend. The economic activity and employment have turned out better than expected, supported by reduced economic uncertainty and benign market conditions in the region. The growth in GDP at constant prices is estimated to be 1.6% in 2015 and 1.2% in 2019. This is expected to support an increase in gross fixed investment activity and a lower unemployment rate, which reached 13.9% at the end of 2014 and which is expected to reduce to 11.2% in 2019. In addition, the Portuguese current account balance has evolved from a 12.6% deficit in 2008 to a 0.6% surplus in 2014 for the first time in several decades. The current account surplus is expected to reach 0.2% in 2019 (source: *IMF*).

The economies of Spain and Portugal started to show signs of recovery in 2013 and the recovery has gained momentum in 2014 with the majority of macroeconomic indicators posting signs of improvement. The collapse in oil prices in 2014 could drive down inflation with a knock-on impact on rents; however, this should be offset by a boost in economic growth. The weakened Euro has benefited the Spanish and Portuguese real estate markets by keeping European exports competitive and aiding the economic recovery. The precise impact of the weak Euro depends on how investors see the future evolution of the exchange rate. Long-term weakening on the euro could imply a requirement of higher returns and lower prices by dollar-based investors to offset exchange rate induced capital losses, and vice-versa. Lower interest rates are also helping to keep property yields down.

Current dynamics in property yields and capital values show an improvement in real estate. Average property yields of certain property types in the central business districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of first quarter 2015 of around 5.25% (-125 bps in Madrid and -150 bps in Barcelona) for high street retail in both cities, 4.75% (-150 bps) for Madrid offices, 4.90% (-135 bps) for Barcelona offices and 7.0% (-150 bps) for industrial logistics space in Madrid, although in this asset class, it is expected that yields will continue to harden as a result of demand pressure to at least 6.5% by the current year-end (source: *CBRE*). Capital values for these property types in Madrid have shown a similar trend and as of first quarter 2015 were of approximately €16,000/sqm, €6,442/sqm, and €857/sqm, respectively; a 29%, 33%, and 21% change when compared to their respective low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €17,142/sqm, €4,408/sqm and €993/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 28%, and 14%, respectively (source: *CBRE*).

The Portuguese property market has also shown signs of recovery since 2012. Property yields as of first quarter 2015 in the central business districts of Lisbon were of around 6.25% (-150 bps) for high street retail, 6.25% (-200 bps) for office and 7.50% (-200 bps) for industrial logistics space. Capital values have also shown signs of recovery at first quarter 2015 at €16,320/sqm, €3,552/sqm and €520/sqm, respectively representing an increase of 24%, 32% and 27%, respectively, since 2012 (source: *CBRE*).

In summary, values of high street retail, office and logistics properties in Madrid and Barcelona have suffered an important contraction since 2007, and despite a more favourable economic outlook and a general recovery in 2014, were 42%, 40%, 47% (in Madrid), and 14%, 40%, and 42% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of high street retail, office and logistics properties in Lisbon were 20%, 13% and 39% lower at Q1 2015 than compared to 2007 (source: *CBRE*).

#### 4. RESULTS OF OPERATIONS

##### 4.1 For the three month period ended 31 March 2015

###### *Income Statement*

During the first quarter of 2015 ended 31 March 2015, the Group recognised revenues (in terms of Gross Rental Income) of €32.2 million, an EBITDA (operating profit less negative goodwill on business combination plus depreciation and amortisation less gains on disposal of assets) of €29.7 million and a consolidated net profit of €19.6 million (€0.15 per Ordinary Share, taking into account the number of Ordinary Shares as at 31 March 2015).

The table below sets forth certain information in relation to the financial performance of the Group for the three month period ended 31 March 2015.

	<i>(€ million, unless indicated otherwise)</i>
	<i>(unaudited)</i>
Gross Rental Income	32.2
Net Rental Income	32.0
EBITDA	29.7
Net Profit for the Period	19.6

The table below sets forth the breakdown of the Group's revenues for the three month period ended 31 March 2015 by subsidiaries:

**Revenues by subsidiaries (unaudited)**

	<u>(€ million)</u>	<u>% of total</u>
Tree	22.3	69.5
MERLIN Retail	4.7	14.3
MERLIN Oficinas	3.7	11.5
MERLIN Logistica	1.5	4.7
<b>Total</b>	<b>32.2</b>	<b>100</b>

**Operating costs**

In compliance with the policy committed by the Company when it started trading on the Spanish Stock Exchanges, the Annual Total Overheads of the Company are set at the higher of (a) 6.0% of the Company's consolidated GRI and (b) 0.6% of the Company's consolidated EPRA NAV.

For purposes of calculating the Annual Total Overheads of the Company, excluded items are, among other things, financing expenses and fees associated with the financing of assets, flotation costs, transaction costs over acquired assets, taxes and facility management associated to assets, severance payments and/or any dismissal costs of employees and extraordinary expenses.

For the three month period ended 31 March 2015, total operating costs were €2.8 million, of which €767,000 are excluded from the overheads limitation. This amount includes (i) portfolio operating expenses not rechargeable to tenants and (ii) costs related to acquisitions and financing of assets.

Out of the total amount of the costs included within the limit of the annual overheads (€2.02 million) €1.58 million correspond to personnel costs and €437,000 to running costs of the Company, including variable remuneration.

The table below sets forth certain information in relation to the Group's operational costs for the three months ended 31 March 2015.

	<u>31/03/2015</u>	<u>Total</u>
	<u>(unaudited)</u>	<u>(%)</u>
Non-recoverable expenses on leased properties (€ million)	0.7	25,00%
Costs associated with asset acquisitions and financing (€ million)	0.1	3,57%
Non-capitalised costs associated with flotation and acquisition of Tree (€ million)	0.0	0,00%
<b>Total Costs excluded from the Overheads Limit (€ million)</b>	<b>0.8</b>	<b>28,57%</b>
Overheads (independent professional services, travel expenses, office rental, insurance and others) (€ million)	0.4	14,29%
Employee benefits expenses (€ million)	1.6 <sup>(1)</sup>	57,14%
<b>Total Costs included in Overheads Limit (€ million)</b>	<b>2.0</b>	<b>71,43%</b>
<b>Total Operating Costs (€ million)</b>	<b>2.8</b>	<b>100,00%</b>

Notes:

(1) Employee benefits expenses includes estimate of variable remuneration component.

For the three month period ended 31 March 2015, the total amount of personnel costs was €1.58 million, of which €582,000 corresponds to fixed remuneration, €982,000 corresponds to estimated variable remuneration and €56,000 corresponds to the Company's labour costs (social security).

Furthermore, the General Shareholders' Meeting of the Company has agreed to include in the remuneration policy of the Company an additional incentive of annual variable remuneration to the Management Team, to be determined by the

Remuneration and Nomination Committee, linked to the price of the Ordinary Shares which rewards the Management Team depending on the returns achieved by the Shareholders (see section 1.3 of Part XII (“*The Management Team*”) for further details).

**Statement of financial position**

The main financial figures of the statement of financial position as of 31 March 2015 and 31 December 2014 are as follows:

	<b>For the three months ended 31/03/2015 (unaudited)</b>
	<b>(€ million, unless indicated otherwise)</b>
Total assets	2,594.5
Total equity	1,303.9
Gross financial debt	1,186.9
Cash and short-term financial investments	274.2
Net financial debt	912.6

Long-term and short-term debt items include the Company’s financial debt, the market value of interest rate and inflation hedging contracts of the debt and other financial liabilities, arising from deposits and guarantees received, according to the following breakdown as of 31 March 2015:

	<b>Long-Term</b>	<b>Short-Term</b>	<b>Total</b>
Principal (€ thousand)	1,174,090	10,512	1,184,602
Interest (€ thousand)		2,251	2,215
<b>Gross Financial Debt</b> (€ thousand)	<b>1,174,090</b>	<b>12,763</b>	<b>1,186,853</b>
Cash and Short-term Financial Investments (€ thousand)			(274,234)
<b>Total Net Financial Debt</b> (€ thousand)			<b>912,619</b>
Cash and Short-term Financial Investments (€ thousand)			274,234
Arrangement Costs (€ thousand)	(28,468)		(28,468)
Market value of interest rate and inflation hedges (€ thousand)	74,661		74,661
Guarantees, deposits and other financial liabilities (€ thousand)	21,975		21,975
<b>Total</b>	<b>1,242,258</b>	<b>12,763</b>	<b>1,255,021</b>

The following table shows the maturities of the Company’s principal loans and borrowings as of 31 March 2015.

**Contractual obligations**

<b>(€ thousand)</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>More than 5 years</b>
Interest-bearing loans and borrowings	1,184,601	10,512	47,038	1,127,051

On 31 March 2015, the Company's gross financial debt of € 1,186.9 million, has the following characteristics:

- Average period of duration of the debt from 31 March 2015 until maturity: 9.2 years.
- Average cost of the debt from 31 March 2015 until 31 December 2017: 3.8%
- Average cost of the debt from 31 December 2017 until maturity: 2.7%.
- % of gross financial debt with interest rate hedged: 95.6%

As at 31 March 2015, the net financial debt of the Company was €912.6 million (calculated as gross financial debt less cash and short-term financial investments), which equates to 39.8% of the gross value of the Assets. The cash position and short-term financial investments of the Company were €2742 million. Please see section 8.3 of Part XI ("Information on the Group") for further details of the Group's hedging arrangements and details of the Senior Facility Agreement and the Madrid A1 Office Facility Agreement.

#### **EPRA Performance Metrics**

<b>Performance Measure</b>	<b>Definition</b>	<b>Reported as of 31/03/2015)</b>
EPRA Earnings	Recurring earnings from core operational activities	€22.1 million
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	€1,367.2 million <sup>(1)</sup>
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes	€1,280.9 million <sup>(2)</sup>
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	5.61%
EPRA "topped-up" NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.67%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	4.40%

Notes:

(1) Following the May Capital Increase, EPRA NAV amounted to €1,963 million.

(2) Following the May Capital Increase, EPRA NNNAV amounted to €1,876 million.

## **4.2 For the nine months and seven days ended 31 December 2014**

### **Income Statement**

During the period of nine months and seven days ended 31 December 2014 (the "**Period**"), the Group recognised revenues (in terms of Gross Rental Income) of €56.6 million, an EBITDA (operating profit less negative goodwill on business combination plus depreciation and amortisation less gains on disposal of assets) of €38.0 million and a consolidated net profit of €49.7 million (€0.38 per Ordinary Share, taking into account the number of Ordinary Shares as at 31 December 2014).

The table below sets forth certain information in relation to the financial performance of the Group for the Period.

	<b>(€ million, unless indicated otherwise)</b>
Gross Rental Income	56.6
Net Rental Income	54.0
EBITDA	38.0

Adjusted EBITDA <sup>(1)</sup>	50.5
Net Profit for the Period	49.7

Note:

(1) Adjusted EBITDA excludes IPO expenses, transaction costs associated with the acquisition of Tree and one-off financing costs

The table below sets forth the breakdown of the Group's revenues for the Period by subsidiaries:

<b>Revenues for the Period by subsidiaries</b>	
(€ million)	
Tree	44.2
MERLIN Retail	7.6
MERLIN Oficinas	3.9
MERLIN Logística	0.845
<b>Total</b>	<b>56.6</b>

### **Operating costs**

In compliance with the policy committed by the Company when it started trading on the Spanish Stock Exchanges, the Annual Total Overheads of the Company are set at the higher of (a) 6.0% of the Company's consolidated GRI and (b) 0.6% of the Company's consolidated EPRA NAV. As detailed in the chart below, for the period from Initial Admission to 31 December 2014, the resulting amounts were (a) €3.4 million and (b) €4.1 million, respectively. Based on the foregoing formula, (b) is applicable to determine the Annual Total Overheads for this financial year.

For purposes of calculating the Annual Total Overheads of the Company, excluded items are, among other things, financing expenses and fees associated with the financing of assets, flotation costs, transaction costs over acquired assets, taxes and facility management associated to assets, severance payments and/or any dismissal costs of employees and extraordinary expenses.

Total operating costs of the Company for the Period were €19.1 million, of which €15.0 million are excluded from the overheads limitation. This amount includes significant items incurred in the Period with non-recurring nature, such as (i) costs associated with the financing of the Madrid A1 Office and the financing of the acquisition of Tree, (ii) costs associated with the acquisition of Tree which have not been capitalised and (iii) costs associated with the Initial Offering which have not been accounted as negative reserves. Additionally, asset level operating costs non-rechargeable to tenants amounted to €2.6 million.

Out of the total amount of the costs included within the limit of the annual overheads (€4.1 million), €3.1 million correspond to personnel costs and €986,000 to running costs of the Group (including external consultants such as lawyers, auditors, advisers as well as the office rental cost, Spanish Stock Exchanges costs, travel and transaction costs related to projects not completed).

The table below sets forth certain information in relation to the Group's operational costs for the Period.

		<b>% Total</b>
Non-recoverable expenses on leased properties (€ million)	2.6	13.50%
Costs associated with asset acquisitions and financing (€ million)	11.8	61.60%
Non-capitalised costs cost associated with flotation and acquisition of Tree (€ million)	0.7	3.50%
<b>Total Costs excluded from the Overheads Limit (€ million)</b>	<b>15.0</b>	<b>78.60%</b>
Overheads (independent professional services, travel expenses, office rental, insurance and others) (€ million)	1.0	5.20%
Employee benefits expenses (€ million)	3.1	16.20%

		% Total
<b>Total Costs included in Overheads Limit (€ million)</b>	<b>4.1</b>	<b>21.40%</b>
<b>Total Operating Costs (€ million)</b>	<b>19.1</b>	<b>100%</b>

The total amount of personnel costs for the Period was €3.1 million, of which €1.1 million corresponds to fixed remuneration, €1.9 million corresponds to variable remuneration and €111,000 corresponds to the Company's labour costs (social security).

Furthermore, the Company has agreed to grant an additional incentive of annual variable remuneration to the Management Team, to be determined by the Remuneration and Nomination Committee, linked to the price of the Ordinary Shares which rewards the Management Team depending on the returns achieved by the Shareholders (see section 1.3 of Part XII ("*The Management Team*") for further details).

Based on the performance of the Group for the six-month period from Initial Admission until 31 December 2014 annualised, both of the key hurdles of the Management Stock Plan have been met by the Company, as detailed in the following chart:

(€ thousand)	Annualised
EPRA NAV beginning of the Period	1,292,120
EPRA NAV end of the Period	1,354,973
Variation in EPRA NAV	62,853
Dividends paid in the year	0
<b>Total Shareholder Return</b>	<b>62,853</b>
Total Shareholder Return in %	9.73%
Necessary return to shareholders to exceed the threshold of annualised return of 8% in 6 months	51,684
<b>Excess of 6 months annualised return of the shareholders at over 8% in annual terms</b>	<b>11,169</b>
Relevant High Watermark	1,292,120
EPRA NAV end of period + dividends paid	1,354,973
<b>High Watermark Outperformance</b>	<b>62,853</b>
<b>Key Hurdles Test:</b>	
Shareholder Return above 8%	YES
High Watermark Outperformance	YES
<b>Promote Calculation. It is the lower of the following:</b>	<b>Annualised</b>
10% of the Total Shareholder Return	6,285
20% of the excess return on Relevant High Watermark	12,570
<b>Applicable Stock Plan</b>	<b>6,285</b>



The Management Team elected to waive its rights to any payments under the Management Stock Plan for 2014 as they consider that most of the Shareholder Return was due to the increase in value of Tree, since the difference between the Savills valuation at the time of acquisition of €1,656 million and the enterprise value at the time of acquisition of €1,577 million amounted to €79 million, which had already crystallised at the time of the acquisition. The Management Team intends that the Management Stock Plan for 2015 will take into account the Shareholder Return over the valuations as at 31 December 2014. The Relevant High Watermark was reset to the EPRA NAV as at 31 December 2014 of €1,355 million instead of EPRA NAV as at the Initial Admission of €1,292 million.

### *Statement of financial position*

The main financial figures of the statement of financial position as of 31 December 2014 are as follows:

	<u>(€ million, unless indicated otherwise)</u>
Total assets	2,416.8
Total equity	1,308.7
Gross financial debt	1,010.2
Cash and short-term financial investments	152.8
Net financial debt	857.3

Long-term and short-term debt items include the Company's financial debt, the market value of interest rate and inflation hedging contracts of the debt and other financial liabilities, arising from deposits and guarantees received, according to the following breakdown:

	<u>Long-Term</u>	<u>Short-Term</u>	<u>Total</u>
Principal (€ thousand)	999,358	10,398	1,009,756
Interest (€ thousand)	0	411	411
<b>Gross Financial Debt</b> (€ thousand)	<b>999,358</b>	<b>10,809</b>	<b>1,010,167</b>
Cash and Short-term Financial Investments (€ thousand)			(152,840)
<b>Total Net Financial Debt</b> (€ thousand)			<b>857,327</b>
Cash and Short-term Financial Investments (€ thousand)			152,840
Arrangement Costs (€ thousand)	(25,423)		(25,423)
Market value of interest rate and inflation hedges (€ thousand)	53,407		53,407
Guarantees, deposits and other financial liabilities (€ thousand)	21,498	190	21,688
<b>Total</b>	<b>1,048,840</b>	<b>10,999</b>	<b>1,059,839</b>

On 31 December 2014, the Company's gross financial debt of €1,010.2 million, had the following characteristics:

- Average period of duration of the debt from 31 December 2014 until maturity: 9.1 years.
- Average cost of the debt from 31 December 2014 until 31 December 2017: 4.0%
- Average cost of the debt from 31 December 2017 until maturity: 2.7%.
- % of gross financial debt with interest rate hedged: 99.7%

As at 31 December 2014, the net financial debt of the Company was €857.3 million (calculated as gross financial debt less cash and short-term financial investments), which equates to 38.5% of the gross value of the Assets. The cash position and short-term financial investments of the Company were €152.8 million. Please see section 8.3 of Part XI (“*Information on the Group*”) for further details of the Group’s hedging arrangements and details of the Senior Facility Agreement and the Madrid A1 Office Facility Agreement.

### **EPRA Performance Metrics**

<b>Performance Measure</b>	<b>Definition</b>	<b>31/12/2014</b>
EPRA Earnings	Recurring earning from core operational activities.	€20,395 million
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	€1,354.9 million
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	€1,286.5 million
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	5.90%
EPRA “topped-up” NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.98%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	3.40%

## **5. RECENT DEVELOPMENTS**

The following section sets out the material events that have occurred from 31 March 2015 up to the date of this Prospectus.

### **5.1 May Capital Increase**

On 15 April 2015, the Board of Directors’ meeting of the Company agreed to increase the Company’s share capital, by issuing 64,605,999 new ordinary shares of €1 nominal value each and with a premium of €8.5 per share (the “**May Capital Increase**”), although orders were placed for shares for a total amount of 851,448,993 new shares (64,481,098 in the pre-emptive subscription period and 786,967,895 shares in the additional shares allocation period), resulting in an oversubscription of 13.2 times. The total amount of the May Capital Increase was €613,756,990.50.

The shareholders of the Company’s ordinary shares as of 23:59 (Madrid time) on the date of publication of the Offering in the Spanish Commercial Registry Official Gazette (*Boletín Oficial del Registro Mercantil* or “**BORME**”), on 17 April 2015, were granted one transferable subscription right for each Existing Ordinary Share held by such Eligible Shareholders on that date. The exercise of two preferential subscription rights entitled the relevant shareholders to subscribe for one new ordinary share.

As part of the May Capital Increase, under the terms of the underwriting agreement entered on 15 April 2015 between the Company, the managers of the May Capital Increase and BNP PARIBAS Securities Services, Sucursal en España as agent bank of the May Capital Increase, the Company has agreed that, during the period from the date of the underwriting agreement to and including 90 days after the AQS trading day following the subscription date, the Company shall not, without the prior written consent of the majority of the Joint Bookrunners (which consent shall not be unreasonably withheld or delayed):

- (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of any Ordinary Shares or other shares of the Company; or
- (iii) enter into any other transaction with the same economic effects, or agree to do or announce or otherwise

publicise the intention to do any of the foregoing,

whether any such transaction described in any of sub-clauses (i), (ii) or (iii) above is to be settled by delivery of Ordinary Shares or any other securities, in cash or otherwise.

In order to carry out the Offering, on 20 June 2015 the Company informed that it had obtained the unanimous consent of the *joint bookrunners* of the May Capital Increase for waiving the lock-up undertaking assumed in relation to the May Capital Increase, which provides the Company with flexibility to issue new ordinary shares when deemed appropriate.

## 5.2 Testa Acquisition

On 8 June 2015, the Company and Sacyr entered into an investment agreement for the acquisition (the "*Acquisition*") by the Company, in several phases, of a 99.6% stake in Testa (the "*Investment Agreement*"). At the date hereof, the Company holds a 25% stake in Testa.

On 14 July 2015, the General Shareholders' Meeting of the Company approved the acquisition by the Company of 114,894,179 shares in Testa from Sacyr.

See Part X "*Acquisition of Testa*" for further information on the Acquisition.

## 5.3 Bridge Facility

On 21 June 2015, the Company has entered into a syndicated bridge facility agreement for an aggregate amount of €500 million in order to finance the acquisition of 25.1% of the shares in Testa (the "*Bridge Facility*") and has undertaken to secure the liabilities assumed by the Company under such Bridge Facility granting a pledge over at least 40.1% of the shares acquired or to be acquired in Testa. The date of disposal of the Facility Agreement is expected to be on or before 29 July 2015 and the termination date nine months after the date of disposal, i.e. in April 2016.

*Interest.* The applicable interest rate under the Bridge Facility shall be Euribor (1, 3 or 6 months depending on the period) plus a margin of 1.65% (until completion of the Offering, i.e. 11 August 2015) and of 1.25% (after completion of the Offering), although there are certain circumstances under which the margin may be increased or reduced. The relevant margin shall be (a) increased by 0.50% the date falling six months from the date of the execution of the Bridge Facility and, (b) if the Company obtains an investment grade rating, reduced by 0.25% the date falling after six months from the date of the execution of the Bridge Facility the Company obtains an investment grade rating. The Company will pay the accrued interests under the Bridge Facility on the last day of each interest period and may select from time to time interest periods of one, three or six months.

*Duration.* The Bridge Facility shall be repaid in full on the date falling nine months since its utilisation date (utilisation is expected to occur on or before 29 July 2015).

*Undertakings by the Company.* The Company has assumed, among others, the following undertakings under the Bridge Facility:

- (a) the loan to value of the Group shall not exceed 60 per cent at any time;
- (b) the Company shall prepay the Bridge Facility, among others, as follows:
  - (i) at least an amount equal to €150 million of the Net Proceeds on or before 8 October 2015 and 100% of the net proceeds obtained by the Company under any other equity or bond issuance or other financing transactions (except permitted acquisition financings) (above €10,000,000);
  - (ii) 50% of any disposal proceeds obtained from the sale of any shares in Testa or any assets of Testa to the extent that in aggregate the disposal proceeds exceed €50,000,000 during the relevant financial year.

In addition to the above, the Bridge Facility contains other undertakings on standard market terms (including among others: (i) information undertakings (ii) limitations to disposals, acquisitions and investments or additional financial indebtedness (unless, among other carve outs, if the Loan to Value after those transactions occur does not exceed 60%); (iii) restrictions to granting additional security over its assets or guarantees to third parties or to grant loan or credits other than intragroup loans; (iv) limitations to distributions (other than the distribution of dividends disclosed in 2015)).

Any failure by the Company to comply with the terms of the Bridge Facility could result in the acceleration of such debt, which would entitle the lenders to declare due and payable all amounts outstanding under the Bridge Facility prior to their maturity together with accrued and unpaid interest and to enforce the pledge over the relevant shares in Testa.

## 5.4 Other acquisitions

In addition to the subscription, on 8 June 2015 of approximately €431 million in shares of Testa representing 25% of its share capital, the Company has executed two additional acquisitions since 31 March 2015.

### *Meco acquisition*

On 17 April 2015, the Group acquired, through MERLIN Logistica II, a logistics warehouse located in the industrial area

of Meco, in Madrid, in the A-2 corridor connecting Madrid with Barcelona and Zaragoza, for a purchase price of €22 million. The asset, which was built in 2009, has a GLA of 35,285 sqm and is divided into four modules. It is fully let to Azkar (subsidiary of Dachser, one of the leading logistics operator in Europe), under a 4.3 years unexpired lease contract. The building has been acquired for a purchase price of €22 million, of which €14.1 million have been funded with cash and the remaining €7.9 million is the outstanding principal amount of the Meco Facility Agreement, which MERLIN Logistica II has subrogated.

### **Lisbon acquisition**

On 5 June 2015, the Group, through PSII, acquired a grade A office building located on Avenida Dom João II, in Parque das Nações (Expo district), in Lisbon, for a purchase price of €18 million, fully funded with equity. It is situated near the Vodafone headquarters, the Lisbon Casino and Vasco da Gama Shopping Centre. The building is well situated in terms of transportation, being located less than 200 meters away from one of the country's largest regional transport centres, Gare do Oriente Interchange Station (which includes a metro, bus and train station), a five minutes-drive from the airport and 10 minutes-drive to the city center. The property, which was built in 2006 under a project signed by Broadway Malyan, comprises a total of 6,740 sqm of GLA including retail on the ground floor and office accommodation above (seven floors above ground). The building is fully leased to Novabase Serviços – Serviços de Gestao e Consultoria, S.A., a Portuguese company with a global presence in 33 countries, under an unexpired lease term of 3.9 years.

Following the two acquisitions described above and the acquisition of Testa, the main metrics of aggregate Assets of the Company, as of the date of this Prospectus, are as follows:

	<b>31 March 2015</b>	<b>Meco and Lisbon</b>	<b>Testa<sup>(11)</sup></b>	<b>Aggregate</b>
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(A)+(B)+(C)</b>
Market Value (€ million) <sup>(1)</sup>	2,291.0	40.0	3,202	5,533
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	132.3	3.2	157.9	293.4
Total Annualised Net Rents (€ million) <sup>(3)</sup>	129.9	3.1	147.9	281.0
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	128.6	2.8	146.7	278.2
EPRA Gross Yield <sup>(5)</sup>	5.77%	7.97%	5.49%	5.63%
EPRA Topped-Up Yield <sup>(6)</sup>	5.67%	7.81%	5.14%	5.39%
EPRA Net Yield <sup>(7)</sup>	5.61%	7.02%	5.10%	5.34%
Total GLA (sqm) <sup>(8)</sup>	716,826	42,025	1,043,901	1,802,753
GLA Occupied (sqm)	629,060	35,285	993,292	1,727,377
GLA Vacant (sqm)	24,766	0	50,609	75,376
Occupancy Rate	96.5%	100.0%	94.9%	95.6%
WAULT by Rents Years <sup>(10)</sup>	17.2	4.1	4.5	10.2

#### **Notes:**

(1) Gross asset value based on market value as per Savills appraisal report as of 31 December 2014, and acquisition price for the 2015 acquisitions (Alcala, Coslada, Meco and Lisbon) for the Company and based on CBRE and Instituto de Valoraciones appraisal reports as of 31 March 2015 for Testa.

(2) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

(3) Annualised net rental income has been calculated as the NRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NRI for which was included only for the period in which the tenant was present). Net rents deducts from gross rents direct property expenses non-rechargeable to tenants.

(4) Annualised net operating income has been calculated as the NOI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NOI for which was included only for the period in which the tenant was present). Net operating income deducts from net rents direct collection loss and rents discounts.

(5) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.

(7) EPRA Net Yield is calculated dividing annualised net operating income by GAV.

(8) For the Company, GLA above ground and for Testa, above ground rental surface for all assets except independently-leased parking facilities.

(9) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 March 2015.

(10) GAV includes financial assets and land plots, rest of operating metrics excludes them.

## 5.5 Pipeline

As of the date of this Prospectus, the Company has 9 transactions which are under exclusivity, advanced due diligence, execution phase or pending completion with a size of approximately €370 million. Within this amount, €56 million of investments are expected to be funded within the next 12 months, out of which the Company has already disbursed €25.2 million. By asset class, 54% of these transactions are logistics, 37% retail and 9% office. The most relevant transaction is the acquisition of a retail portfolio for 96.5 million (i.e. 27% of the total transactions amount). This retail transaction comprises the acquisition of 33 supermarkets leased to Caprabo on a triple net and long term basis (8 years on average), at a net initial yield of 7.2%. All of these investments may be funded with equity or debt and may result in changes to the Group's leverage.

## 6. CURRENT TRADING

The Group has not yet closed its books for the six month period ended 30 June 2015. However, based on preliminary analysis, the Group expects its revenue for the six months ended 30 June 2015 to be stable and largely in line with its internal estimates, with total gross rents for the referred semester in excess of €64 million. The Group's actual results may differ from these expectations due to the completion of its financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for such period are finalised.

As at the date of this Prospectus, the Group's total borrowings are €1,189,854 thousand including the financings signed after 31 March 2015 (€7,940 thousand) and deducting the principal amounts of debt repaid during the first six months of 2015 (€2,688 thousand). The weighted average maturity of the Company's liabilities is approximately 8.9 years, with a cost of 3.8% until 31 December 2017 and 2.7% thereafter.

PART XVII: SELECTED HISTORICAL FINANCIAL INFORMATION  
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

(€ thousand)

<b>ASSETS</b>	<b>31/03/2015 (unaudited)</b>
<b>NON-CURRENT ASSETS:</b>	
Intangible assets	143
Property, plant and equipment	968
Investment property	2,029,352
Non-current financial assets-	280,240
Deferred tax assets	7,348
<b>Total non-current assets</b>	<b>2,318,051</b>
<b>CURRENT ASSETS:</b>	
Trade and other receivables	2,133
Other current financial assets	125,000
Other current assets	94
Cash and cash equivalents	149,234
<b>Total current assets</b>	<b>276,461</b>
<b>TOTAL ASSETS</b>	<b>2,594,512</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY:</b>	
Subscribed capital	129,212
Share premium	1,162,368
Reserves	19,169
Other equity holder contributions	540
Valuation adjustments	(26,996)
Profit for the period	19,599
<b>Equity attributable to equity holders of the Parent</b>	<b>1,303,892</b>
<b>NON-CURRENT LIABILITIES:</b>	
Non-current bank borrowings	1,220,283
Other financial liabilities	21,975
Deferred tax liabilities	18,969
Provisions	1,317
Non-current accruals and deferred income	500
<b>Total non-current liabilities</b>	<b>1,263,044</b>
<b>CURRENT LIABILITIES:</b>	
Bank borrowings	12,763
Other current financial liabilities	-
Trade and other payables	7,174
Current tax liabilities	6,139
Other current liabilities	1,500
<b>Total current liabilities</b>	<b>27,576</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,594,512</b>

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT AT 31 MARCH 2015

(€ thousand)

	<b>31/03/2015</b>
	<b><u>(unaudited)</u></b>
<b>CONTINUING OPERATIONS:</b>	
Revenue	32,042
Other operating income	413
Employee benefits expense	(1,576)
Other operating expenses	(1,204)
Gains on disposal of assets	6
Depreciation and amortization	(25)
Negative goodwill on business combinations	
<b>OPERATING PROFIT</b>	<b><u>29,656</u></b>
Finance income	429
Finance costs	(7,929)
Change in fair value of investment properties	66
<b>PROFIT BEFORE TAX</b>	<b><u>22,222</u></b>
Income tax	(2,623)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b><u>19,599</u></b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT</b>	<b><u>19,599</u></b>
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>0.15</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>0.15</b>

INTERIM CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR  
THE FIRST QUARTER OF 2015 ENDED 31 MARCH 2015

(€ thousand)

	<b>31/05/2015</b> <b>(unaudited)</b>
<b>PROFIT FOR THE YEAR (I)</b>	<b>19,599</b>
<b>OTHER COMPREHENSIVE INCOME:</b>	
Income and expenses recognised directly in equity	
From cash flow	(24,360)
Translation	-
<b>OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>(24,360)</b>
Amounts transferred to income statement	(26)
<b>TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)</b>	<b>(26)</b>
<b>TOTAL COMPREHENSIVE INCOME (I+II+III)</b>	<b>(4,787)</b>
Attributable to equity holders of the Parent	(4,787)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 MARCH 2015

(€ thousand)

(unaudited)

	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Shareholder contributions</b>	<b>Profit for the Year</b>	<b>Valuation adjustments</b>	<b>Total equity</b>
<b>Balances at 31 December 2014</b>	<b>129,212</b>	<b>1,162,368</b>	<b>(30,475)</b>	<b>540</b>	<b>49,670</b>	<b>(2,636)</b>	<b>1,308,679</b>
Total recognised income and expense for the period	-	-	(26)	-	19,599	(24,360)	(4,787)
Other changes in shareholders' equity	-	-	49,670	-	(49,670)	-	-
<b>Balances at 31 March 2015</b>	<b>129,212</b>	<b>1,162,368</b>	<b>19,169</b>	<b>540</b>	<b>19,599</b>	<b>(26,996)</b>	<b>1,303,892</b>

	<b>Share capital</b>	<b>Profit for the Year</b>	<b>Total equity</b>
<b>Incorporation of the Parent (25 March 2014)</b>	<b>60</b>	<b>-</b>	<b>60</b>
Total recognised income and expense for the period	-	(5)	-
<b>Balances at 31 March 2014</b>	<b>60</b>	<b>(5)</b>	<b>55</b>



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF  
THREE MONTHS ENDED 31 MARCH 2015

(€ thousand)

	<b>31/05/2015 (unaudited)</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:</b>	<b>10,390</b>
<b>Profit before tax</b>	<b>22,222</b>
<b>Adjustments for:</b>	<b>8,300</b>
Depreciation and amortization	25
Change in fair value of investment properties	(66)
Change in current provisions	-
Change in Provisions	841
Finance income	(429)
Finance costs	7,929
<b>Changes in working capital-</b>	<b>(11,568)</b>
Trade and other receivables	1,207
Other current assets	28
Trade and other payables	(16,128)
Other assets and liabilities	3,325
<b>Other cash flows from/(used in) operating activities-</b>	<b>(8,564)</b>
Interest paid	(8,903)
Interest received	339
Income tax paid	-
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:</b>	<b>(34,604)</b>
<b>Payments on investments-</b>	<b>(103,987)</b>
Investment property	(103,770)
Property, plant and equipment	(93)
Financial assets	(124)
<b>Proceeds from disposals-</b>	<b>69,383</b>
Investment property	68,592
Financial assets	791
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:</b>	<b>147,398</b>
<b>Proceeds from and payments for financial liabilities-</b>	<b>147,398</b>
Bank borrowings	156,445
Repayment of bank borrowings	(5,244)
Financing expenses	(3,803)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>123,184</b>
Cash and cash equivalents at beginning of period	26,050
Cash and cash equivalents at end of period	149,234

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

(€ thousand)

ASSETS	31/12/2014 (audited)
<b>NON-CURRENT ASSETS:</b>	
Intangible assets	149
Property, plant and equipment	894
Investment property	1,969,934
Non-current financial assets-	281,192
Derivatives	261,689
Other financial assets	19,503
Deferred tax assets	9,369
<b>Total non-current assets</b>	<b>2,261,538</b>
<b>CURRENT ASSETS:</b>	
Trade and other receivables	3,340
Other current financial assets	125,791
Other current assets	122
Cash and cash equivalents	26,050
<b>Total current assets</b>	<b>155,303</b>
<b>TOTAL ASSETS</b>	<b>2,416,841</b>
<b>EQUITY AND LIABILITIES</b>	
<b>EQUITY:</b>	
Subscribed capital	129,212
Share premium	1,162,368
Reserves	(30,475)
Other equity holder contributions	540
Valuation adjustments	(2,636)
Profit for the period	49,670
<b>Equity attributable to equity holders of the Parent</b>	<b>1,308,679</b>
<b>NON-CURRENT LIABILITIES:</b>	
Non-current bank borrowings	1,027,342
Other financial liabilities	21,498
Deferred tax liabilities	24,432
Provisions	476
<b>Total non-current liabilities</b>	<b>1,073,748</b>
<b>CURRENT LIABILITIES:</b>	
Bank borrowings	10,809
Other current financial liabilities	190
Trade and other payables	23,302
Current tax liabilities	75
Other current liabilities	38
<b>Total current liabilities</b>	<b>34,414</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,416,841</b>

CONSOLIDATED INCOME STATEMENT FOR  
THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014

(€ thousand)

	<b>2014</b> <b>(audited)</b>
<b>CONTINUING OPERATIONS:</b>	
Revenue	56,616
Other operating income	381
Employee benefits expense	(3,079)
Other operating expenses	(16,013)
Gains on disposal of assets	126
Depreciation and amortization	(35)
Negative goodwill on business combinations	7,247
<b>OPERATING PROFIT</b>	<b>45,243</b>
Finance income	473
Finance costs	(18,555)
Change in fair value of financial instruments	(25,920)
Change in fair value of investment properties	49,471
<b>PROFIT BEFORE TAX</b>	<b>50,712</b>
Income tax	(1,042)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<b>49,670</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT</b>	<b>49,670</b>
<b>EARNINGS PER SHARE (in euros)</b>	0.38
<b>BASIC EARNINGS PER SHARE (in euros)</b>	0.58
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	0.58

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR  
THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014

(€ thousand)

	<b>2014 (audited)</b>
<b>PROFIT FOR THE YEAR (I)</b>	<b>49,670</b>
<b>OTHER COMPREHENSIVE INCOME:</b>	
Income and expenses recognised directly in equity	
From cash flow hedges	(3,746)
Translation differences	
<b>OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)</b>	<b>-</b>
Amounts transferred to income statement	1,110
<b>TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT (III)</b>	<b>1,110</b>
<b>TOTAL COMPREHENSIVE INCOME (I+II+III)</b>	<b>47,034</b>
 <b>Attributable to equity holders of the Parent</b>	 <b>47,034</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF NINE MONTHS AND SEVEN  
DAYS ENDED 31 DECEMBER 2014**  
(€ thousand)

	<b>2014 (audited)</b>
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES:</b>	<b>27,928</b>
<b>Profit before tax</b>	<b>50,712</b>
<b>Adjustments for:</b>	<b>(12,128)</b>
Depreciation and amortization	35
Change in fair value of investment properties	(49,471)
Change in current provisions	77
Change in Provisions	476
Negative goodwill on business combinations	(7,247)
Finance income	(473)
Finance expenses	18,555
Change in fair value of financial instruments	25,920
<b>Changes in working capital-</b>	<b>19,165</b>
Trade and other receivables	(3,417)
Other current assets	(122)
Trade and other payables	22,471
Other assets and liabilities	233
<b>Other cash flows from/(used in) operating activities-</b>	<b>(29,821)</b>
Interest paid	(28,616)
Interest received	473
Income tax paid	(1,678)
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES:</b>	<b>(1,401,988)</b>
<b>Payments on investments-</b>	<b>(1,401,988)</b>
Net cash flow from acquisition	<b>(723,725)</b>
Investment property	(551,394)
Property, plant and equipment	(929)
Intangible assets	(149)
Financial assets	(125,791)
<b>Proceeds from disposals-</b>	-
Investment property	-
Property, plant and equipment	-
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:</b>	<b>1,400,110</b>
<b>Proceeds from and payments for equity instruments-</b>	<b>1,261,645</b>
Issue of equity instruments	1,261,105
Other equity holder contributions	540
<b>Proceeds from and payments for financial liabilities-</b>	<b>138,465</b>
Bank borrowings	206,838
Repayment of bank borrowings	(68,373)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>26,050</b>
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	<b>26,050</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR**  
**THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014**

(€ thousand)

(audited)

	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Shareholder contributions</b>	<b>Profit for the Year</b>	<b>Valuation adjustments</b>	<b>Total equity</b>
Incorporation of the Parent (Note 12)	60	-	-	-	-	-	<b>60</b>
Transactions with equity holders or owners- Capital increases (Note 12)	129,152	1,162,368	(30,475)	540	-	-	<b>1,261,585</b>
Consolidated comprehensive income for 2014	-	-	-	-	49,670	(2,636)	<b>47,034</b>
<b>Balances at 31 December 2014</b>	<b>129,212</b>	<b>1,162,368</b>	<b>(30,475)</b>	<b>540</b>	<b>49,670</b>	<b>(2,636)</b>	<b>1,308,679</b>

## PART XVIII : INFORMATION ON TESTA

### 1. INTRODUCTION

Testa is a leading operator of prime real estate assets in Spain with a long-standing track record across asset classes. The core business is the rental management and development of prime real estate assets, owned by Testa itself and secondarily those owned by third parties, including the purchase, rental, sale and operation of such assets. Testa is a pioneer in the Spanish real estate market, operating for over 60 years and, as a result, has substantial experience throughout the economic cycles. The Company believes that Testa's portfolio is composed of top-level well-located properties, mainly in Madrid and Barcelona, and of a diversified, reputable and financially-strong tenant base. The property portfolio includes 88 assets, from which 83 are in operation or under refurbishment and five land plots are under development (CBRE considers the tower located at Paseo de la Castellana 259 B as two separate assets), as of 31 March 2015, consisting of offices, shopping centres, hotels, logistics centres, rented residential properties, senior residences, parking facilities and land development plots, and including emblematic properties such as the PwC Tower in Madrid.

On 8 June 2015, the Company subscribed and paid-up a share capital increase in Testa for an effective amount of €430,838,704.01, in exchange for 38,491,930 new ordinary shares of Testa, each issued at €0.20 of parvalue and with a share premium of €10.99, representing 25% of its share capital. Please see section 1 ("Acquisition of Testa") of Part X ("Acquisition of Testa") for further details.

Testa's business is exclusively focused in Spain, with Madrid and Barcelona being the two principal markets (representing 84.1% of the GAV of the operating assets at 31 March 2015). Testa is the leading listed operator of real estate assets in Spain in terms of GLA, of 1,085,207 sqm at 31 March 2015 (including independently-leased parking facilities and financial assets), and GRI of €39.3 million for the first quarter of 2015 ended 31 March 2015. The assets have been valued by CBRE (with respect to the assets in operation or under refurbishment) and Instituto de Valoraciones (with respect to the land plots and assets under development) at a GAV of €2,935 million and €267 million, respectively, for an aggregate GAV of €3,202 million, as at 31 March 2015.

Testa had a NAV of €2,487 million as of 31 March 2015. Giving effect to the Testa Share Capital Reduction, the payment of the Extraordinary Dividend, the cancellation of the Intercompany Loan and Testa Share Capital Increase, Testa's NAV as of 31 March 2015 would have been €1,721 million.

Testa's portfolio is managed internally by the maintenance, legal, commercial, urban development and finance teams. Testa also enlists and supervises services granted by third party providers who enable them to manage the portfolio efficiently and professionally to achieve its profitably objectives. Real estate assets owned by third parties are managed through Testa's wholly-owned subsidiary Gesfontesta. Gesfontesta manages real estate assets owned by investment funds.

The main metrics for each of Testa's asset classes as of 31 March 2015 are as follows:

	<u>Office</u>	<u>Retail</u>	<u>Logistics</u>	<u>Hotels</u>	<u>Rented Residential</u>	<u>Other<sup>(10)</sup></u>	<u>Total<sup>(11)</sup></u>
Market Value (GAV)(€ million) <sup>(1)</sup>	1,710	349	114	388	275	366	3,202
Total Annualised Gross Rental Income (€ million) <sup>(2)</sup>	93.3	21.7	8.1	21.9	11.1	1.9	157.9
Total Annualised Net Rental Income (€ million) <sup>(3)</sup>	87.2	21.4	7.6	21.1	9.0	1.6	147.9
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	86.6	21.2	7.4	21.0	8.9	1.6	146.7
EPRA Gross Yield <sup>(5)</sup>	5.45%	6.20%	7.14%	5.65%	4.03%	4.56%	5.49%
EPRA Topped-Up Yield <sup>(6)</sup>	5.10%	6.14%	6.65%	5.45%	3.28%	3.80%	5.14%
EPRA Net Yield <sup>(7)</sup>	5.06%	6.08%	6.49%	5.42%	3.24%	3.80%	5.10%
Total GLA (sqm) <sup>(8)</sup>	475,131	72,104	209,616	110,843	124,330	51,877	1,043,901
GLA Occupied (sqm)	437,695	70,651	202,827	110,843	119,398	51,877	993,292
GLA Vacant (sqm)	37,436	1,453	6,789	0	4,932	0	50,609
Physical Occupancy Rate	92.1%	98.0%	96.8%	100.0%	96.0%	100.0%	95.2%

WAULT by Rents Years <sup>(9)</sup>	5.2	2.2	1.6	4.6 <sup>(12)</sup>	2.5	11.4	4.5
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*Notes:*

(1) Gross asset value based on CBRE and Instituto de Valoraciones appraisal report as of 31 March 2015.

(2) Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the GRI for which was included only for the period in which the tenant was present).

(3) Annualised net rental income has been calculated as the NRI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NRI for which was included only for the period in which the tenant was present). Net rents deducts from gross rents direct property expenses non-rechargeable to tenants.

(4) Annualised net operating income has been calculated as the NOI for the month ended 31 March 2015 multiplied by 12, except adjusted for the assets which tenants have left following 31 March 2015 (the NOI for which was included only for the period in which the tenant was present). Net operating income deducts from net rents direct collection loss and rents discounts.

(5) EPRA Gross Yield is calculated dividing annualised gross rents by GAV.

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by GAV.

(7) EPRA Net Yield is calculated dividing annualised net operating income by GAV.

(8) Above ground rental surface for all assets except independently leased parking facilities.

(9) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 March 2015. Calculated weighted by GRI.

(10) GAV calculation includes financial assets, land plots, parking and senior residences, rest of operating metrics include only rental assets (parking and senior residences). GAV excluding financial assets and land plots is €42.0 million.

(11) GAV includes financial assets and land plots, rest of operating metrics excludes them. Resulting GAV excluding financial assets and land plots is €2,878.2 million.

(12) Excludes financial assets (i.e. Hotel AC Forum and Costa Ballena. If included, the WAULT would be 7.0 years).

Testa also provides real estate services to third parties under the umbrella of the Testa Real Estate Services trademark. Subsidiaries Gesfontesta (Asset & Property Management), Gesfitesta (Technical Services) and Gescentesta (Management of Shopping Centres) operate under this trademark. This group of companies had assets under management of over €2.8 billion as at 31 March 2015. The Company's intention is to maintain the activity of this group of companies although, during the integration process, its strategic fit will be reviewed within the Group.

### ***History and Corporate Structure***

Testa is the result of a merger of two Spanish real estate companies, Vallehermoso Renta, S.A. ("**Vallehermoso Renta**") and Prima Inmobiliaria, S.A. ("**Prima**"), both with a long and reputable history in the Spanish real estate market.

Prior to the merger, Vallehermoso Renta was the subsidiary of Vallehermoso, S.A. ("**Vallehermoso**"), incorporated in 1953 with the purpose of managing and renting real estate assets. Vallehermoso expanded the scope of its business in 1973 to include development of real estate assets. In 1997, it began to offer property management services to third parties. Two years later, Vallehermoso divided its operations into two subsidiaries, Vallehermoso División Promoción, S.A. (which undertook the development business) and Vallehermoso Renta (which undertook the rental business).

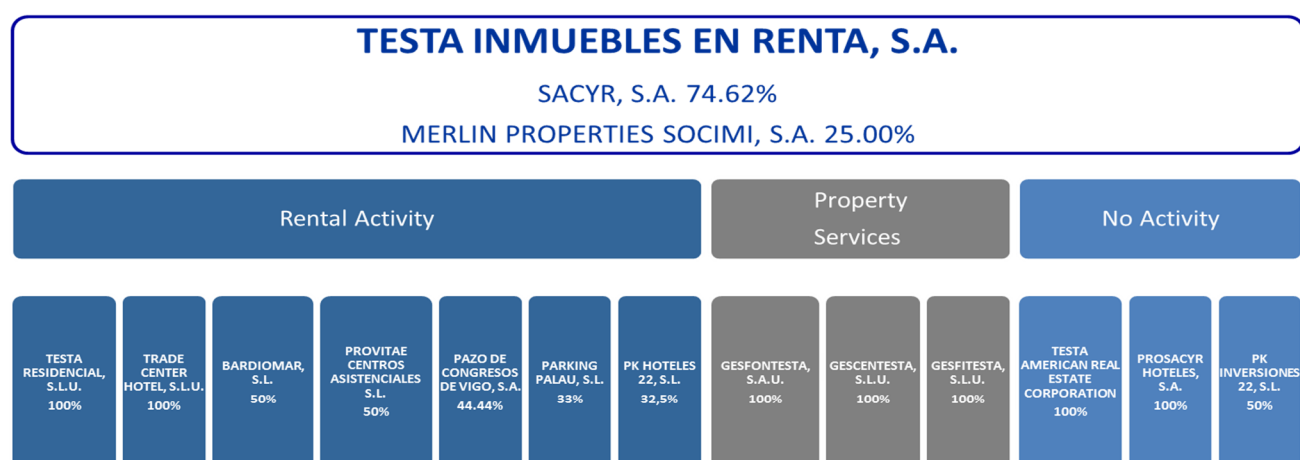
Prima was incorporated in 1974 with the aim to be a leader in the Spanish real estate market. Its purpose was: (i) to create steady growth in both business and geographic areas and (ii) to increase the diversification of the assets it managed.

In January of 2001, Vallehermoso Renta merged with Prima, being Prima the surviving entity. Vallehermoso then acquired, through a public takeover bid made in connection with the merger, 99.2% of Prima, incorporating Prima to Vallehermoso group. As a result, Prima changed its name to Testa Inmuebles en Renta, S.A.

In May 2003, Grupo Sacyr, S.A. merged with Vallehermoso, and the surviving entity was renamed Sacyr Vallehermoso, S.A. As a result of this merger, Testa became part of the Sacyr Group.



The following chart illustrates the corporate structure as of the date of this Prospectus:



## 2. SELECTED FINANCIAL INFORMATION

### 2.1 Income Statement

During the first quarter of 2015 ended 31 March 2015, Testa recognised revenues (in terms of GRI) of €9.3 million, an EBITDA (operating profit less negative goodwill on business combination plus depreciation and amortisation less gains on disposal of assets) of €35.0 million and a consolidated net profit of €18.1 million.

(€ million, unless indicated otherwise)	1Q 2015	1 Q 2014	2014
Gross Rental Income	39.3	40.6	161.4
Net Rental Income	36.8	38.3	150.7
Net Operating Income (Rental Activity)	36.6	37.7	148.3
EBITDA <sup>(1)</sup>	35.0	36.8	145.9
Operating EBITDA <sup>(1)</sup>	35.0	34.5	141.4
Net Profit for the Period	18.1	18.9	72.6

Note:

(1) Testa's EBITDA is defined as operating profit for the period plus depreciation and amortization expense; change in trade provisions; and change in provisions for intangible assets, PP&E and securities portfolio. Testa's Operating EBITDA is defined as EBITDA minus gains on disposals of asset. See section 7.3. ("Key Statistics") of this Part XVIII ("Information on Testa") for a reconciliation of operating profit for the period to EBITDA and to Operating EBITDA.

The table below sets forth the breakdown of Testa's Gross Rental Income by asset classes:

(€ million)	1Q 2015	1Q 2014
Office	23.2	24.5

(€ million)	1Q 2015	1Q 2014
Retail	5.3	5.3
Logistics	2.1	2.1
Hotel	5.4	5.4
Rented Residential <sup>(1)</sup>	2.7	2.7
Other <sup>(2)</sup>	0.5	0.8
<b>Total</b>	<b>39.3</b>	<b>40.6</b>

Notes:

(1) Includes commercial units that are within the residential assets.

(2) Includes senior residences and parking facilities.

## 2.2 Statement of Financial Position

The main financial figures of the Statement of Financial Position of Testa as of 31 March 2015 are as follows:

(€ million)	As reported (unaudited)	Adjusted <sup>(1)</sup> (unaudited)
Total assets	3,137.5	2,370.9
Total equity	1,407.7	641.1
Gross financial debt	1,668.0	1,668.0
Cash and short-term financial investments	(32.3)	(210.0) <sup>(2)</sup>
Net financial debt	1,635.7	1,449.7

Notes:

(1) Adjusted to reflect the Testa Share Capital Reduction, the Extraordinary Dividend and the Testa Share Capital Increase.

(2) Includes €186 million of cash from the Testa's Share Capital Increase and €8.3 adjustment due to the removal of the portion of the Intercompany Loan accounted as short-term financial investment with a value of €4.5 million as of 31 March 2015.

## 2.3 EPRA Performance Metrics

Performance Measure	Definition	As reported as of 31/03/ 2015 (€ million, unless otherwise indicated)	Adjusted <sup>(1)</sup> as of 31/03/2015 (€ million, unless otherwise indicated)
EPRA Earnings	Recurring earnings from core operational activities	18.1	18.1
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model	2,487	1,721
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	2,207	1,440
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	5.10%	5.10%

EPRA “topped-up” NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.14%	5.14%
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	3.97%	3.97%

Note:

(1) Adjusted to reflect the Testa Share Capital Reduction, the Extraordinary Dividend and the Testa Share Capital Increase.

### 3. OPERATIONS

Testa’s business consists of three principal activities:

- renting properties,
- refurbishing and developing properties, and
- managing the properties of third parties.

#### 3.1 Rental Business

Testa’s core business is managing real estate assets for rent, including offices, shopping centres, hotels, rented residential properties, logistics centres, senior residences and parking facilities. The rental business represented 97.3% of the revenues of Testa for the first quarter of 2015 ended 31 March 2015, and 97.1% for the year ended 31 December 2014.

Testa’s main objective is the rental of high-quality buildings in good locations to reputable and financially-strong clients. The management team extensive experience in, and thorough knowledge of, the Spanish property market, the diversified property portfolio (which primarily consists of large and modern office buildings) and strong and diversified tenant base have given Testa relative stability throughout the recent crisis in the European and Spanish real estate markets. Accordingly, Testa has been able to achieve a Physical Occupancy Rate of 95.2% as of 31 March 2015.

The resilience throughout the real estate cycle is evidenced by the consistently high occupancy rates and GRM over time. The following table shows the evolution of the Physical Occupancy Rate and GRM of Testa at the dates indicated:

	31 December										
(%)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Physical Occupancy Rate <sup>(1)</sup>	95.2	95.0	94.0	92.3	95.4	98.1	95.9	97.3	99.0	98.0	97.4
GRM <sup>(1)</sup>	93.8	93.4	93.3	91.9	92.9	93.3	93.8	94.7	93.2	92.4	93.9

Note:

(1) As a result of the application of IFRS 11, 2015 and 2014 results does not include Hotel AC Forum or the concession with respect to Palacio de Congresos de Vigo given that they are now accounted for under the equity method.

Testa mainly has single-tenant offices and, to a lesser extent, consolidated shopping centres.

The following tables show the GRI from Testa’s rental business by geographic area and asset type for the periods indicated:

	1Q 2015			
(€ thousand)	Madrid	Barcelona	Spain Other	Total
Offices	18,898	3,379	922	23,199
Shopping centres	1,959	—	3,351	5,310
Rented Residential(1)	2,147	—	599	2,746
Logistics centres	536	211	1,394	2,141
Hotels	2,826	1,670	896	5,392
Others(2)	309	—	170	479

<b>Total</b>	<b>26,675</b>	<b>5,260</b>	<b>7,333</b>	<b>39,268</b>
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Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Others include senior residences and parking facilities.

The tables below show the evolution of the GRI per sqm of the rental area per month by asset type on both a historical and like-for-like basis for the indicated periods. For a more focused view of the evolution of the current portfolio, please refer to the like-for-like evolution included below, which contains 52 out of the current 78 rental assets (excluding financial assets and land plots).

Historical	At 31 March		At 31 December								
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Offices <sup>(1)</sup>	17.0	17.0	21.2	21.5	21.2	21.5	22.6	23.1	22.0	20.4	18.0
Shopping Centers	24.5	24.7	24.6	24.1	24.0	23.2	24.3	23.2	20.7	20.4	19.7
Rented Residential <sup>(2)</sup>	7.4	7.4	8.4	8.8	9.0	8.8	8.7	9.0	8.6	8.4	9.1
Logistic centers	3.4	3.3	3.1	3.1	3.6	4.1	4.2	4.2	4.1	3.9	3.8
Hotels	16.2	16.2	16.6	16.1	15.5	14.7	14.4	14.3	14.3	13.5	12.9

Notes:

(1) The results for the three months ended 31 March 2015 and the year ended 31 December 2014 do not include results of Partenón 12, which is currently vacant and under refurbishment following the exit of a long-term tenant in September 2014.

(2) Includes commercial units that are within rented residential assets.

Like-for-like <sup>(1)(2)</sup>	At 31 March		At 31 December								
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Offices	15.8	15.8	16.5	18.5	18.2	18.4	19.6	19.4	18.3	18.0	17.7
Shopping Centers	26.9	27.0	27.0	27.0	26.2	25.3	26.7	26.4	25.5	24.2	22.8
Rented Residential <sup>(3)</sup>	8.6	8.5	8.7	9.0	9.2	8.9	9.0	8.7	8.4	8.0	8.4
Logistic centers	3.4	3.3	3.1	3.1	3.6	4.1	4.2	4.2	4.1	3.9	3.8
Hotels	16.2	16.1	17.6	16.6	15.5	14.5	14.1	13.8	13.3	12.9	12.4

Notes:

(1) For an explanation of how Testa calculates "like-for-like" figures, see "Presentation of Testa's Financial Information.—Unaudited Non-IFRS-EU Management Measures" in Part IX ("Important Information").

(2) The like-for-like numbers above have been calculated using the assets that were both in the portfolio as of 31 March 2015 and in the portfolio during the year ended 31 December 2003, using the historical results for only such assets over the periods set forth in the table above and excluding any other assets that were in the portfolio on any such date or during any such period covered by the table above. Partenón 12 is also excluded as it is currently vacant and under refurbishment following the exit of a long-term tenant in September 2014.

(3) Includes commercial units that are within rented residential assets.

### Rental Surface

As of 31 March 2015, Testa's rental property portfolio comprised rental surface of 1,043,901 sqm (including independently-leased parking facilities and excluding the financial investments in Hotel AC Forum, Palacio de Congresos de Vigo, Hotel Costa Ballena and Parking Palau, S.A.).

The following table shows Testa's rental surface (including independently-leased parking facilities) by geography and asset

type at the indicated dates:

	<b>31/03/2015</b>			
	<b>(sqm)</b>		<b>Spain Other</b>	<b>Total</b>
	<b>Madrid</b>	<b>Barcelona</b>		
Offices	355,695	94,597	24,840	475,131
Shopping centres	24,041	—	48,063	72,104
Rented Residential <sup>(1)</sup>	96,659	—	27,671	124,330
Logistics centres	36,234	14,911	158,471	209,616
Hotels	60,743	30,155	19,945	110,843
Others <sup>(2)</sup>	45,451	—	6,426	51,877
<b>Total</b>	<b>618,823</b>	<b>139,663</b>	<b>285,416</b>	<b>1,043,901</b>

Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Others include senior residences and parking facilities.

### Occupancy Rates

Testa has generated strong and stable occupancy levels due to the acquisition and leasing of well-located quality properties in Spain to reputable and financially-strong tenants. The high occupancy rates have also been due in part to the negotiation of long leases and renewals with the key tenants. Testa works to improve tenants' satisfaction by maintaining the properties in optimal condition, focusing on refurbishing, renovating and adapting them to the tenants' needs. Testa has been able to do this due to its substantial resources and in-house expertise. In addition, while maintaining high occupancy rates and tenants' satisfaction, Testa has been successful in re-invoicing tenants for almost all service charges. Physical Occupancy Rate refers to the percentage of surfaces in operation that are occupied without adjustments. The Physical Occupancy Rate of all the properties in the portfolio of Testa was 95.2% at 31 March 2015. Testa also tracks the occupancy of the portfolio following EPRA recommendations.

The following tables show Testa's Physical Occupancy Rates by geographic area and asset type at the dates indicated:

	<b>31/03/2015</b>			
<b>%</b>	<b>Madrid</b>	<b>Barcelona</b>	<b>Spain Other</b>	<b>Spain Total</b>
Offices	92.1	89.9	100.0	92.1
Shopping centres	100.0	—	97.0	98.0
Rented Residential <sup>(1)</sup>	96.3	—	95.1	96.0
Logistics centres	81.3	100.0	100.0	96.8
Hotels	100.0	100.0	100.0	100.0
Senior residences	—	—	100.0	100.0
Parking facilities	100.0	—	100.0	100.0
<b>Total</b>	<b>93.8</b>	<b>93.2</b>	<b>99.0</b>	<b>95.2</b>

Note:

(1) Includes commercial units that are within rented residential assets.

### Tenant Portfolio

Testa has a well-diversified and financially strong tenant portfolio. In March 2015, Testa's top tenant represented 13.7% and the top 15 tenants represented 61.1% of its GRI. Testa has long-standing relationships with most of its significant tenants and has maintained high levels of tenant satisfaction through active on-site management.

The table below lists Testa's top 15 tenants, delineated by GRI expressed as a percentage of total GRI for March 2015.

<b>Tenant</b>	<b>% of Total GRI</b>	<b>Years as Tenant</b>
Endesa	13.7	12
Madrid City Council (Ayuntamiento y Comunidad de Madrid)	9.1	11
HOTUSA + WTC	8.1	14
Pricewaterhouse Coopers	4.4	5
Indra Sistemas, S.A.	4.1	13
Melia Hotels International, S.A.	3.2	17
L'Oreal España, S.A.	2.9	7
Sacyr Group	2.8	12
Uría Menéndez Abogados, S.L.P.	2.7	10
Inditex	2.6	21
Compañía de Distribución Integral Logista, S.A.	2.0	14
Informática El Corte Inglés, S.A.	1.8	20
Punto Properties, S.L.U.	1.3	2
NH Hoteles, S.A.	1.3	18
Procter & Gamble España, S.A.	1.1	8
<b>Total</b>	<b>61.1</b>	

#### *Lease Agreements*

Given the characteristics of the office portfolio, Testa's management has had a preference for long-term leases, but nonetheless tries to maintain a balance of both longer and shorter-term leases to benefit from potential market upside. Many of the long-term leases benefit from market rent review clauses, allowing Testa to capture a portion of the upside in any future increases in market interest rates. The following table shows Testa's WAULT by Rents Years per asset class as of 31 March 2015:

	<b>WAULT by Rents Years<sup>(3)</sup></b>
Offices	5.2
Shopping centres	2.2
Logistics centres	1.6
Hotels <sup>(1)</sup>	4.6
Rented Residential <sup>(2)</sup>	2.5
<b>Total<sup>(4)</sup></b>	<b>4.5</b>

*Notes:*

*(1) Excludes financial assets (i.e. Ac Forum Concession and Hotel Costa Ballena. If included, the WAULT would have been 7.0 years.*

*(2) Includes commercial units that are within rented residential assets.*

*(3) WAULT means the weighted average unexpired lease term, calculated as of 31 March 2015. Calculated weighted by GRI.*

*(4) Including parking facilities and senior residences*

### **3.2 Refurbishments and Developments**

Testa strives to maintain the properties in excellent conditions, by continuous refurbishment, renovation and adaptation of the properties to the tenants' needs and the demands of advancing technology. Testa has the resources and expertise to be engaged in the refurbishments of properties, adding value to the properties throughout their life cycle and maximizing yield. Testa also acquires under-developed or poorly-maintained assets, which are then developed or refurbished and ultimately rented.

In the last three years, Testa has been engaged in some notable refurbishment projects, including: (i) the refurbishment and rental of Amazon's headquarters in Madrid; (ii) the six-month reconstruction project of the parking facilities for the law firm Uría Menéndez; (iii) a refurbishment project in an office building for Hábitat in its Barcelona office; (iv) improvements to the Porto Pi and Terrazas Porto Pi shopping centres in Palma de Mallorca; (v) works and refurbishment in the logistic asset at Azuqueca de Henares; and (vi) improvements to a property that was recently sold in Miami. Currently, Partenón 12 is vacant and under refurbishment after the exit of a long-term tenant in September 2014. Such refurbishment is expected to be completed in September 2015.

### **3.3 Management of Third-Party Properties**

Testa provides real estate services to third parties under the umbrella of the Testa Real Estate Services trademark. Subsidiaries Gesfontesta (Asset & Property Management), Gesfitesta (Technical Services) and Gescentesta (Management of Shopping Centres) operate under this trademark.

This group of companies had assets under management of over €2.8 billion as at 31 March 2015, and its main clients include real estate investment funds managed by Banco Santander, as well as numerous family offices and other real estate investors. The assets under management include over 7,000 rented residential properties, offices, shopping centres, logistics centres and senior residences.

During the first quarter of 2015, Testa's total revenue for services to third parties under the umbrella of Testa Real Estate Services trademark was €1.3 million. Testa's total revenue was €5.4 million, €4.7 million and €4.7 million as of 31 December of 2014, 31 December 2013 and 31 December 2012, respectively.

#### ***Environmental Matters***

Testa currently has two assets that are LEED certified, the Pedro de Valdivia asset and PwC Tower, and there are 18 other assets currently undergoing the certification process, Raqueta, Eucalipto 25 (the Kraft headquarters), Eucalipto 33 (the Roche headquarters), Partenón 12, Avenida del Partenón, 16-18, Avenida de Bruselas 33-35 in Alcobendas (Indra headquarters), Castellana 83-85 (Sacyr headquarters), Complejo Ática (four buildings in Pozuelo de Alarcón), Juan Esplandiú 11-13, Ribera del Loira 60 (Endesa headquarters), Diagonal 605, Diagonal 514 and San Cugat II in Barcelona and the logistic center in Azuqueca de Henares in Guadalajara.

In addition, Testa generally does not purchase land which has known environmental contingent liabilities or which, in management's judgement, does not meet all necessary environmental requirements.

#### ***Insurance***

Testa maintains insurance policies that it considers sufficient to protect against potential damage and liabilities incurred in the ordinary course of business. Testa's standard insurance coverage excludes certain events, such as damages caused by force majeure and civil liability for environmental damages. As of the date of this Prospectus, Testa maintains general insurance policies covering management's civil liability, employee personal injury, general damages and damages to property and equipment. In addition, Testa holds insurance covering civil liability and other general risks with respect to its operations.

#### ***Legal Proceedings***

As of 31 March 2015, Testa had provisions of approximately €15.4 million for ongoing litigation, primarily arising from ordinary course of business disputes with tenants, suppliers and employees. In addition, Testa is also currently subject to ordinary course fiscal inspections by Spanish tax authorities. Testa does not believe that any litigation or arbitration proceedings in which it is involved could, individually or in the aggregate, significantly adversely affect its financial condition, results of operations or business.

#### ***Spanish Regulatory Framework***

Testa currently owns government-subsidised properties to which certain specific regulations apply. The term "government-subsidised properties" is used to refer to any property that has received government aid either for its construction or purchase (which can be made in various forms: direct grants, subsidised interest or agreed loans) and regardless of the central, regional or local public authority that has financed the construction or purchase of the housing or whether it is publicly or privately owned.

Traditionally, this government-subsidised property is called VPO (*vivienda de protección oficial*) and this term is used in some Spanish autonomous communities, although in recent years a number of new terms for government-subsidised housing have been introduced via regional legislation.

VPO in general terms refers to housing units that are used as a permanent residence, have certain limited floor space and

rental rates and are classified as such under the applicable regulations (mainly Royal Decree-law 31/1978, of 31 October and Royal Decree 3148/1978, of 10 November and Royal Decree 801/2005, of 1 July). These housing units may be for sale or for rent. To be considered a VPO a property must be specially declared as such by the competent authority, on the basis of the applicant's income, reference price or arranged price and other variables.

#### **4. TESTA'S DIRECTORS AND CORPORATE GOVERNANCE**

##### **4.1 Board of Directors**

Testa's Board of Directors is responsible for the management and establishment of strategic, accounting, organizational and financing policies. Testa's Board Regulations provide that the Chairman of the Board of Directors will be elected from among the members of the Board of Directors. The Chief Executive Officer appoints the senior management team and the authorised signatories, while the Board of Directors supervises the operations. Moreover, Testa's Board of Directors is entrusted with preparing shareholders' meetings and carrying out shareholders' resolutions.

Testa's Board Regulations provide that the Board of Directors meets as frequently as necessary to effectively execute its duties and at least six times a year, and in 2014, the Board of Directors met on eight occasions. Testa's bylaws provide that half of the number of directors plus one constitute a quorum. Most resolutions of Testa's Board of Directors are passed by a simple majority of the directors present or represented at a board meeting. In the event of a tie, the Chairman of the Board has a casting vote.

The Company shall be entitled to appoint a number of members to the Board of Directors of Testa in proportion to its stake in the latter from time to time, and it currently intends to appoint a majority of directors following the acquisition of a controlling stake in Testa. Under the Investment Agreement Sacyr has undertaken to cause that its nominated directors tender their resignations as appropriate in order to allow the Company to appoint its own directors.

##### ***Directors***

The following table sets forth the name, date of last appointment, age and title of each member of Testa's Board of Directors as of the date of this Prospectus.

<u>Name</u>	<u>Title</u>	<u>Date of last appointment</u>
Fernando Rodríguez-Avial Llardent	Non-Executive Chairman	29 June 2010
Javier López Ulloa Morais	Director	29 June 2015
José María Aguirre Gonzalo	Director	29 June 2015
Miguel Heras Dolader	Director	29 June 2015
Fernando Lacadena Azpeitia	Chief Executive Officer	3 February 2015
Eduardo Fernández Cuesta Luca de Tena	Independent	29 June 2015
Pilar Cavero Mestre	Independent	29 June 2015

The position of Secretary non-director of the Board is held by Mr. Gerardo Manso Martínez de Bedoya, and Mr. Fernando Díaz-Llanos Lecuona is the Vice-Secretary non-director.

Testa considers Mr. Javier Zarrabeitia Unzueta and Mr. Alejandro Coba Crespo to be the senior management. There are no family relationships among the directors of Testa and the senior managers.

##### ***Independent Directors***

Testa's Board of Directors has appointed two independent directors. The independent directors appointed by the Shareholders General Meeting held on 29 June 2015, Mr. Eduardo Fernández Cuesta Luca de Tena and Ms. Pilar Cavero Mestre, are highly regarded professionals who are neither employees nor shareholders of the Company.

##### ***Board Committees***

Testa's Board of Directors has incorporated an Audit Committee and an Appointment and Compensation Committee in accordance with the Spanish legal provisions and, to the extent Testa deems applicable, with the Good Governance Code of Listed Companies (*Código de Buen Gobierno de Sociedades Cotizadas*) recommendations.

##### **4.2 Testa's Management team**

Testa's management team has developed in-house capabilities that add value to the portfolio throughout the real estate asset value chain.



At the outset of the value chain, Testa's CIO team sources assets for the portfolio by screening for acquisition opportunities and conducting internal investment analysis providing Testa a structured investment process and criteria. Through its extensive experience, the team has relationships with major agents and key players in the market generating cross-segment synergies that open up unique opportunities.

Once assets are identified and acquired, the internal leasing management team develops strong relationships with the key tenants and actively works in negotiating favourable leases with new tenants and renewals with existing tenants.

The property management team in turn uses its centralised processes, reporting systems and local market expertise to manage current assets and maintain relationships with tenants.

Moreover, the asset management teams, including technical teams who supervise and execute maintenance and refurbishment projects, maintain the quality of the assets and sustain high-level tenant satisfaction.

At the opposite end of the chain from the CIO team, Testa has internal teams working strategically to identify attractive opportunities for the divestment of assets.

This vertically integrated business model gives Testa unique advantages throughout the real estate value chain.

As of 31 March 2015, Testa had 94 employees. Testa's employees are not represented by any union. The following table shows Testa's employees by category at the dates shown:

	<u>31/03/2015</u>	<u>31/12/2014</u>	<u>31/12/2013</u>	<u>31/12/2012</u>
Top-level management	5	1	2	2
Management	2	5	4	4
Technicians and persons holding advanced degrees	55	56	50	42
Administrative staff	32	32	29	28
<b>Total</b>	<b>94</b>	<b>94</b>	<b>85</b>	<b>76</b>

The following table sets forth the name and title of Testa's senior management (including the Top-level management and the Management) and their positions in Testa, which as of the date of the Prospectus are 8.

<u>Name</u>	<u>Title</u>
Fernando Lacadena Azpeitia	CEO
Javier Zarrabeitia Unzueta	Office and Retail Managing Director
Alejandro Coba Crespo	Managing Director of Hotels, Logistics, Rented Residential and others
Leónides Gutiérrez Pozo	COO
Pablo Alonso Carpintero	Managing Director of Real Estate Services
Francisco Suarez Riobó	CFO
Ignacio Rubio Carvajal	CTO
Fernando Díaz-Llanos	CLO

Brief biographical details of Testa's senior management team (including the Top-level management and the Management) are set forth below:

*Mr. Fernando Lacadena Azpeitia*

Mr. Fernando Lacadena Azpeitia holds a degree in law and economics from ICADE E-3. He began his career at Arthur Andersen, where he was auditor, consultant and senior director in the construction and real estate groups. He served as CFO of Services and Concessions and CFO in the Services Division for Dragados and Grupo ACS. He was named CFO of the Sacyr Group in 2004 and CEO of Testa in December of 2014.

*Mr. Javier Zarrabeitia Unzueta*

Mr. Javier Zarrabeitia Unzueta earned a MSC in Architecture at Universidad Politécnica de Madrid and an Executive MBA at

Instituto de Empresa. He was appointed as Managing Director of Office and Retail in 2003 and has served in several management positions over the last 32 years, including Managing Director and Deputy Director General at Testa. He has also worked as Real Estate Manager at Prima Inmobiliaria, Director General at Trema Gestion and Director of Operations at Pierre 1er España.

*Mr. Alejandro Coba Crespo*

Mr. Alejandro Coba Crespo graduated in civil engineering at Universidad Politécnica de Madrid and earned an Executive MBA at Instituto de Empresa. He was appointed Managing Director of Hotels, Rented Residential, Logistics and Other Asset Classes in March 2013 and has served in several management positions over the last 14 years, including Technical Director at Testa and Managing Director at Sacyr Ireland.

*Mr. Leónides Gutiérrez Pozo*

Mr. Leónides Gutiérrez Pozo holds a degree in civil engineering from the Escuela Técnica Superior de Ingenieros de Caminos Canales y Puertos de Santander. He earned a master's degree (PDG) at IESE. He began his career at SENER (engineering firm) in the space department as structural engineer and Project Manager. Since 1989 (26 years) he has been involved in real estate activities in development and rental activities. He served at NEINOR (now NEINOR homes) as COO. He served the last 17 years at Sacyr's Group in Vallehermoso as Manager, General Manager and CEO; and became Chief Operating Officer (COO) of TESTA in February 2015.

*Mr. Pablo Alonso Carpintero*

Mr. Pablo Alonso graduated in law at Universidad de Leon and earned a master's degree in business and law at Universidad de Navarra. He began his career working as a lawyer in the insurance and banking sectors. Since 1999, he has been involved in the real estate sector, overseeing significant development projects in residential and recreational real estate. Since 2003, he has worked at Vallehermoso in several management positions that report to the CEO of the company, including as the first executive in Madrid, Catalonia, Portugal, Baleares, Castile and Leon and the Canary Islands. He is currently serving as Managing Director of Real Estate Services at Testa and is currently the CEO of Gesfontesta, Gesfitesta and Gescentesta.

*Mr. Francisco Suarez Riobó*

Mr. Francisco Suarez graduated in economics from the Universidad de Cadiz and earned a master's degree in audit and accounting from the Universidad Pontificia de Salamanca in Madrid. He started his career at Coopers & Lybrand (currently PricewaterhouseCoppers) in 1996. He joined Testa in 1999 and was appointed CFO in 2013. In this position, he has been responsible for the financial, control and administrative duties of Testa.

*Mr. Ignacio Rubio Carvajal*

Mr. Ignacio Rubio has a degree in architecture from the Universidad Politécnica de Madrid. He has over 29 years of work experience and joined Testa in 1998. He was appointed CTO in 2008 and has since been responsible for the project bids and tenders made by Testa, as well as the construction and project management of Testa.

*Mr. Fernando Díaz-Llanos*

Mr. Fernando Díaz-Llanos has a degree in law from the Universidad Complutense de Madrid, a Master in Legal Advisory from ICADE and a degree in Real State Law from the Universidad Complutense de Madrid. Before joining the Sacyr Group, he worked as a lawyer for 5 years in a family office specialized in real estate and urbanism. He was the regional legal manager at Vallhermoso for 8 years before becoming CLO of Testa in 2013.

***Remuneration of the Management Team***

The remuneration of the management team of Testa is set out by the Remuneration and Appointment Committee of Testa in accordance with Spanish corporate law. As of the date of this Prospectus, none of the agreements with the management of Testa contained a parachute clause.

## 5. THE TESTA ASSETS

The Company believes that Testa has a portfolio of top-level well-located properties and a reputable and financially-strong tenant base. The portfolio is composed of offices, shopping centres, hotels, logistics centres, rented residential properties, senior residences, parking facilities and land development plots.

### 5.1 Offices

Most of Testa's rental properties are offices, including landmark buildings located in the prime central business districts of Madrid and Barcelona. The office buildings have market-leading occupancy rates due to the quality of the buildings, their strategic locations and reliable tenants. As of 31 March 2015, Testa owned and rented 355,695 sqm in Madrid and 94,597 sqm in Barcelona, representing 94.8% of the office portfolio; owned 36 office assets. Testa's Physical Occupancy Rate of the office portfolio was 92.1% as of 31 March 2015.

The following table shows Testa's rental surface and parking spaces of the offices as of 31 March 2015:

Location	Building	Rental Surface (sqm) <sup>(1)</sup>	Parking spaces
<b>Madrid</b>			
Ribera del Loira	Endesa Building	54,960	1,253
Avenida del Partenón	Campo de las Naciones	37,632	663
Avenida de Bruselas, 33	Indra Building	33,718	853
Complejo Princesa	Complejo Princesa	33,668	—
Juan Esplendiú, 11-13	O'Donnell Building	28,008	436
Parque Empresarial Ática	Ática 7	23,406	502
Castellana, 259	Torre PWC	21,390	631
Josefa Valcárcel, 48	Josefa Valcárcel, 48	19,893	357
Alcalá, 45	Alcalá, 45	18,655	40
Avenida de Bruselas, 24 - 26	P&G Building – Codere	18,058	457
Costa Brava, 2-4	Raqueta	16,000	335
Castellana	Castellana, 83-85	15,254	271
Eucalipto, 25-33	Los Jacintos	14,553	256
Príncipe de Vergara, 187	Príncipe de Vergara, 187	10,732	165
Pedro Valdivia, 10	Pedro Valdivia, 10	6,721	89
Juan de Mariana, 17	Juan de Mariana, 17	3,046	60
<b>Madrid total</b>		<b>355,695</b>	<b>6,368</b>
<b>Barcelona</b>			
Muntadas I	Muntadas I	24,380	640
Avenida de Vilanova, 12-14	Endesa Building	16,494	94
Sant Cugat I	Sant Cugat	15,379	219
Diagonal 605	Diagonal 605	14,795	217

Sant Cugat II	10 San Cugat	10,102	251
Avenida Diagonal, 514	Diagonal 514	9,664	76
Muntadas II	Muntadas II	3,783	82
<b>Barcelona total</b>		<b>94,597</b>	<b>1,579</b>
<b>Spain other</b>			
Borbolla-Sevilla	Endesa Building	13,037	82
Aznar Molina-Zaragoza	Endesa Building	4,488	70
Maestranza (Endesa) Málaga	Endesa Building	2,046	12
Escudo Del Carmen-Granada	Endesa Building	2,041	9
Mangraners-Lérida	Endesa Building	3,228	—
<b>Spain other total</b>		<b>24,840</b>	<b>173</b>

Note:

(1) Above-ground rental surface.

### Office Real Estate Cycle

The tables below show the evolution of the GAV per sqm of Testa's office portfolio on both a historical and like-for-like basis for the indicated periods. For a more focused view of the evolution of the current portfolio, please refer to the like-for-like evolution which contains 28 out of 36 offices currently in the portfolio.

Historical (euro per sqm)	At 31 March 2015			At 31 December							
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Madrid	4,003	3,962	3,875	3,979	4,164	4,236	4,431	4,713	4,885	4,736	4,259
Barcelona	2,435	2,425	2,423	2,536	2,870	2,875	2,990	3,381	3,893	3,650	3,374
Other	2,267	2,254	2,222	5,186	5,457	5,376	5,441	5,543	5,415	5,356	2,601
<b>Total</b>	<b>3,600</b>	<b>3,566</b>	<b>3,500</b>	<b>4,008</b>	<b>4,217</b>	<b>4,245</b>	<b>4,397</b>	<b>4,663</b>	<b>4,854</b>	<b>4,712</b>	<b>3,787</b>

Like-for-like <sup>(1)(2)</sup> (euro per sqm)	At 31 March			At 31 December							
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Madrid	3,660	3,616	3,532	3,583	3,708	3,769	4,051	4,290	4,649	4,484	3,980
Barcelona	2,536	2,525	2,506	2,632	2,691	2,692	2,801	3,098	3,577	3,452	3,250
Other	2,267	2,254	2,222	2,303	2,101	2,130	2,210	2,339	2,462	2,417	2,240
<b>Total</b>	<b>3,301</b>	<b>3,266</b>	<b>3,202</b>	<b>3,272</b>	<b>3,359</b>	<b>3,404</b>	<b>3,631</b>	<b>3,876</b>	<b>4,247</b>	<b>4,099</b>	<b>3,689</b>

Notes:

(1) For an explanation of how Testa calculates "like-for-like" figures, see "Presentation of Testa's Financial Information.—Unaudited Non-IFRS-EU Management Measures" in Part IX ("Important Information").

(2) The "like-for-like" numbers above have been calculated using the assets that were both in the portfolio as of 31 March 2015 and during the year ended 31 December 2003, using the historical results for only such assets over the periods set forth in the table above and excluding any other assets that were in the portfolio on any such date or during any such period covered by the table above. Partenón 12 is also excluded as it is currently vacant and under refurbishment following the exit of a long-term tenant in September 2014.

The resilience of the office portfolio throughout the real estate cycle is evidenced by the consistently high occupancy rates over time. The following table shows the evolution of the Physical Occupancy Rate of the office portfolio at the dates indicated:

(%)	At 31 March		At 31 December								
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Physical Occupancy Rate	92.1	91.6	94.6	95.8	96.3	97.3	93.9	95.9	99.0	98.9	96.8

### ***Maintenance and Refurbishment***

Testa strives to maintain the condition of its office properties in the highest levels. Testa manages all of its office buildings and provides maintenance and other services to tenants, except for buildings occupied by a single tenant. In these cases, the lease agreements normally provide that tenants are responsible for ordinary maintenance, while Testa is typically responsible for extraordinary maintenance such as structural repairs. Offices are generally inspected upon the exit of a tenant by a technical expert, who recommends the maintenance works to be implemented.

Testa works to maximise the value of properties by implementing the necessary improvements and reforms and by adapting them to the technological and business needs of current and potential tenants. Testa employs experienced and recognised architects, able to perform the necessary renovations to enhance or maintain the quality of the offices.

As part of the maintenance and refurbishment of the offices, resources are employed to ensure that the office buildings comply with technical, municipal and environmental standards at all times.

### ***Tenants***

Testa has been successful in maintaining a well-balanced lease portfolio that includes single-tenant and multi-tenant office buildings, representing 65.6% and 34.4% (considering Partenón 12 as a single-tenant building), respectively, of the office rental area as of 31 March 2015. This provides stability and reliable rent payments in the long-term leases, typical for single-tenant buildings, as well as the flexibility to adjust rental rates more frequently in line with the market in the short-term leases, typical for the multi-tenant buildings. As of 31 March 2015, the WAULT for Testa's offices was 5.2 Rent Years.

Testa generally enters into lease agreements with standard terms, which normally include:

- initial terms of three to five years, with no early termination provisions. Clauses allowing the adjustment of rental rates to reflect changes in the market are general in medium-term and long-term leases;
- annual adjustments to rent to reflect inflation;
- the tenant assuming approximately 100% of costs. In most of the leases, the tenant is required to bear the cost of the ordinary maintenance of the properties, while Testa is responsible for extraordinary repairs. In any event, Testa generally sub-contracts the maintenance of the properties, these costs being reimbursed to Testa by the tenant;
- the requirement that the tenant obtain full or partial bank guarantees to cover the collection of rent defaults, which cover rental payments after a defaulting tenant has left the building until a new tenant is found. The lease agreements also typically include provisions for other financial guarantees (at the time of signing and renewal) to cover the possibility of future defaults; and
- provisions for termination of the lease upon rent payment, arrears and/or default.

A key aspect of the office rental business is the selection of the tenants and how a portfolio of top-tier tenants has been built from a cross-section of industries in the office buildings. The aim is to rent the properties to reputable and financially-strong tenants (mainly established companies and public entities), and to specialise in the rental of large corporate offices and headquarters to large corporations. Offices are managed internally, using Testa's resources. Testa also engages recognised consultants and outside real estate agencies to identify ideal tenants for the office buildings.

The table below lists Testa's top 15 office tenants, delineated by rent expressed as a percentage of the total GRI for the month of March 2015:

Tenant	Location	% of Total GRI	Years as Tenant
Endesa	Various	13.7	12

Madrid City and Autonomous Community (Ayuntamiento y Comunidad de Madrid)	Madrid	8.9	11
Pricewaterhouse Coopers	Madrid	4.4	5
Indra Sistemas, S.A.	Madrid	4.1	13
L'Oreal España, S.A.	Madrid	2.9	7
Sacyr Group	Madrid	2.8	12
Uría Menéndez Abogados, S.L.P.	Madrid	2.7	10
Informática El Corte Inglés, S.A.	Madrid	1.8	20
Procter & Gamble España, S.A.	Madrid	1.1	8
Mondelez España Services, S.L.U.	Madrid	1.1	12
Codere, S.A.	Madrid	1.1	9
Roche Farma, S.A.	Madrid	0.9	12
MaxamCorp Holding, S.L.	Barcelona	0.8	22
Everis Spain, S.L.	Madrid	0.7	6
Amazon Spain Services, S.L.	Madrid	0.6	4
Total		47.7	

## 5.2 Shopping Centres

Testa's business of developing, operating and renting shopping centres is based on its core expertise in developing and operating real estate assets generally, and a strategy aligned to the office segment. Quality shopping centres are rented to reputable and financially-stable tenants in the best commercial locations within established and growing areas. The aim is to rent shopping centres that offer a strategic commercial mix, deliver a wide range of first-rate retail offerings and include prime tenants with local, national and international reputation. As of 31 March 2015, the Physical Occupancy Rate of the shopping center portfolio stood at 98.0%.

Testa's portfolio of shopping centres consists of five shopping centres (considering Centro Comercial Porto Pi and Terrazas Porto Pi as separate shopping centres) that are located in prime urban areas with strategic high catchment metrics. The following table provides a summary of the shopping centres owned by Testa and operated as of 31 March 2015:

Center	Center Type	Location	Rental Area (sqm)	No. Of Units	Annual Footfall (€ million)	Physical Occupancy %	Rental Revenues (€ million) <sup>(1)</sup>	Key Tenants
Larios	Shopping Mall	Málaga	21,504	99	10.0	99.2	8.1	Zara, Zara Home, Massimo Dutti, Primark
Porto Pi <sup>(2)</sup>	Shopping Mall	Mallorca	26,559	124	7.6	95.2	9.2	Zara, Zara Home, Massimo Dutti, Mango, Camper
Centro Oeste	Shopping Mall	Madrid	10,839	66	6.7	100.0	6.0	Zara, H&M, Mango, Massimo Dutti, Zara Home, Disney
Plaza de los Cubos	Street Retail	Madrid	13,202	21	N/A	100.0	2.9	McDonalds, Renoir Cines, Pansfood, Café y Té

<b>Total</b>	<b>72,104</b>	<b>310</b>	<b>24.0</b>	<b>98.0</b>	<b>26.2</b>
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Notes:

(1) For the year ended 31 December 2014.

(2) Includes Centro Comercial Porto Pi and Terrazas Porto Pi.

### Shopping Center Tenants

Testa generally enters into leases under terms and conditions consistent with market standards, however they require extensive negotiation due to the specific use given by the tenants and the high number of tenants that lease the same building (there may be over 150 tenants in one shopping center). As of 31 March 2015, Testa's shopping center portfolio had a WAULT of 2.2 years.

Although the terms may vary, Testa has several provisions that are fairly consistent in the shopping center leases, including:

- initial terms of two to five years;
- annual rent adjustments to reflect inflation;
- rent adjustments to reflect mark-up rates upon renewal of the lease;
- variable rent based on the tenant's income; and
- property costs to be borne by the tenant.

As with all the assets, Testa seeks reputable and financially-strong shopping center tenants, such as large operators in the food segment (supermarkets), medium-sized specialty department stores, major fashion retailers and leisure anchors such as cinemas, bowling alleys or gymnasiums.

The main tenants of Testa as of 31 March 2015 included:

- Spanish fashion companies such as Inditex, Cortefiel and Mango;
- food service companies and restaurants such as McDonalds, Starbucks, Vips, Burger King, Foster's Hollywood and Café y Té;
- entertainment and leisure companies such as Disney and Renoir Cines; and
- international specialty retail companies such as H&M, Kiabi and Primark.

### 5.3 Hotels

The hotel rental business has provided Testa with stability and resilience throughout the recent difficulties in the Spanish real estate market. The Physical Occupancy Rate of the hotel portfolio of Testa was 100% as of 31 March 2015. The buildings are strategically located, mainly in Madrid and Barcelona, with a total rental area of 110,843 sqm as of 31 March 2015. Hotels are rented to a tenant base comprising some of the leading hotel chains in Spain.

The table below shows the hotels in the consolidated portfolio of Testa as of 31 March 2015:

<b>Name</b>	<b>Location</b>	<b>Chain</b>	<b>Rental Surface (sqm)</b>	<b>Number of Rooms</b>
Eurostars Madrid Tower	Madrid	Hotusa	31,800	474
Eurostars Grand Marina	Barcelona	Hotusa	20,030	274
NH Sanvy	Madrid	NH	12,182	146
Puerta Castilla	Madrid	EXE	13,180	262
Tryp Barcelona Aeropuerto	Barcelona	Meliá	10,125	205
Tryp Oceanic	Valencia	Meliá	9,308	197
Tryp Alameda	Málaga	Meliá	6,000	136
Tryp Jerez	Jerez	Meliá	4,637	98
Eurostars Gran Madrid	Alcobendas	Hotusa	3,581	100

Name	Location	Chain	Rental Surface (sqm)	Number of Rooms
100% owned total			110,843	1,895
Hotel AC Forum (50% interest) <sup>(1)</sup>	Barcelona	AC Marriott	13,768	184
Hotel Costa Ballena (32.5% interest) <sup>(2)</sup>	Cádiz	Barceló	5,045	76
Equity method total <sup>(3)</sup>			18,813	260
<b>Total</b>			<b>129,656</b>	<b>2,155</b>

*Notes:*

(1) Subject to a concession agreement and in which Testa has a 50% interest through a 50% stake in Bardiomar, S.L.

(2) Testa has an interest through a 32.5% stake in PK Hoteles 22, S.L.

(3) Testa also has an interest in Eurostars Mar de Vigo, a mixed use asset, through Testa's 44.44% interest in Pazo de Congresos de Vigo, S.A. Eurostars Mar de Vigo is subject to a concession agreement. Pursuant to an ownership interest, 18,523 square meters correspond to Testa (the hotel has a rental surface of 3,637 sqm).

### Tenants

Testa generally enters into leases under terms and conditions consistent with market standards. As of 31 March 2015, the hotel portfolio of Testa had a WAULT of 4.6 years excluding the hotel financial investments and 7.0 years including them.

Although the terms may vary, Testa has several provisions that are fairly consistent in the hotel leases, including:

- relatively long lease terms;
- the requirement that the tenant obtain full or partial bank guarantees to cover the collection of rent defaults, typically in an amount of about one year's rent plus VAT; and
- provisions for the tenant to bear the majority of costs associated with the ordinary maintenance of the property, as well as taxes and fees.

### 5.4 Rented Residential Properties

Testa develops, markets and rents out rented residential real estate assets that are primary residences. All of the assets in this sector are in rented residential complexes, mainly located in Madrid (77.7% of the rented residential portfolio based on square meters), San Sebastian (14.0% of the rented residential portfolio based on square meters), a city in the north coast of Spain, and Toledo (8.3% of the rented residential portfolio based on square meters), a city approximately 70 kilometres southwest of Madrid. As of 31 March 2015, the housing portfolio rental area amounted to 124,330 sqm (1,519 units). These assets include some rented residential properties operated under concession agreements entered into with local governments at Usera, Campo de Tiro de Leganés in which Madrid Social Housing Institute (Ivima- Instituto Vivienda de Madrid) is the tenant of the whole building with a reliable payment trackrecord and they look for the occupants of the apartments. Additionally Testa has a joint venture at 50% with Metrovacesa in Bentaberri that is operated by local employees of the joint venture with the same standards of the rest of the rented residential portfolio.

The Spanish government and local and regional governments in Spain have recently enacted legal reforms and put in place plans to spur growth in this sector. These reforms promote rented residential at both state and regional levels and are introducing economic and fiscal measures to help revive the rented residential market (e.g., by adjusting lease terms and the processes for renewing leases and revising lease rates). Testa is actively engaged in this market and was the first private real estate operator in Spain to create a specific branch for this segment, its subsidiary Testa Residencial.

The table below shows a summary of the main features of the rented residential properties owned or operated pursuant by Testa to concession agreements as of 31 March 2015:

	Location	Rental Surface (sqm)	Number of Units	Number of Parking Spaces	Physical Occupancy Rate (%)
Plaza Castilla	Madrid	20,573	302	—	94.5
Valdebernardo	Madrid	9,310	94	100	98.5
Alcorcón	Alcorcón	14,797	159	182	90.4



	<b>Location</b>	<b>Rental Surface (sqm)</b>	<b>Number of Units</b>	<b>Number of Parking Spaces</b>	<b>Physical Occupancy Rate (%)</b>
Pavones Este	Madrid	10,461	104	115	97.8
<b>Total Madrid free</b>		<b>55,142</b>	<b>659</b>	<b>397</b>	<b>94.7</b>
Usera (concession from Madrid government)	Madrid	12,074	148	148	100.0
Campo de Tiro de Leganés (concession from Leganés government)	Leganés	7,193	80	103	100.0
Móstoles I	Móstoles	7,138	104	109	100.0
Móstoles II	Móstoles	5,795	75	92	92.4
<b>Total Madrid protected (VPO)</b>	<b>Madrid</b>	<b>32,200</b>	<b>407</b>	<b>452</b>	<b>98.6</b>
Alameda de Osuna	Madrid	9,318	95	95	97.9
Total free special regulation (Vivienda libre regulación especial)		9,318	95	95	97.9
Sta. María Benquerencia	Toledo	10,327	103	103	88.8
<b>Total Toledo free</b>		<b>10,327</b>	<b>103</b>	<b>103</b>	<b>88.8</b>
Benta Berri <sup>(1)</sup> (concession from Basque government)	San Sebastián	34,688	510	554	98.8
<b>Total San Sebastián concessions</b>		<b>17,344</b>	<b>255</b>	<b>277</b>	<b>98.8</b>
<b>TOTAL</b>		<b>124,330</b>	<b>1,519</b>	<b>1,324</b>	<b>96.0</b>

Note:

(1) Benta Berri is a joint venture in which Testa and Metrovacesa, S.A. are partners and through which 510 units are operated in undivided units.

Some of the rented residential properties in the portfolio are “government-subsidised properties”, meaning rented residential property that has received government aid either for its construction or its purchase (such aid is available in different forms: direct grants, subsidised interest or agreed loans). A property is considered to be government-subsidised if it received such aid from any level of national, regional or local government, and it does not matter if the housing is owned by a private company.

Traditionally, a government-subsidised property is called a VPO (*vivienda de protección oficial*). However, new legislation in various parts of Spain has created different names for such properties. In general terms, a VPO property is a rented residential unit that is used as a permanent residence, meets certain floor space and rental rate limitations and is classified as such under the applicable regulations (mainly Royal Decree-law 31/1978, of 31 October and Royal Decree 3148/1978, of 10 November and Royal Decree 801/2005, of 1 July). All of the VPO properties meet the required qualifications to be rented to tenants.

### ***Maintenance and Refurbishment***

Testa strives to maintain the condition of the rented residential properties at the highest possible standards. To this end, Testa has entered into a maintenance agreement with Valoriza Multiservicios, a subsidiary of the Sacyr Group. This agreement renews annually and provides for both ordinary course maintenance and technical revisions required by law, such as structural repairs required to be made to common areas of the properties.

### ***Tenants***

Testa generally enters into residential leases under standard terms, which typically include:

- an initial term of three years, which is generally renewable and also provides for compensation in the event of early termination;
- rent adjustment to reflect inflation upon renewal; and
- the requirement that the tenant obtain, in addition to a legal bond, an additional bank guarantee to cover approximately four months’ rent.

## 5.5 Logistics Centres

Testa has a portfolio of large scale logistic centres located in the surroundings of Madrid, Barcelona and Zaragoza. Testa's logistic centres all have a premium location with easy access to major highways and roads, with special focus in the Henares corridor. Testa's portfolio consists of a variety of assets, offering different alternatives in terms of size and design that adapts to the needs of each tenant.

The logistic centres assets have maintained relatively high occupancy rates throughout the economic crisis, and the Physical Occupancy Rate was 96.8% as of 31 March 2015.

The size of the logistics centres gives Testa a competitive advantage as large assets have been in higher demand in this sector in recent years. The table below shows Testa's rental surface of the logistics centres in operation as of 31 March 2015:

<b>Location</b>	<b>Rental Surface (sqm)</b>
Cabanillas del Campo (Guadalajara)	70,134
Alovera (Guadalajara)	38,763
Coslada (Madrid)	36,234
Azuquera de Henares (Guadalajara)	27,995
Pedrola (Zaragoza)	21,579
Lliça de Vall (Barcelona)	14,911
<b>Total</b>	<b>209,616</b>

## *Tenants*

As of 31 March 2015, Testa's logistic centre portfolio had a WAULT of 1.6 years.

Testa generally enters into standard lease terms, which typically include:

- an initial term of three years, with renewals of for the same duration with 10 months' notice;
- adjustments to rent upon renewal of the lease agreement to reflect market rates and inflation;
- division of expenses derived from the property, regular maintenance costs, community expenses (as applicable), services, taxes and other fees; and
- the requirement for the tenant to obtain full or partial bank guarantees to cover the collection of rent defaults, typically in an amount of approximately 10 months' rent.

The top five logistics center tenants for the month of March 2015 were Compañía de Distribución Integral, S.L., Logiters Logística, S.A., Reckitt Benckiser España, Ltd, United Parcel Service España, Ltd and Azkar Logística, S.A.U.

## 5.6 Others

In addition to the assets described above, Testa also rents senior residences and parking facilities and occasionally acquires land plots for development. In analysing the Physical Occupancy Rate of Testa's portfolio, senior residences and parking facilities are grouped with other mixed assets. This segment had a Physical Occupancy Rate of 100% as of 31 March 2015. As of 31 March 2015, the joint WAULT of the senior residences and parking facilities was 11.4 years.

### *Senior Residences*

The only senior residence currently held by Testa is Faro de Hércules in La Coruña, which has a surface of 5,829 sqm, with 93 rooms and 138 beds.

### ***Parking Facilities***

The parking facilities are generally associated to the other properties operated by Testa (offices and rented residential properties, among others), and their lease is normally done in conjunction with the attached property (e.g., a rented residential property with two parking spaces). Testa has a parking facility in Plaza de los Cubos with a total surface of 26,963 sqm and another one in Plaza de Castilla with a total surface of 18,488 sqm. Notably, Testa has a 33% interest in Parking Palau S.A., representing Testa's stake 3,971 sqm.

### ***Residential and Commercial Land***

Testa has land and projects under development with an aggregate land of approximately 1.5 million sqm, with an approximate area suitable for building of 573,749 sqm. This land bank mainly comprises land suitable for rented residential developments but also includes land which Testa believes is appropriate for office, senior residence or parking developments, mainly in Madrid and its surrounding areas. Of the land that is currently suitable for building, 15% is land ready for construction, and the remaining plots are in the final stage of development.

The following table shows the land development assets owned by Testa as of 31 March 2015:

	<b>Location</b>	<b>Buildable surface (sqm)</b>	<b>Anticipated Use</b>
Solar Arapiles	Arapiles, Madrid	2,670	Parking
Solar Valdebebas	Valdebebas, Madrid	25,955	Offices or Senior Offices
Doux Ibérica	Zaragoza	47,971	Rented Residential
Sector 15, Navalcarnero	Navalcarnero, Madrid	435,964	Rented Residential
Cales Atalayas	Villajoyosa, Alicante	61,190	Rented Residential or Senior Residences
<b>Total</b>		<b>573,749</b>	

### ***Market Value of Assets***

Testa's assets have been valued by CBRE (with respect to Testa's assets in operation or under refurbishment) and Instituto de Valoraciones (with respect to land and assets under development) at a GAV of €2,935 million and €267 million, respectively, with unaccounted capital gains of €1,080 million for CBRE and €3 million for Instituto de Valoraciones as of 31 March 2015.

The following table shows the GAV of the rental assets owned or operated by Testa pursuant to concession agreements (excluding land, assets under development and assets that Testa does not wholly own or otherwise control) by geographic area and asset type as of 31 March 2015.

<b>(€ million)</b>	<b>Madrid</b>	<b>Barcelona</b>	<b>Spain Other</b>	<b>Total</b>
Offices	1,424	230	56	1,710
Shopping centres	133	—	216	349
Rented Residential <sup>(1)</sup>	212	—	63	275
Logistics centres	32	10	73	114
Hotels	262	86	40	388
Others <sup>(2)</sup>	34	—	8	42

(€ million)	Madrid	Barcelona	Spain Other	Total
<b>Total</b>	<b>2,096</b>	<b>326</b>	<b>457</b>	<b>2,878</b>

Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Includes parking assets and senior residences.

The following table shows the GAV by euro per sqm of the rental portfolio of Testa, delineated by geography and asset type as of 31 March 2015:

(euro per sqm)	Madrid	Barcelona	Spain Other	Total
Offices	4,003	2,435	2,267	3,600
Shopping centres	5,532	—	4,502	4,846
Rented Residential <sup>(1)</sup>	2,191	—	2,277	2,210
Logistics centres	869	651	459	544
Hotels	4,313	2,835	2,016	3,498
Others <sup>(2)</sup>	741	—	1,299	810
<b>Total</b>	<b>3,387</b>	<b>2,331</b>	<b>1,601</b>	<b>2,757</b>

Notes:

(1) Includes commercial units that are within rented residential assets.

(2) Includes parking assets and senior residences and excludes financial assets and land plots with GAV of €267 million and €57 million respectively.

### Net Asset Value

Testa calculates EPRA Net Asset Value (“**EPRA NAV**”) on the basis of its consolidated equity and carries out certain adjustments for specific items following EPRA recommendations. Testa had a NAV of €2,487 million as of 31 March 2015. Giving effect to Testa Share Capital Reduction, the payment of the Extraordinary Dividend, the cancellation of the Intercompany Loan and Testa Share Capital Increase, Testa’s NAV as of 31 March 2015 would have been €1,721 million.

The following table shows the reconciliation between the reported EPRA NAV and the pro-forma EPRA NAV as of 31 March 2015:

€ million	31/03/2015
Reported EPRA NAV	2,487
Cancelation of Inter-company loan to Sacyr	(953)
Extraordinary cash dividend to Sacyr	(239)
Extraordinary dividend to minorities	(6)
Capital Increase subscribed by Merlin	431
Pro forma EPRA NAV	1,721

The following table shows a comparison of the tax book value of Testa's assets and its GAV breakdown per asset class as of 31 March 2015:

<b>(€ million)</b>	<b>Tax Book Value as of 31 March 2015</b>	<b>GAV Value as of 31 March 2015</b>
Office	1,205	1,710
Retail	102	349
Logistics	63	114
Hotel	314	388
Rented Residential	112	275
Land	263	267
Other	60	99
<b>Total</b>	<b>2,119</b>	<b>3,202</b>

**6. TESTA'S VALUATION REPORTS**

## 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of Testa's financial condition and results of operations is based, and should be read in conjunction with the Testa Annual Consolidated Financial Statements and accompanying notes included elsewhere in this Prospectus. All financial information is taken or derived from such consolidated financial statements, unless otherwise indicated.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Testa's future results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed in the sections entitled "Risk Factors" and "Important Information" and elsewhere in this Prospectus.

### 7.1 Key Factors Affecting the Comparability of Testa's Financial Condition and Results of Operations

As a result of the following factors, Testa's financial condition and results of operations as of and for certain of the financial periods discussed in this Prospectus may not be directly comparable with its financial condition and results of operations as of and for other financial periods discussed herein or future financial periods.

#### Application of IFRS 11

IFRS 11 came into effect with respect to "joint arrangements" on 1 January 2014 under IFRS-EU. The Testa 2014 Consolidated Financial Statements reflect the adoption of IFRS 11 and, as required per IFRS-EU, include restated numbers as of and for the year ended 31 December 2013 and the statement of financial position as of 31 December 2012. The Testa 2013 Consolidated Financial Statements present 2013 results as originally reported. The adoption of IFRS 11 has resulted in significant changes to Testa's assets and liabilities, as well as its separate consolidated income statement, as presented in the Testa 2014 Consolidated Financial Statements. Prior to the adoption of IFRS 11, Testa accounted for its investments in jointly-controlled entities using the proportional integration method under International Accounting Standards 31 ("Interests in Joint Ventures"), which is no longer applicable upon adoption of IFRS 11. Accordingly, Testa have now classified these joint arrangements as joint ventures and have reflected the appropriate reclassifications in its consolidated statements of financial position and separate income statements in the Testa 2014 Consolidated Financial Statements. See Note 2(a.1) to the Testa 2014 Consolidated Financial Statements.

This Prospectus presents Testa's results as of and for the year ended 31 December 2013 both as restated in the Testa 2014 Consolidated Financial Statements and as originally reported in the Testa 2013 Consolidated Financial Statements in various instances in this Prospectus. In order to facilitate comparability, the restated 2013 numbers are used when presenting comparisons of 2014 results to 2013 results, and the originally reported numbers are used when comparing 2013 results to 2012 results. Outside the context of year-on-year comparisons, unless otherwise indicated, the 2013 numbers are presented from the originally reported results. All numbers presented for 2012 are as originally reported.

The table below shows the impact that the restatement had on Testa's consolidated statement of financial position at 31 December 2013 and its separate consolidated income statement for the year ended 31 December 2013.

Consolidated Statement of Financial Position (€ thousand)	At 31 December 2013		
	Reported	Restated	Change
Non-current assets	3,122,890	3,088,687	(34,203)
Current assets	184,886	182,826	(2,060)
<b>Total assets</b>	<b>3,307,776</b>	<b>3,271,513</b>	<b>(36,263)</b>
Equity	1,356,476	1,356,476	—
Equity of the parent	1,356,476	1,356,476	—
Equity of non-controlling interest	—	—	—
Non-current liabilities	1,641,905	1,610,153	(31,752)
Current liabilities	309,395	304,884	(4,511)
<b>Total equity and liabilities</b>	<b>3,307,776</b>	<b>3,271,513</b>	<b>(36,263)</b>

**Separate Consolidated Income Statement****At 31 December 2013****(€ thousand)**

	<b>Reported</b>	<b>Restated</b>	<b>Change</b>
Operating income	269,464	266,388	(3,076)
Operating costs	(114,813)	(106,772)	8,041
Operating profit	154,651	159,616	4,965
Profit/(loss) of associates	(791)	(3,980)	(3,189)
Gain/(loss) on Disposal of assets	—	—	—
Net financial expense	(18,414)	(20,728)	(2,314)
Consolidated profit before tax	135,446	134,908	(538)
Income tax	(57,763)	(57,225)	538
Profit for the year from continuing operations	77,683	77,683	—
Profit/(loss) for the year from discontinued operations	—	—	—
Consolidated profit for the year	77,683	77,683	—
Non-controlling interests	—	—	—
Parent	77,683	77,683	—

**7.2 Key Factors Affecting Testa's Results of Operations**

Testa's results of operations are affected by a number of factors, including the following:

***Macroeconomic Market Conditions***

The rental income and market value of Testa's real estate portfolio depend to a significant degree on general macroeconomic and market factors. In recent years, the Spanish economy has experienced a period of economic and financial uncertainty, since the GDP at constant prices contracted by 1.5% CAGR since 2008. In addition, the Spanish banking sector underwent a profound restructuring process, generating uncertainty about its ability to generate income, its risk profile, its access to external financing and the cost of such financing. This restructuring process, together with unemployment rates in Spain that increased significantly higher than those registered prior to the beginning of the global economic crisis in 2007, affected the evolution of the Spanish economy, including the recovery of the real estate market in particular.

Although the Spanish economy continues to face challenges, such as current high levels of sovereign debt, in 2014, Moodys' upgraded Spain's sovereign credit rating from Baa3 (stable) to Baa2 (positive) and Standard and Poor's from BBB- to BBB. Such change reflects the measures introduced by the Spanish government to rebalance the Spanish economy towards a more sustainable growth model, the progress made in implementing broad structural reforms and the improvement in the government's funding cost. Despite high unemployment rates and recovering private consumption levels, expected to grow by 3.4 in 2015 after years of contraction (source: *IMF*), the Spanish financial markets have continued to strengthen in 2014, with spreads on sovereign and bank bonds as of March 2015 decreasing by 70 since the IMF programme started in 2012 (source: *Bloomberg*).

The real economy has also started to recover. According to INE, GDP at constant prices grew by 1.4 during 2014 — the first year of growth after two years of recession. According to the IMF, GDP at constant prices will grow by 2.5 and 2.0 in 2015 and 2016, respectively. Unemployment rate also started to decline in 2014, although it remained at a high level of 24.4% at year-end (26.1% in 2013). According to the IMF, the unemployment rate is expected to decrease to 22.6% and 21.1% in 2015 and 2016, respectively.

Although continued growth is expected, any adverse change in general economic conditions in Spain or in the real estate market in Spain could have a material adverse effect on Testa's business, results of operations and financial condition.

***Cyclicality of the Real Estate Industry***

Testa's results of operations have been and will continue to be affected by the cyclical nature of the real estate industry. Property values and rental rates are affected by, among other factors, supply and demand for comparable properties, the liquidity of real estate investments, interest rates, inflation, the rate of economic growth, tax laws and political and economic



developments and demographic and social factors in the regions in which Testa operates. Cyclical changes in the real estate market, particularly in Spain, could result in fluctuations in Testa's results of operations. Its efforts to diversify and expand its rental portfolio and its tenant base are intended to mitigate its exposure to market cycles because real estate cycles affect different asset classes and different tenants in different ways.

In addition, from time to time, tenants seek to renegotiate rental levels, and there is no guarantee that assets can be renewed at current or more favorable rental levels.

The slowdown of activity in the Spanish real estate sector, which up to the middle of 2007 was moderate, sharpened during the second half of 2007, and activity in the sector has continued to decline during recent years, continued to decline through 2012. However, investment volumes started to increase in Spain during 2013 and accelerated in 2014. Although investment levels have increased, companies operating in the real estate sector in Spain, including Testa, suffered significant downward adjustments of the valuation of asset portfolios. In addition, access to bank financing for real estate investment companies remained difficult throughout these years.

Beginning at the end of 2013 and through 2014, Spanish real estate values began to stabilise, and values for prime assets have rallied through the end of 2014 and beginning of 2015. In spite of this recent momentum, Testa cannot predict whether these trends will continue to improve or whether despite Testa's diversification strategies, a change in trends will negatively affect its business. Testa's results of operations could be materially adversely affected by a downturn in the real estate market.

#### ***Impact of Interest Rate Changes and Cost of Financing***

Changes in interest rates and in risk premium affect Testa's business in a number of ways. Interest rates and risk premiums affect capitalization and discount rates, which in turn influence the fair value of its investment properties. Moreover, lower interest rates in the regions in which Testa operates tend to increase demand for properties, resulting in higher acquisition costs but lower interest expenses. Conversely, rising interest rates lead to economically less favourable financing terms and negatively affect the sale of properties.

In addition, changes in interest rates affect the cost of financing, affecting the conditions at which Testa may obtain fixed rate financing and interest payment obligations under Testa's floating rate debt obligations. To a significant extent, Testa's business is debt-financed. Therefore, it depends on the availability of debt and its results of operations are materially affected by financing costs. Accordingly, if Testa is unable to obtain financing on favourable terms or at all, it could have a material adverse effect on its business, results of operation and financial condition.

#### ***Portfolio Size and Occupancy Rates***

Testa's level of gross rental income is a material factor affecting its income. The amount of gross rental income earned depends primarily on its rent per square meter and relevant rented space, which in turn depends primarily on the location and quality of its properties, as well as general economic conditions. Significant changes result primarily from property disposals, acquisitions and development projects, which affect the size of its total portfolio and may have an impact on the average gross rental income per square meter.

Occupancy rates also have a considerable effect on Testa's earnings, as a decline in occupancy rates can negatively affect the level of rental income and allocable operating expenses. The Physical Occupancy Rate of Testa's portfolio amounted to 95.2% at 31 March 2015 and 95.0%, 94.0% and 92.3% at 31 December 2014, 2013 and 2012, respectively. Occupancy rates can also vary by region and asset class throughout the real estate cycle.

#### ***Disposals of Assets***

Although Testa's rental business is its core business and it acquires assets for its portfolio with a long term view, Testa strives to take advantage of opportunities to dispose of properties at the time it considers them to have reached their highest level of profitability if an attractive opportunity to crystallise value arises. In line with this philosophy and its goal to focus its operations in the Spanish market, Testa has disposed of certain assets in the periods covered by this Prospectus, which have had a significant effect on its results of operations in the years of such disposals and materially reduced its leverage. For example, Testa sold an asset in Miami and an asset in Paris in 2013, which generated a profit of €53.0million before tax and a loss of €6.9 million before tax, respectively, as well as significantly affected its rental revenues from its international operations, which decreased in 2013 compared to 2012 as a result of the disposals.

The following table details Testa's most recent property disposals.

<u>Asset Location</u>	<u>Asset Type</u>	<u>Sales Price (€ million)</u>	<u>Profit / (Loss) (€ million)</u>	<u>Investment Period</u>
Residencia Getafe	Senior Residence	12.0	2.7	2003-2008
San Miguel (Zaragoza)	Office	17.2	4.8	2003-2008
1401 Brickell Av. (Miami) <sup>(1)</sup>	Office	73.0	34.3	2006-2008

Paseo de Gracia 28 (Barcelona)	Office	20.0	(1.3)	1998-2009
García Lovera (Cordoba)	Office	6.9	0.6	2003-2009
Martínez Barrios (Sevilla)	Office	6.5	0.7	2003-2009
Paseo de la Glorieta (Huelva)	Office	5.4	0.8	2003-2009
Parque Corredor (Madrid)	Shopping Center	136.8	58.6	1998-2009
Paseo de Gracia 56 (Barcelona)	Office	53.5	21.8	1998-2012
1111 Brickell Av. (Miami) <sup>(2)</sup>	Office	140.5	53.0	2002-2013
Tour Adria (Paris)	Office	450.0	(6.9)	2006-2013
Conde de Xiquena (Madrid)	Rented Residential	7.4	2.3	1998-2014
Residencia Rodríguez Marín (Madrid)	Senior Residence	12.9	2.2	2004-2014

*Notes:*

(1) The sale price of this asset was denominated in U.S. dollars and was converted from \$114 million using the noon buying rate as of the date of the sale.

(2) The sale price of this asset was denominated in U.S. dollars and was converted from \$184 million using the noon buying rate as of the date of the sale.

The proceeds from disposals made by Testa depend on the number of properties sold and their respective prices, as well as costs related to such disposals. Sales prices of properties depend on supply and demand, which are influenced substantially by the location, condition of the property, prospective rental income and local market, as well as general economic conditions. In addition, tenant profile and purchasing power are also relevant to sales prices.

Disposals affect Testa's revenues through the gains or losses from such disposals when they are recognised and can also significantly affect its rental revenues and costs associated with the operation of its assets going forward and may have a deleveraging effect by extinguishing the financing arrangement associated with the disposed asset. Accordingly, Testa's results of operations of a particular period in which a significant disposal has been made may not fully reflect its performance for such period and period-to-period comparisons of the results of operations may not reflect the then-current trends relevant to the conduct of the rental business.

***Investment in Testa's Real Estate Portfolio***

Testa has invested in the refurbishment, development and expansion of its real estate portfolio. As a result of this investment, the results of operations for future years may not be directly comparable with the results of operations for the financial periods discussed in this Prospectus. Testa's actual investments in the real estate portfolio, as well as the contribution to the revenue of the real estate business in the future, may be less or more than the amounts it currently expects or describe in this Prospectus. See "Forward-Looking Statements" in Part IX ("Important Information").

***Rental Operations Start-up Costs***

The costs and expenses incurred during the first year of a newly-completed rental project are higher than in subsequent years, mainly due to one-time start-up costs, such as increased initial marketing costs related to the opening of a shopping center and the attraction of customer traffic, costs associated with detailing the recently finished developments and certain expenses related to tenant common areas, which are either not necessary in such high amounts in subsequent years or are eventually passed on to tenants. In addition, rents generated during the first year of operation of a rental project are sometimes lower than in future periods due to the gradual move-in of tenants over the first few months of operations and in certain cases because rents are not charged or are discounted for an initial period of one to six months. Accordingly, the relative maturity of the rental properties obtained in any particular period will have a significant effect on the margin of the rental operations and, therefore, on the overall results of operations and their comparability.

***Fluctuations in Cost of Rental Properties, Land, and Development***

The returns on investment from the real estate portfolio depend in part on the age and cost basis of the assets. In addition, the profit margins of the land development plots are affected by the age and cost basis of the land bank. The results of operations will be affected by the cost of rental properties and land available for acquisition and inclusion in the portfolio and land bank, the cost of rental properties available for acquisition and inclusion in the portfolio and the cost of developing the land plots. If these costs and the competition for acquiring these assets increase, Testa may be unable to grow or develop its rental portfolio or replenish its land bank as rapidly as it has in the past at prices it believes are reasonable or rotate its portfolio or maintain its current profit margins. In particular, if Testa is not able to replenish its rental portfolio or land bank at reasonable prices, Testa's business, results of operations and financial condition would be materially adversely affected.

### 7.3 Key Statistics

Testa uses the following key statistics relating to its business in analysing its results of operations.

The following tables show certain unaudited financial and operating data as of and for the periods ended 31 March 2015 and 2014 and 31 December 2014, 2013 and 2012:

	At 31 March	At 31 December		
	2015	2014	2013	2012
Number of assets	87	87	90	94
GLA (sqm) <sup>(1)</sup>	1,043,901	1,043,901	1,065,973	1,168,192
GAV (€ million) <sup>(2)</sup>	3,202	3,180	3,287	3,879
Loan-to-value (%) <sup>(3)(4)</sup>	52.1 <sup>(5)</sup>	53.9	57.0	58.8
Physical Occupancy Rate (%) <sup>(1)</sup>	95.2	95.0	94.0	92.3

Notes:

(1) As a result of the application of IFRS 11, 2015 and 2014 results do not include Hotel AC Forum. or the concession with respect to Palacio de Congresos de Vigo given that they are now accounted for under the equity method.

(2) The aggregate GAV of Testa's entire portfolio as valued by independent third-party appraisers. See "Valuation" of Part IX ("Important Information").

(3) Amount as of 31 December 2013 is restated.

(4) Loan-to-value is the ratio between (i) the total net debt excluding current financial assets (which are primarily related to the Inctercompany Loan) and (ii) the GAV of the portfolio, excluding current financial assets (which are primarily related to the loan to Sacyr).

(5) Excluding current financial assets

	Three Months Ended 31 March		Year Ended 31 December			
	2015	2014	2013			2012
			2014	(restated)	(reported)	
GRI (€ million) <sup>(1)</sup>	39.3	40.6	161.4	186.7	189.1	217.2
NRI (€ million) <sup>(1)</sup>	36.8	38.3	150.7	174.3	176.4	199.6
GRM (%)	93.8%	94.2%	93.4%	93.4%	93.3%	91.9%
NOI (€ million) <sup>(1)</sup>	36.6	37.7	148.3	172.5	174.5	197.1
Operating EBITDA <sup>(2)</sup>	35.0	34.5	141.4	169.8	172	198.4
Total EBITDA (€ million) <sup>(2)</sup>	35.0	36.8	145.9	214.9	217.1	217.8

Notes:

(1) As a result of the application of IFRS 11, 2015 and 2014 results do not include Hotel AC Forum or the concession with respect to Palacio de Congresos de Vigo given that they are now accounted for under the equity method.

(2) Testa's EBITDA is defined as operating profit for the period plus depreciation and amortisation expense; change in trade provisions; and change in provisions for intangible assets, PP&E and securities portfolio. The table below sets forth a reconciliation of operating profit for the period to EBITDA and to operating EBITDA. Testa's operating EBITDA is defined as EBITDA minus gains on disposals of assets.

	Three Months Ended 31 March		Year Ended 31 December			
	2015	2014	2013			2012
			2014	(restated)	(reported)	
Operating profit	27,326	28,866	121,365	159,616	154,651	119,052

*Add:*

Depreciation and amortisation expense	7,501	7,514	30,352	37,365	39,357	43,900
Change in trade provisions	133	2,089	7,791	(83)	3	524
Change in provisions for intangible assets, PP&E and securities portfolio	—	(1,692)	(13,615)	17,990	23,088	54,301
<b>Total EBITDA</b>	<b>34,960</b>	<b>36,777</b>	<b>145,893</b>	<b>214,888</b>	<b>217,099</b>	<b>217,777</b>
<i>Subtract:</i>						
Gain on disposal of assets	—	(2,290)	(4,492)	(45,109)	(45,109)	(19,363)
<b>Operating EBITDA</b>	<b>34,960</b>	<b>34,487</b>	<b>141,401</b>	<b>169,779</b>	<b>171,990</b>	<b>198,414</b>
<b>Operating EBITDA Margin</b>	<b>75.4</b>	<b>74.8</b>	<b>75.2</b>	<b>78.4</b>	<b>78.3</b>	<b>78.9</b>

#### 7.4 Use of Unaudited Non-IFRS Management Measures

The discussion and analysis of the financial condition and results of operations presented under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” includes an analysis of certain unaudited management financial measures, which management uses to evaluate the performance of Testa. These measures include EBITDA, operating EBITDA, EBITDA margin, GRI, NRI and GRM among others. These measures are helpful in understanding the way in which management makes investment decisions and evaluates the profitability of Testa’s investments in properties purchased for resale. These measures are not audited and are not measurements required by, or presented in accordance with, IFRS-EU or U.S. GAAP. The measures are not measurements of Testa’s financial performance under IFRS-EU or U.S. GAAP and should not be considered as alternatives to the information in the audited consolidated financial statements for any financial period or to any performance measures prepared in accordance with IFRS-EU or U.S. GAAP. Further, these measures, as they are defined and calculated by management, may not be comparable to other similarly-titled measures used by other companies. These management measures should not be considered in isolation. Investors are advised to review these unaudited management measures in conjunction with the annual consolidated financial statements included elsewhere in this Prospectus and the related discussion set forth under this section (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”) section of this Part XVIII (“*Information on Testa*”). Investors are cautioned not to place undue reliance on these management measures.

In addition, certain figures are presented on a “like-for-like” basis in this Part XVIII (“*Information on Testa*”) of this Prospectus. Unless otherwise indicated, these figures have been calculated using the assets that were both in Testa’s portfolio as of the most recent date presented in the relevant table and in its portfolio as of the earliest date or for the earliest period ended in such table, showing the historical results for only such assets at certain dates or over certain periods set forth in such table and excluding any other assets that were in Testa’s portfolio on any such date or during any such period. Like-for-like numbers are shown as of these dates and over these periods because they are helpful in analysing the performance of Testa’s assets over the course of the economic and real estate cycle. While the Company believes like-for-like numbers are helpful in showing the historical performance of Testa’s current portfolio, they are not measurements of Testa’s financial performance under IFRS-EU or U.S. GAAP and should not be considered as alternatives to the information in Testa’s audited consolidated financial statements for any financial period or to any performance measures prepared in accordance with IFRS-EU or U.S. GAAP. In particular, such like-for-like information excludes other significant assets in Testa’s portfolio which do not meet such presentation criteria, and results of such excluded assets may be material to Testa’s historical results as of such dates or for such periods. Further, these figures, as defined and calculated, may not be comparable to other similarly-titled figures used by other companies. These like-for-like figures should not be considered in isolation. Investors are advised to review these figures in conjunction with the corresponding historical figures of Testa, which is included before the presentation of the like-for-like figures throughout Prospectus.

#### 7.5 Critical Accounting Policies

The Testa Interim Consolidated Financial Statements and the Testa Annual Consolidated Financial Statements and the accompanying notes of each contain information that is relevant to the discussion and analysis of Testa’s results of operations and financial condition set forth below. The preparation of financial statements in conformity with IFRS-EU requires Testa’s management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. Testa’s management believes that, in particular, the critical accounting policies and estimates discussed below are important to an understanding of

the financial information. For a detailed description of the significant accounting policies, see Note 2 to the Testa Interim Consolidated Financial Statements and Note 2(d) to each of the Testa Annual Consolidated Financial Statements.

### ***Recognition of Income and Expenses***

Testa typically recognises income and expenses according to the accrual principle, that is, at the moment the goods or services are provided, regardless of when actual payment or collection occurs. Testa only recognises income when: (i) risk of ownership has been transferred, (ii) control over the goods has been transferred, (ii) the income and expenses incurred or to be incurred can be measured reliably, and (iv) it is probable that the economic benefits associated with the transaction will flow to Testa. Testa recognises foreseeable liabilities and losses arising in the current or prior years as soon as they are known, provided they comply with IFRS-EU requirements for risk recognition.

### ***Investment Property***

Testa recognises investment property at cost, including the directly attributable start-up costs, the initial estimate of decommissioning costs and transaction costs less any accumulated depreciation and impairment. It also recognises subsequent investments in the property at cost.

In accordance with the accounting treatment under IAS 23, Testa capitalises borrowing costs that are directly attributable to the acquisition or development of investment property when assets require more than a year to be ready for their intended use. In addition, Testa capitalises the costs of any improvements that increase the properties' rental yield each year. In contrast, it recognises repairs that do not prolong or improve the useful life of the assets, as well as maintenance costs, in its Separate Consolidated Income Statement as incurred.

Leased assets in which the terms of the arrangement transfer to the Testa Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. Properties acquired through finance leases are carried at the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less any accumulated depreciation and impairment.

Testa derecognises investment property when sold or permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of any investment property are recognised in Testa's Separate Consolidated Income Statement for the year of the retirement or disposal. Moreover, investment property is depreciated based on its acquisition cost using the straight-line method over their estimated useful life, as revised annually, which is 50-68 years, and Testa recognises the appropriate impairment loss allowances in relation to its investment property, when the market value of the assets falls below their net carrying amount.

In accordance with IAS 40, Testa Group periodically determines the fair value of investment property, taking as reference values the valuations made by external independent experts such that, at year end, the fair value reflects the arm's length value of the assets at that date.

The fair value of each asset was calculated based on market evidence that is consistent with external information sources and does not change the valuation techniques in the annual report from one year to the next.

For the financial assets valued at fair value, the Testa Group uses the following three levels in accordance with the relevance of each of the measurements used when calculating the fair value:

- Level 1: trading price (without adjustments) in active markets for identical assets and liabilities;
- Level 2: measurements other than the trading price included in Level 1 that may be observed for the asset or liability, directly, such as by price, or indirectly, such as arising from the price; and
- Level 3: measurements that are not based on market data.

The level of the fair value used to classify the fair value measurements relates entirely to Level 2.

The valuation calculated by the appraisers was performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain (2014) —the "Red Book"— and in accordance with the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC).

Market value is determined through the application of the above-mentioned standards and results from a combination of various valuation methods (DCF, comparative method and income capitalization method), which make it possible to verify the consistency of such values. To perform these calculations, Testa uses discount rates acceptable to a potential investor and in line with those applied by the market for assets with similar characteristics in terms of asset type, location, age, tenants, contracts, etc.

Net rents covered by the valuation method included leases in force at the valuation date and estimates of future rents, discounting a marketing period for buildings with unlet space.

The residual value of the investment was calculated by capitalizing the rent estimated at the end of the forecast period based on an estimated yield. The yield was determined mainly according to the type of asset, location, tenants, type of lease and age

of the asset.

### ***Impairment of Non-Financial Assets***

Impairment losses are recognised for all assets or, where appropriate, the related cash-generating units, when an asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the separate consolidated income statement.

The Testa Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Where such indication exists, and in the case of goodwill even if they do not, the recoverable value of the assets is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the asset. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and, second, to reduce the carrying amount of the other assets based on a review of the individual assets that show indications of impairment.

Except in the case of goodwill, a previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The increase in the value of the asset is credited to the Income Statement.

An impairment loss can only be reversed up to the carrying amount for the asset that would have been determined, net of depreciation, had no impairment loss been recognised for the asset.

In accordance with IAS 40, the Testa Group periodically determines the fair value of investment property, taking as reference values the valuations made by external independent experts such that, at year end, the fair value reflects the arm's length value of the assets at that date.

The fair value of every asset was calculated based on market evidence that is consistent with external information sources and does not change from one year to the next the valuation techniques in the annual report subject to this requirement.

For the financial assets valued at fair value, the Testa Group uses the following three levels in accordance with the relevance of each of the measurements used when calculating the fair value:

- Level 1: trading price (without adjustments) in active markets for identical assets and liabilities;
- Level 2: measurements other than the trading price included in Level 1 that may be observed for the asset or liability, directly, such as by price, or indirectly, such as arising from the price; and
- Level 3: measurements that are not based on market data.

The level of the fair value used to classify the fair value measurements relates entirely to Level 2.

Impairment of real estate assets is recognised as the difference between the net carrying amount of the asset and the value appraised by an independent expert. This valuation was performed in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain (2014) —the “Red Book”— and in accordance with the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC). The valuations received include all the real estate assets belonging to the Testa Group.

## **7.6 Results of Operations**

### ***Principal Income Statement Line Items***

The following is a brief description of certain captions in Testa's separate consolidated income statements:

#### *Operating Income*

Testa's operating income consists of revenue, own work capitalised other operating income and gains on disposal of assets.

#### *Revenue*

Testa's revenue consists of income from its rental properties as well as from services it renders in connection with its property management business.

#### *Own Work Capitalised*

Own work capitalised consists of technical management staff costs and expenses.

#### *Other Operating Income*

Other operating income consists of income from activities other than the core activities (of operating its assets or the assets of third parties, including income derived during a prior period that had not been recognised during such period).

### *Gains on Disposal of Assets*

Gains on disposal of assets are profits derived from the sale of investment property from Testa's portfolio.

### *Operating Costs*

Testa's total operating costs consist of staff costs, depreciation and amortisation expense, change in trade provisions, change in provisions for intangible assets, PP&E and securities portfolio and other operating expenses.

### *Staff Costs*

Staff costs consist of wages, salaries and similar items, including social security costs, contributions and provisions to pension schemes and other social security costs.

### *Depreciation and Amortization Expense*

Testa depreciates and amortises its assets on a straight-line basis over the estimated useful life of each asset. Depreciation and amortisation of assets begin from the moment they become available to Testa.

### *Change in Trade Provisions*

Change in trade provisions consists of changes in Testa's provisions with respect to risks and costs of its trade receivables and claims against Testa.

### *Change in Provisions for Intangible Assets, PP&E and Securities Portfolio*

Change in provisions for intangible assets, PP&E and securities portfolio consists primarily of changes with respect to its provisions for its investment properties, as Testa account in each period for impairments of any given property when the market value of such property at period end is less than the net book value of such property. Change in provisions for intangible assets, PP&E and securities portfolio also consists of (i) intangible assets such as intellectual property, goodwill and brand recognition; (ii) property, plant and equipment, (iii) other fixed assets and (iv) portfolio of securities.

### *Other Operating Expenses*

Other operating expenses mainly include a variety of costs that Testa assumes with respect to its rental properties, the most significant of which are local taxes, repairs and maintenance costs and insurance costs.

### *Gain/(Loss) on Disposal of Assets*

Gain/(loss) on disposal of assets consists of the results derived from disposal of assets qualified as "available-for-sale" financial assets, which are investments that do not form part of the Testa Group either due to their relative insignificance or because they are not going to be maintained in the future.

### *Profit/(Loss) of Associates*

Profit/(loss) of associates consists of profit/(loss) of investments accounted for using the equity method.

### *Financial Income*

Financial income mainly consists of interest income received by Testa from the loan it granted to Sacyr

### *Financial Expense*

Financial expense consists of interest paid on loans, the cost of creating mortgages, the costs associated with derivatives and other financial expense.

### *Income Tax*

Income tax reflects the sum of the current tax expense, derived by applying the current tax rate to the tax base for the year after taking into account all applicable tax credits and relief, and the change in deferred tax assets and liabilities recognised in the income statement.

## ***Three Months Ended 31 March 2015 Compared with Three Months Ended 31 March 2014***

### *Consolidated Results*

The following table sets forth Testa's unaudited consolidated results of operations for the three months ended 31 March 2015 and 2014:

<b>Separate Consolidated Income Statement</b> <b>(€ thousand)</b>	<b>Three Months Ended 31 March</b>		
	<b>2015</b>	<b>2014</b>	<b>Change (%)</b>
<b>Revenue</b>	<b>46,354</b>	<b>46,096</b>	<b>0.6%</b>

Own work capitalised	181	111	63.1%
Other operating income	244	410	(40.5%)
Gain on disposal of assets	—	2,290	(100.0%)
<b>Operating income</b>	<b>46,779</b>	<b>48,907</b>	<b>(4.4%)</b>
Staff costs	(1,514)	(1,519)	(0.3%)
Depreciation and amortisation expense	(7,501)	(7,514)	(0.2%)
Change in trade provisions	(133)	(2,089)	(93.6%)
Change in provisions for intangible assets, PP&E and securities portfolio	—	1,692	(100.0%)
Other operating expenses	(10,305)	(10,611)	(2.9%)
<b>Operating costs</b>	<b>(19,453)</b>	<b>(20,041)</b>	<b>(2.9%)</b>
<b>Operating profit</b>	<b>27,326</b>	<b>28,866</b>	<b>(5.3%)</b>
Net gain/(loss) on disposal of assets	—	—	
Profit/(loss) of associates	159	(314)	n.m.
Financial income	7,134	9,850	(27.6%)
Financial expense	(9,229)	(10,840)	14.9%
<b>Net financial expense</b>	<b>(2,095)</b>	<b>(990)</b>	<b>(111.6%)</b>
Consolidated profit before tax	25,390	27,562	(7.9%)
Income tax	(7,294)	(8,682)	(16.0%)
Profit for the period from continuing operations	18,096	18,880	(4.2%)
<b>Profit for the period</b>	<b>18,096</b>	<b>18,880</b>	<b>(4.2%)</b>
Non-controlling interests	—	—	—
Equity holders of the parent	18,096	18,880	(4.2%)
Basic earnings per share (euros)	0.16	0.16	0.0%

*Operating Income.* Revenues remained relatively flat with a slight increase of €0.3 million, or 0.6%, to €46.4 million in the first quarter of 2015 from €46.1 million in the first quarter of 2014. There are some signs of rental increases in terms of like-for-like evolution (i.e., considering the assets in Testa's portfolio during both periods), although during the first quarter of 2015 these haven't been observed as a consequence of the assets sold during 2014 (Conde de Xiquena and Rodriguez Marín) as well as the Avenida Partenón building which is currently under refurbishment, as each of these assets generated revenues during the first quarter of 2014. Moreover, many of the rental agreements are indexed to the variation of the Consumer Price Index of July, which was negative in 2014. Notably, a logistic asset of 21,579 sqm (Pedrola) that was empty in 2014, was occupied during the first quarter of 2015, which added to Testa's revenues for the period.

Testa's gain on disposal of assets was nil in the first quarter of 2015, as compared to €2.3 million in the first quarter of 2014, which resulted from the disposal of the rented residential asset at Conde de Xiquena, 17 in Madrid in January 2014.

As a result of the above, operating income decreased by €2.1 million, or 4.4%, to €46.8 million in the first quarter of 2015 from €48.9 million in the first quarter of 2014.

*Operating Costs.* Operating costs decreased by €0.5 million, or 29%, to €19.5 million in the first quarter of 2015 from €20.0 million in the first quarter of 2014 mainly driven by changes in commercial and fixed assets provisions. Staff costs remained



relatively flat in the first quarter of 2015 at €15 million as compared to the first quarter of 2014. As a percentage of total revenue, staff costs represented 3.3% in both periods.

Trade provisions increased by €2.0 million in the first quarter of 2015 to -€0.1 million from -€2.1 million in the first quarter of 2014, due primarily to a reevaluation of the risk of claims and potential tax liabilities. As a percentage of total revenue, change in trade provisions decreased to 0.3% in the first quarter of 2015 from 4.5% in the first quarter of 2014.

Provisions for intangible assets, PP&E and securities portfolio was nil in the first quarter of 2015 compared to €1.7 million in the first quarter of 2014. This decrease was due primarily to the net recovery of provisions of some assets according with the valuations received from appraisals. As a percentage of total revenue, change in provisions for intangible assets, PP&E and securities portfolio was 3.7% in the first quarter of 2014.

Staff costs remained relatively flat at €1.5 million in the first quarter of 2015 and 2014. As a percentage of total revenue, staff costs were 3.3% in both periods.

Other operating expenses decreased by €0.3 million, or 2.9% in the first quarter of 2015 to €10.3 million from €10.6 million in the first quarter of 2014. As a percentage of total revenue, other operating expenses decreased to 22.2% in the first quarter of 2015 from 23.0% in the first quarter of 2014.

*Operating Profit.* As a result of the factors described above, operating profit decreased €1.6 million, or 5.3%, to €2.3 million in the first quarter of 2015 from €28.9 million in the first quarter of 2014.

*Profit/(Loss) of Associates.* Profit/(loss) of associates was a profit of €0.2 million in the first quarter of 2015 compared to a loss of €0.3 million in the first quarter of 2014.

*Financial Income.* Financial income decreased by €2.8 million, or 276%, to €7.1 million in the first quarter of 2015 from €9.9 million in the first quarter of 2014, primarily resulting from dividend collection from Preim Defense 2, which was sold in September 2014.

*Financial Expense.* Financial expense decreased by €1.6 million, or 14.9%, to €9.2 million in the first quarter of 2015 from €10.8 million in the first quarter of 2014, primarily due to cancellation of the loan associated to Preim Defense 2 as a consequence of the sale of the asset and refinancing and debt amortisations at the end of 2014, as well as EURIBOR declines.

*Income Tax.* Income tax decreased €1.4 million, or 16.0%, to €7.3 million in the first quarter of 2015 from €8.7 million in the first quarter of 2014, primarily as a result of the reduction of the marginal tax rate following the tax reform as well as the lower profit before taxes. The effective tax rate was 28.7% in the first quarter of 2015 compared to 31.5% in the first quarter of 2014.

*Profit for the Period.* As a result of the factors described above, profit for the period decreased €0.8 million, or 4.2%, to €18.1 million in the first quarter of 2015 from €18.9 million in the first quarter of 2014, respectively.

### **Year Ended 31 December 2014 Compared with the Year Ended 31 December 2013**

#### *Consolidated Results*

The following table and the ensuing discussion compares Testa's audited consolidated results of operations for the year ended 31 December 2014 with the restated results of operations for the year ended 31 December 2013 as set forth in the Testa 2014 Consolidated Financial Statements. See "Presentation of Testa's Financial Information—Application of IFRS 11" in Part IX ("Important Information").

Separate Consolidated Income Statement  (€ thousand)	Year Ended 31 December		
	2013		
	2014	(restated)	Change (%)
<b>Revenue</b>	<b>187,977</b>	<b>216,609</b>	<b>(13.2%)</b>
Own work capitalised	519	486	6.8%
Other operating income	1,547	4,184	(63.0%)
Gain on disposal of assets	4,492	45,109	(90.0%)
<b>Operating income</b>	<b>194,535</b>	<b>266,388</b>	<b>(27.0%)</b>
Staff costs	(5,931)	(5,463)	8.6%
Depreciation and amortisation expense	(30,352)	(37,365)	(18.8%)

Separate Consolidated Income Statement

Year Ended 31 December

(€ thousand)	2013		
	2014	(restated)	Change (%)
Change in trade provisions	(7,791)	83	n.m.
Change in provisions for intangible assets, PP&E and securities portfolio	13,615	(17,990)	(175.7%)
Other operating expenses	(42,711)	(46,037)	(7.2%)
<b>Operating costs</b>	<b>(73,170)</b>	<b>(106,772)</b>	<b>(31.5%)</b>
<b>Operating profit</b>	<b>121,365</b>	<b>159,616</b>	<b>(24.0%)</b>
Net gain/(loss) on disposal of assets	(11,816)	—	—
Profit/(loss) of associates	799	(3,980)	(120.1%)
Financial income	33,262	29,985	10.9%
Financial expense	(42,304)	(50,713)	(16.6%)
<b>Net financial expense</b>	<b>(9,042)</b>	<b>(20,728)</b>	<b>(56.4%)</b>
Consolidated profit before tax	101,306	134,908	(24.9%)
Income tax	(28,713)	(57,225)	(49.8%)
Profit for the period from continuing operations	72,593	77,683	(6.6%)
<b>Profit for the period</b>	<b>72,593</b>	<b>77,683</b>	<b>(6.6%)</b>
Non-controlling interests	—	—	—
Equity holders of the parent	72,593	77,683	(6.6%)
Basic earnings per share (euros)	0.63	0.67	(6.0%)

*Operating Income.* Revenues decreased by €28.6 million, or 13.2%, to €188.0 million in 2014 from €216.6 million in 2013. This decrease was primarily due to the disposal of assets in Miami and Paris, which occurred in 2013 and resulted in a decrease in the office rental revenues of €19.8 million in 2014. Two asset disposals in 2014 also contributed to declines in revenues: the January disposal of the rented residential asset at Conde de Xiquena, 17 in Madrid (resulting in a revenue decrease of €0.2 million compared to 2013) and the June disposal of the senior residence at Rodríguez Marín (resulting in a revenue decrease of €0.6 million as compared to 2013).

In addition, revenues also declined as a result of the expiration of the lease in the Plaza de Castilla hotel in February of 2014 (resulting in revenue decreases as compared to 2013 of €1.9 million due to the straight-line cancellation of the hotel's revenue, €1.2 million from five-months of vacancy and €0.5 million from a lower rental rate with the new tenant for the last six months of the year) and the expiration of the Partenón 12 lease (resulting in a revenue decrease of €1.8 million as compared to 2013 from vacancy during a refurbishment period beginning in September 2014).

Testa's gain on disposal of assets decreased by €406 million, or 90.0%, to €4.5 million in 2014 from €45.1 million in 2013 as a result of the disposal of assets in Miami and Paris in 2013 (together with the disposal of two land development plots in Águilas (Murcia) and Alcorcón (Madrid)), which generated a much larger gain than the disposals in 2014 mentioned above.

As a result of the above, operating income decreased by €71.9 million, or 27.0%, to €194.5 million in 2014 from €266.4 million in 2013.

*Operating Costs.* Operating costs decreased by €33.6 million, or 31.5%, to €73.2 million in 2014 from €106.8 million in 2013. The principal drivers of this decrease were change in provisions for intangible assets, PP&E and securities portfolio, change in trade provisions and a decrease in the depreciation and amortization expense.

Change in provisions for intangible assets, PP&E and securities portfolio decreased by €31.6 million, to €13.6 million in 2014

from -€18.0 million in 2013, primarily due to the updated valuation of the assets at €3,180.1 million in the aggregate by independent third-party appraisers as of 31 December 2014. This line item has been positively affected by a change in the trend from impairments in 2013 to releasing provisions in 2014 as a result of asset revaluations.

Depreciation and amortisation charges decreased by 18.7% in 2014 to €30.4 million from €37.4 million in 2013, due primarily to the disposal of assets in Miami and Paris in 2013. As a percentage of total revenue, depreciation and amortisation expense decreased to 16.1% in 2014 from 17.2% in 2013.

Trade provisions increased to -€7.8 million in 2014 from €0.1 million in 2013, due primarily to a revaluation of the risks of claims and potential tax liabilities.

Staff costs increased by 8.6% in 2014 to €5.9 million from €5.5 million in 2013, due primarily to the hiring of new administrative staff. As a percentage of total revenue, staff costs increased to 3.2% in 2014 from 2.5% in 2013.

Other operating expenses decreased by 7.2% in 2014 to €42.7 million from €46.0 million in 2013, due primarily to the disposal of assets in Miami and Paris. As a percentage of total revenue, other operating expenses increased to 22.7% in 2014 from 21.3% in 2013.

*Operating Profit.* As a result of the factors described above, operating profit decreased by €38.2 million, or 23.9%, to €121.4 million in 2014 from €159.6 million in 2013.

*Net Gain/(Loss) on Disposal of Assets.* Net gain on disposal of assets was €11.8 million in 2014 compared to no gain or loss on disposal of assets in 2013. This was due primarily to the disposal of the entirety of Testa's 32.3% interest in the French company Preim Defense 2 in 2014.

*Profit/(Loss) of Associates.* Profit/(loss) of associates increased by €4.8 million to a profit of €0.8 million in 2014 from a loss of -€4.0 million in 2013, primarily driven by the change in the results from Palacio de Congresos de Vigo, S.A., which were nil in 2014 as compared to a loss of €3.6 million in 2013.

*Financial Income.* Financial income increased by €3.3 million, or 109%, to €33.3 million in 2014 from €30.0 million in 2013, primarily due to dividends received from Preim Defense 2, prior to the disposal of the interest in it, which dividends amounted to €3.7 million in 2014 compared to nil in 2013.

*Financial Expense.* Financial expense decreased by €8.4 million, or 16.6%, to €42.3 million in 2014 from €50.7 million in 2013. The principal reason for this decrease was a decline in the commercial loan finance costs of €46 million as a result of EURIBOR declines.

*Income Tax.* Income tax decreased by €28.5 million, or 49.8%, to €28.7 million in 2014 from €57.2 million in 2013, primarily as a result of the taxation in 2013 of the disposal of the Miami asset at a tax rate higher than the domestic rate and the absence of any similar event in 2014, the non-application and cancellation of the tax credits arising from the leasing of properties and the consideration of a portion of the financial expense incurred by Sacyr as a non-deductible financial expense. The effective tax rate was 28.3% in 2014 compared with 42.4% in 2013.

*Profit for the Period.* As a result of the factors described above, profit for the period decreased €5.1 million, or 6.6%, to €72.6 million in 2014 from €77.7 million in 2013.

### **Year Ended 31 December 2013 Compared with the Year Ended 31 December 2012**

#### *Consolidated Results*

The following table and the ensuing discussion compares Testa's audited consolidated results of operations for the year ended 31 December 2013 with its audited consolidated results of operations for the year ended 31 December 2012, each as set forth in the Testa 2013 Consolidated Financial Statements. See "Presentation of Testa's Financial Information—Application of IFRS 11" in Part IX ("Important Information").

Separate Consolidated Income Statement  (€ thousand)	Year Ended 31 December		
	2013		
	(reported)	2012	Change (%)
<b>Revenue</b>	<b>219,685</b>	<b>251,627</b>	<b>(12.7)</b>
Own work capitalised	486	719	(32.4)
Other operating income	4,184	4,139	1.1
Gain on disposal of assets	45,109	19,363	133.0
<b>Operating income</b>	<b>269,464</b>	<b>275,848</b>	<b>(2.3)</b>

**Separate Consolidated Income Statement**
**Year Ended 31 December**

<i>(€ thousand)</i>	<b>2013</b>	<b>2012</b>	<b>Change (%)</b>
Staff costs	(5,463)	(5,734)	(4.7)
Depreciation and amortisation expense	(39,357)	(43,900)	(10.3)
Change in trade provisions	(3)	(524)	(99.4)
Change in provisions for intangible assets, PP&E and securities portfolio	(23,088)	(54,301)	(57.5)
Other operating expenses	(46,902)	(52,337)	(10.4)
<b>Operating costs</b>	<b>(114,813)</b>	<b>(156,796)</b>	<b>(26.8)</b>
<b>Operating profit</b>	<b>154,651</b>	<b>119,052</b>	<b>29.9</b>
Net gain/(loss) on disposal of assets	—	(54)	(100.0)
Profit/(loss) of associates	(791)	(590)	34.1
Financial income	29,994	34,180	(12.2)
Financial expense	(48,408)	(66,146)	(26.8)
<b>Net financial expense</b>	<b>(18,414)</b>	<b>(31,966)</b>	<b>(42.4)</b>
Consolidated profit before tax	135,446	86,442	56.7
Income tax	(57,763)	(25,881)	123.2
Profit for the period from continuing operations	77,683	60,561	28.3
<b>Profit for the period</b>	<b>77,683</b>	<b>60,561</b>	<b>28.3</b>
Non-controlling interests	—	1	(100.0)
Equity holders of the parent	77,683	60,562	28.3
Basic earnings per share (euros)	0.67	0.52	28.8

*Operating Income.* Testa's revenues decreased by €31.9 million, or 12.7%, to €219.7 million in 2013 from €251.6 million in 2012. This was primarily the result of the loss of rental revenue due to the disposal of assets in Miami and Paris. Largely driven by these disposals, the revenues from its international operations decreased by €22.9 million, or 53.5%, to €19.9 million in 2013 from €42.8 million in 2012.

The decrease in revenue was partially offset by the gain on the disposal of these assets (together with the disposal of two land development plots in Águilas (Murcia) and Alcorcón (Madrid)), which accounted for a gain of €45.1 million in 2013, as compared to a gain on disposal of assets of €19.4 million in 2012.

As a result of the above, the operating income decreased by €6.4 million, or 2.3%, to €269.5 million in 2013 from €275.9 million in 2012.

*Operating Costs.* Operating costs decreased by €42.0 million, or 28.8%, to €114.8 million in 2013 from €156.8 million in 2012. The main reasons for this decrease were the changes in provisions for intangible assets, PP&E and securities portfolio and the disposal of assets in Miami, Paris, Murcia and Madrid.

Staff costs decreased by 4.7% in 2013 to €5.5 million from €5.7 million in 2012, due primarily to the retirement of certain management staff and an overall reduction in salaries paid in 2012. As a percentage of total revenue, staff costs increased to 2.5% in 2013 from 2.3% in 2012.

Depreciation and amortisation charges decreased by 10.3% in 2013 to €39.4 million from €43.9 million in 2012, due primarily to the disposal of assets in Miami, Paris, Murcia and Madrid. As a percentage of total revenue, depreciation and amortisation expense increased to 17.9% in 2013 from 17.4% in 2012.

Change in provisions for intangible assets, PP&E and securities portfolio decreased by €31.2 million, or 57.5%, to €23.1 million in 2013 from €54.3 million in 2012, primarily due to the increase in the market value of certain of its assets with respect to their respective net book value. As a percentage of total revenue, change in provisions for intangible assets, PP&E and securities portfolio decreased to 10.5% in 2013 from 21.6% in 2012.

Other operating expenses decreased by 10.4% in 2013 to €46.9 million from €52.3 million in 2012, due primarily to the disposal of assets in Miami and Paris. Other operating expenses corresponding to the Miami and Paris assets were €2.3 million and €1.8 million, respectively, in 2013 (incurred up until the disposals of the assets) and €65 million and €3.1 million, respectively, in 2012. As a percentage of total revenue, other operating expenses increased to 21.4% in 2013 from 20.8% in 2012.

*Operating Profit.* As a result of the factors described above, operating profit increased by €35.6 million, or 29.9%, to €154.7 million in 2013 from €119.1 million in 2012.

*Net Gain/(Loss) on Disposal of Assets.* Testa had no gain or loss on disposal of assets in 2013, as compared to a loss of €0.1 million in 2012. The loss in 2012 was due to the sale of certain “available-for-sale” assets in the amount of €54 thousand consisting of shares it held in Nova Icaria.

*Profit/(Loss) of Associates.* Profit/(loss) of associates decreased by €0.2 million, or 34.1%, to a loss €0.8 million in 2013 from €0.6 million in 2012, primarily due to the losses incurred by Parking Palau S.A. and Pk Hoteles 22, S.L. during 2013. Testa also received dividends of €0.1 million from Parking Palau, S.A. in 2013.

*Financial Income.* Financial income decreased by €4.2 million, or 122%, to €30.0 million in 2013 from €34.2 million in 2012, primarily due to EURIBOR declines affecting the interest received from its loan to Sacyr.

*Financial Expense.* Financial expense decreased by €17.7 million, or 26.8%, to €48.4 million in 2013 from €66.1 million in 2012. The principal reason for this decrease was a decrease in mortgage finance costs of €13.4 million resulting primarily from the disposal of assets in Miami and Paris and Euribor declines.

*Income Tax.* Income tax increased by €31.9 million, or 123.2%, to €57.8 million in 2013 from €25.9 million in 2012, primarily as a result of the taxation on the results generated from the disposal of its Miami asset at a tax rate higher than the domestic rate, the non-application and cancellation of the tax credits arising from the leasing of properties and the consideration of a portion of the financial expense incurred by Sacyr as a non-deductible financial expense. Testa’s effective tax rate was 42.6% in 2013 compared with 29.9% in 2012.

*Profit for the Period.* As a result of the factors described above, profit for the period increased €17.1 million, or 28.2%, to €77.7 in 2013 from €60.6 in 2012.

## **7.7 Liquidity and Capital Resources**

### **Liquidity**

To date, the liquidity needs of Testa have been met mainly from a combination of financing from credit institutions and internally generated cash flow. At 31 March 2015, Testa had total available credit facilities of €8.8 million, of which €4.4 million remained undrawn.

Testa will continue to need significant cash resources to:

- acquire buildings;
- fund the operations of its portfolio;
- fund its other operating expenses; and
- meet its debt service requirements.

Testa has typically financed its portfolio on an asset-by-asset basis, using each asset to secure its respective loan. When considering the financing of each asset, Testa analyses the reasonableness of the loan-to-value ratio of the given asset, the ability of the asset to generate sufficient cash flow to service the financing costs of the debt and the length of the maturities of the financing agreements, typically seeking medium to long-term maturities.

In addition, certain of Testa’s financing agreements contain customary provisions and covenants requiring the Company to provide certain information to the lenders, setting forth certain restrictions on the Company’s operations, as well as requirements to maintain certain financial ratios. If Testa were to fail to comply with one of these provisions or covenants, it could result in an event of default and acceleration of the relevant indebtedness, which in turn could trigger cross-default or cross-acceleration provisions in other agreements.

Testa has also guaranteed certain of the debt obligations of certain of its equity accounted affiliates. For example, Testa has guaranteed certain obligations of the concessionaire company related to Palacio de Congresos de Vigo in an aggregate amount of €17.3 million as of 31 December 2014. The concessionaire is currently renegotiating the economic arrangements related to the concession. If it is not able to renegotiate such arrangements or its indebtedness otherwise becomes due and

payable, Testa could be called upon to satisfy its portion of the indebtedness, which could affect Testa's liquidity, financial condition, business, prospects and results of operation.

Testa expects to continue to require significant levels of external finance to fund the capital requirements going forward. See "Testa faces potential risks related to its indebtedness, such as refinancing risks" of Part II ("Risk Factors").

### Capital Resources

The following table provides a profile of Testa's financial loans and borrowings at the dates indicated.

(€ thousand)	At 31 March		At 31 December		
	2015	2014	2013		2012
			(restated)	(reported)	
Current interest bearing loans and borrowings	166,203	160,536	288,521	291,323	698,790
Derivative financial instruments	9,894	10,585	11,758	11,758	17,229
Non-current interest-bearing loans and borrowings	1,491,866	1,550,253	1,557,350	1,579,672	1,715,922
Total loans and borrowings	1,667,963	1,721,374	1,857,629	1,882,753	2,431,941
Cash and cash equivalents	(25,391)	(21,932)	(74,695)	(76,899)	(135,062)
Current financial assets	(6,862)	(14,075)	(10,713)	(10,268)	(16,616)
<b>Net loans and borrowings</b>	<b>1,635,710</b>	<b>1,685,367</b>	<b>1,772,221</b>	<b>1,795,586</b>	<b>2,280,263</b>

*Current Liabilities.* The following table shows Testa's current liabilities at the dates indicated.

(€ thousand)	At 31 March		At 31 December		
	2015	2014	2013		2012
			(restated)	(reported)	
Current interest-bearing loans and borrowings	166,203	160,536	288,521	291,323	698,790
Current payables	7,660	6,558	10,074	11,049	11,692
Current payables to associates	8,046	9,669	3,401	4,135	6,063
Derivative financial instruments	3,074	2,250	2,611	2,611	2,754
Trade provisions	286	277	277	277	378
<b>Total current liabilities</b>	<b>185,269</b>	<b>179,290</b>	<b>304,884</b>	<b>309,395</b>	<b>719,677</b>

*Current Interest-Bearing Loans and Borrowings.* Testa classifies as current interest-bearing loans and borrowings all amounts as of the respective period-end that are due within the following 12 months. The following table shows the current interest-bearing loans and borrowings, as well as the total available credit facilities and undrawn facilities held by Testa at the dates indicated.

(€ thousand)	At 31 March		At 31 December		
	2015	2014	2013		2012
			(restated)	(reported)	
Mortgage loans	156,488	151,096	206,761	208,063	131,474

(€ thousand)	At 31 March		At 31 December		
	2015	2014	2013		2012
			(restated)	(reported)	
Leases, credit and other loans	9,715	9,440	81,760	83,260	567,316
Total credit facilities (drawn and undrawn)	8,812	8,812	14,400	14,400	26,463
Undrawn credit facilities	4,418	3,453	1,606	1,606	13,589

The current interest-bearing loans and borrowings increased to €166.2million at 31 March 2015 from €160.5 million at 31 December 2014 mainly due to the varying amortisation schedules and maturities of Testa's portfolio. There have not been significant financings or refinancings in such periods.

Testa's current interest-bearing loans and borrowings decreased to €160.5million at 31 December 2014 from €288.5 million at 31 December 2013 (as restated in the Testa 2014 Consolidated Financial Statements), mainly due to a reduction in mortgages, credits and other loans as a result of principal payments made during 2014 and the sale of its 32% stake in Preim Defense 2, cancelling its related debt.

Testa's current interest-bearing loans and borrowings decreased to €291.3 million at 31 December 2013 (as reported in the Testa 2013 Consolidated Financial Statements) from €698.8 million at 31 December 2012, mainly due to the maturity of commercial loans of €437.5 million and €110.0 million with respect to its asset disposals in Miami and Paris, respectively.

*Remaining Current Liabilities.* At 31 March 2015, Testa had €19.1 million of total current liabilities (other than interest-bearing loans and borrowings) classified as current on its consolidated statement of financial position. Testa's current payables totalled €7.7 million and included €4.8 million owed to suppliers (mostly in relation to services rendered in maintaining and marketing its assets), €0.4 million owed to employees for accrued but unpaid compensation and €2.5 million payable to public entities (mostly for accrued social security, corporate and other taxes). Current payables to associates of €8.0 million corresponded largely to services rendered by other Sacyr Group companies with respect to Testa's assets. Derivative financial instruments of €3.1 million consisted of the valuations of Testa's short-term cash flow hedges, which are updated on a quarterly basis based on interest rate forecasts. Testa also had €0.3 million in trade provisions, consisting of pending payments for construction and development purposes.

At 31 December 2014, Testa had €18.8 million of total current liabilities (other than interest-bearing loans and borrowings) classified as current on its consolidated statement of financial position. Testa's current payables totalled €6.6 million and included €5.9 million owed to suppliers (mostly in relation to services rendered in maintaining and marketing its assets), €0.2 million owed to employees for accrued but unpaid compensation and €0.5 million payable to public entities (mostly for accrued social security, corporate and other taxes). Current payables to associates of €9.7 million corresponded largely to services rendered by other Sacyr Group companies with respect to Testa's assets. Derivative financial instruments of €2.3 million consisted of the valuations of Testa's short-term cash flow hedges, which are updated on a quarterly basis based on interest rate forecasts. Testa also had €0.3 million in trade provisions, consisting of pending payments for construction and development purposes.

At 31 December 2013 (as reported in the Testa 2013 Consolidated Financial Statements), Testa had €18.1 million of total current liabilities (other than interest-bearing loans and borrowings) classified as current on its consolidated statement of financial position. Testa's current payables totalled €11.0 million and included €9.4 million owed to suppliers (mostly in relation to services rendered in maintaining and marketing the assets), €0.1 million owed to employees for accrued but unpaid compensation, €0.8 million payable to public entities (mostly for accrued social security, corporate and other taxes) and €0.7 million in other payables (mainly consisting of deposits presented by tenants). Current payables to associates of €4.1 million corresponded largely to services rendered by other Sacyr Group companies with respect to Testa's assets. Derivative financial instruments of €2.6 million consisted of the valuations of Testa's short-term cash flow hedges, which are updated on a quarterly basis based on interest rate forecasts. Testa also had €0.3 million in trade provisions, consisting of pending payments for construction and development purposes.

At 31 December 2012, Testa had €20.9 million of total current liabilities (other than interest-bearing loans and borrowings) classified as current on its consolidated statement of financial position. Testa's current payables totalled €11.7 million and included €8.9 million owed to suppliers (mostly in relation to services rendered in maintaining and marketing its assets), €0.6 million owed to employees for accrued but unpaid compensation, €1.5 million payable to public entities (mostly for accrued social security, corporate and other taxes) and €0.7 million in other payables (mainly consisting of advances paid by tenants). Current payables to associates of €6.1 million consisted largely of services rendered by other Sacyr Group companies with respect to Testa's assets. Derivative financial instruments of €2.8 million consisted of the valuations of Testa's short-term cash flow hedges, which are updated on a quarterly basis based on interest rate forecasts. Testa also had €0.4 million in trade

provisions, consisting of pending payments for construction and development purposes.

*Non-current Liabilities.* The following table shows Testa's non-current liabilities at the dates indicated.

(€ thousand)	At 31 March		At 31 December		2012
	2015	2014	2013		
			(restated)	(reported)	
Deferred income	–	–	3,572	15,521	12,233
Provision for contingencies and expenses	15,408	15,560	6,444	3,925	8,887
Non-current and interest-bearing loans and bank borrowings	1,491,866	1,550,253	1,557,350	1,579,672	1,715,922
Non-current payables	26,437	26,231	27,595	27,595	31,386
Financial liabilities	6,820	8,335	9,147	9,147	14,475
Deferred tax liabilities	4,030	4,275	6,045	6,045	11,618
Total non-current liabilities	1,544,561	1,604,654	1,610,153	1,641,905	1,794,521

Testa' total non-current liabilities are mainly (i) non-current interest-bearing loans and (ii) borrowings and non-current payables, which consist primarily of (a) deposits made by tenants, (b) payables to Sacyr Group companies and associates, (c) deferred income, (d) provision for contingencies and expenses, (e) financial liabilities and (f) deferred tax liabilities.

### *Historical Cash Flows*

#### *Three Months Ended 31 March 2015 Compared with Three Months Ended 31 March 2014*

The following table sets forth Testa's unaudited consolidated cash flow information for the three months ended 31 March 2015 and 2014.

(€ thousand)	Three Months Ended 31 March	
	2015	2014
Net cash flows from operating activities	42,643	38,849
Net cash flows from/(used in) investing activities	22,675	(12,952)
Net cash flows used in financing activities	(61,859)	(78,635)
Change in cash and cash equivalents	3,459	(52,738)
Cash and cash equivalents at beginning of period	21,932	74,695
Cash and cash equivalents at end of period	25,391	21,957

#### *Net Cash Flows from Operating Activities*

Total net cash generated from operating activities was €42.6 million for the first quarter of 2015 compared to net cash generated from operating activities of €38.9 million for the first quarter of 2014. This change in net cash generated from operating activities was mainly the result of a net increase in working capital of €7.7 million in the first quarter of 2015 compared to a net increase of €4.4 million in the first quarter of 2014, mainly due to an increase in payments made to Testa by clients on debt that were owed as compared to the first quarter of 2014.

#### *Net Cash Flows from/(Used in) Investing Activities*

Total net cash generated investing activities was €2.7 million for the three months ended 31 March 2015 compared to net cash used in investing activities of €12.9 million for the three months ended 31 March 2014. This increase in cash used in investing activities was due to movements in the Intercompany Loan which is registered as a financial investment.

#### *Net Cash Flows Used in Financing Activities*

Net cash used in financing activities was €61.9 million for the three months ended 31 March 2015 compared to net cash used in financing activities of €78.6 million for the three months ended 31 March 2014. This change in net cash used in financing activities was mainly due to greater amortisation of loans in the first quarter of 2014 as compared to the first quarter of 2015.



### *Change in Cash and Cash Equivalent*

As a result of the foregoing, the change in cash and cash equivalents from Testa's activities was €3.5 million for the three months ended 31 March 2015 compared to -€52.7 million for the three months ended 31 March 2014.

### *Year Ended 31 December 2014 Compared with Year Ended 31 December 2013*

The following table sets forth the consolidated cash flow information for the years ended 31 December 2014 and 2013.

(€ thousand)	Year Ended 31 December		
	2014	2013	
		(restated)	(reported)
Cash flows from operating activities	136,264	172,522	164,843
Net cash flows from investing activities	65,199	412,370	412,444
Net cash flows used in financing activities	(254,226)	(642,381)	(635,450)
Change in cash and cash equivalents	(52,763)	(57,489)	(58,163)
Cash and cash equivalents at beginning of period	74,695	132,184	135,062
Cash and cash equivalents at end of period	21,932	74,695	76,899

### *Net Cash Flows from Operating Activities*

Total net cash generated from operating activities was €136.3 million in 2014 compared to net cash flows generated from operating activities of €172.5 million in 2013 (as restated in the Testa 2014 Consolidated Financial Statements). This change in net cash generated from operating activities was mainly the result of:

- lower funds from operations, which totalled €141.4 million in 2014 compared to €169.8 million in 2013, mainly due to asset disposals in Miami and Paris in 2013; and
- a net decrease in working capital of €5.1 million in 2014 compared to a net increase of €2.7 million in the first quarter of 2013 due to payments and other long term assets/liabilities disposed of during 2013.

### *Net Cash Flows from Investing Activities*

Total net cash generated from investing activities was €65.2 million in 2014 compared to €412.4 million in 2013. This substantial decrease in net cash generated from investing activities was mainly due to a reduction in proceeds from disposal of real-estate projects, which totalled €6.9 million in 2014 and €590.2 million in 2013. In 2014, the proceeds from disposal of real-estate projects derived primarily from the disposals of Conde Xiquena, compared to 2013 where they were derived from asset disposals mainly in Miami and Paris.

Proceeds from disposal of financial assets also decreased to €191.9 million in 2014 compared to €282.8 million in 2013, primarily as a result of the sale of Testa's interest in Preim Defense 2 and a reduction of the amounts loaned to Sacyr in 2014 as compared to 2013. These reductions were only partially offset by a decrease in investments of financial assets which decreased to €168.0 million in 2014 compared to €48.6 million in 2013. Testa also had an increase in proceeds from disposal of concession projects, which totalled €122 million in 2014 as compared to nil in 2013, derived primarily from the disposal of the rented residential asset at Rodríguez Marín.

### *Net Cash Flows Used in Financing Activities*

Net cash flows used in financing activities was €254.2 million in 2014 compared to €642.4 million in 2013. This change in net cash used in financing activities was mainly due to substantial decrease in financial debt from €542.1 million in 2013 to €143.0 million in 2014, as a result of amortisation related to the disposal of assets in Miami and Paris in 2013.

### *Change in Cash and Cash Equivalent*

As a result of the foregoing, the change in cash and cash equivalents from Testa's activities was -€528 million in 2014 compared to -€57.5 million in 2013.

### *Year Ended 31 December 2013 Compared with Year Ended 31 December 2012*

The following table sets forth Testa's consolidated cash flow information for the years ended 31 December 2013 and 2012.

(€ thousand)      Year Ended 31 December

	<b>2013</b> <i>(reported)</i>	<b>2012</b>
Cash flows from operating activities	164,843	136,497
Net cash flows from investing activities	412,444	98,121
Net cash flows used in financing activities	(635,450)	(226,386)
Change in cash and cash equivalents	(58,163)	8,232
Cash and cash equivalents at beginning of period	135,062	126,830
Cash and cash equivalents at end of period	76,899	135,062

#### *Net Cash Flows from Operating Activities*

Total net cash generated from operating activities was €164.8 million in 2013 compared to net cash flows generated from operating activities of €136.5 million in 2012. This change in net cash generated from operating activities was mainly the result of:

- higher profit before tax from continuing and discontinued operations, which totalled €135.4 million in 2013 compared to €86.4 million in 2012, mainly due to the disposal of assets in Miami and Paris; and
- a net decrease in working capital of €7.1 million in 2013 compared to a net decrease of €61.9 million in 2012, mainly due to increases in 2012 in the corporate tax owed to Testa by other Testa Group companies as a result of the consolidation process, current financial investments (due to the reclassification of portions of Testa's loan to Sacyr as current), a pending corporate tax return from French tax authorities and payments related to real estate taxes owed to Testa by tenants.

#### *Net Cash Flows from Investing Activities*

Total net cash generated from investing activities was €412.4 million in 2013 compared to €98.1 million in 2012. This substantial increase in net cash generated from investing activities was mainly due to an increase in Testa's proceeds from the disposal of real-estate projects, which totalled €30.2 million in 2013 compared to €55.3 million in 2012, as a result of the disposal of assets in Miami, Paris, Murcia and Madrid. Net cash flows used in investing activities were also affected by an increase in investments in financial assets, which totalled €478.6 million in 2013 compared to €390.4 million in 2012, which partially offset the cash generated from the disposal of real estate projects. This increase was primarily due to an increase in Testa's loan to Sacyr as well as a reclassification of its remaining stake in Tesfran, S.A.

#### *Net Cash Flows Used in Financing Activities*

Net cash flows used in financing activities was €635.5 million in 2013 compared to €226.4 million in 2012. This change in net cash used in financing activities was mainly due to the substantial increase in financial debt from €124.0 million in 2012 to €545.3 million in 2013, as a result of amortization related to the disposal of assets in Miami and Paris. Net cash used in financing activities was also affected by an increase in dividends paid, which totalled €45.8 million in 2013 compared to €33.7 million in 2012.

#### *Change in Cash and Cash Equivalents*

As a result of the foregoing, the change in cash and cash equivalents from activities was -€58.2 million in 2013 compared to €8.2 million in 2012.

#### *Working Capital*

On 31 March 2015, Testa had a working capital deficiency of €143,218 thousand, having a negative €131,120 thousand at 31 December 2014. This working capital deficiency was mainly the result of the reclassification of debt maturing in 2015 and the first quarter of 2016 as current debt.

Within the negative working capital at year-end 2014, notable were the final maturities of mortgage loans amounting to approximately €53 million, which expire 30 June 2015 and, at the date of preparation of these condensed interim consolidated financial statements, are in the process of being refinanced.

## 7.8 Capital Expenditures

Testa's capital expenditures consist primarily of refurbishments and renovations investments in property assets to increase their future profitability. These investments are made to ensure that Testa's assets, in particular its offices, shopping centres and logistic centres, remain at a high standard and are energy efficient, potentially leading to increases in value. Testa's capital expenditures were €19.9 million, €16.8 million and €19.4 million in the years ended 31 December 2014, 2013 and 2012, respectively.

## 7.9 Contractual Obligations

Testa's main contractual commitments to make payments in future periods derive from its financial indebtedness, construction and land purchase contracts, operating and capital leases and joint venture agreements. In addition, Testa may be required to make payments in future periods in respect of deferred taxes and guarantees it has provided with respect to the indebtedness of non-consolidated affiliates.

The following table shows the maturities of Testa's principal loans and borrowings as of 31 March 2015.

<b>Contractual obligations</b> <b>(€ thousand)</b>	<b>Total</b>	<b>Less than</b> <b>year</b>	<b>1-5 years</b>	<b>More than 5</b> <b>years</b>
Interest-bearing loans and borrowings	1,658,069	166,203	1,038,476	453,390
Derivative financial instruments	9,894	1,264	8,630	—
Principal payable to third parties	1,667,963	167,467	1,047,106	453,390
Deferred tax liabilities	4,030	1,040	2,817	173
<b>Total</b>	<b>1,671,993</b>	<b>168,507</b>	<b>1,049,923</b>	<b>453,563</b>

## 7.10 Off-Balance Sheet Arrangements

As of 31 March 2015, the Testa Group had granted *in rem* securities (mortgages and pledges over rents) and guarantees (to secure multi-group credit facilities) securing debts of the Sacyr Group against third parties, including the Spanish tax authorities, which amounted to €424.4 million. Such securities and guarantees Testa had provided as of 31 March 2015 included:

- mortgages of €121.1 million to secure certain tax liabilities for which Testa has mortgaged certain assets (primarily land plots) as collateral. Testa's obligations as mortgagor of these tax liabilities are scheduled to be reduced over time as the underlying obligations are paid. The majority of these obligations (€69.6 million as of 31 March 2015) are scheduled to be extinguished under the current payment calendars by September 2017. The payment calendars with respect to the remaining €516 million have been suspended and are currently under appeal before the Spanish courts;
- guarantees together with other Sacyr Group companies of €259.6 million to secure multi-group credit facilities of Sacyr where €204.2 million had been drawn down as of 31 March 2015; and
- guarantees to third parties in respect of other financial and commercial debt of Sacyr Group companies.

Pursuant to the Investment Agreement (as further described in Part X ("*Acquisition of Testa*")), Sacyr has undertaken to procure the release of all guarantees and security interests granted by Testa and its subsidiaries in favour of Sacyr and its group companies no later than the date of completion of the First Delivery. However, to the extent Sacyr is unable to procure the release of these guarantees and security interests, and although the Company will retain an amount equal to each relevant guarantee and security interest not so released from the consideration to be paid to Sacyr in exchange for the Control Shares, if any relevant Sacyr Group company were to default on its obligations under any financing agreement guaranteed or secured by Testa or its subsidiaries, the relevant guarantees or security interests granted by Testa or its subsidiaries could be enforced. See "*Testa has granted certain pledges and guarantees with respect to debts of other members of the Sacyr Group*" in Part II ("*Risk Factors*")

As of the date of this Prospectus, Testa has obtained releases for all guarantees and security interests in relation to the Sacyr Group debts, except for

- (i) a mortgage over a land plot that is securing a debt of the Sacyr Group with the Spanish tax authorities amounting to €46.9 million. On 9 July 2015, Sacyr requested from the Spanish National High Court (*Audiencia Nacional*) the replacement of the existing mortgage by an insurance guarantee which was executed on 6 July 2015; and

(ii) a guarantee of €111.0 million granted in favour of Banc Sabadell, S.A., which is expected to be released on or before 29 July 2015.

In addition, the parent company of the Testa Group has provided a personal guarantee to the lender of Pazo de Congresos de Vigo in the same shareholding percentage as its holding in the company (44.44%), representing an amount of €17.2 million at 31 March 2015.

### **7.11 Other Transactions with Related Parties**

In addition to the agreements described above, Testa has entered into the following agreements with related parties in the last three years:

- Lease agreements for offices in Madrid and Barcelona, including most notably on the property located at Paseo de la Castellana 83-85 in Madrid, in which Sacyr Group occupies most of the rentable surface and where the Sacyr Group is headquartered.
- A management support agreement for the services provided to Testa by the specialised departments of the Sacyr Group such as the personnel, tax and legal departments, among others. Testa pays fees under this agreement of 1% of its annual revenue, which is adjusted at year-end once the definitive revenue has been obtained.
- A comprehensive maintenance agreement with Valoriza Facilities with respect to some of Testa's properties. This framework agreement serves as the basis for subsequent development of individual agreements for each property. The scope of these agreements is reviewed annually.
- Property management services agreements entered into with Valoriza Facilities. These agreements are specific to each property managed and include management services such as billing, control of late payments and rent review, among other things.
- Framework Agreement with Sacyr. The purpose of the agreement is to govern the relationships between the Testa Group and the non-Testa Group companies of the Sacyr Group. The agreement provides that it will remain in force as long as Testa forms part of the Sacyr Group and so will terminate once the Company acquired the control stake in Testa.

With respect to division of activities, the Framework Agreement provides that Testa will be the Sacyr Group's exclusive vehicle in the European Union for its real estate rental business (*explotación de patrimonio inmobiliario*). In turn, the Framework Agreement provides that Testa will entrust Sacyr with all the services falling within the scope of activity of Sacyr and that Testa requires to carry out its business. Notwithstanding this division of activities, if either the Sacyr Group or the Testa Group decide not to pursue a business opportunity in their respective area of activity, they will notify the other party, who may then freely undertake such opportunity.

In 2013, Testa sold buildable lots for rented residential use in Águilas (Murcia) to Vallehermoso División Promoción, S.A., a company belonging to the Sacyr Group. The sale closed in November 2013 amounted to €19.4 million and the land was transferred at the same acquisition cost, with no gains being generated on the sale. Likewise, under a purchase and sale agreement entered into in 2009, Vallehermoso División Promoción, S.A. compensated Testa for the loss of value on the land located in Alcorcón (Madrid), as a result of the change of description of such land, amounting to €382 million. The collection rights arising both from the transfer and from the offset of the loss of value were compensated via an agreement between the parties, increasing the debt held by the Sacyr Group relating to Testa. For further description on Testa's related party transactions, see Note 18 of Testa's unaudited interim consolidated financial statements as of and for the three months ended 31 March 2015.

### **7.12 Risk Management**

#### ***Market Risk***

Testa is exposed to market risk due to the potential for vacancies in the properties or the need to negotiate rent reductions upon expiration of the leases. Should either of these risks materialise, it could have a direct negative impact on the valuation of its assets. Testa mitigate this risk with policies designed to select and attract reputable and financially-strong tenants and to negotiate leases with mandatory compliance, enabling Testa to maintain stable occupancy levels and continue to receive steady rental income.

#### ***Interest Rate Risk***

We are exposed to interest rate risk arising from our bank borrowings, which are mostly based on variable interest rates. Increases in interest rates would increase interest expenses relating to our outstanding variable rate borrowings and increase the cost of new debt. As of March 31, 2015, €114.5million of our total borrowings of €1,668 million at that date were hedged against movements in interest rates.

### **7.13 Current Trading**

Testa has not yet closed its books for the six month period ended 30 June 2015. However, based on preliminary analysis, Testa expects its revenue for the three months ended 30 June 2015 to be broadly in line with its internal estimates and those

obtained in the first quarter of 2015, with total gross rents for the second quarter of 2015 in excess of €39 million. Testa also expects second quarter margins to be broadly in line with internal estimates and those obtained in the first quarter of 2015. In addition, Testa expects that its total indebtedness was €1,664.8 million as of June 30, 2015.

Testa's actual results and indebtedness may differ from these expectations due to the completion of its financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for such period are finalised.

#### **7.14 Recent Events**

On 8 June 2015, Testa's Board of Directors executed the resolutions of the Testa Extraordinary Shareholders' Meeting dated 3 February 2015 (i.e. the Testa Share Capital Reduction, the payment of the Extraordinary Dividend and the cancellation of the Intercompany Loan). See Section 1 ("*Acquisition of Testa*") of Part X ("*Acquisition of Testa*") for further details.

On that date, the Board of Directors also agreed to execute the Testa Share Capital Increase for an effective amount of €430,838,704.01, that was subscribed and paid-up by the Company.

On 30 June 2015, Testa's Board of Directors agreed to execute the payment of a dividend for an amount of €23,095,157.60, (i.e. €0.15 per share) approved by Testa's General Shareholders' Meeting dated 29 June 2015 as a complementary dividend of the results of the financial year ended 31 December 2014.

## PART XX: THE OFFERING

### 1. THE OFFERING

#### 1.1 General

The Offering will be in respect of 129,212,000 New Ordinary Shares at a Subscription Price of €8 per New Ordinary Share.

The New Ordinary Shares will be issued pursuant to (i) a resolution of the General Shareholders' Meeting of the Company dated 1 April 2015 approving a share capital increase for a maximum nominal amount of €129,212,000 and delegating to the Board of Directors the faculty to execute and fix the terms of the share capital increase, not previously defined by the General Shareholders' Meeting and (ii) a resolution of the Board of Directors of the Company dated 15 July 2015 implementing the capital increase in an aggregate nominal amount of €129,212,000 on the basis of the delegation under the resolution of the General Shareholders' Meeting. The possibility of incomplete subscription has been expressly foreseen.

The issue of the New Ordinary Shares does not require any authorisation or administrative pronouncement other than the general provisions on the CNMV's approval and registration of this Prospectus, according to the provisions established in the Spanish Securities Markets Act and its implementing regulations and the Spanish Companies Act.

The Company currently expects that the Record Date for the Offering will be on or about 17 July 2015 and that the dates for other actions to occur in connection with the Offering will be as provided below. However, these dates are indicative only and actual dates for the Offering and such other actions may vary from the indicative dates set forth below. The Company will communicate significant developments in the Offering via a regulatory information notice (*hecho relevante*) filed with the CNMV in accordance with Spanish law. Information will also be made available on the Company's website ([www.merlinproperties.com](http://www.merlinproperties.com)).

The Company is granting Eligible Shareholders (that is, the Shareholders as of 23:59 (Madrid time) on the Record Date, that is the date of publication of the Offering in the BORME which, in accordance with the envisaged timetable, is expected to be 17 July 2015) Preferential Subscription Rights to subscribe for an aggregate of 129,212,000 New Ordinary Shares with a nominal value of €1 each. Each Existing Ordinary Share registered in the records of Iberclear at 23:59 (Madrid time) on the Record Date entitles its holder to receive one Preferential Subscription Right. The exercise of three Preferential Subscription Rights entitles the exercising holder to subscribe for two New Ordinary Shares against payment of the Subscription Price in cash.

The Subscription Price, which must be paid in euros, is €8 per New Ordinary Share. The Subscription Price represents an implied discount of 20.79% on the theoretical ex-rights price (TERP) (€10.10 based on closing price of €11.50 as of 15 July 2015).

The Offering, if all the New Ordinary Shares are fully subscribed, will result in an increase of 129,212,000 issued Ordinary Shares from 193,818,000 Ordinary Shares to 323,030,000 Ordinary Shares, corresponding to an increase of 66.67%. Eligible Shareholders who do not participate in the Offering will have their ownership interest diluted.

#### 1.2 Subscription Rights and New Ordinary Shares

The Offering provides Eligible Shareholders with pre-emptive Preferential Subscription Rights to subscribe for New Ordinary Shares in order to, among other things, maintain their current level of ownership in the Company, if they so choose. The Preferential Subscription Rights are options to subscribe for and purchase the New Ordinary Shares and may be sold, subject to applicable laws, to third parties, which the Company refers to as purchasers of Preferential Subscription Rights. In accordance with Article 306.2 of the Spanish Companies Act, the Preferential Subscription Rights will be freely transferable on the same terms as the New Ordinary Shares in respect of which they are exercisable and will be tradable on the Spanish Stock Exchanges. Eligible Shareholders may, therefore, subscribe for New Ordinary Shares at the Subscription Price or sell their Preferential Subscription Rights through banks or brokers in Spain, subject, in each case, to applicable laws. See the restrictions described in section 6 of this Part XIX ("*The Offering*") for a description of certain selling and transfer restrictions in selected jurisdictions.

The Existing Ordinary Shares are listed and traded on the Spanish Stock Exchanges under the symbol "MRL". The Company expects the New Ordinary Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or about 11 August 2015. When issued, the New Ordinary Shares will rank *pari passu* with the Existing Ordinary Shares, including in respect of the right to receive dividends approved by the Shareholders after the date on which ownership of such New Ordinary Shares is registered in the book-entry registries of Iberclear, which, in accordance with the envisaged timetable, is expected to take place on 10 August 2015. See section 11 of Part XI ("*Information on the Group*").

#### 1.3 Value of Preferential Subscription Rights

Based on the value of the Ordinary Shares prior to the Offering (€11.50 per Ordinary Share (the closing price of the Ordinary Shares on the Spanish Stock Exchanges on 15 July 2015)), the underlying theoretical value of the Preferential Subscription Rights for the New Ordinary Shares would be €1.40, which is the result of applying the following formula:

$$UVR = \frac{(CP - SP) \times NNS}{PNS + NNS}$$

Where:

- UVR = underlying theoretical value of a Preferential Subscription Right
- CP = closing price of the Ordinary Shares on the Spanish Stock Exchanges on 15 July 2015
- SP = Subscription Price
- PNS = number of Ordinary Shares outstanding prior to the Offering
- NNS = maximum number of New Ordinary Shares to be issued under the Offering

In any event, the Preferential Subscription Rights will be freely negotiable and the value that the market will attribute to them cannot be anticipated.

#### 1.4 Trading in Preferential Subscription Rights

Trading in Preferential Subscription Rights will take place on the AQS of the Spanish Stock Exchanges during the period from 8:30 (Madrid time) on 20 July 2015 to 17:30 (Madrid time) on 31 July 2015, both inclusive.

Securities institutions that possess the required licenses will provide brokerage services for the sale and purchase of Preferential Subscription Rights. If an Eligible Shareholder does not exercise or sell any or all of the Preferential Subscription Rights by way of payment by the close of business (Madrid time) on 31 July 2015, such Preferential Subscription Rights to subscribe for New Ordinary Shares will lapse with no value and the holder will not be entitled to compensation.

#### 1.5 Subscription of New Ordinary Shares

The Company has established a three-staged procedure for the subscription of the New Ordinary Shares:

- *The preferential subscription period.* This period will go from 18 July 2015 through 1 August 2015, in each case inclusive of the start and end dates (lasting fifteen calendar days), during which the Eligible Shareholders may exercise their Preferential Subscription Rights during the AQS Trading Days of this period which, in accordance with the envisaged timetable, are expected to begin on, and include 8:30 (Madrid time) on 20 July 2015 and end on and include, 17:30 (Madrid time) on 31 July 2015. Alternatively, Eligible Shareholders may sell all or part of their Preferential Subscription Rights in the market during the AQS Trading Days of this period and other investors (the “*purchasers of Preferential Subscription Rights*”) aside from the Eligible Shareholders may acquire said Preferential Subscription Rights in the market in the required proportion and subscribe for the corresponding number of New Ordinary Shares, in each case, in compliance with applicable laws and regulations. During the preferential subscription period, Eligible Shareholders or purchasers of Preferential Subscription Rights may exercise or sell their Preferential Subscription Rights, in whole or in part, and those having exercised their Preferential Subscription Rights in full may confirm their agreement to subscribe for additional New Ordinary Shares in excess of their *pro rata* entitlement during the additional allocation period described below.

**Subscriptions for New Ordinary Shares received during the preferential subscription period will be deemed irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to the Prospectus is published, in which case investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within two working days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the final closing of the Offering and delivery of the New Ordinary Shares).**

**If an authorised Iberclear member has not received full payment of the Subscription Price for New Ordinary Shares on or before the expiration date of the preferential subscription period which, in accordance with the envisaged timetable, is expected to be 1 August 2015, the related Preferential Subscription Rights will lapse. Holders of Preferential Subscription Rights that lapse will not be compensated.**

- *The additional allocation period.* To the extent that at the expiration of the preferential subscription period there are New Ordinary Shares that have not been subscribed for, the Company will allocate them to holders of Preferential Subscription Rights that have exercised their Preferential Subscription Rights in full and have indicated their agreement to subscribe for additional New Ordinary Shares in excess of their *pro rata* entitlement. This is currently expected to take place on the fourth AQS Trading Day immediately following the end of the preferential subscription period (which, in accordance with the envisaged timetable, is expected to be 6 August 2015), which the Company refers to as the additional allocation period. The Company will allocate any additional New Ordinary Shares in accordance with the procedures described in “—*Procedures—Additional allocation*” below. Depending on the number of New Ordinary Shares taken up in the preferential subscription period and the applications the Company receives for additional New Ordinary Shares in the additional allocation period, holders of Preferential Subscription Rights may receive fewer additional New Ordinary Shares than they have requested or none at all (but, in any event, not more additional New Ordinary Shares than those requested by them).

Promptly after the end of the additional allocation period, the Company will publicly announce, via a regulatory information notice (*hecho relevante*), the results of subscriptions during the preferential subscription period and, as applicable, the number of additional New Ordinary Shares requested in the additional allocation period, results of prorating (if relevant) and the number of additional New Ordinary Shares assigned.

Neither the orders to subscribe for New Ordinary Shares nor the orders to subscribe for additional New Ordinary Shares will be affected by the termination of the Underwriting Agreement or by any unenforceability of underwritten prefunding commitments.

- *The discretionary allocation period.* If any Underwritten Shares remain unsubscribed following the close of the additional allocation period, the Managers have agreed, subject to the terms and conditions of the Underwriting Agreement, to use reasonable efforts to procure subscribers (subject to the restrictions described in section 6 of this Part XIX (“*The Offering*”)) during a discretionary allocation period and, failing which, to subscribe and pay for such unsubscribed Underwritten Shares at the Subscription Price *pro rata* to their respective underwriting commitments. The discretionary allocation period, if any, is expected to begin at 17:00 (Madrid time) on the fourth AQS Trading Day immediately following the end of the preferential subscription period (this day is currently expected to be 6 August 2015) and end at 9:00 (Madrid time) on the fifth AQS Trading Day immediately following the end of the preferential subscription period (this day is currently expected to be 7 August 2015) without prejudice to the ability of the Joint Bookrunners to terminate it early.

The following table shows the underwriting commitments of the Managers:

Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
Morgan Stanley	37,896,290	29.50%
Goldman Sachs International	19,269,300	15.00%
J.P. Morgan	16,700,060	13.00%
UBS Investment Bank	9,634,650	7.50%
Credit Suisse	9,634,650	7.50%
Banco Santander	7,707,720	6.00%
Bankinter	3,853,860	3.00%
BNP PARIBAS	3,853,860	3.00%
Crédit Agricole CIB	3,853,860	3.00%
Société Générale	3,853,860	3.00%
BBVA	2,569,240	2.00%
CaixaBank	2,569,240	2.00%
Mediobanca	2,569,240	2.00%
Kempen & Co	2,569,240	2.00%
Fidentiis	1,926,930	1.50%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>	<b>128,462,000</b>	<b>100%</b>

If there is a discretionary allocation period, any unsubscribed Underwritten Shares will be allocated in accordance with the allocation process described in section 1.8(e) of this Part XIX (“*The Offering*”) below. The transfer to qualified investors of



New Ordinary Shares allocated during the discretionary allocation period (if any) shall be effected by the Joint Bookrunners by means of a “special transaction” (*operación bursátil especial*) outside of market hours. In accordance with the envisaged timetable, and if the case may be, it is expected that such special transaction will be executed on 10 August 2015 and settled on 13 August 2015.

Promptly after the end of the discretionary allocation period, if any, the Company will publicly announce, via a regulatory information notice (*hecho relevante*), the final results of the Offering, specifying the number of New Ordinary Shares taken up or allocated in each period.

The Company expects the New Ordinary Shares subscribed in the preferential subscription period and additional allocation period to be delivered on 10 August 2015, and the New Ordinary Shares placed in the discretionary allocation period to be delivered to final investors on 13 August 2015, through the book-entry facilities of the Spanish securities clearance and settlement system, Iberclear.

The procedures for the Offering are described in detail under section 1.8 of this Part XIX (“*The Offering*”) below. This description of the Offering should be read in conjunction with the other sections of this Prospectus, including but not limited to, the “Forward-Looking Statements” in Part IX (“*Important Information*”) of this Prospectus and Part II (“*Risk Factors*”) and the financial information included in this Prospectus.

**Allocations of New Ordinary Shares made during the discretionary allocation period will be deemed irrevocable and unconditional, unless the Underwriting Agreement is terminated until the registration with the Commercial Registry of Madrid of the public deed of share capital increase (which, in accordance with the envisaged timetable, is expected to take place on 10 August 2015), in which case all such allocations will be automatically cancelled.**

## 1.6 Expected Timetable of Principal Events

The summary timetable set forth below lists certain important dates relating to the Offering:

<u>Principal event</u>	<u>On or about</u>
Approval of the resolutions regarding the capital increase.....	1 April 2015 General Shareholders’ Meeting) and 15 July 2015 (Board of Directors)
Registration of the Prospectus with the CNMV .....	16 July 2015
Record Date / Announcement of the Offering in the BORME.....	17 July 2015
Commencement of the preferential subscription period and for the request of New Ordinary Shares to be allocated (if applicable) during the additional allocation period.....	18 July 2015
Commencement of trading of the Preferential Subscription Rights.....	20 July 2015
End of trading of the Preferential Subscription Rights .....	31 July 2015
End of the preferential subscription period .....	1 August 2015
Investor letters to be returned to the Company by persons in the US exercising Preferential Subscription Rights.....	No later than 1 August 2015
Additional allocation period (if applicable) .....	6 August 2015
Filing of regulatory information notice announcing results of the preferential subscription period and additional allocation period (if applicable) .....	6 August 2015
Commencement of discretionary allocation period (if applicable) .....	6 August 2015
End of discretionary allocation period (if applicable).....	7 August 2015
Payment by the participating entities of Iberclear to the Agent Bank of the New Ordinary Shares subscribed during the preferential subscription period and additional allocation period (if applicable) .....	7 August 2015
Payment by the Joint Bookrunners of the New Ordinary Shares subscribed in the discretionary allocation period (if applicable) .....	7 August 2015

<b>Principal event</b>	<b>On or about</b>
Execution of the notarised deed of capital increase before a notary public .....	7 August 2015
Registration with the Commercial Registry of the notarized deed of capital increase .....	10 August 2015
Registration of the New Ordinary Shares with Iberclear	10 August 2015
Execution of the special transaction for the transfer of New Ordinary Shares allocated during the discretionary allocation period (if applicable) .....	10 August 2015
Admission to listing and trading of the New Ordinary Shares .....	10 August 2015
Commencement of trading of the New Ordinary Shares .....	11 August 2015
Settlement of the special transaction ( <i>operación bursátil especial</i> ) .....	13 August 2015

**The specific dates for actions to occur in connection with the Offering that are set forth above and throughout this Prospectus are indicative only. There can be no assumption that the indicated actions will in fact occur on the cited dates or at all.**

### **1.7 Shareholders resident in certain unauthorised jurisdictions**

No action has been taken, or will be taken, in any jurisdiction other than Spain that would permit a public offering of the Preferential Subscription Rights or the New Ordinary Shares, or possession or distribution of this Prospectus or other offering or publicity materials issued in connection with this Offering, in any country or jurisdiction where for that purpose action is required.

Accordingly, the Preferential Subscription Rights and the New Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering or publicity materials issued in connection with this Offering may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The Preferential Subscription Rights may not be exercised by any persons in the United States who have not executed and timely returned an investor letter to the Company in the form set forth in Annex 2 to this Prospectus. For more information on this requirement, see section 6 of this Part XIX (*“The Offering”*).

### **1.8 Right to Dividends**

The New Ordinary Shares carry rights to dividends for the first time on the first dividend record date occurring after the registration of the New Ordinary Shares in the book-entry registries of Iberclear. The New Ordinary Shares will have the same right to dividends as the Existing Ordinary Shares. For a description of the Company’s dividend policy, see section 11 of Part XI (*“Information on the Group”*).

### **1.9 Procedures**

#### ***Notice***

The Company expects to announce the commencement of the Offering on 17 July 2015 in the BORME and the Spanish Stock Exchanges Official Gazette. The Company will communicate significant developments in the Offering via a regulatory information notice (*hecho relevante*) through the CNMV website in accordance with Spanish law. Information will also be made available on the Company’s website ([www.merlinproperties.com](http://www.merlinproperties.com)).

#### ***Record Date and time***

Shareholders at 23:59 (Madrid time) on the date on which the Company announces the Offering in the BORME which, in accordance with the envisaged timetable, is expected to be on 17 July 2015, will be entitled to Preferential Subscription Rights. Such Eligible Shareholders will be allocated one right for each Ordinary Share owned.

#### ***Preferential subscription***

To exercise Preferential Subscription Rights, Eligible Shareholders and purchasers of Preferential Subscription Rights during the preferential subscription period should contact the Iberclear member in whose register such securities are registered, indicating (i) their intention to exercise some or all of their Preferential Subscription Rights, (ii) their bank account number and securities account number and (iii) if they have elected to exercise their Preferential Subscription Rights in full, indicating whether they request additional New Ordinary Shares in the additional allocation period and, if so, specifying the maximum number (see *“—Additional allocation”* below). In accordance with the envisaged timetable, the preferential subscription period is expected to commence on 18 July 2015 and end on 1 August 2015, in each case inclusive of the start and end dates. The Preferential Subscription Rights are expected to be traded on the AQS during the period from and including 08:30 (Madrid time) on 20 July 2015 to 17:30 (Madrid time) on 31 July 2015.

Orders to take up New Ordinary Shares received during the preferential subscription period will be deemed irrevocable, firm and unconditional and may not be cancelled or modified by holders of Preferential Subscription Rights (except where a supplement to the Prospectus is published, in which case investors who have already agreed to subscribe for New Ordinary Shares will have the right, exercisable within two working days after publication of such supplement, to withdraw their subscriptions, provided that the new factor, mistake or inaccuracy to which the supplement refers arose before the final closing of the Offering and delivery of the New Ordinary Shares). Rightsholders may exercise all or part of their Preferential Subscription Rights at their discretion.

During the preferential subscription period, the Iberclear members will notify BNP PARIBAS Securities Services, Sucursal en España, as the agent bank (the “**Agent Bank**”) of the Offering daily, no later than 17:00 (Madrid time) by email or fax, of the aggregate total number of New Ordinary Shares subscribed in accordance with the exercise of Preferential Subscription Rights by shareholders and purchasers of Preferential Subscription Rights and the number of additional New Ordinary Shares requested since the start of the preferential subscription period.

The Iberclear members should communicate to the Agent Bank, on behalf of their clients or in their own name (as applicable), through the relevant electronic transmissions of files or, in default thereof, magnetic media, the aggregate amount of subscription orders for New Ordinary Shares received by them in accordance with the preferential subscription and, separately, the total volume of additional New Ordinary Shares requested, no later than 9:00 (Madrid time) on the fourth AQS Trading Day following the end of the preferential subscription period (in accordance with the envisaged timetable, this would be 6 August 2015) in accordance with the operative instructions established by the Agent Bank and Iberclear.

The electronic transmissions to be sent by the Iberclear members to the Agent Bank of files or, in default thereof, magnetic media containing the details of the New Ordinary Shares subscribed during the preferential subscription period and of the request for additional New Ordinary Shares in the additional allocation period, must comply with the specifications of Notebook number 61, A1 format of the Manual on Operations with Issuers (*Manual de Operaciones con Emisores*) of the Spanish Banking Association (*Asociación Española de Banca*) (“**AEB**”), in 120-position format, incorporating the modifications introduced by Circular 1,909 of the AEB (“*Manual on Operations with Issuers*”).

The transmissions or magnetic media received by the Agent Bank must include details of the investors (including identification information in compliance with current legislation in place in relation to such transactions: name, surname, status, address and tax identity number (*número de identificación fiscal*) (“**N.I.F.**”) (including minors) or, in the case of non-residents who do not have a N.I.F., passport number and nationality and, in the case of non-residents in Spain, residence and specifications set out in Notebook number 61 of the AEB). It is not the responsibility of the Agent Bank to verify the information provided by the members of Iberclear members who take full responsibility for any errors in the information provided in the electronic submissions or magnetic media and, in general, for the failure to complete the process by them.

The Agent Bank may not accept communications or electronic transmissions or magnetic media from the Iberclear members submitted after the relevant deadline, or which do not comply with the relevant requirements set out in the Prospectus, or with relevant current legislation. If this occurs, the Agent Bank does not accept any responsibility, without prejudice to the potential responsibility of the relevant Iberclear participant towards parties who have submitted their orders within the required timeframe or in the correct format.

If an authorised Iberclear member does not receive full payment of the Subscription Price for New Ordinary Shares on or before the expiration date of the preferential subscription period, which, in accordance with the envisaged timetable, is expected to be 1 August 2015, the related Preferential Subscription Rights will lapse. Holders of Preferential Subscription Rights that lapse will not be compensated.

#### ***Additional allocation***

Rightsholders that have exercised all of their Preferential Subscription Rights in the preferential subscription period may request at the moment they exercise their Preferential Subscription Rights for additional New Ordinary Shares in excess of their *pro rata* entitlement. Rightsholders’ requests are not subject to any maximum number of additional New Ordinary Shares. While requests for additional New Ordinary Shares may not be satisfied in full or at all, such requests shall nevertheless be considered firm and unconditional.

To request additional New Ordinary Shares, holders of Preferential Subscription Rights should contact the Iberclear member with whom their Preferential Subscription Rights are deposited. The Iberclear members will be responsible for verifying that each Shareholder taking up additional New Ordinary Shares has exercised his Preferential Subscription Rights in respect of all of the shares deposited by such shareholder with such Iberclear member.

On the fourth AQS Trading Day following the expiration of the preferential subscription period (in accordance with the envisaged timetable, this would be 6 August 2015), the Agent Bank will determine the number of New Ordinary Shares that have not been taken up in the preferential subscription period. The Agent Bank will allocate on the date of the additional allocation period (in accordance with the envisaged timetable, this would be 6 August 2015) the New Ordinary Shares not taken up during the preferential subscription period subject to the following allocation criteria:

- If the number of additional New Ordinary Shares requested by holders of Preferential Subscription Rights in the additional allocation period is equal to or less than the additional New Ordinary Shares, then the additional New

Ordinary Shares will be assigned to the holders of Preferential Subscription Rights who requested additional New Ordinary Shares until their requests are fully satisfied.

- If the number of additional New Ordinary Shares requested by holders of Preferential Subscription Rights in the additional allocation period is greater than the additional New Ordinary Shares, the Agent Bank will apply without limit the following pro rata allocation:

The number of additional New Ordinary Shares will be allocated *pro rata* to the volume of additional New Ordinary Shares requested by each holder of Preferential Subscription Rights. To this end, the Agent Bank will calculate the percentage, which will be rounded down to three decimals, of the number of additional New Ordinary Shares a given holder of Preferential Subscription Rights has requested divided by such aggregate.

The Agent Bank will then allocate to the holders of Preferential Subscription Rights the number of additional New Ordinary Shares that this percentage represents, rounded down to the nearest whole number of additional New Ordinary Shares.

If after the *pro rata* allocation, additional New Ordinary Shares have not been allocated due to rounding, the Agent Bank will allocate these remaining additional New Ordinary Shares, one by one, starting with the holder of Preferential Subscription Rights who has solicited the greatest number of additional New Ordinary Shares. If two or more holders of Preferential Subscription Rights have requested the same number of additional New Ordinary Shares, the Agent Bank will determine allocations by alphabetical order, taking the first letter of the field “name and last name or corporate name”.

The Agent Bank will inform the relevant Iberclear members of the definitive allocation of the additional New Ordinary Shares during the additional allocation period on the day of the additional allocation period (which, in accordance with the envisaged timetable, is expected to take place on 6 August 2015). Any additional New Ordinary Shares allocated to holders of Preferential Subscription Rights during the additional allocation period will, for the purposes of payment, be deemed subscribed during the additional allocation period, not the preferential subscription period. In no circumstances shall more additional New Ordinary Shares be assigned to holders of Preferential Subscription Rights than those they have requested.

#### ***Discretionary allocation and underwriting***

The Company has entered into an Underwriting Agreement with the Managers in respect of the Underwritten Shares subject to the terms set forth therein. The Managers will use reasonable efforts to procure subscribers during the discretionary allocation period for any Underwritten Shares that remain unallocated after the additional allocation period (the “**Rump Shares**”), failing which they will purchase the Rump Shares themselves at the Subscription Price *pro rata* to their respective underwriting commitments. The commitment of the Managers is subject to the satisfaction of certain conditions precedent and the Underwriting Agreement and their underwriting commitments may be terminated by the Joint Bookrunners (on behalf of the Managers) in certain circumstances.

If, following the preferential subscription period and the additional allocation period, Underwritten Shares remain unsubscribed, the Agent Bank will notify the Joint Bookrunners by no later than 12:00 (Madrid time) on the date of the additional allocation period (which, in accordance with the envisaged timetable, is expected to take place on 6 August 2015) of the approximate number of Rump Shares (if any) to be allocated during the discretionary allocation period, which in no event may be higher than the total number of Underwritten Shares, and will provide the definitive number by not later than 17:00 (Madrid time) on such date. The discretionary allocation period, if any, will commence at 17:00 (Madrid time) on the fourth AQS Trading Day after the end of the preferential subscription period (in accordance with the envisaged timetable, this would be 6 August 2015) and will end at 9:00 (Madrid time) on the fifth AQS Trading Day after the end of the preferential subscription period (in accordance with the envisaged timetable, this would be 7 August 2015), without prejudice to the ability of the Joint Bookrunners to terminate it prior to such time.

The Company will announce the commencement of the discretionary allocation period through a regulatory information notice (*hecho relevante*).

During the discretionary allocation period, those persons who have the status of qualified investors in Spain, as this term is defined in article 39 of Royal Decree 1310/2005, of November 4, and those persons who have the status of qualified investors outside Spain pursuant to the applicable legislation in each country (so that complying with the relevant regulations, the subscription and payment of the Rump Shares do not require registration or approval of any kind) may submit proposals to the Managers to subscribe for Rump Shares.

The subscription proposals must be firm and irrevocable and shall include the number of Rump Shares that each investor is willing to subscribe at the Subscription Price.

The Managers shall inform the Joint Bookrunners of any requests for the subscription of Rump Shares received by them at such times as the Joint Bookrunners may determine and in no event later than 7:00 (Madrid time) on the date of termination of the discretionary allocation period (which, in accordance with the envisaged timetable, is expected to take place on 7 August 2015).

The Joint Bookrunners, shall in their absolute discretion determine the definitive allocations of Rump Shares to subscribers after consultation with the Company. The Joint Bookrunners shall give notice of the definitive allocation of Rump Shares to the Company and the Agent Bank no later than 9:00 (Madrid time) on the date falling two AQS Trading Days after the date

on which the discretionary allocation period ends (expected to be 11 August 2015). Such definitive allocation shall be communicated to the Agent Bank through electronic transmissions of files or, in default thereof, magnetic media, which must comply with the specifications of Notebook number 61, A1 format of the Manual on Operations with Issuers (*Manual de Operaciones con Emisores*) of the AEB, in 120-position format, incorporating the modifications introduced by Circular 1,909 of the AEB. The Agent Bank will inform Iberclear, through the Madrid Stock Exchange, the information regarding the subscribers which have been allocated Rump Shares in order to process the allotment needed of the corresponding register references (*referencias de registro*).

Once the allocations of Rump Shares have been communicated, such proposals shall automatically become firm subscription orders.

The underwriting commitment, if applicable, will be fulfilled by means of submission by the Managers at the end of the discretionary allocation period, in their own name, of an irrevocable subscription proposal for Underwritten Shares at the Subscription Price.

#### **1.10 Method of Subscription and Payment**

##### ***New Ordinary Shares subscribed during the preferential subscription period***

Subscribers must make payment in full of the Subscription Price, comprising the nominal value and premium, upon subscription for each New Ordinary Share subscribed for during the preferential subscription period. Subscribers should make payment to the Iberclear member through which they have filed their subscription orders. **Applications for New Ordinary Shares in exercise of Preferential Subscription Rights for which payment is not received in accordance with the foregoing shall be deemed not to have been made.**

The Iberclear member with whom orders for the subscription of New Ordinary Shares in exercise of Preferential Subscription Rights have been placed, shall pay to the Agent Bank all amounts payable with respect to such New Ordinary Shares, for same-day value, by no later than 11:00 (Madrid time) on the fifth AQS Trading Day following the end of the preferential subscription period (which, in accordance with the envisaged timetable, is expected to be 7 August 2015).

If any Iberclear member that has made payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Ordinary Shares subscribed to such Iberclear member, without any liability whatsoever for the Agent Bank, but without prejudice to any claim the holder of Preferential Subscription Rights in question may have against the defaulting Iberclear member.

##### ***New Ordinary Shares subscribed during the additional allocation period***

Full payment of the Subscription Price for each New Ordinary Share allocated during the additional allocation period will be made by each holder of Preferential Subscription Rights allocated additional New Ordinary Shares, via the Iberclear member through which such holder of Preferential Subscription Rights solicited the additional New Ordinary Shares. **Applications for additional New Ordinary Shares in respect of which payment is not received in accordance with the foregoing will be deemed not to have been made.**

Iberclear members may require that holders of Preferential Subscription Rights fund in advance the Subscription Price of the additional New Ordinary Shares requested by them at the time of such request. If a requesting holder of Preferential Subscription Rights prefunds and the number of additional New Ordinary Shares finally allocated to such requesting holder of Preferential Subscription Rights is less than the number of additional New Ordinary Shares requested and prefunded by him, the Iberclear member will return to such holder of Preferential Subscription Rights, without deduction for expenses and fees, the amount corresponding to the excess subscription monies or, as the case may be, the whole Subscription Price for any additional New Ordinary Shares the subject of such a revocation, for same-day value as at the Madrid business day (excluding Saturdays) immediately following the end of the additional allocation period, all in accordance with the procedures applicable to such Iberclear member.

The Iberclear members receiving requests for additional New Ordinary Shares shall pay to the Agent Bank all amounts payable, for same-day value, by no later than 11:00 (Madrid time) on the fifth AQS Trading Day following the end of the preferential subscription period (which in accordance with the envisaged timetable, is expected to be 7 August 2015).

If any Iberclear member that has made the payment in full of the Subscription Price subsequently fails to confirm to the Agent Bank the list of subscribers on behalf of whom such payment has been made, the Agent Bank shall allocate the New Ordinary Shares subscribed to such Iberclear member, without any liability whatsoever for the Agent Bank, but without prejudice to any claim the holder of Preferential Subscription Rights in question may have against the defaulting Iberclear member.

##### ***New Ordinary Shares allocated during the discretionary allocation period***

Full payment of the Subscription Price for each New Ordinary Share allocated during the discretionary allocation period shall be made by the qualified investors that have subscribed for such New Ordinary Shares by no later than the third Madrid Stock Exchange business day immediately following the day on which the special stock exchange transaction relating to such New Ordinary Shares is carried out (the "**Settlement Date**", such date expected to be 13 August 2015) through the Joint Bookrunners.

The Managers may require that the qualified investors which request the subscription for New Ordinary Shares through them fund in advance the Subscription Price of the requested New Ordinary Shares in order to secure payment in full in respect of such New Ordinary Shares. If a qualified investor prefunds and the number of New Ordinary Shares finally allocated to such investor is less than the number of New Ordinary Shares requested and prefunded by it, the Managers will return to such investor, without deduction for expenses and fees, the amount corresponding to the excess subscription monies, for same-day value on the first Madrid business day following expiration of the discretionary allocation period.

For operational purposes to allow the admission of the New Ordinary Shares to listing on the Spanish Stock Exchanges to take place as soon as possible, the Joint Bookrunners acting on behalf of the Managers (which are acting in turn on behalf of the allocated qualified investors) have agreed to subscribe for and prefund in full the subscription monies corresponding to the Rump Shares allocated to qualified investors during the discretionary allocation period or otherwise to be acquired by the Managers pursuant to their respective underwriting commitments, subject to the satisfaction of the conditions contained in the Underwriting Agreement. Such prefunded subscription monies must be received by the Company, without deduction of any underwriting or other commissions and expenses, by no later than 11:00 (Madrid time) on the fifth AQS Trading Day following the end of the preferential subscription period (which in accordance with the envisaged timetable, is expected to be 7 August 2015). The prefunded subscription monies shall be deposited through a funds transfer order into the Company's account opened at the Agent Bank.

### **1.11 Payment**

Assuming the execution of the capital increase deed, including the granting of the capital increase deed and its registration in the Mercantile Registry of Madrid (*escritura pública y su inscripción en el Registro Mercantil de Madrid*), takes place no later than 10 August 2015, admission of the New Ordinary Shares to listing on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on 10 August 2015, commencement of trading of the New Ordinary Shares on the Spanish Stock Exchanges is, in accordance with the envisaged timetable, expected to take place on 11 August 2015, and settlement of the New Ordinary Shares allocated during the discretionary allocation period, if any, (via a special stock exchange transaction) will take place on the Settlement Date which, in accordance with the envisaged timetable, is expected to take place on 13 August 2015. Payments in respect of New Ordinary Shares must be made by final subscribers:

- in relation to New Ordinary Shares subscribed during the preferential subscription period, upon subscription;
- in relation to additional New Ordinary Shares subscribed during the additional allocation period by no later than 7 August 2015 (or such earlier time as required by the rules of the particular Iberclear member); and
- in relation to New Ordinary Shares allocated during the discretionary allocation period, no later than the Settlement Date.

Settlement in respect of New Ordinary Shares allocated during the discretionary allocation period to qualified investors is expected to take place via a special stock exchange transaction, which, if the case may be, is expected to be executed on 10 August 2015 and to be settled on the Settlement Date. If the special stock exchange transaction is not executed on such date, payment by qualified investors of the Subscription Price for New Ordinary Shares allocated during the discretionary allocation period must be made no earlier than the date on which the special transaction is executed and by no later than the third Madrid Stock Exchange business day following such date.

### **1.12 Registrations, delivery and admission to listing and trading in Spain of the New Ordinary Shares**

Following receipt of subscription monies due, the Company shall declare the share capital increase corresponding to the New Ordinary Shares complete (fully or partially, as the case may be) and proceed to the granting of the corresponding capital increase deed before a Spanish notary public, for its subsequent registration with the Mercantile Registry of Madrid.

Granting of the capital increase deed is, in accordance with the envisaged timetable, expected to take place on 7 August 2015, and its registration with the Mercantile Registry of Madrid, on 10 August 2015. Following registration, a notarial testimony of the capital increase deed, duly registered, will be delivered to the CNMV, Iberclear and the Madrid Stock Exchange, as the lead stock exchange for the listing of the Shares.

Following delivery of the registered capital increase deed to Iberclear, Iberclear will create the registration references (*referencias de registro*) corresponding to the New Ordinary Shares issued upon exercise of Preferential Subscription Rights and pursuant to allocation in the additional allocation period and the discretionary allocation period. Iberclear will inform the Eligible Shareholders and investors via the relevant Iberclear members about the created registration references (*referencias de registro*) relating to their respective holdings of New Ordinary Shares (subscribed during the preferential subscription period and the additional allocation period).

The Company will request admission to listing and trading of the New Ordinary Shares on the Spanish Stock Exchanges and on the AQS as soon as possible and in any case within thirty days from registration of the capital increase. Admission to listing and trading is expected to be obtained on the day immediately following the date of registration of the capital increase deed with the Mercantile Registry of Madrid. If there is any delay in the admission to listing and trading of the New Ordinary Shares on the Spanish Stock Exchanges, the Company will publicly announce, via a regulatory information notice (*hecho relevante*), such delay and a revised expected date of admission to listing and trading.

Iberclear will also inform the Joint Bookrunners about the created registration references (*referencias de registro*) relating to the New Ordinary Shares temporarily allocated to them during the discretionary allocation period in accordance with their pre-funding obligations (on behalf of the Managers, which are acting in turn on behalf of the allocated qualified investors) or allocated to the Managers in accordance with their respective underwriting commitments, as applicable. Following the admission to listing and trading of the New Ordinary Shares on the Spanish Stock Exchanges and on the AQS, the Joint Bookrunners shall transfer the prefunded Rump Shares to the relevant qualified investors to which such Rump Shares have been allocated through a special stock exchange transaction.

### **1.13 Announcement of the result of the Offering**

The Company expects to announce the outcome of the Offering on or about 7 August 2015.

### **1.14 Termination**

The Company may choose to revoke and terminate the capital increase if the Underwriting Agreement for the Offering is terminated. If the capital increase is revoked and terminated, the monies paid by subscribers would be returned to them. However, any investors who had acquired Preferential Subscription Rights from existing Rightsholders would not receive any such amounts from the Company.

The Underwriting Agreement also contemplates the possibility for a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, (on behalf of the Managers), to terminate the Underwriting Agreement until the time of registration of the capital increase deed with the Mercantile Registry of Madrid under the following circumstances:

- (i) there has been a breach by the Company of any of the representations or warranties contained in the Underwriting Agreement or any of the representations and warranties of the Company contained in the Underwriting Agreement is not, or has ceased to be true and correct, or a material breach by the Company of any of the undertakings contained in the Underwriting Agreement has occurred;
- (ii) the CNMV or any other relevant authority suspends or revokes any necessary approval for the capital increase or the Offering;
- (iii) since the time of execution of the Underwriting Agreement or the earlier respective dates as of which information is given in this Prospectus (exclusive of any supplements hereto), there has been a material adverse change as follows:
  - (a) any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition (financial, operational, legal or otherwise) or in the earnings, management, business affairs, solvency or prospects of the Company and its subsidiaries taken as a whole, whether or not arising in the ordinary course of business;
  - (b) any development reasonably likely to adversely affect the ability of the Company to remain a SOCIMI; or
  - (c) a Key Person Event (which includes certain circumstances affecting Mr. Ismael Clemente, Mr. Miguel Ollero or Mr. David Brush, such as bankruptcy, death or sanction, suspension or disqualification by any regulatory body);
- (iv) there has been a suspension of trading of the Ordinary Shares on the Spanish Stock Exchanges either (a) lasting more than twenty four (24) consecutive hours, if taking place within the first thirteen (13) calendar days of the preferential subscription period, or (b) lasting more than four (4) consecutive hours, if taking place from the second-to-last calendar day of the preferential subscription period to the Subscription Date, in each case the effect of which suspension, in the good faith judgment of the Sole Global Coordinator, in consultation with the Joint Bookrunners, makes it impractical or inadvisable to proceed with the Offering or the delivery of the New Ordinary Shares on the terms and in the manner contemplated in the Underwriting Agreement and this Prospectus;
- (v) any moratorium on or suspension of commercial banking activities shall have been declared by competent authorities in the European Union, Spain, the United Kingdom, the United States or the State of New York, or a material disruption in commercial banking activities, securities settlement, payment or clearance services in the European Union, Spain, the United Kingdom, the United States or the State of New York; or
- (vi) there has occurred:
  - (a) a suspension or material limitation in trading in securities generally on any of the Spanish Stock Exchanges, the London Stock Exchange or the New York Stock Exchange;
  - (b) any change or any development involving a prospective change in the national or international financial, political or economic conditions, any financial markets or any currency exchange rates or controls;
  - (c) an outbreak or escalation of hostilities or acts of terrorism or a declaration of a national emergency or war or martial law, or

(d) any other calamity, crisis or event,

if the effect of any such event under paragraphs (iii) and (vi) above, individually or together with any other such event, in the judgment of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, (on behalf of the Managers), is so material and adverse as to make it impracticable or inadvisable to proceed with the Offering or the delivery of the New Ordinary Shares on the terms and in the manner contemplated in the Underwriting Agreement and this Prospectus.

## 2. THE NEW ORDINARY SHARES

The New Ordinary Shares to be issued will be created pursuant to the Spanish Companies Act. Each of the New Ordinary Shares carries one vote at a meeting of the Company's Shareholders. There are no restrictions on the voting rights of the New Ordinary Shares. The ISIN number of the Existing Ordinary Shares is ISIN:ES0105025003. The New Ordinary Shares will receive a provisional ISIN number which upon Admission will be replaced with the existing ISIN number of the Existing Ordinary Shares. Immediately following Admission, the New Ordinary Shares will be freely transferable under the By-laws, but will be subject to the selling and transfer restrictions referred to in section 6 of this Part XIX ("*The Offering*"). The New Ordinary Shares will be represented in registered book-entry form and held through the clearance and settlement system managed by Iberclear.

The holding of New Ordinary Shares by investors may be affected by the law or regulatory requirements of the relevant jurisdiction, which may include restrictions on the free transferability of such New Ordinary Shares. Investors should consult their own advisers prior to an investment in the New Ordinary Shares.

## 3. UNDERWRITING AGREEMENT

On 15 July 2015 the Company entered into an English law underwriting agreement with respect to the Underwritten Shares with the Managers and BNP PARIBAS Securities Services, Sucursal en España, as Agent Bank (the "*Underwriting Agreement*"). In consideration of the Managers entering into the Underwriting Agreement and providing the services as agreed thereunder, the Company has agreed to pay them certain commissions.

The Company has also agreed to pay certain expenses in connection with the Offering. The Company estimates that its total expenses (including the commissions and expenses payable to the Managers) will be approximately €33.5 million (up to €30.7 million of which will correspond to the underwriting and subscription commission). The Company expects to receive approximately €1,000.2 million from the Offering, net of, among other items, the Managers' commissions and expenses.

MAGIC Kingdom has committed to subscribe and pay for the MAGIC Kingdom Shares. The difference between the aggregate number of the New Ordinary Shares (i.e. 129,212,000 New Ordinary Shares) and the MAGIC Kingdom Shares (i.e. 750,000 New Ordinary Shares), such difference representing 128,462,000 New Ordinary Shares, is referred to in the Underwriting Agreement as the "Underwritten Shares". Subject to the terms set forth in the Underwriting Agreement, each Manager has severally, but not jointly nor jointly and severally, agreed to subscribe for the maximum number of Underwritten Shares set forth opposite its name in the following table if, following the discretionary allocation period, any Underwritten Shares remain unsubscribed:

Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
Morgan Stanley	37,896,290	29.50%
Goldman Sachs International	19,269,300	15.00%
J.P. Morgan	16,700,060	13.00%
UBS Investment Bank	9,634,650	7.50%
Credit Suisse	9,634,650	7.50%
Banco Santander	7,707,720	6.00%
Bankinter	3,853,860	3.00%
BNP PARIBAS	3,853,860	3.00%



Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
Crédit Agricole CIB	3,853,860	3.00%
Société Générale	3,853,860	3.00%
BBVA	2,569,240	2.00%
CaixaBank	2,569,240	2.00%
Mediobanca	2,569,240	2.00%
Kempen & Co	2,569,240	2.00%
Fidentiis	1,926,930	1.50%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>	<b>128,462,000</b>	<b>100%</b>

If all the Underwritten Shares offered are subscribed for by Eligible Shareholders or qualified investors in the preferential subscription period, the additional allocation period and the discretionary allocation period, as the case may be, the Managers will not be required to subscribe for any New Ordinary Shares.

The Underwriting Agreement contemplates the possibility for a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator, (on behalf of the Managers), to terminate the Underwriting Agreement until the time of registration of the capital increase deed with the Mercantile Registry of Madrid under certain circumstances. These circumstances include the occurrence of certain material adverse changes in the Company's condition (financial or otherwise), business affairs or prospects and certain changes in, among other things, certain national or international political, financial or economic conditions.

In addition, the Managers' obligations under the Underwriting Agreement are subject to the fulfilment of certain conditions precedent, including the delivery of customary legal opinions, the acquisition by the Company of the Control Shares before 29 July 2015 and the Investment Agreement being in force during the preferential subscription period.

If the Underwriting Agreement is terminated or any of the aforementioned conditions precedent is not satisfied, then the subscription of the Underwritten Shares by the Managers as a consequence of their underwriting commitments will be revoked, terminated and without effect.

The Company has given customary representations and warranties to the Managers, including in relation to its business, its compliance with applicable law, the New Ordinary Shares and the contents of this Prospectus. The Company has further given customary indemnities to the Managers in connection with the Offering and has assumed certain undertakings in connection with the Offering.

#### **4. LOCK-UPS**

##### **4.1 Company lock-up**

Under the terms of the Underwriting Agreement, the Company has agreed that, during the period from the date of the Underwriting Agreement to and including 180 days after the AQS trading day following the Subscription Date, the Company will not, without the prior written consent (which consent shall not be unreasonably withheld or delayed) of a majority of the Joint Bookrunners, which majority shall include the Sole Global Coordinator:

(i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Ordinary Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Ordinary Shares or other shares of the Company or file any prospectus under the Prospectus Directive or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;

(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequences of ownership of any Ordinary Shares or other shares of the Company; or

(iii) enter into any other transaction with the same economic effects, or agree to do or announce or otherwise publicise the intention to do any of the foregoing,

whether any such transaction described in any of sub-clauses (i), (ii) or (iii) above is to be settled by delivery of Ordinary Shares or any other securities, in cash or otherwise.

The foregoing sentence shall not apply to (A) the issue and/or sale and offer by the Company of the Subscription Rights and the New Shares as described herein, (B) the grant or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares under the Company's employees' share and incentive schemes, in each case as disclosed in the Prospectus, and (C) the issue of Ordinary Shares for the purpose of executing the potential merger between the Company and Testa.

### **Management lock-up**

In relation to the Initial Issue, MAGIC Kingdom (the investment vehicle through which the members of the Management Team hold Ordinary Shares) has agreed that during the period commencing on the date of the Placing Agreement relating to the Initial Issue (13 June 2014) and ending 720 days following Initial Admission, that it will not, without the prior written unanimous consent of the Initial Issue Joint Bookrunners (which consent shall not be unreasonably withheld or delayed):

(i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares; or

(ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Ordinary Shares,

whether any such swap or transaction described in sub-clause (i) or (ii) above is to be settled by delivery of Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares, in cash or otherwise.

Such lock-up arrangement will not apply to (i) any arrangements between MAGIC Kingdom and any financial institutions which have provided, or may provide in the future, financing for the purposes of the subscription of such Ordinary Shares by MAGIC Kingdom, provided that such Ordinary Shares may only be used to secure MAGIC Kingdom's payment or other obligations under any such financing; (ii) transfers of Ordinary Shares in favour of members of the shareholders of MAGIC Kingdom or their direct family members (being a parent, brother, sister, spouse or civil partner or a lineal descendant of any of the foregoing), provided that any such transferee shall agree to be bound by the lock-up obligations during the remainder of the lock-up period; (iii) in the event of the whole or partial takeover of the issued share capital of the Company which has been recommended by the Board of Directors; (iv) the implementation of a scheme of arrangement in respect of the sale of the Ordinary Shares of the Company that has been recommended by the Board of Directors; (v) a scheme of reconstruction of the Company which has been recommended by the Board of Directors; and (vi) any buyback by the Company of Ordinary Shares on identical terms to the terms offered to all Shareholders.

In addition, each member of the Management Team, pursuant to the terms of the Management Stock Plan and subject to the exceptions below, shall not dispose of any Ordinary Shares received as part of or pursuant to the Management Stock Plan prior to the first anniversary of the date on which the Ordinary Shares are delivered to any member of the Management Team. The lock-up shall not apply (i) if the employment or commercial relationship is terminated or ends as a result of the retirement, redundancy, death, ill-health, injury or disability of the relevant member of the Management Team or (ii) under a change of control of the Company.

## **5. ADMISSION AND DEALINGS**

Application will be made to list the Company's New Ordinary Shares on the Spanish Stock Exchanges and to have the Company's New Ordinary Shares quoted through the SIBE (*Sistema de Interconexión Bursátil* or *Mercado Continuo*) of the Spanish Stock Exchanges. The Company expects the New Ordinary Shares to be admitted to listing and trading on the Spanish Stock Exchanges on or about 10 August 2015.

### **SIBE**

The SIBE (*Sistema de Interconexión Bursátil* or *Mercado Continuo*) links the four Spanish Stock Exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences between the local exchanges. The principal feature of the system is the computerised matching of bid and offer orders at the time of entry of the relevant order. Each order is executed as soon as a matching order is entered, but can be modified or cancelled until it is executed. The activity of the market can be continuously monitored by investors and brokers. The SIBE is operated and regulated by Sociedad de Bolsas, S.A. ("**Sociedad de Bolsas**"). All trades on the SIBE must be placed through a brokerage firm, a dealer firm or a credit entity that is a member of a Spanish Stock Exchange.

In a pre-opening session held from 8:30 a.m. to 9:00 a.m. each trading day, an opening price is established for each security traded on the SIBE based on a real-time auction in which orders can be entered, modified or cancelled but not executed. During this pre-opening session, the system continuously displays the price at which orders would be executed if trading were to begin at that moment. Market participants only receive information relating to the auction price (if applicable) and trading volume permitted at the current bid and offer price. If an auction price does not exist, the best bid and offer price and associated

volumes are shown. The auction terminates with a random period of 30 seconds in which share allocation takes place. Until the allocation process has finished, orders cannot be entered, modified or cancelled. In exceptional circumstances (including the inclusion of new securities on the SIBE) and after giving notice to the CNMV, Sociedad de Bolsas may establish an opening price without regard to the reference price (the previous trading day's closing price), alter the price range for permitted orders with respect to the reference price or modify the reference price.

The computerised trading hours are from 9:00 a.m. to 5:30 p.m. During the trading session, the trading price of a security is permitted to vary up to a maximum so-called 'static' range of the reference price, provided that the trading price for each trade of such security is not permitted to vary in excess of a maximum so-called 'dynamic' range with respect to the trading price of the immediately preceding trade of the same security. If, during the trading session, there are matching bid and offer orders for a security within the computerised system which exceed any of the above 'static' and/or 'dynamic' ranges, trading on the security is automatically suspended and a new auction is held where a new reference price is set, and the 'static' and 'dynamic' ranges will apply over such new reference price. The 'static' and 'dynamic' ranges applicable to each particular security are set up and reviewed periodically by Sociedad de Bolsas.

Between 5:30 p.m. and 8:00 p.m., trades may occur outside the computerised matching system without prior authorisation of Sociedad de Bolsas (provided such trades are communicated to Sociedad de Bolsas), at a price within the range of 5% above the higher of the average price and closing price for the day and 5% below the lower of the average price and closing price for the day if (i) there are no outstanding bids or offers, respectively, on the system matching or bettering the terms of the proposed off-system transaction, and (ii) if, among other things, the trade involves more than €300,000 and more than 20% of the average daily trading volume of the stock during the preceding three months. These trades must also relate to individual orders from the same person or entity and be reported to Sociedad de Bolsas before 8:00 p.m.

At any time trades may take place (with the prior authorisation of Sociedad de Bolsas) at any price if:

- the trade involves more than €1.5 million and more than 40% of the average daily trading volume of the stock during the preceding three months;
- the transaction derives from a merger or spin-off, or from the reorganisation of a group of companies;
- the transaction is executed for the purpose of settling litigation or completing a complex set of contracts; or
- Sociedad de Bolsas finds another appropriate cause.

Information with respect to the computerised trades which take place between 9:00 a.m. and 5:30 p.m. is made public immediately, and information with respect to trades which occur outside the computerised matching system is reported to the Sociedad de Bolsas by the end of the trading day and is also published in the Stock Exchange Official Gazette (*Boletín de Cotización*) and on the computer system by the beginning of the next trading day.

### ***Clearance and Settlement System***

Transactions carried out on the SIBE are cleared and settled through Iberclear. Only those entities participating in Iberclear are entitled to use it, and participation is restricted to authorised members of the Spanish Stock Exchanges, the Bank of Spain (when an agreement, approved by the Spanish Ministry of Economy, is reached with Iberclear) and, with the approval of the CNMV, other brokers who are not members of the Spanish Stock Exchanges, banks, savings banks and foreign settlement and clearing systems. Iberclear is owned by *Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.*, a holding company which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The clearance and settlement system and its participating entities are responsible for maintaining records of purchases and sales under the book entry system. Shares of listed Spanish companies are held in book-entry form. Iberclear, which manages the clearance and settlement system, maintains a registry reflecting the number of shares held by each of its participating entities on its own behalf as well as the number of shares held on behalf of third parties. Each participating entity, in turn, maintains a registry of the owners of such shares. Spanish law considers the legal owner of the shares to be:

- the participating entity appearing in the records of Iberclear as holding the relevant shares in its own name; or
- the investor appearing in the records of the participating entity as holding the shares.

Iberclear approved regulations introducing the so-called "T+3 Settlement System" by which the settlement of any transactions must be made within the three business days following the date on which the transaction was carried out.

Obtaining legal title to shares of a company listed on a Spanish Stock Exchange requires the participation of a Spanish official stockbroker, broker-dealer or other entity authorised under Spanish law to record the transfer of shares. In order to evidence title to shares, the relevant participating entity must, at the owner's request, issue a certificate of ownership. If the owner is a participating entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the participating entity's name.

Notwithstanding the foregoing, it should be noted that Law 32/2011, of October 4, which amends the Spanish Securities Market Act, anticipates some changes yet to be implemented in the Spanish clearing, settlement and registry procedures of securities transactions that will substantially modify the abovementioned system and will allow the connection of the post-trading Spanish systems to the European system Target-2 Securities, which is scheduled to be fully implemented in February 2017.

## ***Euroclear and Clearstream, Luxembourg***

Shares deposited with depositories for Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“***Euroclear***”), and Clearstream Banking, société anonyme (“***Clearstream***”) and credited to the respective securities clearance account of purchasers in Euroclear or Clearstream against payment to Euroclear or Clearstream will be held in accordance with the Terms and Conditions Governing Use of Euroclear and Clearstream, the operating procedures of the Euroclear System, as amended from time to time, the Management Regulations of Clearstream and the Instructions to Participants of Clearstream as amended from time to time, as applicable. Persons on whose behalf accounts at Euroclear or Clearstream are maintained and to which shares have been credited (“***investors***”) shall have the right to receive the number of shares equal to the number of shares so credited, upon compliance with the foregoing regulations and procedures of Euroclear or Clearstream.

With respect to the shares that are deposited with depositories for Euroclear or Clearstream, such shares will be initially recorded in the name of Euroclear or one of its nominees or in the name of Clearstream or one of its nominees, as the case may be. Thereafter, investors may withdraw shares credited to their respective accounts if they wish to do so, upon payment of the applicable fees described below, if any, and upon obtaining the relevant recording in the book-entry registries kept by the members of Iberclear.

Under Spanish law, only the record holder of the shares according to the registry kept by Iberclear is entitled to receive dividends and other distributions and to exercise voting, pre-emptive and other rights in respect of such shares. Euroclear or its nominee or Clearstream or its nominee will be the sole record holder of the shares that are deposited with the depositories for Euroclear and Clearstream, respectively, until such time as investors exercise their rights to withdraw such shares and cause them to obtain the recording of the investor’s ownership of the shares in the book-entry registries kept by the members of Iberclear.

Cash dividends or cash distributions, as well as stock dividends or other distributions of securities, received in respect of the shares that are deposited with the depositories for Euroclear and Clearstream will be credited to the cash accounts maintained on behalf of the investors at Euroclear and Clearstream, as the case may be, after deduction for applicable withholding taxes, in accordance with the applicable regulations and procedures of Euroclear and Clearstream.

Each of Euroclear and Clearstream will endeavour to inform investors of any significant events of which they have notice affecting the shares recorded in the name of Euroclear or its nominees and Clearstream or its nominees and requiring action to be taken by investors. Each of Euroclear and Clearstream may, at its discretion, take such action as it shall deem appropriate in order to assist investors to direct the exercise of voting rights in respect of the shares. Such actions may include (i) acceptance of instructions from investors to execute or to arrange for the execution of, proxies, powers of attorney or other similar certificates for delivery to the Company, or its agent or (ii) voting of such shares by Euroclear or its nominees and Clearstream or its nominees in accordance with the instructions of investors.

If the Company offers or causes to be offered to Euroclear or its nominees and Clearstream or its nominees, as the record holders of the Ordinary Shares that are deposited with the depositories for Euroclear and Clearstream, respectively, any rights to subscribe for additional shares or rights of any other nature, each of Euroclear and Clearstream will endeavour to inform investors of the terms of any such rights issue of which it has notice in accordance with the provisions of its regulations and procedures referred to above. Such rights will be exercised, insofar as practicable and permitted by applicable law, according to written instructions received from investors, or such rights may be sold and, in such event, the net proceeds will be credited to the cash account maintained on behalf of the investor with Euroclear or Clearstream.

## **6. SELLING AND TRANSFER RESTRICTIONS**

No action has been or will be taken in any jurisdiction that would permit a public offer of the New Ordinary Shares, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the New Ordinary Shares may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of New Ordinary Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer to acquire any of the New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Investors should be aware that any sale or transfer of Preferential Subscription Rights must be done pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

### **6.1 United States**

**Persons in the United States who wish to exercise Preferential Subscription Rights must execute and timely return an investor letter to the Company in the form set forth in Annex 2 to this Prospectus in which they must confirm their status as a QIB and assume certain obligations with respect to the Preferential Subscription Rights and New Ordinary Shares, among other things.**

*Restrictions on offering under the Securities Act*

The Preferential Subscription Rights and New Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

The Preferential Subscription Rights may only be exercised (i) within the United States by QIBs in reliance on Section 4(a)(2) under the Securities Act and only by persons that have executed and timely returned an investor letter to the Company in the form set forth in Annex 2 to this Prospectus, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. In addition, the Managers, directly or through their US broker-dealer affiliates, may arrange for the offer and sale of Rump Shares (i) within the United States only to persons they reasonably believe are QIBs and in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, or (ii) outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S. Terms used above have the same meaning given to them by Regulation S and Rule 144A.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Preferential Subscription Rights or New Ordinary Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

#### Representations and agreements required from prospective investors in the United States

Each person that is exercising Preferential Subscription Rights or purchasing or otherwise acquiring New Ordinary Shares and that is located within the United States will be deemed by its exercise of Preferential Subscription Rights or subscription for, purchase of or acceptance of New Ordinary Shares to have represented and agreed as follows:

- it is (a) a QIB, (b) aware, and each beneficial owner of Preferential Subscription Rights or New Ordinary Shares has been advised, that the sale of the Preferential Subscription Rights or New Ordinary Shares to it is being made in reliance on Section 4(a)(2) under the Securities Act or Rule 144A or another available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (c) acquiring the Preferential Subscription Rights or New Ordinary Shares for its own account or for the account or benefit of a QIB, as the case may be;
- it understands that the Preferential Subscription Rights and New Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person whom the purchaser/acquirer and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account or benefit of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities laws of the states of the United States. Such purchaser/acquirer acknowledges that the Preferential Subscription Rights and New Ordinary Shares granted, offered and sold in accordance with Rule 144A are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Company’s shares;
- unless otherwise agreed in writing by the Company, it is not, and is not acting on behalf of (a) an employee benefit plan (as defined in Section 3(3) ERISA) subject to Title I of ERISA, (b) a plan described in section 4975(e)(1) of the Code including an individual retirement account or other arrangement that is subject to Section 4975 of the Code, or (c) any entity whose underlying assets could be deemed to include “plan assets” by reason of such employee benefit plans or plan’s investment in the entity pursuant to the United States Department of Labor Regulation Section 2510.3-101, as modified by section 3(42) of ERISA or (d) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility and/or the prohibited transaction provisions of ERISA and/or Section 4975 of the Code and/or laws or regulations that provide that the assets of the Company could be deemed to include “plan assets” of such plan;
- the Company, the Joint Bookrunners and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Bookrunners, and if it is exercising (with respect to the Preferential Subscription Rights) or acquiring any Preferential Subscription Rights or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

**Prospective purchasers are hereby notified that sellers of the Preferential Subscription Rights and New Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

Representations and agreements required from prospective investors outside the United States

Each person that is exercising Preferential Subscription Rights or purchasing or otherwise acquiring New Ordinary Shares and that is located outside the United States will be deemed by its exercise of Preferential Subscription Rights or subscription for, purchase of or acceptance of New Ordinary Shares to have represented and agreed as follows:

- it is acquiring the Preferential Subscription Rights or New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- it understands that the Preferential Subscription Rights and New Ordinary Shares have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be exercised (with respect to the Preferential Subscription Rights), offered, sold, subscribed for, pledged or otherwise transferred in the United States absent registration under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Preferential Subscription Rights or New Ordinary Shares, it will do so only in compliance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- it has carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Preferential Subscription Rights or New Ordinary Shares to any persons within the United States, nor will it do any of the foregoing;
- unless otherwise agreed in writing by the Company, it is not, and is not acting on behalf of (a) an employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, (b) a plan described in section 4975(e)(1) of the Code including an individual retirement account or other arrangement that is subject to Section 4975 of the Code, or (c) any entity whose underlying assets could be deemed to include “plan assets” by reason of such employee benefit plans or plan’s investment in the entity pursuant to the United States Department of Labour Regulation Section 2510.3-101, as modified by section 3(42) of ERISA or (d) a governmental, church, non-U.S. or other plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility and/or the prohibited transaction provisions of ERISA and/or Section 4975 of the Code and/or laws or regulations that provide that the assets of the Company could be deemed to include “plan assets” of such plan;
- the Company, the Joint Bookrunners and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- if any of the representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and the Joint Bookrunners, and if it is exercising (with respect to the Preferential Subscription Rights) or acquiring any Preferential Subscription Rights or New Ordinary Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make such foregoing representations and agreements on behalf of each such account.

## **6.2 European Economic Area**

As regards EEA jurisdictions that have implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), no offer of any New Ordinary Shares have been made to the public in that Relevant Member State except that an offer of New Ordinary Shares may, with effect from and including the Relevant Implementation Date, be made to the public in that Relevant Member State at any time:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- to fewer than 100 natural or legal persons or if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of the above, the expression an “offer of New Ordinary Shares to the public” in relation to any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary

Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale. The Company and the Joint Bookrunners and others will rely (and the Company acknowledges that the Joint Bookrunners and its affiliates, and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgments, and agreements.

### **6.3 United Kingdom**

The Joint Bookrunners (A) have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 of England (the “*FSMA*”)) received by it in connection with the issue or sale of any Preferential Subscription Rights and New Ordinary Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company and (B) have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferential Subscription Rights and New Ordinary Shares in, from or otherwise involving the United Kingdom.

### **6.4 Switzerland**

This Prospectus and any accompanying supplement does not constitute an issue prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issue prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff of the SIX Swiss Exchange Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland.

The Ordinary Shares will not be listed on the SIX Swiss Exchange Ltd. or on any other stock exchange or regulated trading facility in Switzerland.

The Ordinary Shares shall not be distributed in or from Switzerland, as the term distribution is defined in the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended (“*CISA*”), and neither this Prospectus nor any other offering materials relating to the Company shall be made available through distribution in or from Switzerland. The Ordinary Shares may only be acquired by (i) regulated qualified investors, as defined in Article 10(3)(a) and (b) of the CISA and (ii) other investors in a way which does not represent “distribution” within the meaning of the CISA. Acquirers of the Ordinary Shares (investors) do not benefit from protection under the CISA or supervision by the Swiss Financial Market Supervisory Authority (“*FINMA*”).

Neither this Prospectus (including any accompanying supplement) nor any other offering or marketing material relating to the offering, the Fund or the Units have been or will be filed with, registered or approved by any Swiss regulatory authority. In particular, the Fund has not registered, and will not register itself with FINMA as a foreign collective investment scheme.

This Prospectus is personal to each specific offeree and does not constitute an offer to any other person. This Prospectus (and any other offering or marketing material relating to the Ordinary Shares or the offering) may only be used by those persons to whom it has been handed out in connection with the offer described therein and may neither be copied nor be distributed or otherwise made available to other persons, directly or indirectly, without the express consent of the Company.

### **6.5 Dubai International Financial Centre**

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules Module of the Dubai Financial Services Authority (the “*DFSA*”) Rulebook. This Prospectus is intended for distribution only to Professional Clients who are not natural persons. It must not be delivered to, or relied on by, any other person.

The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it. The Ordinary Shares to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Ordinary Shares offered should conduct their own due diligence on the Ordinary Shares.

If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

Each Joint Bookrunner has represented and agreed that it has not offered and will not offer the Ordinary Shares to any person in the Dubai International Financial Centre unless such offer is:

- an “Exempt Offer” in accordance with the Markets Rules Module of the DFSA Rulebook; and

- made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the Conduct of Business Module of the DFSA Rulebook.

## 6.6 Hong Kong

Each Joint Bookrunner has represented, warranted and agreed that:

- it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any shares other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## 6.7 Mexico

The Ordinary Shares of the company have not been and, should there be an offering, will not be registered with the national securities registry (*Registro Nacional de Valores*) maintained by the Mexican national banking and securities commission (*Comision Nacional Bancaria y de Valores*) (the “*CNBV*”), and may not be offered or sold publicly, or otherwise be the subject of intermediation activities, in Mexico, except pursuant to the private placement exemption set forth in Article 8 of the Mexican securities market law (*Ley del Mercado de Valores*). In the event of an offering, the CNBV will be notified of the terms and conditions thereof as required under applicable law and for informational purposes only. Delivery or receipt of such notice does not constitute or imply a certification as to the investment quality of such securities or the company’s solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein. These materials are solely the Company’s responsibility and have not been reviewed or authorised by the CNBV. Any interested party that receives this presentation, solely by receipt hereof, hereby acknowledges that it is either an institutional or a qualified investor, as such terms are defined in the Mexican securities market law and related securities regulations.

## 6.8 Qatar

This Prospectus is provided on an exclusive basis to the specifically intended recipient thereof, upon that person’s request and initiative, and for the recipient’s personal use only.

Nothing in this Prospectus constitutes, is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in the state of Qatar or in the Qatar Financial Centre or the inward marketing of an investment fund or an attempt to do business, as a bank, an investment company or otherwise in the state of Qatar or in the Qatar Financial Centre.

This Prospectus and the Ordinary Shares have not been approved, registered or licensed by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority or any other regulator in the state of Qatar or the Qatar Financial Centre.

This document and any related documents have not been reviewed or approved by the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank.

Recourse against the Company, and those involved with it, may be limited or difficult and may have to be pursued in a jurisdiction outside Qatar and the Qatar Financial Centre.

Any distribution of this Prospectus by the recipient to third parties in Qatar or the Qatar Financial centre beyond the terms hereof is not authorised and shall be at the liability of such recipient.

## 6.9 Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Ordinary Shares may not be circulated or distributed, nor may any Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:



- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **6.10 United Arab Emirates**

The Joint Bookrunners have represented and agreed that the Ordinary Shares have not been and will not be offered, sold or publicly promoted or advertised by them in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **6.11 Australia**

No prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the issue of Ordinary Shares in the Company.

This Prospectus is not a prospectus, product disclosure statement or other disclosure document for the purposes of the Corporations Act 2001 (Cth) of Australia (Corporations Act) and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act. Any offer or invitation made in this Prospectus is only an offer or invitation to make offers where the offer or invitation does not require disclosure to investors under Chapter 6D or Part 7.9 of the Corporations Act.

No offer or application made following the receipt of this Prospectus will be considered unless the offer or invitation does not need disclosure to investors under Chapter 6D or Part 7.9 of the Corporations Act. Without limitation to the above, no offer or invitation may be made except to persons ("Exempt Persons") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act or "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the Ordinary Shares without disclosure to investors under Chapter 6D of the Corporations Act.

The Ordinary Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment, except in circumstances where disclosure to investors under Chapter 6D or Part 7.9 of the Corporations Act would not be required pursuant to an exemption or where the offer is pursuant to a disclosure document which complies with Chapter 6D or Part 7.9 of the Corporations Act (as applicable). Any person acquiring Ordinary Shares must observe such Australian on-sale restrictions.

The Company is not a registered scheme or registered as a foreign company in Australia. Neither the Australian Securities and Investments Commission nor any other similar authority in Australia has reviewed or in any way approved this document or the merits of acquiring Ordinary Shares in the Company.

This document contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or investment advice. Before making an investment decision, investors need to consider whether the information in this document is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

#### **6.12 Chile**

Neither the Company, the Joint Bookrunners nor the Ordinary Shares will be registered in the *Registro de Valores Extranjeros* (Foreign Securities Registry) maintained by the *Superintendencia de Valores y Seguros* (Chilean Securities and Insurance Commission or "SVS") and will not be subject to the supervision of the SVS. If such securities are offered in Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities in Chile within the meaning of Article 4 of the Chilean Securities Market Law 18,045. The commencement date of this offering is the one contained in the cover pages of this Prospectus. The Joint Bookrunners nor the Company has any obligation to deliver public information in Chile. These Ordinary Shares shall not be subject to public offering in Chile unless registered in the Foreign Securities Registry.

La Compañía, los Distribuidores Conjuntos, y las Acciones Ordinarias no serán registradas en el Registro de Valores Extranjeros de la Superintendencia de Valores y Seguros de Chile o “SVS” y no están sujetos a la fiscalización de la SVS. Si dichos valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General 336 de la SVS, una excepción a la obligación de registro, o en circunstancias que no constituyan una oferta pública de valores en Chile según lo definido por el Artículo 4 de la Ley 18.045 de Mercado de Valores de Chile. La fecha de inicio de la presente oferta es la indicada en la portada de este Prospecto. La Compañía y los Distribuidores Conjuntos no están obligados a entregar información pública en Chile. Las Acciones Ordinarias no podrán ser objeto de oferta pública mientras no sean inscritos en el Registro de Valores Extranjeros de la SVS.

### **6.13 Colombia**

THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED BEFORE THE COLOMBIAN NATIONAL REGISTRY OF SECURITIES AND ISSUERS OR WITH ANY COLOMBIAN SECURITIES EXCHANGE OR TRADING SYSTEM.

THIS PROSPECTUS DOES NOT CONSTITUTE AND MAY NOT BE USED FOR, OR IN CONNECTION WITH, A PUBLIC OFFERING AS DEFINED UNDER COLOMBIAN LAW AND SHALL BE VALID IN COLOMBIA ONLY TO THE EXTENT PERMITTED BY COLOMBIAN LAW. THE ORDINARY SHARES MAY ONLY BE EXCHANGED INSIDE THE TERRITORY OF THE REPUBLIC OF COLOMBIA TO THE EXTENT PERMITTED BY COLOMBIAN LAW.

THIS PROSPECTUS IS FOR THE SOLE AND EXCLUSIVE USE OF THE ADDRESSEE AS A DESIGNATED INDIVIDUAL/INVESTOR, WHO HAS REQUESTED FROM US THE PROVISION OF THE INFORMATION AND CANNOT BE CONSIDERED AS BEING ADDRESSED TO OR INTENDED FOR THE USE OF ANY THIRD PARTY, INCLUDING ANY OF SUCH PARTY’S SHAREHOLDERS, ADMINISTRATORS OR EMPLOYEES, OR BY ANY OTHER THIRD PARTY RESIDENT IN COLOMBIA. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY AND NO REPRESENTATION OR WARRANTY IS MADE AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

PLEASE NOTE THAT, UNDER COLOMBIAN REGULATIONS, ANY OFFERING ADDRESSED TO 100 OR MORE NAMED INDIVIDUALS OR COMPANIES SHALL BE CONSIDERED A PUBLIC OFFERING REQUIRING PRIOR APPROVAL OF COLOMBIA’S FINANCIAL SUPERINTENDENCY AND LISTING ON THE COLOMBIAN STOCK EXCHANGE.

### **6.14 Peru**

The Ordinary Shares of the Company have not been and will not be approved by or registered with the Peruvian Securities Regulatory Authority, the Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*). The offering of the Ordinary Shares of the Company will be deemed a private offering of securities in Peru under Section 5 of the Peruvian securities law (*Ley del Mercado de Valores*), directed exclusively to “institutional investors” (as such term is defined under Peruvian law). Application will be made to register the Ordinary Shares of the Company with the Foreign Investment and Derivative Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Banks, Insurance and Private Pension Fund Managers Superintendency (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*) in order to make the Ordinary Shares eligible for investment by Peruvian private pension funds, as required by Peruvian law. The Ordinary Shares may not be offered or sold in Peru or any other jurisdiction except in compliance with the securities laws thereof.

## **7. INTERESTS OF PERSONS INVOLVED IN THE OFFERING**

The Company is not aware of any link or significant economic interest between the Company and the entities participating in the Offering (Directors, company secretary, Sole Global Coordinator, Joint Bookrunners and Co-Lead Managers, Agent Bank and legal advisers), except for the strictly professional relationship derived from the legal and financial advice described therein in relation to the Offering and the interests of (1) the Sole Global Coordinator (entities in whose corporate group at the date of this Prospectus hold 4,981,341 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 7,472,011 Ordinary Shares) and (2) the Management Team (through their investment vehicle, MAGIC Kingdom, which at the date of this Prospectus holds 1,124,999 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 1,874,999 Ordinary Shares), each as disclosed in section 4 of Part XXII (“*Additional Information*”). Additionally, certain of the Managers have, directly or through affiliates, performed services for, and engaged in investment, financial and commercial banking transactions with, the Company in the ordinary course of their business, and may do so in the future.

## PART XXI: SPANISH SOCIMI REGIME AND TAXATION INFORMATION

### 1. SPANISH SOCIMI REGIME

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of current Spanish law in respect of the current SOCIMI Regime. The SOCIMI Regime was enacted originally in October 2009 and was amended at the end of 2012. The amendments introduced in 2012 improved the regime and facilitated the incorporation of the first SOCIMI during the second semester of 2013. Accordingly interpretation of the rules is likely to develop as participants gain exposure to the regime. This summary is based on the key aspects of the Spanish SOCIMI Regime as they apply to the Company. Investors should seek their own advice in relation to taxation matters.

#### 1.1 Overview

The SOCIMI Regime is intended to facilitate attracting new sources of capital to the Spanish real estate rental market; it follows similar legislation adopted in the UK and other European countries, as well as a long-established real estate investment trusts regime in the United States. One of the primary aims of these types of regimes is to minimise tax inefficiency of holding real estate through corporate ownership by removing corporate taxation at the level of the SOCIMI, promote rental activities and professional management of these types of business.

Provided certain conditions and tests are satisfied (see "Qualification as Spanish SOCIMI" below), a SOCIMI does not generally pay Spanish corporate tax on the profits deriving from its activities –technically, it is subject to a 0% Corporate Income Tax rate. Instead, profits must be distributed and such income could be subject to taxation.

Under the Spanish SOCIMI Regime, a SOCIMI will be required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement (e.g., contributions to legal reserve), to shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits arising from the transfer of Qualifying Assets, Qualifying Subsidiaries and real estate collective investment funds carried out once the minimum three-year holding period described in section 1.2 of this Part XX ("*Spanish SOCIMI Regime and Taxation Information*") has ended (in which case the remainder of such profits must be reinvested in other Qualifying Assets within a maximum period of three years from the date of the sale, or otherwise distributed as dividends once such reinvestment period has elapsed); (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries; and (iii) at least 80% of all other profits obtained (i.e., profits derived from other activities). If the relevant dividend distribution resolution was not adopted in a timely manner or the Company fails to pay (total or partially) the corresponding dividends, the SOCIMI would lose its SOCIMI status as from the year in which the undistributed profits were obtained (inclusive).

#### 1.2 Qualification as Spanish SOCIMI

In order to qualify for the Spanish SOCIMI Regime, a SOCIMI must satisfy certain conditions. A summary of the material conditions is set out below.

##### *Trading requirement*

SOCIMIs must be listed on a regulated market or alternative investment market in Spain or in other European Union or European Economic Area member state, or on a regulated market of any other country which has a tax information exchange agreement with Spain, uninterruptedly for the entire tax period.

##### *Purpose of the SOCIMI / Minimum share capital*

SOCIMIs must take the form of a public limited liability company (*sociedad anónima*), with a minimum share capital of €5 million. Furthermore, the SOCIMI's shares must be in registered form, nominative and only one single class of shares is permitted. Since the New Ordinary Shares are going to be represented in nominative book entry form, this requirement is met.

A SOCIMI must have as its main corporate purpose:

- the acquisition, development and refurbishment of urban real estate for rental purposes; and/or
- the holding of shares of other SOCIMIs or Qualifying Subsidiaries; and/or
- the holding of shares in real estate collective investment funds.

Qualifying Subsidiaries that are non-resident entities must be resident in countries with which Spain has a treaty or agreement providing for an exchange of tax information.

SOCIMIs are allowed to carry out other ancillary activities that do not fall under the scope of their main corporate purpose. However, such ancillary activities must not exceed 20% of the assets or 20% of the income of the SOCIMI in each tax year, in accordance with the minimum Qualifying Assets and qualifying income tests described below.

##### *Restrictions on investments*

At least 80% of the SOCIMI's assets must be invested in:

- urban real property to be leased;
- land plots acquired for the development of urban real property to be leased afterwards, provided that the development of such property starts within three years as from the acquisition date;
- participations in Qualifying Subsidiaries (see “*Purpose of the SOCIMI / Minimum share capital*” above); and/or
- participations in real estate collective investment funds.

The Spanish General Directorate of Taxes (DGT) has confirmed that the assets should be measured on a gross basis, disregarding depreciation or impairments, in accordance with Royal Decree of November 16, 2007, approving the Spanish General Accounting Plan (*Plan General de Contabilidad*) which sets forth the Spanish generally accepted accounting principles (Spanish GAAP).

In the event the SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold for the dominant entity will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries described in “*Purpose of the SOCIMI / Minimum share capital*” above.

There are no asset diversification requirements.

#### ***Restrictions on income***

At least 80% of a SOCIMI’s net annual income must derive from the lease of Qualifying Assets (as described in “*Restrictions on investments*” above), or from dividends distributed by Qualifying Subsidiaries and real estate collective investment funds and companies.

The Spanish General Directorate of Taxes (DGT) considers that the annual income should be measured on a net basis, taking into consideration direct income expenses and a pro rata portion of general expenses. These concepts should be calculated in accordance with Spanish GAAP.

Lease agreements between related entities would not be deemed a qualifying activity and, therefore, the rent deriving from such agreements cannot exceed 20% of the SOCIMI’s income.

Capital gains derived from the sale of Qualifying Assets are in principle excluded from the 80%/20% net income test. However, if a Qualifying Asset is sold before it is held for a minimum three-year period, then (i) such capital gain would compute as non-qualifying revenue; and (ii) such gain would be taxed at the standard Corporate Income Tax rate (currently, a 28% rate and 25% from 1 January 2016); furthermore, the entire income, including rental income, derived from such asset also would be subject to the standard Corporate Income Tax rate.

#### ***Minimum holding period***

Qualifying assets must be held by the SOCIMI for a three-year period since (i) the acquisition of the asset by the SOCIMI, or (ii) the first day of the financial year in which the company became a SOCIMI if the asset was held by the company before becoming a SOCIMI. In case of urban real estate, the holding period requires that these assets are actually rented for at least three years. For these purposes, the period of time during which the asset is on the market for rent (even if vacant) is taken into account for up to one year.

#### ***Mandatory dividend distribution***

Under the Spanish SOCIMI Regime, a SOCIMI is required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement (e.g., contribution to legal reserve), to shareholders annually within the six months following the end of the Company’s financial year of: (i) at least 50% of the profits arising from the transfer of Qualifying Assets, Qualifying Subsidiaries and real estate collective investment funds carried out once the minimum three-year holding period described in section 1.2 of this Part XX (“*Spanish SOCIMI Regime and Taxation Information*”) has ended (in which case the remainder of such profits must be reinvested in other Qualifying Assets within a maximum period of three years from the date of the sale, or otherwise distributed as dividends once such reinvestment period has elapsed); (ii) 100% of the profits derived from dividends received from Qualifying Subsidiaries; and (iii) at least 80% of all other profits obtained (i.e., profits derived from ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, or the Company fails to pay (total or partially) the corresponding dividends, the SOCIMI would lose its SOCIMI status as from the year in which the undistributed profits were obtained (inclusive).

The SOCIMIs must agree the dividend distributions of a given fiscal year within the six months following the closing of the fiscal year; those dividends must be due within the month following the distribution agreement.

In addition, according to the SOCIMI Regime (i) the SOCIMI legal reserve could not exceed 20% of the share capital of the SOCIMI; and (ii) the SOCIMI’s by-laws could not establish any reserve that it is not available for distribution to its shareholders other than the legal reserve.

#### ***Leverage***

SOCIMI has no specific limitation on indebtedness.

Tax limitations approved by the Spanish Government (tax deduction of financial expenses and annual depreciation, carrying-forward of tax losses, and tax credits) should have no practical impact provided that the SOCIMI is taxed at a 0% Corporate Income Tax rate.

### **Sanctions**

The loss of the SOCIMI status triggers adverse consequences for the SOCIMI. Causes for such loss of status are:

- delisting;
- substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year;
- failure to adopt a dividend distribution resolution or to effectively satisfy the dividends within the deadlines described under “Mandatory dividend distribution” above. In this case, the loss of SOCIMI status would have effects in the tax year in which the profits not distributed were obtained;
- waiver of the SOCIMI Regime by the company; and/or
- failure to meet the requirements established in the SOCIMI Act unless such failure is remedied within the following fiscal year. However, the failure to observe the minimum holding period of the assets would not give rise to the loss of SOCIMI status, but (i) the assets would be deemed non-Qualifying Assets; and (ii) income derived from such assets would be taxed at the standard Corporate Income Tax rate (i.e., 28% in 2015 and 25% from 1 January 2016).

Should the SOCIMI fall into any of the above scenarios, the SOCIMI Regime will be lost and the Company would be taxed in accordance with the general Spanish Corporate Income Tax Regime and the general Corporate Income Tax rate (currently 28% and 25% from 1 January 2016), and will not be able to elect for the SOCIMI Regime for the following three fiscal years as from the end of the last tax period in which the SOCIMI was applicable. The shareholders in a company that loses its SOCIMI status are expected to be taxable as if the SOCIMI Regime had not been applicable to the company.

Furthermore, non-compliance of the information and reporting obligations will constitute a serious breach by the Company resulting in financial penalties.

## **2. SPANISH TAXATION**

The statements of Spanish tax law set out below are based on existing Spanish tax laws, including relevant regulations, administrative rulings and practices in effect on the date of this Prospectus and which may apply to investors who are the beneficial owners of shares in a SOCIMI. Legislative, administrative or judicial changes may modify the tax consequences described below.

The following is a summary of the material Spanish tax consequences of the acquisition, ownership and disposition of Ordinary Shares by Spanish and non-Spanish tax resident investors. This summary is not a complete analysis or listing of all the possible Spanish tax consequences of such transactions and does not address all tax considerations that may be relevant to all categories of potential purchasers, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to “lookthrough” entities (such as trusts or estates) that may be subject to the tax regime applicable to such non-Spanish tax resident entities under the Spanish Non-Resident Income Tax Law, approved by Royal Legislative Decree 5/2004 of March 5, as amended (the “*NRIT Law*”).

Accordingly, prospective investors in the shares should consult their own tax advisers as to the applicable tax consequences of their purchase, ownership and disposition of the shares, including the effect of tax laws of any other jurisdiction, based on their particular circumstances.

The description of Spanish tax laws set forth below is based on law currently in effect in Spain as of the date of this Prospectus, and on the administrative interpretations thereof. As a result, this description is subject to any changes in such laws or interpretations occurring after the date of this Prospectus, including changes having retroactive effect.

As used in this particular section “Spanish Tax Considerations”, the term “Spanish Shareholder” means a beneficial owner of Ordinary Shares: (i) who is an individual or corporation resident for tax purposes in Spain; or (ii) who is an individual or corporation not resident for tax purposes in Spain but whose ownership of shares is effectively connected with a permanent establishment in Spain through which such holder carries on or has carried on business or with a fixed base in Spain from which such holder performs or has performed independent personal services; and (iii) that does not hold 5% or more of the Ordinary Shares.

As used in this particular section “Spanish Tax Considerations”, the term “Non-Spanish Shareholder” means a beneficial owner of Ordinary Shares: (i) who is an individual or corporation resident for tax purposes in any country other than Spain; and (ii) whose ownership of shares is not effectively connected with a permanent establishment in Spain through which such holder carries on or has carried on business or with a fixed base in Spain from which such holder performs or has performed independent personal services; and (iii) and that does not hold 5% or more of the Ordinary Shares.

## 2.1 Taxation of Entities Qualifying for the SOCIMI Regime

SOCIMIs and Spanish-resident Qualifying Subsidiaries may elect to apply the SOCIMI Regime. The election to apply the SOCIMI Regime must be adopted by the entity's shareholders, and the Spanish tax authorities must be notified of such election prior to the last quarter of the tax year when the SOCIMI Regime is expected to apply. Such election will remain applicable until the company waives its applicability. The Company has elected to become a Spanish SOCIMI and benefit from the SOCIMI Regime.

An entity eligible for the SOCIMI Regime may apply for the special tax regime even if at the time the election is made such entity does not meet all the eligibility requirements, provided that it meets such requirements within two years (as from the date the corresponding election is filed with the Spanish tax authorities). In addition, such entity will have a one-year grace period to cure any non-compliance with certain eligibility requirements.

### *Corporate Income Tax ("CIT")*

All income received by a SOCIMI is taxed under CIT at a 0% rate. Nevertheless, the breach of the requirement regarding the minimum holding period of Qualifying Assets would result in: (i) all income (including rental income) derived from Qualifying Assets that are real estate assets in all tax periods where the SOCIMI's special tax regime would have been applicable to be taxed in accordance with the general Corporate Income Tax regime and at the general Corporate Income Tax rate; and (ii) capital gains arising from the transfer of Qualifying Subsidiaries to be taxed in accordance with the general Corporate Income Tax regime and at the general Corporate Income Tax rate.

Furthermore, a special levy regime applies to dividends paid by the SOCIMI to domestic or foreign Substantial Shareholders. The SOCIMI must assess and pay a 19% Corporate Income Tax in respect of gross dividends distributed if the beneficiary of the dividends holds at least 5% of the shares of the SOCIMI, and is either exempt from any tax on the dividends or subject to tax on the dividend received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non Resident Income Tax Law is also taken into consideration). Such Corporate Tax will be considered an expense for the Company thus reducing the profits distributable to Shareholders. The By-laws contain indemnity obligations from Substantial Shareholders in favour of the Company designed to discourage the possibility that dividends may become payable to Substantial Shareholders. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board of Directors will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Company in a worse position).

In addition, SOCIMIs benefit from the application of a 95% Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) relief in relation to the acquisition of rented residential real estate assets intended for letting (or plots of land for the development of housing intended for letting), provided that, in both cases, the minimum holding period of such assets referred to above is complied with.

## 2.2 Spanish Resident Individuals

### *Taxation on dividends*

According to the Spanish Personal Income Tax Law (*Ley 35/2006, de 28 de noviembre, del Impuesto sobre la Renta de las Personas Físicas y de modificación parcial de las leyes de los Impuestos sobre Sociedades, sobre la Renta de no Residentes y sobre el Patrimonio*) ("**PIT Law**"), income received by a Spanish Shareholder in the form of dividends, shares in profits, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the shares and any other income received in his or her capacity as shareholder is subject to tax as capital income.

Gross capital income is reduced by any administration and custody expenses (but not by those incurred in individualised portfolio management); the net amount is included in the relevant Spanish Shareholder's savings taxable base. PIT is levied on net capital income at a flat current rate of 19.5% for the first €6,000, 21.5% between €6,001 and €50,000 and 23.5% for any amount in excess of €50,000 (to be reduced to 19%, 21% and 23%, respectively, as from 1 January 2016).

The payment to Spanish Shareholders of dividends or any other distribution made by a SOCIMI is subject to a withholding tax at the rate of 19.5% (or 20% if the withholding obligation arised before 12 July 2015) (to be reduced to 19% as from 1 January 2016). Such withholding tax is creditable from the PIT payable (*cuota líquida*); if the amount of tax withheld is greater than the amount of the net PIT payable, the taxpayer is entitled to a refund of the excess withheld in accordance with the PIT Law.

### *Taxation on capital gains*

Gains or losses recorded by a Spanish Shareholder as a result of the transfer of shares in the SOCIMI qualify for the purposes of the PIT Law as capital gains or losses and are subject to taxation according to the general rules applicable to capital gains. The amount of capital gains or losses is equal to the difference between the shares' acquisition value (plus any fees or taxes incurred) and the transfer value, which is the listed value of the share as of the transfer date or, if higher, the agreed transfer price, less any fees or taxes incurred.

Capital gains or losses arising from the transfer of shares are included in the Spanish Shareholder's savings taxable base

corresponding to the period when the transfer takes place; any gain resulting from such compensation (and, if applicable, subsequently compensated against negative capital income) is taxed at a flat rate of 19.5% for the first €6,000, 21.5% between €6,001 and €50,000 and 23.5% for any amount in excess of €50,000 (to be reduced to 19%, 21% and 23%, respectively, as from 1 January 2016). As from 1 January 2015, the PIT Law provides that if the result of the compensation between capital gains and losses is positive, such result can be further compensated against a specific percentage (currently 10%, but to be increased to 15% in 2016, and to 20% in 2017) of the negative result (if any) resulting from the compensation of certain pieces of capital income. The same compensation mechanism is applicable to the opposite case (i.e., positive result of the compensation between certain pieces of capital income being compensated, up to a specific percentage, against the negative result (if any) resulting from the compensation between capital gains and losses).

Capital gains arising from the transfer of shares are not subject to withholding tax on account of PIT. Losses arising from the transfer of shares admitted to trading on certain official stock exchanges will not be treated as capital losses if securities of the same kind have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses are included in the taxable base upon the transfer of the remaining shares of the taxpayer. No tax credits for avoidance of double taxation are allowed.

### ***Spanish Wealth Tax***

Individual Spanish Shareholders are subject to Spanish Wealth Tax on all their assets (such as the Ordinary Shares) for tax year 2015. Spanish Wealth Tax Law (*Ley 19/1991, de 6 de junio, del Impuesto sobre el Patrimonio*) provides that the first €700,000 of net wealth owned by an individual Spanish Shareholder will be exempt from taxation, while the rest of the net wealth will be taxed at a rate ranging between 0.2% and 2.5%. However, this varies depending on the autonomous region of residency of the taxpayer; some regions, like Madrid, do not effectively levy Net Wealth Tax.

The Wealth Tax return must report the assets and rights existing at the value they have as of 31 December of the relevant year. The value of the Ordinary Shares held as of such date should be calculated by reference to its average market price over the last quarter of the year.

As such, prospective Shareholders should consult their tax advisers.

From 2016 onwards, a general 100% tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015).

### ***Spanish Inheritance and Gift Tax***

Individuals resident in Spain for tax purposes who acquire shares by inheritance or gift will be subject to the Spanish Inheritance and Gift Tax (“*IGT*”) in accordance with the IGT Law (*Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones*) (“*IGT Law*”), without prejudice to the specific legislation applicable in each autonomous region. The effective tax rate, after applying all relevant factors, ranges from 7.65% to 81.6% depending on the amount of the gift or inheritance, the net wealth of the heir or donee, and the kinship with the deceased or the donor. Some tax benefits could reduce the effective tax rate.

### ***Spanish Transfer Tax***

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

## **2.3 Spanish Corporate Resident Shareholders**

### ***Taxation on dividends***

Dividends from a SOCIMI or a share of the Company’s profits received by corporate Spanish Shareholders, or by NRIT taxpayers who operate, with respect to the Ordinary Shares, through a permanent establishment in Spain, as a consequence of the ownership of the shares, less any expenses inherent to holding the shares, are included in the CIT or NRIT taxable base. The general CIT or NRIT tax rate is currently 28% (to be reduced to 25% for tax periods beginning as from 1 January 2016). No tax exemption or tax credits for the avoidance of double taxation may apply in relation to dividends paid out of profits taxed under the special tax regime for SOCIMIs.

Also, CIT and NRIT taxpayers are subject to withholding tax on dividends at a 19.5% rate (or 20% for any accrued taxes before 12 July 2015), to be reduced to 19% as from 1 January 2016. However, dividends distributed to another SOCIMI should not be subject to withholding tax.

### ***Taxation on capital gains***

The gain or loss arising on transfer of the shares or from any other change in net worth relating to the shares are included in the tax base of CIT taxpayers, or of NRIT taxpayers who operate through a permanent establishment in Spain, in accordance with the CIT or NRIT Laws; such gain is taxed generally at a rate of 28% (to be reduced to 25% for tax periods beginning as from 1 January 2016). No tax exemption or tax credits for the avoidance of double taxation may apply in relation to income obtained corresponding to reserves originated from profits taxed under the special tax regime for SOCIMIs.

### ***Spanish Wealth Tax***

Not applicable.

### ***Spanish Inheritance and Gift Tax***

In the event of acquisition of the shares free of charge by a CIT taxpayer, the income generated for the latter will be taxed according to the CIT rules, the IGT not being applicable.

### ***Spanish Transfer Tax***

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

## **2.4 Non-resident Shareholders**

### ***Taxation on dividends***

Dividends distributed to non-resident individuals are subject to Non-Resident Income Tax (“**NRIT**”), at the standard withholding tax rate (currently 19.5% (or 20% for any accrued taxes before 12 July 2015), but to be reduced to 19% as from 1 January 2016).

This standard rate can be reduced or eliminated as per the application of the EU Parent-Subsidiary Directive (provided, amongst other requirements, that the non-resident shareholders holds 5% of the Company or has an acquisition value of at least €20 million and maintains such shareholding uninterruptedly during a year), as the Spanish General Directorate of Taxes (DGT) has confirmed that SOCIMIs should qualify for its application.

Shareholders resident in certain countries may be entitled to the benefits of a convention for the avoidance of double taxation (“**DTC**”), in effect between Spain and their country of tax residence. Such shareholders may benefit from a reduced tax rate under an applicable DTC with Spain, subject to the satisfaction of any conditions specified in the relevant DTC, including providing evidence of the tax residence of the shareholder by means of a certificate of tax residence duly issued by the tax authorities of the country of tax residence of the shareholder or, as the case may be, the equivalent document specified in the Spanish Order which further supplements the applicable DTC. In general, the US-Spain DTC provides for a tax rate of 15% on dividends.

If the shareholder provides timely evidence (a certificate of tax residence issued by the relevant tax authorities of the shareholder’s country of residence stating that, for the records of such authorities, the shareholder is a resident of such country within the meaning of the relevant DTC, or as the case may be, the equivalent document regulated in the Order which further develops the applicable DTC) of the shareholder’s right to obtain the DTC reduced rate or an exemption, it will immediately receive the excess amount withheld, which will be credited to the shareholder. In the case of US persons, IRS Form 6166 will satisfy this certificate requirement. For these purposes, the relevant certificate of residence must be provided before the tenth day following the end of the month in which the dividends were paid. The tax certificate is generally valid only for a period of one year from the date of issuance.

If this certificate of tax residence, or as the case may be, the equivalent document referred to above, is not provided within this time period, the shareholder may subsequently obtain a refund of the amount withheld in excess from the Spanish tax authorities, following the standard refund procedure established by the Royal Decree 1776/2004, dated 30 July 2004, and the Order EHA/3316/2010 dated 17 December 2010, as amended.

### **Spanish Refund Procedure**

According to Spanish Regulations on NRIT Law, approved by Royal Decree 1776/2004 and the Order dated 17 December 2010, a refund for the amount withheld in excess of any applicable DTC-reduced rate can be obtained from the relevant Spanish tax authorities. To pursue the refund claim, the non-Spanish holder is required to file: (i) the corresponding Spanish Tax Form (currently, Form 210); (ii) the certificate of tax residence and or equivalent document referred to above; (iii) a certificate from us stating that Spanish NRIT was withheld with respect to such non-Spanish holder; and (iv) documentary evidence of the bank account in which the excess amount withheld should be paid.

In particular, the non-Spanish holder would need to file a Form 210 (together with the corresponding documentation) from 1 February following the year in which the NRIT was withheld, and up to the four-year period after the end of the corresponding filing period in which the Company reported and paid such withholding taxes. The Spanish Revenue Office must make the refund within the six-month period after the filing of the refund claim. If such period elapses without the non-Spanish holder receiving the corresponding refund, the non-Spanish holder would be entitled to receive interest for late payment on the amount of the refund claimed.

For further details, prospective Shareholders should consult their tax advisers.

### **Dividends distributed to non-resident investors qualified as foreign REITs**

Dividends paid to non-resident investors that are qualifying foreign REITs may be exempt from withholding tax under the SOCIMI Regime.



### ***Taxation on capital gains***

Capital gains derived from the transfer or sale of the shares are deemed income arising in Spain, and, therefore, are taxable in Spain at a general tax rate of 19.5% (or 20% for any accrued taxes before 12 July 2015), to be reduced to 19% as from 1 January 2016. However:

(i) the domestic exemption contained in Article 14.1.i) of the NRIT Law in relation to capital gains derived from the transfer of the shares on an official Spanish secondary stock market is applicable to Non-Spanish Shareholders.

According to such domestic exemption, the transfer of equities listed on a Spanish official secondary securities market by a non-Spanish resident acting without permanent establishment in Spain would be exempt from Spanish NRIT, provided that the non-Spanish resident is resident in a State that has entered into a double tax treaty that contains an information exchange clause and that the capital gain is not obtained through a tax haven territory (as defined by Spanish law); and

(ii) capital gains would be exempt from Spanish taxation for non-resident investors eligible to benefit from a DTC that provides for taxation only in such investors' country of residence (US investors should note that the US- Spain DTC does not provide for taxation only in the US in the case of the sale of shares of an entity the property of which is, directly or indirectly, mainly real estate, such as the Company).

Capital gains and losses will be calculated separately for each transaction. It is not possible to offset losses against capital gains.

According to the Order of 17 December 2010, non-Spanish holders would be obliged to file the corresponding Spanish tax form (currently Form 210), declaring and paying the Spanish tax in relation to such capital gains, or the corresponding exemption (if applicable). If there is a tax payment to be made, submission of the relevant tax form to the Spanish tax authorities would need to be made within the first 20 calendar days of April, July, October and January in relation to the capital gains obtained during the immediately preceding quarter. On the contrary, in the event of an exemption being applicable, such tax form should be filed within the first 20 calendar days of January of the year following that in which the relevant capital gain is accrued. The non-Spanish holder's tax representative in Spain and the custodian of the Ordinary Shares are also entitled to make such filing on a non-Spanish Shareholder's behalf.

### ***Spanish Wealth Tax***

Unless an applicable DTC provides otherwise, Spanish non-resident tax individuals are subject to Spanish Wealth Tax (Spanish Law 19/1991) for tax year 2015, which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year. The Spanish tax authorities are of the view that the shares of a Spanish company (such as the Ordinary Shares of the Company) should be considered assets located in Spain. Non-Spanish tax resident individuals whose net worth is above €700,000 and who hold Ordinary Shares on the last day of any year would therefore be subject to Spanish Wealth Tax for such year at marginal rates varying between 0.2% and 2.5%.

The Wealth Tax return must report the assets and rights existing at the value they have as of 31 December of the relevant year. The value of the Ordinary Shares held as of such date should be calculated by reference to its average market price over the last quarter of the year.

Shareholders who benefit from a DTC that provides for taxation only in the shareholder's country of residence are not subject to Spanish Wealth Tax. Non-Spanish tax resident individuals who are resident in an EU or European Economic Area member state may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

From 2016 onwards, a general 100% tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015).

Non-resident legal entities are not subject to Net Wealth Tax.

### ***Spanish Inheritance and Gift Tax***

Unless otherwise provided under an applicable DTC, transfers of shares upon death and by gift to individuals not resident in Spain for tax purposes are subject to Spanish Inheritance and Gift Tax (Spanish Law 29/1987) if the shares are located in Spain (as is the case with the Ordinary Shares) or the rights attached to such shares are exercisable in Spain, regardless of the residence of the heir or the beneficiary. The applicable tax rate, after applying all relevant factors, ranges between 7.65% and 81.6% for individuals. Notwithstanding the foregoing, if the deceased, the heir or donee reside in a Member State of the European Union or the European Economic Area, as the case may be, the specific legislation adopted by the an Autonomous Community may be applicable, following specific rules.

Non-Spanish resident corporations are not taxpayers of the Spanish Inheritance and Gift Tax and income inherited or obtained by gift (*a título lucrativo*) will generally be subject to NRIT, unless otherwise provided under an applicable double tax treaty.

### ***Spanish Transfer Tax***

Subscription, acquisition and transfers of shares will be exempt from Transfer Tax (*Impuesto sobre Transmisiones Patrimoniales*) and Value Added Tax. Additionally, no Stamp Duty is levied on such subscription, acquisition and transfers.

### 3. CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary based on present law of certain material US federal income tax considerations relevant to the acquisition, ownership and disposition of the Preferential Subscription Rights and New Ordinary Shares. This summary addresses only US Holders (as defined below) receiving Preferential Subscription Rights and/or that receive New Ordinary Shares by exercising their Preferential Subscription Rights or by purchasing them in the Offering, use the US dollar as their functional currency and will hold the Preferential Subscription Rights or New Ordinary Shares (as applicable) as capital assets. The discussion is a general summary only; it is not a substitute for tax advice. This summary does not purport to be a comprehensive description of all US federal income tax considerations that may be relevant to particular investors in light of their particular circumstances. This summary does not address the tax treatment of US Holders subject to special treatment under the US federal income tax laws, including banks and certain other financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers in securities, securities traders that elect to mark-to-market, investors liable for the alternative minimum tax, certain US expatriates, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, or investors that will hold the Preferential Subscription Rights or New Ordinary Shares as part of a straddle, hedging, conversion or other integrated financial transaction or investors that own (directly, indirectly or constructively) 10% or more by vote or value of the Company's equity interests. This summary does not address US federal taxes other than the income tax (such as estate or gift taxes), state, local, non-US or other tax laws or matters.

As used herein, the term US Holder means a beneficial owner of the New Ordinary Shares or Preferential Subscription Rights that is, for US federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation, or other business entity treated as a corporation, created or organised under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust.

If a business entity or arrangement treated as a partnership for US federal income tax purposes acquires, holds or disposes of the New Ordinary Shares or Preferential Subscription Rights, the US federal income tax treatment of a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their own tax advisers concerning the US federal income tax consequences to them and their partners of the acquisition, ownership and disposition of the New Ordinary Shares or Preferential Subscription Rights.

#### ***Passive Foreign Investment Company***

The taxation of US Holders will depend on whether the Company is treated for US federal income tax purposes as a passive foreign investment company (a "***PFIC***"). The Company believes that it was a PFIC for the previous taxable year and that it will be a PFIC for the current taxable year and expects to be a PFIC in future taxable years. A non-US corporation is a PFIC if in any taxable year either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held to produce "passive income." In applying these tests, the Company generally is treated as holding its proportionate share of the assets and receiving its proportionate share of the income of any other corporation in which the Company owns at least 25% by value of the shares. Passive income for this purpose generally includes dividends, interest, royalties, rent and capital gains, and passive assets are those assets that are held for production of passive income or do not produce income at all. However, rents and gains derived in the active conduct of a trade or business in certain circumstances are considered active income and the associated properties are considered active assets. The Company believes that the rents received by Tree from leasing Tree's assets to BBVA will not qualify as active income because the Company does not, through its own employees or those of Tree, regularly perform active and substantial management and operational functions with respect to Tree's assets. Thus, the Company expects Tree's assets to be passive assets. Accordingly, the Company believes that it and Tree were PFICs for the previous taxable year, will be PFICs for the current taxable year and expects that they will remain PFICs in future taxable years. Whether an entity is a PFIC is determined annually, however, and the Company's status could change based on changes in its assets, income and activities. The Company may also own, directly or indirectly, equity interests in subsidiaries and other entities that are PFICs ("***Lower-tier PFICs***") in addition to Tree.

If the Company is or becomes a PFIC while a US Holder holds Preferential Subscription Rights or New Ordinary Shares, unless the US Holder makes a qualified electing fund ("***QEF***") election or mark-to-market election with respect to the New Ordinary Shares, as described below, a US Holder generally would be subject to additional taxes (including taxation at ordinary income rates and an interest charge) on any gain realised from a sale or other disposition of the New Ordinary Shares or Preferential Subscription Rights and on any "excess distributions" received from the Company, regardless of whether the Company continues to be a PFIC in the year such distribution is received or gain is realised. For this purpose, a pledge of the New Ordinary Shares or Preferential Subscription Rights as security for a loan may be treated as a disposition. The US Holder would be treated as receiving an excess distribution in a taxable year to the extent that distributions on the New Ordinary Shares during that year exceed 125% of the average amount of distributions received during the three preceding taxable years (or, if shorter, the US Holder's holding period). To compute the tax on excess

distributions or on any gain, (i) the excess distribution or gain would be allocated rateably over the US Holder's holding period, (ii) the amount allocated to the current taxable year and any year before the first taxable year for which it was a PFIC would be taxed as ordinary income in the current year, and (iii) the amount allocated to other taxable years would be taxed at the highest applicable marginal rate in effect for each such year (i.e., at ordinary income tax rates) and an interest charge would be imposed to recover the deemed benefit from the deferred payment of the tax attributable to each such prior year. For this purpose, the holding period of a New Ordinary Share acquired through the exercise of a Preferential Subscription Right will begin with the holding period of the Preferential Subscription Right.

Under proposed Treasury regulations, a US Holder would be subject to tax under the rules described above on (i) excess distributions by a Lower-tier PFIC such as Tree and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the US Holder held such shares directly, even though the US Holder has not actually received the proceeds of those distributions or dispositions. As noted above, the Company may hold equity interests in other entities that are Lower-tier PFICs. Thus, if these proposed regulations are finalised in their current form, US Holders of the New Ordinary Shares would, unless a QEF election is available and made with respect to any Lower-tier PFIC, be subject to tax under the PFIC rules described above if the Company or the entity owning the shares of such Lower-tier PFIC were to receive distributions from, or dispose of the shares of, such Lower-tier PFIC. Because these proposed regulations are not currently in effect, the treatment of distributions with respect to and dispositions of shares of a Lower-tier PFIC is uncertain and, therefore, US Holders should consult their tax advisers as to how to treat distributions by, and dispositions of shares of, a Lower-tier PFIC.

A US Holder may avoid the excess distribution rules described above by electing to treat the Company (for the first taxable year in which the US Holder owns New Ordinary Shares) and Tree or any other Lower-tier PFIC (for the first taxable year in which the US Holder is treated as owning an equity interest in such Lower-tier PFIC) as QEFs. US Holders could make a QEF election with respect to the Company, Tree and any other Lower-tier PFIC only if the Company provides certain information, including as to the amount of its (and the Lower-tier PFIC's) ordinary earnings and net capital gains determined under US federal income tax principles. To date, the Company has not yet undertaken to provide to US Holders information necessary for them to make a QEF election, and there is no assurance that it may in the future. If a US Holder makes a QEF election with respect to the Company or any Lower-tier PFIC, the US Holder will be required to include in gross income each year, whether or not the Company makes distributions, as capital gains, its pro rata share of the Company's net capital gains and, as ordinary income, its pro rata share of the Company's net earnings in excess of its net capital gains. Such inclusions will increase the US Holder's tax basis in its New Ordinary Shares. Amounts recognised by a US Holder making a QEF election generally are treated as income from sources outside the United States. Because the US Holder has already paid tax on them, distributions of amounts previously included in income will not be subject to tax when they are distributed to the US Holder (except to the extent of any gain or loss attributable to exchange rate movements) but will decrease the US Holder's tax basis in the New Ordinary Shares. An electing US Holder's tax basis in the New Ordinary Shares will increase by any amounts the holder includes in income currently and decrease by any amounts not subject to tax when distributed. A US Holder that makes a QEF election may recognise taxable income in amounts significantly greater than the distributions received from the Company.

A US Holder that wants to avoid the possible application of the excess distribution rules (including the interest charge and treatment of gain as ordinary income) with respect to interests in Tree and any other Lower-tier PFICs would be required to make a separate QEF election with respect to each such Lower-tier PFIC. The Company has not to date undertaken to provide the information necessary for a QEF election in respect of Tree and any other Lower-tier PFICs that the Company controls, and does not expect that this information will be available for any Lower-tier PFICs that it does not control.

A US Holder making a QEF election other than in respect of the first taxable year in which it owns (or is treated as owning) an equity interest in a PFIC (including the New Ordinary Shares and any equity interest in a Lower-tier PFIC) would continue to be subject to the excess distribution rules described above as well as the QEF rules with respect to such PFIC, unless the US Holder makes a "deemed sale" election in the taxable year the QEF election is made and recognises gain taxed under the "excess distribution" regime described above for the relevant equity interest's appreciation before the year for which the QEF election is made.

As an alternative to a QEF election, a US Holder may also be able to avoid some of the adverse US tax consequences described above with respect to the New Ordinary Shares by electing to mark the New Ordinary Shares to market annually. A US Holder may elect to mark-to-market the New Ordinary Shares only if the New Ordinary Shares are "marketable stock." The New Ordinary Shares will be treated as "marketable stock" only if they are regularly traded on a qualified exchange. The New Ordinary Shares will be treated as regularly traded in any calendar year in which more than a de minimis quantity of the New Ordinary Shares are traded on at least 15 days during each calendar quarter. A foreign exchange will be treated as a qualified exchange if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. Although the Company expects that the Spanish Stock Exchanges, on which the New Ordinary Shares are expected to be listed, would be considered qualified exchanges, no assurance can be given as to whether the Spanish Stock Exchanges are qualified exchanges or that the New Ordinary Shares will be traded in sufficient frequency and quantity to be considered "marketable stock" for purposes of the mark-to-market election. US Holders should consult their own tax advisers as to whether the Spanish Stock Exchanges are qualified exchanges for this purpose. If a US Holder makes the mark-to-market election, any gain from marking the New Ordinary Shares to market or from disposing of them would be ordinary income. Any loss from marking the New Ordinary

Shares to market would be recognised only to the extent of unreversed gains previously included in income. Loss from marking the New Ordinary Shares to market would be ordinary, but loss on disposing of the New Ordinary Shares would be capital loss except to the extent of mark-to-market gains previously included in income. US Holders will not be able to make mark-to-market elections with respect to Tree or any other Lower-tier PFICs.

Each US Holder generally will be required to file a separate annual information return with the United States Internal Revenue Service (IRS) with respect to the Company and any Lower-tier PFICs.

US Holders should consult their own tax advisers concerning the Company's PFIC status and the consequences to them of treatment of the Company and entities in which the Company holds equity interests as PFICs for any taxable year, and the availability and advisability of QEF elections and mark-to-market elections. In particular, it is unclear whether either QEF or mark-to-market elections are available with respect to Preferential Subscription Rights, or how such rules would apply to them, if available.

### Taxation of the Preferential Subscription Rights

#### *Receipt*

The Company believes that US Holders should treat the receipt of Preferential Subscription Rights as a non-taxable distribution with respect to such holder's Existing Ordinary Shares for US federal income tax purposes, and the remainder of this discussion assumes that such receipt will not be treated as a taxable distribution.

Except as discussed above with respect to the PFIC rules, a US Holder's holding period in Preferential Subscription Rights will not include the holding period in the Existing Ordinary Shares with respect to which the Preferential Subscription Rights were distributed.

If the fair market value of Preferential Subscription Rights when received is less than 15 per cent. of the fair market value of the Existing Ordinary Shares with respect to which Preferential Subscription Rights are distributed, the Preferential Subscription Rights will initially have a nil tax basis unless the US Holder affirmatively elects to allocate its adjusted tax basis in its Existing Ordinary Shares to the Preferential Subscription Rights in proportion to the relative fair market values of the Existing Ordinary Shares and the Preferential Subscription Rights distributed (determined on the date Preferential Subscription Rights are received). This election must be made in the US Holder's timely filed U.S. federal income tax return for the taxable year in which Preferential Subscription Rights are received, in respect of all Preferential Subscription Rights received by the US Holder, and is irrevocable.

If the fair market value of Preferential Subscription Rights on the date of receipt is 15 per cent. or greater than the fair market value of the Existing Ordinary Shares with respect to which Preferential Subscription Rights are received, then, except as discussed below with respect to an expiration, a US Holder's adjusted tax basis in its Existing Ordinary Shares must be allocated between the Existing Ordinary Shares and the Preferential Subscription Rights in proportion to their relative fair market values determined on the date Preferential Subscription Rights are received.

#### *Exercise of Preferential Subscription Rights and Subscription of New Ordinary Shares*

A US Holder will not recognise taxable income when it receives New Ordinary Shares by exercising Preferential Subscription Rights. A US Holder will have a tax basis in the New Ordinary Shares equal to its tax basis, if any, in the Preferential Subscription Rights exercised plus the US dollar value of the euro exercise price of the Preferential Subscription Rights on the date of exercise.

Except as discussed above with respect to the PFIC rules, a US Holder's holding period in the New Ordinary Shares generally will begin on the date the Preferential Subscription Rights are exercised. If a US Holder uses previously acquired euros to pay the subscription price for the New Shares, any foreign currency gain or loss that it recognises on the exchange of the euros for New Shares will be US source ordinary income or loss.

#### *Dispositions*

Subject to the PFIC rules discussed above, a US Holder will recognise capital gain or loss on the sale or other disposition of Preferential Subscription Rights in an amount equal to the difference between such holder's tax basis, if any, in the Preferential Subscription Rights and the US dollar value of the amount realised (as determined on the date of the sale or disposition) from the sale or other disposition. Any gain or loss generally will be treated as arising from a US source and will be long-term capital gain or loss if the US Holder's holding period in the Preferential Subscription Rights exceeds one year. A US Holder's holding period in the Preferential Subscription Rights will include its holding period in the Existing Shares with respect to which the Preferential Subscription Rights were distributed.

A US Holder that receives euros on the disposition of Preferential Subscription Rights will realise an amount equal to the US dollar value of the euros received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount recognise using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the euros received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss on a subsequent disposition or

conversion of the euros into US dollars will be US source ordinary income or loss.

### *Expiration*

If a US Holder allows Preferential Subscription Rights to expire without selling or exercising them, the Preferential Subscription Rights should be deemed to have a nil tax basis and, therefore, such US Holder should not recognise any loss upon the expiration of the Preferential Subscription Rights and any tax basis from Existing Shares that was allocated to the Preferential Subscription Rights will be reallocated back to such Existing Shares.

### Taxation of the New Ordinary Shares

#### *Taxation of Distributions*

Subject to the discussion of the PFIC rules above, distributions with respect to the New Ordinary Shares, including taxes withheld therefrom, if any, generally will be included in a US Holder's gross income as foreign source ordinary dividend income when received to the extent paid out of the company's earnings and profits (as determined for US federal income tax purposes). To the extent the amount of any distribution exceeds the current and accumulated earnings and profits of the Company, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a US Holder's tax basis in the New Ordinary Shares, (and reducing such US Holder's adjusted basis of the New Ordinary Shares) and (b) thereafter, as capital gain from the sale or exchange of New Ordinary Shares. However, because the Company has not determined whether it will keep books recording its earnings and profits as determined for US federal income tax purposes, US Holders should assume that all distributions paid will be dividends. Assuming, as the Company believes to be the case, it is a PFIC, any dividends it pays will not be eligible for the preferential tax rate applicable to "qualified dividend income" received by individuals and certain other non-corporate US Holders, since this preferential rate does not apply to dividends from PFICs. Any dividends will not be eligible for the dividends received deduction generally allowed to US corporations.

Dividends paid in euro will be includable in income in the US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are actually or constructively received by the US Holder, regardless of whether the euro are converted into US dollars at that time. A US Holder will have a basis in the euro received equal to the US dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includable in the income of the US Holder to the date such payment is converted into US dollars (or the US Holder otherwise disposes of the euro) will be exchange gain or loss and will be treated as US source ordinary income or loss for foreign tax credit limitation purposes. If dividends received in euro are converted into US dollars on the day the dividends are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

A US Holder may claim a foreign tax credit (subject to applicable limitations) for tax withheld from dividends (if any) at a rate not in excess of the maximum rate applicable to such US Holder after applying any rate reductions available under the tax treaty between the United States and Spain (the "*Treaty*").

#### *Sale or Other Disposition*

Subject to the discussion of the PFIC rules above, a US Holder generally will recognise gain or loss for US federal income tax purposes on the sale, exchange or other disposition of the New Ordinary Shares equal to the difference, if any, between the amount realised on the sale, exchange or other disposition and the US Holder's adjusted tax basis in such New Ordinary Shares, each determined in US dollars. Gains and losses would generally be long-term capital gain or loss if the US Holder's holding period in the New Ordinary Shares exceeds one year. Any gain or loss generally will be treated as arising from US sources. The deductibility of capital losses is subject to limitations. A US Holder's adjusted tax basis in the New Ordinary Shares generally will be its US dollar cost, or as described above in relation to New Ordinary Shares acquired on Exercise of Preferential Subscription Rights except to the extent its basis has been increased as a result of inclusion of undistributed earnings as a result of a QEF election, or is adjusted as a result of a mark-to-market election.

If a US Holder receives euros upon a sale, exchange or other disposition of the New Ordinary Shares, such US Holder generally will realise an amount equal to the US dollar value of the euros received at the spot rate on the date of disposition (or if the US Holder is a cash-basis or electing accrual basis taxpayer, at the spot rate on the settlement date). A US Holder will have a tax basis in the currency received equal to the US dollar value of the euros on the settlement date. Any currency gain or loss realised on the settlement date or recognised on the subsequent sale, conversion or other disposition of the euros for a different US dollar amount generally will be US source ordinary income or loss for foreign tax credit limitation purposes.

As described in "Spanish Taxation—Non-resident Shareholders—Taxation on capital gains" transfers or sales of New Ordinary Shares will be subject to Spanish taxation. A US Holder that pays Spanish tax on gain from a disposition of the New Ordinary Shares may, due to treatment of such gain as U.S. source income under U.S. domestic law rules and the absence of an express rule in the Treaty requiring the United States to treat such gain as foreign source, be unable to claim credit for such Spanish tax. Limitations on creditability of foreign taxes are complex, and US Holders should consult their tax advisers as to whether they would be able to credit any such Spanish taxes against their US federal income tax liabilities in their particular circumstances.

#### *Medicare Surtax on Net Investment Income*

Non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their “net investment income” (which generally includes, among other things, dividends on, and capital gain from the sale or other taxable disposition of, the New Ordinary Shares or Preferential Subscription Rights). Absent an election to the contrary, if a QEF election is available and made, QEF inclusions will not be included in net investment income at the time a US Holder includes such amounts in income, but rather will be included at the time distributions are received or gains are recognised. Although it is not entirely clear how the surtax should apply with respect to distributions by, and gains from the sale of shares of, a Lower-tier PFIC, a non-corporate US Holder should generally expect that such distributions and gains would be included in the holder’s “net investment income” at the time they would, in the absence of a QEF election in respect of that Lower-tier PFIC, be subject to US federal income tax, even though the holder did not receive the proceeds of such distributions or gains. Non-corporate US Holders should consult their own tax advisers regarding the possible effect of such tax on their ownership and disposition of the New Ordinary Shares and Preferential Subscription Rights, in particular the applicability of this surtax with respect to a non-corporate US Holder that makes a QEF or mark-to-market election.

#### *Information Reporting and Backup Withholding*

Payments of dividends and sales proceeds that are made within the United States or through certain US-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the US Holder is a corporation or other exempt recipient (and if required, establishes its status as such) or (ii) in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Holder’s US federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain US Holders who are individuals (and certain entities controlled by individuals) may be required to report information relating to their ownership of the Company’s New Ordinary Shares or Preferential Subscription Rights, unless the New Ordinary Shares or Preferential Subscription Rights are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-US financial institutions). US Holders should consult their tax advisers regarding their reporting obligations with respect to the New Ordinary Shares or Preferential Subscription Rights.

## PART XXII: CERTAIN ERISA CONSIDERATIONS

ERISA and Section 4975 of the Code impose certain requirements and restrictions on (a) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (b) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans, (c) any entities whose underlying assets include plan assets by reason of an investment described in (a) or (b) in such entities (each of (a), (b) and (c), a “**Benefit Plan Investor**”) and (d) persons having certain relationships to such Benefit Plan Investors (such persons referred to as “Parties in Interest” under ERISA or “Disqualified Persons” under the Code). Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan Investor, unless a statutory or administrative exception or exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Governmental plans, certain church plans and certain non-US plans, while not subject to the fiduciary responsibility and prohibited transaction provisions of ERISA or the provisions of section 4975 of the Code, may nevertheless be subject to substantially similar rules under Federal, state, local or non-US laws (“**Similar Laws**”), and may be subject to the prohibited transaction rules of section 503 of the Code.

Under ERISA and a regulation issued by the United States Department of Labor (29 C.F.R. section 2510.3-101, the “**Plan Asset Regulations**”), as modified by section 3(42) of ERISA, if a Benefit Plan Investor invests in an “equity interest” of an entity that is neither a “publicly offered security” (which requires registration with the SEC) nor a security issued by an investment company registered under the Investment Company Act of 1940, the Benefit Plan Investor’s assets are generally deemed to include both the equity interest and an undivided interest in each of the entity’s underlying assets, unless it is established (a) that the entity is an “operating company” as that term is defined in the Plan Asset Regulations, or (b) equity participation by Benefit Plan Investors is not “significant”.

Under the Plan Asset Regulations equity participation in an entity by Benefit Plan Investors is significant on any date if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. Or more of the total value of each class of equity interest in the entity is held by Benefit Plan Investors (the “**25 per cent. Limitation**”). For purposes of the 25 per cent. Limitation, the value of any equity interests held by persons (other than Benefit Plan Investors) with discretionary authority or control with respect to the assets of the entity or who provide investment advice for a fee with respect to such assets, and their respective affiliates is disregarded, which in the case of the Company will include equity interests held by the Management Team and their affiliates.

If the underlying assets of the Company are deemed to be plan assets under the Plan Asset Regulations, the obligations and other responsibilities of the plan sponsors, plan fiduciaries and plan administrators, and of Parties in Interest, under Parts 1 and 4 of Subtitle B of Title I of ERISA and section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code. In addition, various providers of fiduciary or other services to the Company, and any other parties with authority or control with respect to the Company, could be deemed to be plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

It is anticipated that (i) Ordinary Shares will not constitute “publicly offered securities” for purposes of the Plan Asset Regulations, (ii) the Company will not be an investment company registered under the US Investment Company Act and (iii) the Company may not qualify as an operating company within the meaning of the Plan Asset Regulations. Therefore, in order to avoid having the Company’s assets treated as plan assets under the Plan Asset Regulations, the Company intends to prohibit investments by Benefit Plan Investors in New Ordinary Shares in the Offering.

Each purchaser in the Offering, and each subsequent transferee of the Ordinary Shares will be required to, and will be deemed to, represent, warrant and agree, unless otherwise agreed in writing by the Company that (i) it is not, and is not acting on behalf of, a Benefit Plan Investor and (ii) if it is a governmental, church, non-US or other plan it is not, and for so long as it holds such Ordinary Shares or interest therein will not be, subject to any federal, state, local, non-US or other laws or regulations that could cause the underlying assets of the Company to be treated as assets of a Shareholder by virtue of its interest in the Ordinary Shares and thereby subject the Company (or any persons responsible for the investment and operation of the Company’s assets) to laws or regulations that are substantially similar to the prohibited transaction provisions of section 406 of ERISA or section 4975 of the Code and (iii) it will not transfer its interest in such Ordinary Shares to any person that cannot make the representations, warranties and agreements set out in clauses (i) and (ii) above.

Although, on the basis of the foregoing, it is contemplated that the assets of the Company should not be deemed to be plan assets under the Plan Asset Regulations, no assurance can be given that such treatment can be avoided after the Ordinary Shares become publicly traded and that the fiduciary and prohibited transaction provisions of ERISA and the Code would not become applicable to transactions entered into by the Company.

## PART XXIII: ADDITIONAL INFORMATION

### 1. RESPONSIBILITY

Mr. Ismael Clemente, acting in the name and on behalf of the Company in his condition as Chairman of the Board of Directors and Chief Executive Officer, duly authorised pursuant to the resolutions approved by the Board of Directors of the Company on 15 July 2015, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the signing Director (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

### 2. INFORMATION ON THE COMPANY

The Company was incorporated in Spain on 25 March 2014 pursuant to the Spanish Companies Act as a public limited company (a *sociedad anónima* or S.A.) under the name MERLIN Properties, S.A., subsequently changed to MERLIN Properties, SOCIMI, S.A. upon election of the SOCIMI Regime. The Company is incorporated for an unlimited term.

The principal legislation under which the Company operates, and under which the Ordinary Shares were created, is the Spanish Companies Act and the regulations made thereunder.

The registered office of the Company is at Paseo de la Castellana, 42, 28046 Madrid, Spain. The financial year end of the Company is 31 December.

The Company is registered with the Madrid Commercial Registry at volume (Tomo) 32,065, sheet (Folio) 206 and page (Hoja) M-577086. The Company's tax identification number is A-86977790.

The Company is domiciled in Spain and resident in Spain for tax purposes.

The Company is recently incorporated and has limited operating or financial data. The Company's Audited Consolidated Financial Statements as of 31 December 2014 are included elsewhere herein. Deloitte, S.L., whose address is Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, Spain, has been appointed as the auditor of the Company and has been the only auditor of the Company since its incorporation.

Save for matters connected with the Offering, matters set out in Part XIV ("*The Assets*") and Part XVI ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*") and the entry into of the contracts discussed in section 11 of this Part XXII ("*Additional Information*"), the Company has not engaged in other operations since 31 December 2014 and has not incurred other borrowings.

### 3. SHARE CAPITAL

At the date of this Prospectus, the issued share capital of the Company consists of €193,818,000 divided into a single series of 193,818,000 shares in book-entry form, with a nominal value of €1 each. All of these shares are fully paid.

See section 6 of this Part XXII ("*Additional Information*") in respect of the Directors' authority to issue Ordinary Shares.

The Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue at the date of this Prospectus. The Board of Directors does not have authorisation from the General Shareholders' Meeting of the Company to issue such debt instruments.

<u>Date</u>	<u>Amount</u>	<u>Transaction</u>
25/3/14	€60,000	Incorporation
27/6/14	€125,000,000	IPO (capital increase)
14/7/14	€4,152,001	Exercise of greenshoe
8/5/2014	€64,605,999	Rights issue
<b>Total</b>	<b>€193,818,000</b>	



#### 4. INTERESTS OF MAJOR SHAREHOLDERS

The following table shows the shareholdings of the Company's principal Shareholders as of the date of this Prospectus (based on the latest information available from the CNMV).

<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued Ordinary Share Capital</u>
Mainstay Marketfield Fund	12,895,055	6.653%
EJF Capital LLC	9,764,559	5.038%
UBS Group AG	9,135,573	4.713%
<b>SUB-TOTAL</b>	<b>31,795,187</b>	<b>16.404%</b>
MAGIC Kingdom, S.L	1,124,999	0.58%
<b>GRAND TOTAL</b>	<b>32,920,186</b>	<b>16.984%</b>

The persons listed in the table above do not have different voting rights than those corresponding to the Ordinary Shares in general.

Under the Spanish SOCIMI Regime, the Company may become subject to a 19% CIT on the amount of dividends received by a Substantial Shareholder. The By-laws contain indemnity obligations from Substantial Shareholders in favour of the Company designed to discourage the possibility that dividends may become payable to Substantial Shareholders. If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equivalent to the tax expenses incurred by the Company on such dividend payment from the amount to be paid to such Substantial Shareholder. These provisions are summarised at section 6 of this Part XXII ("*Additional Information*").

#### 5. TENDER OFFERS

Tender offers are governed in Spain by the Spanish Securities Market Act and Royal Decree 1066/2007, of 27 July 2007, which have implemented Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004). Tender offers in Spain may qualify as either mandatory or voluntary offers.

Mandatory public tender offers must be launched for all the shares of the target company or other securities that might directly or indirectly give the right to subscription thereto or acquisition thereof (including convertible and exchangeable bonds) at an equitable price and not subject to any conditions when any person acquires control of a Spanish company listed on the Spanish Stock Exchanges, whether such control is obtained:

- by means of the acquisition of shares or other securities that directly or indirectly give the right to subscribe or acquire voting shares in such company;
- through agreements with shareholders or other holders of such securities; or
- as a result of other situations of equivalent effect as provided in the regulations (i.e., indirect control acquired through mergers, share capital decreases, target's treasury stock variations or securities exchange or conversion, etc.).

A person is deemed to have obtained the control of a target company, individually or jointly with concerted parties, whenever:

- it acquires directly or indirectly a percentage of voting rights equal to or greater than 30%; or
- it has acquired a percentage of less than 30% of the voting rights and appoints, in the 24 months following the date of acquisition of said percentage, a number of directors that, together with those already appointed, if any, represent more than one-half of the members of the target company's board of directors. Regulations also set forth certain situations where directors are deemed to have been appointed by the bidder or persons acting in concert therewith unless evidence to the contrary is provided.

Notwithstanding the above, Spanish regulations establish certain exceptional situations where control is obtained but no mandatory tender offer is required, including, among others:

- subject to the CNMV's approval, acquisitions or other transactions resulting from the conversion or capitalisation of claims into shares of listed companies the financial feasibility of which is subject to serious and imminent danger, even if the company is not undergoing bankruptcy proceedings, provided that such transactions are intended to ensure the company's financial recovery in the long term; or
- in the event of a merger, provided that those acquiring control did not vote in favour of the merger at the relevant general meeting of shareholders of the offeree company and provided also that it can be shown that the primary purpose of the transaction is not the takeover but an industrial or corporate purpose; and
- when control has been obtained after a voluntary bid for all of the securities, if either the bid has been made at an equitable price or has been accepted by holders of securities representing at least 50% of the voting rights to which the bid was directed.

For the purposes of calculating the percentages of voting rights acquired, the regulations establish the following rules:

- percentages of voting rights corresponding to (i) companies belonging to the same group of the bidder; (ii) members of the board of directors of the bidder or of companies of its group; (iii) persons acting for the account of or in concert with the bidder (a concert party shall be deemed to exist when two or more persons collaborate under an agreement, be it express or implied, oral or written, in order to obtain control of the offeree company); (iv) voting rights exercised freely and over an extended period by the bidder under proxy granted by the actual holders or owners of such rights, in the absence of specific instructions with respect thereto; and (v) shares held by a nominee, such nominee being understood as a third-party whom the bidder totally or partially covers against the risks inherent in acquisitions or transfers of the shares or the possession thereof, will be deemed to be held by the bidder (including the voting rights attaching to shares that constitute the underlying asset or the subject matter of financial contracts or swaps when such contracts or swaps cover, in whole or in part, against the risks inherent in ownership of the securities and have, as a result, an effect similar to that of holding shares through a nominee);
- both the voting rights arising from the ownership of shares and those enjoyed under a usufruct or pledge or upon any other title of a contractual nature will be counted towards establishing the number of voting rights held;
- the percentage of voting rights shall be calculated based on the entire number of shares carrying voting rights, even if the exercise of such rights has been suspended; voting rights attached to treasury shares shall be excluded; and non-voting shares shall be taken into consideration only when they carry voting rights pursuant to applicable law; and
- acquisitions of securities or other financial instruments giving the right to the subscription, conversion, exchange or acquisition of shares which carry voting rights will not result in the obligation to launch a tender offer either until such subscription, conversion, exchange or acquisition occurs.

Notwithstanding the foregoing, upon the terms established in the regulations, the CNMV will conditionally dispense with the obligation to launch a mandatory bid when another person or entity not in concert with the potential bidder directly or indirectly holds an equal or greater voting percentage in the target company.

The price of the mandatory tender offer is deemed equitable when it is at least equal to the highest price paid by the bidder or by any person acting in concert therewith for the same securities during the 12 months prior to the announcement of the tender offer. When the mandatory tender offer must be made without the bidder having previously acquired the shares over the above-mentioned 12-month period, the equitable price shall not be less than the price calculated in accordance with other rules set forth in the regulations. In any case, the CNMV may change the price so calculated in certain circumstances (extraordinary events affecting the price, evidence of market manipulation, etc.).

Mandatory offers must be launched within one month from the acquisition of the control of the target company. Voluntary tender offers may be launched when a mandatory offer is not required. Voluntary offers are subject to the same rules established for mandatory offers except for the following:

- they might be subject to certain conditions (such as amendments to the by-laws or adoption of certain resolutions by the target company, acceptance of the offer by a minimum number of securities, approval

of the offer by the shareholders' meeting of the bidder; and any other deemed by the CNMV to be in accordance with law), provided that such conditions can be met before the end of the acceptance period of the offer; and

- they may be launched at any price, regardless of whether it is lower than the abovementioned "equitable price".

Spanish regulations on tender offers set forth further provisions, including:

- subject to shareholder approval within 18 months from the date of announcement of the tender offer, the board of directors of a target company will be exempt from the rule prohibiting frustrating action against a foreign bidder whose board of directors is not subject to an equivalent passivity rule;
- defensive measures included in a listed company's by-laws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer, unless the shareholders resolve otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected will be entitled to compensation at the target company's expense); and
- squeeze-out and sell-out rights will apply provided that following a tender offer for all the target's share capital, the bidder holds securities representing at least 90% of the target company's voting capital and the tender offer has been accepted by the holders of securities representing at least 90% of the voting rights other than those held by or attributable to the bidder prior to the offer.

## **6. BY-LAWS AND CERTAIN APPLICABLE REGULATION**

The following is a summary of the By-laws of the Company. Any Shareholder requiring further detail than that provided in the summary is advised to consult the By-laws which are available at the address specified in section 2 of this Part XXII ("*Additional Information*") and at the corporate website of the Company ([www.merlinproperties.com](http://www.merlinproperties.com)). The By-laws of the Company and its internal regulations have been adapted to the changes resulting from the Spanish Law 31/2014, of 3 December, amending the Spanish Companies Act in order to improve its corporate governance.

### ***Share capital***

At the date of this Prospectus, the issued share capital of the Company consists of €193,818,000 divided into a single series of registered shares in book-entry form, with a nominal value of €1 each. All of these shares are fully paid. Non-residents of Spain may hold shares and vote, subject to the restrictions described under "*Restrictions on foreign investment*" of this Part XXII ("*Additional Information*").

The ISIN number of the Existing Ordinary Shares is ISIN:ES0105025003. The New Ordinary Shares will receive a provisional ISIN number which upon Admission will be replaced with the original ISIN number of the Existing Ordinary Shares.

### ***Dividend and liquidation rights***

Payment of dividends is proposed by the Board of Directors and must be authorised by the Shareholders at a general meeting. Holders of shares participate in such dividends from the date agreed by a general meeting.

The Spanish Companies Act requires each company to contribute at least 10% of its net income each year to a legal reserve until the balance of such reserve is equivalent to at least 20% of such company's issued share capital. A company's legal reserve is not available for distribution to its Shareholders except upon such company's liquidation. The legal reserve of the Company will not exceed 20% of the share capital of the Company. The Company's By-laws do not establish any reserve that is not available for distribution to its Shareholders.

According to the Spanish Companies Act, dividends may only be paid out of profits (after the necessary transfer to mandatory reserves or distributable reserves and only if the value of the Company's net worth is not, and as a result of distribution would not be, less than its share capital).

In addition, no profits may be distributed unless the amount of the distributable reserves is at least equal to the amount of the research and development expenses recorded as an asset in the Company's balance sheet.

The Spanish Companies Act also requires the creation of a non-distributable reserve equal to the amount of goodwill recorded as an asset on the balance sheet and that an amount at least equal to 5% of such goodwill be transferred from the profit from each financial year to such non-distributable reserve until such time as the non-distributable

reserve is of an amount at least equal to the goodwill recorded on the balance sheet. If, in any given financial year, there are no profits or there are insufficient profits to transfer an amount equal to 5% of the goodwill recorded on the balance sheet, the Spanish Companies Act requires that the shortfall be transferred from freely distributable reserves to the non-distributable reserve.

In accordance with Article 947 of the Spanish Commercial Code, the right to a dividend lapses and reverts to the Company if it is not claimed within five years after it becomes payable.

Upon liquidation of the Company, Shareholders would be entitled to receive proportionately any assets remaining after the payment of the Company's debts, taxes and expenses of the liquidation.

#### ***Company's indemnity from Substantial Shareholder's CIT liability and Shareholders' reporting obligation***

The By-laws require any Shareholder to give notice to the Company's Board of Directors of any acquisition of Ordinary Shares which results in such Shareholder reaching a stake in the Company equal to or higher than 5% of its share capital. Furthermore, together with this notice, such Shareholder must provide evidence of its tax residence and status (i.e., such Shareholder must provide a certificate issued by the relevant tax authorities of its country of residence, indicating the following: (i) that, according to the records of such authorities, such Shareholder is a tax resident of such country and (ii) the rate at which dividends from the Company are subject to taxation in the relevant country).

A Shareholder will be deemed to be a Substantial Shareholder if it holds a stake equal to or higher than 5% of the share capital of the Company and either (i) is exempt from any tax on the dividends or subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non Resident Income Tax Law is also taken into consideration) or (ii) does not timely provide the Company with the information evidencing its equal or higher than 10% taxation on dividends distributed by the Company in the terms set forth in the By-laws.

If a dividend payment is made to a Substantial Shareholder, the Company will be entitled to deduct an amount equal to the CIT liability levied on any dividend distribution paid to it, increased in the amount that, once such CIT is deducted, offsets the CIT expense derived for the Company under the Spanish SOCIMI Regime, from the amount to be paid to such Substantial Shareholder.

For example, assuming that: (i) a gross dividend of €100 is due to a Substantial Shareholder, (ii) the CIT rate applicable to dividend distributions made to such Substantial Shareholder is 19% (in accordance with the provisions of the Spanish SOCIMI Regime relating to dividend distributions to Substantial Shareholders) and (iii) the Company is subject to a 0% CIT rate on any indemnity amount to be deducted from the dividend payment to such Substantial Shareholder, the indemnity amount to be deducted to such Substantial Shareholder will be the following:

$$\begin{aligned} & \underline{\text{Gross Dividend: €100}} \\ & \text{Special Taxation: } 100 \times 19\% = \text{€19} \\ & \text{Special Taxation CIT Expense ("CITst"): €19} \\ & \text{Indemnity amount to be deducted ("I"): €19} \\ & \text{CIT tax base for the indemnity ("Tbi"): €19} \\ & \text{CIT Expense derived from the indemnity ("CITi"): €0} \\ & \text{Effect for the Company: } C - \text{CITst} - \text{CITi} = 19 - 19 - 0 = \text{€0} \end{aligned}$$

The By-laws include provisions for this calculation in case of an eventual amendment of the CIT rate applicable to SOCIMIs. In this event, the indemnity amount to be deducted from the amount to be paid to the Substantial Shareholder will be calculated taking into account its effect on the income statement of the Company (i.e., the amount of the indemnity to be paid would be increased to reflect the taxation of the indemnity or any other cost for the purposes of the Company CIT).

The purpose of providing the Company with the right to make these deductions is to offset any adverse impact resulting from the distribution of dividends to a Substantial Shareholder on the Company.

The Board of Directors may elect not to make these deductions in full or at all from dividend payments to a Substantial Shareholder in the event that, as a result of making such deductions, the Company would be in a worse position than if it did not make them.

The Spanish General Directorate of Taxes (DGT) has confirmed that any indemnity payment received from a Substantial Shareholder will compute towards the SOCIMI Regime requirement that at least 80% of the

Company's net annual income must derive from rental income and from dividends or capital gains in respect of certain specified assets.

***Provisions relating to Shareholders who are subject to a special legal regime applicable to pension funds or benefit plans***

The By-laws contain certain information obligations with respect to Shareholders or beneficial owners of Ordinary Shares are subject to a special legal regime applicable to pension funds or benefit plans (such as ERISA). The Company will have the ability to request from any Shareholder or beneficial owner of Ordinary Shares such information as the Company considers necessary or useful to determine whether any such person is subject to a special legal regime applicable to pension funds or benefit plans. Furthermore, according to the By-laws, the Company will be able to take any measures it deems appropriate to avoid any adverse effects to the Company or its Shareholders resulting from the application of laws and regulation relating to pension funds or benefit plans (in particular, ERISA). The purpose of these provisions is to provide the Company with the ability to minimise the risk that Benefit Plan Investors (or other similar investors) hold 25% or greater of any class of equity interest in the Company.

***Shareholders' meetings and voting rights***

Pursuant to the By-laws, rules of the General Shareholders' Meeting of the Company and the Spanish Companies Act, ordinary annual General Shareholders' Meetings are held during the first six months of each fiscal year on a date fixed by the Board of Directors. Extraordinary general Shareholders' meetings may be called by the Board of Directors whenever it deems appropriate, or at the request of Shareholders representing at least 3% of the share capital. Notices of all General Shareholders' Meetings are published in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) and on the corporate website of the Company at least one month prior to the meeting. Once the shares are trading, notices of all General Shareholders' Meetings will be published in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*), on the corporate website of the Company and on the website of the CNMV.

In addition, according to the Spanish Companies Act and the By-laws, if the Company offers to Shareholders the possibility to vote by electronic means accessible to all Shareholders, the time limit for calling extraordinary Shareholders' meetings may be reduced to at least 15 days before an extraordinary Shareholders' meeting. The decision to abbreviate the period between the notice date and the extraordinary Shareholders' meeting is to be taken by a majority of not less than two thirds of the voting capital represented in an ordinary annual General Shareholders' Meeting, and remains in force until no later than the following annual General Shareholders' Meeting.

Action is taken at ordinary meetings on the following matters: the approval of the management carried out by the Directors, the approval of the annual accounts from the previous fiscal year, and the application of the previous fiscal year's income or loss. All other matters can be considered at either an extraordinary meeting or at an ordinary meeting if the matter is within the authority of the meeting and is included on the agenda.

Shareholders will need to hold, at least, a number of shares equivalent to the smaller of: (i) 500 Ordinary Shares of the Company; or (ii) a number of Ordinary Shares representing 1/1000 of the Company's share capital, in order to be able to attend Shareholders' meetings. However, Shareholders who do not reach this threshold may group their holdings and choose a proxy to represent them. In the event a Shareholder does not reach such threshold and is unable to group its holdings with those of other Shareholders, such Shareholder will not be able to attend or vote at Shareholders' meetings, whether in person or by proxy. Shareholders who reach this threshold and hold shares with voting rights are entitled to attend the General Shareholders' Meeting with the right to speak and vote provided that such Shareholders holds the shares which have allowed for the threshold to be reached five (5) days prior to the meeting.

Only holders of shares duly registered in the book-entry records maintained by Iberclear, and its member entities, at least five days prior to the day on which a General Shareholders' Meeting is scheduled and in the manner provided in the notice for such meeting, may attend and vote at such meeting.

Any share may be voted by proxy. Proxies must be in writing or in electronic form acceptable under the By-laws, and are valid for a single General Shareholders' Meeting. Proxies may be given to any person, whether or not a Shareholder. Proxies must specifically refer to the General Shareholders' Meeting. A proxy may be revoked by giving notice to the Company prior to the meeting or by attendance by the relevant Shareholder at the meeting.

Proxy holders are required to disclose any conflict of interest prior to their appointment. In case a conflict of interest

arises after the proxy holder's appointment, such conflict of interest shall be immediately disclosed to the relevant Shareholder. In both cases, the proxy holder shall not exercise the Shareholder's rights unless the latter has given specific voting instructions for each resolution in respect of which the proxy holder is to vote on behalf of the Shareholder. A conflict of interest in this context may in particular arise where the proxy holder: (i) is a controlling Shareholder of the Company, or is another entity controlled by such Shareholder; (ii) is a member of the administrative, management or supervisory bodies of the Company, or of a controlling Shareholder or another entity controlled by such Shareholder; (iii) is an employee or auditor, of the Company, or of a controlling Shareholder or another entity controlled by such Shareholder; or (iv) is a natural person related to those mentioned in (i) to (iii) above.

A person acting as a proxy holder may hold a proxy from more than one shareholder without limitation as to the number of shareholders so represented. Where a proxy holder holds proxies from several shareholders, he/she will be able to cast votes for a shareholder differently from votes cast for another Shareholder.

Pursuant to the Spanish Companies Act, entities rendering investment services may exercise voting rights on behalf of their clients when the latter appoint them as proxy holders. Financial intermediaries so appointed may cast votes for a shareholder differently from votes cast for another Shareholder.

The By-laws of the Company provide that, on the first call of an ordinary or extraordinary General Shareholders' Meeting, the presence in person or by proxy of Shareholders representing at least 25.0% of its voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which according to the Spanish Companies Act requires no quorum. However, according to the Spanish Companies Act, a resolution in a general shareholders' meeting to modify the By-laws of the Company (including increases and reductions of share capital, bond issues, suppressions or limitations on the pre-emptive right over new shares, transformations, mergers, spin-offs, global assignments of assets and liabilities and the transfer of the registered address of the Company abroad), requires the presence in person or by proxy of shareholders representing at least 50.0% of the voting capital of the Company on first call, and the presence in person or by proxy of shareholders representing at least 25.0% of the voting capital of the Company on second call. On second call, (i) in the event that less than 50.0% of the voting capital of the Company is represented in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing two-thirds of the Company's capital present or represented at such meeting, and (ii) in the event that more than 50.0% of the voting capital of the Company is represented in person or by proxy, such resolutions may be passed upon the vote of shareholders representing an absolute majority of the Company's capital present or represented at such meeting. The interval between the first and the second call for a general shareholders' meeting must be at least 24 hours. Resolutions in all other cases are passed by a majority of the votes corresponding to the capital stock present or represented at such meeting.

Under the Spanish Companies Act, shareholders who voluntarily aggregate their shares so that the capital stock so aggregated is equal to or greater than the result of dividing the total capital stock by the number of Directors have the right, provided there are vacancies on the Board of Directors, to appoint a corresponding proportion of the members of the Board of Directors (disregarding the fractions). Shareholders who exercise this right may not vote on the appointment of other Directors.

A resolution passed at a general shareholders' meeting is binding on all shareholders, although, as a general rule, a resolution which is (i) contrary to Spanish law or the By-laws of the Company or the general shareholders' meeting Regulations or prejudicial to the interest of the company and is beneficial to one or more shareholders or third parties, or (ii) contrary to the public order, may be contested. In the case of resolutions referred to in section (i) above, the right to contest is extended to all shareholders representing at least 1/1000 of the share capital (provided that they were shareholders at the time when the relevant resolution was adopted), directors and interested third parties. In the case of resolutions referred to in section (ii), such right is extended to all the shareholders (even if they become shareholders once the relevant resolution has been adopted), directors and interested third parties). In certain circumstances (such as a significant modification of corporate purpose or change of the corporate form or transfer of domicile to a foreign country), the Spanish Companies Act gives dissenting or absent shareholders the right to withdraw from the company. If this right were exercised, the company would be obliged to purchase the relevant shareholding(s) in accordance with the procedures established under the Spanish Companies Act.

### ***Shareholders' right of information***

The Ordinary Shares grant their holders the right of information foreseen in the Spanish Companies Act, as well as any other rights which, as special manifestations of this right of information, are gathered in the Spanish Securities Market Act and in Law 3/2009, of 3 April, on structural changes in corporations (*Ley 3/2009, de 3 de abril, sobre modificaciones estructurales de las sociedades mercantiles*).

### ***Shareholder suits***

Under the Spanish Companies Act, directors are liable to the Company, the shareholders and the creditors for acts or omissions that are illegal or violate the By-laws and for failure to carry out their legal duties with diligence.

Under Spanish law, shareholders must bring actions against the directors as well as any other actions against the Company or challenging corporate resolutions in the province where the Company is domiciled (currently Madrid, Spain).

### ***Registration and transfers***

The shares of the Company are in book-entry form and are indivisible. Joint holders of one share must designate a single person to exercise their shareholders' rights, but they are jointly and severally liable to the Company for all the obligations deriving from their status as Shareholders, such as the payment of any pending capital calls.

Iberclear, which manages the Spanish clearance and settlement system of the Spanish Stock Exchanges, maintains the central registry reflecting the number of shares held by each of its member entities (*entidades participantes*) as well as the amount of these shares held by beneficial owners. Each member entity, in turn, maintains a registry of the owners of such shares. Since the shares of the Company are in registered form, an electronic shareholder registry will be kept to which effect Iberclear shall report to the Company all transactions entered into by its shareholders in respect of its shares.

Transfers of shares quoted on the Spanish Stock Exchanges must be made through or with the participation of a member of a Stock Exchange. Brokerage firms, official stockbroker or dealer firms, Spanish credit entities, investment services entities authorised in other EU member states and investment services entities authorised by their relevant authorities and in compliance with the Spanish regulations are eligible to be members of the Spanish Stock Exchanges. The transfer of shares may be subject to certain fees and expenses.

### ***Restrictions on foreign investment***

Exchange controls and foreign investments were, with certain exceptions, completely liberalised by Royal Decree 664/1999, of April 23, 1999 (Royal Decree 664/1999), in conjunction with the Spanish Foreign Investment Law (Ley 18/1992), bringing the existing legal framework on foreign investments in line with the provisions of the Treaty of the European Union.

Subject to the restrictions described below, foreign investors may freely invest in shares of Spanish companies as well as transfer invested capital, capital gains and dividends out of Spain without limitation (subject to applicable taxes and exchange controls) and only need to file a notification with the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments following the investment or divestiture, if any, solely for statistical, economic and administrative purposes. Where the investment or divestiture is made in shares of Spanish companies listed on any of the Spanish Stock Exchanges, the duty to provide notice of a foreign investment or divestiture lies with the relevant entity with whom the shares in book-entry form have been deposited or which has acted as an intermediary in connection with the investment or divestiture.

If the foreign investor is a resident of a tax haven, as defined under Spanish law (Royal Decree 1080/1991 of 5 July), notice must be provided to the Registry of Foreign Investments prior to making the investment, as well as after consummating the transaction. However, prior notification is not necessary in the following cases:

- investments in listed securities, whether or not trading on an official secondary market, as well as investments in participations in investment funds registered with the CNMV; and
- foreign shareholdings that do not exceed 50.0% of the capital of the Spanish company in which the investment is made.

Additional regulations to those described above apply to investments in some specific industries, including air transportation, mining, manufacturing and sales of weapons and explosives for civil use and national defence, radio, television and telecommunications. These restrictions do not apply to investments made by EU residents, other than investments by EU residents in activities relating to the Spanish defence sector or the manufacturing and sale of weapons and explosives for non-military use.

The Spanish Council of Ministers may suspend the aforementioned provisions relating to foreign investments for reasons of public policy, health or safety, either generally or in respect of investments in specified industries, in which case any proposed foreign investments falling within the scope of such a suspension would be subject to prior authorisation from the Spanish government.

### ***Exchange control regulations***

Pursuant to Royal Decree 1816/1991 of December 20, 1991 relating to economic transactions with non-residents, and EC Directive 88/361/EEC, charges, payments or transfers between non-residents and residents of Spain must be made through a registered entity, such as a bank or another financial institution registered with the Bank of Spain and/or the CNMV (*entidades registradas*), through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity, in cash or by cheque payable to the bearer. All charges, payments or transfers which exceed €6,010, if made in cash or by cheque payable to the bearer, must be notified to the Spanish exchange control authorities.

### ***Pre-emptive rights and increases of share capital***

Pursuant to the Spanish Companies Act, shareholders have pre-emptive rights to subscribe for any new shares issued by the Company via monetary contributions and for any new bonds convertible into shares. Such pre-emptive rights may be waived under special circumstances by a resolution passed at a general shareholders' meeting or the board of directors (when the company is listed and the general shareholders' meeting delegates to the board of directors the right to increase the capital stock or issue convertible bonds and waive pre-emptive rights), in accordance with Articles 308, 417, 504, 505, 506 and 511 of the Spanish Companies Act. As of the date of this Prospectus, the Company has no convertible or exchangeable bonds outstanding.

Furthermore, the pre-emptive rights, in any event, will not be available in an increase in share capital to meet the requirements of a convertible bond issue or a merger in which shares are issued as consideration. The rights are transferable, may be traded on the SIBE (*Sistema de Interconexión Bursátil* or *Mercado Continuo*) and may be of value to existing shareholders because new shares may be offered for subscription at prices lower than prevailing market prices.

Capital increases excluding pre-emptive rights may result from the delivery of new Ordinary Shares under the Management Stock Plan.

### ***Reporting requirements***

In addition to reporting obligations imposed on Substantial Shareholders, pursuant to Royal Decree 1362/2007 of October 19, 2007, any individual or legal entity who, by whatever means, purchases or transfers shares which grant voting rights in a company for which Spain is listed as the home State (*Estado de origen*) (as defined therein) and which is listed on a secondary official market or other regulated market in the EU, must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below a 3.0% threshold of the company's total voting rights. The notification obligations are also triggered at thresholds of 5.0% and multiples thereof (excluding 55.0%, 65.0%, 85.0%, 95.0% and 100.0%).

The individual or legal entity obliged to carry out the notification must serve the notification by means of the form approved by the CNMV from time to time for such purpose, within four business days from the date on which the transaction is acknowledged (Royal Decree 1362/2007 deems a transaction to be acknowledged within two business days from the date on which such transaction is entered into). Should the individual or legal entity effecting the transaction be a non-resident of Spain, notice must also be given to the Spanish Registry of Foreign Investments maintained by the General Bureau of Commerce and Investments.

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information reported to the CNMV and disclosed by it.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares, and any individual or legal entity who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, will also have an obligation to notify the company and the CNMV of the holding of a significant stake in accordance with the regulations.

Should the person or group effecting the transaction be resident in a tax haven (as defined by applicable Spanish regulations), the threshold that triggers the obligation to disclose the acquisition or disposition of the Company's shares is reduced to 1% (and successive multiples thereof).

The Company will be required to report to the CNMV any acquisition of its own shares which, aggregated together



with all other acquisitions since the last notification, reaches or exceeds 1% of its share capital (irrespective of whether it has sold any of its own shares in the same period). In such circumstances, the notification must include the number of shares acquired since the last notification (detailed by transaction), the number of shares sold (detailed by transaction) and the resulting net holding of treasury shares.

All members of the Board of Directors must report to both the Company and the CNMV any percentage or number of voting rights held by them at the time of becoming or ceasing to become a member of the Board of Directors within four trading days.

In addition, pursuant to Royal Decree 1333/2005 of November 11, 2005 (implementing European Directive 2004/72/EC), any member of the Board of Directors or senior managers (*directivos*) of the Company, as defined therein and any persons having a close link (*vínculo estrecho*) with any of them must similarly report any acquisition or disposal of the Company's shares, derivative or financial instruments linked to the Company's shares regardless of the size, including information on the percentage of voting rights which they hold as a result of the relevant transaction within five business days. In addition, any member of the Board of Directors or senior managers (*directivos*) of the Company, as defined therein must also report any stock based compensation that they may receive pursuant to any of the Company's compensation plans.

The Spanish Companies Act requires parties to disclose certain types of shareholders' agreements that affect the exercise of voting rights at a general shareholders' meeting or contain restrictions or conditions on the transferability of shares or bonds that are convertible or exchangeable into shares. If shareholders enter into such agreements with respect to the Company's shares, they must disclose the execution, amendment or extension of such agreements to the Company and to the CNMV, and file such agreements with the appropriate commercial registry.

Moreover, in accordance with Regulation (EU) No. 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (as further supplemented by several delegated regulations regulating technical aspects necessary for its effective enforceability and to ensure compliance with its provisions), persons or entities having a net short position in relation to the issued share capital of a company that has shares admitted to trading on a trading venue shall notify the relevant competent authority where the position reaches or falls below a percentage that equals 0.2% of the issued share capital of the company concerned and each 0.1% above that. In addition, details of any net short position reaching or falling below a percentage that equals 0.5% of the issued share capital of the company concerned and each 0.1% above that must be publicly disclosed before 15:30 on the following trading day.

In addition, on 19 December 2007 the CNMV issued Circular 3/2007 setting out the requirements to be met by liquidity contracts entered into by issuers with financial institutions for the management of their treasury shares to constitute an accepted market practice and, therefore, be able to rely on a safe harbour for the purposes of market abuse regulations.

### ***Share repurchases***

Pursuant to the Spanish Companies Act, the Company may only repurchase its own shares within certain limits and in compliance with the following requirements:

- the repurchase must be authorised by the General Shareholders' Meeting in a resolution establishing the maximum number of shares to be acquired, the minimum and maximum acquisition price and the duration of the authorisation, which may not exceed five years from the date of the resolution; and
- the repurchase, including the shares already acquired and currently held by the Company, or any person or company acting in its own name but on the Company's behalf, must not bring its net worth below the aggregate amount of the Company's share capital and legal reserves.

For these purposes, net worth means the amount resulting from the application of the criteria used to draw up the financial statements, subtracting the amount of profits directly imputed to that net worth, and adding the amount of share capital subscribed but not called and the share capital nominal and issue premiums recorded in the Company's accounts as liabilities. In addition:

- the aggregate nominal value of the shares directly or indirectly repurchased, together with the aggregate nominal value of the shares already held by the Company and its subsidiaries, must not exceed 10% of the Company's share capital; and
- the shares repurchased must be fully paid-up. A repurchase shall be considered null and void if (i) the

shares are partially paid-up, except in the case of free repurchase, or (ii) the shares entail ancillary obligations.

Treasury shares do not have voting rights or economic rights (for example, the right to receive dividends and other distributions and liquidation rights), except the right to receive bonus shares, which will accrue proportionately to all of the Company's shareholders. Treasury shares are counted for purposes of establishing the quorum for General Shareholders' Meetings as well as majority voting requirements to pass resolutions at General Shareholders' Meetings.

## **7. EMPLOYEES**

As of the date of this Prospectus, the Group has 25 employees, nine of which are members of the Management Team. As at 31 December 2014, the Group had 20 employees, consisting of the nine members of the Management Team, a further nine managers and line personnel and two clerical staff. In 2014, total amount of employee benefits expenses was €3,079 thousand, of which €2,968 thousand corresponds to wages, salaries and similar expenses and €111 thousand corresponds to the Company's labour costs (social security).

## **8. WORKING CAPITAL**

The Company believes that, taking into account the available cash at the date of this Prospectus, the Net Proceeds to be received by the Company from the Offering, the cash generated from operations, and its access to funds from one or a combination of the following actions:

- new financing raised against existing unencumbered assets; and/or
- new financing raised against new assets acquired within the period; and/or
- opening of new credit lines; and/or
- refinancing of the Bridge Facility; and/or
- refinancing of Testa's indebtedness; and/or
- disposal of non-core assets,

the Company has sufficient working capital available for the Company's present requirements and for at least the next twelve months from the date of this Prospectus.

## **9. NO SIGNIFICANT CHANGE**

Since 31 December 2014, apart from as described in section 4.5 of Part XVI ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*"), there has been no significant change in the financial or trading position of the Company.

## **10. RELATED PARTY TRANSACTIONS**

The Company undertakes all transactions with its related parties on an arm's length basis and in accordance with the terms and conditions stipulated in the relevant agreements.

The Group's "related parties" are considered to be the Company's shareholders, the Management Team and their close relatives, and the entities over which key management personnel may exercise significant influence or control. Seven of the Company's employees are currently employed by MAGIC Real Estate.

Details of transactions considered material given their value or relevant due to their relationship with the Company are as follows:

Name of company, director or executive	Name or company or related party	Nature of relationship	Amount (thousands of euros)
MAGIC Real Estate, S.L.	MERLIN Properties, SOCIMI S.A.	MAGIC Real Estate S.L. sublets half a floor of office space to MERLIN Properties, SOCIMI S.A. This sublease was entered into in 2013 by MAGIC Real Estate SL, Tree Inversiones Inmobiliarias SOCIMI S.A. and Bosque Portfolio Management.	43

## 11. MATERIAL CONTRACTS

The following is a summary of the material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company since incorporation and any other contracts which have been entered into by the Company which contain any provision under which the Company has any obligation or entitlement which is or may be material to the Company at the date of this Prospectus.

### 11.1 Underwriting Arrangements

On 15 July 2015 the Company entered into an English law underwriting agreement with respect to the Underwritten Shares with the Managers and BNP PARIBAS Securities Services, Sucursal en España, as Agent Bank. (the “*Underwriting Agreement*”).

Subject to the terms set forth in the Underwriting Agreement, each Manager has severally, but not jointly nor jointly and severally, agreed to subscribe for the maximum number of Underwritten Shares set forth opposite its name in the following table if, following the discretionary allocation period, any Underwritten Shares remain unsubscribed:

Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
Morgan Stanley	37,896,290	29.50%
Goldman Sachs International	19,269,300	15.00%
J.P. Morgan	16,700,060	13.00%
UBS Investment Bank	9,634,650	7.50%
Credit Suisse	9,634,650	7.50%
Banco Santander	7,707,720	6.00%
Bankinter	3,853,860	3.00%
BNP PARIBAS	3,853,860	3.00%
Crédit Agricole CIB	3,853,860	3.00%
Société Générale	3,853,860	3.00%

<b>Manager</b>	<b>Number of Underwritten Shares</b>	<b>Percentage of Total Underwriting Commitment</b>
BBVA	2,569,240	2.00%
CaixaBank	2,569,240	2.00%
Mediobanca	2,569,240	2.00%
Kempen & Co	2,569,240	2.00%
Fidentiis	1,926,930	1.50%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>	<b>128,462,000</b>	<b>100%</b>

(1) Bankinter, S.A. will carry out all its marketing activities and selling efforts pursuant to the Underwriting Agreement through its wholly owned subsidiary Mercavalor S.V., S.A.

Further details of the Underwriting Agreement are set out in section 3 of Part XIX (“the Offering”).

#### **11.2 The BBVA Lease Agreement**

See section 3.3 (“The BBVA Lease Agreement”) of Part XIV (“The Assets”) of this Prospectus.

#### **11.3 Audit Services**

Deloitte, S.L. is providing audit services to the Company and its subsidiaries. The Company’s Audited Consolidated Financial Statements are prepared in accordance with IFRS-EU.

The audit fees charged by Deloitte, S.L. are negotiated annually and are set forth in Deloitte, S.L.’s annual engagement letter.

#### **11.4 The Investment Agreement**

See section 1 (“Acquisition of Testa”) of Part X (“Acquisition of Testa”) of this Prospectus.

### **12. GOVERNMENTAL, LEGAL OR ARBITRATION PROCEEDINGS**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the previous 12 months from the date of this Prospectus which may have, or have had in the recent past (covering the 12 months preceding the date of this Prospectus) significant effects on Company’s financial position or profitability.

### **13. INFORMATION ON HOLDINGS**

Save as disclosed in section 2 of Part XI (“Information on the Group”) the Company, as at the date of this Prospectus, the Company does not hold a proportion of capital in any undertakings.

### **14. REAL ESTATE ACQUISITIONS**

See Part XIV (“The Assets”) and Part XVI (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”) for an overview of the Company’s real estate acquisitions.

### **15. PROPERTY, PLANT AND EQUIPMENT**

Save for the real estate assets set out in Part XIV (“The Assets”) and Part XVI (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”), the Company does not own any premises or other real estate as at the date of this Prospectus and does not own any plant or equipment.

### **16. EXPENSES**

The total costs and expenses (exclusive of VAT) of, or incidental to, the Offering and Admission payable by the

Company are estimated to be approximately €33.5 million (on the basis of a €1,033,696,000 Offering).

#### **17. GENERAL**

Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company is aware and is able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

There are no patents, intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability.

There have been no interruptions in the business of the Company, which may have or have had in the period since incorporation to the date of the publication of this Prospectus a significant effect on the financial position of the Company or which are likely to have a material effect on the prospects of the Company for the next 12 months.

Save as disclosed in Part II ("*Risk Factors*") and section 7 of Part XI ("*Information on the Group*"), the Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Company for at least the current financial year.

The Consolidated Financial Statements set out in the Annex 1 ("*Historical Financial Information*") do not constitute full accounts within the meaning of the Spanish Companies Act. Therefore, the Company's auditors have not made a report under the Spanish Companies Act for any complete financial year.

#### **18. DOCUMENTS ON DISPLAY**

Copies of the documents referred to below will be available for inspection in physical form between the hours of 9.30 a.m. and 5.30 p.m. (Madrid time) on any weekday (Saturday, Sundays and public holidays excepted) at the Company's registered office up to Admission:

- deed of incorporation of the Company;
- the By-laws of the Company (which are also available at the webpage of the Company ([www.merlinproperties.com](http://www.merlinproperties.com)));

Regulations of the General Shareholders' Meeting, Regulations of the Board of Directors, and Regulations of Internal Conduct in the Capital Markets (which are also available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and at the webpage of the Company ([www.merlinproperties.com](http://www.merlinproperties.com)) and;

- this Prospectus (which, will also be available at the webpage of the CNMV ([www.cnmv.es](http://www.cnmv.es)) and, following Admission, at the webpage of the Company ([www.merlinproperties.com](http://www.merlinproperties.com));
- the Consolidated Financial Statements; and
- certificate of the resolutions approved by the General Shareholders' Meeting and the Board of Directors of the Company in connection with the capital increase and the Offering.

Documents referred to in (i) to (v) above will also be available for inspection in physical form at the CNMV's premises at Edison 4, 28006 (Madrid) or Paseo de Gracia 19, 08007 (Barcelona).

PART XXIV: DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the context requires otherwise:

“ <b>Acquisition</b> ” .....	the acquisition by the Company, in several phases, of the entire stake in Testa owned by Sacyr;
“ <b>Admission</b> ” .....	the listing of the Ordinary Shares on the Spanish Stock Exchanges and quoting of the Ordinary Shares through the SIBE ( <i>Sistema de Interconexión Bursátil or Mercado Continuo</i> ) of the Spanish Stock Exchanges;
“ <b>ADR</b> ” .....	RevPAR rate;
“ <b>AEB</b> ” .....	Asociación Española de Banca;
“ <b>Agent Bank</b> ” .....	BNP PARIBAS Securities Services, Sucursal en España, with registered address in Calle Ribera del Loira 28, 28042 Madrid;
“ <b>Annual Bonus</b> ” .....	annual bonus to which all employees of the Company are, in principle, entitled;
“ <b>Annual Restricted Bonus</b> ” .....	annual restricted bonus, to which only members of the Management Team are entitled;
“ <b>Annual Running Costs</b> ” .....	running costs of the Company including, among other things, personnel expenses of the employees of the Company and the Group (other than the Management Team), audit expenses, legal, tax and labour advisers, appraisers expenses, office costs, property management fees, housekeeping, bookkeeping, travel expenses, remuneration of the Board of Directors, and transaction costs associated with new acquisitions ultimately not completed and/or assets sales ultimately not completed;
“ <b>Annual Total Overheads</b> ” .....	the annual total overheads of the Company, which will be set at the higher of (a) 6.0% of the Company’s consolidated GRI or (b) 0.6% of the Company’s consolidated EPRA NAV plus any cash balance available at the Company’s consolidated level, and will be calculated over the year-end metrics of the Company with reference to its consolidated financial statement for the relevant year;
“ <b>AQS Trading Day</b> ” .....	a day in which the Spanish Stocks Exchanges are opened and available for making trades;
“ <b>Assets</b> ” .....	the Group’s assets from time to time;
“ <b>Audit and Control Committee</b> ” .....	the audit and control committee of the Company as described in section 8.5 of Part XIII (“ <i>Directors and Corporate Governance</i> ”);
“ <b>Audited Consolidated Financial Statements</b> ” .	the Company’s audited consolidated financial information for the period from incorporation (being 25 March 2014) through 31 December 2014 prepared in accordance with IFRS-EU;
“ <b>Banco Santander</b> ” .....	Banco Santander, S.A.

“ <b>Bankinter</b> ” .....	Bankinter, S.A.
“ <b>BBVA</b> ” .....	Banco Bilbao Vizcaya Argentaria, S.A.;
“ <b>BBVA Lease Agreement</b> ” .....	the lease agreements entered into by Tree and BBVA on 25 September 2009 and 29 July 2010 in relation to the Tree portfolio;
“ <b>Beneficiaries</b> ” .....	members of the management team annually designated by the Remuneration and Nominations Committee of the Company in order to participate in the Management Stock Plan;
“ <b>Benefit Plan Investor</b> ” .....	(a) an employee benefit plan (as defined in section 3(3) of ERISA) subject to Title I of ERISA, (b) a plan described in section 4975(e)(1) of the Code to which section 4975 of the Code applies or (c) any other entity whose underlying assets could be deemed to include plan assets by reason of an employee benefit plans or a plan’s investment in the entity within the meaning of the Plan Asset Regulations or otherwise;
“ <b>BORME</b> ” .....	the Spanish Commercial Registry Official Gazette ( <i>Boletín Oficial del Registro Mercantil</i> );
“ <b>Board of Directors</b> ” .....	the board of directors of the Company;
“ <b>Bosque</b> ” .....	Bosque Portfolio Management, S.L., a company incorporated under the laws of Spain with its registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);
“ <b>Bridge Facility</b> ” .....	facility agreement entered into between the Company, as borrower, Goldman Sachs International, J.P. Morgan Limited and Morgan Stanley Bank International Limited, as mandated lead arrangers, and Goldman Sachs International Bank, J.P. Morgan Securities plc and Morgan Stanley Senior Funding, Inc., as lenders, for an aggregate amount of €500 million in order to finance the acquisition of 25.1% of the shares of Testa;
“ <b>Business Strategy</b> ” .....	the Group’s business strategy to be implemented by the Management Team;
“ <b>By-laws</b> ” .....	the by-laws ( <i>Estatutos</i> ) of the Company, as amended from time to time;
“ <b>CAGR</b> ” .....	compound annual growth rate;
“ <b>CaixaBank</b> ” .....	CaixaBank, S.A.;
“ <b>Calculation Date</b> ” .....	the date falling 10 Madrid business days after the date of preparation of the annual statements of the year in which the key hurdles are measured;
“ <b>Cash Resulting from the Testa Equity Restructuring</b> ” .....	the remaining €186,047,782.45 resulting from the Testa Share Capital Increase, after the Testa Share Capital Reduction and the payment of the Extraordinary Dividend, to be used by Testa for investments or general corporate uses and to pay transaction costs;

“ <b>CBD</b> ” .....	central business district;
“ <b>CBRE</b> ” .....	CBRE Valuation Advisory, S.A., which provides commercial real estate services and valued Testa’s assets (other than the land plots) as of 31 March 2015;
“ <b>CIT</b> ” .....	Spanish corporate income tax;
“ <b>Clearstream</b> ” .....	Clearstream Banking, société anonyme;
“ <b>CNBV</b> ” .....	Comisión Nacional Bancaria y de Valores”;
“ <b>CNMV</b> ” .....	<i>Comisión Nacional del Mercado de Valores</i> , the Spanish securities market regulator;
“ <b>Code</b> ” .....	US Internal Revenue Code of 1986, as amended;
“ <b>Consolidated Financial Statements</b> ” .....	the Company’s Audited Consolidated Financial Statements for the period of nine months and seven days ended 31 December 2014 and the Company’s Unaudited Interim Condensed Consolidated Financial Statements for the three month period ended 31 March 2015;
“ <b>Co-Bookrunners</b> ” .....	Banco Santander, S.A., Bankinter, S.A.; BNP PARIBAS; Crédit Agricole Corporate and Investment Bank and Société Générale;
“ <b>Co-Lead Managers</b> ” .....	Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A., Fidentis Equities, Sociedad de Valores, S.A., Kempen & Co N.V. and Mediobanca - Banca di Credito Finanziario S.p.A.;
“ <b>Company’s Valuation Report</b> ” .....	valuation report issued by Savills, dated July 2015, in relation to the valuation of the Group’s Assets as of 31 December 2014;
“ <b>Commercial Property Assets</b> ” .....	(i) office properties; (ii) retail (shopping centres, retail parks including big box properties (i.e., retail stores that occupy large warehouse-style buildings) on a selective basis, and high street retail properties (i.e., retail stores located in the primary business and retail streets of a city, such as top fashion boutiques) on a selective basis); (iii) logistics, including industrial properties; (iv) prime urban hospitality assets (urban hospitality assets located in prime locations); and (v) other commercial real estate properties, which are expected to represent a limited percentage of Total GAV;
“ <b>Company</b> ” .....	MERLIN Properties, SOCIMI, S.A., incorporated under the laws of Spain, with registered office at Paseo de la Castellana 42, 28046 Madrid, Spain;
“ <b>Controlled Person</b> ” .....	person that is controlled by a member of the Management Team;
“ <b>Controlling Person</b> ” .....	any person (other than a Benefit Plan Investor) that has discretionary authority or control with respect to the assets of the Company or that provides investment advice for a fee (direct or indirect) with respect to such assets or an “affiliate” (within the meaning of the Plan Asset Regulations) of such a person;



“ <i>Control Shares</i> ” .....	38,645,898 shares in Testa which are to be transferred to the Company by Sacyr on or before 29 July 2015;
“ <i>Core</i> ” .....	segment with real estate assets, with a stabilised long-term cash flow stream derived from leases and low capital expenditure needs, which are easier to finance and generally command the lowest capitalisation rates;
“ <i>Core Plus</i> ” .....	segment with assets of good quality, normally representing to an investor the opportunity to increase the asset’s investment yield through some event (for example, the asset might have some scheduled vacancy or leases rolling over which would give the owner the opportunity to increase rents) as well as assets which can benefit from some upgrades or renovations by which the investor can then command higher rents and improve its returns;
“ <i>Crédit Agricole CIB</i> ” .....	Crédit Agricole Corporate and Investment Bank;
“ <i>Credit Suisse</i> ” .....	Credit Suisse Securities (Europe) Limited;
“ <i>Delegated Management</i> ” .....	the ultimate management by MAGIC Real Estate pursuant to certain agreements entered into with third parties, of assets under management owned by investment vehicles;
“ <i>Delivery Date</i> ” .....	date of delivery of the Awarded Shares and Shares Dividends, which will be established on the fifth anniversary of the Calculation Date;
“ <i>Deloitte</i> ” .....	Deloitte, S.L.;
“ <i>Directors</i> ” .....	the directors of the Company, whose names as at the date of this Prospectus are set out in Part XIII (“ <i>Directors and Corporate Governance</i> ”);
“ <i>EC</i> ” .....	European Commission;
“ <i>ECB</i> ” .....	European Central Bank;
“ <i>Eligible Shareholders</i> ” .....	shareholders as of 23:59 (Madrid time) on the Record Date, except as otherwise provided who will be granted one transferable Preferential Subscription Right for each Existing Ordinary Share held by such Eligible Shareholders on that date;
“ <i>EPRA</i> ” .....	European Public Real Estate Association. Further information on the EPRA, as well as the EPRA Reporting Best Practice Recommendations (August 2011) are available at <a href="http://www.epra.com">www.epra.com</a> ;
“ <i>EPRA NAV</i> ” .....	the net asset value of the Company adjusted to include properties and other investment interests at fair value and excluding certain items not expected to crystallise in a long-term investment property business in accordance with guidelines issued by the European Public Real Estate Association (August 2011 version only), unless otherwise agreed by the Company;
“ <i>ERISA</i> ” .....	US Employee Retirement Income Security Act of 1974;

“EU” .....	European Union;
“€” or “euro” .....	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended;
“Euroclear” .....	Euroclear Bank, S.A./N.V. (operator of the Euroclear System);
“Extraordinary Dividend” .....	the payment of an extraordinary dividend by Testa for an amount of €527,724,351.16, giving the right to Testa’s shareholders to receive €4.57 per share;
“Existing Ordinary Shares” .....	the ordinary shares of the Company, excluding the New Ordinary Shares;
“Fees obtained from Third Parties” .....	fees obtained by the Company from third-party investors;
“Fidentiis” .....	Fidentiis Equities, Sociedad de Valores, S.A.;
“First Delivery” .....	date of delivery of the Control Shares;
“Framework Agreement” .....	framework agreement entered into between Testa and Sacyr to govern the relationships between the Testa Group and the non-Testa Group companies of the Sacyr Group;
“Full ERV Yield” .....	it is calculated dividing annualised estimated reversionary value (ERV) of rents with 100% occupancy rate for each asset class, by implied enterprise value for the Acquisition (€3,476 million), allocated by the Company to each asset class. Annualised estimated reversionary value of rents have been calculated as estimated market rent at 31 March 2015 with 100% occupancy rate, multiplied by 12;
“GDP” or “Gross Domestic Product” .....	the market value of all officially recognised final goods and services produced within a country in a given period of time;
“General Shareholders’ Meeting” .....	the general meeting of the Shareholders;
“GLA” .....	gross leasable area;
“Goldman Sachs” .....	Goldman Sachs International;
“GOPPAR” .....	gross operating profit;
“GRI” or “Gross Rental Income” .....	gross rental income;
“GRM” .....	gross rental margin;
“Group” .....	the Company together with its consolidated subsidiaries;
“HICP” .....	the Harmonised Index of Consumer Prices of the Eurozone excluding tobacco;
“High Water Mark Outperformance” .....	the amount by which the sum of (A) the EPRA NAV of the Company on 31 December of the relevant year and (B) the total

	dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year or in any preceding year since the most recent year in respect of which a Management Stock Plan was payable exceeds the Relevant High Watermark;
“ <b>Iberclear</b> ” .....	the Spanish securities clearance and settlement system, <i>Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.</i> ;
“ <b>ICR</b> ” .....	interest coverage rate;
“ <b>IFRS-EU</b> ” .....	International Financial Reporting Standards as adopted by the European Union;
“ <b>IMF</b> ” .....	International Monetary Fund;
“ <b>Implied Passing Yield</b> ” .....	it is calculated dividing annualised gross rents for each asset class by implied enterprise value for Testa (€3,473 million), allocated by the Company to each asset class. Annualised gross rental income has been calculated as the GRI for the month ended 31 March 2015 multiplied by 12, except adjusted for assets which tenant have left following 31 March 2015;
“ <b>Initial Admission</b> ” .....	the initial admission of the Company’s Ordinary Shares to trading and listing on the Spanish Stock Exchanges, which occurred on 30 June 2014;
“ <b>Initial Issue</b> ” .....	the initial public offering of the Company’s Ordinary Shares;
“ <b>Initial EPRA NAV</b> ” .....	the Net Proceeds of the Issue;
“ <b>Intercompany Loan</b> ” .....	the intercompany loan pursuant to which Sacyr owed to Testa the amount of €952,693,000, fully repaid by the set-off of the amount of the loan with the Extraordinary Dividend and part of the amount received by Sacyr by virtue of the Testa Share Capital Reduction;
“ <b>investors</b> ” .....	investors in the New Ordinary Shares and the Preferential Subscription Rights;
“ <b>Investment Agreement</b> ” .....	agreement dated 8 June 2015, entered into between the Company and Sacyr for the acquisition by the Company, in several phases, of a 99.6% stake in Testa;
“ <b>ISIN</b> ” .....	International Security Identification Number;
“ <b>Joint Bookrunners</b> ” .....	Credit Suisse Securities (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and UBS Limited;
“ <b>J.P. Morgan</b> ” .....	J.P. Morgan Securities plc
“ <b>Kempen &amp; Co</b> ” .....	Kempen & Co N.V.;
“ <b>Legacy Mandates</b> ” .....	the mandates pursuant to which the MAGIC Contracts Key Employees will devote part of their time to the supervision and management of certain assets ultimately managed by MAGIC Real

	Estate by virtue of certain agreements on Delegated Management and on Separate Accounts Management;
“ <i>leverage</i> ” or “ <i>gearing</i> ” .....	calculated as the borrowings secured on an individual asset as a percentage of the market value of that asset, or the aggregate borrowings of a company as a percentage of the market value of the total assets of the company (also referred to as loan-to-value or LTV ratio). In the Business Strategy context, gearing refers to the use of various financial instruments or borrowed capital to increase the potential return of the asset portfolio;
“ <i>LTV</i> ” .....	loan-to-value;
“ <i>Madrid A1 Office Facility Agreement</i> ” .....	€70 million ten-year loan facility with Banco Santander signed by MERLIN Oficinas on 7 October 2014 in relation to Madrid A1 Office;
“ <i>MAGIC Contracts Key Employees</i> ” .....	Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. Luis Lázaro and Mr. Miguel Oñate;
“ <i>MAGIC Kingdom</i> ” .....	MAGIC Kingdom, S.L., investment vehicle through which the members of the Management Team hold 1,124,999 Ordinary Shares;
“ <i>MAGIC Kingdom Shares</i> ” .....	the 750,000 New Ordinary Shares that MAGIC Kingdom has committed to subscribe and pay for in the Offering;
“ <i>MAGIC Real Estate</i> ” .....	MAGIC Real Estate, S.L., a company incorporated under the laws of Spain, with its registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);
“ <i>Management Committee</i> ” .....	the management committee of the Company as described in section 1.1 of Part XII (“ <i>The Management Team</i> ”);
“ <i>Management Stock Plan</i> ” .....	the variable remuneration incentive linked to Ordinary Shares of the Company to which the Management Team is entitled;
“ <i>Management Team</i> ” .....	Mr. Ismael Clemente, Mr. David Brush, Mr. Miguel Ollero, Mr. Enrique Gracia, Mr. Luis Lázaro, Mr. Miguel Oñate, Mr. Francisco Rivas, Mr. Fernando Ramírez and Mr. Manuel García Casas;
“ <i>Managers</i> ” .....	the Joint Bookrunners and the Co-Lead Managers;
“ <i>Marineda Facility Agreement</i> ” .....	ten-year loan facility of €133.6 million entered into with certain entities belonging to the Allianz Group on 19 February 2014 for the acquisition of Marineda;
“ <i>May Capital Increase</i> ” .....	rights issue of 614 million of the Company, successful in May 2015.
“ <i>Mediobanca</i> ” .....	Mediobanca - Banca di Credito Finanziario S.p.A.;
“ <i>MERLIN Logística</i> ” .....	MERLIN Logística, S.L.U., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);

“ <i>MERLIN Oficinas</i> ” .....	MERLIN Oficinas, S.L.U., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);
“ <i>MERLIN Retail</i> ” .....	MERLIN Retail, S.L.U., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);
“ <i>Mezzanine Facility Agreement</i> ” .....	a mezzanine facility agreement, governed by Spanish law, entered into on 23 September 2009 between a syndicate of financing entities, for a maximum amount of €112,173,576 for the purpose of partially financing the acquisition price of the Tree Portfolio and the payment of any fees, commissions, costs, taxes and expenses related thereto (as amended and restated on 29 July 2010 and on 25 March 2014). All amounts due under the Mezzanine Facility Agreement were fully repaid on 30 December 2014;
“ <i>Moody’s</i> ” .....	Moody’s Investors Services Limited;
“ <i>Morgan Stanley</i> ” .....	Morgan Stanley & Co. International plc;
“ <i>New Ordinary Shares</i> ” .....	new ordinary shares, each with a nominal value of €1, of the Company pursuant to the Offering;
“ <i>Net Proceeds</i> ” .....	the net proceeds to be received by the Company pursuant to the Offering;
“ <i>NOI</i> ” .....	net operating income;
“ <i>NRI</i> ” .....	net rental income;
“ <i>Offering</i> ” .....	the offering of 129,212,000 new ordinary shares of the Company as described in this Prospectus;
“ <i>Opportunistic</i> ” .....	segment involving high risk real estate investments. Properties in this segment typically require a high degree of enhancement or involve investments in development, greenfield land, and niche property sectors;
“ <i>Ordinary Shares</i> ” .....	the ordinary shares of the Company, with a nominal value of €1 each;
“ <i>PFIC</i> ” .....	passive foreign investment company, and “Lower-tier PFICs” refers to investment in subsidiaries and other entities that are PFICs;
“ <i>Physical Occupancy Rate</i> ” .....	the percentage of surfaces in operation that are occupied;
“ <i>Placing Agreement</i> ” .....	the placing agreement entered into by the Company and the managers named therein on 13 June 2014 in relation to Initial Admission;
“ <i>Plan Asset Regulations</i> ” .....	US Department of Labour regulation 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA);

<b>“Preferential Subscription Rights”</b> .....	rights to subscribe for New Ordinary Shares to be granted to Eligible Shareholders and which may be exercised and sold in the market during the preferential subscription period;
<b>“Prime Market Yield”</b> .....	it represents the yield which an investor would receive when acquiring a grade/class A building in a prime location (CBD, for example), which is fully let at current market value rents. Prime Yield reflects the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, a hypothetical yield is quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in the light of market conditions, but the same criteria on building location and specification still apply;
<b>“Property Rental Business”</b> .....	a business which is carried on by a SOCIMI or a Group SOCIMI, as the case may be, for the sole purpose of generating rental income from properties and/or land in Spain or outside Spain or through its participation in Qualifying Subsidiaries, and, for the purpose of this definition, such business of a group are to be treated as a single business;
<b>“Prospectus”</b> .....	this document issued by the Company in relation to the Offering and admission of the New Ordinary Shares to trading on the regulated markets of the Spanish Stock Exchanges and approved under the Prospectus Directive;
<b>“Prospectus Directive”</b> .....	European Parliament and Council Directive 2003/71/EC of 4 November (and amendments thereto, including Directive 2010/73/EU);
<b>“qualified institutional buyer” or “QIB”</b> .....	a qualified institutional buyer within the meaning of Rule 144A under the US Securities Act;
<b>“Qualifying Assets”</b> .....	pursuant to the SOCIMI Regime, the types of assets which must comprise the assets portfolio of a SOCIMI and which include the following (i) urban real property to be leased; (ii) land plots acquired for the development of urban real property to be leased afterwards, provided that the development of such property starts within three years as from the acquisition date; and/or (iii) participations in Qualifying Subsidiaries;
<b>“Qualifying Subsidiaries”</b> .....	(i) Spanish SOCIMIs, (ii) foreign entities with similar regime, corporate purpose and dividend distribution regime as a Spanish SOCIMI and (iii) Spanish and foreign entities which main corporate purpose is investing in real estate for developing rental activities and that shall be subject to equal dividend distribution regime and investment and income requirements as set out in the SOCIMI Act;
<b>“Record Date”</b> .....	day of publication of the Offering in the BORME;
<b>“Red Book”</b> .....	RICS Valuation Standards;

“ <b>RICS</b> ” .....	Royal Institution of Chartered Surveyors;
“ <b>REIT</b> ” .....	A real estate investment fund;
“ <b>Regulations of the Board of Directors</b> ” .....	the internal regulations of the Company’s Board of Directors applicable as of the date of this Prospectus;
“ <b>Regulation S</b> ” .....	Regulation S under the US Securities Act;
“ <b>Relevant High Watermark</b> ” .....	at any time is the higher of (i) the Initial EPRA NAV, and (ii) the EPRA NAV on 31 December (adjusted to exclude the net proceeds of any issuance of Ordinary Shares during that year) of the most recent year in respect of which a Management Stock Plan was payable;
“ <b>Relevant Member State</b> ” .....	EEA jurisdictions that have implemented the Prospectus Directive;
“ <b>Remaining Shares</b> ” .....	76,248,281 additional Testa’s shares, different than the Control Shares, to be delivered by Sacyr to the Company not before 30 September 2015 and no later than 30 June 2016;
“ <b>Remuneration and Nomination Committee</b> ” ..	the remuneration and nomination committee of the Company as described in section 8.5 of Part XIII (“ <i>Directors and Corporate Governance</i> ”);
“ <b>Reserved Matter</b> ” .....	reserved matters of the Company, under applicable legislation;
“ <b>RevPAR</b> ” .....	the evolution of revenue per available room;
“ <b>RICS Red Book</b> ” .....	the Seventh Edition of the Appraisal and Valuation Manual (or if it has been replaced, its equivalent) published by RICS;
“ <b>RSA</b> ” .....	the New Hampshire Revised Statutes Annotated, 1955;
“ <b>Rule 144A</b> ” .....	Rule 144A under the US Securities Act;
“ <b>Rump Shares</b> ” .....	underwritten New Ordinary Shares that remain unallocated after the additional allocation period;
“ <b>Sacyr</b> ” .....	Sacyr, S.A., a company incorporated under the laws of Spain, with registered address at Paseo de la Castellana 83-85, 28046 Madrid (Spain);
“ <b>Sacyr Group</b> ” .....	Sacyr together with its consolidated subsidiaries;
“ <b>SAREB</b> ” .....	the Spanish Company for the Management of Assets Proceeding from Restructuring of the Banking System ( <i>Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria</i> );
“ <b>Savills</b> ” .....	Savills Consultores Inmobiliarios, S.A.;
“ <b>Second Delivery</b> ” .....	date of delivery of the Remaining Shares;
“ <b>Securities Act</b> ” .....	U.S. Securities Act of 1933, as amended;

“ <i>Senior Facility Agreement</i> ” .....	a senior facility agreement, governed by Spanish law, entered into on 23 September 2009 between a syndicate of financing entities, as lenders, and Tree, as borrower, for a maximum amount of €1,139,002,613 (as amended and restated on 29 July 2010, 25 March 2014 and 30 December 2014);
“ <i>Separate Accounts Management</i> ” .....	MAGIC Real Estate has managed or currently manages certain separate accounts by virtue of several mandates entered into in 2013 and 2014 with Blackstone, Deutsche Bank AG, and Brookfield Property Group;
“ <i>Settlement Date</i> ” .....	the third Madrid Stock Exchange business day immediately following the day on which the special stock exchange transaction relating to the New Ordinary Shares allocated during the discretionary allocation period is carried out (such date expected to be 13 August 2015);
“ <i>Shareholder</i> ” .....	a holder of Ordinary Shares in the Company;
“ <i>Shareholder Return</i> ” .....	the sum of (a) the change in the EPRA NAV of the Company during such year less the net proceeds of any issues of Ordinary Shares during such year; and (b) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year;
“ <i>Shareholder Return Outperformance</i> ” .....	the amount in euro by which the Shareholder Return for the year exceeds the Shareholder Return that would have produced an 8% Shareholder Return Rate;
“ <i>Shareholder Return Rate</i> ” .....	the Shareholder Return for a given year divided by the EPRA NAV of the Company as of 31 December of the immediately preceding year;
“ <i>Similar Law</i> ” .....	any federal, state, local or non-US law or regulation that is similar to the fiduciary responsible and/or prohibited transaction provisions of ERISA and/or section 4975 of the Code and/or laws or regulations that provide that the assets of the Company could be deemed to include “plan assets” of such plan;
“ <i>Sociedad de Bolsas</i> ” .....	Sociedad de Bolsas, S.A. operator and regulator of the SIBE;
“ <i>SOCIMF</i> ” .....	a listed limited liability company for investment in the real estate market ( <i>Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario</i> );
“ <i>SOCIMI Act</i> ” .....	Spanish Law 11/2009, of 26 October, as modified by Spanish Law 16/2012, of 27 December;
“ <i>SOCIMI Regime</i> ” or “ <i>Spanish SOCIMI Regime</i> ” .....	Spanish legal provisions applicable to a Spanish SOCIMI pursuant to the SOCIMI Act;
“ <i>Sole Global Coordinator</i> ” .....	Morgan Stanley;
“ <i>Spain</i> ” .....	the Kingdom of Spain;



“ <i>Spanish Corporate Governance Code</i> ” .....	the Spanish Unified Good Governance Code of Listed Companies ( <i>Código Unificado de Buen Gobierno de las Sociedades Cotizadas</i> );
“ <i>Spanish GAAP</i> ” .....	Royal Decree 1514/2007, of 16 November, approving the Spanish General Accounting Plan (Plan General de Contabilidad) and sector specific plans, if applicable, and Royal Decree 1159/2010, of 17 September 2010;
“ <i>Spanish INE</i> ” or “ <i>INE</i> ” .....	the Spanish National Institute of Statistics ( <i>Instituto Nacional de Estadística</i> );
“ <i>Spanish Companies Act</i> ” .....	the consolidated text of the Spanish Companies Act adopted under Royal Legislative Decree 1/2010, of 2 July, as amended;
“ <i>Spanish Securities Market Act</i> ” .....	Spanish Law 24/1988, of 28 July, on the securities market, as amended;
“ <i>Spanish Stock Exchanges</i> ” .....	Madrid, Barcelona, Bilbao and Valencia stock exchanges;
“ <i>sqm</i> ” .....	square metres;
“ <i>Standard &amp; Poor’s</i> ” .....	Standard & Poor’s Rating Services;
“ <i>Subscription Date</i> ” .....	the date on which the notarised deed of capital increase relating to the Offering is granted before a Spanish notary, which is expected to be 7 August 2015;
“ <i>Subscription Price</i> ” .....	subscription price of the New Ordinary Shares, which is €8 per New Ordinary Share;
“ <i>Substantial Shareholder</i> ” .....	a shareholder that holds a stake equal or higher than 5% of the share capital of the Company and either (i) is exempt from any tax on the dividends or subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non Resident Income Tax Law is also taken into consideration) or (ii) does not timely provide the Company with the information evidencing its equal or higher than 10% taxation on dividends distributed by the Company in the terms set forth in the By-Laws;
“ <i>Summary</i> ” .....	the summary of this Prospectus set out in Part I of this Prospectus;
“ <i>Target Return</i> ” .....	the total annual leveraged return targeted by the Company and as further explained in Part XI (“ <i>Information on the Group</i> ”) of this Prospectus;
“ <i>Testa</i> ” .....	Testa Inmuebles en Renta, S.A., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 83, 28046 Madrid (Spain);
“ <i>Testa Group</i> ” .....	Testa together with its consolidated subsidiaries;
“ <i>Testa Share Capital Reduction</i> ” .....	the share capital reduction in Testa for an amount of €669,759,570.40, by means of a reduction of the par value of the ordinary shares from €6.00 to €0.20, by paying to Testa’s

	shareholder €5.80 per share
<b>“Testa Share Pledge”</b> .....	pledge over Testa’s shares, pledged by Sacyr as collateral for a syndicated loan made to Sacyr Vallehermoso Participaciones Mobiliarias, S.L., in order to finance the acquisition of a stake in Repsol, S.A.;
<b>“Testa 2012 Consolidated Financial Statements”</b> .....	Testa’s audited consolidated financial statements for the financial year ended 31 December 2012;
<b>“Testa 2013 Consolidated Financial Statements”</b> .....	Testa’s audited consolidated financial statements for the financial year ended 31 December 2013;
<b>“Testa 2014 Consolidated Financial Statements”</b> .....	Testa’s audited consolidated financial statements for the financial year ended 31 December 2014;
<b>“Testa’s Valuation Reports”</b> .....	valuation reports, dated 14 July 2015 and 15 July 2015, issued by CBRE and Instituto de Valoraciones, S.A., respectively, in relation to the valuation of the Testa’s Assets as of 31 March 2015;
<b>“Termination Date”</b> .....	maturity of the Senior Facility Agreement;
<b>“Total GAV”</b> .....	total gross asset value of the Company’s assets from time to time;
<b>“Transfer Tax”</b> .....	Spanish transfer tax ( <i>Impuesto sobre Transmisiones Patrimoniales - ITP</i> );
<b>“Treaty”</b> .....	income tax treaty between the United States and Spain;
<b>“Tree”</b> .....	Tree Inversiones SOCIMI, S.A., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 42, 28046 Madrid (Spain);
<b>“UBS”</b> .....	UBS Limited;
<b>“Unaudited Interim Condensed Consolidated Financial Statements”</b> .....	the Company’s unaudited interim condensed consolidated financial statements for the three month period ended 31 March 2015;
<b>“Unaudited Consolidated Pro Forma Financial Information”</b> .....	the unaudited consolidated pro forma income statement and balance sheet of the Company as of and for the three month period ended 31 March 2015;
<b>“Underwriting Agreement”</b> .....	the English law underwriting agreement with respect to the Underwritten Shares entered into between the Company, the Managers and BNP PARIBAS Securities Services, Sucursal en España as Agent Bank, on 15 July 2015;
<b>“Underwritten Shares”</b> .....	128,462,000 New Ordinary Shares, being the difference between the aggregate number of New Ordinary Shares to be issued pursuant to the Offering (i.e. 129,212,000 New Ordinary Shares) and the MAGIC Kingdom Shares (i.e. 750,000 New Ordinary Shares);
<b>“United Kingdom”</b> or <b>“UK”</b> .....	the United Kingdom of Great Britain and Northern Ireland;

“ <i>United States</i> ” or “ <i>US</i> ” .....	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“ <i>US dollars</i> ” .....	the lawful currency of the United States;
“ <i>US Holder</i> ” .....	a person that is eligible for the benefits of the Treaty, and for US federal income tax purposes is a beneficial owner of Ordinary Shares that is:  (i) a citizen or individual resident of the United States;  (ii) a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state therein or the District of Columbia; or  (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source;
“ <i>Valuation Reports</i> ” .....	the Company’s Valuation Report and Testa’s Valuation Reports;
“ <i>Value Added</i> ” .....	segment involving medium-to-high risk real estate investments. Properties in this category typically exhibit management or operational problems, require physical improvement, lease-up and/or suffer from capital constraints;
“ <i>VAT</i> ” or “ <i>Value Added Tax</i> ” .....	Spanish value added tax ( <i>Impuesto sobre el Valor Añadido – IVA</i> );
“ <i>WTCAP</i> ” .....	World Trade Centre Alameda Park;
“ <i>yield</i> ” .....	a measure of return on an asset calculated as the income arising on an asset expressed as a percentage of the total cost of the asset, including costs.

For the purpose of this Prospectus, references to one gender include the other gender.

Any references to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof for the time being and unless the context otherwise requires or specifies, shall be deemed to be legislation or regulations of Spain.

Mr. Ismael Clemente, duly authorised pursuant to the resolutions approved by the Shareholders of the Company on 1 April 2015, and by the Board of Directors of the Company on 15 July 2015, signs this Prospectus in Madrid, on 16 July 2015.

**MERLIN Properties, SOCIMI, S.A.**

Mr. Ismael Clemente

**ANNEX 1: HISTORICAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR MERLIN  
PROPERTIES, SOCIMI, S.A. AND ITS SUBSIDIARIES FOR THE PERIOD OF NINE MONTHS AND  
SEVEN DAYS ENDED 31 DECEMBER 2014**

**ANNEX 7: FORM OF INVESTOR LETTER**

**Form of**

**Investor Letter for United States investors**

*You must review, sign and return this Investor Letter to the addresses set forth below by fax or e-mail.*

*MERLIN PROPERTIES, SOCIMI, S.A.*

*Paseo de la Castellana, 42*

*28046 Madrid*

*Spain*

*Fax no.: +34 91 787 55 40*

*Email: [info@merlinprop.com](mailto:info@merlinprop.com)*

*Attention: Company Secretary*

*Note: the subscription period closes on 1 August 2015 but 1 August 2015 falls on Saturday, which is not a business day in Spain, and, therefore, Subscription Rights cannot be exercised on such date. Additionally, your custodian may have an earlier cut-off date.*

*[Letterhead of Qualified Institutional Buyer]*

To: MERLIN PROPERTIES, SOCIMI, S.A.

Paseo de la Castellana, 42

28046 Madrid

Spain

The Managers named in the Prospectus

\_\_\_\_\_ 2015

Ladies and Gentlemen:

In connection with our proposed exercise of any preferential subscription rights (“**Subscription Rights**”) with respect to the new ordinary shares (the “**New Shares**”, and together with the Subscription Rights, the “**Securities**”) of MERLIN Properties, SOCIMI, S.A. (the “**Company**”), we confirm that:

1. We, and any account for which we are exercising the Subscription Rights, are, and at the time of any such exercise of Subscription Rights and receipt of New Shares by us will be, a “qualified institutional buyer” (a “**QIB**”) within the meaning of Rule 144A under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”).
2. We understand and acknowledge that the Securities have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and that they may not be offered, sold, subscribed for, pledged or otherwise transferred, or exercised, as applicable, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. As a purchaser in a private placement of securities that have not been registered under the Securities Act, we are exercising the Subscription Rights for our own account, or for the account of one or more other QIBs for

which we are acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution (within the meaning of the U.S. securities laws) of any Securities.

4. If, in the future, we or any such other QIB for which we are acting, as described In paragraph 3 above, or any other fiduciary or agent representing such investor, decide to offer, sell, pledge or otherwise transfer any Securities, we and it will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S (“**Regulation S**”) under the Securities Act in an "offshore transaction" as defined in, and in accordance with Regulation S (and not in a pre-arranged transaction resulting in the resale of such Securities into the United States) or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. We understand that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of Securities. We also shall notify such subsequent transferee of the transfer restrictions set out in this paragraph, paragraphs 1 and 2 above and paragraph 5 below.
5. We understand that for so long as the Securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, no such Securities may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such Securities will not settle or trade through the facilities of the Depository Trust Company or any other U.S. exchange or clearing system.
6. No portion of the assets used by us to purchase, and no portion of the assets used by us to hold, the New Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” that is subject to Title I of the US Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Internal Revenue Code of 1986, as amended (the “**US Tax Code**”), (iii) entities whose underlying assets are considered to include “plan assets” of any plan, account or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US plan or other plan whose purchase or holding of New Shares would be subject to any state, local, non-US or other laws or regulations similar to Title I of ERISA or section 4975 of the US Tax Code or that would have the effect of the regulations issued by the US Department of Labor set forth at 29 CFR section 2510.3101, as modified by section 3(42) of ERISA (the “**Plan Asset Regulations**”) (each entity described in preceding clause (i), (ii), (iii) or (iv), a “**Plan Investor**”).
7. We understand and acknowledge that no transfers of the New Shares or any interest therein to a person using assets of a Plan Investor to purchase or hold such securities or any interest therein are permitted and we agree that we will not make any such transfer.
8. We have received a copy of the prospectus dated 16 July 2015 (the “**Prospectus**”) and have had access to such financial and other information concerning the Company as we have deemed necessary in connection with making our own investment decision to exercise Subscription Rights. We acknowledge that neither the Company nor the Managers nor any person representing the Company or the Managers has made any representation to us with respect to the Company or the offering, sale, exercise of or subscription for any Securities other than as set forth herein or in the Prospectus which has been delivered to us, and upon which we are relying solely in making our investment decision with respect to the Securities. We have held and will hold any offering materials, including the Prospectus, we receive directly or indirectly from the Company or the Managers in confidence, and we understand that any such information received by us is solely for us and not to be redistributed or duplicated by us. We acknowledge that we have read and agreed to the matters

stated in the heading “Part XX: The Offering” in the Prospectus under the section “Selling and Transfer Restrictions”.

9. We are not an affiliate (as defined in Rule 501(b) under the Securities Act) of the Company, and we are not acting on behalf of an affiliate of the Company.
10. We, and each other QIB, if any, for whose account we are exercising Subscription Rights in the normal course of business, invest in or purchase securities similar to the Securities, have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing such Securities and are aware that we must bear the economic risk of an investment in any Securities for an indefinite period of time and are able to bear such risk for an indefinite period.
11. We acknowledge that the Company and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. We understand that the Company is relying on this letter in order to comply with the Securities Act and other U.S. state securities laws. We irrevocably authorise any account operator, which includes any nominee, custodian or other financial intermediary through which we hold our Subscription Rights and shares in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the Subscription Rights. We irrevocably authorise the addressees to produce this letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
12. We are empowered, authorised and qualified to exercise the Subscription Rights and to receive the New Shares, and the person signing this letter on our behalf has been duly authorised by us to do so.

We undertake promptly to notify the addressees if, at any time prior to 1 August 2015, any of the foregoing ceases to be true.

Terms used herein but not otherwise defined have the meanings given to them by Regulation S under the Securities Act.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

*[Insert Name of Qualified Institutional Buyer in the United States]*

Name:

By: \_\_\_\_\_

Title:

Address:

Telephone number:

Date:

*Please note that this investor letter does not represent an order to subscribe for or purchase the New Shares. To exercise your Subscription Rights to subscribe for the New Shares, please contact your financial intermediary.*



<b>Sección A – Introducción y advertencias</b>		
<b>A.1</b>	Introducción	<p><b>ESTE RESUMEN DEBE LEERSE COMO INTRODUCCIÓN AL FOLLETO, TODA DECISIÓN DE INVERTIR EN LAS NUEVAS ACCIONES ORDINARIAS DEBE ESTAR BASADA EN LA CONSIDERACIÓN POR PARTE DEL INVERSOR DEL FOLLETO EN SU CONJUNTO.</b></p> <p><b>Cuando se presente ante un tribunal una demanda sobre la información contenida en el folleto, el inversor demandante podría, en virtud del Derecho nacional de los Estados miembros, tener que soportar los gastos de la traducción del folleto antes de que dé comienzo el procedimiento judicial.</b></p> <p>La responsabilidad civil sólo se exigirá a las personas que hayan presentado la nota de síntesis, incluida cualquier traducción de la misma, y únicamente cuando la nota de síntesis sea engañosa, inexacta o incoherente en relación con las demás partes del folleto, o no aporte, leída junto con las otras partes del folleto, información fundamental para ayudar a los inversores a la hora de determinar si invierten o no en dichos valores.</p> <p>Los términos empleados en esta sección cuya primera letra está en mayúscula tienen el significado atribuido en el Folleto salvo que del contexto se deduzca otro significado o que cuenten con una definición propia en esta sección.</p>
<b>A.2</b>	Posible venta posterior o la colocación final de los valores por parte de los intermediarios financieros	No aplicable. La Sociedad no contratará ningún intermediario financiero para proceder a una venta posterior o a la colocación final de los valores que requiera la publicación de un folleto después de la publicación de este documento.

<b>Sección B – Emisor y posibles garantes</b>		
<b>B.1</b>	Nombre legal y comercial del emisor	La denominación social del emisor es MERLIN Properties, SOCIMI, S.A. El nombre comercial del emisor es “MERLIN Properties”.
<b>B.2</b>	Domicilio y forma jurídica del emisor	<p>La Sociedad se constituyó como sociedad anónima en España sometida a la Ley de Sociedades de Capital, cuyo texto refundido fue aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio.</p> <p>MERLIN Properties tiene su domicilio social en Madrid, en Paseo de la Castellana, 42, 28046 Madrid. La Sociedad se constituyó con duración indefinida.</p> <p><b><u>Régimen jurídico de la Sociedad</u></b></p> <p>La Sociedad ha optado por el régimen de Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario (“<b>SOCIMI</b>”) y ha notificado dicha elección a la Dirección General de Tributos por medio de comunicación pertinente. Dicha elección será aplicable hasta que la Sociedad renuncie a su aplicabilidad o no cumpla con los requisitos del Régimen de SOCIMI.</p> <p>Una entidad elegible para el Régimen SOCIMI puede solicitar la aplicación de este régimen fiscal especial aunque en el momento de la</p>

		<p>solicitud no cumpla con todos los requisitos necesarios siempre y cuando los cumpla en el plazo de dos años (a contar desde el momento en el que se solicita este régimen fiscal especial ante la Dirección General de Tributos). Además, la entidad dispondrá de un año de gracia para subsanar el incumplimiento de algunos de los requisitos exigidos.</p>
<p><b>B.3</b></p>	<p>Descripción y factores clave relativos al carácter de las operaciones en curso del emisor y de sus principales actividades, declarando las principales categorías de productos vendidos y/o servicios prestados, e indicación de los mercados principales en los que compite el emisor.</p>	<p>La Sociedad busca obtener, una vez que los Ingresos Netos hayan sido invertidos en su totalidad, una rentabilidad que resulte de la combinación de una rentabilidad anual por dividendos de entre 4% a 6% y de la creación de valor mediante aumentos en el EPRA NAV de la Sociedad, con un objetivo de rentabilidad apalancada total del 10% anual.</p> <p>Esto es sólo un objetivo y no una previsión de beneficios. No se puede asegurar que dicho objetivo pueda o vaya a cumplirse y dicho objetivo no debe ser considerado como indicación de los resultados o rendimientos previstos o reales de la Sociedad. Por consiguiente, los inversores no deben basarse en este objetivo de rentabilidad para decidir si invertir o no en las Nuevas Acciones Ordinarias. El objetivo de rentabilidad no es un hecho y no debe utilizarse como una indicación de resultados futuros.</p> <p>Ni el Grupo, ni los Consejeros, ni los miembros del Equipo Gestor, ni las Entidades ni cualquiera de sus respectivos asesores, directivos, consejeros, filiales o representantes pueden asegurar que el objetivo de rentabilidad será alcanzado o que los resultados actuales no van a variar significativamente con respecto al objetivo de rentabilidad.</p> <p><b><u>Estrategia de Negocio</u></b></p> <p>La principal actividad de la Sociedad es la adquisición (directa o indirecta), la gestión activa, el funcionamiento y la rotación selectiva de Activos Inmobiliarios Comerciales de alta gama en los segmentos <i>Core</i> y <i>Core Plus</i>, principalmente en España y, en menor medida, en Portugal. El Equipo Gestor tiene intención de centrarse en crear ingresos adecuados y rendimientos de capital sólidos para la Sociedad así como en un objetivo de rentabilidad anual en los términos establecidos en este Folleto.</p> <p>Los segmentos “<i>Core</i>” son segmentos con activos inmobiliarios de alta gama, con un flujo de caja a largo plazo estabilizado gracias a arrendamientos y a las bajas necesidades de gastos de capital, que son más fáciles de financiar y generalmente tienen las tasas de capitalización más bajas.</p> <p>Los segmentos “<i>Core Plus</i>” son segmentos con activos de buena calidad que normalmente suponen para el inversor una oportunidad para incrementar el rendimiento de la inversión en el activo a través de algún acontecimiento (por ejemplo, el activo puede tener alguna vacante programada o algún arrendamiento próximo, lo cual daría al propietario la oportunidad de incrementar las rentas) al igual que activos que pueden beneficiarse de ciertas mejoras o restauraciones por las que el inversor puede pedir rentas más altas después y mejorar su rentabilidad.</p> <p><i>Los pilares estratégicos y gestión activa de activos</i></p> <p>La Estrategia de Negocio del Grupo se basa en tres pilares estratégicos:</p> <ul style="list-style-type: none"> <li>• Activos Inmobiliarios Comerciales: centrarse en activos inmobiliarios comerciales y, en particular, en oficinas, espacios destinados al comercio minorista, hoteles y propiedades logísticas.</li> <li>• Zonas Geográficas: centrarse principalmente en España y, en menor medida, en Portugal (con un límite máximo del 25%). Dentro de España la Sociedad espera que la mayoría de los</li> </ul>

		<p>activos logísticos y de las oficinas del Grupo estén situados en Madrid y Barcelona, aunque también podrían considerarse otras zonas urbanas importantes. En relación con Portugal, la Sociedad pretende centrarse principalmente en la adquisición de activos en Lisboa.</p> <ul style="list-style-type: none"> <li>• Apalancamiento: pretender que se mantenga por debajo de un LTV (<i>loan-to-value</i>) del 50% (calculado como Deuda Neta sobre el Total GAV). Tras la adquisición de la participación de control en Testa y la ampliación de capital, la Sociedad espera que el LTV Neto del Grupo Conjunto se sitúe alrededor del 51,0%. La Sociedad tiene la intención de mantener este LTV temporalmente, con miras a llegar a un LTV del 50% hacia finales de 2016 a través de la enajenación progresiva de activos non-core (arrendamientos residenciales y suelos o partes de la cartera de hoteles según resulte oportuno), la generación de tesorería y la revalorización de activos.</li> </ul> <p>Una parte central de la Estrategia de Negocio del Grupo es la intención del Equipo Gestor de mejorar los perfiles de ingresos y añadir valor a la cartera de propiedades de la Sociedad mediante técnicas de gestión activa que incluirían (según resulten de aplicación):</p> <ul style="list-style-type: none"> <li>• la renegociación o cesión de los arrendamientos;</li> <li>• la mejora de la duración de los arrendamientos y del perfil del arrendatario;</li> <li>• la implementación de mejoras físicas;</li> <li>• la mejora de los diseños y la optimización del espacio de determinados activos;</li> <li>• el cambio de la mezcla de inquilinos en ciertas propiedades;</li> <li>• mantener un diálogo fluido con los arrendatarios para evaluar sus necesidades;</li> <li>• tomar ventaja de las oportunidades urbanísticas;</li> <li>• reposicionar y mejorar los activos;</li> <li>• llevar a cabo desarrollos y/o rehabilitaciones selectivas; y</li> <li>• las refinanciaciones de deuda.</li> </ul> <p><i>Tipos de propiedades</i></p> <p>Las adquisiciones estratégicas que cumplirían con los pilares estratégicos del Grupo son, entre otras, activos situados en España y, en menor medida, en Portugal, con las siguientes características:</p> <ul style="list-style-type: none"> <li>• oficinas y espacios destinados al comercio minorista adquiridos en el centro de Madrid, Barcelona y otras zonas urbanas importantes;</li> <li>• espacios destinados al comercio minorista en centros de ciudades y ciertas zonas de los suburbios;</li> <li>• propiedades logísticas situadas cerca de centros de transporte;</li> <li>• ubicaciones y activos secundarios de calidad prime o buena;</li> <li>• hospitales urbanos prime en Madrid, Barcelona y Lisboa;</li> <li>• oficinas o activos destinados al comercio minorista prime en la zona de Lisboa;</li> </ul>
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- especial atención a propiedades infragestionadas con potencial de desarrollo; y
- propiedades en ubicaciones que se benefician de inversiones extranjeras directas internas.

Las propiedades residenciales, construidas y pendientes de desarrollo, están excluidas como tipo de propiedad estratégica.

*Apalancamiento*

La Sociedad pretende usar el apalancamiento para intentar aumentar, a largo plazo, la rentabilidad de los Accionistas. El nivel de apalancamiento será revisado cuidadosamente por la Sociedad en función del perfil de riesgo del activo de que se trate, la disponibilidad de condiciones crediticias generalmente favorables y el coste de los préstamos. La Sociedad también pretende continuar utilizando derivados de cobertura cuando se considere adecuado para mitigar el tipo de interés y/o riesgo de inflación. El nivel de apalancamiento está sujeto a los siguientes criterios: (i) que si la Sociedad busca mantener un ratio de apalancamiento (*gearing LTV ratio*) estable (calculado como deuda neta sobre el Total GAV) de entre 30% y 40%, el importe total de cualquier financiación externa inmediatamente posterior a la realización de cualquier adquisición de activos o contratación de financiaciones externas no puede tener un LTV superior a un 50%; (ii) la financiación de deuda para adquisiciones será evaluada caso por caso, inicialmente en relación con la capacidad de la Sociedad para soportar el apalancamiento y el perfil de riesgo del activo que será adquirido; y (iii) la deuda en propiedades de desarrollo estará, en la medida de lo posible, delimitada para evitar recurrir a otros activos del Grupo.

Tras la adquisición de la participación de control en Testa y tras la ampliación de capital implementada de conformidad con la Oferta, la Sociedad espera que el LTV sea del 35,2% (51,0% suponiendo una adquisición de la participación del 100% en Testa). La Sociedad tiene la intención de mantener este LTV temporalmente, con miras a llegar a un objetivo de LTV del 50% hacia finales de 2016 a través de la enajenación progresiva de activos non-core (arrendamientos residenciales y suelos o parte de la cartera de hoteles según resulte oportuno), la generación de tesorería y la revalorización de activos.

Sin perjuicio de lo anterior, el Consejo de Administración podrá modificar la política de apalancamiento de la Sociedad (incluido el nivel de endeudamiento) cuando lo considere oportuno en función de las condiciones económicas, los costes relativos de la deuda y del capital, el valor razonable de los activos del Grupo, el crecimiento y las oportunidades de adquisición, así como cualesquiera otros factores que considere oportunos.

*Generación de oportunidades*

El Equipo Gestor tiene una gran experiencia generando oportunidades de inversión en inversiones inmobiliarias y la Sociedad considera que está bien posicionada para continuar implementando la Estrategia de Negocio gracias a su sólida trayectoria en activos inmobiliarios comerciales en España y Portugal, a la red que tiene para la búsqueda de operaciones fuera del mercado y a la alta visibilidad de la Sociedad por ser una entidad cotizada en España. El Equipo Gestor espera generar operaciones mediante subastas competitivas, subastas restringidas y operaciones fuera del mercado.

Se espera que las adquisiciones de la Sociedad procedan principalmente de una combinación de las siguientes vías (conocidas al detalle por el

		<p>Equipo Gestor):</p> <ul style="list-style-type: none"> <li>• instituciones bancarias/receptores/prestataarios;</li> <li>• SAREB;</li> <li>• instituciones públicas;</li> <li>• grandes empresas;</li> <li>• inversores privados e institucionales; y</li> <li>• inversores en préstamos incumplidos.</li> </ul> <p><i>Adquisición de Testa</i></p> <p>El 8 de junio de 2015, la Sociedad y Sacyr suscribieron un Acuerdo de Inversión para la adquisición por parte de la Sociedad, en varias fases, de una participación del 99,6% en Testa. A día de hoy, la Sociedad ostenta una participación del 25% en Testa tras una ampliación de capital de aproximadamente 431 millones de euros. Tras la finalización de la referida adquisición, la Sociedad ostentará una participación de al menos el 99,6% en Testa. De acuerdo con los términos del Contrato de Inversión, la Sociedad ostentará una participación de control del 50,1% en Testa antes del 29 de julio de 2015.</p> <p>El Acuerdo de Inversión contempla las siguientes operaciones:</p> <p>(i) La implementación de las resoluciones aprobadas por la Junta General de Testa el 3 de febrero de 2015, relacionadas con:</p> <ul style="list-style-type: none"> <li>• la Reducción de Capital Social de Testa por un importe de 669.759.570,40 euros, a través de una reducción del valor nominal de las acciones ordinarias de 6,00 euros a 0,20 euros, mediante el pago a los accionistas de Testa de 5,80 euros por acción; y</li> <li>• el pago del Dividendo Extraordinario por un importe de 527.724.351,16 euros, dando derecho a los accionistas de Testa a recibir 4,57 euros por acción;</li> </ul> <p>y la posterior cancelación del Préstamo entre Empresas (<i>Intercompany Loan</i>) mediante la compensación de 952.693.000 euros (excluyendo los gastos financieros devengados) que Sacyr debía a Testa con algunas de las cantidades que Testa debía a Sacyr como consecuencia de la Reducción de Capital Social de Testa y del Dividendo Extraordinario.</p> <p>La implementación tuvo lugar el 8 de junio de 2015, con anterioridad a la inversión de la Sociedad en el capital social de Testa.</p> <p>(ii) La suscripción por la Sociedad de la Ampliación de Capital Social de Testa, por un importe efectivo de 430.838.704,01 euros, que fue suscrito y desembolsado por la Sociedad el 8 de junio de 2015, a cambio de 38.491.930 nuevas acciones ordinarias de Testa, emitidas a un valor nominal de 0,20 euros por acción y con una prima de 10,99 euros, representativas del 25% de su capital social.</p> <p>Las Nuevas Acciones de Testa cuentan con todos los derechos ordinarios vinculados a ellas, incluido el derecho a recibir el dividendo ordinario de 0,15 euros por acción, en un importe total de 23.095.157,60 euros, que fue aprobado por la Junta General de Testa el 29 de junio de 2015 y por el Consejo de Administración el 30 de junio de 2015, y pagado el 30 de julio</p>
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		<p>de 2015, pero no incluyen el derecho a recibir las cantidades a pagar a los Accionistas de Testa en virtud de la Reducción de Capital de Testa y del Dividendo Extraordinario.</p> <p>Los ingresos del Aumento de Capital de Testa, junto con la compensación de las cantidades adeudadas por Sacyr a Testa en virtud del Préstamo entre Empresas (<i>Intercompany Loan</i>), se utilizaron para pagar las cantidades adeudadas de la Reducción de Capital de Testa y del Dividendo Extraordinario a Sacyr y al resto de los accionistas de Testa, resultando en un pago en efectivo de 238.759.636.23 euros a Sacyr y de 6.031.285.33 euros a los accionistas minoritarios de Testa. Los restantes 186.047.782.45 euros serán utilizados por Testa para inversiones o fines corporativos generales y para pagar los costes de la transacción.</p> <p>Tanto la reducción de capital social como la ampliación de capital social antes referidas se inscribieron en el Registro Mercantil de Madrid el día 12 de junio de 2015.</p> <p>(iii) La adquisición de 114.894.179 acciones de Testa por la Sociedad a Sacyr por un importe de 1.555.240.363,77 euros.</p> <p>En la fecha del Acuerdo de Inversión las referidas 114.894.179 acciones de Testa se encontraban pignoradas por Sacyr en favor de un sindicato bancario, como garantía de la financiación otorgada por dicho sindicato a Sacyr Vallehermoso Participaciones Mobiliarias, S.L.U para la adquisición de acciones de Repsol, S.A. (esto es, la Prenda de Acciones de Testa). De conformidad con los términos del Acuerdo de Inversión, Sacyr se ha comprometido a cancelar la Prenda de Acciones de Testa con respecto a las acciones que van a ser transferidas a la Sociedad antes de las fechas de transmisión correspondientes. Sacyr ha informado a la Sociedad que la Prenda de Acciones de Testa sobre las Acciones de Control se ha levantado, estando el levantamiento condicionado a que los fondos recibidos por Sacyr en la Primera Entrega se destinen al repago parcial del préstamo sindicado.</p> <p>La Adquisición fue aprobada por la Junta General de Accionistas de la Sociedad el 14 de julio de 2015.</p> <p>La adquisición permite a la Sociedad integrar en su actual equipo directivo una plataforma con experiencia y altamente complementaria. La Sociedad tiene la intención de aprovechar la fuerte capacidad de gestión interna de Testa y su trayectoria, centrada en el arrendamiento, renovación y desarrollo, y en la gestión global de activos, facilitando la integración y el intercambio de conocimiento.</p> <p>Testa es un operador líder en activos inmobiliarios de primera categoría en España con muchos años de trayectoria en las diferentes clases de activos. La principal actividad es la gestión y el desarrollo de activos inmobiliarios de primera categoría, propiedad de Testa y, de forma secundaria, de activos que son propiedad de terceros, incluida la compra, alquiler, venta y gestión de dichos activos. Testa es pionera en el mercado inmobiliario español ya que opera desde hace más de 60 años y, por ello, tiene mucha experiencia en los distintos ciclos económicos. La Sociedad considera que la cartera de Testa está compuesta por propiedades de alto nivel bien ubicadas, principalmente en Madrid y Barcelona, y con una base diversificada de inquilinos de buena reputación y financieramente fuertes. La cartera de propiedades incluye 88 activos, de los cuales 83 están en funcionamiento o en mantenimiento y cinco suelos se encuentran</p>
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	<p>en fase de desarrollo, a 31 de marzo de 2015 (CBRE considera la torre situada en Pase de la Castellana 259 B dos activos distintos), que incluyen oficinas, centros comerciales, hoteles, centros logísticos, viviendas alquiladas, residencias de categoría alta, estacionamientos y parcelas para construcción e incluye propiedades emblemáticas como la Torre de PwC en Madrid.</p> <p>La cartera de Testa se gestiona internamente por los equipos de mantenimiento, legal, comercial, desarrollo urbano y de finanzas. Testa también proporciona y supervisa los servicios ofrecidos por terceros proveedores que les permiten gestionar la cartera de manera eficiente y profesional para lograr sus objetivos de rentabilidad. Los activos inmobiliarios propiedad de terceros se gestionan a través de la filial propiedad de Testa al 100%, Gesfontesta. Gesfontesta gestiona activos inmobiliarios propiedad de fondos de inversión.</p> <p>El negocio de Testa se centra exclusivamente en España, siendo Madrid y Barcelona sus dos mercados principales (que representan el 84,1% del GAV de los activos de explotación a 31 de marzo de 2015). Testa es el operador líder de cotización de activos inmobiliarios en España en términos de GLA, con 1.085.207 metros cuadrados a 31 de marzo de 2015 (incluidas plazas de garaje arrendadas y activos financieros), y GRI de 39,3 millones de euros para el primer trimestre de 2015 finalizado el 31 de marzo de 2015. Los activos se han valorado por CBRE (para los activos en funcionamiento o en mantenimiento) y por Instituto de Valoraciones (para los suelos y los activos en fase de desarrollo) con un GAV de 2.935 millones de euros y 267 millones de euros, respectivamente, para un GAV total agregado de 3.202 millones de euros, a 31 de marzo de 2015.</p> <p><i>Rotación de activos</i></p> <p>Como parte de la adquisición de Testa, la Sociedad ha adquirido ciertos activos que se corresponden con clases de activos con los que no operaba antes, como hoteles, alquiler viviendas y suelos.</p> <p>En relación con los activos hoteleros adquiridos con la adquisición de Testa, el Equipo Gestor no prevé la enajenación de activos de este tipo que encajen con la estrategia de negocio de la Sociedad. En este sentido, la intención de la Sociedad es centrarse en el sector hotelero urbano en lugares atractivos (especialmente Madrid y Barcelona), mientras que los hoteles ubicados en las regiones costeras podrían enajenarse gradualmente cuando resulte oportuno.</p> <p>Respecto a las residencias arrendadas y suelos, el Equipo Directivo considerará la desinversión gradual en estos activos non-core. El proceso de desinversión se llevará a cabo en el corto y medio plazo cuando resulte oportuno. Aunque la Sociedad busca mantener los activos durante un periodo de tiempo relativamente largo, reconoce que puede crearse valor mediante la rotación de activos que forman parte de los Activos en cada momento. El número de años por el que se espera que los activos se mantengan como Activos puede variar dependiendo de, entre otros factores, las condiciones de mercado, la composición en el tiempo de la cartera y la situación de cada propiedad concreta. Sin embargo, cualquiera de dichas rotaciones de activos está sujeta al cumplimiento de los requisitos establecidos bajo el Régimen de SOCIMI incluyendo el periodo mínimo de tres años de tenencia de activos inmobiliarios.</p> <p><b><u>Estrategia Financiera</u></b></p> <p>El principal uso de los Ingresos Netos de la Emisión por la Sociedad será financiar la adquisición de Testa, repagar parte del Bridge Facility y</p>
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financiar sus necesidades corporativas generales, incluyendo la adquisición de activos inmobiliarios de forma coherente con la Estrategia de Negocio. En la fecha del presente Folleto, la Sociedad tiene 9 transacciones en exclusividad, en fase avanzada de due diligence, en fase de ejecución o pendientes de completarse, por un tamaño de aproximadamente 370 millones de euros. Dentro de esta cantidad, se espera que 256 millones de euros de las inversiones se financien dentro de los próximos 12 meses, de los cuales la Sociedad ya ha desembolsado 25,2 millones de euros. Por clases de activo, 54% de estas transacciones se refieren a logística, 37% a comercios y 9% a oficinas. La operación más relevante es la adquisición de una cartera comercial de 96,5 millones de euros (es decir, 27% de la cantidad total de transacciones). Esta operación de venta comprende la adquisición de 33 supermercados arrendados a Caprabo en base a triple net y a largo plazo (8 años de media), con un rendimiento neto inicial del 7,2%. Todas estas inversiones pueden ser financiadas con recursos propios o ajenos y pueden dar lugar a cambios en el apalancamiento del Grupo.

El Grupo puede optar por financiar una parte de ciertas adquisiciones con deuda (inicialmente, mediante financiación hipotecaria principalmente, y en el futuro, mediante la emisión de deuda y valores de deuda convertibles u otras financiaciones que estén disponibles para la Sociedad). La Sociedad y el Equipo Gestor tienen intención de determinar el nivel adecuado de préstamo en relación con cada operación concreta.

#### **Compromisos de los miembros del Equipo Gestor**

##### *Exclusividad*

A excepción de las obligaciones bajo los Mandatos Históricos (*Legacy Mandates*), el Equipo Gestor actuará exclusivamente para el Grupo respecto de cualquier generación de negocio hasta que los ingresos netos obtenidos por la Sociedad estén invertidos en su totalidad en oportunidades adecuadas. Esta exclusividad cubre tanto la recaudación de ingresos en la Oferta como cualquier otro aumento de capital que la Sociedad pueda llevar a cabo en el futuro en el mercado público. Sin embargo, una excepción a lo anterior es que el Equipo Gestor no actuará en exclusiva para el Grupo respecto de la adquisición de activos residenciales arrendados y/o préstamos incumplidos en la medida en que estas actividades deriven de compromisos existentes o futuros con The Blackstone Group y/o Deutsche Bank AG, como resultado de la relación comercial a largo plazo entre los miembros del Equipo Gestor y estas dos entidades.

La Sociedad considera que el componente de arrendamiento residencial de Testa no representa un conflicto a la excepción de exclusividad otorgada a favor de The Blackstone Group y/o Deutsche Bank AG en relación con la adquisición de los activos residenciales, ya que los activos residenciales en alquiler de Testa no han sido adquiridos de forma independiente, sino como parte de la adquisición completa de una empresa en funcionamiento. El componente de arrendamiento residencial solamente representa el 8,6% del GAV total de Testa, a 31 de marzo de 2015, y el 5% para el Grupo Conjunto. No obstante lo anterior, el Consejo de Administración de la Sociedad será informado.

##### *No competencia*

Cada miembro del Equipo Gestor se abstendrá, y procurará que las personas o entidades por él controladas se abstengan, ya sea directa o indirectamente, de:



(i) adquirir o invertir (en nombre y por cuenta propia o de un tercero) en algún activo inmobiliario que se encuentre dentro de los parámetros de la Estrategia de Negocio del Grupo (salvo las siguientes adquisiciones de activos, que están expresamente permitidas: (a) activos inmobiliarios que no generan rentabilidad, con un valor de mercado inferior a 5 millones de euros (este límite se aplicará de forma acumulativa); (b) activos residenciales arrendados de uso propio; (c) activos inmobiliarios en los que el Grupo ha tenido oportunidad de invertir pero ha decidido no hacerlo y ha consentido que el miembro en cuestión del Equipo Gestor pueda perseguir la oportunidad, o

(ii) actuar como asesor para cualquier inversor que sea competidor del Grupo para la adquisición de propiedades, con las mismas excepciones establecidas en relación con el punto (i) anterior.

#### *Conflictos de interés*

MAGIC Real Estate no constituirá o invertirá en una SOCIMI, y/o sociedad inmobiliaria que esté involucrada en un negocio con objeto igual, análogo o complementario al objeto social del Grupo.

#### **Política de Tesorería**

El Grupo tiene intención de llevar a cabo una política de tesorería que garantice el mantenimiento del capital. En consecuencia, el Grupo busca generar retornos positivos y estables con limitada exposición al riesgo. En particular, el Grupo se centra en productos financieros de alta liquidez en los que la cancelación anticipada no resultaría en penalización alguna o conllevaría una penalización muy limitada.

#### **Proveedores de servicios al solicitante**

##### *El Equipo Gestor*

Las operaciones del día a día de la Sociedad, incluyendo la implementación de la Estrategia de Negocio, son llevadas a cabo por el Equipo Gestor, que está compuesto por profesionales del sector inmobiliario y de las finanzas con amplia experiencia en los mercados inmobiliarios españoles y portugueses y un historial notable, creando valor para los accionistas. El Equipo Gestor está liderado por D. Ismael Clemente (Consejero Delegado), D. David Brush (Jefe de Información) y D. Miguel Ollero (Director Financiero/Gerente de Operaciones) y cuenta con nueve miembros. Los seis miembros restantes del Equipo Gestor son D. Francisco Rivas, D. Enrique Gracia, D. Luis Lázaro, D. Miguel Oñate, D. Fernando Ramírez y D. Manuel García Casas.

En la fecha de este Folleto, la plantilla total de la Sociedad es de 25 empleados. El Equipo Directivo espera alcanzar una base estable de 125 empleados tras la integración de Testa. El Equipo Directivo de Testa está integrado actualmente por 94 profesionales cualificados, de los cuales 50 gestionan Testa y su cartera y 44 forman parte del negocio de gestión de activos de terceros. Tras la adquisición no se modificará la estructura organizativa actual de la Sociedad. Tras la fusión o en su contexto, la Sociedad considerará posibles cambios para maximizar su eficiencia.

Cuatro empleados de la Sociedad, D. Ismael Clemente (Presidente Ejecutivo y Consejero Delegado), D. Luis Lázaro (Gestión de Activos) y D. Miguel Oñate (Gestión de Activos) continúan siendo Personal Clave bajo los Contratos de MAGIC (*MAGIC Contracts Key Employees*) conforme a numerosos acuerdos actualmente vigentes y firmados entre MAGIC Real Estate y terceros.

El Personal Clave bajo los Contratos de MAGIC dedica parte de su tiempo a supervisar y gestionar activos administrados en última instancia

por MAGIC Real Estate. Tres empleados adicionales de la Sociedad (D. Francisco Rivas, D. Enrique García y D. Enrique Fonseca) dedican parte de su tiempo a ayudar al Personal Clave bajo los Contratos de MAGIC.

*Remuneración del Equipo Gestor*

El sistema de remuneración de la Sociedad incluye los siguientes elementos:

- remuneración anual, que comprende:
  - remuneración fija anual; y
  - planes de incentivos / retribución variable anual; y
- Plan de Acciones para el Equipo Gestor (*Management Stock Plan*).

El desglose de las cantidades percibidas como remuneración por el Consejo de Administración en 2014 es el siguiente:

Consejeros	Tipo	Miles de euros
Ismael Clemente Orrego	Presidente Ejecutivo	442
Miguel Ollero Barrera	Consejero Ejecutivo	438
Donald Johnston	Consejero Independiente	30
Maria Luisa Jordá Castro	Consejero Independiente	30
Ana García Fau	Consejero Independiente	30
Alfredo Fernández Agras	Consejero Independiente	30
Fernando Ortiz Vaamonde	Consejero Independiente	30
Matthew Glowasky	Consejero Independiente	-
José García Cedrún	Consejero Independiente	-
Total		1.030

*(i) Remuneración Anual*

Coste previsto de la Remuneración Anual

El importe correspondiente a la retribución anual se computará como parte de los Gastos Totales Anuales (*Annual Total Overheads*). La remuneración global anual del Equipo Gestor no será superior al importe equivalente a los Gastos Totales Anuales menos los Gastos Corrientes Anuales (*Annual Running Costs*).

Inicialmente, la remuneración fija anual representará aproximadamente el 40% de los gastos de personal de los miembros del Equipo Gestor, y los planes de incentivos representarán aproximadamente el 60% de dichos gastos, sujeto al cumplimiento de los costes operativos totales.

Los Gastos Totales Anuales de la Sociedad serán el mayor entre (a) el 6,0% de los Ingresos Brutos por Rentas consolidados de la Sociedad y (b) el 0,6% del EPRA NAV consolidado de la Sociedad más cualquier saldo de caja disponible a nivel consolidado de la Sociedad, y será calculado usando los valores de la Sociedad a final de año con referencia a sus estados financieros consolidados para el ejercicio en cuestión. Los planes de incentivos actuarán como amortiguador para alcanzar el límite anteriormente referido.

		<p><u>Remuneración fija anual</u></p> <p>La remuneración fija anual constituye la base del sistema de remuneración de la Sociedad y debe ser pagada mensualmente. Este elemento está vinculado a las características esenciales de los cargos ocupados por cada empleado, tales como (i) su relevancia en la Sociedad, (ii) el impacto que puedan tener en el rendimiento de la entidad, y (iii) el ámbito de la responsabilidad asumida.</p> <p>La remuneración fija anual incluirá una parte de efectivo y cualquier remuneración en especie que pueda ser concedida a los empleados, tales como el uso de un vehículo, seguros médicos y seguros de vida.</p> <p><u>Plan de incentivos</u></p> <p>La política de remuneración variable de la Sociedad se basa en el establecimiento de objetivos individuales.</p> <p>La remuneración variable consta de dos elementos:</p> <ul style="list-style-type: none"><li>- Bonus anual: todos los empleados de la Sociedad tienen, en principio, derecho a, inicialmente, el 50 por 100 del plan de incentivos; y</li><li>- Bonus Anual Restringido (<i>Annual Restricted Bonus</i>): sólo para los miembros del Equipo Gestor que tienen derecho, inicialmente, al 50 por 100 de la retribución variable anual.</li></ul> <p>(ii) <i>Plan de Acciones para el Equipo Gestor (Management Stock Plan)</i></p> <p>Además, la Sociedad ha acordado conceder un incentivo de remuneración variable anual adicional al Equipo Gestor que será determinado por la Comisión de Nombramientos y Retribuciones y estará vinculado a las acciones de la Sociedad. Este concepto busca incentivar y recompensar al Equipo Gestor por generar beneficios para los accionistas de la Sociedad.</p> <p><u>Disposiciones relativas a las indemnizaciones</u></p> <p>Se han celebrado contratos de trabajo entre el Equipo Gestor (incluidos los Consejeros) y la Sociedad, que surtieron efecto en el momento de la Admisión Inicial. Se incluye una descripción de las disposiciones de indemnización por despido en estos contratos:</p> <p>En caso de extinción de la relación laboral o mercantil debido a (i) renuncia voluntaria, (ii) muerte, jubilación o incapacidad permanente total o absoluta, (iii) despido disciplinario procedente en caso de relaciones laborales, o (iv) en caso de Consejeros ejecutivos, la separación del cargo de consejero debido a un incumplimiento de sus deberes, la realización de cualquier acto u omisión que cause cualquier daño a la Sociedad, o la existencia de una reclamación de responsabilidad social corporativa en contra del Consejero ejecutivo presentada por la Sociedad, el Consejero no tendrá derecho a ningún tipo de pago en concepto de indemnización.</p> <p>Si la terminación de la relación laboral o mercantil (en el caso de los Consejeros) está motivada por cualquier otra razón, incluso por voluntad de la Sociedad, sin causa justa, despido improcedente o un supuesto de cambio en el control (en los términos descritos en la legislación laboral aplicable), la Sociedad reconocerá a los miembros del Equipo Gestor, bajo los referidos contratos laborales o mercantiles, el derecho a recibir una indemnización que tendrá en cuenta cualquier indemnización legal que pudiera ser de aplicación.</p> <p>La cantidad máxima de dicha indemnización será equivalente al múltiplo de la remuneración bruta total (incluyendo todos los conceptos, tales</p>
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		<p>como sueldo básico y bonus pagados, Acciones Adjudicadas en relación con el Plan de Acciones para el Equipo Gestor (<i>Management Stock Plan</i>) otorgados al miembro del Equipo Gestor y cualquier bonus restringido al que dicho miembro hubiera tenido derecho) en el período de 12 meses antes de la extinción. Si la terminación se produce durante el primer año desde la Admisión Inicial, el miembro en cuestión tiene derecho a cinco veces dicha remuneración global bruta. En caso de que dicha terminación tenga lugar una vez transcurrido el primer año desde la Admisión Inicial, la indemnización se reducirá en un 20% cada año durante los siguientes cuatro años.</p> <p><b><u>Servicios de auditoría</u></b></p> <p>Deloitte, S.L. proporciona servicios de auditoría a la Sociedad y sus filiales. Los estados financieros consolidados de la Sociedad se preparan de conformidad con IFRS-EU en relación con sus cuentas anuales.</p> <p>Los honorarios de auditoría cobrados por Deloitte, S.L. se negocian anualmente y están expresados en la carta anual de compromiso de Deloitte, S.L.</p> <p><b><u>Tasadores de inmuebles</u></b></p> <p>Las valoraciones de los activos inmobiliarios de la Sociedad se harán (i) a 30 de junio de cada año a través de una valoración externa limitada (esto es, una valoración limitada que no implica inspección física de los inmuebles y que busca actualizar la valoración a 31 de diciembre del año anterior, incorporando cambios significativos que puedan haber tenido lugar en las condiciones del mercado y/o en los activos correspondientes (esto es, arrendamientos, gastos de capital, adquisiciones o responsabilidades legales)) y (ii) a 31 de diciembre de cada año a través de una valoración física, en cada caso llevada a cabo por un adecuado y cualificado tasador con autorización <i>Royal Institute of Chartered Surveyors</i> (RICS) nombrado por el Comité de Auditoría y Control. La primera valoración externa tuvo lugar el 31 de diciembre de 2014. Las tasaciones de los activos inmobiliarios de la Sociedad se realizarán de conformidad con las secciones adecuadas del Libro Rojo RICS a fecha de la tasación. Este es un estándar de tasación de activos inmobiliarios aceptado a nivel internacional.</p> <p>Teniendo en cuenta que se espera que la Sociedad adquiera el control de Testa después del 30 de junio de 2015, se prevé que la primera valoración conjunta de los activos del Grupo y de Testa sea la valoración a 31 de diciembre de 2015.</p>
<b>B.4a</b>	Descripción de las tendencias recientes más significativas que afecten al emisor y a los sectores en los que ejerce su actividad	<p>Las economías de España y de Portugal empezaron a mostrar signos de recuperación en 2013 y dicha recuperación ganó fuerza en 2014, con la mayoría de indicadores macroeconómicos apuntando hacia signos de recuperación. La gran caída del precio del petróleo en 2014 podría haber hecho disminuir la inflación, y haber tenido así un impacto sobre las rentas. No obstante, esto se ha compensado con un mayor crecimiento económico. La debilidad actual del euro ha beneficiado a los mercados inmobiliarios español y portugués dado que ha permitido mantener la competitividad de las exportaciones europeas, ayudando así a la recuperación económica. El impacto preciso que puede tener un euro débil depende de cómo perciban los inversores la evolución del tipo de cambio en el futuro. Un debilitamiento del euro a largo plazo podría requerir un retorno de la inversión más alto y precios más bajos por parte de los inversores en dólares para compensar las pérdidas de capital causadas por el tipo de cambio, y viceversa. Los tipos de cambio bajos llevan también a que los rendimientos de propiedad se mantengan bajos.</p>

		<p>La dinámica actual de los rendimientos de inmuebles y valores de capital muestran una mejoría en el mercado inmobiliario. Los rendimientos medios de determinados tipos de inmuebles en centros de negocios de Madrid y Barcelona se han comprimido desde finales del año 2012, con niveles, en el primer trimestre de 2015, en ambas ciudades, alrededor del 5,25% (-125 bps en Madrid y -150 bps en Barcelona) para comercio minorista en ambas ciudades, 4,75% (-150 bps) para oficinas en Madrid, 4,90% (-135 bps) para oficinas en Barcelona y 7,0% (-150 bps) para espacios logísticos industriales en Madrid, y se espera que los valores para esta clase de activos se endurezcan como resultado de la presión de la demanda hasta al menos 6,5% al finalizar este año (fuente: CBRE). El valor del capital para este tipo de propiedades en Madrid ha mostrado una tendencia similar y en el primer trimestre de 2015 era de aproximadamente €16.000/m<sup>2</sup>, €6.442m<sup>2</sup> y €857/m<sup>2</sup> respectivamente; un 29%, 33% y 21% de variación si lo comparamos con los bajos niveles respectivos alcanzados durante la crisis. En Barcelona es muy similar, con valores del capital de aproximadamente €17.142m<sup>2</sup>, €4.408/m<sup>2</sup> y €993/m<sup>2</sup> para cada tipo de inmueble respectivamente, presentando un aumento frente a los respectivos niveles del suelo durante la crisis de 29%, 28%, y 14%, respectivamente (fuente: CBRE).</p> <p>El mercado inmobiliario portugués ha mostrado también signos de recuperación en 2012. Los rendimientos de la propiedad en el primer trimestre de 2015, en centros de negocios de Lisboa eran de aproximadamente 6,25% (-150 bps) para comercio minorista, 6,25% (-200 bps) para oficinas y 7,50% (-200 bps) para espacios logísticos industriales. Los valores del capital también han mostrado signos de recuperación en el primer trimestre de 2015, en €16320, €3.552/m<sup>2</sup> y €520/m<sup>2</sup>, respectivamente, suponiendo un incremento del 24%, 32% y del 27% respectivamente desde 2012 (fuente: CBRE).</p> <p>En resumen, los valores de los comercios minoristas, oficinas e inmuebles logísticos en Madrid y Barcelona han sufrido una importante contracción desde 2007, y a pesar de una mejora en la perspectiva económica y una recuperación económica general, fueron un 42%, un 40% y un 47% (en Madrid), y un 14%, un 40% y un 42% (en Barcelona) inferiores para cada tipo de propiedad, respectivamente, a finales del año 2014. Los valores de los comercios minoristas, oficinas y los inmuebles industriales en Lisboa fueron un 20%, 13% y un 39% inferiores en el primer trimestre de 2015 en comparación con los de 2007.</p>
<b>B.5</b>	Descripción del grupo	<p>A fecha de este Folleto, la Sociedad posee el 100% de las acciones de seis sociedades filiales, cada una de las cuales mantiene y gestiona un tipo de activo en particular (excepto para Merlin Logística II, S.L.U., que sólo gestiona Meco, y MPVCI – Compra e Venda Imobiliária, S.A. que sólo gestiona Lisbon-Expo): Tree, MERLIN Retail, S.A.U., MERLIN Oficinas, S.L.U., MERLIN Logística, S.L.U., Merlin Logística II, S.L.U. y MPVCI – Compra e Venda Imobiliária, S.A. Además la Sociedad ostenta una participación del 25% en el capital social de Testa.</p>
<b>B.6</b>	Accionistas principales	<p>A fecha de este Folleto, el capital social emitido de la Sociedad asciende a 129.212.001 euros, divididos en acciones de la misma clase representadas por anotaciones en cuenta con un euro de valor nominal. Todas estas acciones están íntegramente desembolsadas.</p> <p>De acuerdo con la última información disponible en la CNMV, Mainstay Marketfield Fund, EJP Capital LLC y UBS Group AG poseen el 6,653%, el 5,038%, y el 4,713%, respectivamente, del capital social de la Sociedad antes de la Oferta.</p> <p>La Sociedad no tiene constancia de que ninguna persona, directa o</p>

		indirectamente, individual o conjuntamente, ejerza o pueda ejercer control sobre la Sociedad a fecha de este Folleto.																																																																																
<b>B.7</b>	Información financiera fundamental histórica	<p>Los Estados Financieros Condensados Consolidados Intermedios no Auditados de la Sociedad y su Grupo para el periodo de tres meses finalizado el 31 de marzo de 2015 y presentada a continuación ha sido elaborada de conformidad con las normas contables IFRS-EU:</p> <p style="text-align: center;"><u>(I) BALANCE CONSOLIDADO A 31 DE MARZO DE 2015</u></p> <p style="text-align: center;">(en miles de euros)</p> <table border="1"> <thead> <tr> <th style="text-align: center;">ACTIVO</th> <th style="text-align: center;">31/03/2015 (no auditado)</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>ACTIVO NO CORRIENTE:</b></td> </tr> <tr> <td>Activos intangibles</td> <td style="text-align: right;">143</td> </tr> <tr> <td>Inmovilizaciones materiales</td> <td style="text-align: right;">968</td> </tr> <tr> <td>Inversiones inmobiliarias</td> <td style="text-align: right;">2.029.352</td> </tr> <tr> <td>Inversiones financieras no corrientes</td> 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	(no audita do)
<b>OPERACIONES CONTINUADAS:</b>	
Importe neto de la cifra de negocios	32.042
Otros ingresos de explotación	413
Gastos de personal	(1.576)
Otros gastos de explotación	(1.204)
Resultados por la enajenación de inmovilizado	6
Dotación a la amortización	(25)
<b>RESULTADO DE LAS OPERACIONES</b>	<b>29.656</b>
Ingresos financieros	429
Gastos financieros	(7.929)
Variación del valor razonable en inversiones inmobiliarias	66
<b>RESULTADO ANTES DE IMPUESTOS</b>	<b>22.222</b>
Impuesto sobre Sociedades	(2.623)
<b>RESULTADO DEL EJERCICIO PROCEDENTE DE OPERACIONES CONTINUADAS</b>	<b>19.599</b>
<b>BENEFICIOS DEL EJERCICIO ATRIBUIBLE A ACCIONISTAS DE LA SOCIEDAD DOMINANTE</b>	<b>19.599</b>
RESULTADO BÁSICO POR ACCIÓN (en euros)	0.15
RESULTADO POR ACCIÓN DILUIDAS (en euros)	0.15

(III) ESTADO CONSOLIDADO DE FLUJOS DE EFECTIVO PARA EL PERIODO DE TRES MESES FINALIZADO EL 31 DE MARZO DE

2015

(en miles de euros)

	31/03/2015 (no auditado)
<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN:</b>	<b>10.390</b>
Beneficio del ejercicio antes de impuestos-	22.222
Ajustes al resultado:	8.300
Amortización del inmovilizado	25
Variación de provisiones de circulante	(66)
Variación de provisiones	841
Ingresos financieros	(429)
Gastos financieros	7.929
<b>Cambios en el capital corriente-</b>	<b>11.568</b>
Deudores y otras cuentas a cobrar	1.207
Otros activos corrientes	28
Acreedores y otras cuentas a pagar	(16.128)
Otros activos y pasivos	3.325
<b>Otros flujos de efectivo de las actividades de explotación-</b>	<b>(8.564)</b>
Pagos de intereses	(8.903)
Cobros de intereses	339
<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN:</b>	<b>(34.604)</b>
<b>Pagos por inversiones-</b>	<b>(103.987)</b>
Inmovilizaciones inmobiliarias	(103.770)
Inmovilizaciones materiales	(93)
Activos financieros	(124)

		<b>Cobros por desinversiones-</b>	<b>69.383</b>
		Inmovilizaciones inmobiliarias	68.592
		Inmovilizaciones materiales	-
		Activos financieros	791
		<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN:</b>	<b>147.398</b>
		<b>Cobros y pagos por instrumentos de pasivo financiero -</b>	<b>147.398</b>
		Emisión de deudas con entidades de crédito	156.445
		Devolución de deudas con entidades de crédito	(5.244)
		Coste de financiación	(3.803)
		<b>AUMENTO/DISMINUCIÓN NETA DEL EFECTIVO O EQUIVALENTES:</b>	<b>123.184</b>
		Efectivo o equivalentes al comienzo del ejercicio	26.050
		Efectivo o equivalentes al final del ejercicio	<b>149.234</b>

La Información Financiera Histórica Consolidada Auditada para la Sociedad y su Grupo para el periodo de nueve meses y siete días finalizado el 31 de diciembre de 2014 presentada a continuación ha sido elaborada de conformidad con las normas contables IFRS-EU:

(I) BALANCE CONSOLIDADO A 31 DE DICIEMBRE DE 2014

(en miles de euros)

<b>ACTIVO</b>	<b>31/12/2014</b>
<b>ACTIVO NO CORRIENTE:</b>	
Activos intangibles	149
Inmovilizaciones materiales	894
Inversiones inmobiliarias	1.969.934
Inversiones financieras no corrientes	281.192
Derivados	261.689
Otros activos financieros	19.503
Activos por impuesto diferido	9.369
<b>Total activo no corriente</b>	<b>2.261.538</b>
<b>ACTIVO CORRIENTE:</b>	
Deudores comerciales y otras cuentas por cobrar	3.340
Otros activos financieros corrientes	125.791
Otros activos corrientes	122
Efectivo y otros activos equivalentes	26.050
<b>Total activo corriente</b>	<b>155.303</b>
<b>TOTAL ACTIVO</b>	<b>2.416.841</b>
<b>PATRIMONIO NETO Y PASIVO</b>	<b>31/12/2014</b>
<b>PATRIMONIO NETO:</b>	
Capital suscrito	129.212
Prima de emisión	1.162.368
Reservas	(30.475)
Otras aportaciones de socios	540
Ajustes por cambio de valor	(2.636)
Beneficios del ejercicio	49.670
Patrimonio neto atribuible a los accionistas de la sociedad dominante	1.308.679
<b>PASIVO NO CORRIENTE:</b>	
Deudas a largo plazo con entidades de crédito	1.027.342
Otros pasivos financieros	21.498
Pasivos por impuesto diferido	24.432
Otras provisiones	476
<b>Total pasivo no corriente</b>	<b>1.073.748</b>



<b>PASIVO CORRIENTE:</b>	
Deudas a corto plazo con entidades de crédito	10.809
Otros pasivos financieros corrientes	190
Acreedores comerciales y otras cuentas a pagar	23.302
Pasivos por impuestos sobre ganancias corrientes	75
Otros pasivo corriente	38
Total pasivo corriente	34.414
<b>TOTAL PATRIMONIO NETO Y PASIVO</b>	<b>2.416.841</b>

(II) CUENTA DE PÉRDIDAS Y GANANCIAS CONSOLIDADA  
PARA EL PERIODO DE NUEVE MESES Y SIETE DÍAS  
FINALIZADO EL 31 DE DICIEMBRE DE 2014

	2014
<b>OPERACIONES CONTINUADAS:</b>	
Importe neto de la cifra de negocios	56.616
Otros ingresos de explotación	381
Gastos de personal	(3.079)
Otros gastos de explotación	(16.013)
Resultados por la enajenación de inmovilizado	126
Dotación a la amortización	(35)
Diferencia negativa en combinación de negocios	7.247
<b>RESULTADO DE LAS OPERACIONES</b>	<b>45.243</b>
Ingresos financieros	473
Gastos financieros	(18.555)
Variación en valor razonable de instrumentos financieros	(25.920)
Variación del valor razonable en inversiones inmobiliarias	49.471
<b>RESULTADO ANTES DE IMPUESTOS</b>	<b>50.712</b>
Impuesto sobre Sociedades	(1.042)
<b>RESULTADO DEL EJERCICIO PROCEDENTE DE OPERACIONES CONTINUADAS</b>	<b>49.670</b>
<b>BENEFICIOS DEL EJERCICIO ATRIBUIBLE A ACCIONISTAS DE LA SOCIEDAD DOMINANTE</b>	<b>49.670</b>
<b>RESULTADO POR ACCIÓN (en euros)</b>	0.38
<b>RESULTADO BÁSICO POR ACCIÓN (en euros)</b>	0.58
<b>RESULTADO POR ACCIÓN DILUIDAS (en euros)</b>	0.58

(III) ESTADO CONSOLIDADO DE FLUJOS DE EFECTIVO PARA  
EL PERIODO DE NUEVE MESES Y SIETE DÍAS FINALIZADO EL  
31 DE DICIEMBRE DE 2014

	2014
<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE EXPLOTACIÓN:</b>	<b>27.928</b>
<b>Beneficio del ejercicio antes de impuestos-</b>	<b>50.712</b>
<b>Ajustes al resultado:</b>	<b>(12.128)</b>
Amortización del inmovilizado	35
Correcciones valorativas por inversiones inmobiliarias	(49.471)
Variación de provisiones de circulante	77
Variación de provisiones	476
Diferencias negativas en combinación de negocios	(7.247)
Ingresos financieros	(473)
Gastos financieros	18.555

		<p>Variación de valor razonable de instrumentos financieros 25.920</p> <p><b>Cambios en el capital corriente- 19.165</b></p> <p>Deudores y otras cuentas a cobrar (3.417)</p> <p>Otros activos corrientes (122)</p> <p>Acreedores y otras cuentas a pagar 22.471</p> <p>Otros activos y pasivos 233</p> <p><b>Otros flujos de efectivo de las actividades de explotación- (29.821)</b></p> <p>Pagos de intereses (28.616)</p> <p>Cobros de intereses 473</p> <p>Pagos por Impuesto sobre Beneficios (1.678)</p> <p><b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN: (1.401.988)</b></p> <p><b>Pagos por inversiones- (1.401.988)</b></p> <p>Salida de caja neta en la adquisición de negocios (723.725)</p> <p>Inmovilizaciones inmobiliarias (551.394)</p> <p>Inmovilizaciones materiales (929)</p> <p>Activos intangibles (149)</p> <p>Activos financieros (125.791)</p> <p><b>Cobros por desinversiones-</b></p> <p>Inmovilizaciones inmobiliarias -</p> <p>Inmovilizaciones materiales -</p> <p><b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN: 1.400.110</b></p> <p><b>Cobros y pagos por instrumentos de patrimonio - 1.261.645</b></p> <p>Emisión de instrumentos de patrimonio 1.261.105</p> <p>Aportaciones de socios 540</p> <p><b>Cobros y pagos por instrumentos de pasivo financiero - 138.465</b></p> <p>Emisión de deudas con entidades de crédito 206.838</p> <p>Devolución de deudas con entidades de crédito (68.373)</p> <p><b>AUMENTO/DISMINUCIÓN NETA DEL EFECTIVO O EQUIVALENTES: 26.050</b></p> <p>Efectivo o equivalentes al comienzo del ejercicio -</p> <p>Efectivo o equivalentes al final del ejercicio <b>26.050</b></p>
		<p>Desde el 31 de diciembre de 2014 (fecha de la Información Financiera Histórica Consolidada Auditada para la Sociedad y su Grupo objeto del informe de auditoría sobre la Sociedad) no se han producido alteraciones significativas en la posición financiera o comercial de la Sociedad salvo por aquellas descritas en el presente Folleto.</p>
<b>B.8</b>	Información financiera seleccionada pro forma	<p>Además de la Información Financiera Histórica Consolidada Auditada para la Sociedad y su Grupo y los Estados Financieros Condensados Consolidados Intermedios no Auditados de la Sociedad y su Grupo , la Sociedad ha incluido en este Folleto información financiera para ilustrar, sobre una base pro forma, la forma en la que la declaración consolidada de la situación financiera de la Sociedad y de su estado consolidado de resultados podrían haberse visto afectados por:</p> <ul style="list-style-type: none"> <li>• el Aumento de Capital Social de Mayo;</li> <li>• la Reducción de Capital Social de Testa y posterior Aumento de Capital Social de Testa que tuvo lugar el 8 de junio de 2015;</li> <li>• la distribución del Dividendo Extraordinario el 8 de junio 2015 y el repago del Préstamo entre Empresas (<i>Intercompany Loan</i>)</li> </ul>

		<p>entre Sacyr y Testa;</p> <ul style="list-style-type: none"> <li>• la suscripción completa de la Oferta en una cantidad de 1.033.696.000 euros;</li> <li>• la Adquisición; y</li> <li>• la financiación de la Adquisición excepto la que se hizo a través del Aumento de Capital Social de Mayo y la de la Oferta, incluyendo el Bridge Facility;</li> </ul> <p>suponiendo que cada uno de estos acontecimientos haya tenido lugar el 1 de enero de 2015 (en relación con la Información Financiera Histórica Consolidada Auditada para la Sociedad y su Grupo ) o el 31 de marzo de 2015 (en relación con los Estados Financieros Condensados Consolidados Intermedios no Auditados de la Sociedad y su Grupo ), que se denominan colectivamente en este documento Información Financiera Pro Forma Consolidada no Auditada.</p>
<b>B.9</b>	Estimación de los beneficios	No aplica. Este Folleto no contiene estimaciones o previsiones de beneficios.
<b>B.10</b>	Descripción de la naturaleza de cualquier salvedad en el informe de auditoría sobre la información financiera histórica	En relación con la Información Financiera Histórica Consolidada Auditada para la Sociedad y su Grupo para el periodo de nueve meses y siete días finalizado el 31 de diciembre de 2014, los auditores entienden que los estados financieros consolidados adjuntos presentan, en todos los aspectos significativos, la imagen fiel del patrimonio neto consolidado y la posición financiera consolidada de la Sociedad y su Grupo a 31 de diciembre de 2014, y sus resultados consolidados y flujos de caja consolidados para el periodo de nueve meses y siete días finalizado entonces de conformidad con las Normas Internacionales de Contabilidad tal y como estas han sido adoptadas por la Unión Europea y el resto de normas del marco contable aplicable al Grupo en España
<b>B.11</b>	Capital de explotación	<p>La Sociedad cree que, teniendo en cuenta la tesorería actual a fecha del presente Folleto, los Ingresos Netos que va a recibir la Sociedad gracias a la Oferta, la tesorería generada por transacciones, y su acceso a fondos a través de una o de una combinación de las siguientes acciones:</p> <ul style="list-style-type: none"> <li>• nueva financiación obtenida contra activos libres de gravámenes existentes; y / o</li> <li>• nueva financiación obtenida contra activos nuevos adquiridos en el período; y / o</li> <li>• apertura de nuevas líneas de crédito; y / o</li> <li>• refinanciación del Bridge Facility; y / o</li> <li>• refinanciación de la deuda de Testa; y / o</li> <li>• enajenación de activos non-core</li> </ul> <p>tendrá un capital de explotación disponible suficiente para cumplir con sus requisitos actuales y para al menos los próximos doce meses desde la fecha de este Folleto.</p>

<b>Sección C – Valores</b>		
<b>C.1</b>	Descripción del tipo y de la clase de	Las Nuevas Acciones Ordinarias tienen un valor nominal de 1,00 euro

	valores ofertados y/o admitidos a cotización	<p>cada una.</p> <p>El código ISIN que ha sido asignado a las Acciones Ordinarias Existentes es el ES0105025003. Las Nuevas Acciones recibirán un código ISIN provisional, que será reemplazado por el código ISIN de las Acciones Ordinarias Existentes en el momento de la Admisión. Todas las acciones de la Sociedad son de la misma clase y actualmente la Sociedad no tiene otra clase de acciones.</p>
<b>C.2</b>	Divisa de emisión de los valores	Las Nuevas Acciones Ordinarias se emitirán en euros.
<b>C.3</b>	Número de acciones emitidas	La Oferta consistirá en 129.212.000 Nuevas Acciones Ordinarias con un Precio de Suscripción de 8 euros por cada Nueva Acción Ordinaria. La Sociedad prevé que las Nuevas Acciones Ordinarias emitidas en la Oferta comiencen a negociarse sobre el 11 de agosto 2015 o en fechas cercanas. La Sociedad comunicará los cambios significativos sobre la Oferta mediante la notificación de un hecho relevante.
<b>C.4</b>	Derechos vinculados a los valores	<p>Una vez emitidas, las Nuevas Acciones Ordinarias tendrán igualdad de rango con las Acciones Existentes, incluso respecto del derecho a percibir los dividendos aprobados por la Junta tras la fecha en la que la propiedad de dichas Nuevas Acciones Ordinarias sea registrada en el registro de anotaciones en cuenta de Iberclear, lo cual, de acuerdo con el calendario previsto, se espera tenga lugar el día 10 de agosto de 2015.</p> <p>Las Acciones Ordinarias confieren a sus propietarios los derechos recogidos en los Estatutos Sociales y en la legislación mercantil española, tales como, entre otros, (i) el derecho de asistencia a las juntas de la Sociedad y el derecho a tomar la palabra y votar en ellas, (ii) el derecho a percibir dividendos en proporción al capital social desembolsado en la Sociedad, (iii) el derecho de suscripción preferente en la emisión de nuevas Acciones Ordinarias en aumento de capital por aportaciones dinerarias, y (iv) el derecho a recibir los activos que resten en proporción a la participación en el capital social en caso de que se liquide la Sociedad.</p>
<b>C.5</b>	Cualquier restricción sobre la libre transmisibilidad	<p>Bajo la ley española, la Sociedad no puede imponer restricciones en sus Estatutos Sociales a la libre transmisibilidad de sus Acciones Ordinarias.</p> <p>No obstante, los Estatutos Sociales contienen obligaciones de indemnización a la Sociedad por parte de los Accionistas Significativos, diseñadas para desincentivar que los dividendos devengan pagaderos para un Accionista Significativos. Si se paga un dividendo a un Accionista Significativo, la Sociedad podrá deducirse, del importe a pagar a ese Accionista Significativo, un importe equivalente a los costes fiscales incurridos por la Sociedad como consecuencia del pago de dicho dividendo (el Consejo de Administración mantendrá cierta discreción al decidir si ejercitar este derecho en caso de que la realización de dicha deducción ponga a la Sociedad en una posición peor).</p> <p>Asimismo, los Estatutos Sociales contendrán ciertas obligaciones de información en relación con los Accionistas o beneficiarios efectivos de las Acciones Ordinarias que estén sujetos a un régimen legal especial aplicable a fondos de pensiones o planes de beneficios (como ERISA, tal y como se define en el Folleto). La Sociedad podrá requerir de cualquier Accionista o beneficiario efectivo de las Acciones Ordinarias la información que la Sociedad considere necesaria o útil para determinar si dicha persona está sujeta a un régimen legal especial aplicable a fondos de pensiones o planes de beneficios. También, de conformidad con lo establecido en los Estatutos Sociales, la Sociedad podrá adoptar</p>

		<p>las medidas que considere adecuadas para evitar cualquier efecto negativo sobre la Sociedad o sus Accionistas como consecuencia de la aplicación de leyes y reglamentos relacionados con fondos de pensiones o planes de beneficios (en concreto, ERISA). El objetivo de estas disposiciones es proporcionar a la Sociedad la posibilidad de minimizar el riesgo de que Inversores de Planes de Beneficios (u otros inversores similares) tengan una participación de cualquier clase en el capital de la Sociedad igual o superior al 25%.</p> <p>La tenencia de Nuevas Acciones Ordinarias por inversores puede verse afectada por los requisitos legales o regulatorios de su propia jurisdicción, que puede incluir restricciones a la libre transmisibilidad de dichas Nuevas Acciones Ordinarias. Se aconseja que los inversores consulten a sus propios asesores antes de invertir en las Nuevas Acciones Ordinarias de la Sociedad.</p> <p>Adicionalmente, MAGIC Kingdom (el vehículo de inversión a través del cual los miembros del Equipo Gestor tienen las Acciones Ordinarias) ha firmado acuerdos de no enajenación, tal como se expone con más detalle en el apartado E5 siguiente.</p>
<b>C.6</b>	Admisión a cotización en un mercado regulado	<p>Las Acciones Ordinarias Existentes de la Sociedad cotizan en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, y están incorporadas al Sistema de Interconexión Bursátil (Mercado Continuo). Se solicitará la admisión a negociación de las Nuevas Acciones Ordinarias en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, así como su incorporación al Sistema de Interconexión Bursátil (Mercado Continuo). La Sociedad espera que las Nuevas Acciones Ordinarias estén admitidas a negociación y cotización en las Bolsas de Valores españolas el 10 de agosto de 2015 o en fechas cercanas. El símbolo bajo el cual cotizan las Acciones Ordinarias Existentes en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia es MRL.</p>
<b>C.7</b>	Política de dividendos	<p>La Sociedad tiene intención de mantener una política de dividendos que tenga en cuenta niveles sostenibles de distribución de dividendos, y que refleje la previsión por parte de la Sociedad de obtención de beneficios recurrentes adecuados. La Sociedad no pretende crear reservas que no puedan ser distribuidas a los Accionistas salvo aquellas legalmente requeridas. La Sociedad efectuará distribuciones de dividendos cuando el Consejo de Administración lo considere adecuado. No obstante, de conformidad con el Régimen de SOCIMI, la Sociedad estará obligada a adoptar acuerdos de distribución a los Accionistas del beneficio obtenido en el ejercicio, una vez cumplidos los requisitos de la Ley de Sociedades de Capital, en forma de dividendos, debiéndose acordar su distribución dentro de los seis meses posteriores a la conclusión de cada ejercicio, en la forma siguiente: (i) al menos el 50% de los beneficios derivados de la transmisión de inmuebles y acciones o participaciones en Filiales Cualificadas (<i>Qualifying Subsidiaries</i>) siempre que los beneficios restantes sean reinvertidos en otros activos inmobiliarios dentro de un periodo máximo de tres años desde la fecha de la transmisión. Sino, el 100% de los beneficios debe ser distribuido como dividendos una vez transcurrido dicho periodo; (ii) el 100% de los beneficios obtenidos por recepción de los dividendos pagados por Filiales Cualificadas (<i>Qualifying Subsidiaries</i>); y (iii) al menos el 80% del resto de los beneficios obtenidos. Si el acuerdo de distribución de dividendos no se adopta en el plazo legalmente establecido, la Sociedad perderá su condición de SOCIMI respecto del ejercicio al que se refieren los dividendos.</p>

		<p>Únicamente aquellos Accionistas que estén inscritos en el sistema de registro, compensación y liquidación de valores gestionado por Iberclear a las 23:59 horas (CET) del día en el que se adopte el acuerdo de distribución de dividendos tendrán derecho al cobro de los referidos dividendos. El pago de dividendos se realizará a los titulares de Acciones Ordinarias que lo sean en ese momento. Salvo que la Junta General de Accionistas o el Consejo de Administración acuerden lo contrario, los Estatutos Sociales establecen que los dividendos serán pagaderos a los 30 días de la fecha de adopción del acuerdo de distribución de dividendos.</p> <p>El criterio de registro de fechas mencionado anteriormente tiene por objetivo que la Sociedad pueda identificar a tiempo a los Accionistas Significativos antes de tener que distribuirles el dividendo. De acuerdo con los Estatutos Sociales, cualquier Accionista debe de notificar al Consejo de Administración toda adquisición de acciones que implique que ese Accionista alcance un interés en la Sociedad igual o superior al 5% del capital social de la Sociedad. Si se distribuye un dividendo a favor de un Accionista Significativo, la Sociedad podrá deducirse del importe a pagar a ese Accionista Significativo, un importe equivalente a los costes fiscales incurridos por la Sociedad como consecuencia del pago de dicho dividendo.</p>
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<b>Sección D – Riesgos</b>		
<b>D.1</b>	<p>Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad</p>	<p>Antes de invertir en las Acciones Ordinarias, los potenciales inversores tendrán que tener en cuenta los potenciales riesgos asociados que se exponen a continuación:</p> <p><u>1. Riesgos específicos relacionados con la adquisición de Testa</u></p> <ul style="list-style-type: none"> <li>• La adquisición de Testa está estructurada en varias fases que podrían no tener lugar. Las acciones de Testa en poder de Sacyr están actualmente pignoradas como garantía de un préstamo sindicado.</li> <li>• El Grupo se enfrenta a potenciales riesgos relacionados con sus necesidades significativas de liquidez.</li> <li>• Testa es parte de acuerdos de financiación que contienen cláusulas de cambio de control que pueden verse afectados por la adquisición por la Sociedad de más del 50% de sus acciones, lo que puede dar lugar a la necesidad de renegociar o pagar acuerdos de financiación u otros acuerdos.</li> <li>• Testa se enfrenta a un potencial riesgo de refinanciación como resultado de la adquisición.</li> <li>• La relación de Sacyr con Testa.</li> <li>• La integración operativa del Grupo Conjunto puede dar lugar a costes y dificultades adicionales a los previstos, y el Grupo Conjunto puede no ser capaz de gestionar de manera eficiente esta organización, más grande.</li> <li>• Las perspectivas de futuro del Grupo Conjunto dependerán, en parte, de la capacidad del Grupo Conjunto de integrar Testa de forma efectiva, incluyendo la integración y motivación de ciertos empleados clave de la Sociedad y de Testa.</li> <li>• La Información Financiera Pro Forma Consolidada y no Auditada incluida en este Folleto no representa, y puede no dar una imagen fiel de la situación financiera actual o futura ni de los resultados de las operaciones del Grupo.</li> </ul>

		<ul style="list-style-type: none"> <li>• Cualquier <i>due diligence</i> por la Sociedad en relación con la adquisición puede no revelar todas las consideraciones o deudas del Grupo de Testa pertinentes, lo que podría tener un efecto material adverso en la situación financiera o en los resultados de las operaciones de la Sociedad.</li> <li>• Testa ha concedido ciertas prendas y garantías personales con respecto a deudas de otros miembros del Grupo Sacyr.</li> <li>• El precio de mercado de las Acciones Ordinarias puede disminuir como resultado de la Adquisición.</li> <li>• El precio de Adquisición incluye una prima de control.</li> <li>• La transferencia por parte de Testa de activos inmobiliarios que se hayan adquirido con anterioridad a su conversión en SOCIMI podría estar sujeta a fiscalidad.</li> </ul> <p><u>2. Riesgos relacionados con la actividad del Grupo y de su negocio de inmuebles</u></p> <p><i>I. Riesgos generales</i></p> <p><u>(A) Riesgos relacionados con la actividad del Grupo</u></p> <ul style="list-style-type: none"> <li>• La Sociedad es de reciente constitución y ha operado únicamente durante un periodo de tiempo limitado.</li> <li>• Los Activos del Grupo están y estarán concentrados en el mercado inmobiliario empresarial y el Grupo estará más expuesto, en consecuencia, a los factores políticos, económicos y otros factores que afecten al mercado español y portugués que otros negocios con más diversificación.</li> <li>• Las inversiones del Grupo se centrarán en determinadas clases de activos.</li> <li>• Los costes derivados de potenciales adquisiciones que finalmente no sean completadas afectarán al rendimiento del Grupo.</li> <li>• No se garantiza el alcance del objetivo de rentabilidad.</li> <li>• El Grupo puede no tener control sobre su cartera de activos y, por tanto, puede estar sujeta a riesgos derivados de inversiones minoritarias y <i>joint ventures</i>.</li> <li>• Se prevé que el valor actual neto del Grupo fluctúe a lo largo del tiempo.</li> <li>• Puede que la Sociedad enajene los activos por un retorno menor del esperado o negativo, o incluso que no sea capaz de enajenarlos.</li> <li>• La competencia puede afectar a la capacidad del Grupo para realizar las inversiones apropiadas y para mantener a los inquilinos con contratos de alquiler satisfactorios.</li> <li>• El Grupo puede adquirir diferentes tipos de préstamos vinculados a activos inmobiliarios, algunos de ellos con categoría de deuda subordinada que tiene un rango inferior a la deuda senior y puede que no se cobre en caso de incumplimiento del deudor.</li> <li>• Los préstamos vinculados a activos inmobiliarios están sujetos a que el inquilino no cumpla o a que intente renegociar su contrato a lo largo de la vigencia del alquiler. Esto puede llevar a que el deudor no pueda devolver el préstamo o a que el activo correspondiente pierda parte de su valor.</li> <li>• En caso de insolvencia del deudor, la facultad del Grupo para ejecutar el activo que garantiza la deuda puede verse afectada por la legislación concursal que sea aplicable al determinado deudor o activo.</li> <li>• El retorno que obtenga el Grupo en sus préstamos vinculados a activos inmobiliarios puede verse gravemente afectado si, en caso de impago del deudor, la Sociedad no logra obtener el activo que</li> </ul>
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		<p>garantiza la deuda.</p> <ul style="list-style-type: none"> <li>• El repago de los préstamos puede quedar sujeto a la disponibilidad de mecanismos de refinanciación o a la venta del activo que garantiza la deuda.</li> <li>• El Grupo puede estar sujeto al riesgo de prepago de sus activos de deuda (<i>loan assets</i>).</li> <li>• La capacidad del Grupo para repartir dividendos dependerá de su habilidad para generar ingresos que sean distribuibles y de su acceso a flujos de efectivo suficientes.</li> <li>• Se prevé que la composición de la cartera de activos del Grupo varíe.</li> <li>• Puede que el Grupo no obtenga financiación o que no sea capaz de hacerlo en términos satisfactorios.</li> <li>• El Grupo se enfrenta a un potencial riesgo en relación con su endeudamiento.</li> <li>• Si el Grupo se endeuda con tipo de interés variable quedará sujeto a riesgos derivados de la fluctuación del tipo de interés.</li> </ul> <p><u>B) Riesgos derivados del sector inmobiliario</u></p> <ul style="list-style-type: none"> <li>• El valor de los activos que el Grupo adquiera y las rentas producidas por el arrendamiento de éstos quedarán sujetos a las fluctuaciones del mercado inmobiliario español y portugués.</li> <li>• El negocio del Grupo puede verse materialmente afectado de manera negativa por una serie de factores inherentes a la compra, venta y gestión de inmuebles.</li> <li>• Invertir en determinadas clases de inmuebles comerciales conlleva algunos riesgos inherentes a esas determinadas clases de activos.</li> <li>• El valor de los activos inmobiliarios es, por su propia naturaleza, subjetivo e incierto.</li> <li>• Los análisis previos (<i>due diligence</i>) realizados en relación con una operación pueden no detectar la totalidad de los riesgos y responsabilidades derivados de la misma.</li> <li>• Los activos inmobiliarios son ilíquidos.</li> <li>• El Grupo puede depender de la actuación de terceros contratistas y los proyectos en promoción, construcción o rehabilitación pueden sufrir retrasos, no ser completados o no lograr los resultados esperados.</li> <li>• El Grupo puede quedar sujeto a obligaciones tras la enajenación de activos.</li> <li>• El Grupo puede enfrentarse a posibles reclamaciones relacionadas con la promoción, construcción y/o rehabilitación de sus bienes inmuebles.</li> <li>• El Grupo puede registrar pérdidas sustanciales superiores a sus coberturas por seguros o provenientes, en su caso, de acontecimientos no asegurables.</li> </ul> <p><i>II) Riesgos específicos derivados de los Activos de Merlin</i></p> <ul style="list-style-type: none"> <li>• Los Activos de Tree están arrendados en su totalidad a un único inquilino.</li> <li>• Tree tiene altos niveles de endeudamiento y no ha tenido beneficios todavía.</li> <li>• El valor de los Activos podría ser menor que el precio de adquisición que forman los Activos.</li> <li>• Un número significativo de contratos de financiación, incluyendo el Contrato de Financiación Senior y el Bridge Facility, contienen una serie de pactos que podrían incumplirse.</li> </ul>
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	<p><i>III) Riesgos específicos relativos a Testa</i></p> <ul style="list-style-type: none"> <li>• Testa se enfrenta a potenciales riesgos relacionados con su endeudamiento, como los riesgos de refinanciación.</li> <li>• Invertir en bienes inmobiliarios, incluyendo propiedades residenciales y hoteles alquilados, está sujeto a ciertos riesgos inherentes.</li> <li>• El valor de tasación de la cartera de inmuebles de Testa puede no reflejar con exactitud el valor actual de los activos de Testa en el mercado. La valoración de suelos presenta dificultades especiales.</li> <li>• Testa se apoya en cierto personal clave.</li> <li>• Testa se enfrenta a riesgos relacionados con las reclamaciones judiciales y reclamaciones fuera de los juzgados.</li> </ul> <p><u>3. Riesgos relativos al Equipo Gestor, los trabajadores de la Sociedad y el Consejo de Administración</u></p> <ul style="list-style-type: none"> <li>• El Grupo depende del rendimiento y de la experiencia del Equipo Gestor.</li> <li>• Los miembros del Equipo Gestor pueden incurrir en conflictos de interés a la hora de emplear su tiempo y su trabajo entre el Grupo y MAGIC Real Estate y puede que el Grupo resulte damnificado si su reputación o la reputación de MAGIC Real Estate se ve perjudicada.</li> <li>• El Plan de Acciones para el Equipo Gestor (<i>Management Stock Plan</i>) está basado en valoraciones netas actuales (EPRA NAV) y la volatilidad de los precios de los inmuebles puede dar lugar a un derecho a percibir pagos más cuantiosos en caso de alcanzarse el nivel más alto del ciclo.</li> <li>• No se garantiza que el Equipo Gestor vaya a implementar con éxito la Estrategia de Negocio del Grupo.</li> <li>• Los acuerdos entre la Sociedad y el Equipo Gestor fueron negociados en el contexto de una relación de afinidad y pueden contener aspectos menos favorables para la Sociedad que los que hubieran sido pactados en caso de que se hubiese negociado con terceras partes.</li> <li>• Está previsto que los miembros del Equipo Gestor reciban pagos significativos cuando termine su prestación de servicios para la Sociedad.</li> <li>• La Sociedad no mantiene un control total sobre el Equipo Gestor y la Sociedad puede sufrir perjuicios si se ve afectada su reputación o la de MAGIC Real Estate.</li> <li>• La Sociedad depende del rendimiento y de la permanencia del Equipo Gestor.</li> <li>• Existe riesgo de que resulte dañada la reputación del Consejo de Administración y que tenga impacto material perjudicial en el Grupo.</li> <li>• Pueden existir circunstancias en las que los Consejeros tengan conflictos de interés.</li> </ul> <p><u>4. Riesgos regulatorios y relativos a la estructura y fiscalidad</u></p> <ul style="list-style-type: none"> <li>• El Grupo está sometido a determinadas leyes y reglamentos propios de la actividad inmobiliaria.</li> <li>• Las leyes, los reglamentos y las normas en materia de medioambiente, salubridad, seguridad, estabilidad, planeamiento y urbanismo pueden exponer al Grupo a costes y responsabilidades no previstos.</li> <li>• Los activos de la Sociedad podrían ser considerados “activos del plan” (<i>plan assets</i>), los cuales se encuentran sujetos a ciertos</li> </ul>
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		<p>requisitos de ERISA y/o de la sección 4975 del Código, lo cual podría implicar que la Sociedad tenga que abstenerse de realizar ciertas inversiones.</p> <ul style="list-style-type: none"> <li>• La Sociedad era una sociedad de inversión extranjera pasiva (PFIC, por sus siglas en inglés) a los efectos de la normativa fiscal estadounidense en el anterior ejercicio fiscal, y considera que será clasificada nuevamente como tal en el actual ejercicio fiscal y en futuros ejercicios fiscales , lo que generalmente tendrá consecuencias fiscales negativas para los inversores sujetos a tributación estadounidense.</li> <li>• La Sociedad puede dejar de ser considerada una SOCIMI española, lo que acarrearía consecuencias adversas para la Sociedad y para su capacidad de entregar un retorno a los accionistas.</li> <li>• Cualquier cambio en la legislación fiscal (incluido el régimen de SOCIMIs) puede afectar negativamente al Grupo.</li> <li>• Las restricciones del régimen de SOCIMIs pueden limitar la capacidad del Grupo y su flexibilidad para crecer mediante adquisiciones.</li> <li>• Determinadas enajenaciones de activos pueden tener consecuencias negativas en el régimen de SOCIMIs español.</li> <li>• La tributación de las ganancias de capital obtenidas por determinados inversores con motivo de la transmisión de sus Acciones Ordinarias bajo el régimen fiscal español.</li> <li>• La Sociedad puede quedar sujeta a tributación adicional si paga un dividendo a un Accionista Significativo y ello implica una pérdida de beneficios para el Grupo.</li> <li>• La Sociedad no puede imponer restricciones a la libre transmisibilidad de las Acciones Ordinarias y la adquisición de Acciones Ordinarias por parte de determinados inversores puede afectar negativamente a la Sociedad.</li> </ul> <p><u>5. Riesgos relativos a la economía</u></p> <ul style="list-style-type: none"> <li>• Dado que los activos de la Sociedad se concentran y se concentrarán en España y, en menor medida, en Portugal, ésta puede verse negativamente afectada por un desarrollo económico adverso en España, Portugal u otras regiones, o por preocupaciones derivadas de la estabilidad de la Eurozona.</li> </ul>
<p><b>D.3</b></p>	<p>Información fundamental sobre los principales riesgos específicos de los valores</p>	<ul style="list-style-type: none"> <li>• El Contrato de Aseguramiento entre la Sociedad y los Gestores prevé la resolución del contrato si se dan ciertas circunstancias y el compromiso de aseguramiento está sujeto a unas condiciones previas habituales en el mercado.</li> <li>• No puede garantizarse que se vaya a desarrollar un mercado de negociación activo para los Derechos de Suscripción Preferente ni que existirá una liquidez suficiente para dichos derechos.</li> <li>• Una bajada significativa en el precio de las Acciones Ordinarias de la sociedad tendría con probabilidad un efecto material negativo en el valor de los Derechos de Suscripción Preferente.</li> <li>• Las Acciones Ordinarias o los Derechos de Suscripción Preferentes pueden negociarse en el mercado durante el periodo de suscripción (en el caso de los Derechos de Suscripción Preferente) o durante o después del periodo de suscripción (en el caso de las Acciones Ordinarias), lo cual puede tener un impacto desfavorable en el valor de los Derechos de Suscripción Preferente o en el Precio de mercado de las Acciones Ordinarias.</li> <li>• Cualquier retraso en la admisión a negociación de las Nuevas acciones Ordinarias podría afectar a su liquidez e impedir su venta hasta su admisión.</li> </ul>

		<ul style="list-style-type: none"> <li>• Los Accionistas e inversores que ejerciten sus Derechos de Suscripción Preferente durante el periodo de suscripción preferente no podrán revocar sus suscripciones.</li> <li>• El precio de mercado de las Acciones Ordinarias podría no reflejar el valor de los activos del Grupo y el precio de las Acciones Ordinarias de la Sociedad puede variar considerablemente como consecuencia de diversos factores.</li> <li>• Los accionistas que no ejerciten su Derecho de adquisición Preferente verán su participación en el accionariado de la Sociedad diluida.</li> <li>• Una minoría actual de Accionistas o un tercero puede adquirir un porcentaje significativo de acciones en la Sociedad en el contexto de la Oferta y en cualquier otra ocasión.</li> <li>• La venta de acciones por parte el Equipo Gestor, Inversores Ancla o cualquier otro inversor significativo, o la posibilidad de estas ventas, podría afectar negativamente al precio de las Acciones Ordinarias</li> <li>• Los intereses de los Inversores Ancla o de cualquier otro inversor significativo pueden entrar en conflicto con los de otros Accionistas</li> <li>• Los Derechos de Suscripción Preferentes han de ejercitarse a través de la entidad miembro de Iberclear en cuyo registro de anotaciones se encuentren registrados esos derechos y el Precio de Suscripción ha de satisfacerse en euros.</li> <li>• Los accionistas que se hallen fuera de España pueden tener dificultades para iniciar procedimientos o ejecutar sentencias contra la Sociedad o los Consejeros en España.</li> <li>• Las fluctuaciones de los tipos de cambio pueden exponer a un inversor cuya divisa no sea el euro al riesgo de tipo de cambio.</li> <li>• Los accionistas podrían encontrar trabas a la hora de buscar protección de sus intereses dadas las diferencias entre los derechos de los accionistas y las responsabilidades fiduciarias entre el derecho español y otras jurisdicciones, entre las que se incluye la mayoría de los Estados Unidos.</li> <li>• La compra de acciones de la Sociedad no garantiza el derecho a asistir a las Juntas de Accionistas.</li> </ul>
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<b>Sección E – Oferta</b>		
<b>E.1</b>	Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta	La Sociedad espera obtener unos Ingresos Netos de aproximadamente 1.000,2 millones euros en el supuesto de que se produzca la suscripción de todas las Nuevas Acciones Ordinarias, después de deducir comisiones y otros honorarios y gastos, así como impuestos relacionados con la Oferta.
<b>E.2</b>	Motivos de la oferta y destino de los ingresos	El principal destino de los Ingresos Netos de la Emisión financiar la adquisición de Testa, el repago de parte del Bridge Facility y la financiación sus necesidades corporativas generales.
<b>E.3</b>	Descripción de las condiciones de la oferta	La Oferta se refiere a 129.212.000 Nuevas Acciones Ordinarias a un Precio de Suscripción de 8 euros por Nueva Acción Ordinaria.  La Sociedad reconoce a los Accionistas Registrados (es decir, a los Accionistas que aparezcan registrados como tales a las 23:59 hora de Madrid) de la Fecha de Registro, es decir, la fecha de publicación de la Oferta en el BORME lo que, de conformidad con el calendario previsto, se

	<p>espera que tenga lugar el 17 de julio de 2015) Derechos de Suscripción Preferente a suscribir un total de 129.212.000 Nuevas Acciones Ordinarias con un valor nominal de 1 euro cada una. Cada Acción Ordinaria Existente registrada en los registros de Iberclear a las 23:59 (hora de Madrid) en la Fecha de Registro dará derecho a su titular a recibir un Derecho de Suscripción Preferente. El ejercicio de tres Derechos de Suscripción Preferente dará derecho al titular a suscribir dos Nuevas Acciones Ordinarias contra el pago del Precio de suscripción en metálico.</p> <p><u>El periodo de suscripción preferente (que tiene una duración de quince días naturales desde el 18 de julio hasta el 1 de agosto de 2015 (ambas fechas inclusive):</u> Se espera que los Derechos de Suscripción Preferente se negocien en el sistema de interconexión bursátil español (S.I.B.E. o Mercado Continuo) desde las 8:30 (hora de Madrid) del 20 de julio de 2015 a las 8:30 (hora de Madrid) del 1 de agosto de 2015, ambos inclusive. Durante el periodo de suscripción preferente, los Accionistas Registrados pueden ejercitar o vender sus Derechos de Suscripción Preferente, en todo o en parte, y aquellos que hayan ejercitado la totalidad de sus Derechos de Suscripción Preferente pueden confirmar su deseo de suscribir durante el periodo de asignación adicional descrito a continuación Nuevas Acciones Ordinarias en exceso de las que les corresponderían proporcionalmente. Alternativamente, los Accionistas Registrados pueden vender en el mercado durante este periodo todos o parte de sus Derechos de Suscripción Preferente y otros inversores distintos de los Accionistas Registrados pueden adquirir dichos Derechos de suscripción Preferente en el mercado en la proporción requerida y suscribir las correspondientes Nuevas Acciones Ordinarias, en cada caso, de conformidad con la normativa de aplicación.</p> <p>Aquellos Derechos de Suscripción Preferente respecto de los que no se haya recibido el pago íntegro en o antes de la expiración del periodo de suscripción preferente se extinguirán y los titulares de los mismos no serán compensados. El ejercicio de Derechos de suscripción Preferente durante el periodo de suscripción preferente es irrevocable, firme e incondicional y no puede ser cancelado ni modificado (salvo en el caso de publicación de un suplemento al Folleto, en cuyo caso el inversor que haya suscrito Nuevas Acciones Ordinarias tendrá derecho, ejercitable en los dos días siguientes al de la publicación del suplemento, a retirar sus suscripciones, siempre y cuando el nuevo factor, error o inexactitud al que se refiere el suplemento tuviera lugar con anterioridad al cierre de la Oferta y a la entrega de las Nuevas Acciones Ordinarias).</p> <p><u>Periodo de asignación adicional:</u> la asignación de Nuevas Acciones Ordinarias adicionales se espera que tenga lugar en el cuarto día hábil bursátil inmediatamente posterior al de finalización del periodo de suscripción preferente (que, conforme al calendario estimado, se espera que tenga lugar el 6 de agosto de 2015). En la medida en que, en la fecha de cierre del periodo de suscripción preferente haya Nuevas Acciones Ordinarias que no hayan sido suscritas, la Sociedad las asignará a los titulares de Derechos de suscripción Preferente que hayan ejercitado éstos por completo y hayan indicado su interés en suscribir Nuevas Acciones Ordinarias adicionales.</p> <p>Dependiendo del número de Nuevas Acciones Ordinarias suscritas en el periodo de suscripción preferente y de las solicitudes de Nuevas Acciones Ordinarias recibidas por la Sociedad durante el periodo de asignación adicional, los titulares de Derechos de Suscripción Preferente pueden recibir menos Nuevas Acciones Ordinarias que las que solicitaron e incluso ninguna (si bien, en ningún caso recibirán más Nuevas Acciones Ordinarias que las que solicitaron).</p>
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	<p><u>Periodo de asignación discrecional:</u> Si quedan Nuevas Acciones Ordinarias sin suscribir tras el cierre de periodo de asignación adicional, las Entidades Aseguradoras han aceptado, con sujeción a los términos y condiciones del Contrato de Aseguramiento, usar sus esfuerzos razonables para procurar suscriptores durante el periodo de asignación discrecional y, a falta de los mismos, a suscribir y desembolsar al Precio de Suscripción cualesquiera Acciones Aseguradas (tal y como se definen más abajo) no suscritas, en proporción a sus respectivos compromisos de aseguramiento.</p> <p>El periodo de asignación discrecional, en caso de existir, se espera que comience a las 17:00 (hora de Madrid) del cuarto día hábil bursátil inmediatamente posterior al de finalización del periodo de suscripción preferente (que se espera que sea el 6 de agosto de 2015) y finalizará a las 9:00 (hora de Madrid) del quinto día hábil bursátil inmediatamente posterior al de finalización del periodo de suscripción preferente (que se espera que sea el 7 de agosto de 2015). Durante el periodo de asignación discrecional las Entidades Aseguradoras solo ofrecerán las Nuevas Acciones Ordinarias no suscritas (i) en EE.UU, sólo a <i>qualified investor buyers</i> (tal y como éstos se definen en la Regla 144A) y al amparo de la sección 4(a)2 de la Securities Act o en la Regla 144A o en cualquier otra excepción a la obligación de registro prevista en la Securities Act; o (ii) fuera de EE.UU., en operaciones extranjeras de conformidad con la Regla S.</p> <p><u>Aseguramiento:</u> El 15 de julio de 2015, la Sociedad suscribió un contrato de aseguramiento sujeto a ley inglesa en relación con las Nuevas Acciones Ordinarias con las Entidades Aseguradoras y BNP Paribas Securities Services, Sucursal en España, como Banco Agente, (el <b>Contrato de Aseguramiento</b>) respecto de 128,462,000 Nuevas Acciones Ordinarias (las <b>Acciones Aseguradas</b>). El número de Acciones Aseguradas se obtienen al restar las Nuevas Acciones Ordinarias que el Equipo Gestor, mediante su inversión en el vehículo MAGIC Kingdom, se ha comprometido a suscribir y pagar en la Oferta (es decir, 750,000 Nuevas Acciones Ordinarias (las <b>Acciones de MAGIC Kingdom</b>)) al número total de Nuevas Acciones Ordinarias emitidas de acuerdo con la Oferta (es decir, 129.212.000 Acciones Ordinarias). De conformidad con los términos del Contrato de Aseguramiento, aquellas Acciones Aseguradas que queden sin suscribir tras el cierre del periodo de asignación discrecional serán adquiridas por las Entidades Aseguradoras, en proporción a sus respectivos compromisos de aseguramiento y al Precio de Suscripción. Si todas las Acciones Aseguradas son suscritas por Accionistas Registrados o por inversores cualificados en el periodo de suscripción preferente, el periodo de asignación adicional o en el periodo de asignación discrecional, según sea el caso, las Entidades Aseguradoras no estarán obligadas a suscribir ninguna Acción Asegurada.</p> <p>El Contrato de Aseguramiento contempla la posibilidad de que la mayoría de las Entidades Directoras (<i>Joint Bookrunners</i>), incluyéndose en esa mayoría al Coordinador Global Único (<i>Sole Global Coordinator</i>) (en nombre de las Entidades Aseguradoras), terminen el Contrato de Aseguramiento en determinadas circunstancias en cualquier momento previo a la inscripción de la escritura de aumento de capital en el Registro Mercantil de Madrid. Estas circunstancias incluyen la ocurrencia de un cambio significativo adverso en la situación de la Sociedad (ya sea financiero o no), en sus negocios o perspectivas y ciertos cambios, entre otros, en ciertas condiciones políticas, financieras o económicas, nacionales o internacionales.</p> <p>Además, las obligaciones de las Entidades Aseguradoras bajo el Contrato de Aseguramiento se encuentran sujetas al cumplimiento de determinadas</p>
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		<p>condiciones suspensivas, incluyendo la entrega de opiniones legales, las cartas de auditores en términos de mercado, la adquisición por la Sociedad de la Participación de Control e o antes del 29 de julio de 2015 o el Contrato de Inversión que esté vigente durante el Periodo de Suscripción Preferente.</p> <p>Morgan Stanley &amp; Co. International plc actúa como Coordinador Global Único (<i>Sole Global Coordinator</i>), Credit Suisse Securities (Europe) Limited, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley &amp; Co. International plc Y UBS Limited actúan como Entidades Directoras (<i>Joint Bookrunners</i>), Banco Santander S.A., BNP PARIBAS, Crédit Agricole Corporate, Investment Bank, y Soci�t� G�n�rale, actúan como Entidades Co-Directoras (<i>Co-Bookrunners</i>) y Banco Bilbao Vizcaya Argentaria, S.A., , Caixabank, S.A., Fidentiis Equities, Sociedad de Valores S.A. y , Kempen &amp; Co N.V. and Mediobanca – Banca di Credito Finanziario S.p.A., como Entidades Co-Agentes (<i>Co-Lead Managers</i>).</p>
<b>E.4</b>	<p>Descripci�n de cualquier inter�s que sea importante para la emisi�n/oferta, incluidos los conflictivos</p>	<p>La Sociedad no tiene constancia de otras conexiones o intereses econ�micos significativos entre la Sociedad y las entidades que participan en la Oferta (Consejeros, secretario de la sociedad, Coordinador Global �nico (<i>Sole Global Coordinator</i>), Entidades Directoras (<i>Joint Bookrunners</i>), Entidades Co-Directoras (<i>Co-Bookrunners</i>), Banco Agente y asesores legales), a excepci�n de la estricta relaci�n profesional derivada del asesoramiento legal y financiero que se describe en relaci�n con la Oferta y los intereses de (1) la Entidad Coordinadora Global (entidades que a fecha de este Folleto poseen 4.981.341 Acciones Ordinarias y, tras la Oferta, asumiendo que el 100% de sus Derechos de Adquisici�n Preferente, tendr�n 7.472.011 Acciones Ordinarias) y (2) el Equipo Gestor (a trav�s de su v�h�culo de inversi�n, MAGIC Kingdom, el cual, a fecha de este Folleto posee 1.124.999 Acciones Ordinarias y, tras la Oferta, asumiendo que el 100% de sus Derechos de Adquisici�n Preferente, tendr� 1.874.999 Acciones Ordinarias). Adem�s, algunos de los Gestores, directa o indirectamente, ha llevado a cabo servicios para la Sociedad o han realizado operaciones de inversi�n, financieras y de banca comercial y podr�n realizarlas tambi�n en el futuro.</p>
<b>E.5</b>	<p>Nombre de la persona o de la entidad que se ofrece a vender el valor</p> <p>Acuerdos de no enajenaci�n</p>	<p>No existen otros oferentes adem�s de la propia Sociedad que ofrezca la venta de las Nuevas Acciones Ordinarias.</p> <p><u>Compromisos de la Sociedad</u></p> <p>Desde la firma del Contrato de Colocaci�n y por un per�odo de 180 d�as desde la fecha de la Admisi�n, la Sociedad, en virtud de lo acordado en el Contrato de Colocaci�n, no podr�, sin previa autorizaci�n del Coordinador Global �nico (<i>Sole Global Coordinator</i>) (que no podr� ser denegada o demorada sin motivo):</p> <p>(i) directa o indirectamente, emitir, ofrecer, pignorar, vender, pactar su venta, vender ninguna opci�n o contrato de compra, comprar ninguna opci�n o contrato de venta, otorgar ninguna opci�n, derecho o warrant para comprar, prestar, pignorar o de cualquier otro modo transferir o disponer de acciones o cualquier otro valor convertible en, ejercitable o canjeable por Acciones Ordinarias o cualesquiera otras acciones de la Sociedad o registrar cualquier folleto bajo la Directiva de Folletos o cualquier documento equivalente con cualquier otro regulador del mercado de valores, bolsa de valores o autoridad burs�til en relaci�n con cualquiera de las anteriores, o</p> <p>(ii) llevar a cabo permutas u otros acuerdos o transacciones que transfieran, en todo o en parte, directa o indirectamente, los efectos econ�micos derivados de la propiedad de las Acciones Ordinarias o</p>

	<p>cualesquiera otras acciones de la Sociedad; o</p> <p>(iii) realizar cualquier otra operación con los mismos efectos económicos, o acordar realizar, o anunciar o publicitar de cualquier otra forma la intención de hacer cualquiera de las anteriores acciones, bien cuando la transacción descrita en los puntos (i), (ii) y (iii) anteriores sea liquidada mediante la entrega de Acciones Ordinarias o de otros valores, en efectivo o de otra manera.</p> <p>Dichos compromisos de no transmisión no aplican a (A) la emisión por la Sociedad de los Derechos de Suscripción Preferente y de las Nuevas Acciones Ordinarias en la forma aquí descrita, (B) la concesión o ejercicio de opciones u otros derechos a adquirir Acciones Ordinarias o derechos relacionados con Acciones Ordinarias bajo los planes de incentivo y de acciones de empleados, según los mismos se describen en este Folleto, y (C) las Acciones Ordinarias que sean emitidas para ejecutar la fusión potencial entre la Sociedad y Testa.</p> <p><u>Compromiso del Equipo Gestor</u></p> <p>En relación con la Emisión Inicial, MAGIC Kingdom (el vehículo de inversión a través del cual los miembros del Equipo Gestor tiene Acciones Ordinarias) ha acordado que desde la firma del Contrato de Colocación respecto de la Emisión Inicial (13 de junio de 2014) y por un período de 720 días desde la fecha de la Admisión Inicial, MAGIC Kingdom no podrá, sin previa autorización unánime y escrita de las Entidades encargadas del Libro Demanda (que no podrá ser denegada o demorada sin motivo):</p> <p>(i) directa o indirectamente, emitir, ofrecer, pignorar, vender, pactar su venta, vender ninguna opción o contrato de compra, comprar ninguna opción o contrato de venta, otorgar ninguna opción, derecho o warrant para comprar, prestar, pignorar o de cualquier otro modo transferir o disponer de acciones o cualquier otro valor convertible en, ejercitable o canjeable por Acciones Ordinarias, o</p> <p>(ii) llevar a cabo permutas u otros acuerdos o transacciones que transfieran, en todo o en parte, directa o indirectamente, los efectos económicos derivados de la propiedad de las Acciones Ordinarias, bien cuando la permuta o la transacción descrita en los puntos (i) y (ii) anteriores sea liquidada mediante la entrega de Acciones Ordinarias o de otros valores convertibles, ejercitables o intercambiables por Acciones Ordinarias, en efectivo o de otra manera.</p> <p>Dichos compromisos de no transmisión no resultarán de aplicación a (i) ningún acuerdo entre MAGIC Kingdom y cualquier institución financiera que haya otorgado, o lo haga en el futuro, financiación para la suscripción de las citadas Acciones Ordinarias por parte de MAGIC Kingdom, siempre que esas Acciones Ordinarias sólo sean utilizadas para garantizar el pago u otras obligaciones derivadas de tal financiación contraída por MAGIC Kingdom; (ii) transmisiones de Acciones Ordinarias a favor de los accionistas de MAGIC Kingdom o sus familiares directos (como son los parientes, hermanos y hermanas, esposa o pareja de hecho o descendientes en línea de cualquiera de ellos), siempre y cuando el adquirente acepte quedar sujeto a los compromisos de no transmisión durante el resto del periodo de no enajenación; (iii) en caso de una oferta pública de acciones parcial o total sobre el capital social emitido de la Sociedad que sea recomendada por el Consejo de Administración; (iv) la implementación de un acuerdo (<i>scheme of arrangement</i>) en relación con la venta de Acciones Ordinarias de la Sociedad que sea recomendado por el</p>
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		<p>Consejo de Administración; (v) un acuerdo de reestructuración que sea recomendado por el Consejo de Administración; y (vi) cualquier recompra por parte de la Sociedad de Acciones Ordinarias en los mismos términos que fueron ofrecidos a todos los Accionistas.</p> <p>Adicionalmente, cada uno de los miembros del Equipo Gestor, en virtud del Plan de Acciones para el Equipo Gestor (<i>Management Stock Plan</i>) y salvo en los casos recogidos más abajo, no enajenarán las Acciones Ordinarias recibidas como parte de o en virtud del Plan de Acciones para el Equipo Gestor (<i>Management Stock Plan</i>) antes de que transcurra un año desde la entrega de las Acciones Ordinarias a cualquier miembro del Equipo Gestor. La limitación a la enajenación no será aplicable (i) si la relación laboral o mercantil se extingue o termina por jubilación, despido, fallecimiento, enfermedad o discapacidad; o (ii) en caso de cambio de control sobre la Sociedad.</p> <p>Estos compromisos de no transmisión resultarán asimismo de aplicación a las Nuevas Acciones Ordinarias que MAGIC Kingdom pudiera recibir en la Oferta, pero finalizarán en la misma fecha que para el resto de las Acciones Ordinarias.</p>
<b>E.6</b>	Dilución	<p>Los Accionistas Elegibles recibirán Derechos de Suscripción Preferentes para suscribir las Nuevas Acciones Ordinarias y, en consecuencia, en el caso de que ejerciten plenamente sus derechos, su participación en la Sociedad no será diluida respecto de la Fecha de Referencia.</p> <p>En el caso de que ninguno de los Accionistas Elegibles suscriba Nuevas Acciones Ordinarias por el porcentaje que les corresponda, y asumiendo asimismo que las Nuevas Acciones Ordinarias se suscriben en su totalidad por otros inversores que no sean los Accionistas Elegibles, o los Gestores, las participaciones de los Accionistas Elegibles serían, aproximadamente de un 60% de total de Acciones Ordinarias tras la Oferta, lo que implicaría una dilución de su participación en un 40%.</p>
<b>E.7</b>	Gastos estimados aplicados al inversor por el emisor o el oferente	No aplica. La Sociedad no cargará ningún gasto a ningún inversor en relación con la Oferta.



**FOLLETO MERLIN PROPERTIES, SOCIMI, S.A.**  
**TABLAS DE EQUIVALENCIA**

**EQUIVALENCIAS CON ANEXO I DEL REGLAMENTO 809/2004**

<b>Contenido</b>		<b>Apartado</b>
<b>1.</b>	<b>PERSONAS RESPONSABLES</b>	
<b>1.1</b>	Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.	Portada Part XXIII.1
<b>1.2</b>	Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.	Portada Part XXIII.1
<b>2.</b>	<b>AUDITORES DE CUENTAS</b>	
<b>2.1</b>	Nombre y dirección de los auditores del emisor para el periodo cubierto por la información financiera histórica (así como su afiliación a un colegio profesional).	Part VIII
<b>2.2</b>	Si los auditores han renunciado, han sido apartados de sus funciones o no han sido redesignados durante el periodo cubierto por la información financiera histórica, proporcionarán los detalles si son importantes.	N/A
<b>3.</b>	<b>INFORMACIÓN FINANCIERA SELECCIONADA</b>	
<b>3.1</b>	Información financiera histórica seleccionada relativa al emisor, que se presentará para cada ejercicio durante el periodo cubierto por la información financiera histórica, y cualquier periodo financiero intermedio subsiguiente, en la misma divisa que la información financiera	Part XVIII Part XII.2
<b>3.2</b>	Si se proporciona información financiera seleccionada relativa a periodos intermedios, también se proporcionarán datos comparativos del mismo periodo del ejercicio anterior, salvo que el requisito para la información comparativa del balance se satisfaga presentando la información del balance final del ejercicio	Part XVIII Part XII.2
<b>4.</b>	<b>FACTORES DE RIESGO</b>	Part II
<b>5.</b>	<b>INFORMACIÓN SOBRE EL</b>	

Contenido		Apartado
	<b>EMISOR</b>	
<b>5.1.</b>	<b>Historia y evolución del emisor:</b>	
5.1.1.	<i>nombre legal y comercial del emisor;</i>	Part XII.1 Part XXIII.2
5.1.2.	<i>lugar de registro del emisor y número de registro;</i>	Part XXIII.2
5.1.3.	<i>fecha de constitución y periodo de actividad del emisor, si no son indefinidos;</i>	Part XXIII.2
5.1.4.	<i>domicilio y personalidad jurídica del emisor, legislación conforme a la cual opera, país de constitución, y dirección y número de teléfono de su domicilio social (o lugar principal de actividad empresarial si es diferente de su domicilio social);</i>	Part VIII Part XX.2
5.1.5.	<i>acontecimientos importantes en el desarrollo de la actividad del emisor</i>	Part XII.1 Part XV.1 Part XVII.5
<b>5.2.</b>	<b>Inversiones</b>	
5.2.1.	<i>Descripción, (incluida la cantidad) de las principales inversiones del emisor en cada ejercicio para el periodo cubierto por la información financiera histórica y hasta la fecha del documento de registro.</i>	Part XII.5 Partt XV Part XVII.4
5.2.2.	<i>Descripción de las inversiones principales del emisor actualmente en curso, incluida la distribución de estas inversiones geográficamente (nacionales y en el extranjero) y el método de financiación (interno o externo).</i>	Part XII.5 Part XV Part XVII.4 Part XVII.5
5.2.3.	<i>Información sobre las principales inversiones futuras del emisor sobre las cuales sus órganos de gestión hayan adoptado ya compromisos firmes</i>	Part XII.8.1. Part XVII.5.5
<b>6.</b>	<b>DESCRIPCIÓN DEL NEGOCIO</b>	
<b>6.1.</b>	<b>Actividades principales</b>	
6.1.1.	<i>Descripción y factores clave relativos al carácter de las operaciones del emisor y de sus principales actividades, declarando las principales categorías de productos vendidos y/o servicios prestados en cada ejercicio durante el período cubierto por la información financiera histórica.</i>	Part XII.5 Part XVII.3
6.1.2.	<i>Indicación de todo nuevo producto y/o servicio significativos que se hayan presentado y, en la medida en que se haya divulgado públicamente su desarrollo, dar la fase en que</i>	Part X Part XVII.5

Contenido		Apartado
	<i>se encuentra.</i>	Part XIX
6.2.	<b>Mercados principales</b>	Part XII.7
6.3.	<b>Cuando la información dada de conformidad con los puntos 6.1. y 6.2. se haya visto influenciada por factores excepcionales, debe mencionarse este hecho.</b>	N/A
6.4.	<b>Si es importante para la actividad empresarial o para la rentabilidad del emisor, revelar información sucinta relativa al grado de dependencia del emisor de patentes o licencias, contratos industriales, mercantiles o financieros, o de nuevos procesos de fabricación.</b>	N/A
6.5.	<b>Se incluirá la base de cualquier declaración efectuada por el emisor relativa a su posición competitiva</b>	N/A
7.	<b>ESTRUCTURA ORGANIZATIVA</b>	
7.1.	<b>Si el emisor es parte de un grupo, una breve descripción del grupo y la posición del emisor en el grupo.</b>	Part XII.1
7.2.	<b>Lista de las filiales significativas del emisor, incluido el nombre, el país de constitución o residencia, la participación en el capital y, si es diferente, su proporción de derechos de voto.</b>	Part XII.1 Part XV.1
8.	<b>PROPIEDAD, INSTALACIONES Y EQUIPO</b>	
8.1.	<b>Información relativa a todo inmovilizado material tangible existente o previsto, incluidas las propiedades arrendadas, y cualquier gravamen importante al respecto.</b>	Part XV Part XVII.5.4 Part XXIII.15
8.2.	<b>Descripción de cualquier aspecto medioambiental que pueda afectar al uso por el emisor del inmovilizado material tangible.</b>	N/A
9.	<b>ANÁLISIS OPERATIVO Y FINANCIERO</b>	
9.1	<b>Situación financiera</b>	Part XVII Part XVIII
9.2.	<b>Resultados de explotación</b>	
9.2.1.	<i>Información relativa a factores significativos, incluidos los acontecimientos inusuales o infrecuentes o los nuevos avances, que afecten de manera importante a los ingresos del emisor por operaciones, indicando en qué medida han resultado afectados los ingresos.</i>	Part X Part XVII.3 Part XIX
9.2.2.	<i>Cuando los estados financieros revelen cambios importantes en las ventas netas o en los ingresos, proporcionar un comentario narrativo de los motivos de esos cambios</i>	Part XVII.3 Part XVII.4

Contenido		Apartado
		Part XVII.6
9.2.3.	<i>Información relativa a cualquier actuación o factor de orden gubernamental, económico, fiscal, monetario o político que, directa o indirectamente, hayan afectado o pudieran afectar de manera importante a las operaciones del emisor.</i>	Part II.5
<b>10.</b>	<b>RECURSOS DE CAPITAL</b>	
<b>10.1.</b>	<b>Información relativa a los recursos de capital del emisor (a corto y a largo plazo).</b>	Part V Part XII.2
<b>10.2.</b>	<b>Explicación de las fuentes y cantidades y descripción narrativa de los flujos de tesorería del emisor.</b>	Part XII.2.2. Part XVIII
<b>10.3.</b>	<b>Información sobre los requisitos de préstamo y la estructura de financiación del emisor.</b>	Part V Part XVII.4
<b>10.4.</b>	<b>Información relativa a cualquier restricción sobre el uso de los recursos de capital que, directa o indirectamente, haya afectado o pudiera afectar de manera importante a las operaciones del emisor.</b>	N/A
<b>10.5.</b>	<b>Información relativa a las fuentes previstas de fondos necesarias para cumplir los compromisos mencionados en 5.2.3. y 8.1.</b>	Part X.1 Part XXIII.8
<b>11.</b>	<b>INVESTIGACIÓN Y DESARROLLO, PATENTES Y LICENCIAS</b>	N/A
<b>12.</b>	<b>INFORMACIÓN SOBRE TENDENCIAS</b>	
<b>12.1.</b>	<b>Tendencias recientes más significativas de la producción, ventas e inventario, y costes y precios de venta desde el fin del último ejercicio hasta la fecha del documento de registro.</b>	N/A
<b>12.2.</b>	<b>Información sobre cualquier tendencia conocida, incertidumbres, demandas, compromisos o hechos que pudieran razonablemente tener una incidencia importante en las perspectivas del emisor, por lo menos para el ejercicio actual.</b>	Part. II.2.I.b) Part II.2.III Part XII.6 Part XXIII.17
<b>13.</b>	<b>PREVISIONES O ESTIMACIONES DE BENEFICIOS</b>	
<b>13.1.</b>	<b>Declaración que enumere los principales supuestos en los que el emisor ha basado su previsión o su estimación.</b>	N/A
<b>13.2.</b>	<b>Debe incluirse un informe elaborado por contables o auditores independientes que declare que, a juicio de esos contables o auditores independientes, la previsión o estimación se ha calculado correctamente sobre la base declarada, y que el</b>	N/A

Contenido		Apartado
	<b>fundamento contable utilizado para la previsión o estimación de los beneficios es coherente con las políticas contables del emisor.</b>	
13.3.	<b>La previsión o estimación de los beneficios debe prepararse sobre una base comparable con la información financiera histórica.</b>	N/A
13.4.	<b>Si el emisor publica en un folleto una previsión de beneficios que está aún pendiente, debería entonces proporcionar una declaración de si efectivamente ese pronóstico sigue siendo tan correcto como en la fecha del documento de registro, o una explicación de por qué el pronóstico ya no es válido, si ese es el caso.</b>	N/A
14.	<b>ÓRGANOS DE ADMINISTRACIÓN, DE GESTIÓN Y DE SUPERVISIÓN, Y ALTOS DIRECTIVOS</b>	
14.1.	<p><b>Nombre, dirección profesional y cargo</b></p> <p><b>en el emisor de las siguientes personas, indicando las principales actividades que éstas desarrollan al margen del emisor, si dichas actividades son significativas con respecto a ese emisor:</b></p> <p>(a) <b>miembros de los órganos de administración, de gestión o de supervisión;</b></p> <p>(b) <b>socios comanditarios, si se trata de una sociedad comanditaria por acciones;</b></p> <p>(c) <b>fundadores, si el emisor se ha establecido para un período inferior a cinco años; y</b></p> <p>(d) <b>cualquier alto directivo que sea pertinente para establecer que el emisor posee las calificaciones y la experiencia apropiadas para gestionar las actividades del emisor.</b></p> <p><b>Naturaleza de toda relación familiar entre cualquiera de esas personas.</b></p> <p><b>En el caso de los miembros de los órganos de administración, de gestión o de supervisión del emisor y de las personas descritas en (b) y (d) del primer párrafo, datos sobre la preparación y experiencia pertinentes de gestión de esas personas, además de la siguiente información:</b></p> <p>(a) <b>nombres de todas las empresas y asociaciones de las que esa persona haya sido, en cualquier momento de los cinco años anteriores, miembro de los órganos de administración, de gestión o de supervisión, o socio, indicando si esa persona sigue siendo miembro de los órganos de administración, de gestión o de supervisión, o si es socio. No es necesario enumerar todas las filiales de un emisor del cual la persona sea también miembro del órgano de administración, de gestión o de supervisión;</b></p> <p>(b) <b>cualquier condena en relación con delitos de fraude por lo menos en los cinco años anteriores;</b></p> <p>(c) <b>datos de cualquier quiebra, suspensión de pagos o liquidación con las que una persona descrita en (a) y (d) del primer párrafo, que actuara ejerciendo uno de los cargos</b></p>	<p>Part XIII</p> <p>Part XIV.1</p> <p>Part XIV.7</p> <p>Part XIV 8.5.</p>

Contenido		Apartado
	<p>contemplados en (a) y (d) estuviera relacionada por lo menos durante los cinco años anteriores;</p> <p>(d) detalles de cualquier incriminación pública oficial y/o sanciones de esa persona por autoridades estatutarias o reguladoras (incluidos los organismos profesionales designados) y si esa persona ha sido descalificada alguna vez por un tribunal por su actuación como miembro de los órganos de administración, de gestión o de supervisión de un emisor o por su actuación en la gestión de los asuntos de un emisor durante por lo menos los cinco años anteriores.</p> <p>De no existir ninguna información en este sentido que deba revelarse, efectuar una declaración a ese efecto.</p>	
14.2.	Conflictos de intereses de los órganos de administración, de gestión y de supervisión, y altos directivos	Part XII.6 Part XIII.2 Part XIV.2
15.	<b>REMUNERACIÓN Y BENEFICIOS</b>	
15.1.	Importe de la remuneración pagada (incluidos los honorarios contingentes o atrasados) y prestaciones en especie concedidas a esas personas por el emisor y sus filiales por servicios de todo tipo prestados por cualquier persona al emisor y sus filiales.	Part XIII.1.3 Part XIV.5
15.2.	Importes totales ahorrados o acumulados por el emisor o sus filiales para prestaciones de pensión, jubilación o similares.	N/A
16.	<b>PRÁCTICAS DE GESTIÓN</b>	
16.1.	Fecha de expiración del actual mandato, en su caso, y periodo durante el cual la persona ha desempeñado servicios en ese cargo.	Part XIV.1
16.2.	Información sobre los contratos de los miembros de los órganos de administración, de gestión o de supervisión con el emisor o cualquiera de sus filiales que prevean beneficios a la terminación de sus funciones, o la correspondiente declaración negativa	Part XIV.5
16.3.	Información sobre el comité de auditoría y el comité de retribuciones del emisor, incluidos los nombres de los miembros del comité y un resumen de su reglamento interno.	Part XIV.8.5
16.4.	Declaración de si el emisor cumple el régimen o regímenes de gobierno corporativo de su país de constitución. En caso de que el emisor no cumpla ese régimen, debe incluirse una declaración a ese efecto, así como una explicación del motivo por el cual el emisor no cumple ese régimen.	Part XIV.8.1
17.	<b>EMPLEADOS</b>	
17.1.	Número de empleados al final del período o la media para cada ejercicio durante el período cubierto por la información financiera histórica hasta la fecha del documento de registro (y las variaciones de ese número, si son importantes) y, si es	Part XIII.1 Part XXIII.7

<b>Contenido</b>		<b>Apartado</b>
	posible y reviste importancia, un desglose de las personas empleadas por categoría principal de actividad y situación geográfica. Si el emisor emplea un número significativo de empleados eventuales, incluir datos sobre el número de empleados eventuales por término medio durante el ejercicio más reciente.	
17.2.	Acciones y opciones de compra de acciones.  Con respecto a cada persona mencionada en (a) y (d) del primer párrafo del punto 14.1, proporcionar información de su tenencia de participaciones del emisor y de toda opción sobre tales acciones a partir de la fecha practicable más reciente.	Part XIV.3
17.3.	Descripción de todo acuerdo de participación de los empleados en el capital del emisor.	Part XIII.1.3
18.	<b>ACCIONISTAS PRINCIPALES</b>	
18.1.	En la medida en que tenga conocimiento de ello el emisor, el nombre de cualquier persona que no pertenezca a los órganos de administración, de gestión o de supervisión que, directa o indirectamente, tenga un interés declarable, según el derecho nacional del emisor, en el capital o en los derechos de voto del emisor, así como la cuantía del interés de cada una de esas personas o, en caso de no haber tales personas, la correspondiente declaración negativa.	Part XXIII.4
18.2.	Si los accionistas principales del emisor tienen distintos derechos de voto, o la correspondiente declaración negativa.	Part XXIII.4 Part XXIII.6
18.3.	En la medida en que tenga conocimiento de ello el emisor, declarar si el emisor es directa o indirectamente propiedad o está bajo control y quién lo ejerce, y describir el carácter de ese control y las medidas adoptadas para garantizar que no se abusa de ese control.	N/A
18.4.	Descripción de todo acuerdo, conocido del emisor, cuya aplicación pueda en una fecha ulterior dar lugar a un cambio en el control del emisor.	N/A
19.	<b>OPERACIONES DE PARTES VINCULADAS</b>	Part XXIII.10
20.	<b>INFORMACIÓN FINANCIERA RELATIVA AL ACTIVO Y EL PASIVO DEL EMISOR, POSICIÓN FINANCIERA Y PÉRDIDAS Y BENEFICIOS</b>	
20.1.	Información financiera histórica	Part XVIII, Annex 3
20.2.	Información financiera pro-forma	Part XI
20.3.	Estados financieros	Annex 1 y 2
20.4.	Auditoría de la información financiera histórica anual	Annex 3

Contenido		Apartado
<b>20.4.1.</b>	Declaración de que se ha auditado la información financiera histórica. Si los informes de auditoría sobre la información financiera histórica han sido rechazados por los auditores legales o si contienen cualificaciones o negaciones, se reproducirán íntegramente el rechazo o las cualificaciones o negaciones, explicando los motivos.	Annex 3
<b>20.4.2.</b>	Una indicación de otra información en el documento de registro que haya sido auditada por los auditores.	N/A
<b>20.4.3.</b>	Cuando los datos financieros del documento de registro no se hayan extraído de los estados financieros auditados del emisor, éste debe declarar la fuente de los datos y declarar que los datos no han sido auditados.	N/A
<b>20.5.</b>	<b>Edad de la información financiera más reciente</b>	Part XVIII, Annex 2
<b>20.5.1.</b>	El último año de información financiera auditada no puede preceder en más de: (a) 18 meses a la fecha del documento de registro si el emisor incluye en dicho documento estados financieros intermedios auditados; (b) 15 meses a la fecha del documento de registro si en dicho documento el emisor incluye estados financieros intermedios no auditados.	N/A
<b>20.6.</b>	<b>Información intermedia y demás información financiera</b>	
<b>20.6.1.</b>	Si el emisor ha venido publicando información financiera trimestral o semestral desde la fecha de sus últimos estados financieros auditados, éstos deben incluirse en el documento de registro. Si la información financiera trimestral o semestral ha sido revisada o auditada, debe también incluirse el informe de auditoría o de revisión. Si la información financiera trimestral o semestral no ha sido auditada o no se ha revisado, debe declararse este extremo.	Annex 2
<b>20.6.2.</b>	Si la fecha del documento de registro es más de nueve meses posterior al fin del último ejercicio auditado, debería contener información financiera intermedia que abarque por lo menos los primeros seis meses del ejercicio y que puede no estar auditada (en cuyo caso debe declararse este extremo).	N/A
<b>20.7</b>	<b>Política de dividendos</b>	Part XII.11
<b>20.7.1.</b>	Importe de los dividendos por acción por cada ejercicio para el período cubierto por la información financiera histórica, ajustada si ha cambiado el número de acciones del emisor, para que así sea comparable.	N/A
<b>20.8</b>	<b>Procedimientos judiciales y de arbitraje</b>	N/A
<b>20.9</b>	<b>Cambios significativos en la posición financiera o comercial del emisor</b>	N/A
<b>21</b>	<b>INFORMACIÓN ADICIONAL</b>	



Contenido		Apartado
<b>21.1.</b>	<b>Capital Social</b>	
<b>21.1.1.</b>	Importe del capital emitido, y para cada clase de capital social (a) número de acciones autorizadas; (b) número de acciones emitidas e íntegramente desembolsadas y las emitidas pero no desembolsadas íntegramente; (c) valor nominal por acción, o que las acciones no tienen ningún valor nominal; y (d) una conciliación del número de acciones en circulación al principio y al final del año. Si se paga más del 10 % del capital con activos distintos del efectivo dentro del periodo cubierto por la información financiera histórica, debe declararse este hecho.	Part XXIII.3
<b>21.1.2.</b>	Si hay acciones que no representan capital, se declarará el número y las principales características de esas acciones.	N/A
<b>21.1.3.</b>	Número, valor contable y valor nominal de las acciones del emisor en poder o en nombre del propio emisor o de sus filiales.	N/A
<b>21.1.4.</b>	Importe de todo valor convertible, valor canjeable o valor con garantías, indicando las condiciones y los procedimientos que rigen su conversión, canje o suscripción.	N/A
<b>21.1.5.</b>	Información y condiciones de cualquier derecho de adquisición y/o obligaciones con respecto al capital autorizado pero no emitido o sobre la decisión de aumentar el capital.	Part XXIII.3
<b>21.1.6.</b>	Información sobre cualquier capital de cualquier miembro del grupo que esté bajo opción o que se haya acordado condicional o incondicionalmente someter a opción y detalles de esas opciones, incluidas las personas a las que se dirigen esas opciones.	N/A
<b>21.1.7.</b>	Historial del capital social, resaltando la información sobre cualquier cambio durante el período cubierto por la información financiera histórica.	Part XXIII.3
<b>21.2.</b>	<b>Estatutos y escritura de constitución</b>	
<b>21.2.1.</b>	Descripción del objeto social y fines del emisor y dónde pueden encontrarse en los estatutos y escritura de constitución.	Part XII.1 Part XXIII.2
<b>21.2.2.</b>	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor relativa a los miembros de los órganos de administración, de gestión y de supervisión.	Part XIV.8 Part XXIII.6
<b>21.2.3.</b>	Descripción de los derechos, preferencias y restricciones relativas a cada clase de las acciones existentes.	N/A
<b>21.2.4.</b>	Descripción de qué se debe hacer para cambiar los derechos de los tenedores de las acciones, indicando si las condiciones son más significativas que las que requiere la ley.	N/A
<b>21.2.5.</b>	Descripción de las condiciones que rigen la manera de convocar las juntas generales anuales y las juntas generales extraordinarias de accionistas, incluyendo las condiciones de admisión.	Part XXIII.6

<b>Contenido</b>		<b>Apartado</b>
<b>21.2.6.</b>	Breve descripción de cualquier disposición de las cláusulas estatutarias o reglamento interno del emisor que tenga por efecto retrasar, aplazar o impedir un cambio en el control del emisor.	N/A
<b>21.2.7.</b>	Indicación de cualquier disposición de las cláusulas estatutarias o reglamento interno, en su caso, que rijan el umbral de propiedad por encima del cual deba revelarse la propiedad del accionista.	Part XXIII.6
<b>21.2.8.</b>	Descripción de las condiciones impuestas por las cláusulas estatutarias o reglamento interno que rigen los cambios en el capital, si estas condiciones son más rigurosas que las que requiere la ley.	N/A
<b>22</b>	<b>CONTRATOS IMPORTANTES</b>	Part XXIII.11
<b>23</b>	<b>INFORMACIÓN DE TERCEROS, DECLARACIONES DE EXPERTOS Y DECLARACIONES DE INTERÉS</b>	
<b>23.1.</b>	<b>Cuando se incluya en el documento de registro una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de dicha persona, su dirección profesional, sus cualificaciones y, en su caso, cualquier interés importante que tenga en el emisor. Si el informe se presenta a petición del emisor, una declaración a ese efecto de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte del documento de registro.</b>	Part XVI Part XIX.6
<b>23.2.</b>	<b>En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.</b>	N/A
<b>24</b>	<b>DOCUMENTOS PRESENTADOS</b>	Part XXIII.18
<b>25</b>	<b>INFORMACIÓN SOBRE CARTERAS</b>	N/A

## EQUIVALENCIAS CON ANEXO II DEL REGLAMENTO 809/2004

Contenido		Apartado
1.	<p>La información pro-forma constará de una descripción de la operación, las empresas o entidades implicadas y el período al que haga referencia, y deberá declarar claramente:</p> <p>a) el propósito para el que se ha preparado;</p> <p>b) que se ha preparado solamente a efectos ilustrativos;</p> <p>c) que, debido a su naturaleza, la información financiera pro-forma trata de una situación hipotética y, por consiguiente, no representa la posición financiera o los resultados reales de la empresa.</p>	<p>Part XI</p> <p>Annex 1</p>
2.	<p>Para presentar la información financiera pro-forma, podrá incluirse un balance y una cuenta de pérdidas y ganancias, y adjuntar notas explicativas, según las circunstancias.</p>	Annex 1
3.	<p>La información financiera pro-forma se presentará normalmente en un formato de columnas, integrado por:</p> <p>a) la información histórica no ajustada;</p> <p>b) los ajustes pro-forma; y</p> <p>c) la información financiera pro-forma resultante en la columna final. Habrá que declarar las fuentes de la información financiera pro-forma y, si procede, se incluirán en el folleto los estados financieros de las empresas o entidades adquiridas</p>	Annex 1
4.	<p>La información pro-forma debe prepararse de manera coherente con las políticas contables adoptadas por el emisor en sus últimos estados financieros, y especificará lo siguiente:</p> <p>a) la base sobre la cual se prepara; y</p> <p>b) la fuente de cada elemento de información y el ajuste.</p>	Annex 1
5.	<p>La información pro-forma solamente puede publicarse con respecto a</p> <p>a) el período financiero actual;</p> <p>b) el período financiero concluido más recientemente; o también</p> <p>c) el período intermedio más reciente durante el cual ha sido publicada o se publica en el mismo documento la información relevante no ajustada.</p>	Annex 1
6.	<p>Los ajustes pro-forma relacionados con la información financiera pro-forma deben ser:</p> <p>a) expuestos y explicados con claridad;</p> <p>b) directamente atribuibles a la operación;</p> <p>c) demostrables fehacientemente. Además, por lo que se refiere a la declaración pro-forma de pérdidas y beneficios o de tesorería, debe identificarse claramente cuáles son las que se espera que</p>	<p>Part IX</p> <p>Annex 1</p>

	<b>tengan un impacto duradero en el emisor y cuáles no.</b>	
<b>7.</b>	<b>El informe elaborado por los contables o auditores independientes declarará que, en su opinión:</b> <b>a) se ha compilado correctamente la información financiera pro-forma sobre la base declarada;</b> <b>b) esa base es coherente con las políticas contables del emisor.</b>	Annex 1

**EQUIVALENCIAS CON ANEXO III DEL REGLAMENTO 809/2004**

<b>Contenido</b>		<b>Apartado</b>
<b>1.</b>	<b>PERSONAS RESPONSABLES</b>	
1.1	Todas las personas responsables de la información que figura en el documento de registro y, según los casos, de ciertas partes del mismo, con, en el último caso, una indicación de las partes. En caso de personas físicas, incluidos los miembros de los órganos de administración, de gestión o de supervisión del emisor, indicar el nombre y el cargo de la persona; en caso de personas jurídicas, indicar el nombre y el domicilio social.	Portada Part XXIII.1
1.2	Declaración de los responsables del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en el documento de registro es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido. En su caso, declaración de los responsables de determinadas partes del documento de registro que asegure que, tras comportarse con una diligencia razonable para garantizar que así es, la información contenida en la parte del documento de registro de la que son responsables es, según su conocimiento, conforme a los hechos y no incurre en ninguna omisión que pudiera afectar a su contenido.	Portada Part XXIII.1
<b>2.</b>	<b>FACTORES DE RIESGO</b>	
2.1	Factores de riesgo	Part II
<b>3.</b>	<b>INFORMACIÓN ESENCIAL</b>	
3.1	Declaración sobre el capital circulante.	Part XXIII.8
3.2	Capitalización y endeudamiento	Part V
3.3	Interés de las personas físicas y jurídicas participantes en la emisión/oferta.	Part XX. 7
3.4	Motivos de la oferta y destino de los ingresos	Part III
<b>4.</b>	<b>FACTORES DE RIESGO INFORMACIÓN RELATIVA A LOS VALORES QUE VAN A OFERTARSE/ADMITIRSE A COTIZACIÓN</b>	
4.1	Descripción del tipo y la clase de los valores ofertados / admitidos a cotización, con el Código ISIN (número internacional de identificación del valor) u otro código de identificación del valor.	Part XX.2 Part XX.6
4.2	Legislación según la cual se han creado los valores.	Part XX, 1.1 y 2
4.3	Indicación de si los valores están en forma registrada o al portador y si los valores están en forma de título o de anotación en cuenta. En el último caso, nombre y dirección de la entidad responsable de la llevanza de las anotaciones.	Part XX.2
4.4	Divisa de la emisión de los valores.	Part XX.1

<b>4.5</b>	<b>Descripción de los derechos vinculados a los valores, incluida cualquier limitación de esos derechos, y procedimiento para el ejercicio de los mismos.</b>	
4.5.1	<i>Derechos a participar en las ganancias sociales y en el patrimonio resultante de la liquidación.</i>	Part XXIII.6
4.5.2	<i>Derechos de voto.</i>	Part XXIII.6
4.5.3	<i>Derechos de suscripción preferente en las ofertas de suscripción de valores de la misma clase.</i>	Part XXIII.6
4.5.4	<i>Derecho de participación en los beneficios del emisor.</i>	Part XXIII.6
4.5.5	<i>Derechos de participación en cualquier excedente en caso de liquidación.</i>	Part XXIII.6
4.5.6	<i>Derecho de información.</i>	Part XXIII.6
4.5.7	<i>Cláusulas de conversión.</i>	N/A
<b>4.6</b>	<b>En el caso de nuevas emisiones, declaración de las resoluciones, autorizaciones y aprobaciones en virtud de las cuales los valores han sido o serán creados y/o emitidos.</b>	Part XX.1.1
<b>4.7</b>	<b>En caso de nuevas emisiones, fecha prevista de emisión de los valores.</b>	Part VI Part XX.1.6
<b>4.8</b>	<b>Descripción de cualquier restricción sobre la libre transmisibilidad de los valores.</b>	Part XX.4
<b>4.9</b>	<b>Indicación de la existencia de cualquier oferta obligatoria de adquisición y/o normas de retirada y recompra obligatoria en relación con los valores.</b>	Part XX.3
<b>4.10</b>	<b>Indicación de las ofertas públicas de adquisición realizadas por terceros sobre el capital del emisor, que se hayan producido durante el ejercicio anterior y el actual. Debe declararse el precio o las condiciones de canje de estas ofertas y su resultado.</b>	N/A
<b>4.11</b>	<b>Por lo que se refiere al país del domicilio social del emisor y al país o países en los que se está haciendo la oferta o se solicita la admisión a negociación, información sobre los impuestos de la renta de los valores retenidos en origen, e indicación de si el emisor asume la responsabilidad de la retención de impuestos en origen.</b>	Part XXI
<b>5.</b>	<b>CLÁUSULAS Y CONDICIONES DE LA OFERTA</b>	
<b>5.1.</b>	<b>Condiciones, estadísticas de la oferta, calendario previsto y procedimiento para la suscripción de la oferta.</b>	
5.1.1.	<i>Condiciones a las que está sujeta la oferta.</i>	N/A
5.1.2.	<i>Importe total de la emisión/Oferta, distinguiendo los valores ofertados para la venta y los ofertados para suscripción; si el importe no es fijo, descripción de los acuerdos y del momento en que se anunciará al público el importe definitivo de la Oferta.</i>	Part XX.1.1
5.1.3.	<i>Plazo de suscripción, incluida cualquier posible modificación, de la</i>	Part XX.1.5

	<i>Oferta y descripción del proceso de solicitud.</i>	
5.1.4.	<i>Indicación de cuándo, y en qué circunstancias, puede revocarse o suspenderse la oferta y de si la revocación puede producirse una vez iniciada la negociación.</i>	Part XX.1.14
5.1.5.	<i>Descripción de la posibilidad de reducir suscripciones y la manera de devolver el importe sobrante de la cantidad pagada por los solicitantes.</i>	N/A
5.1.6	<i>Detalles de la cantidad mínima y/o máxima de solicitud (ya sea por el número de los valores o por importe total de la inversión).</i>	N/A
5.1.7	<i>Indicación del plazo en el cual pueden retirarse las solicitudes, siempre que se permita a los inversores dicha retirada.</i>	N/A
5.1.8	<i>Método y plazos para el pago de los valores y para la entrega de los mismos.</i>	Part XX.1.9 Part XX.1.10.
5.1.9	<i>Descripción completa de la manera y fecha en la que se deben hacer públicos los resultados de la Oferta.</i>	Part XX.1.13
5.1.10	<i>Procedimiento para el ejercicio de cualquier derecho preferente de compra, la negociabilidad de los derechos de suscripción y el tratamiento de los derechos de suscripción no ejercidos.</i>	Part XX.1.4
<b>5.2.</b>	<b>Plan de colocación y adjudicación.</b>	
5.2.1.	<i>Las diversas categorías de posibles inversores a los que se ofertan los valores. Si la oferta se hace simultáneamente en los mercados de dos o más países y si se ha reservado o se va a reservar un tramo para determinados países, indicar el tramo.</i>	Part XX.6
5.2.2.	<i>En la medida en que tenga conocimiento de ello el emisor, indicar si los accionistas principales o los miembros de los órganos de administración, de gestión o de supervisión del emisor tienen intención de suscribir la oferta, o si alguna persona tiene intención de suscribir más del cinco por ciento de la oferta.</i>	Part XX.3 Part XXIV
5.2.3.	<i>Información previa sobre la adjudicación.</i>	N/A
5.2.4	<i>Proceso de notificación a los solicitantes de la cantidad asignada e indicación de si la negociación puede comenzar antes de efectuarse la notificación.</i>	Part XX.1.10 Part XX.1.11 Part XX.1.12 Part XX.1.13
5.2.5	<i>Sobre-adjudicación y “green shoe”.</i>	N/A
<b>5.3</b>	<b>Precios</b>	
5.3.1	<i>Indicación del precio al que se ofertarán los valores. Cuando no se conozca el precio o cuando no exista un mercado establecido y/o líquido para los valores, indicar el método para la determinación del precio de oferta, incluyendo una declaración sobre quién ha establecido los criterios o es formalmente responsable de su determinación. Indicación del importe de todo gasto e impuesto cargados específicamente al suscriptor o comprador.</i>	Part XX.1.1
5.3.2	<i>Proceso de publicación del precio de Oferta.</i>	N/A

5.3.3	<i>Limitación o supresión del derecho de suscripción preferente de los accionistas; precio de emisión de los valores.</i>	N/A
5.3.4	<i>En los casos en que haya o pueda haber una disparidad importante entre el precio de oferta pública y el coste real en efectivo para los miembros de los órganos de administración, de gestión o de supervisión, o altos directivos o personas vinculadas, de los valores adquiridos por ellos en operaciones realizadas durante el último año, o que tengan el derecho a adquirir, debe incluirse una comparación de la contribución pública en la oferta pública propuesta y las contribuciones reales en efectivo de esas personas.</i>	N/A
<b>5.4</b>	<b>Colocación y aseguramiento.</b>	
5.4.1	<i>Nombre y dirección del coordinador o coordinadores de la oferta global y de determinadas partes de la misma y, en la medida en que tenga conocimiento de ello el emisor o el oferente, de los colocadores en los diversos países donde tiene lugar la oferta.</i>	Part VIII
5.4.2	<i>Nombre y dirección de cualquier agente de pagos y de las entidades depositarias en cada país.</i>	Part VIII
5.4.3	<i>Nombre y dirección de las entidades que acuerdan asegurar la emisión con un compromiso firme, y detalles de las entidades que acuerdan colocar la emisión sin compromiso firme o con un acuerdo de «mejores esfuerzos». Indicación de las características importantes de los acuerdos, incluidas las cuotas. En los casos en que no se suscriba toda la emisión, declaración de la parte no cubierta. Indicación del importe global de la comisión de suscripción y de la comisión de colocación.</i>	Part XVII.3 Part XX.3
5.4.4	<i>Cuándo se ha alcanzado o se alcanzará el acuerdo de suscripción.</i>	Part XX.3
<b>6.</b>	<b>ACUERDOS DE ADMISIÓN A COTIZACIÓN Y NEGOCIACIÓN</b>	
<b>6.1.</b>	<b>Indicación de si los valores ofertados son o serán objeto de una solicitud de admisión a negociación, con vistas a su distribución en un mercado regulado o en otros mercados equivalentes, indicando los mercados en cuestión. Esta circunstancia debe mencionarse, sin crear la impresión de que se aprobará necesariamente la admisión a negociación. Si se conocen, deben darse las fechas más tempranas en las que los valores se admitirán a negociación.</b>	Part XX.5
<b>6.2.</b>	<b>Todos los mercados regulados o mercados equivalentes en los que, según tenga conocimiento de ello el emisor, estén admitidos ya a negociación valores de la misma clase que los valores que van a ofertarse o admitirse a negociación.</b>	Portada Part X.1
<b>6.3.</b>	<b>Si, simultáneamente o casi simultáneamente con la creación de los valores para los que se busca la admisión en un mercado regulado, se suscriben o se colocan privadamente valores de la misma clase, o si se crean valores de otras clases para colocación pública o privada, deben darse detalles sobre la naturaleza de esas operaciones y del número y las características de los valores a los cuales se refieren.</b>	N/A
<b>6.4.</b>	<b>Detalles de las entidades que tienen un compromiso firme de actuar como intermediarios en la negociación secundaria, aportando liquidez a través de las órdenes de oferta y demanda y descripción de los principales términos de su compromiso.</b>	Part VIII
<b>6.5.</b>	<b>Estabilización: en los casos en que un emisor o un accionista vendedor haya concedido una opción de sobre-adjudicación o se</b>	N/A



	prevé que puedan realizarse actividades de estabilización de precios en relación con la oferta.	
<b>7.</b>	<b>TENEDORES VENDEDORES DE VALORES</b>	
7.1.	Nombre y dirección profesional de la persona o de la entidad que se ofrece a vender los valores, naturaleza de cualquier cargo u otra relación importante que los vendedores hayan tenido en los últimos tres años con el emisor o con cualquiera de sus antecesores o personas vinculadas.	N/A
7.2.	Número y clase de los valores ofertados por cada uno de los tenedores vendedores de valores.	N/A
7.3.	Acuerdos de bloqueo. Partes implicadas. Contenido y excepciones del acuerdo. Indicación del Período de bloqueo.	Part XX.4
<b>8.</b>	<b>GASTOS DE LA EMISIÓN / OFERTA</b>	
8.1.	Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta.	Part XXIII.16
<b>9.</b>	<b>DILUCIÓN</b>	
9.1	Cantidad y porcentaje de la dilución inmediata resultante de la emisión/oferta.	Part IV
9.2.	En el caso de una oferta de suscripción a los tenedores actuales, importe y porcentaje de la dilución inmediata si no suscriben la nueva oferta.	Part IV
<b>10.</b>	<b>INFORMACIÓN ADICIONAL</b>	
10.1.	Si en la nota sobre los valores se menciona a los asesores relacionados con una emisión, una declaración de la capacidad en que han actuado los asesores.	Part VIII
10.2.	Indicación de otra información de la nota sobre los valores que haya sido auditada o revisada por los auditores y si los auditores han presentado un informe. Reproducción del informe o, con el permiso de la autoridad competente, un resumen del mismo.	Part XVIII Annex 3
10.3.	Cuando en la nota sobre los valores se incluya una declaración o un informe atribuido a una persona en calidad de experto, proporcionar el nombre de esas personas, dirección profesional, cualificaciones e interés importante en el emisor, según proceda. Si el informe se presenta a petición del emisor, una declaración de que se incluye dicha declaración o informe, la forma y el contexto en que se incluye, con el consentimiento de la persona que haya autorizado el contenido de esa parte de la nota sobre los valores.	Part XVI Part XIX.6
10.4.	En los casos en que la información proceda de un tercero, proporcionar una confirmación de que la información se ha reproducido con exactitud y que, en la medida en que el emisor tiene conocimiento de ello y puede determinar a partir de la información publicada por ese tercero, no se ha omitido ningún hecho que haría la información reproducida inexacta o engañosa. Además, el emisor debe identificar la fuente o fuentes de la información.	N/A.