

[Translation for information purposes only]

TO THE SPANISH SECURITIES MARKET EXCHANGE COMMISSION

Merlin Properties, SOCIMI, S.A. (“Merlin”), pursuant to article 228 of the consolidated text of the Spanish Securities Market, approved by means of Royal Legislative Decree 4/2015, of 23 October, hereby informs of the following

RELEVANT FACT

On the date hereof, Merlin, Testa Inmuebles en Renta, SOCIMI, S.A. (“**Testa**”) and Testa Residencial, S.L.U. (“**Testa Residencial**”) have entered into an integration agreement with Metrovacesa, S.A. (“**Metrovacesa**”) and its main shareholders, Banco Santander, S.A. (“**BS**”), Banco Bilbao Vizcaya Argentaria, S.A. (“**BBVA**”) and Banco Popular Español, S.A. (“**BP**”), with a view to create the largest Spanish property and residential real estate assets for lease (the “**Integration Agreement**”).

Total spin-off of Metrovacesa and transfer of business units

Pursuant to the provisions of the Integration Agreement, the proposed transaction will take place by means of a total spin-off (*escisión total*) of Metrovacesa, causing the winding-up of such company and the division of its assets into the following three business units:

- (a) *Tertiary assets.* Metrovacesa will split-off in favor of Merlin, as beneficiary company, its entire patrimonial business unit, consisting of the real estate non-residential assets devoted to leasing (including the staff of Metrovacesa, save for 20 employees, and the real estate assets, shares or quotas of its subsidiaries and participated entities, contracts and, in general, all the assets and liabilities of Metrovacesa linked to the tertiary assets, save for the debt amounting to 250 million of euros). The valuation attributed to the tertiary assets of Metrovacesa amounts to € 1,672,844,750, so that Merlin, as beneficiary of the spin-off, will increase its share capital in € 146,740,750, through the issuance of 146,740,750 new shares. Consequently, once the spin-off becomes effective, the shareholders of Metrovacesa will acquire 31.237% of the share capital of Merlin, with an exchange ratio of one (1) share of Merlin for every 20.95722 shares of Metrovacesa.
- (b) *Residential assets.* Metrovacesa will split-off in favor of Testa Residencial (company within Merlin’s group wholly-owned by Testa), as beneficiary company, its entire residential business unit, consisting of the real estate residential assets devoted to leasing (including 10 employees of the Metrovacesa group, real estate assets, shares or quotas of subsidiaries and participated entities, contracts and, in general, all the assets and liabilities of Metrovacesa linked to the residential assets, as well as the 250 million of debt not transferred to Merlin as part of the tertiary assets). The valuation attributed to the residential assets of Metrovacesa amounts to € 441,785,000. Consequently, once the spin-off becomes effective, the shareholders of Metrovacesa will acquire 65.759% of the share capital of Testa Residencial, with an exchange ratio of one (1) share of Metrovacesa for every share of Testa Residencial.

- (c) *Non-strategic assets.* Finally, Metrovacesa will spin-off in favor of a new joint stock company (*sociedad anónima*) to be incorporated the remaining assets, consisting of certain lands and work in progress constructions devoted to tertiary destination for the development and subsequent lease and certain assets already built and also devoted to leasing which features do not correspond with the investment profile defined by Merlin. The valuation attributed to the non-strategic assets of Metrovacesa amounts to € 326,495,000, so that the beneficiary company will be incorporated with a share capital of € 307,527,815.40, divided into 3,075,278,154 shares, which will be attributed to the current shareholders of Metrovacesa in an exchange of one (1) share of the new company for one (1) share of Metrovacesa, with the shareholders of Metrovacesa acquiring the entire share capital of the new company.

The exchange ratios established in the spin-off are definitive and are not subject to adjustment or review, having been calculated by taking into account, amongst other aspects, (i) the estimate net asset value of the consolidated assets prior to taxes (NAV) of Metrovacesa and Merlin (including Testa Residencial within its perimeter of consolidation) as of 31 December 2015 (calculated, in the case of Merlin and Testa Residencial, in accordance with the indications of the European Public Real Estate Association (EPRA), taking into account asset valuations estimated by third parties and, in the case of Metrovacesa, pursuant to the International Financial Reporting Standard), taking into account assets valuations estimated by third-parties under the standards of the Royal Institution of Chartered Surveyors (RICS) of Britain and the International Valuation Standards (IVS) published by the International Valuation Standards Committee (IVSC)); (ii) the profitability of the businesses of Merlin, Testa Residencial and Metrovacesa and the potential increase of their respective NAV, (iii) Merlin's stock price and its previous performance; (iv) the distribution by Merlin to its shareholders of a dividend for an aggregate amount of € 66,221,150; (v) the distribution by Metrovacesa to its shareholders of reserves or a dividend for an amount of € 50,000,024.92; (vi) the assumption by Testa Residencial, as part of the liabilities transferred by means of universal succession within the residential assets of Metrovacesa, of an amount of € 250 million of debt; (vii) the contribution by Testa to the share capital of Testa Residencial of certain assets for an amount of € 32.5 million; (viii) the assumption by Testa Residencial of bank debt of Testa for an aggregate amount of € 76,216,000 and of a financial derivative with a notional value of € 37,240,000; and (ix) the cancellation of the existing intra-group debt between Testa and Testa Residencial for an aggregate amount of € 84,481,125.94 as of 31 March 2016.

The draft terms of the spin-off of Metrovacesa, which reflects the above points, has been signed on the date hereof by the respective Board of Directors of Metrovacesa, Merlin and Testa Residencial, who shall proceed to publish it in the corporate website and to deposit it in the Commercial Registry in accordance with the applicable regulation.

The spin-off will be developed regardless of the merger between Merlin and Testa (announced to the market on the date hereof by means of the relevant fact number 239,998), without the implementation of the merger between Merlin and Testa affecting in any way the economic terms or the calendar of the spin-off.

Authorizations

The integration transaction is subject to the unconditional approval of it, either express or implied, by the competition authorities, and to the approval by the Shareholders' General Meeting of Merlin and by the Shareholders Meeting of Metrovacesa (having BS, BBVA and BP committed, as majority shareholders, to vote in favor and to procure that the companies within their shareholder groups also

vote in favor) and by the Sole Shareholder of Testa Residencial. In this regard, it is envisaged that both the Shareholders' General Meetings of Merlin and Metrovacesa will be held in September 2016. The Board of Directors of both and Metrovacesa will call their respective Shareholders' General Meeting once the independent expert had issued its report in relation to the total spin-off of Metrovacesa, which will be made available for all the shareholders of Merlin and Metrovacesa together with the remaining information required.

Management Bodies

The Integration Agreement also envisages the modification of the management bodies of Merlin and Testa Residencial. In particular, the Board of Directors of Merlin will be composed of 15 directors, 4 of whom will be proprietary directors (3 proposed by BS and 1 proposed by BBVA), 2 executive directors (Mr. Ismael Clemente Orrego and Mr. Miguel Ollero Barrera) and 9 independent directors. Likewise, Mr. Rodrigo Echenique Gordillo will assume the role as non-executive Chairman of the Board of Directors, retaining Mr. Ismael Clemente Orrego the role as executive Vice Chairman and Chief Executive Officer. Testa Residencial will have a Board of Directors composed by Directors who shall be appointed by its shareholders in proportion to their stake in the share capital.

Commitments in relation to the transfer of shares

Furthermore, the Integration Agreement includes certain commitments in relation to the transferability of the shares of Merlin acquired by BS, BBVA and BP as a consequence of the spin-off of the residential and tertiary assets of Metrovacesa in favor of Merlin and Testa Residencial, respectively. In particular, amongst other aspects, the referred shareholders:

- (a) have committed not to dispose the referred shares and of Merlin during a six (6) months period following the registration of the relevant public deed of spin-off in the Commercial Registry;
- (b) have granted Merlin with a pre-emptive right (in its own benefit or in the benefit of a third-party presented by Merlin for that purposes) over the shares of Merlin that would have agreed to transfer to a third-party provided that those shares represent at least 10% of the share capital of Merlin (or in the event that as a result previous shareholding, the third-party would acquire a stake higher than 15% of the share capital of Merlin);
- (c) have agreed not to sell any of them in the market a number of shares per day which may exceed 20% of the average daily trading volume of the shares of Merlin, taking into account for such purposes the average daily trading volume of Merlin's shares in the fifteen (15) previous trading sessions to the date of the sale;
- (d) have committed to coordinate the sale of shares representing more than 1% of the share capital of Merlin, also granting Merlin the right to submit orders in the process and to participate in the allocation of shares to investors, undertaking the commitment not to promote new placements of more than 1% following three months from the end of the placement (regardless of whether the shareholder has participated or not in such placement).

However, the above mentioned commitments of the main shareholders of Metrovacesa will not apply to intra-group transfers or to the transfer of shares in case of public takeovers of the shares

addressed to 100% of the shareholders with voting rights and holders of convertible bonds or exchangeable into Merlin's shares.

The provisions of the Integration Agreement which constitute a shareholders' agreement (*pacto parasocial*) for regulating restrictions to the free transferability of shares (there are no provisions in relation to the exercise of voting rights) will be made public by means of a relevant fact and filed with the Commercial Registry in accordance with Article 531 of the Spanish Companies Act.

Penalties

In the event that the Shareholders' General Meeting of Merlin or the Sole Shareholder of Testa Residencial do not approve the spin-off, Merlin will be obliged to pay a penalty fee to Metrovacesa amounting to 75 million euros and to reimburse Metrovacesa's expenses. Likewise, should the Shareholders' General Meeting of Metrovacesa does not approve the integration, Metrovacesa will have to pay to Merlin a penalty fee of the same amount and to reimburse Merlin's expenses.

Advisory services, planning and strategic management agreement of Testa Residencial

Finally, it is envisaged that Merlin and Testa Residencial, in the context of the contemplated transaction, enter into a long-term agreement whereby Merlin would render remunerated advisory services, planning and strategic asset management of residential assets to Testa Residencial, with a view to create in the future a listed-company leader in Spain specialized in residential leasing.

A press release is attached. MERLIN will hold a conference call with investors today at 18:30h. Dial-in details are included in the attached press release.

Madrid, 21 June 2016.

Merlin Properties, SOCIMI, S.A.

MERLIN Properties and Metrovacesa will merge creating the undisputed leading Spanish REIT and one of the largest European diversified players

- Resulting platform with a GAV of € 9.3 billion, NAV of € 4.9 billion and annual gross rental income of € 450 million.
- Deconsolidation of multifamily rented residential and creation of a specialized leader in the Spanish market, with over 4,700 units under management, GAV of € 1.0 billion and annual gross rents of € 35 million.
- A clear strategic fit: consolidation of leadership in offices, significant increase in scale in shopping centers and potential to capture growth through revenue optimization and operating efficiencies

Madrid, 21 June.- MERLIN Properties has entered into a definitive agreement with Metrovacesa's shareholders for the integration of the company's commercial portfolio into MERLIN, creating the undisputed leading REIT in Spain and one of the largest diversified players in Europe. The resulting entity will own the single largest diversified property portfolio in Spain with greater exposure to the Madrid and Barcelona office CBD and a dramatic increase in scale in shopping centers, a market segment in which it will become the number two player in Spain. Once the integration is completed, the Company will reach a pro-forma GAV of € 9.3 billion, NAV of € 4.9 billion and annual gross rents of € 450 million.

Simultaneously, Metrovacesa will combine its multifamily rented residential portfolio with Testa Residencial, a subsidiary of MERLIN, to create one of the Spanish leaders in this sector, with more than 4,700 units under management, a pro-forma GAV of €980 million, NAV of € 617 million and annual gross rents of € 35 million, which could grow through further contributions.

The transaction execution will consist of several stages:

- Spin-off of Metrovacesa into three business lines: (i) commercial property with a GAV of € 3,190 million and annual gross rents of € 152 million, (ii) rented residential with a GAV of € 692 million and annual gross rents of € 22 million and (iii) development assets, which will be retained by Metrovacesa's shareholders.
- Acquisition of Metrovacesa's commercial property portfolio at a valuation of € 1,673 million in exchange for 146.7 million newly issued MERLIN shares. The resulting shareholding stakes will be: MERLIN shareholders 68.76%, Metrovacesa shareholders 31.24%, the latter being subject to a lock-up period of 180 days.
- Metrovacesa contribution of multifamily rented residential at NAV with MERLIN's equivalent subsidiary, Testa Residencial, in exchange for Testa Residencial shares. Resulting stakes will be: Metrovacesa shareholders 65.76%, MERLIN shareholders 34.24%.

The transaction is subject to the approval of both MERLIN and Metrovacesa General Shareholders Meetings, which are expected to take place in September 2016. Upon closing, the Board of Directors of MERLIN will be composed of 15 members, 9 independent, 3 representing Santander, 1 representing BBVA and 2 executive directors.

A clear strategic rationale

The shareholders will benefit from:

- Reinforced leadership of the Company in offices, enlarging the presence in Madrid and Barcelona CBD, with GLA of ca. 340,000 sqm of space.
- Dramatic increase in scale in the shopping centers division to become number two player in Spain, with significant presence in dominant and / or urban centers located in the highest GDP per capita regions in Spain.
- Tangible embedded upside in Metrovacesa's portfolio and increased exposure to market tailwinds. Future increase in occupancy coupled with a shorter maturity profile positions the Company for compelling short-to-medium term value and FFO growth. The successful, rapid integration of Testa and the ability to extract value through like for like rent increase achieved in 2016 demonstrates the capacity of MERLIN to crystallize this growth.
- Enhanced options for the residential and hotel businesses. The transaction creates a national leader in the attractive rented residential market while deconsolidating the residential division from MERLIN, and increases the attractiveness and liquidity of the hotel division, becoming the leading net lease hotel operator in Spain.
- Sound capital structure preserved. MERLIN, BBB rated by S&P, will reinforce its credit through deleveraging (LTV reduced to 49% pre 2016 valuations) and improved financial ratios.
- The resulting entity becomes one of the largest diversified pure-play commercial REITS in Continental Europe and the undisputed Spanish leader across all asset classes. The business, capital structure and capital markets profile of the Company will offer global investors a highly attractive, liquid investment vehicle.

Unique resulting portfolio

The transaction will lead to a unique investment platform with an unparalleled footprint in the Spanish market across all asset categories. The commercial portfolio will span over more than 3 million sqm of office, shopping centers, logistics, high street retail and hotels. It will be predominantly office focused, comprising 44% of the combined portfolio value, high street retail at 21% and 18% shopping centers. The portfolio will enjoy the following key features:

Press release

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- GAV of € 9.3 billion, NAV of € 4.9 billion, annual gross rents of € 450 million, FFO of € 267 million (based on MERLIN's 2016 market consensus).
- 5.3% average gross yield, 90% occupancy and 7.1 years of average WAULT.

Appealing transaction from a financial perspective

The transaction will deliver a combined pro-forma NAV for MERLIN of € 10.41 per share (+5.7% versus Dec. 2015 NAV), and a combined pro-forma 2016 FFO per share of € 0.57 (+3.4% versus MERLIN 2016 market consensus). The € 140 million dividend guidance for 2016 will be maintained.

Furthermore, MERLIN management team has unilaterally decided to reduce the maximum limitation on overheads, currently at 6% of gross rents, to 5.75% in 2018/2019 and 5.5% from 2020. The Company, already the most efficient in Spain and on par with the most efficient peers in Europe and the US, will become even more competitive for the benefit of its investors. The Stock Plan will also be adjusted to reflect the increased size of the company.

Goldman Sachs acted as financial advisor to Metrovacesa. Morgan Stanley acted as financial advisor to MERLIN Properties.

Conference call

MERLIN Properties will host a conference call today, June 21, 2016 at 18:30 CET to discuss this announcement. Dial-in instructions for the conference call are outlined below. A replay of the call will be available in our website shortly after.

Webex link:

<https://merlinproperties.webex.com/merlinproperties/onstage/g.php?MTID=e58547eb9501112fd909e4e04490c7192>

Conference Call:

- Event Plus Passcode: 24707103
- Participant Dial in numbers:
 - o Spain +34 91 414 6106
 - o France 0170706078
 - o Germany 069222220489
 - o UK +44 (0) 1452 583087
 - o USA +1 866 629 0058

Press release

21 June 2016

About Metrovacesa

Metrovacesa, S.A. is the largest privately owned property company in Spain, with a Gross Asset Value of €4.3 billion. With a history of almost 100 years, the Company is 99% owned by Banco Santander, BBVA and Banco Popular. The Company operates a well-balanced, diversified, high quality property portfolio, focused on two core segments (offices and shopping centers) present mainly in Madrid and Barcelona with complementary rented residential and urban and resort hotel portfolios.

Following the integration, Metrovacesa will continue with its historical activity of development of assets for rental using the Metrovacesa brand through a new company 100% owned by Metrovacesa current shareholders

About MERLIN Properties

MERLIN Properties SOCIMI, S.A. (MC:MRL) is the largest real estate company trading on the Spanish Stock Exchange, with a market capitalization of approximately 3,000 million euros, specialized in the acquisition and management of commercial property in the Iberian region. MERLIN Properties mainly invests in offices, shopping centers and logistics facilities, within the Core and Core Plus segments, forming part of the benchmark IBEX 35, Euro STOXX 600, FTSE EPRA/NAREIT Global Real Estate, GPR Global Index, GPR-250 Index, and MSCI Small Caps indices.

Please visit www.merlinproperties.com to learn more about the company.

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