

## **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 15 de abril 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 April 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 €613,756,990.50 BY MEANS OF A RIGHTS OFFERING OF NEW SHARES AT AN OFFERING PRICE OF €9.50 PER SHARE**

This Prospectus relates to the offering of 64,605,999 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 April 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 two Preferential Subscription Rights entitles the relevant Eligible Shareholder to subscribe for one New Ordinary Share in exchange for payment of a subscription price of €9.50 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 33.3% 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 12 May 2015. On 15 April 2015, the last reported sale price of the Existing Ordinary Shares was €13.10 per Existing Ordinary Share.

The Company has entered into an underwriting agreement with UBS, as sole global coordinator (the “**Sole Global Coordinator**”), Credit Suisse Securities (Europe) Limited, Goldman Sachs International, Morgan Stanley & Co. International plc and UBS Limited, as joint bookrunners (the “**Joint Bookrunners**”) and Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Bankinter, S.A., BNP PARIBAS, Cr dit Agricole Corporate and Investment Bank, Fidentiis Equities, Sociedad de Valores, S.A. and Soci t  G n rale, as co-lead managers (the “**Co-Lead Managers**”), and jointly with the Joint 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 XVII (“**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 XVII (“**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 through the book entry facilities of the Spanish securities, clearance and settlement system (*Sociedad de Gesti n de los Sistemas de Registro, Compensaci n y Liquidaci n de Valores, S.A.U.*) (“**Iberclear**”), subject to payment, on or about 8 May 2015 for New Ordinary Shares subscribed during the preferential subscription period and the additional allocation period and on or about 14 May 2015 for New Ordinary Shares, if any, placed during the discretionary allocation period.

**Sole Global Coordinator**

**UBS Investment Bank**

**Joint Bookrunners**

**Credit Suisse**

**Goldman Sachs  
International**

**Morgan Stanley**

**UBS Investment Bank**

**Co-Lead Managers**

**Banco  
Santander**

**Bankinter**

**BBVA**

**BNP  
PARIBAS**

**Cr dit  
Agricole CIB**

**Fidentiis**

**Soci t   
G n rale  
Corporate &  
Investment  
Banking**

**16 April 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 XVII (“*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 XVII (“*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 XXI ("*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 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-</p>

## Section B – Issuer

		compliance with certain of the eligibility requirements.
<p><b>B.3</b></p>	<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> <p>(i) Commercial Property Assets: focus on commercial real estate and mainly on office, retail, logistics, and prime urban hospitality assets.</p> <p>(ii) 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.</p> <p>(iii) Gearing: seek to maintain gearing below 50% LTV (calculated over Total GAV plus cash available at the Company following the Offering).</p> <p>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):</p> <ul style="list-style-type: none"> <li>• renegotiating or surrendering leases;</li> <li>• improving lease lengths and tenant profile;</li> <li>• undertaking physical improvements;</li> </ul>



## Section B – Issuer

- 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 LTV ratio (calculated over Total GAV plus cash available at the Company following the Offering) 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.

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

## Section B – Issuer

Management Team has detailed knowledge):

- Banking institutions/receivers/borrowers
- SAREB
- Public institutions
- Large corporates
- Private and institutional investors
- Investors in non-performing loans

### *Asset rotation*

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.

### *Regulatory Restrictions*

Pursuant to the SOCIMI Regime, the Company and each of its subsidiaries will be required, among other things, to conduct a Property Rental Business and comply with the following requirements: (i) it must invest at least 80% of its gross asset value in leasable urban real estate properties, land plots acquired for the development of leasable urban real property to the extent that development starts within the following three-year period as from acquisition or shares of other SOCIMIs, foreign entities or subsidiaries engaged in the aforementioned activities with similar distribution requirements, and (ii) at least 80% of its net annual income must derive from rental income and from dividends or capital gains in respect of the abovementioned assets.

The Company and each of its subsidiaries will have a two-year grace period from the date of election for the Spanish SOCIMI Regime by the end of which it must comply with these requirements. In addition, the Company and each of its subsidiaries will have a one-year grace period to cure any non-compliance with these eligibility requirements.

### **Financing Strategy**

The Company's principal use of the Net Proceeds of the Offering will be to fund 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. The Company has a pipeline of projects and potential investments with an estimated size of approximately €1,950 million, of which approximately €170 million corresponds to assets and investments being analysed under exclusivity and/or due diligence and a further €1,780 million correspond to assets and investments under analysis. In terms of asset categories or nature of businesses invested in, the pipeline of projects and investments is broken down as follows (measured by gross estimated value): 56% office, 20% mixed-use, 13% retail, and 11% logistics. These investments may be funded with equity or debt and may result in changes to the Group's leverage. The Company aims to have the Net Proceeds fully invested in the 18 months following the Offering.

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**

## Section B – Issuer

### *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 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.

### *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) 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.

In addition, in order to further reduce the risk of potential conflicts of interest, the shareholders of MAGIC Real Estate have entered into a letter of intent with the Company dated 5 June 2014, pursuant to which they have agreed, during the period ending 5 June 2015, to negotiate in good faith the sale of 100% of the shares in MAGIC Real Estate to the Company if the Company deems it appropriate. This potential acquisition by the Company would need to be approved by the General Shareholders' Meeting. If approved, the Company shall entrust its supervision and implementation to an ad-hoc committee formed in its entirety by independent Directors.

### **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

## Section B – Issuer

Casas.

As of the date of this Prospectus, the Company's total headcount is 23. The Management Team expects to reach a stabilised base of 25 to 30 employees, once the Net Proceeds are fully invested.

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.

### *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.

Management Stock Plan.

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

Board member	Type	Thousands of euros
<i>Remuneration of board members</i>		
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 costs 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.

## Section B – Issuer

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.

### 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 employment contracts between each member of the Management Team and the Company contain provisions, which entitle such members to substantial severance payments if their employment were terminated in circumstances other than (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. If the termination takes place during the first year following Initial Admission, the relevant member would be entitled to five times of his total gross remuneration (including annual fixed remuneration, bonus incentive plans and Ordinary Shares awarded under the Management Stock Plan). In the event such termination takes place after the first year following Initial Admission, such severance indemnity would be reduced by 20% in each year during the subsequent four years.

### **Audit Services**

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.

The audit fees charged by Deloitte, S.L. are negotiated annually and are set forth in Deloitte, S.L.'s annual engagement letter.

## Section B – Issuer

		<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><b>B.4a</b></p>	<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 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.</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 and industrial districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of year-end 2014 of around 5.5% (-100 bps in Madrid and -125 bps in Barcelona) for shopping centres in both cities, 5.0% (-125 bps) for Madrid offices, 5.25% (-100 bps) for Barcelona offices and 7.8% (-25 bps) for industrial logistics space in Madrid. Capital values for these property types in Madrid have shown a similar trend and as of the end of 2014 were of approximately €15,273/sqm, €6,100/sqm, and €774/sqm, respectively; a 23%, 25%, and 6% change when compared to their respective low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €16,364/sqm, €4,100/sqm and €929/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 17%, and 6%, respectively (source: CBRE).</p> <p>The Portuguese property market has also shown signs of recovery since 2012. Property yields as of year-end 2014 in the central business and industrial districts of Lisbon were of around 6.5% (-125 bps) for shopping centres, 6.25% (-200 bps) for office and 8.0% (-150 bps) for industrial logistics space. Capital values have also shown signs of recovery at year-end 2014 at €15,692/sqm, €3,550/sqm and €490/sqm, respectively, representing an increase of 19%, 32% and 19%, respectively, since 2012 (source: CBRE).</p> <p>In summary, values of shopping centres, 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 45%, 43%, 45% (in Madrid), and 28%, 45%, and 46% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of shopping centres, office and logistics properties in Lisbon were 23%, 17% and 39% lower at year-end 2014 than compared to 2007 (source: CBRE).</p>
<p><b>B.5</b></p>	<p>Group description:</p>	<p>As at the date of this Prospectus, the Company has four wholly-owned subsidiaries, each of which holds and manages a particular asset class: Tree</p>

**Section B – Issuer**

Inversiones Inmobiliarias SOCIMI, S.A.U., MERLIN Retail, S.L.U., MERLIN Oficinas, S.L.U. and MERLIN Logistica, S.L.U.

**B.6** Major shareholders:

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.

According to the latest information available from the CNMV, UBS Group AG, Mainstay Marketfield Fund, EJF Capital LLC and Gruss Capital Management LLP held 3.855%, 9.876%, 4.429%, and 4.544%, respectively, of the Company’s share capital prior to the Offering.

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.

**B.7** Historical key financial information:

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.

(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>

**Section B – Issuer**

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

	<b>2014</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

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

	<b>2014</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>



### Section B – Issuer

		<p><b>Payments on investments-</b></p> <p>Net cash flow from acquisition (1,401,988)</p> <p>Investment property (723,725)</p> <p>Property, plant and equipment (551,394)</p> <p>Intangible assets (929)</p> <p>Financial assets (149)</p> <p>(125,791)</p> <p><b>Proceeds from disposals-</b></p> <p>Investment property -</p> <p>Property, plant and equipment -</p> <p><b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES:</b></p> <p><b>Proceeds from and payments for equity instruments-</b></p> <p>Issue of equity instruments 1,261,105</p> <p>Other equity holder contributions 540</p> <p><b>Proceeds from and payments for financial liabilities-</b></p> <p>Bank borrowings 138,465</p> <p>Repayment of bank borrowings 206,838</p> <p>(68,373)</p> <p><b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b></p> <p>Cash and cash equivalents at beginning of period -</p> <p>Cash and cash equivalents at end of period <b>26,050</b></p>	<p><b>(1,401,988)</b></p> <p><b>(723,725)</b></p> <p>(551,394)</p> <p>(929)</p> <p>(149)</p> <p>(125,791)</p> <p>-</p> <p>-</p> <p><b>1,400,110</b></p> <p><b>1,261,645</b></p> <p>1,261,105</p> <p>540</p> <p><b>138,465</b></p> <p>206,838</p> <p>(68,373)</p> <p><b>26,050</b></p> <p>-</p> <p><b>26,050</b></p>
		<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>B.8</b>	Selected key pro forma financial information:	Not applicable. This Prospectus does not contain pro forma financial information.	
<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:	Not applicable. In the opinion of the Company, taking into consideration the Consolidated Financial Statements and the Net Proceeds to be received by the Company from the Offering, the working capital available to the Company is sufficient for the Company's present requirements and, in particular, is sufficient for at least the next 12 months from the date of this Prospectus.	

### Section C- Securities

<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</p>
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Section C- Securities		
		has no other class of shares.
<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:	The Offering will be in respect of 64,605,999 New Ordinary Shares at a Subscription Price of €9.50 per New Ordinary Share. The Company expects the New Ordinary Shares issued in the Offering to start trading on the Spanish Stock Exchanges from on or about 12 May 2015. The Company will communicate significant developments in the Offering via a regulatory information notice ( <i>hecho relevante</i> ).
<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 11 May 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 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>

Section C- Securities		
		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.
<b>C.6</b>	Admission:	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 12 May 2015. The Existing Ordinary Shares are listed and traded on the Spanish Stock Exchanges under the symbol “MRL”.
<b>C.7</b>	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 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>

Section D- Risks		
<b>D.1</b>	Key information on the key risks that are specific to the issuer or its industry:	Prior to investing in the New Ordinary Shares, prospective investors should consider the risks associated therewith.

## Section D- Risks

### 1. General risks

- 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 Offering may not proceed or may be revoked in certain circumstances.

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

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

##### *I). General*

- 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.
- There may be delays or difficulties in the deployment of the Net Proceeds (including due to delays in identifying and/or acquiring suitable investments).
- The Group's financial structure may be inefficient during the period in which the Net Proceeds are being invested.
- 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 Group's Business Strategy includes the use of leverage, which increases the Group's risk and exposes the Group to risks associated with borrowings.
- 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.
- The Company's ability to pay dividends will depend upon the

## Section D- Risks

Group's ability to generate profits available for distribution and its access to sufficient cash.

### *II) Specific risks relating to the 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.
- The Senior Facility Agreement contains covenants that could be breached.

### *B) Risks relating to the real estate business in general*

- 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 composition of the Group's Assets is expected to fluctuate.
- 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.

### 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.
- 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

**Section D- Risks**

		<p>interest.</p> <p><u>4. Regulatory, structure and taxation risks</u></p> <ul style="list-style-type: none"> <li>- The Group is subject to certain laws and regulations relating to real estate assets.</li> <li>- Environmental, health and safety laws, regulations and standards may expose the Group to the risk of substantial unexpected costs and liabilities.</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> <li>- Any change in tax legislation (including the Spanish SOCIMI Regime) may adversely affect the Group.</li> <li>- Restrictions under the Spanish SOCIMI Regime may limit the Group’s ability and flexibility to pursue growth through acquisitions.</li> <li>- Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime.</li> <li>- Spanish taxation of capital gains obtained by certain investors from the transfer of their Ordinary Shares.</li> <li>- 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.</li> <li>- 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.</li> </ul> <p><u>5. Risks relating to the economy</u></p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>
<p><b>D.3</b></p>	<p>Key information on the key risks that are specific to the securities:</p>	<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</li> </ul>

## Section D- Risks

		<p>their sale until they are so admitted.</p> <ul style="list-style-type: none"> <li>- 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 our 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>
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## Section E- Offer

<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 €595,105,894.60 (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 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. The Company has a pipeline of projects and potential investments with an estimated size of approximately €1,950 million, of which approximately €170 million corresponds to assets and investments being analysed under exclusivity and/or due diligence and a further €1,780 million correspond to assets and investments under analysis. In terms of asset categories or nature of businesses invested in, the pipeline of projects and investments is broken down as follows (measured by gross estimated value): 56% office, 20% mixed-use, 13% retail, and 11% logistics. These investments may be funded with equity or debt and may result in changes to the Group's leverage. The Company aims to have the Net Proceeds fully

## Section E- Offer

		invested in the 18 months following the Offering.
<p><b>E.3</b></p>	<p>A description of the terms and conditions of the issue:</p>	<p>The Offering will be in respect of 64,605,999 New Ordinary Shares at a Subscription Price of €9.50 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 April 2015) Preferential Subscription Rights to subscribe for an aggregate of 64,605,999 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 two Preferential Subscription Rights entitles the exercising holder to subscribe for one New Ordinary Share against payment of the Subscription Price in cash. However, the allocation of three (3) Preferential Subscription Rights has been waived by MAGIC Kingdom.</p> <p><u>The preferential subscription period (which lasts fifteen calendar days from 18 April 2015 through 2 May 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 April 2015 to 17:30 (Madrid time) on 30 April 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, in accordance with the envisaged timetable, is expected to be 7 May 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.</p> <p>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</p>



## Section E- Offer

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 7 May 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 8 May 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 April 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 64,231,000 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. 374,999 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. 64,605,999 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 the Joint Bookrunners (on behalf of the Managers), acting unanimously, 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.

UBS Limited is acting as Sole Global Coordinator and Joint Bookrunner, Credit Suisse Securities (Europe) Limited, Goldman Sachs International and Morgan Stanley & Co. International plc are acting as Joint Bookrunners and Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Bankinter, S.A., BNP PARIBAS, Crédit Agricole Corporate and Investment Bank, Fidentiis Equities, Sociedad de Valores, S.A. and Société Générale are acting as Co-Lead Managers.

**Section E- Offer**

<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 750,000 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 1,124,999 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 the Underwriting Agreement to and including 90 days after the AQS trading day following the Subscription Date, the Company will not, without the prior written consent of the majority of the Joint Bookrunners (which consent shall not be unreasonably withheld or delayed):</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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</li> <li>(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,</li> </ul> <p>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.</p> <p>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 issue of Ordinary Shares with respect to the potential acquisition of MAGIC Real Estate by the Company during the three months following the AQS trading day following the Subscription Date and (C) 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 this Prospectus.</p> <p><u>Management lock-up</u></p> <p>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</p>

**Section E- Offer**

		<p>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):</p> <p>(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</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 consequence of ownership of the Ordinary Shares,</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p><b>E.6</b></p>	<p>Dilution:</p>	<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 66.7% of the total number of Ordinary Shares following the Offering, which would represent a dilution in ownership percentage of</p>

**Section E- Offer**

		approximately 33.3%.
<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.*

*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. GENERAL RISKS

#### ***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 financial information referred to in Part XVI (“*Selected Historical Financial Information*”) and the limited operating data contained in Part XIII (“*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 X (“*Information on the Group*”)) primarily in Spain and, to a lesser extent, in Portugal although it currently does not own any properties 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, 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.

As at the date of this Prospectus, the Assets are located only in Spain. In addition, the Group is subject to certain restrictions on investments under the SOCIMI Regime (see Part XVIII ("*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 Offering may not proceed or may be revoked in certain circumstances***

As further described in Part XVII (*The Offering*) of this Prospectus, the Company may choose to revoke and terminate the capital increase if the Underwriting Agreement for the Offering is terminated. The Underwriting Agreement contemplates the possibility for the Joint Bookrunners (on behalf of the Managers), acting unanimously, 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. See section 3 of Part XIV ("*The Offering*") for further details on the circumstances in which the Underwriting Agreement may be 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.

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

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

#### **I. GENERAL**

***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 also the risk factor entitled "*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 X (“*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 Target Return is also based on assumptions including assumptions relating to increases in property capital and rental values. There can be no assurance that these assessments and assumptions will prove accurate. Failure to achieve any or all of them may materially and adversely impact 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***

Although as at the date of this Prospectus it has not done so, 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. 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.

***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. 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.

***There may be delays or difficulties in the deployment of the Net Proceeds (including due to delays in identifying and/or acquiring suitable investments)***

Pending deployment of the Net Proceeds as part of the Group's Business Strategy, 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. There can be no assurance as to how long it will actually take for the Group to invest the Net Proceeds, although the Group aims to have the Net Proceeds fully invested in the 18 months following the Offering.

Market conditions may have a negative impact on the Group's ability to identify and execute investments in suitable assets that generate acceptable returns. As evidenced during the recent market downturn in Spain and Portugal, market conditions have had a significant negative impact on the availability of credit, property pricing and liquidity levels. Lenders have also tightened their lending criteria, including lending at a lower loan-to-value and increasing leverage restrictions. Furthermore, locating suitable properties, conducting due diligence, negotiating acceptable purchase contracts and ultimately completing the purchase of a property typically requires a significant amount of time. The Group may face delays in identifying and acquiring further suitable investments (resulting in exposure to a risk of increasing property prices) and, once the properties are identified, there could also be delays in completing the purchases, including delays in obtaining any necessary approvals. Any such approvals may be refused, or granted only on onerous terms, and any such refusals, or the imposition of onerous terms, may result in an investment not proceeding as originally intended and could result in significant costs associated with aborting the transaction being incurred by the Group. In addition, the Group is likely to face competition from a variety of other potential purchasers in identifying and acquiring suitable properties. The longer the period before investing the Net Proceeds for acquisitions, the greater the likelihood that the Group's business, financial condition, results of operations, prospects and its ability to make distributions to Shareholders, will be materially adversely affected.

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. See the risk factor entitled "*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*" in this Part II ("*Risk Factors*").

***The Group's financial structure may be inefficient during the period in which the Net Proceeds are being invested***

During the period in which the Net Proceeds are being invested, the financial structure of the Group may not be at optimal levels as, initially, the Group intends to finance the acquisition of further real estate assets through the use of the Net Proceeds of the Offering, without taking on any significant leverage. While the Group intends to increase leverage going forward (initially, mainly through secured mortgages, and in the future, through the issuance of debt and convertible debt securities or other liability financings that may be available to the Group), the Group's financial structure may be inefficient in the short term.

***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. 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 XVIII ("*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 XVIII (“*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 Group’s Business Strategy includes the use of leverage, which increases the Group’s risk and exposes the Group to risks associated with borrowings***

The Group’s Business Strategy contemplates the funding of asset acquisitions, in part, through borrowings. Tree recently amended its Senior Facility Agreement, further details of which are set out in Part XIII (“*The Assets*”), and the Group has entered into the Marineda Facility Agreement for Marineda, further details of which are set out in Part XIII (“*The Assets*”), the Madrid A1 Office Facility Agreement to fund the acquisition of the Madrid A1 Office, further details of which are set out in Part XIII (“*The Assets*”), the WTCAP 6 Facility Agreement, further details of which are set out in Part XIII (“*The Assets*”), and the Alcala Facility Agreement, further details of which are set out in Part XV (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”). As of 31 December 2014, the Group’s Net LTV (calculated as Net Financial Debt over the market value of the Assets) was 38.5%. The Group aims that its Net LTV will not exceed 50% from time to time.

To the extent the Group incurs a substantial level of indebtedness, even within the limits set forth in its Business Strategy, this 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, 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 and the Alcala Facility Agreement. 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 97.6% 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.

***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 XVIII ("*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.

**II. SPECIFIC RISKS RELATING TO THE 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 XIII (“*The Assets*”) for further details).

As of 31 December 2014, Tree’s assets represented approximately 75% 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 December 2014 was €939,756 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 “*Valuation Report*”) dated February 2015, which valued the Group’s Assets at an aggregate amount of approximately €2,231.6 million as at 31 December 2014. See Part XIV (“*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 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.

#### ***The Senior Facility Agreement contains covenants that could be breached***

The Senior Facility Agreement contains covenants relating to the interest coverage ratio and loan to value ratio (see section 3.5 of Part XIII ("*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. In June 2012, a breach of the Required Rating occurred and as a result (i) €11.9 million of the Senior Facility Agreement was repaid early by using part of the Debt Service Reserve Account; and (ii) cash sweeps of the rental incomes were implemented. As of the date of this Prospectus, BBVA's latest long-term rating is BBB with stable outlook (Standard and Poors, February 2015) and Baa2 with positive outlook (Moody's, February 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.

#### **B) RISKS RELATING TO THE REAL ESTATE BUSINESS IN GENERAL**

##### ***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 shopping centres, offices and logistics property types in Madrid as of the end of 2014 were of €15,273/sqm, 6,100/sqm and €774/sqm, respectively, representing a 23%, 24% and 6% change when compared to 2013 levels. Similar positive trends have also been observed in Barcelona (23%, 14% and 6% change) and Lisbon (23%, 20% and 16% 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.

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 re-negotiation 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 at the date of this Prospectus, BBVA branches, shopping centres, office buildings, and logistics assets represent 75%, 13%, 9% and 3%, respectively of the Assets (calculated over market value as of 31 December 2014). 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 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 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 December 2014, BBVA branches, shopping centres, office buildings, and logistics assets represent 75%, 13%, 9% and 3%, respectively of the Assets (calculated over market value as of 31 December 2014) and 69%, 14%, 12% and 5%, respectively of the gross annualised rent of the Assets as of 31 December 2014.

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'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 the Assets before their acquisition. 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;
- 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. 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.

### **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.

#### ***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 X ("*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 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. 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 XI ("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 X ("*Information on the Group*") and section 2 of Part XI ("*The Management Team*"), and for further information in relation to Directors see section 5 of Part XII ("*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 XVII (“*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 XVIII (“*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 X (“*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 XVIII (“*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 XV (“*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).

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 XVIII ("*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 XVIII ("*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 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 XVIII ("*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

XVIII (“*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.

For more information on the Spanish SOCIMI Regime please see Part XVIII (“*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 arrival of Syriza to power in Greece has 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. So far, the newly-elected left-wing government has not started implementing measures contained in the existing bailout program that would allow for a disbursement of €7.2bn from the €172bn bailout program.

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 the appearance of new parties supporting similar policies to Greece's Syriza and secessionist tensions in Catalonia. 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 Union could translate in the exit from the European Union and/or Eurozone, 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 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 in certain circumstances, including upon the occurrence of, among other things, 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. For more information about the Underwriting Agreement, see section 3 of Part XVII ("*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 revoked, which could have an adverse effect on the Company. See also "*The Offering may not proceed or may be revoked in certain circumstances*" in this Part II ("*Risk Factors*").

*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 admitted to listing on the Spanish Stock Exchanges or to trading on the AQS on the expected date (currently, 12 May 2015). Any postponement of the admission to listing and/or 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.

***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 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 our 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 33.3% 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 disappplied.

The Company has agreed under the Underwriting Agreement that, without the prior written consent of the majority of the Joint Bookrunners, it will not, during the period commencing on the date of the Underwriting Agreement and ending 90 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 issue of Ordinary Shares with respect to the potential acquisition of MAGIC Real Estate by the Company during the three months following the AQS trading day following the Subscription Date and (C) 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. See section 3 of Part XVII ("*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 XII ("*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, UBS Group AG, Mainstay Marketfield Fund, EJP Capital LLC and Gruss Capital Management LLP held 3.855%, 9.876%, 4.429%, and 4.544%, 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 Director 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 or 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 €595,105,894.60 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 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 a pipeline of projects and potential investments with an estimated size of approximately €1,950 million, of which approximately €170 million corresponds to assets and investments being analysed under exclusivity and/or due diligence and a further €1,780 million correspond to assets and investments under analysis. In terms of asset categories or nature of businesses invested in, the pipeline of projects and investments is broken down as follows (measured by gross estimated value): 56% office, 20% mixed-use, 13% retail, and 11% logistics. These investments may be funded with equity or debt and may result in changes to the Group's leverage. The Company aims to have the Net Proceeds fully invested in the 18 months following the Offering.

## 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 66.7% of the total number of Ordinary Shares following the Offering, which would represent a dilution in ownership percentage of approximately 33.3%.

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 .....	129,212,001	100%	129,212,001	66.7%
Number of Shares issued in the Offering <sup>(1)</sup> .....	—	—	64,605,999	33.3%
<b>Total</b> .....	<b>129,212,001</b>	<b>100%</b>	<b>193,818,000</b>	<b>100%</b>

(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.

The General Shareholders' Meeting held on 1 April 2015 authorised the Board of Directors for a maximum term of five years from the date of such meeting: (i) to increase the Company's share capital by way of monetary contributions and to exclude pre-emptive subscription rights as follows: (a) up to a maximum amount equal to 50% of the share capital; or (b) up to a maximum amount equal to 20% of the share capital for capital increases where pre-emptive subscription rights are excluded (both amounts to be calculated with regard to the Company's share capital as at 1 April 2015); (ii) to issue exchangeable securities (including debentures, bonds and warrants) with the right to acquire outstanding shares of the Company or of other companies and/or convertible into, or with the right to subscribe for, new shares of the Company, up to a maximum amount of €400 million (or the equivalent in another currency); and (iii) to guarantee the issues of such exchangeable securities made by other companies in the Group.

## PART V: CAPITALISATION AND INDEBTEDNESS

The table below presents the Group's actual consolidated capitalisation and indebtedness as of 31 December 2014, derived from our Consolidated Financial Statements included elsewhere in this Prospectus.

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

### Capitalisation and indebtedness

	<b>As of December 31, 2014</b>
	<b>(audited)</b>
	<b>(€ in thousand)</b>
<b>Debt:</b> <sup>(1)</sup>	
Current borrowings:	
Secured .....	10,398
Unsecured .....	0
<b>Total current borrowings</b> .....	<b>10,398</b>
Non-current borrowings:	
Secured .....	999,358
Unsecured .....	0
<b>Total Non-current borrowings</b> .....	<b>999,358</b>
<b>Total borrowings</b> .....	<b>1,009,756</b>
Minority interests .....	0
<b>Shareholders' equity:</b>	
Share capital plus share premium .....	1,292,120
Reserves and results .....	16,559
<b>Total shareholders' equity</b> .....	<b>1,308,679</b>

Note:

(1) Bank borrowing excluding interest (€411 thousand) and debt arrangement expenses (€25,423 thousand)

There have been no material changes to the Company's actual consolidated capitalisation and indebtedness other than the new financings described in section 4.5.1 of Part XV ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*"). As at the date of this Prospectus, the Group's total borrowings are €1,184.5 million including the financings signed after 31 December 2014 and deducting the principal amounts of debt repaid during the first three months of 2015 (€2.6 million).



## 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 April 2015
Commencement of the preferential subscription period.....	18 April 2015
End of the preferential subscription period .....	2 May 2015
Additional allocation period (if applicable).....	7 May 2015
Commencement of discretionary allocation period (if applicable).....	7 May 2015
End of discretionary allocation period (if applicable).....	8 May 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).....	8 May 2015
Payment by the Joint Bookrunners of the New Ordinary Shares subscribed in the discretionary allocation period (if applicable) .....	8 May 2015
Execution of the notarised deed of capital increase .....	8 May 2015
Registration with the Commercial Registry (Registro Mercantil) of the notarised deed of capital increase .....	11 May 2015
Registration of the New Ordinary Shares with Iberclear.....	11 May 2015
Admission to listing and trading of the New Ordinary Shares by the CNMV.....	12 May 2015
Commencement of trading of the New Ordinary Shares.....	12 May 2015

*Note: the preferential subscription period closes on 2 May 2015 but 1 May 2015 and 2 May 2015 are public holidays in Spain, and, therefore, Preferential Subscription Rights cannot be exercised on such dates.*

## PART VII: OFFERING STATISTICS

Subscription Price per New Ordinary Share .....	€9.50
Total number of Existing Ordinary Shares in issue immediately before the Offering.....	129,212,001
Total number of New Ordinary Shares being issued pursuant to the Offering <sup>(1)</sup> .....	64,605,999
Total number of Ordinary Shares in issue immediately following Admission <sup>(1)</sup> .....	193,818,000
Estimated market capitalisation of the Company following Admission <sup>(1) (2)</sup> .....	€2,306,434,200
Estimated net proceeds receivable by the Company <sup>(1) (3)</sup> .....	€595,105,894.60

(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 €9.50 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 €18,651,095.90 million (on the basis of a €613,756,990.50 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 nine 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
Mr. José García Cedrun	Non-Executive Proprietary Director

As of the date of this Prospectus, all Directors have been appointed, have accepted their appointment and, with the exception of Ana de Pro, 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 VICESECRETARY

Mr. Idefonso 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

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

## JOINT BOOKRUNNERS

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

## CO-LEAD MANAGERS

Banco Bilbao Vizcaya Argentaria, S.A. Plaza San Nicolás, 4 48005 Bilbao Spain	Banco Santander, S.A. Paseo de Pereda, 9-12 39004 Santander (Cantabria) Spain	Bankinter, S.A. Paseo de la Castellana 29 28046 Madrid Spain	BNP PARIBAS 16, Boulevard des Italiens 75009 Paris France	Crédit Agricole Corporate and Investment Bank 9, quai du Président Paul Doumer 92920 Paris La Défense Cedex France	Fidentiis Equities, Sociedad de Valores, S.A. Velázquez 140, 2 <sup>nd</sup> floor 28006 Madrid Spain	Société Générale 29 boulevard Haussmann 75009 Paris France
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## 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 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, prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“*IFRS-EU*”). 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.

## ***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 XX ("*Additional Information*").

## **VALUATION**

At the Company's request, Savills Consultores Inmobiliarios, S.A. ("*Savills*"), external independent real estate appraisers, have prepared a valuation report (the "*Valuation Report*") dated February 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 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 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 Valuation Report was prepared by Savills on the basis of certain information provided by the Company which

was not independently verified.

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

#### *Valuation Report*

The value of the properties in the 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 RICS Valuation Standards. 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 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 Valuation Report the Company has engaged in certain acquisitions as described in section 4.5.1 of Part XV (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”).

#### *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 Report 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 Report, 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 could have been or could be sold at their respective market values set forth in the Valuation Report, if at all, or that the actual market value of the Group’s Assets, whether or not equivalent to the values set forth in the Valuation Report, 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 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 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 Report is as of 31 December 2014. 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 Valuation Report at Part XIV (“*Valuation Report*”).

### **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: 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 Existing Ordinary 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, of which, at the date of this Prospectus, 100% are fully invested in the Assets. The Company's consolidated EPRA NAV at 31 December 2014 was €1,355 million, equating to €10.50 per Existing Ordinary Share (€10.80 excluding IPO expenses, transaction costs associated with the acquisition of assets and one-off financing costs).

As at the date of this Prospectus, the Assets are held by four wholly-owned subsidiaries of the Company, each of which holds and manages a particular asset class: Tree Inversiones Inmobiliarias SOCIMI, S.A.U. ("*Tree*"), MERLIN Retail, S.L.U. ("*MERLIN Retail*"), MERLIN Oficinas, S.L.U. ("*MERLIN Oficinas*") and MERLIN Logistica, S.L.U. ("*MERLIN Logistica*").



As at 31 December 2014, the Assets consisted of real estate assets in the office, retail and logistics segments, with a gross asset value of approximately €2,231.6 million as at 31 December 2014 (according to the Valuation Report), an annualised gross rental income of €129.3 million, an aggregate GLA of 680,045 sqm and a gross yield of 6.08% calculated over the aggregate acquisition price. As at 31 December 2014, Tree holds and manages 880 branch offices and five buildings, MERLIN Retail owns and operates Marineda, MERLIN Oficinas owns and operates both the Madrid A1 Office and WTCAP 6 & 8, whilst MERLIN Logistica holds and manages the Group's logistics assets (Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes and Zaragoza-Plaza). Further details of the Assets are set out in Part XIII ("*The Assets*"). The main metrics for each of the Company's subsidiaries are as follows:

	<b>Tree</b>	<b>%</b>	<b>MERLIN Retail</b>	<b>%</b>	<b>MERLIN Oficinas</b>	<b>%</b>	<b>MERLIN Logistica</b>	<b>%</b>	<b>Total</b>
		<b>Total</b>		<b>Total</b>		<b>Total</b>		<b>Total</b>	
Total Acquisition Price (€ million) <sup>(1)</sup>	1,577.4	74.1%	267.5	12.6%	217.2	10.2%	65.7	3.1%	2,127.8
Market Value (€ million)	1,669.5	74.8%	281.1	12.6%	216.0	9.7%	65.1	2.9%	2,231.6
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	89.1	68.9%	18.9	14.6%	15.3	11.9%	6.0	4.6%	129.3
Total Annualised Net Rents (€ million) <sup>(3)</sup>	89.1	70.0%	17.7	13.9%	14.4	11.4%	6.0	4.7%	127.2
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	89.1	70.9%	16.3	13.0%	14.3	11.4%	6.0	4.7%	125.6
EPRA Gross Yield <sup>(5)</sup>	5.65%		7.07%		7.06%		9.12%		6.08%
EPRA Topped-Up Yield <sup>(6)</sup>	5.65%		6.60%		6.66%		9.08%		5.98%

EPRA Net Yield <sup>(7)</sup>	5.65%	6.11%	6.57%	9.08%	5.90%				
Total GLA (sqm)	374,181.0	55.0%	106,276.2	15.6%	63,252.6	9.3%	136,336.0	20.0%	680,045.8
GLA Occupied (sqm)	374,181.0	57.0%	96,303.2	14.7%	50,096.0	7.6%	136,336.0	20.8%	656,916.2
GLA Vacant (sqm)	0.0	0.0%	9,973.0	1.5%	13,156.6	2.0%	0.0	0.0%	23,129.6
Occupancy Rate	100.0%		90.6%		80.0%		100.0%		96.7%
WAULT by Rents Years <sup>(8)</sup>	24.5		3.3		3.7		8.8		18.7

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) Annualised gross rents have been calculated as passing monthly gross rent at December, multiplied by 12, except for Tree, which includes rental uplift applicable from 1 January 2015 (which uplift represents an aggregate annual amount of €0.5 million)

(3) Annualised net rents have been calculated as passing monthly net rent for each asset at December (except for Tree, which includes rental uplift applicable from 1 January 2015, which represents an aggregate annual amount of €0.5 million), multiplied by 12. Net rents deducts from gross rents direct property expenses non-rechargeable to tenants

(4) Annualised net operating income has been calculated as passing monthly net operating income for each asset at December (except for Tree, which includes rental uplift applicable from 1 January 2015 representing an aggregate amount of €0.5 million), multiplied by 12. Net operating income deducts from net rents direct collection loss and rents discounts

(5) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(7) EPRA Net Yield is calculated dividing annualised net operating income by total acquisition price

(8) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 December 2014

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 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).

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

(€ million, unless indicated otherwise)

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:

Revenues for the Period by subsidiaries		
	(€ million)	% of total
Tree	44.2	78.1
MERLIN Retail	7.6	13.4
MERLIN Oficinas	3.9	6.9

MERLIN Logística	0.845	1.5
<b>Total</b>	<b>56.6</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 for the Period.

		<b>% Total</b>
Non-recoverable expenses on leased properties (€ million)	2.6	13%
Costs associated with asset acquisitions and financing (€ million)	11.8	62%
Non-capitalised costs cost associated with flotation and acquisition of Tree (€ million)	0.7	3%
<b>Total Costs excluded from the Overheads Limit (€ million)</b>	<b>15.0</b>	<b>78%</b>
Overheads (independent professional services, travel expenses, office rental, insurance and others) (€ million)	1.0	5%
Employee benefits expenses (€ million)	3.1	17%
<b>Total Costs included in Overheads Limit (€ million)</b>	<b>4.1</b>	<b>22%</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).

## 2.2 Statement of financial position

The main financial figures of the statement of financial position as of 31 December 2014 are as follows:

	<i>(€ million, unless indicated otherwise)</i>
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

On 31 December 2014, the Company's gross financial debt of € 1,010.2 million, has 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 at that date. The cash position and short-term financial investments of the Company were €152.8 million. Please see section 8.3 of this Part X ("*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. As at 31 December 2014 the Company's debt-to-equity ratio was 43.5% (calculated as gross financial debt of €1,010 million divided by gross financial debt plus total equity of €1,309 million), 46.8% at the date of this Prospectus (calculated as gross financial debt of €1,185 million divided by gross financial

debt plus total equity of €1,346 million) and 37.7% post-Offering (calculated as gross financial debt of €1,185 million divided by gross financial debt plus total equity of €1,959 million).

### 2.3 EPRA Performance Metrics

Performance Measure	Definition	31/12/2014	Per Ordinary Share (where applicable)
EPRA Earnings	Recurring earnings from core operational activities	€20.4 million	€0.16
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	€10.50
EPRA NNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	€1,286.5 million	€9.96
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%	N/A
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%	N/A
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	3.40%	N/A
EPRA Recurring Cost Ratio (including direct vacancy costs)	Recurring operating expenses (including direct vacancy costs) divided by gross rents	12.02%	N/A
EPRA Recurring Cost Ratio (excluding direct vacancy costs)	Recurring operating expenses (excluding direct vacancy costs) divided by gross rents	7.46%	N/A

EPRA Earnings have been calculated as follows:

RECONCILIATION OF IFRS-EU NET INCOME WITH EPRA EARNINGS	
(€ thousand)	31/12/2014
Consolidated Net Profit in accordance with IFRS-EU	49,670
(i) changes in value of investment properties	(56,718)
(ii) profits or losses on disposal of investment properties	(126)
(iii) changes in value of financial instruments and associated close-out costs	25,920
(iv) acquisition costs on share deals / joint ventures	606
(v) deferred tax in respect of adjustments	1,042
<b>EPRA Earnings for the fiscal year</b>	<b>20,395</b>
<b>EPRA Earnings for the fiscal year per share (€)</b>	<b>0.16</b>

### 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 XI (“*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 remaining active 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.

In addition to the real estate assets that the Group has acquired over the past months, the Company has identified a substantial number of what it considers additional attractive investment opportunities in the Core and Core Plus segments that the Group may decide to pursue in the short and medium term. These opportunities may be in the form of significant minority investments in holding companies with real estate investments. The Group may fund such opportunities with equity or debt which may result in changes to the Group's leverage. The Company has also identified a large number of assets that may be coming to market in the short and medium term, such as selected disposals by banks and SAREB (the Spanish company for the management of assets proceeding from the restructuring of the Spanish banking system), investors in non-performing loans, public institutions and large corporates who are expected to seek to dispose of large parts of their real estate portfolios.

The Company believes that it continues to offer 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 robust pipeline of identified 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 €7,100 million, invested equity in an amount of approximately €3,360 million in 38 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 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.

The Company believes that the 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.

### *High 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 750,000 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.

## **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 X ("*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.

While the Company expects the majority of its assets to consist of high street retail, office, shopping centre and logistics assets, it will also consider acquiring, to a lesser extent, prime urban hospitality assets that, in the opinion of the Management Team, have the potential of increasing the average return of the overall portfolio.

The Company may also consider carrying out corporate transactions 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:

- (i) **Commercial Property Assets:** focus on commercial real estate and mainly on office, retail, logistics, and prime urban hospitality assets.
- (ii) **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.
- (iii) **Gearing:** seek to maintain gearing below 50% LTV (calculated over Total GAV plus cash available at the Company following the Offering).

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 Assets held by MERLIN Retail, 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 Assets held by MERLIN Oficinas 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 Assets held by MERLIN Logistica, 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.

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.

Pursuant to the SOCIMI Regime, the Company and each of its subsidiaries, will be required, among other things, to conduct a Property Rental Business and comply with the following requirements: (i) it must invest at least 80% of its gross asset value in leasable urban real estate properties, land plots acquired for the development of leasable urban real property to the extent that development starts within the following three-year period as from acquisition or shares of other SOCIMIs, foreign entities or subsidiaries engaged in the aforementioned activities with similar distribution requirements, and (ii) at least 80% of its net annual income must derive from rental income and from dividends or capital gains in respect of the abovementioned assets. The Company and each of its subsidiaries will have a two-year grace period from the date of election for the Spanish SOCIMI Regime by the end of which it must comply with these requirements. In addition, the Company and each of its subsidiaries will have a one-year grace period to cure any non-compliance with these eligibility requirements.

## 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 over Total GAV plus cash available at the Company following the Offering) 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.

As of 31 December 2014, the Group's LTV amounted to 38.5%. 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*

The excessive use of leverage for the acquisition of Spanish commercial real estate, particularly in the middle part of the last decade, and the subsequent severe decline in asset values has resulted in significant legacy exposure, both direct and indirect, to Spanish commercial real estate assets for the banking institutions that provided credit for such purchases. Many Spanish banks have developed divestment strategies with respect to their legacy exposures to commercial real estate assets that have not been transferred to SAREB. Moreover, a number of non-Spanish banks that operate in the Spanish market are undertaking initiatives to reduce their Spanish real estate exposure. According to the Bank of Spain, as of 30 September 2014, Spanish banks had approximately €111,000 million in non-performing real estate loans and approximately €74,000 million of repossessed assets as of December 2014. The Management Team believes that these efforts will result in a number of property acquisition opportunities for the Company. Assets may become available directly from the banks divesting them, from receivers appointed over the assets, or from borrowers who are selling under the guidance of the banks or receivers.

##### *SAREB*

As one of a number of initiatives taken by the Spanish government to address the serious problems which arose in Spain's banking sector as a result of excessive property lending, SAREB was established in November 2012 to acquire certain assets (mainly, foreclosed real estate assets and loans for real estate development) from distressed financial institutions (for more information see section 5.5 of this Part X ("*Information on the Group*").

The creation of SAREB has been perceived by the local and international investment community as a positive step towards the recovery of the Spanish banking sector. By acquiring foreclosed real estate assets and loans for real estate development, SAREB has injected liquidity in the market and has improved transparency. In addition, since the announcement of the creation of SAREB, the deleveraging process of Spanish banks has accelerated. Loan portfolios and distressed assets are coming to the market which the Company believes are attracting the attention of local and international investors.

SAREB expects to divest €32,000 million in real estate assets and €75,000 million in real estate non-performing loans over the next 13 years (source: SAREB first semester of 2014 report) and the Company believes that it will be able to take advantage of the disposals by SAREB of completed real estate assets, projects under development, land for development and loans secured by real estate at a discount to market value.

#### *Public institutions*

A number of public institutions are under pressure to monetise their assets and are looking to deleverage their own balance sheet. The Management Team believes that this will likely be a source of opportunities to acquire assets that fall within the parameters of the Business Strategy.

#### *Large corporates*

The Management Team believes that certain large corporations will seek to divest Spanish real estate assets in light of increased transaction activity in the market in order to deleverage or to reduce their Spanish real estate exposure. The Management Team believes that this will likely be a source of opportunities to acquire assets that fall within the parameters of the Business Strategy.

#### *Private and institutional investors*

The Management Team believes that there is medium-term opportunity to acquire assets and/or asset-backed loan portfolios from private and institutional investors who are currently buying these types of assets from different institutions. The Management Team believes that these efforts will result in a number of property acquisition and investment opportunities for the Group.

#### *Investors in non-performing loans*

Investors in non-performing loans invested an estimated €4,000 million in Spain and Portugal between 2011 and 2013 (source: CBRE) and the Management Team believes that certain of those investors are likely to monetise these assets in the short to medium term. The Management Team believes that this will likely be a source of opportunities to acquire assets that fall within the parameters of the Business Strategy.

## **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:

#### *Delegated Management*

##### 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 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 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 residential project located in Casablanca, one middle-to-upper-income 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 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 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 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 residential development.

A breakdown of the MAGIC Contracts Key Employees as of the date of this Prospectus is set forth below:

	<u>DB Real Estate Iberian Value Added I, S.A., SICAR</u>	<u>RREEF Moroccan Explorer I, S.A., SICAR</u>	<u>Fidere group</u>	<u>Loans Portfolio</u>
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 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 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 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 XVIII (“*Spanish SOCIMI Regime and Taxation Information*”) of this Prospectus).

#### *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) 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.

In addition, in order to further reduce the risk of potential conflicts of interest, the shareholders of MAGIC Real Estate have entered into a letter of intent with the Company dated 5 June 2014, pursuant to which they have agreed, during the period ending on 5 June 2015, to negotiate in good faith the sale of 100% of the shares in MAGIC Real Estate to the Company if the Company deems it appropriate. This potential acquisition by the Company would need to be approved by the General Shareholders’ Meeting. If approved, the Company shall entrust its supervision and implementation to an ad hoc committee formed in its entirety by independent Directors.

## **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% (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 0.8% surplus in 2013, the first surplus since the 1980’s, and is expected to gradually grow to 1.7% 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 2013, 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 128% 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 1.6% in 2014 after years of falling (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 more than 75% since the IMF programme started in 2012 and with sovereign debt yields reaching record low levels (source: Factset).

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 1.6% and 1.7% in 2015 and 2016, respectively, and is expected to reach 2.0% 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 23.8% and 22.6% 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 128.9% of GDP as of 31 December 2013, as compared to 124.1% and 108.2% as of 31 December 2012 and 2011, respectively (source: IMF).

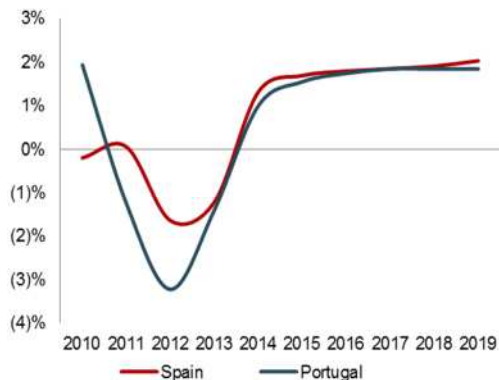
There continue to be challenges for the Portuguese economy. Additional budgetary deficits, the process of implementation of structural reforms in the labour market and the pressure resulting from a higher tax burden on the disposable income of households and spending by businesses are among the most important ones. According to Eurostat, the Portuguese economy recorded a current account balance surplus for three consecutive quarters in 2013 (the second, third and fourth quarter). 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 2013) in the coming years (source: Eurostat; IMF).

According to the IMF, in April 2014, 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 1.0% in 2014 and 1.8% in 2019. This is expected to support an increase in gross fixed investment activity and a lower unemployment rate, which reached 16.2% in the fourth quarter of 2013 and which is expected to reduce to 11.3% in 2019. In addition, the Portuguese current account balance has evolved from a 12.6% deficit in 2008 to a 0.5% surplus in 2013 for the first time in several decades. The current account surplus is expected to reach 2.0% 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).

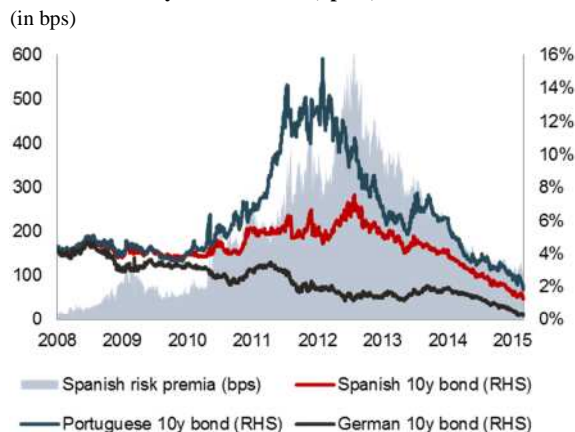
On 17 May 2014, Portugal successfully exited the EU/IMF bailout programme.

**Spanish and Portuguese GDP growth**



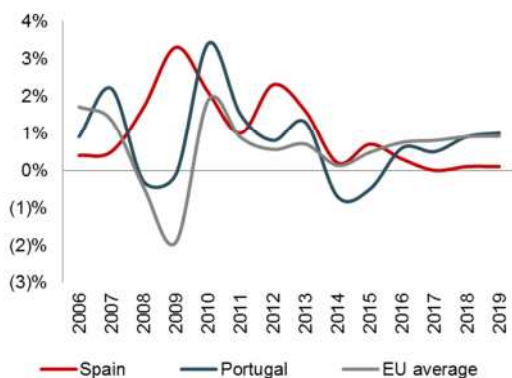
Source: IMF, extract from October 2014 World Economic Outlook

**Historical country risk evolution (Spain)**



Source: FactSet as of March 2015

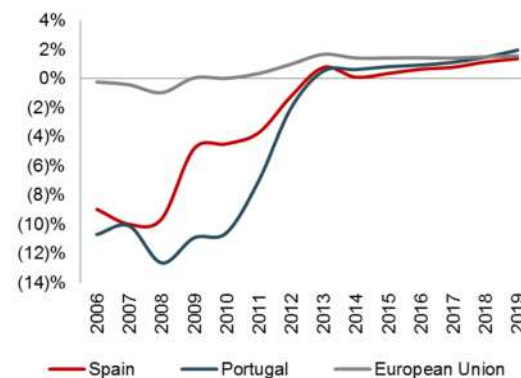
**Labour productivity growth**



Source: EIU as of February 2015

Note: EU Average includes Spain, Portugal, France, Germany, Italy, Greece

**Current account (as % of GDP)**



Source: IMF, World Economic Outlook Database as of October 2014

### 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 capital property values. During 2007, average premium property yields in the central business and industrial districts of Madrid and Barcelona reached the lowest levels in the past ten years when shopping centres, 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 shopping centres, office, and industrial logistics properties in the central business and industrial 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 50 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 shopping centres, office and industrial logistics properties in the central business and logistics 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).

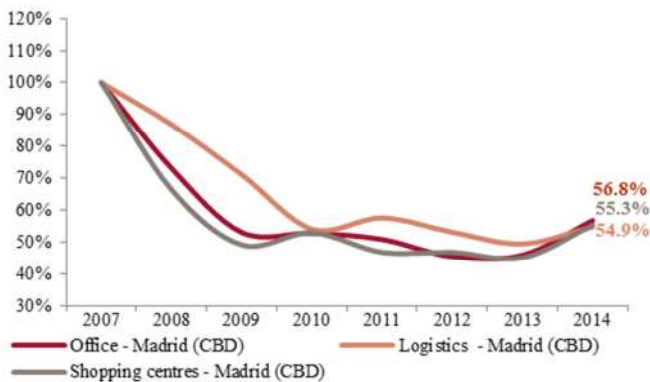
As mentioned above, the economies of Spain and Portugal started to show signs of recovery in 2013 and the recovery has gained momentum in 2014 with the majority of macroeconomic indicators posting signs of improvement. The collapse in oil prices in 2014 could drive down inflation with a knock-on impact 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 and industrial districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of year-end 2014 of around 5.5% (-100 bps in Madrid and -125 bps in Barcelona) for shopping centres in both cities, 5.0% (-125 bps) for Madrid offices, 5.25% (-100 bps) for Barcelona offices and 7.8% (-125 bps) for industrial logistics space in Madrid. Capital values for these property types in Madrid have shown a similar trend and as of the end of 2014 were of approximately €15,273/sqm, €6,100/sqm, and €774/sqm, respectively; a 23%, 25%, and 6% change when compared to their respective low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €16,364/sqm, €4,100/sqm and €929/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 17%, and 6%, respectively (source: CBRE).

The Portuguese property market has also shown signs of recovery since 2012. Property yields as of year-end 2014 in the central business and industrial districts of Lisbon were of around 6.5% (-125 bps) for shopping centres, 6.25% (-200 bps) for office and 8.0% (-150 bps) for industrial logistics space. Capital values have also shown signs of recovery at year-end 2014 at €15,692/sqm, €3,550/sqm and €490/sqm, respectively, representing an increase of 19%, 32% and 19%, respectively, since 2012 (source: CBRE).

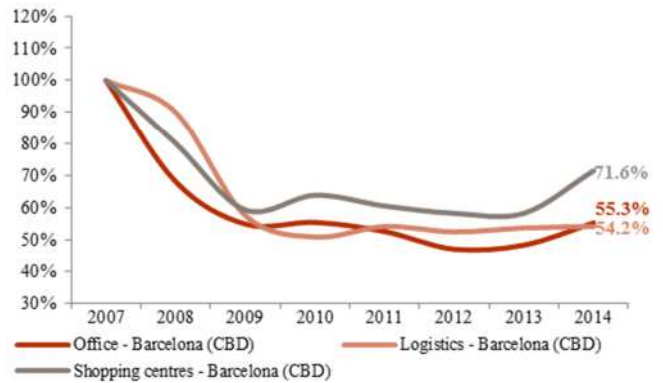
In summary, values of shopping centres, office and logistics properties in Madrid and Barcelona have suffered an important contraction since 2007, and despite a more favourable economic outlook and a general recovery in 2014, were 45%, 43%, 45% (in Madrid), and 28%, 45%, and 46% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of shopping centres, office and logistics properties in Lisbon were 23%, 17% and 39% lower at year-end 2014 than compared to 2007 (source: CBRE).

**Historical capital values evolution | Madrid (CBD)**



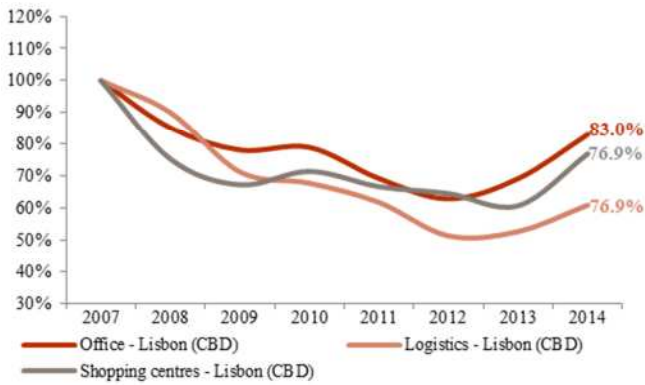
Source: CBRE

**Historical capital values evolution | Barcelona (CBD)**



Source: CBRE (Note: Shopping centres are rebased to Q1 2008)

### Historical capital values evolution | Lisbon (CBD)



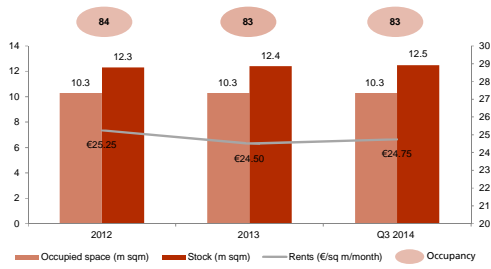
Source: CBRE

### Snapshot of office space in Spain

Total annual take-up of office space in Madrid during 2013 was 371,262 sqm, the largest figure since 2010 when total absorption was 400,000 sqm. Total take-up in Barcelona during 2013 was 183,827 sqm, 9% lower than during 2012 (source: CBRE).

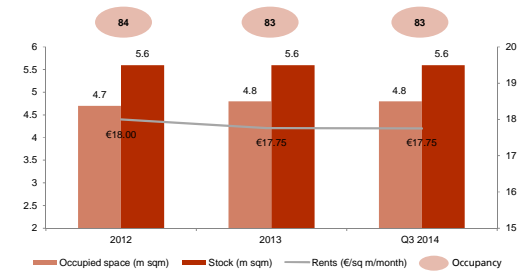
Total stock in these two cities as of September 2014 was 12.5 million sqm and of 5.6 million sqm, respectively, while market vacancy stood at 17% and 16% in each city. Finally, average market rent for office space in Madrid and Barcelona as of September 2014 was €24.75/sqm/month and €17.75/sqm/month respectively, representing a €0.25 change in Madrid and no change in Barcelona since year-end 2013 (source: CBRE).

#### Madrid office market (total stock)



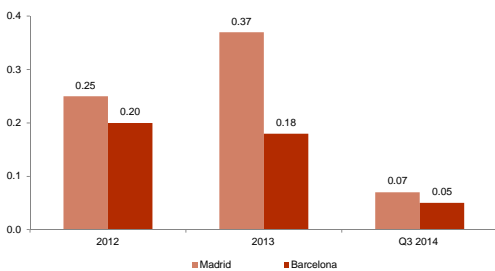
Source: CBRE

#### Barcelona office market (total stock)



Source: CBRE

#### Office market take-up (total stock)



Source: CBRE



As per CBRE rent cycles, Madrid and Barcelona like many other European cities are starting to show market rent growth and were standing as of year-end 2013 at the bottom of the rent cycle.

**EMEA Prime Office Rent Cycle: Recovery Progress as of FY 2013**



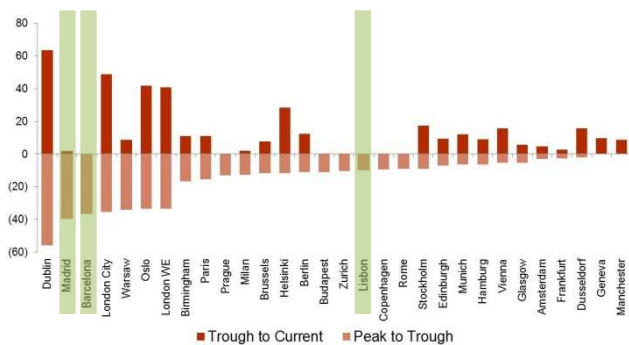
Source: CBRE as of Q1 2014

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 (Q4 2014)**

Change in Prime Rent (%)

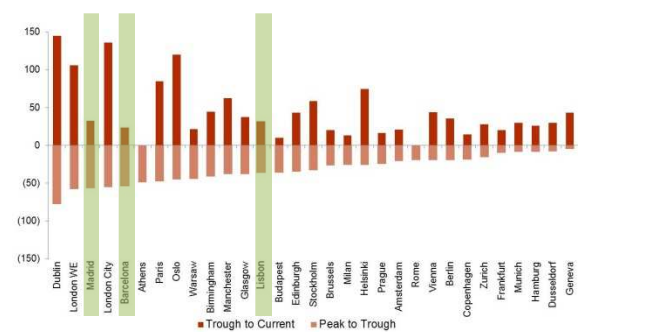


Source: CBRE

**Prime Office Capital Values**

**Previous peak to current trough & current trough to present (Q4 2014)**

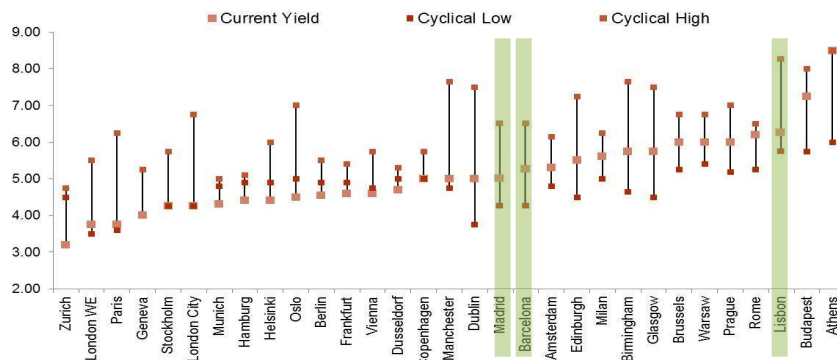
Change in Cap Values (%)



Source: CBRE

**Prime Office Yields**

**Yield relative to high & low of current cycle | as of Q4 2014**



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 shopping centres in Madrid and Barcelona remained flat during 2014 and since 2012, at levels of €840/sqm/year and €900/sqm/year respectively (source: CBRE).

#### Historical shopping centre yield & rent evolution | Madrid

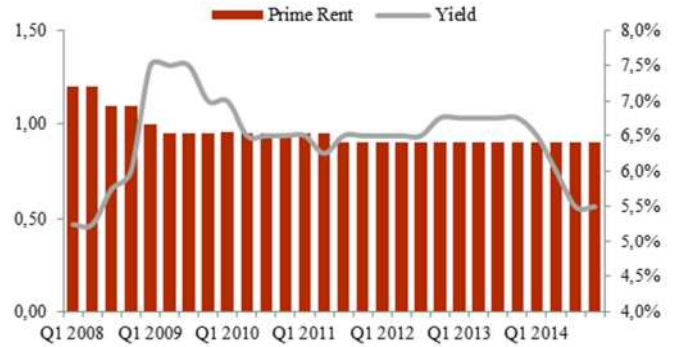
(000' of €/sqm/per annum)



Source: CBRE

#### Historical shopping centre yield & rent evolution | Barcelona

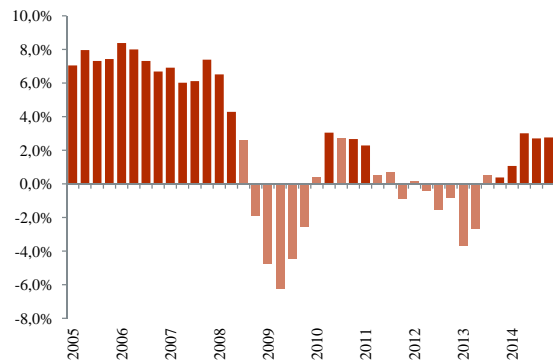
(000' of €/sqm/per annum)



Source: CBRE

#### Total household consumer spending

Y-o-Y (%)



Source: INE

#### Spanish consumer confidence index



Source: Datastream as of February 2015

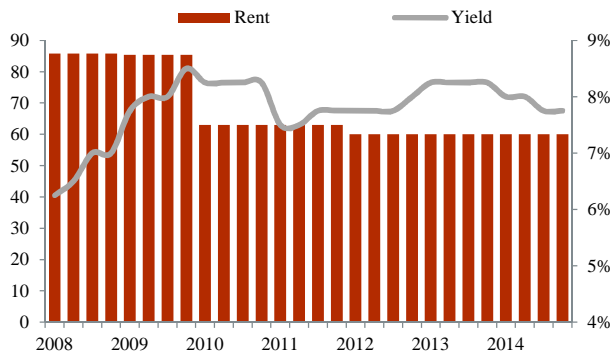
#### Snapshot of industrial space in Spain

Take-up in the Madrid industrial logistics property market has significantly improved in 2014 compared to 2013. Only in the first six months of 2014, take-up and the total amount of transactions in the logistics market exceeded the total figures of 2013, reaching more than 292,000 sqm of space contracted up to July 2014 in 32 transactions (vs 285,000 sqm and 29 transactions in 2013). Total stock of logistics properties in Madrid is falling but still remains high at 7 million sqm with a c.12.5% vacancy rate (vs. 5.0 million sqm and 14% vacancy rate as of 2013 year-end). Furthermore, rental values have remained flat compared to 2013 and 2012, suggesting that these have reached a floor (source: CBRE).

In Barcelona, take-up of space during the first half of 2014 was 93,000 sqm, significantly lower than the annual take-up reached in 2013 of 325,000 sqm, which was more in line with 2011 take-up levels and 12% below the amount reached during 2012. Total stock in Barcelona as of June 2014 was around 3.8 million sqm of which approximately 11% was vacant. Finally, rental values remained almost flat in the first half of 2014 compared to 2013 and 2012 (source: CBRE).

### Historical Logistics rents and yields evolution | Madrid

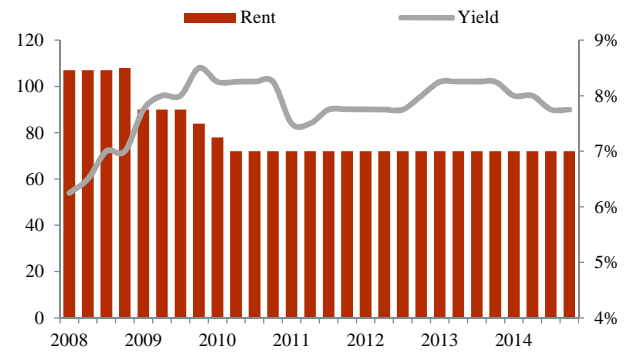
(000' of sqm)



Source: CBRE

### Historical Logistics rents and yields evolution | Barcelona

(€/sqm/per annum)



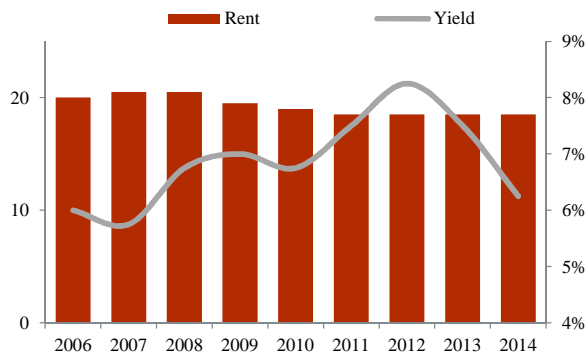
Source: CBRE

### 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) (source: CBRE).

### Historical office rents and yields evolution Lisbon

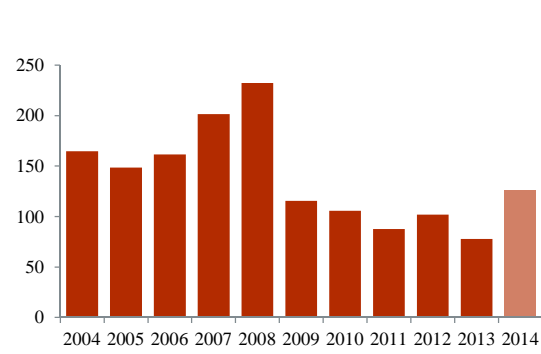
(000' sqm)



Source: CBRE/LPI

### Office gross take-up Lisbon

(000' sqm)



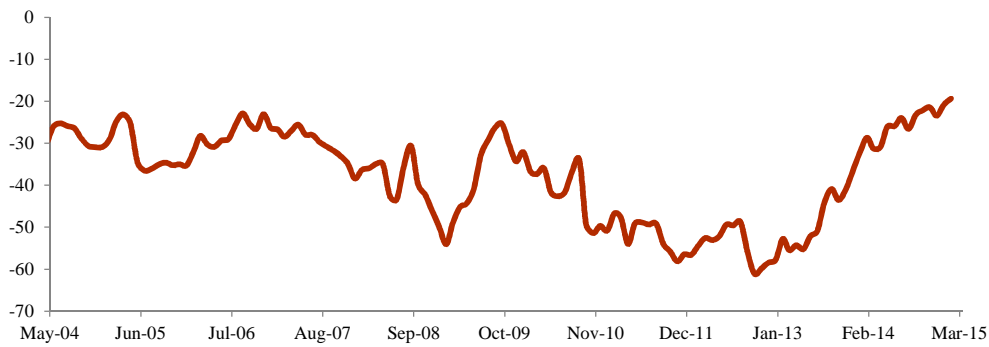
Source: CBRE/LPI

### 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 shopping centres in Lisbon dropped by 6.3% in 2014 driven by weak consumption while yields have significantly compressed, reaching 6.50% in December 2014 compared to 7.75% in December 2013 (source: CBRE).

### Consumer Confidence Index Portugal



Source: Datastream as of March 2015

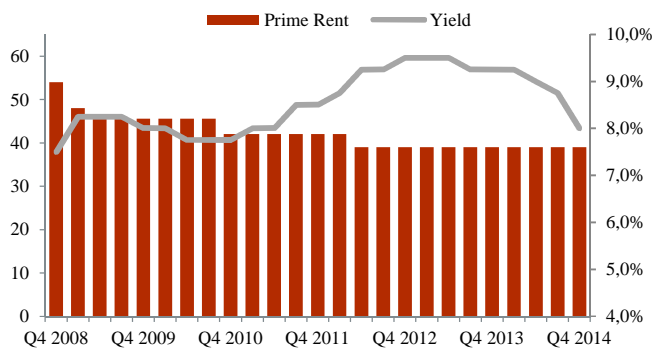
### Snapshot of industrial logistics space in Lisbon

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 164,500 sqm during 2013 and has slowed down in the first half of 2014 reaching 43,000 sqm only. However, this slowdown does not necessarily represent shrinkage in the sector as the number of deals recorded between January and June 2014 is the same as the number of deals recorded in the first half on 2013. Rents of this property type stayed flat in June 2014 compared to 2013 and 2012 (source: CBRE).

### Historical logistics yield & rent evolution | Lisbon

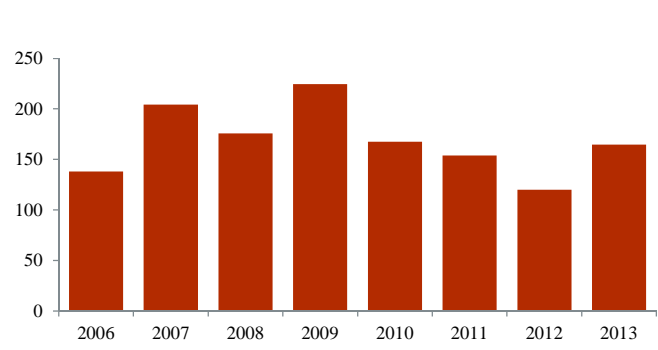
(€/sqm/per annum)



Source: CBRE

### Logistics gross take-up | Lisbon

(sqm)



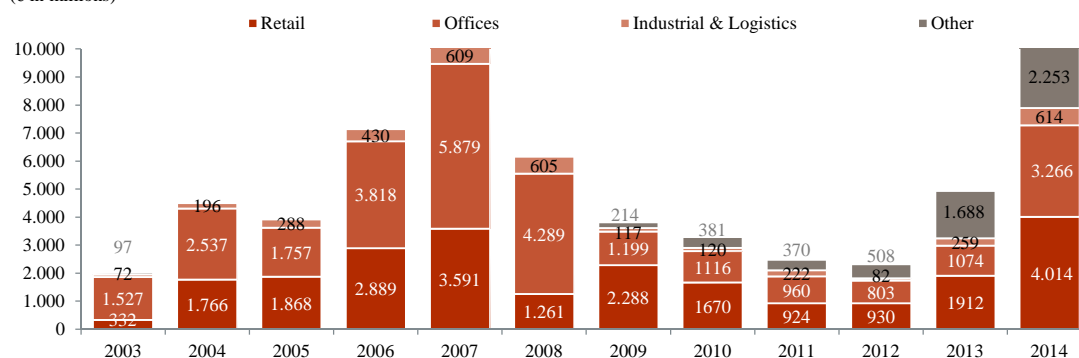
Source: CBRE

### 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 €10,147 million representing the largest amount since 2008 when total investment volume was €6,155 million. Property investments in the retail property market increased during 2014 by 96%, while on the office and industrial property markets increased by 204% and 138%, respectively, when compared to 2013 (source: CBRE).

## Spain: Historical Real Estate investment volumes

(€ in millions)



Source: CBRE

## 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 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 X ("*Information on the Group*"). As of the date of this Prospectus, the Company has a pipeline of projects and potential investments with an estimated size of approximately €1,950 million, of which approximately €170 million corresponds to assets and investments being analysed under exclusivity and/or due diligence and a further €1,780 million correspond to assets and investments under analysis. In terms of asset categories or nature of businesses invested in, the pipeline of projects and investments is broken down as follows (measured by gross estimated value): 56% office, 20% mixed-use, 13% retail, and 11% logistics. These investments may be funded with equity or debt and may result in changes to the Group's leverage. The Company aims to invest the Net Proceedings during the period commencing on the date of this Prospectus and ending 18 months following the Offering, by which time the Company currently expects to have the Net Proceeds fully invested.

### 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*").

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 XI ("*The Management Team*") and section 4.2 of Part XV ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*").

As detailed in section 4.2 of Part XV ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*"), for the period from Initial Admission to 31 December 2014, the applicable 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.

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, non-recoverable expenses on leased properties 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 employee benefits expenses and €986,000 to overheads 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).

### 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 five of the Assets. The Group has entered into the Senior Facility Agreement for Tree (see Part XIII (“*The Assets*”) for further details), the Madrid A1 Office Facility Agreement with Banco Santander for the acquisition of the Madrid A1 Office (see Part XIII (“*The Assets*”) for further details), the Marineda Facility Agreement with certain entities belonging to the Allianz group for the acquisition of Marineda (see Part XIII (“*The Assets*”) for further details), the WTCAP 6 Facility Agreement with Deutsche Pfandbriefbank (see Part XIII (“*The Assets*”) for further details) and the Alcala Facility Agreement with Caixabank, S.A. (see Part XV (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”) for further details).

On 7 October 2014, the 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 €776.55 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.

As of 31 December 2014, the Group’s gross financial debt amounted to €1,010 million, of which 99% was hedged.

On 19 February 2015, MERLIN Retail signed a €133.6 million ten-year loan facility agreement with several loans entered into with certain entities belonging to the Allianz group, with mortgage security on Marineda shopping centre a (the “**Marineda 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 Marineda 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, S.A., 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 at the date of this Prospectus, the Group’s total borrowings are €1,184.5 million. The weighted average maturity of the Company’s liabilities is approximately 9.2 years, with a cost of 3.8% until late 2017 and 2.7% thereafter. See also Part XV (“*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”).

The Group will 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 X (“*Information on the Group*”).

### 8.4 Other Sources of Financing

As substantially all of the Net Proceeds raised will be used in connection with 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 X (“*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 December 2014, the Company’s consolidated EPRA NAV amounted to €1,354.9 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.

## **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 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 XX (“*Additional Information*”) for additional information.

## **12. STRUCTURE AS A SPANISH SOCIMI**

The Company and each of its 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 XVIII (“*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. These conditions and tests are discussed in Part XVIII (“*Spanish SOCIMI Regime and Taxation Information*”).



## PART XI: THE MANAGEMENT TEAM

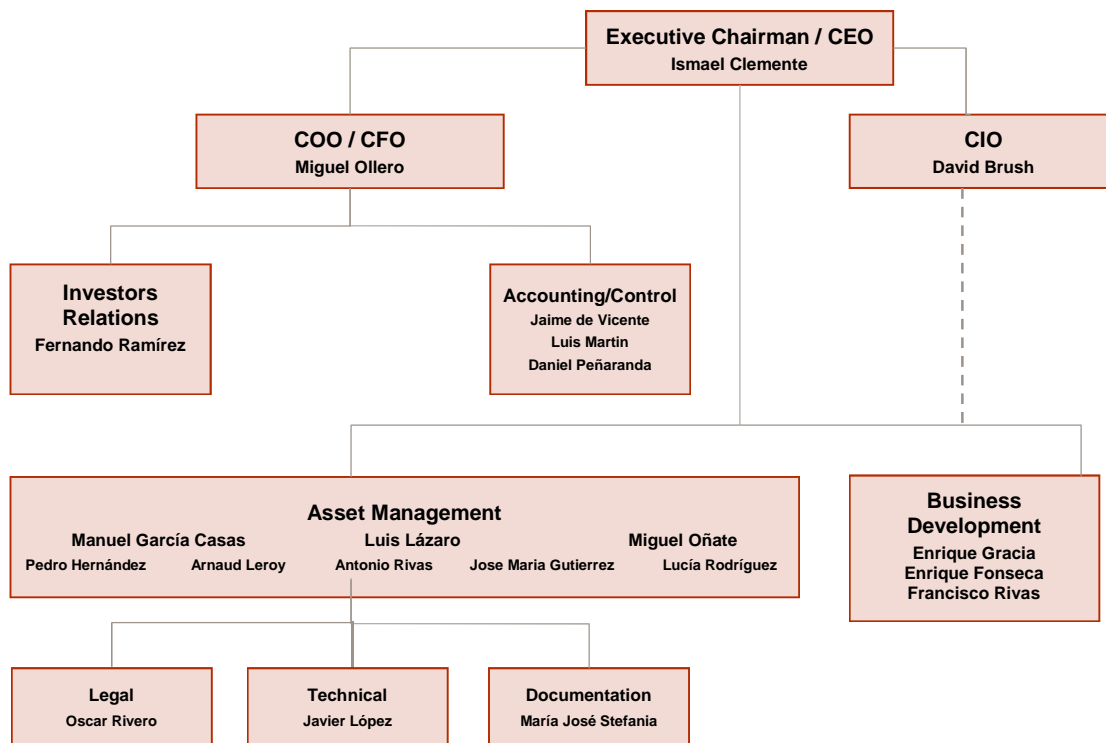
### 1. THE MANAGEMENT TEAM

#### 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 23. The Management Team expects to reach a stabilised base of 25 to 30 employees, once the Net Proceeds are fully invested.

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 Crédisuez (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 €1,200 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 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 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 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 750,000 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 participate in 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 XII ("*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 X ("*Information on the Group*") for a definition of Annual Total Overheads and section 4.2 of Part XV ("*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. For further information please see section 8.2 of Part X ("*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.

As detailed in section 4.2 of Part XV ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*"), for the period from Initial Admission to 31 December 2014, the applicable 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.

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, non-recoverable expenses on leased properties 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 employee benefits expenses and €986,000 to overheads 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).

## 1.3 Remuneration of the Management Team

The remuneration system of the Company includes the following elements:

- (i) Annual remuneration, comprising:
  - annual fixed remuneration; and
  - bonus incentive plans.
- (ii) Management Stock Plan.

Please see section 4.2 of Part XV ("*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.

The remuneration of the Company's senior executives (excluding the Board of Directors) in 2014 was as follows:

Number of employees	Compensation fixed and variable (Thousands of euros)	Other remuneration	Total (Thousands of euros)
7	1,671	-	1,671

(i) *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.

(ii) *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:

- a. 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**”).
- b. 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. $Hurdle\ Return\ on\ EPRA\ NAV\ (8\%) = EPRA\ NAV\ BoP(1) \times 8\%$
(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 Outperfonce 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)	<i>Shareholder Return Rate (%)</i>	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		Key Hurdles Test met									
		Year 1		Year 2		Year 3		Year 4		Year 5	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
<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 90/10% split		0,5		0,0		0,9		0,0		0,1
	90/10% Split of Shareholder Return from "catch up" to 12%	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				
	"Catch up" to Management until 85/15% split		0,0		0,0		0,5		0,0		0,0
	85/15% 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>10,7</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>1,7</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</b>	<b>0,1</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>					
(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>1,7</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>0,1</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		(1,7)		0,0		(0,1)
(8)	<b>Total Net Shareholder Return</b>	<b>8,0</b>	<b>8,0</b>	<b>1,9</b>	<b>1,9</b>	<b>10,7</b>	<b>10,7</b>	<b>7,5</b>	<b>7,5</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)	Management Stock Plan	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:

- (a) 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:
  - (i) Until 8% Shareholder Return Rate (8 economic units in Year 1) all of the Return is distributed to the Investor.
  - (ii) 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.
  - (iii) No Return would be applicable above the 12% hurdle, since the Shareholder Return Rate is lower than 12%.
  - (iv) Therefore, the Promote for the Management Team on the Shareholder Return would be 0.5 economic units.
  - (v) 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.
  - (vi) 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).
- (b) No Management Stock Plan would be due on Year 2 since the Key Hurdles Test is not met.
- (c) 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:
  - (i) Until 8% Shareholder Return Rate (7.9 economic units in value in Year 3) all of the Return is distributed to the Investor.
  - (ii) 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.
  - (iii) 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.
  - (iv) Therefore the Promote for the Management Team on the Shareholder Return would be 1.7 economic units.
  - (v) 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.
  - (vi) 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.
- (d) No Management Stock Plan would be due on Year 4 since the Key Hurdles Test is not met in that year.
- (e) 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 percentages of the Management Stock Plan 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 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:

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
	Hurdle Return on EPRA NAV (12%)	12.0	12.5	11.9	12.9	13.2
(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>

Management Stock Plan Calculation		Year 1		Year 2		Year 3		Year 4		Year 5	
		Yes		No		Yes		No		Yes	
<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 91/9% split</i>		0.5		0.0		0.8		0.0		0.1
	<i>91/9% Split of Shareholder Return from "catch up" to 12%</i>	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										
	<i>"Catch up" to Management until 86/14% split</i>		0.0		0.0		0.5		0.0		0.0
	<i>86/14% 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>10.8</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>

Capital increase of €1,000 million or higher:

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)	<i>Shareholder Return Rate (%)</i>	<i>8.5%</i>	<i>(1.8%)</i>	<i>12.5%</i>	<i>7.0%</i>	<i>8.1%</i>					
(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					
(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>					
<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>					
<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 92/8% split</i>		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
(4)	Accumulated distributions of Shareholder Return	8.0	0.5	0.0	0.0	10.9	1.4	7.5	0.0	8.8	0.1
(5)	Total Promote on Shareholder Return		0.5		0.0		1.4		0.0		0.1
(6)	16% of High Watermark Outperformance		1.4		0.0		1.7		1.2		2.6
(7)	Management Stock Plan (Lesser of Promote and 16% High Watermark Outperformance)		0.5		0.0		1.4		0.0		0.1
	<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		(1.4)		0.0		(0.1)
(8)	<b>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 of 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:

- i) 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
- ii) 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	1	2	3	4 and onwards
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 X (“*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 X (“*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 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 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 XVIII (“*Spanish SOCIMI Regime and Taxation Information*”) of this Prospectus).

### *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) 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.

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.

In addition, in order to further reduce the risk of potential conflicts of interest, the shareholders of MAGIC Real Estate have entered into a letter of intent with the Company dated 5 June 2014, pursuant to which they have agreed, during the 12-month period following Admission, to negotiate in good faith the sale of 100% of the shares in MAGIC Real Estate to the Company if the Company deems it appropriate. This potential acquisition by the Company would need to be approved by the General Shareholders' Meeting. If approved, the Company shall entrust its supervision and implementation to an ad hoc committee formed in its entirety by independent Directors.

### 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.

Management Team member	Current Directorship
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> <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>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 Investments, S.A.</p>
Mr. Enrique Gracia	<p>Corporate Inmofin, S.A. *</p> <p>Silcoge, S.A. *</p>
Mr. Miguel Oñate	<p>Fidere Residencial, S.L.U. *</p> <p>Marina Isla Cristina, S.A.</p> <p>Martell Investments, SL (on behalf of MAGIC Real Estate, S.L.) *</p> <p>Fidere Patrimonio SOCIMI, S.A.U. *</p>

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 XII: 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 nine Directors who are as follows:

Name	Position	Date appointed	Date of expiration
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
Mr. José García Cedrún	Non-Executive proprietary Director	13/06/2014	13/06/2016

As of the date of this Prospectus, all Directors have been appointed, have accepted their appointment and, with the exception of Ana de Pro, 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.

Mr. Matthew Glowasky resigned from the Board of Directors on 12 March 2015.

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 €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. 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 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. 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), Cadysa, 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 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.

*Mr. José García Cedrún – Proprietary Director*

Mr. José García Cedrún is Director in the Real Estate department of Chenavari since July 2014. Formerly, Mr. José was a Director of the Investment Team at Drago Capital. He has participated in all deals structured by Drago over the last decade with a total investment volume of €2.8bn. He was responsible for identifying and analyzing investment opportunities, as well as their execution and structuring. He holds a degree in Business Administration from the Complutense University of Madrid and a MA Real Estate Business Management from ICADE (Universidad Pontificia de Comillas).

He is also a board member of two Spanish companies: Incola Ciudad, S.L. and Step Negocios, S.L.

## **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 XX ("*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.

Mr. José García Cedrún is a non-executive proprietary director of 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 750,000 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 the Underwriting Agreement to and including 90 days after the AQS trading day following the Subscription Date, the Company will 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.

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 issue of Ordinary Shares with respect to the potential acquisition of MAGIC Real Estate by the Company during the three months following the AQS trading day following the Subscription Date and (C) 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 this Prospectus.

#### 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):

- (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.

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 of euros
<i>Remuneration of board members</i>		
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>

## 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 XI



(“*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 XI (“*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 XI (“ <i>The Management Team</i> ”)
Mr. Miguel Ollero	Please refer to section 3 of Part XI (“ <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. * 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. *
Mr. José García Cedrún	Incola Ciudad, S.L. New Positively, S.L. SKY CIM Spain, S.L. * Step Negocios, S.L.

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 Spanish Corporate Governance Code 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 41 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 13 states that the board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members. According to the Company's by-laws, the Board of Directors shall be composed of a minimum of 3 and a maximum of 15 members.
- Recommendation 14 sets out some measures regarding director selection policy, among them, a quota for women directors of 30%. Although there is no quantitative quota in the by-laws or in the internal regulations, the Company will ensure that this recommendation is complied with in the near future.
- Recommendation 18 recommends that the company publish on their website certain information about the directors. Although the Company's website does not include exact information about ownership of stock by each of the Directors, the Company will do so in the near future.
- Recommendation 20 states that proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly. According to the by-laws and the internal regulations, there are no rules in place regarding the obligation of proprietary Directors to resign in the scenario foreseen in this recommendation. The Company will ensure that this recommendation is complied with in the near future.
- Recommendation 22 suggests that certain procedures regarding the obligation of Directors to inform or, as the case may be, resign in such events which are detrimental to the Company's reputation be in place. The Company will ensure that this recommendation is complied with in the near future.
- 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 26 states that the board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items. According to the Company's by-laws the Board of Directors shall hold at least four (4) meetings a year. In 2014, the Board of Directors met eleven times and the Company aims to meet at least on six occasions per year (prior to the General Shareholders' Meeting, prior to the publication of interim financial information and in order to consider dividend payments) and on further occasions as necessary to consider transactions and other ad-hoc business.
- Recommendation 33 recommends that the Chairman be in charge of certain functions. The functions of the

Chairman listed in this recommendation are partially included in the Company's by-laws and internal regulations.

- Recommendation 34 recommends that the Independent Coordinating Director (*consejero independiente coordinador*) be in charge of certain functions. The functions listed in this recommendation are not included in the Company's by-laws and internal regulations yet, but the Company expects to do so in the near future.
- Recommendation 36 includes certain measures to be taken regarding an action plan to be adopted by the Board of Directors, consisting of an evaluation and measures to be taken regarding the Board of Directors. The Board of Directors has not carried out an annual evaluation yet and, therefore, an action plan has not been defined. The Company will ensure this recommendation is complied with in due course.
- 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 partially 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 49 states that the nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors. According to the by-laws and the internal regulations, the Appointments and Remuneration Committee is not required to consult the President and the CEO.
- Recommendation 50 addresses certain functions which are recommended to be performed by the appointments and remuneration committee. The functions of the Appointments and Remuneration Committee listed in these recommendations are partially included in the Company's by-laws and internal regulations.
- 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 nine 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. José García Cedrún is considered a non-executive proprietary Director. 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 once 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 XII ("*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.

#### *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 XI ("*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 XI ("*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 XII (“*Directors and Corporate Governance*”).

## PART XIII: THE ASSETS

### 1. OVERVIEW

As at 31 December 2014, 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 880 branch offices and five buildings, MERLIN Retail owned and operated Marineda, MERLIN Oficinas held and operated both the Madrid A1 Office and WTCAP 6 & 8, whilst MERLIN Logistica held and managed the logistics assets (Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes and Zaragoza-Plaza). The Group acquired these Assets for an aggregate acquisition price of €2,127.8 million including transaction costs and expenses (€2,114.9 million excluding transaction costs and expenses). The Assets are consistent with the Group's Business Strategy and, as at 31 December 2014, consisted of the following assets:

- **Tree:** Tree owned and operated 880 branch offices and five buildings located across Spain, fully leased to BBVA, with a GLA of 374,181 sqm and a 100% occupancy rate. Please refer to section 3.2 of this Part XII (*"The Assets"*) and section 4.5 of Part XV (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) 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 90.6%.
- **MERLIN Oficinas:** MERLIN Oficinas owned and operated the following seven office buildings, located in Madrid and Barcelona, with a GLA of 63,253 sqm and an occupancy rate of 80.0%: 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). Please refer to section 4.5 of Part XV (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) for information on the acquisition made by MERLIN Oficinas after 31 December 2014.
- **MERLIN Logistica:** MERLIN Logistica owned and operated the following four logistics facilities with a GLA of 136,336 sqm and an occupancy rate of 96.6%: 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) and 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). Please refer to section 4.5 of Part XV (*"Management's Discussion and Analysis of Financial Condition and Results of Operations"*) for information on the acquisition made by MERLIN Logistica after 31 December 2014.

The Assets have been valued in accordance with the RICS Red Book by Savills as at 31 December 2014 at approximately €2,231.6 million. Savills' valuation of the Assets is set out in Part XIV (*"Valuation Report"*) of this Prospectus.

All references to market value of the Assets (or part thereof) in this Part XIII (*"The Assets"*) of this Prospectus refer to the value ascribed to the Assets as at 31 December 2014 as set out in Part XIV (*"Valuation Report"*) of this Prospectus.

The following table sets forth certain information in relation to the Assets as at 31 December 2014.

	Tree	%	MERLIN	%	MERLIN	%	MERLIN	%	Total		
	Total		Retail	Total		Oficinas	Total		Logistica	Total	
Total Acquisition Price (€ million) <sup>(1)</sup>	1,577.4	74.1%	267.5	12.6%	217.2	10.2%	65.7	3.1%	2,127.8		
Market Value (€ million)	1,669.5	74.8%	281.1	12.6%	216.0	9.7%	65.1	2.9%	2,231.6		
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	89.1	68.9%	18.9	14.6%	15.3	11.9%	6.0	4.6%	129.3		
Total Annualised Net Rents (€ million) <sup>(3)</sup>	89.1	70.0%	17.7	13.9%	14.4	11.4%	6.0	4.7%	127.2		
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	89.1	71.0%	16.3	13.0%	14.3	11.4%	6.0	4.7%	125.6		
EPRA Gross Yield <sup>(5)</sup>	5.65%		7.07%		7.06%		9.12%		6.08%		

EPRA Topped-Up Yield <sup>(6)</sup>	5.65%	6.60%	6.66%	9.08%	5.98%				
EPRA Net Yield <sup>(7)</sup>	5.65%	6.11%	6.57%	9.08%	5.90%				
Total GLA	374,181.0	55.0%	106,276.2	15.6%	63,252.6	9.3%	136,336.0	20.0%	680,045.8
GLA Occupied	374,181.0	57.0%	96,303.2	14.7%	50,096.0	7.6%	136,336.0	20.8%	656,916.2
GLA Vacant	0.0	0.0%	9,973.0	1.5%	13,156.6	2.0%	0.0	0.0%	23,129.6
Occupancy Rate	100.0%		90.6%		80.0%		100.0%		96.7%
WAULT by Rents Years <sup>(8)</sup>	24.5		3.3		3.7		8.8		18.7

#### 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) Annualised gross rents have been calculated as passing monthly gross rent at December, multiplied by 12, except for Tree, which includes rental uplift applicable from 1 January 2015 (representing an aggregate annual amount of €0.5 million)

(3) Annualised net rents have been calculated as passing monthly net rent for each asset at December (except for Tree, which includes rental uplift applicable from 1 January 2015 representing an aggregate annual amount of €0.5 million), multiplied by 12. Net rents deducts from gross rents direct property expenses non-rechargeable to tenants

(4) Annualised net operating income has been calculated as passing monthly net operating income for each asset at December (except for Tree, which includes rental uplift applicable from 1 January 2015 representing an aggregate annual amount of €0.5 million), multiplied by 12. Net operating income deducts from net rents direct collection loss and rents discounts

(5) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(7) EPRA Net Yield is calculated dividing annualised net operating income by total acquisition price

(8) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 December 2014

## 2. GEOGRAPHY AND ASSET CLASS

As at 31 December 2014, all the Assets were located in Spain. In terms of subsidiaries, Tree, MERLIN Retail, MERLIN Oficinas and MERLIN Logistica held 75%, 13%, 9% and 3%, respectively of the Assets (all calculated over market value) as at such date.



## 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 XV ("*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 XV ("*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 branches and five buildings as a result of disposals made up to date.

TREE KPIs (as at 31 December 2014)	
Enterprise value of Tree (€m)	1,577.4
Assets debt outstanding as of the date of purchase (€m)	(842.8)
Cash generated by the individual sale of assets during the second quarter of 2014	4.8
Equity disbursement (€m)	739.5
Debt to acquisition price of assets	53.1%
Gross rent since date of acquisition up until 31 December 2014 (€m)	44.2
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	89.06
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	89.06
EPRA Gross Yield <sup>(3)</sup>	5.65%
EPRA Topped-up Initial Yield <sup>(4)</sup>	5.65%
Total GLA (sqm)	374,181
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	24.5

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent which includes rental uplift applicable from 1 January 2015, multiplied by 12. Annualised passing rent as of 31 December 2014 is €88.5 million

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by enterprise value of Tree

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by enterprise value of Tree

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, 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 XIV ("*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); (vi) the façade to one or more streets (corner units); and (vii) the current rental level compared to the market.

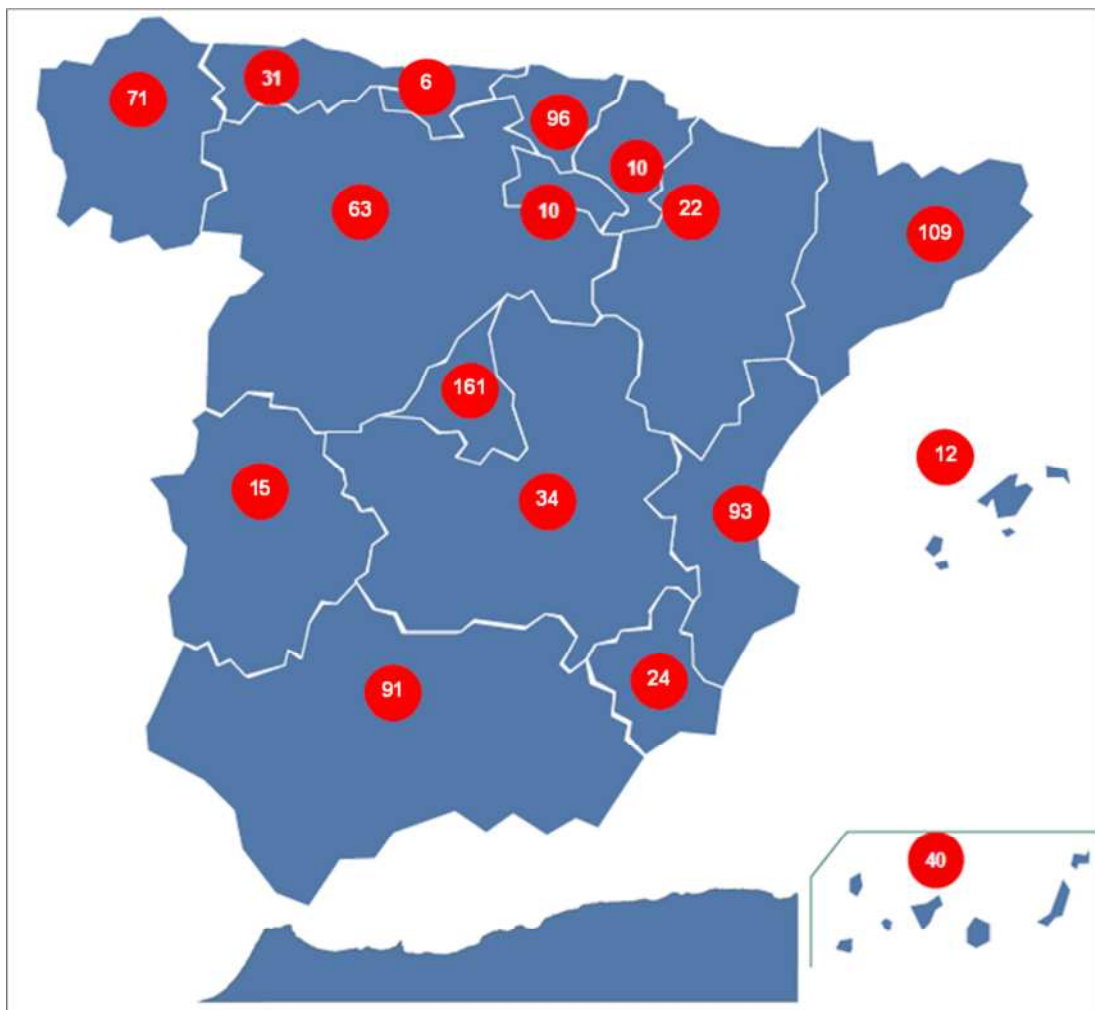
Details of Tree’s assets as at 31 December 2014 were as follows:

	No. of Properties	Lettable Space (sqm)	Vacancy Rate (%)	Gross Rental Income per annum <sup>(1)</sup> (€ million)	Market Value <sup>(2)</sup> (€ million)	Tree’s assets by market value (%)	Gross Initial Yield <sup>(3)</sup> (%)	2014 Net Acquisition Yield (%)
Branch offices	880	350,419	0	85.0	1,615	96.8	5.26	5.56
Buildings	5	23,762	0	3.6	54	3.2	6.59	7.17
TOTAL	885	374,181	0	88.5	1,669	100	5.30	5.61

*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.

**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>
	#	% 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 Subtotal</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>
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>
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<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>
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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 (24.8 years left) and of 20 years for the buildings (14.8 years left). The average lease term is 24.5 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 December 2014 was €49,890 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 December 2014, BBVA employed approximately 108,770 people worldwide and had around one million shareholders.

As at 31 December 2014, BBVA had €651,511 million in assets and €51,609 million in total equity, with a core capital of 12.0% and a tier I capital of 12.0%, with long-term ratings of A- with stable outlook (Fitch, May 2014), Baa2 with positive outlook (Moody's, February 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 for the purpose of partially financing the acquisition price of the real estate assets acquired from BBVA and the payment of any fees, commissions, costs, taxes and expenses related thereto (as amended and restated on 29 July 2010, 25 March 2014 and 30 December 2014, the "*Senior Facility Agreement*").

After the successful completion of the amendment and restatement of the Senior Facility Agreement on 30 December 2014, Tree has significantly increased the recurrent cash flow generation for the Company as follows:

- the average all in annual interest rate (after hedging) of the Company has been reduced from 6.1% to 4.1% until September 2017, and 2.7% from September 2017 until maturity in September 2024. Total interest cost for Tree has been reduced from €59.7 million in 2014 to approximately €42.1 million expected for 2015; and
- annual principal debt amortisation is now set at 1% of the outstanding principal amount for the first four years. This means that total annual debt principal amortisation expected for 2015 is €9.4 million, as compared to €50.3 million incurred in 2014.

The total outstanding principal amount under the Senior Facility Agreement as of 31 December 2014 was €939,755,725. Short-term outstanding principal under the Senior Facility Agreement amounted to €9.4 million and the long-term outstanding principal under the Senior Facility Agreement amounted to €930.4 million as of that date.

In addition, as of 31 December 2014, debt arrangement expenses under the Senior Facility Agreement amount to €24.3 million and are recognised under "Non-current bank borrowings" in the Consolidated Financial Statements.

Senior Facility Agreement (as of 31 December 2014)					
Principal amount (€ thousand)	Debt arrangement expenses (€ thousand)	Withdrawn amounts (€ thousand)			Short-term interest (€ thousand)
		Long term	Short term	Total withdrawn amount	
939,756	(24,324)	930,358	9,398	939,756	93

The Senior Facility Agreement matures on 27 September 2024 (the "*Termination Date*") and accrues an annual interest of 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 debt repayment schedule for the Senior Facility Agreement is detailed below. Repayment instalments are paid quarterly and are expressed as a percentage of the total commitments.

Repayment Dates	Repayment Instalment
2015	1.00%
2016	1.00%
2017	1.00%
2018	1.00%
2019	1.25%
2020	1.25%
2021	1.25%



Repayment Dates	Repayment Instalment
2022	1.50%
2023	1.50%
2024 (until August IPD)	1.13%
Termination Date	Any outstanding balance

During the year ended 31 December 2014, Tree repaid €32.7 million of the amount due under the Senior Facility Agreement, of which €18.7 million was repaid due to the early repayment obligations as a result of the sale of assets, €9.2 million due to the debt repayment schedule and €4.8 million associated with other obligations included in the Senior Facility Agreement.

#### 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.

#### I. ICR

In accordance with the terms of the Senior Facility Agreement, 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).

In the case of a covenant breach, there will be a dividend lock-up in respect of the total amounts of the cash available after the application of the mandatory prepayment due to rating trigger as described in Covenant III (“**BBVA Rating**”) below that must not be mandatorily distributed to comply with the SOCIMI regime (the “**Dividend Lock-up Amount**”).

The Dividend Lock-up Amount will be deposited into a dividend lock-up account. The Dividend Lock-up Amount can be withdrawn and applied at Tree’s discretion once the ICR is complied with.

#### II. LTV

In accordance with the terms of the Senior Facility Agreement, if 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%):

- Tree shall deliver a new valuation within 9 months (the “**Second Valuation**”); and
- there will be a dividend lock-up in respect of the Dividend Lock-up Amount, which will be deposited into a dividend lock-up account.

If the Second Valuation still shows a LTV Ratio higher than 75%:

- the amounts deposited into the dividend lock-up account will be applied towards repayment of the Facilities to the extent required to cure the LTV Ratio; and
- if the amount therein is not enough to cure the LTV Ratio, Tree shall apply the proceeds of an equity subscription and/or subordinated loans towards repayment, within 3 months, in such amount as to cure the LTV Ratio.

The Dividend Lock-up Amount can be withdrawn and applied at Tree’s discretion once the LTV is complied with.

#### III. BBVA Rating

In accordance with the terms of the Senior Facility Agreement, 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 amounts of any free cash flow available after the debt service and any mandatory distributions to be made by the Tree to comply with the SOCIMI regime (the “**Excess Cash**”):

Financial Year Ending	% of Excess Cash
December 2015 December 2016 December 2017	25%
December 2018 December 2019 December 2020	50%
December 2021 December 2022 December 2023 December 2024	60%

As of the date of this Prospectus, BBVA's latest long-term rating is BBB with stable outlook (Standard and Poors, February 2015) and Baa2 with positive outlook (Moody's, February 2015).

#### Mezzanine Facility Agreement

On 23 September 2009, a syndicate of financing entities, as lenders, and Tree, as borrower, entered into a mezzanine facility agreement, governed by Spanish law, for a maximum amount of €112,173,576 for the purpose of partially financing the acquisition price of the real estate assets acquired from BBVA 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, respectively, the "**Mezzanine Facility Agreement**").

All amounts due under the Mezzanine Facility Agreement were fully repaid on 30 December 2014.

#### 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.

The following table sets forth certain information in relation to Tree's Hedging Agreement as at 31 December 2014:

Hedging Agreements (as of 31 December 2014)									
Concept	Start	Maturity	Fixed Rate	Floating Rate	Original Notional	Remaining Notional	Fair Value	(Cr) Liability	Profits and Losses
(€ thousands)									
IRS SENIOR	2009	2017	3.46%	Euribor 3M	734,000	545,343	(51,277)	51,277	557
IRS SENIOR	2010	2017	2.78%	Euribor 3M	177,202	133,291	(10,002)	10,002	(39)
IRS SENIOR	2014	2017	0.13%	Euribor 3M	261,122	261,122	0	0	0
FORWARD IRS SENIOR	2017	2024	0.96%	Euribor 3M	913,912	913,912	0	0	0
INFLATION SWAP	2009	2017	3.34%	HICP	80,571	67,138	9,139	(9,139)	48
<b>Total</b>								<b>52,140</b>	<b>566</b>

#### Debt amortisation 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 paid directly in to the bank account identified in the Senior Facility Agreement as the "Deposit Account" and, on the next interest in payment date under the Senior Facility Agreement, the applicable release amount (122.5% of the allocated loan amount) 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, by means of the relevant public deeds, a number of 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**"), including, among others:

- (i) first and second ranking mortgage over the properties in favour of the lenders under the Senior Facility Agreement;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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
- (vi) 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 December 2014, Tree was pending the amortisation of €24.3 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.

#### **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.

<b>MERLIN Retail KPIs (as at 31 December 2014)</b>	
Acquisition price of the asset (€m)	260
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	260
Debt to acquisition price of asset	0%
Gross rent since date of acquisition up until 31 December 2014 (€m)	7.63
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	18.91
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	17.66
EPRA Gross Yield <sup>(3)</sup>	7.28%
EPRA Topped-up Initial Yield <sup>(4)</sup>	6.79%
Total GLA (sqm)	106,276

Occupancy rate	91%
WAULT by rents (years) <sup>(5)</sup>	3.3

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, 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 loan 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.

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 December 2014, MERLIN Oficinas owned and operated seven office buildings, located in Madrid and Barcelona, with a GLA of 63,252 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. As at 31 December 2014, the occupancy rate was 79.2%.

MERLIN OFICINAS KPIs (as at 31 December 2014)	
Acquisition price of the assets (€m)	213
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	213
Debt to acquisition price of assets	0%
Gross rent since date of acquisition up until 31 December 2014 (€m)	3.89
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	15.33
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	14.46
EPRA Gross Yield <sup>(3)</sup>	7.19%
EPRA Topped-up Initial Yield <sup>(4)</sup>	6.79%
Total GLA (sqm)	63,252
Occupancy rate	80.0%
WAULT by rents (years) <sup>(5)</sup>	3.7

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, 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.

MADRID A1 OFFICE KPIS (as at 31 December 2014)	
Acquisition price of the assets (€m)	130
Assets debt outstanding at 7 October 2014 (€m)	70
Equity disbursement (€m)	60
Debt to acquisition price of assets	53.8%
Gross rent since acquisition up until 31 December 2014 (€m)	2.49
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	9.80
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	9.21
EPRA Gross Yield <sup>(3)</sup>	7.54%
EPRA Topped-up Initial Yield <sup>(4)</sup>	7.09%
Total GLA (sqm)	34,175
Occupancy rate	76.4%
WAULT by rents (years) <sup>(5)</sup>	2.5

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract

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.

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 82.5%.

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.

<b>WORLD TRADE CENTER ALMEDA PARK 6&amp;8 KPIs (as at 31 December 2014)</b>	
Acquisition price of the assets (€m)	83.25
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	83.25
Debt to acquisition price of assets	0%
Gross rent since acquisition up until 31 December 2014 (€m)	1.41
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	5.54
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	5.25
EPRA Gross Yield <sup>(3)</sup>	6.65%
EPRA Topped-up Initial Yield <sup>(4)</sup>	6.31%
Total GLA (sqm)	29,078
Occupancy rate	84.2%
WAULT by rents (years) <sup>(5)</sup>	5.4

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract

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%.

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.

Please refer to section 4.5 of Part XV ("*Management's Discussion and Analysis of Financial Condition and Results of Operations*") for information on the acquisition made by MERLIN Oficinas after 31 December 2014.

## **6. MERLIN LOGISTICA**

As at 31 December 2014, MERLIN Logistica owned and operated four logistics facilities, located in Vitoria, Madrid, Valencia and Zaragoza, leased to tenants such as Norbert Dentressangle, Transportes Souto, Ford and Imaginarium, with a GLA of 136,336 sqm and an occupancy rate of 100%.

<b>MERLIN LOGISTICA KPIs (as at 31 December 2014)</b>	
Acquisition price of the assets (€m)	64.2
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	64.2

Debt to acquisition price of assets	0%
Gross rent since date of acquisition up until 31 December 2014 (€m)	0.8
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	5.99
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	5.97
EPRA Gross Yield <sup>(3)</sup>	9.33%
EPRA Topped-up Initial Yield <sup>(4)</sup>	9.29%
Total GLA (sqm)	136,336
Occupancy rate	100.0%
WAULT by rents (years) <sup>(5)</sup>	8.8

*Notes:*

*(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12*

*(2) Calculated as annualised Gross rent minus non-recoverable service charges*

*(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price*

*(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price*

*(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, 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.

VITORIA – JÚNDIZ KPIs (as at 31 December 2014)	
Acquisition price of the assets (€m)	28.58
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	28.58
Debt to acquisition price of assets	0%
Gross rent since acquisition up until 31 December 2014 (€ thousand)	15
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	2.75
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	2.75
EPRA Gross Yield <sup>(3)</sup>	9.63%
EPRA Topped-up Initial Yield <sup>(4)</sup>	9.63%
Total GLA (sqm)	72,717
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	9.8

*Notes:*

*(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12*

*(2) Calculated as annualised Gross rent minus non-recoverable service charges*

*(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price*

*(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price*

*(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract*

## 6.2 Madrid – Getafe

On 12 December 2014, the Group, through MERLIN Logistica, 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.

MADRID – GETAFE KPIs (as at 31 December 2014)	
Acquisition price of the assets (€m)	12.8
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	12.8
Debt to acquisition price of assets	0%
Gross rent since acquisition up until 31 December 2014 (€ thousand)	89
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	1.07
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	1.07
EPRA Gross Yield <sup>(3)</sup>	8.41%
EPRA Topped-up Initial Yield <sup>(4)</sup>	8.41%
Total GLA (sqm)	16,242
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	9.9

*Notes:*

*(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12*

*(2) Calculated as annualised Gross rent minus non-recoverable service charges*

*(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price*

*(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price*

*(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract*

## 6.3 Valencia – Almussafes

On 30 September 2014, the Group, through MERLIN Logistica, 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.

VALENCIA – ALMUSSAFES KPIs (as at 31 December 2014)	
Acquisition price of the assets (€m)	12.2
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	12.2
Debt to acquisition price of assets	0%
Gross rent since acquisition up until 31 December 2014 (€ thousand)	318
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	1.12
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	1.09
EPRA Gross Yield <sup>(3)</sup>	9.21%
EPRA Topped-up Initial Yield <sup>(4)</sup>	9.00%



Total GLA (sqm)	26,613
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	2.4

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract

#### 6.4 Zaragoza – Plaza

On 5 August 2014, the Group, through MERLIN Logistica, 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.

ZARAGOZA – PLAZA KPIs (as at 31 December 2014)	
Acquisition price of the assets (€m)	10.8
Assets debt outstanding as of the date of purchase (€m)	0
Equity disbursement (€m)	10.8
Debt to acquisition price of assets	0%
Gross rent since acquisition up until 31 December 2014 (€ thousand)	423
Annualised Gross Rent 2014 (€m) <sup>(1)</sup>	1.05
Annualised Net Rent 2014 (€m) <sup>(2)</sup>	1.05
EPRA Gross Yield <sup>(3)</sup>	9.77%
EPRA Topped-up Initial Yield <sup>(4)</sup>	9.77%
Total GLA (sqm)	20,764
Occupancy rate	100%
WAULT by rents (years) <sup>(5)</sup>	11.7

*Notes:*

(1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 December 2014, multiplied by 12

(2) Calculated as annualised Gross rent minus non-recoverable service charges

(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(5) Weighted average unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2014, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract

Please refer to section 4.5 of Part XV (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”) for information on the acquisition made by MERLIN Logistica after 31 December 2014.

PART XIV: VALUATION REPORT

**ASSETS PORTFOLIO:  
RETAIL, HOTEL, OFFICES,  
LOGISTIC & BANK BRANCHES  
MERLIN PROPERTIES SOCIMI S.A**



***Valuation Short Report  
March 2015***

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## **TERMS OF REFERENCE**



**MERLIN PROPERTIES, SOCIMI, S.A.**  
Pº. De la Castellana 42  
28046 Madrid  
Spain  
("THE COMPANY")

and

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom  
("UBS")

and

**Credit Suisse Securities (Europe) Limited**  
One Cabot Square  
London E14 4QJ  
United Kingdom  
("CREDIT SUISSE")

and

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom  
("GOLDMAN SACHS")

and

**Morgan Stanley & Co. International PLC.**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom  
( "MORGAN STANLEY" AND, TOGETHER WITH THE COMPANY, UBS, CREDIT SUISSE AND  
GOLDMAN SACHS, The "Addressees")

Madrid, 31<sup>th</sup> March 2015

**Property: PROPERTY PORTFOLIO, COMPOSED BY RETAIL, HOTEL, OFFICES, LOGISTIC &  
BANK BRANCHES LOCATED ACROSS SPAIN**

**Client: MERLIN PROPERTIES, SOCIMI, S.A.**

## 1. INSTRUCTIONS

In accordance with the terms agreed in our Terms of Engagement Letter, signed 26 November 2014, in this report we provide you a market valuation of the following assets listed below:

- Plot T-4 A-2. C/ Padres Dominicos 7. Madrid.
- Plot T-2. C/ María de Portugal 1-3-5 (Buildings 1,2 & 3). Madrid.
- Plot T-7-A. C/ Arroyo de Valdebebas 4. Madrid.
- WTC Almeda Park. Buildings 6 & 8. Cornellá de Llobregat, Barcelona.
- Portfolio Marineda City, composed by Marineda City Shopping Center, Marineda Hotel and Decathlon. A Coruña.
- Imaginarium Logistic Platform. Zaragoza.
- Sollana Logistic Platform. Valencia.
- Warehouse at Area Empresarial Nueva Andalucía. Getafe, Madrid.
- Vitoria Logistic Platform.
- BBVA Bank Branches Portfolio.

In case of discrepancy between the Terms of this Valuation Report and the Terms of Engagement Letter, the Terms of this Valuation Report shall prevail.

We understand you require this valuation for inclusion in a prospectus (the "prospectus") to be approved by the Spanish securities market regulator (Comisión Nacional del Mercado de Valores) in relation to the proposed offering of shares of the Company and their admission to trading on the Spanish Stock Exchanges (the "Transaction") which investors will rely on in making their decision to invest in the Company.

In addition we would confirm the following:

- We are not aware of any conflict of interest, either with the Property or with the Assets, preventing us from providing you with an independent valuation of the Property in accordance with the RICS Red Book.
- We will be acting as External Valuers, as defined in the Red Book.
- We have a Complaints Handling Procedure.
- The valuations are being completed by a qualified valuer, applying the knowledge, skills and ability to act on your behalf in respect of this instruction.
- Neither Savills Consultores Inmobiliarios S.A. or their valuers involved in this instruction have any material interest or obtain any benefit (other than from the receipt of the valuation fee) from this valuation instruction.
- We confirm that Savills Consultores Inmobiliarios S.A. carry sufficient Professional Indemnity Insurance for possible claims. According with the Terms of Engagement Letter, in case of responsibility for our advice, compensation is limited to the amount of the fees provided for carrying out the work.
- All information provided in respect of this instruction will be kept confidential and will not be disclosed to any un-authorised third party.

This report details the scope of work, valuation and other aspects concerning the assets.

The valuations has been carried out by qualified MRICS Registered Valuers, with the knowledge, skills and ability required to perform this valuation report competently.

The properties have been inspected by valuers of the Advisory & Valuation Department. The inspections has been carried out externally and internally, but limited to those areas that were easily accessible or visible.

## 2. BASIS OF VALUATION

Our valuation has been prepared in accordance with Royal Institution of Chartered Surveyors (“RICS”) Valuation Professional Standards January 2014 (the “RICS” Red Book), published November 2013 and effective from January 2014. In particular in accordance with the requirement of VPS 3 entitled Valuations reports

Red Book Valuation Standard VS 3.2 relates to the basis of value, and, in accordance therewith, you have instructed us to value the property on the basis of Market Value, the definition is defined as follows:

*“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*

## 3. SCOPE OF WORK

- (a) This report has been carried out assuming that any relevant information and the details provided by MERLIN PROPERTIES, SOCIMI, S.A, are correct and complete.
- (b) We emphasize that we have not made any survey of assets, having taken as correct the areas provided by our client.
- (c) We have not carried out any structural surveys of the assets.
- (d) As agreed, although we have reviewed the information provided, we have limited our comments to those commercial aspects that may have implications for the values.
- (e) We have not made any enquiries about the planning information used in the valuations. As we indicate at section 5 (General Assumptions & Special Assumptions), we have assumed that the property has all necessary licenses and permits.
- (f) We have not carried out for the purposes of the present report and assessment, soil testing or environmental audits. No one has provided us with copies of any environmental report of the properties being valued. According to that, we are not in a position to confirm that the properties are free of contamination, toxic products or similar materials. Unless we receive confirmation to the contrary, the opinion of value is based on the assumption that deleterious materials or techniques have not been used. As a result the review of our valuation assumes that the subject properties to be valued are free from contamination. We reserve therefore the right to change the valuation figures later date if it is proved that this assumption is incorrect. Therefore, we do not accept responsibility in this matter. Our General Assumptions about this are explained at section 5 (General Assumptions & Special Assumptions).



## 4. VALUATION

### Market Value

We are of the opinion that the Market Value of the assets portfolio freehold, as at the date of valuation (Valuation date is December 31, 2014) described at Section 1 is:

**€ 2,231,623,000.00**  
**(TWO BILLION TWO HUNDRED THIRTY ONE MILLION SIX HUNDRED AND TWENTY THREE THOUSAND EUROS)**

Market Value is distributed as follows:

<b>ASSET</b>	<b>MARKET VALUE 31/12/2014 (€)</b>
Plot T-4 A-2	€ 17,940,000.00
Plot T-2 (Building 1)	€ 20,500,000.00
Plot T-2 (Buildings 2 & 3)	€ 45,590,000.00
Plot T-7-A	€ 47,100,000.00
WTC Almeda Park. Building 6	€ 47,470,000.00
WTC Almeda Park. Building 8	€ 37,390,000.00
Marineda City Portfolio	€ 281,054,000.00
Imaginarium Logistic Platform	€ 11,050,000.00
Sollana Logistic Platform	€ 12,490,000.00
Warehouse at Area Empresarial Nueva Andalucía	€ 12,790,000.00
Vitoria Logistic Platform	€ 28,740,000.00
BBVA Bank Branches Portfolio	€ 1,669,509,000.00
<b>TOTAL</b>	<b>€ 2,231,623,000.00</b>

Excluding VAT

Our opinion of value is based on the scope of work and the general and special assumptions detailed in this report.

## 5. GENERAL ASSUMPTIONS & SPECIAL ASSUMPTIONS

Our report has been prepared on the basis of the following General Assumptions. In general we have received the information necessary to undertake our valuation. We have assumed:

- a) That the Freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them.
- b) That we have been supplied with all information likely to have an effect on the value of the properties, and that the information supplied to us and summarised in this report is both complete and correct.
- c) That the planning information provided by MERLIN PROPERTIES SOCIMI, S.A. is correct. We emphasize that for valuation purposes we have relied on the information provided on the status of urban development and have not done in any case checks on the relevant municipal administrations. We understand that the property has all necessary planning consents and licenses.
- d) That all the surfaces information provided by our client is correct.
- e) That the buildings have been constructed and used in compliance with all regulatory and legal requirements and in accordance with the planning regulations. Any future construction will be within the legal planning restrictions.
- f) That the properties are not adversely affected, nor are likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
- g) That the buildings are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the buildings we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.
- h) That the properties are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
- i) That in the construction or alteration of the buildings no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
- j) That the properties have not suffered any land contamination in the past, nor are they likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination. We will provide general comments without liability on the likelihood of land contamination, but we will not be commissioning an environmental audit.

- k) That there are no adverse site or soil conditions, that the ground does not contain any archaeological remains, and that there is no other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.
- l) That the tenants will be capable of meeting their obligations, and that there are no arrears of rent or undisclosed breaches of covenant. For valuation purposes it is assumed that the tenants comply their obligations, and that there will be no delays in the payment of rent or undisclosed contractual breaches.

### **General Conditions**

Our valuations has been carried out on the basis of the following general conditions:

1. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property(ies).
2. Our valuation(s) are exclusive of VAT (if applicable).
3. No allowance has been made for any expenses of realisation.
4. Excluded from our valuation(s) is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
5. It has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.
6. In all cases, our valuation report includes facilities that are normally transferred with the property, such as boilers, heating and air conditioning, lighting and ventilation, sprinklers, etc., while the equipment that is normally removed before the sale has been excluded from our opinion of value.

### **SPECIAL ASSUMPTIONS**

According to RICS, Special Assumptions only can be established if they are reasonably achievable, relevant and valid in relation to the special circumstances of valuation. Red Book Appendix 4 defines and gives examples of SPECIAL ASSUMPTIONS.

We have not taken any Special Assumption in our valuations.

## 6. CONFIDENTIALITY & LIMITATIONS TO THE DISTRIBUTION

In accordance with the recommendations of the RICS, we would state that this report is provided solely for the purposes stated above.

We are responsible for this report and, according to Article 33.1 (d) of Spanish Royal Decree 1310/2005, of 4 November (as amended), we accept responsibility for the information contained herein and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this report is in accordance with the facts and contains no omissions likely to affect the accuracy of such information.

It is confidential to and for the use only of the Addressees who are authorised to rely upon it. No responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk.

In connection with the Transaction, nothing in this letter shall (i) prevent the Addressees from complying with all applicable disclosure laws, regulations and principles in connection with the Transaction (ii) restrict the ability of the Addressees to consider information for due diligence purposes or share information with other underwriters, agents or dealers participating in the Transaction, (iii) prevent the Addressees from retaining documents or other information in connection with due diligence conducted in connection with the Transaction or (iv) prevent the Addressees from using any such documents or other information in investigating or defending itself against claims made or threatened by purchasers, regulatory authorities or others in connection with the Transaction.

Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear. Without prejudice to the foregoing Savills has given and has not withdrawn its written consent to the inclusion of this report in the Prospectus.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "J. Mateo", with a long horizontal line extending to the left.

**Jesús D. Mateo MRICS**  
Director Advisory & Valuation  
Savills Consultores Inmobiliarios, S.A.

A handwritten signature in black ink, appearing to read "E. Pimenta", with a long horizontal line extending to the left.

**Eduardo Martins Pimenta MRICS**  
Associate Director Advisory & Valuation  
Savills Consultores Inmobiliarios, S.A.

## PART XV: 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 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 (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 Consolidated Financial Statements were prepared in accordance with the IFRS-EU. 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 Existing Ordinary 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, of which, at the date of this Prospectus, 100% are fully invested in the Assets. The Company's consolidated EPRA NAV at 31 December 2014 was €1,355 million, equating to €10.50 per Existing Ordinary Share (€10.80 excluding IPO expenses, transaction costs associated with the acquisition of assets and one-off financing costs).

As at 31 December 2014, the Assets consisted of real estate assets with an aggregate GLA of 680,045 sqm, namely Tree's assets, Marineda, the Madrid A1 Office, WTCAP 6 & 8, Vitoria-Júndiz, Madrid-Getafe, Valencia-Almussafes and Zaragoza-Plaza. The Assets are held by four wholly-owned subsidiaries of the Company — Tree, MERLIN Retail, MERLIN Oficinas and MERLIN Logística. Further details of the Assets are set out in Part XIII ("*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 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 1.6% in 2014 after years of falling (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 more than 75% since the IMF programme started in 2012 and with sovereign debt yields reaching record low levels (source: Factset). 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 1.6% and 1.7% in 2015 and 2016, respectively, and is expected to reach 2.0% 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 23.8% and 22.6% 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 three consecutive quarters in 2013 (the second, third and fourth quarter). 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 2013) in the coming years (source: Eurostat; IMF). According to the IMF, in April 2014, 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 1.0% in 2014 and 1.8% in 2019. This is expected to support an increase in gross fixed investment activity and a lower unemployment rate, which reached 16.2% in the fourth quarter of 2013 and which is expected to reduce to 11.3% in 2019. In addition, the Portuguese current account balance has evolved from a 12.6% deficit in 2008 to a 0.5% surplus in 2013 for the first time in several decades. The current account surplus is expected to reach 2.0% 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 and industrial districts of Madrid and Barcelona have compressed since the end of 2012 showing levels as of year-end 2014 of around 5.5% (-100 bps in Madrid and -125 bps in Barcelona) for shopping centres in both cities, 5.0% (-125 bps) for Madrid offices, 5.25% (-100 bps) for Barcelona offices and 7.8% (-125 bps) for industrial logistics space in Madrid. Capital values for these property types in Madrid have shown a similar trend and as of the end of 2014 were of approximately €15,273/sqm, €6,100/sqm, and €774/sqm, respectively; a 23%, 25%, and 6% change when compared to their respective low levels reached during the crisis. The story for Barcelona is very similar, with capital values of approximately €16,364/sqm, €4,100/sqm and €929/sqm for each of the respective property types representing an increase from their respective floor levels during the crisis of 29%, 17%, and 6%, respectively (source: CBRE).

The Portuguese property market has also shown signs of recovery since 2012. Property yields as of year-end 2014 in the central business and industrial districts of Lisbon were of around 6.5% (-125 bps) for shopping centres, 6.25% (-200 bps) for office and 8.0% (-150 bps) for industrial logistics space. Capital values have also shown signs of recovery at year-end 2014 at €15,692/sqm, €3,550/sqm and €490/sqm, respectively, representing an increase of 19%, 32% and 19%, respectively, since 2012 (source: CBRE).

In summary, values of shopping centres, 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 45%, 43%, 45% (in Madrid), and 28%, 45%, and 46% (in Barcelona), lower for each respective property type as of year-end 2014. Property values of shopping centres, office and logistics properties in Lisbon were 23%, 17% and 39% lower at year-end 2014 than compared to 2007 (source: CBRE).

## 4. RESULTS OF OPERATIONS

### 4.1 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).

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

	<i>(€ million, unless indicated otherwise)</i>
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>	
	<b>(€ million)</b>
Tree	44.2
MERLIN Retail	7.6
MERLIN Oficinas	3.9
MERLIN Logistica	0.845
<b>Total</b>	<b>56.6</b>

### 4.2 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%
Costs associated with asset acquisitions and financing (€ million)	11.8	62%
Non-capitalised costs cost associated with flotation and acquisition of Tree (€ million)	0.7	3%
<b>Total Costs excluded from the Overheads Limit (€ million)</b>	<b>15.0</b>	<b>78%</b>
Overheads (independent professional services, travel expenses, office rental, insurance and others) (€ million)	1.0	5%
Employee benefits expenses (€ million)	3.1	17%
<b>Total Costs included in Overheads Limit (€ million)</b>	<b>4.1</b>	<b>22%</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 XI ("*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:

<i>(€ thousand)</i>	<b>Annualised</b>
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 has 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 Shareholder Return over the valuations as at 31 December 2014.

### 4.3 Statement of financial position

The main financial figures of the statement of financial position as of 31 December 2014 are as follows:

*(€ million, unless indicated otherwise)*

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:

	LONG-TERM	SHORT-TERM	TOTAL
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 X ("*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.

#### 4.4 EPRA Performance Metrics

Performance Measure	Definition	31/12/2014	Per Ordinary Share (where applicable)
EPRA Earnings	Recurring earnings from core operational activities	€20.4 million	€0.16
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	€10.50
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	€1,286.5 million	€9.96
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%	N/A

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%	N/A
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	3.40%	N/A
EPRA Recurring Cost Ratio (including direct vacancy costs)	Recurring operating expenses (including direct vacancy costs) divided by gross rents	12.02%	N/A
EPRA Recurring Cost Ratio (excluding direct vacancy costs)	Recurring operating expenses (excluding direct vacancy costs) divided by gross rents	7.46%	N/A

EPRA Earnings have been calculated as follows:

<b>RECONCILIATION OF IFRS-EU NET INCOME WITH EPRA EARNINGS</b>	
(€ thousand, unless indicated otherwise)	<b>31/12/2014</b>
Consolidated Net Profit in accordance with IFRS-EU	49,670
(i) changes in value of investment properties	(56,718)
(ii) profits or losses on disposal of investment properties	(126)
(iii) changes in value of financial instruments and associated close-out costs	25,920
(iv) acquisition costs on share deals / joint ventures	606
(v) deferred tax in respect of adjustments	1,042
<b>EPRA Earnings for the fiscal year</b>	<b>20,395</b>
<b>EPRA Earnings for the fiscal year per share (€)</b>	<b>0.16</b>

## 4.5 Recent Developments

### 4.5.1 Events occurred from 31 December 2014 up to the date of this Prospectus

#### Acquisitions

On 26 March 2015, the Group acquired, through MERLIN Oficinas, an office building located in the heart of Madrid, at 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 Spanish Ministry of Justice, until 31 December 2016, with a renewal option for one additional year. The building has been acquired for a price of €38.1 million, of which €17.1 million have been funded with cash and the remaining €21 million is the outstanding principal amount of the Alcala Facility Agreement, which MERLIN Oficinas has subrogated. The acquisition price reflects, according to EPRA recommendations, a gross initial yield of 5.2% (5.0% net), while also offering growth potential through rent reversion and the reconversion of the ground floor to high street retail use.

<b>ALCALÁ 38-40 (as at 26 March 2015)</b>	
Acquisition price of the asset (€m)	38.13
Asset debt outstanding as of the date of purchase (€m)	21.0
Equity disbursement (€m)	17.13
Debt to acquisition price of asset	55.0%
Annualised Gross Rent 2015 (€m) <sup>(1)</sup>	1.98
Annualised Net Rent 2015 (€m) <sup>(2)</sup>	1.91
EPRA Gross Yield <sup>(3)</sup>	5.21%
EPRA Topped-up Initial Yield <sup>(4)</sup>	5.02%
Total GLA (sqm)	9,315
Occupancy rate	100.0%
WAULT by rents (years) <sup>(5)</sup>	1.75

*Notes:*

- (1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 March 2015, multiplied by 12  
(2) Calculated as annualised Gross Rent minus non-recoverable service charges  
(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price  
(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price  
(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 27 March 2015, the Group acquired, through MERLIN Logistica, a logistics warehouse located in Madrid, in the Logistics Transport Centre in 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 €19.81 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. The price reflects a net initial yield, according to EPRA recommendations, of 7.1%.

<b>MADRID-COSLADA (as at 27 March 2015)</b>	
Acquisition price of the asset (€m)	19.81
Asset debt outstanding as of the date of purchase (€m)	0.0
Equity disbursement (€m)	19.81
Debt to acquisition price of asset	0.0%
Annualised Gross Rent 2015 (€m) <sup>(1)</sup>	1.41
Annualised Net Rent 2015 (€m) <sup>(2)</sup>	1.41
EPRA Gross Yield <sup>(3)</sup>	7.12%
EPRA Topped-up Initial Yield <sup>(4)</sup>	7.12%
Total GLA (sqm)	28,490
Occupancy rate	100.0%
WAULT by rents (years) <sup>(5)</sup>	5.0

*Notes:*

- (1) Annualised gross rent has been calculated as passing monthly gross rent as of 31 March 2015, multiplied by 12  
(2) Calculated as annualised Gross Rent minus non-recoverable service charges  
(3) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price  
(4) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price  
(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

Following the two acquisitions described above, the main metrics of aggregate Assets of the Company, as of the date of this Prospectus, are as follows:

31 December 2014	Alcalá	Madrid-Coslada	Aggregate
------------------	--------	----------------	-----------

	(A)	(B)	(C)	(A)+(B)+(C)
Total Acquisition Price (€ million) <sup>(1)</sup>	2,127.8	39.1	20.3	2,187.2
Market Value (€ million)	2,231.6	N/A	N/A	N/A
Total Annualised Gross Rents (€ million) <sup>(2)</sup>	129.3	2.0	1.4	132.7
Total Annualised Net Rents (€ million) <sup>(3)</sup>	127.2	1.9	1.4	130.5
Total Annualised Net Operating Income (€ million) <sup>(4)</sup>	125.6	1.9	1.4	128.9
EPRA Gross Yield <sup>(5)</sup>	6.08%	5.08%	6.93%	6.07%
EPRA Topped-Up Yield <sup>(6)</sup>	5.98%	4.89%	6.93%	5.97%
EPRA Net Yield <sup>(7)</sup>	5.90%	4.89%	6.93%	5.90%
Total GLA (sqm)	680,045.8	9,315	28,490	717,850
GLA Occupied (sqm)	657,416.2	9,315	28,490	695,221
GLA Vacant (sqm)	22,629.2	0	0	22,629.6
Occupancy Rate	96.7%	100%	100%	96.8%
WAULT by Rents Years <sup>(8)</sup>	18.7	1.75	5.0	18.3

**Notes:**

(1) Total acquisition price includes purchase price plus transaction costs associated with the acquisition. In the case of Alcalá and Madrid-Coslada the transaction costs are estimated and for Tree a purchase price of €739,483,659 was paid based on an agreed enterprise value of €1,577.4 million

(2) Annualised gross rents have been calculated as passing monthly gross rent at 31 December 2014, multiplied by 12, except for Tree which includes the rental uplift applicable from 1 January 2015 (representing an aggregate annual amount of €0.5 million) and Alcalá and Madrid-Coslada which have rental as at 31 March 2015

(3) Annualised net rents have been calculated as passing monthly net rent at the 31 December 2014 (except for Tree, which includes rental uplift applicable from 1 January 2015 (representing an aggregate annual amount of €0.5 million) and Alcalá and Madrid-Coslada which have rental as at 31 March 2015), multiplied by 12. Net rents deducts from gross rents direct property expenses non-rechargeable to tenants

(4) Annualised net operating income has been calculated as passing monthly net operating income at 31 December 2014 (except for Tree, which includes rental uplift applicable from 1 January 2015 (representing an aggregate annual amount of €0.5 million) and Alcalá and Madrid-Coslada which have rental as at 31 March 2015), multiplied by 12. Net operating income deducts from net rents direct collection loss and rents discounts

(5) EPRA Gross Yield is calculated dividing annualised gross rents by total acquisition price

(6) EPRA Topped-up Yield is calculated dividing annualised net rents by total acquisition price

(7) EPRA Net Yield is calculated dividing annualised net operating income by total acquisition price

(8) WAULT by Rents Years means the weighted average unexpired lease term, calculated as of 31 December 2014 except for Alcalá and Madrid-Coslada which have weighted average unexpired lease term calculated as of 31 March 2015

**Financing**

On 19 February 2015, MERLIN Retail signed the Marineda Facility Agreement, a €133.6 million ten-year loan facility agreement with several loans entered into with certain entities belonging to the Allianz group, with mortgage security on Marineda shopping centre a 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.

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%.

On 26 March 2015, MERLIN Oficinas subrogated and restated the Alcalá Facility Agreement, a €21.0 million fifteen year-loan facility with Caixabank, S.A., with mortgage security on the Alcalá building (LTV of 55.0%), and subrogation fee of 0.75%. 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 detail is shown below:

	<b>Borrower</b>	<b>Principal Amount (€ millions)</b>	<b>Outstanding Principal Amount at the date of this Prospectus (€ millions)</b>	<b>Maturity</b>	<b>Annual Amortisation</b>	<b>Interest Rate</b>
<b>Senior Facility Agreement</b>	Tree	939.7	937.4	September 2024	1% during first 4 years, 1.25% during next 3 years, 1.5% during last 3 years and 87.75% balloon repayment at maturity	4.1% up until September 2017, 2.7% onwards
<b>Madrid A-1 Facility Agreement</b>	MERLIN Oficinas	70	69.7	October 2021	1.43% during 7 years and 90% balloon repayment at maturity	2.5% over hedged amount. €7 million of principal are at floating rate of Euribor 3 months plus 185 basis points
<b>Marineda Facility Agreement</b>	MERLIN Retail	133.6	133.6	January 2025	0% and 100% balloon repayment at maturity	2.66%
<b>WTCAP 6 Facility Agreement</b>	MERLIN Oficinas	22.8	22.8	December 2023	0.5% during 9 years and 95.5% balloon repayment at maturity	2.41%
<b>Alcala Facility Agreement</b>	MERLIN Oficinas	21.0	21.0	March 2029	Grace period of 4 years (until March 2019). After grace period, annual amortisation based on French scheme	3 month Euribor plus 150 basis points

### **Other**

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 exiting 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).

On 23 February 2015, the Group, through MERLIN Retail signed a rental guarantee settlement agreement with the seller of Marineda in connection with the rental guarantee provisions contained in the sale and purchase agreement of such asset. By virtue of such provisions, the seller of Marineda had agreed to guarantee to MERLIN Retail the amount of any rents not received in respect of vacant space and common property expenses not rechargeable to tenants, up to a maximum of €3.5 million in a two-year period since the date of the acquisition of Marineda. As a result of the rental guarantee settlement agreement, the seller has paid MERLIN Retail an up-front amount of €3.0 million as consideration for cancelling such rental guarantee provisions.

The General Shareholders' Meeting held on 1 April 2015 authorised the Board of Directors for a maximum term of five years from the date of such meeting: (i) to increase the Company's share capital by way of monetary contributions and to exclude pre-emptive subscription rights as follows: (a) up to a maximum amount equal to 50% of the share capital; or (b) up to a maximum amount equal to 20% of the share capital for capital increases where pre-emptive subscription rights are excluded (both amounts to be calculated with regard to the Company's share capital as at 1 April 2015); (ii) to issue exchangeable securities (including debentures, bonds and warrants) with the right to acquire outstanding shares of the Company or of other companies and/or convertible into, or with the right to subscribe for, new shares of the Company, up to a maximum amount of €400 million (or the equivalent in another currency); (iii) to guarantee the issues of such exchangeable securities made by other companies in the Group; (iv) to issue fixed income securities (including debentures, bonds and promissory notes) and preferred shares and to guarantee the issues of such securities made by other companies in the Group. The same General Shareholders' Meeting also authorised the acquisition of treasury stock by the Company or other companies in the Group.

#### **4.5.2 Current Trading**

The Group has not yet closed its books for the three month period ended 31 March 2015. However, based on preliminary analysis, the Group expects its revenue for the three months ended 31 March 2015 to be stable and largely in line with its internal estimates, with total gross rents for the referred quarter in excess of €30 million, already excluding the rental guarantee settlement payment related to Marineda. 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 €1,184.5 million including the financings signed after 31 December 2014 and deducting the principal amounts of debt repaid during the first three months of 2015 (€2.6 million). The weighted average maturity of the Company's liabilities is approximately 9.2 years, with a cost of 3.8% until late 2017 and 2.7% thereafter.

## PART XVI: SELECTED HISTORICAL FINANCIAL INFORMATION

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

<b>ASSETS</b>	<b>31/12/2014</b>
<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>



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

	<b>2014</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>	<b>0.38</b>
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>0.58</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>0.58</b>

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

	<b>2014</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	
Translation differences	(3,746)
<b>OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY (II)</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**

(€ thousands)

	<b>2014</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>	<b>-</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**  
(€ thousands)

	<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 XVII: THE OFFERING

### 1. THE OFFERING

#### 1.1 General

The Offering will be in respect of 64,605,999 New Ordinary Shares at a Subscription Price of €9.50 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 delegating to the Board of Directors of the Company the faculty to increase the share capital of the Company by up to 50% of the then existing share capital of the Company and (ii) a resolution of the Board of Directors of the Company dated 15 April 2015 authorising the capital increase in an aggregate nominal amount of €64,605,999 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 April 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 April 2015) Preferential Subscription Rights to subscribe for an aggregate of 64,605,999 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 two Preferential Subscription Rights entitles the exercising holder to subscribe for one New Ordinary Share against payment of the Subscription Price in cash. However, the allocation of three (3) Preferential Subscription Rights has been waived by MAGIC Kingdom.

The Subscription Price, which must be paid in euros, is €9.50 per New Ordinary Share. The Subscription Price represents an implied discount of 20.17% on the theoretical ex-rights price (TERP) (€11.90 based on closing price of €13.10 as of 15 April 2015).

The Offering, if all the New Ordinary Shares are fully subscribed, will result in an increase of 64,605,999 issued Ordinary Shares from 129,212,001 Ordinary Shares to 193,818,000 Ordinary Shares, corresponding to an increase of 50.0%. 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 XVII ("*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 12 May 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 11 May 2015. See section 11 of Part X (“*Information on the Group*”).

### 1.3 Value of Preferential Subscription Rights

Based on the value of the Ordinary Shares prior to the Offering (€13.10 per Ordinary Share (the closing price of the Ordinary Shares on the Spanish Stock Exchanges on 15 April 2015)), the underlying theoretical value of the Preferential Subscription Rights for the New Ordinary Shares would be €1.20, which is the result of applying the following formula:

$$\text{UVR} = \frac{(\text{CP} - \text{SP}) \times \text{NNS}}{\text{PNS} + \text{NNS}}$$

Where:

- UVR = underlying theoretical value of a Preferential Subscription Right
- CP = closing price of the Ordinary Shares on the Spanish Stock Exchanges on 15 April 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 April 2015 to 17:30 (Madrid time) on 30 April 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 30 April 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 April 2015 through 2 May 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 April 2015 and end on and include, 17:30 (Madrid time) on 30 April 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 2 May 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 7 May 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 XVII (“*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 7 May 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 8 May 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
UBS Limited	12,285,000	19.1263%
Credit Suisse Securities (Europe) Limited	12,285,000	19.1263%
Goldman Sachs International	12,285,000	19.1263%
Morgan Stanley & Co. International plc	12,285,000	19.1263%
Banco Bilbao Vizcaya Argentaria, S.A.	1,620,000	2.5221%
Banco Santander, S.A.	2,690,000	4.1880%
Bankinter, S.A. <sup>(1)</sup>	4,301,000	6.6961%
BNP PARIBAS	1,620,000	2.5221%
Crédit Agricole Corporate and Investment Bank	1,620,000	2.5221%

Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
Fidentiis Equities, Sociedad de Valores, S.A.	1,620,000	2.5221%
Société Générale	1,620,000	2.5221%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>		
	64,231,000	100%

(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.

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 XVII (“*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 11 May 2015 and settled on 14 May 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 11 May 2015, and the New Ordinary Shares placed in the discretionary allocation period 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 XVII (“*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 11 May 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:

Principal event	On or about
Approval of the resolutions regarding the capital increase .....	1 April 2015 General Shareholders’ Meeting) and 15 April 2015 (Board of Directors)
Registration of the Prospectus with the CNMV.....	16 April 2015
Record Date / Announcement of the Offering in the BORME .....	17 April 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 April 2015
Commencement of trading of the Preferential Subscription Rights.....	20 April 2015
End of trading of the Preferential Subscription Rights .....	30 April 2015
End of the preferential subscription period.....	2 May 2015
Investor letters to be returned to the Company by persons in the US exercising Preferential Subscription Rights .	No later than 2 May 2015
Additional allocation period (if applicable).....	7 May 2015
Filing of regulatory information notice announcing results of the preferential subscription period and additional allocation period (if applicable).....	7 May 2015
Commencement of discretionary allocation period (if applicable).....	7 May 2015



End of discretionary allocation period (if applicable).....	8 May 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) .....	8 May 2015
Payment by the Joint Bookrunners of the New Ordinary Shares subscribed in the discretionary allocation period (if applicable) .....	8 May 2015
Execution of the notarised deed of capital increase before a notary public .....	8 May 2015
Registration with the Commercial Registry of the notarised deed of capital increase .....	11 May 2015
Registration of the New Ordinary Shares with Iberclear .....	11 May 2015
Execution of the special transaction for the transfer of New Ordinary Shares allocated during the discretionary allocation period (if applicable).....	11 May 2015
Admission to listing and trading of the New Ordinary Shares.....	12 May 2015
Commencement of trading of the New Ordinary Shares .....	12 May 2015
Settlement of the special transaction ( <i>operación bursátil especial</i> ).....	14 May 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 XVII (*"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 X (*"Information on the Group"*).

### **1.9 Procedures**

#### **(a) Notice**

The Company expects to announce the commencement of the Offering on 17 April 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)).

#### **(b) 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 April 2015, will be entitled to Preferential Subscription Rights. Such Eligible Shareholders will be allocated one right for each Ordinary Share owned. However, the allocation of three (3) Preferential Subscription Rights has been waived by MAGIC Kingdom.

#### **(c) 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 April 2015 and end on 2 May 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 April 2015 to 17:30 (Madrid time) on 30 April 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 7 May 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 2 May 2015, the related Preferential Subscription Rights will lapse. Holders of Preferential Subscription Rights that lapse will not be compensated.

(d) ***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 7 May 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 7 May 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 7 May 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.

(e) ***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 7 May 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 7 May 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 8 May 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 8 May 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 12 May 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**

### ***(a) 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 8 May 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.

### ***(b) 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 8 May 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.

*(c) 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 14 May 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 11:15 (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 8 May 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 11 May 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 12 May 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 12 May 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 14 May 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 8 May 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 11

May 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 8 May 2015, and its registration with the Mercantile Registry of Madrid, on 11 May 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 8 May 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 the Joint Bookrunners (on behalf of the Managers), acting unanimously, 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 any of 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, acting unanimously (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 XVII ("*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 April 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 €18,651,095.90. The Company expects to receive approximately €595,105,894.60 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. 64,605,999 New Ordinary Shares) and the MAGIC Kingdom Shares (i.e. 374,999 New Ordinary Shares), such difference representing 64,231,000 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
UBS Limited	12,285,000	19.1263%
Credit Suisse Securities (Europe) Limited	12,285,000	19.1263%
Goldman Sachs International	12,285,000	19.1263%
Morgan Stanley & Co. International plc	12,285,000	19.1263%
Banco Bilbao Vizcaya Argentaria, S.A.	1,620,000	2.5221%
Banco Santander, S.A.	2,690,000	4.1880%
Bankinter, S.A. <sup>(1)</sup>	4,301,000	6.6961%
BNP PARIBAS	1,620,000	2.5221%
Crédit Agricole Corporate and Investment Bank	1,620,000	2.5221%
Fidentiis Equities, Sociedad de Valores, S.A.	1,620,000	2.5221%
Société Générale	1,620,000	2.5221%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>	<b>64,231,000</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.*

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 the Joint Bookrunners (on behalf of the Managers), acting unanimously, 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.

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 90 days after the AQS trading day following the Subscription Date, the Company will 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.

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 issue of Ordinary Shares with respect to the potential acquisition of MAGIC Real Estate by the Company during the three months following the AQS trading day following the Subscription Date and (C) 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 this Prospectus.

##### **4.2 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 12 May 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:

- (a) 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;
- (b) 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/acquiror 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/acquiror 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;
- (c) 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 plan’s 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;
- (d) 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
- (e) 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:

- (a) it is acquiring the Preferential Subscription Rights or New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (b) 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;

- (c) 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;
- (d) 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;
- (e) 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 plan’s 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;
- (f) 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
- (g) 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:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) 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
- (c) 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:

- (a) an “Exempt Offer” in accordance with the Markets Rules Module of the DFSA Rulebook; and
- (b) 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:

- (a) 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
- (b) 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:

- (c) 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
- (d) 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:

- (i) 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;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) 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 750,000 Ordinary Shares and following the Offering, assuming 100% take up of its Preferential Subscription Rights, will hold 1,124,999 Ordinary Shares), each as disclosed in section 4 of Part XX ("*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 XVIII: 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 type 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 XVII ("*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 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).

#### 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 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 XV (“*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 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 20% for the first €6,000, 22% between €6,001 and €50,000 and 24% 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 20% (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 21% for the first €6,000, 22% between €6,001 and €50,000 and 27% 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 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 20% rate (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 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 20%, 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 uninterrupted 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 20% (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 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 in the future 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 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 and Tree only if the Company provides certain information, including as to the amount of its (and Tree'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 Tree, 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.

The US Holder’s holding period in the Preferential Subscription Rights will include its holding period in the Existing Ordinary Shares with respect to which the Preferential Subscription Rights distributed. However, 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 realised 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 under proposed regulations, 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 XIX: 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 XX: 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 April 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 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 XIII ("*The Assets*") and Part XV ("*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 XX ("*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 €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.

See section 6 of this Part XX ("*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.

Date	Amount	Transaction
25/3/14	€60,000	Incorporation
27/6/14	€125,000,000	IPO (capital increase)
14/7/14	€4,152,001	Exercise of greenshoe
<b>Total</b>	€129,212,001	

The General Shareholders' Meeting held on 1 April 2015 authorised the Board of Directors for a maximum term of five years from the date of such meeting: (i) to increase the Company's share capital by way of monetary contributions and to exclude pre-emptive subscription rights as follows: (a) up to a maximum amount equal to 50% of the share capital; or (b) up to a maximum amount equal to 20% of the share capital for capital increases where pre-

emptive subscription rights are excluded (both amounts to be calculated with regard to the Company's share capital as at 1 April 2015); (ii) to issue exchangeable securities (including debentures, bonds and warrants) with the right to acquire outstanding shares of the Company or of other companies and/or convertible into, or with the right to subscribe for, new shares of the Company, up to a maximum amount of €400 million (or the equivalent in another currency); and (iii) to guarantee the issues of such exchangeable securities made by other companies in the Group. The same General Shareholders' Meeting also authorised the acquisition of treasury stock by the Company or other companies in the Group.

#### 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).

Name	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
UBS Group AG	4,981,341	3.86 %
Mainstay Marketfield Fund	12,761,227	9.88 %
EJF Capital LLC	5,722,508	4.43 %
Gross Capital Management LLP	5,871,259	4.54 %
<b>SUB-TOTAL</b>	29,470,163	22.81 %
MAGIC Kingdom, S.L	750,000	0.58%
<b>GRAND TOTAL</b>	30,220,163	23.39%

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 XX ("*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 XX ("*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 €129,212,001 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 XX ("*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 23 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**

In the opinion of the Company, taking into consideration the Consolidated Financial Statements and the Net Proceeds to be received by the Company from the Offering, the working capital available to the Company is sufficient for the Company's present requirements and, in particular, is sufficient for at least the next 12 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 XV (*"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.

In order to further reduce the risk of potential conflicts of interest, the shareholders of MAGIC Real Estate have entered into a letter of intent with the Company dated 5 June 2014, pursuant to which they have agreed, during the 12-month period following Initial Admission, to negotiate in good faith the sale of 100% of the shares in MAGIC Real Estate to the Company if the Company deems such acquisition appropriate. This potential acquisition by the Company would need to be approved by a General Shareholders' Meeting. If approved, the Company shall entrust its

supervision and implementation to an ad hoc committee formed in its entirety by independent Directors. As at the date of this Prospectus, the Company has not received any enquiries or requests by any of its shareholders expressing an interest in the Company's entering into such transaction.

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 April 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
UBS Limited	12,285,000	19.1263%
Credit Suisse Securities (Europe) Limited	12,285,000	19.1263%
Goldman Sachs International	12,285,000	19.1263%
Morgan Stanley & Co. International plc	12,285,000	19.1263%
Banco Bilbao Vizcaya Argentaria, S.A.	1,620,000	2.5221%
Banco Santander, S.A.	2,690,000	4.1880%
Bankinter, S.A. <sup>(1)</sup>	4,301,000	6.6961%

Manager	Number of Underwritten Shares	Percentage of Total Underwriting Commitment
BNP PARIBAS	1,620,000	2.5221%
Crédit Agricole Corporate and Investment Bank	1,620,000	2.5221%
Fidentiis Equities, Sociedad de Valores, S.A.	1,620,000	2.5221%
Société Générale	1,620,000	2.5221%
<b>Total Underwritten Shares and Total Underwriting Commitment</b>	64,231,000	100%

(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 XIV (“the Offering”).

#### **11.2 The BBVA Lease Agreement**

See section 3.3 (“The BBVA Lease Agreement”) of Part XIII (“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 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.

#### **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 VII (“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 X (“The Assets”) and Part XV (“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 X (“The Assets”) and Part XV (“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 €18,651,095.90 (on the basis of a €613,756,990.50 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 6 of Part VII ("*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:

- (i) deed of incorporation of the Company;
- (ii) the By-laws of the Company (which are also available at the webpage of the Company ([www.merlinproperties.com](http://www.merlinproperties.com)));
- (iii) 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;
- (iv) 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));
- (v) the Consolidated Financial Statements; and
- (vi) 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 XXI: DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the context requires otherwise:

“ <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>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 XII (“ <i>Directors and Corporate Governance</i> ”);
“ <b>BBVA</b> ” .....	Banco Bilbao Vizcaya Argentaria, S.A., a company incorporated under the laws of Spain with registered office at Plaza de San Nicolás 4, Bilbao (Vizcaya), Spain;
“ <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 plan’s 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>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>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>CBD</b> ” .....	central business district;
“ <b>CBRE</b> ” .....	CB Richard Ellis, which provides commercial real estate services companies;
“ <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;
“ <b>Co-Lead Managers</b> ” .....	Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Bankinter, S.A., BNP PARIBAS, Crédit Agricole Corporate and Investment Bank, Fidentiis Equities, Sociedad de Valores, S.A. and Société Générale;



“ <i>Commercial Property Assets</i> ” .....	(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;
“ <i>Company</i> ” .....	MERLIN Properties SOCIMI, S.A., incorporated under the laws of Spain, with registered office at Paseo de la Castellana 42, 28046 Madrid, Spain;
“ <i>Controlled Person</i> ” .....	person that is controlled by a member of the Management Team;
“ <i>Controlling Person</i> ” .....	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>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>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 XII (“ <i>Directors and Corporate Governance</i> ”);

“ <b>EC</b> ” .....	European Commission;
“ <b>ECB</b> ” .....	European Central Bank;
“ <b>Eligible Shareholders</b> ” .....	shareholders as of 23:59 (Madrid time) on the Record Date, except as otherwise provided who will be granted one transferable subscription rights for each Existing Ordinary Share held by such Eligible Shareholders on that date;
“ <b>EPRA</b> ” .....	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> ;
“ <b>EPRA NAV</b> ” .....	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;
“ <b>ERISA</b> ” .....	US Employee Retirement Income Security Act of 1974;
“ <b>EU</b> ” .....	European Union;
“ <b>€</b> ” or “ <b>euro</b> ” .....	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;
“ <b>Euroclear</b> ” .....	Euroclear Bank, S.A./N.V. (operator of the Euroclear System);
“ <b>Existing Ordinary Shares</b> ” .....	shares in issue immediately before the Offering;
“ <b>Fees obtained from Third Parties</b> ” .....	fees obtained by the Company from third-party investors;
“ <b>GDP</b> ” or “ <b>Gross Domestic Product</b> ” .....	the market value of all officially recognised final goods and services produced within a country in a given period of time;
“ <b>General Shareholders’ Meeting</b> ” .....	the general meeting of the Shareholders;
“ <b>GLA</b> ” .....	gross leasable area;
“ <b>Goldman Sachs</b> ” .....	Goldman Sachs International;
“ <b>GRI</b> ” or “ <b>Gross Rental Income</b> ” .....	gross rental income;
“ <b>Group</b> ” .....	the Company together with its consolidated subsidiaries;
“ <b>HICP</b> ” .....	the Harmonised Index of Consumer Prices of the Eurozone excluding tobacco;
“ <b>High Water Mark Outperformance</b> ” .....	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;
“ <i>Iberclear</i> ” .....	the Spanish securities clearance and settlement system, <i>Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.</i> ;
“ <i>ICR</i> ” .....	interest coverage rate;
“ <i>IFRS-EU</i> ” .....	International Financial Reporting Standards as adopted by the European Union;
“ <i>IMF</i> ” .....	International Monetary Fund;
“ <i>Initial Admission</i> ” .....	the initial admission of the Company’s Ordinary Shares to trading and listing on the Spanish Stock Exchanges, which occurred on 30 June 2014;
“ <i>Initial Issue</i> ” .....	the initial public offering of the Company’s Ordinary Shares;
“ <i>Initial EPRA NAV</i> ” .....	the Net Proceeds of the Issue;
“ <i>investors</i> ” .....	investors in the New Ordinary Shares and the Preferential Subscription Rights;
“ <i>ISIN</i> ” .....	International Security Identification Number;
“ <i>Joint Bookrunners</i> ” .....	Credit Suisse, Goldman Sachs, Morgan Stanley and UBS;
“ <i>Legacy Mandates</i> ” .....	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 750,000 Ordinary

	Shares;
“ <i>MAGIC Kingdom Shares</i> ” .....	the 374,999 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 X1 (“ <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>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;
“Offering” .....	the offering of 64,605,999 new ordinary shares of the Company as described in this Prospectus;
“Opportunistic” .....	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;
“Ordinary Shares” .....	the ordinary shares of the Company, with a nominal value of €1 each;
“PFIC” .....	passive foreign investment company, and “Lower-tier PFICs” refers to investment in subsidiaries and other entities that are PFICs;
“Placing Agreement” .....	the placing agreement entered into by the Company and the managers named therein on 13 June 2014 in relation to Initial Admission;
“Plan Asset Regulations” .....	US Department of Labor regulation 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA);
“Preferential Subscription Rights” .....	Eligible Shareholders and other investors may acquire Preferential Subscription Rights;
“Property Rental Business” .....	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;
“Prospectus” .....	this document issued by the Company in relation to admission of the New Ordinary Shares to trading on the regulated markets of the Spanish Stock Exchanges and approved under the Prospectus Directive;
“Prospectus Directive” .....	European Parliament and Council Directive 2003/71/EC of 4 November (and amendments thereto, including Directive 2010/73/EU);
“qualified institutional buyer” or “QIB” .....	a qualified institutional buyer within the meaning of Rule 144A under the US Securities Act;
“Qualifying Assets” .....	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;
“Qualifying Subsidiaries” .....	(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 approved on 27 May 2014;
“ <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>Remuneration and Nomination Committee</b> ”	the remuneration and nomination committee of the Company as described in section 8.5 of Part XII (“ <i>Directors and Corporate Governance</i> ”);
“ <b>Reserved Matter</b> ” .....	reserved matters of the Company, under applicable legislation;
“ <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>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>Securities Act</b> ” .....	U.S. Securities Act of 1933, as amended;
“ <b>Senior Facility Agreement</b> ” .....	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 14 May 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>SOCIMI</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> ” .....	UBS;
“ <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, approving the Rules for the Preparation of Consolidated Annual Accounts;
“ <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 the notarised deed of capital increase relating to the Offering is granted before a Spanish notary, which is expected to be 8 May 2015;
“ <i>Subscription Price</i> ” .....	subscription price of the New Ordinary Shares, which is €9.50 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 X (“ <i>Information on the Group</i> ”) of this Prospectus;
“ <i>Termination Date</i> ” .....	maturity of the Senior Facility Agreement;
“ <i>Total GAV</i> ” .....	total gross asset value of the Company’s assets from time to time;
“ <i>Transfer Tax</i> ” .....	Spanish transfer tax ( <i>Impuesto sobre Transmisiones Patrimoniales - ITP</i> );
“ <i>Treaty</i> ” .....	income tax treaty between the United States and Spain;



“ <i>Tree</i> ” .....	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);
“ <i>UBS</i> ” .....	UBS Limited, a subsidiary of UBS AG. UBS Limited is a company limited by shares incorporated in the United Kingdom registered in England and Wales with number 2535362. Registered office at 1 Finsbury Avenue London EC2M 2PP United Kingdom. UBS Limited as authorised by the Prudential Regulating Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority;
“ <i>Underwriting Agreement</i> ” .....	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 April 2015;
“ <i>Underwritten Shares</i> ” .....	64,231,000 New Ordinary Shares, being the difference between the aggregate number of New Ordinary Shares to be issued pursuant to the Offering (i.e. 64,605,999 New Ordinary Shares) and the MAGIC Kingdom Shares (i.e. 374,999 New Ordinary Shares);
“ <i>United Kingdom</i> ” or “ <i>UK</i> ” .....	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 Report</i> ” .....	valuation report, dated February 2015, in relation to the valuation of the Group’s Assets as of 31 December 2014;
“ <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;

<p><i>“yield”</i> .....</p>	<p>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.</p>
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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 April 2015, signs this Prospectus in Madrid, on 15 April 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**

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

Consolidated Financial Statements for the period of nine months and seven days ended 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and Directors' Report, together with Independent Auditor's Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of MERLIN PROPERTIES, SOCIMI, S.A.:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of MERLIN PROPERTIES, SOCIMI, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the period of nine months and seven days then ended.

#### *Directors' Responsibility for the Consolidated Financial Statements*

The Parent's Directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of MERLIN PROPERTIES, SOCIMI, S.A. and Subsidiaries 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 (identified in Note 2.1 to the accompanying consolidated financial statements) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Directors of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of MERLIN PROPERTIES, SOCIMI, S.A. and Subsidiaries as at 31 December 2014, and their consolidated results and their 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.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated Directors' report for the period of nine months and seven days ended 31 December 2014 contains the explanations which the Parent's Directors consider appropriate about the situation of MERLIN PROPERTIES, SOCIMI, S.A. and Subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated Directors' report is consistent with that contained in the consolidated financial statements for the period of nine months and seven days ended 31 December 2014. Our work as auditors was confined to checking the consolidated Directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of MERLIN PROPERTIES, SOCIMI, S.A. and Subsidiaries.

DELOITTE, S.L.  
Registered in ROAC under no. S0692



Antonio Sánchez-Coviña Martín-González

26 February 2015

# **Merlin Properties SOCIMI, S.A. and Subsidiaries**

Consolidated Financial Statements for the  
period of nine months and seven days ended 31  
December 2014  
prepared in accordance with  
the International Financial Reporting Standards  
adopted by the European Union (EU-IFRS), and the  
Consolidated Management Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

## MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 (Thousands of euros)

ASSETS	Notes	31/12/2014	EQUITY AND LIABILITIES	Notes	31/12/2014
<b>NON-CURRENT ASSETS:</b>			<b>EQUITY:</b>		
Intangible assets		149	Subscribed capital		129,212
Property, plant and equipment		894	Share premium		1,162,368
Investment property	7	1,969,934	Reserves		(30,475)
Non-current financial assets-		281,192	Other equity holder contributions		540
Derivatives	9	261,689	Valuation adjustments		(2,636)
Other financial assets	9	19,503	Profit for the period		49,670
Deferred tax assets	16	9,369	Equity attributable to equity holders of the Parent	12	1,308,679
<b>Total non-current assets</b>		<b>2,261,538</b>			
			<b>NON-CURRENT LIABILITIES:</b>		
			Non-current bank borrowings	13	1,027,342
			Other financial liabilities	9 and 14	21,498
			Deferred tax liabilities	14 and 16	24,432
			Provisions	14	476
			<b>Total non-current liabilities</b>		<b>1,073,748</b>
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Trade and other receivables	9 and 10	3,340	Bank borrowings	13	10,809
Other current financial assets	9	125,791	Other current financial liabilities	14	190
Other current assets		122	Trade and other payables	15	23,302
Cash and cash equivalents	11	26,050	Current tax liabilities	15 and 16	75
<b>Total current assets</b>		<b>155,303</b>	Other current liabilities	14	38
<b>TOTAL ASSETS</b>		<b>2,416,841</b>	<b>Total current liabilities</b>		<b>34,414</b>
			<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,416,841</b>

The accompanying Notes 1 to 24 to the consolidated financial statements and Appendix I are an integral part of the consolidated statement of financial position at 31 December 2014.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

## MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

### CONSOLIDATED INCOME STATEMENT FOR THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014

(Thousands of euros)

	Notes	2014
<b>CONTINUING OPERATIONS:</b>		
Revenue	17.a and 6	56,616
Other operating income		381
Employee benefits expense	Note 17.c	(3,079)
Other operating expenses	Note 17.b	(16,013)
Gains on disposal of assets		126
Depreciation and amortization		(35)
Negative goodwill on business combinations	3	7,247
<b>OPERATING PROFIT</b>		<b>45,243</b>
Finance income	Note 17.d	473
Finance costs	Note 17.d	(18,555)
Change in fair value of financial instruments	Note 17.d	(25,920)
Change in fair value of investment properties	7	49,471
<b>PROFIT BEFORE TAX</b>		<b>50,712</b>
Income tax	16	(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>	<b>12.5</b>	<b>0.38</b>
<b>BASIC EARNINGS PER SHARE (in euros)</b>	<b>12.5</b>	<b>0.58</b>
<b>DILUTED EARNINGS PER SHARE (in euros)</b>	<b>12.5</b>	<b>0.58</b>

The accompanying Notes 1 to 24 to the consolidated financial statements and Appendix I are an integral part of the consolidated income statement for 2014.

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014

(Thousands of euros)

	Notes	2014
<b>PROFIT FOR THE YEAR (I)</b>		<b>49,670</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
Income and expenses recognized directly in equity		
From cash flow hedges		(3,746)
Translation differences		
<b>OTHER COMPREHENSIVE INCOME RECOGNIZED 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>

The accompanying Notes 1 to 24 to the consolidated financial statements and Appendix I are an integral part of the consolidated comprehensive income statement for 2014.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

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

### **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014**

(Thousands of euros)

	<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>

The accompanying Notes 1 to 24 to the consolidated financial statements and Appendix I are an integral part of the consolidated statement of changes in equity for 2014.

## MERLIN PROPERTIES SOCIMI, S.A. AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD OF NINE MONTHS AND SEVEN DAYS ENDED 31 DECEMBER 2014 (Thousands of euros)

	Notes	2014
<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	7	(49,471)
Change in current provisions	10	77
Change in Provisions		476
Negative goodwill on business combinations	3	(7,247)
Finance income	17.d	(473)
Finance expenses	17.d	18,555
Change in fair value of financial instruments	17.d	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	3	(723,725)
Investment property	7	(551,394)
Property, plant and equipment		(929)
Intangible assets		(149)
Financial assets	9	(125,791)
<b>Proceeds from disposals-</b>		<b>-</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>

The accompanying Notes 1 to 24 to the consolidated financial statements and Appendix I are an integral part of the consolidated statement of cash flows for 2014.

*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.*

## **Merlin Properties SOCIMI, S.A. and Subsidiaries**

Notes to the consolidated financial statements  
for the period of nine months and seven days  
ended 31 December 2014

### **1. Nature and activity of the Group**

Merlin Properties SOCIMI, S.A. (hereinafter, the Parent) was incorporated in Spain on 25 March 2014 under the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*). On 22 May 2014, the Parent requested to be included in the tax regime for listed real estate investment companies (*sociedades cotizadas de inversión en el mercado inmobiliario*, hereinafter SOCIMIs), effective from 1 January 2014.

Its registered office is located at Paseo de la Castellana, 42, Madrid.

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

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

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

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

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

The principal activities of Merlin Properties SOCIMI, S.A. and Subsidiaries (hereinafter, the Group) are to acquire and manage (through leasing to third parties) offices, industrial units and retail premises, primarily. They may also invest to a lesser extent in other assets for lease or direct sale of logistics centers.

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

The Parent and its subsidiaries are governed by Act 11/2009, of 26 October, as amended by Act 16/2012, of 27 December, regulating SOCIMIs. Article 3 of said Act sets out the investment requirements for this kind of company:

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

The asset's value will be determined on the basis of the individual quarterly balances sheet averages in the year of reference. The SOCIMI may opt to calculate such value by taking into account the assets' market value instead of their carrying amount, in which case that value would apply to every balance sheet in the financial year. For this purpose, the cash or receivables from transfer of investment property or equity investments carried out during the same year or earlier shall not be taken into account, provided, in the latter case, that the reinvestment period of Article 6 of said Act has not elapsed.

2. Furthermore, at least 80% of the income for the tax periods for each year, excluding income from transfer of equity investments and real estate that are earmarked for pursuit of the principal corporate purpose, once the holding period referred to in the following paragraph has elapsed, must arise from lease of investment property and from dividends or profit shares obtained from those holdings.

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

3. The SOCIMI's real estate assets must be leased for at least three years. Computation of that period will also include the time during which the properties have been offered for lease, up to a maximum of one year.

The period shall be calculated:

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

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

Failure to fulfil said condition will render the SOCIMI subject to the general corporate income tax rules, starting in the tax period in which the non-fulfilment is detected, unless it is remedied within the following tax period. In addition, the SOCIMI will have to settle the amount payable for the corresponding tax period, along with the difference between the amount resulting from application of the general regime and the amount paid pursuant to the special regime in the previous tax periods, without prejudice to such default interest, surcharges or penalties as may be deemed applicable.

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

The Group's consolidated financial statements and the separate financial statements of its constituent companies for 2014, authorized for issue by their respective boards of directors, are pending approval by shareholders at their respective annual general meetings. However, the directors of the Parent expect these financial statements to be approved without significant changes. Merlin Properties, SOCIMI, S.A.'s separate and consolidated financial statements for 2014 were authorized for issue by the Parent's directors at the meeting of the Board of Directors on 26 February 2015.

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

## **2. Basis of presentation of the consolidated financial statements and consolidation principles**

### **2.1. Regulatory framework**

The regulatory framework for financial information applicable to the Group is laid down in:

- The Spanish Code of Commerce and other corporate law;
- International Financial Reporting Standards (IFRS) as adopted by the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on tax, administration and social security measures, as well as applicable rules and circulars of the Spanish securities market regulator (*Comisión Nacional del Mercado de Valores, CNMV*); and
- Act 11/2009, of 26 October, amended by Act 16/2012, of 27 December, regulating SOCIMIs and other corporate law; and
- Other applicable Spanish accounting standards.

### **2.2 Bases of presentation of the consolidated financial statements**

The consolidated financial statements for 2014 were prepared from the accounting records and financial statements of the Parent and consolidated companies, and have been presented in accordance with the regulatory framework for financial information described in Note 2.1 above to provide a true and fair view of the Group's consolidated equity and consolidated financial position at 31 December 2014 and the consolidated results of its operations, changes in consolidated equity, and consolidated cash flows during the period of nine months and seven days then ended.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2014 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 adopted by the European Union.

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 Parent were applied to all the companies included in the scope of consolidation.

#### **2.2.1 Adoption of International Financial Reporting Standards effective as from 1 January 2014**

The Group's consolidated financial statements for the period ended 31 December 2014 were prepared in accordance with the IFRS, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July, under which all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the IFRS ratified by the European

Union. In Spain, the requirement to present consolidated financial statements in accordance with the IFRS endorsed in Europe is also regulated by Final Provision 11 of Law 62/2003, of 30 December, on tax, administrative, labor and social security measures.

The main accounting principles and measurement bases adopted by the Group are detailed in Note 5.

The following mandatory standards and interpretations, already adopted in the European Union, became effective in 2014. Where applicable, the Group has used them in the preparation of the accompanying consolidated financial statements:

<b>New standards, amendments and interpretations</b>		<b>Mandatory application for financial years beginning on or after:</b>
<b>Approved for use in the European Union</b>		
IFRS 10 – Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements of IAS 27	Annual reporting periods beginning on or after 1 January 2014 (1)
IFRS 11 – Joint Arrangements (published in May 2011)	Replaces IAS 31 – Interests in Joint Ventures	Annual reporting periods beginning on or after 1 January 2014 (1)
IFRS 12 – Disclosure of Interests in Other Entities (published in May 2011)	A single standard that sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities	Annual reporting periods beginning on or after 1 January 2014 (1)
IAS 27 – Separate Financial Statements (Revised) (published in May 2011)	Revises IAS 27 which, after the issue of IFRS 10, deals only with separate financial statements	Annual reporting periods beginning on or after 1 January 2014 (1)
IAS 28 – Investments in Associates and Joint Ventures (Revised) (published in May 2011)	Simultaneous revision related to the issuance of IFRS 11 – Joint Arrangements	Annual reporting periods beginning on or after 1 January 2014 (1)
Transition rules: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards	Annual reporting periods beginning on or after 1 January 2014
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Further clarifications of the rules for offsetting financial assets and financial liabilities of IAS 32	Annual reporting periods beginning on or after 1 January 2014
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception in consolidation for parent companies whose businesses qualify as investment entities	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets (published in May 2013)	Clarifies certain disclosure requirements and requires additional information when recoverable amount is based on fair value less costs of disposal	Annual reporting periods beginning on or after 1 January 2014
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	Determine the cases where and criteria under which there would be no need to discontinue hedge accounting if a hedging derivative was novated	Annual reporting periods beginning on or after 1 January 2014

(1) The European Union has postponed the date of mandatory application by one year. The original application date by the International Accounting Standards Board (IASB) was 1 January 2013



**2.2.2 New mandatory standards, amendments and interpretations applicable in the years subsequent to the calendar year beginning 1 January 2014 (applicable as of 2015):**

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because they came into effect after the date of the consolidated financial statements or because they had yet to be endorsed by the European Union:

Standards, amendments and interpretations	Description	Mandatory application for financial years beginning on or after:
IFRS 9 – Financial Instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments to IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 2013)	Replaces the requirements for the classification, measurement and derecognition of financial assets and financial liabilities under IAS 39	Annual reporting periods beginning on or after 1 January 2018
IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture	Amendments to treatment of a sale or contribution of assets between an investor and its associate or joint venture	Annual reporting periods beginning on or after 1 January 2016 (1)
IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (published in May 2014)	Specifies how to account for acquisitions of interests in joint operations whose activity constitutes a business	Annual reporting periods beginning on or after 1 January 2016 (1)
IFRS 14 – Regulatory Deferral Accounts	Specifies the reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation	Annual reporting periods beginning on or after 1 January 2016
IFRS 15 – Revenue from Contracts with Customers (published in May 2014)	New revenue recognition standard. Replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31. The new IFRS 15 model is far more restrictive and principles-based, and also has a very different contractual approach. Application of the new requirements could therefore give rise to changes in the revenue profile	Annual reporting periods beginning on or after 1 January 2017 (1)
IAS 16 and IAS 38 – Acceptable Methods of Depreciation and Amortization (published in May 2014)	Provides clarification of acceptable methods of depreciation and amortization	Annual reporting periods beginning on or after 1 January 2016, applied prospectively (1)
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (published in November 2013)	Amendments clarifying the accounting treatment for contributions from employees or third parties that are linked to service	Annual reporting periods beginning on or after 1 July 2014 (1)
IFRIC 21 – Levies (published in May 2013)	Guidance on when to recognize a liability for levies charged for participation by the entity in an activity on a specified date	Annual reporting periods beginning on or after 1 January 2014 (2)
IAS 27 – Amendments to prescribe the application of the equity method of accounting in separate financial statements	Amendments to prescribe application of the equity method of accounting in separate financial statements	Annual reporting periods beginning on or after 1 January 2016 (1)

(1) Pending adoption by the European Union

(2) The European Union endorsed IFRIC 21 (EU Bulletin 14 June 2014), replacing the original effective date established by the IASB (1 January 2014) with that of 17 June 2014

The Group is currently assessing the impact that the future application of these standards might have on the financial statements once they enter into force. The Group's preliminary assessment is that the impact of the application of these standards will not be significant.

### **2.3 Functional currency**

The presentation currency of the consolidated financial statements is the euro, which is the Group's functional currency.

### **2.4 Comparison of information**

As indicated in Note 1, the Parent was incorporated on 25 March 2014. Accordingly, its consolidated financial statements are for the period 25 March 2014 to 31 December 2014. Given that this is the Parent's first year of activity, the directors have not included any comparative figures in the consolidated statement of financial position, consolidated income statement, consolidated comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows or the notes thereto.

### **2.5 Responsibility for the information and estimates made**

The information contained in these financial statements is the responsibility of the Parent's directors.

In the Group's consolidated financial statements for 2014, estimates were occasionally made by the senior executives of the Group and of the consolidated companies, later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and commitments reported therein. These estimates essentially relate to the following:

1. The market value of the Group's property assets (see Notes 5.1 and 7). The Group obtained valuations from independent experts at 31 December 2014;
2. The fair value of certain financial assets (see Note 5.5);
3. Measurement of provisions and contingencies (see Note 5.9);
4. Management of financial risk and, in particular, of liquidity risk (see Note 22); and
5. The recovery of deferred tax assets and the tax rate applicable to temporary differences (see Note 5.11).

#### *Changes in estimates:*

Although these estimates were made on the basis of the best information available at 31 December 2014, future events may require these estimates to be modified prospectively (upwards or downwards), in accordance with IAS 8. The effects of any change would be recognized in the corresponding consolidated income statement.

### **2.6 Consolidation principles applied**

Companies are fully consolidated when the Parent has effective control over them by holding the majority of the voting rights in their governing or decision-making bodies and the power to participate in the financial and operating policy decisions of said companies.

#### **2.6.1 Subsidiaries**

Subsidiaries are entities over which the Parent, either directly or indirectly through subsidiaries, exercises control. The Parent controls a subsidiary when it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Parent has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

The financial statements of the subsidiaries are consolidated with those of the Parent using the full consolidation method. Therefore, all material balances and results of transactions carried out between consolidated companies are eliminated on consolidation.

Third party interests in the Group's equity and profit or loss are recognized under "Non-controlling interests" in the consolidated statement of financial position and "Result attributable to non-controlling interests" in the consolidated income statement and consolidated comprehensive income statement, respectively.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the date of acquisition or to the date of disposal, as appropriate.

At 31 December 2014, all the Parent's subsidiaries are controlled by it and have therefore been fully consolidated. Appendix I of these notes gives details and information about the subsidiaries.

### **2.6.2 Business combinations**

The Group applies the purchase method for business combinations. The date of acquisition is the date on which the Group takes control of the acquiree.

The consideration paid is calculated at the date of acquisition as the aggregate of the fair values of the assets acquired, the liabilities incurred or assumed, and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs, such as professional fees, do not form part of the cost of the business combination, but are taken directly to the consolidated income statement.

Where applicable, the contingent consideration is recognized at the acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are taken to the consolidated income statement unless this change arises within the period of 12 months established as the provisional accounting period, in which case the change is recognized in goodwill.

Goodwill is calculated as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests, and the fair value of any previously held equity interest in the acquiree over the net identifiable assets of the acquiree.

If the acquisition cost of the net identifiable assets is less than their fair value, the lower value is taken to the consolidated income statement.

The first-time consolidation differences related to the acquisition of Tree Inversiones Inmobiliarias, SOCIMI, S.A. and Bosque Portfolio Management, S.L. were assigned as an increase in the value of the assets (see Note 3). The market value (calculated by independent appraisers) is higher in both cases than the carrying amount per the consolidated statement of financial position at the date of first-time consolidation.

### **2.6.3 Scope of consolidation**

As explained in Note 1, the Merlin Group was incorporated in 2014, whereby all the subsidiaries were consolidated in the Group in 2014. The subsidiaries forming part of the Merlin Group at 31 December 2014 are as follows:

Company	Activity	Reason for inclusion in scope of consolidation	Ownership interest	Consolidation method
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	Acquisition and development of property assets for subsequent leasing	Acquisition	100%	Full consolidation
Merlin Oficinas, S.L.	Acquisition and development of property assets for subsequent leasing	Incorporation	100%	Full consolidation
Merlin Logística, S.L.	Acquisition and development of property assets for subsequent leasing	Incorporation	100%	Full consolidation
Merlin Retail, S.L.	Acquisition and development of property assets for subsequent leasing	Incorporation	100%	Full consolidation
Bosque Portfolio Management, S.L.	Real estate management	Acquisition	100%	Full consolidation

### **3. Business combination**

On 3 July 2014, the Parent completed the acquisition of all the shares of the companies Tree Inversiones Inmobiliarias, SOCIMI, S.A. (owner of a portfolio of 885 assets leased to BBVA) and Bosque Portfolio Management, S.L. (company responsible for managing this portfolio). This business combination was intended to fulfil the corporate purpose of Merlin Properties SOCIMI, S.A. with regard to the acquisition of urban property assets for subsequent leasing to third parties.

*Companies acquired and consideration transferred-*

	Principal activity	Acquisition date	Percentage ownership (voting rights) acquired	Consideration transferred (thousands of euros)
Tree Inversiones Inmobiliarias SOCIMI, S.A.	Office leasing	3/7/2014	100%	739,483
Bosque Portfolio Management, S.L.	Real estate management	3/7/2014	100%	3
				<b>739,486</b>

The sale-purchase agreement for Tree Inversiones Inmobiliarias SOCIMI, S.A. and Bosque Portfolio Management, S.L. did not include any contingent considerations. The acquisition cost totaled €603 thousand, recognized under "Other operating expenses" on the accompanying consolidated income statement.

- Tree Inversiones Inmobiliarias SOCIMI, S.A.

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Intangible assets	58	-	58
Property, plant and equipment	22	-	22
Investment property	990,002	379,066	1,369,068
Derivative	-	287,422	287,422
Other financial assets	12,560	-	12,560
Deferred tax assets	11,125	-	11,125
Current assets	16,156	-	16,156
Non-current liabilities	(889,410)	(25,091)	(914,501)
Current liabilities	(35,289)	-	(35,289)
<b>Total net assets</b>	<b>105,224</b>	<b>641,397</b>	<b>746,621</b>
Consideration transferred			739,483
<b>Gain generated from business combination</b>			<b>7,138</b>

Investment property has been measured at fair value. Fair value was obtained from the valuations performed by Savills at 31 December 2013, adjusted for the disposals of real estate assets prior to the purchase date, i.e. 3 July 2014. This fair value includes an embedded derivative corresponding to the rent multiplier included in the lease agreements signed with the current lessee of the properties, BBVA. Since these specific conditions on reviewing rents were considered by the appraiser when valuing the real estate assets, the Parent has estimated such rent reviews and recognized them separately in the accompanying consolidated financial statements. It has presented them separate from the host contract as a derivative financial instrument.

In this regard, the Parent has estimated the value of the embedded derivative based on an estimate of total future cash flows from the contract adjusted for counterparty credit risk. Future revenues from the leases are estimated using the eurozone inflation swap curve on the date of analysis (harmonized price index excluding tobacco) and factoring in the respective counterparty credit risk. The measurement approach used was based on the discounted cash flow model.

The valuation adjustment to non-current liabilities of €25,091 thousand corresponds to the deferred tax asset associated with the revaluation of investment property. The Parent estimated this amount taking into account that the company acquired is a SOCIMI; estimating the tax rate applicable to gains, and also considering the expected date on which the gain will be generated when the property is sold.

- Bosque Portfolio Management, S.L.

	Thousands of euros		
	Carrying amount	Valuation adjustment	Fair value
Intangible assets	33	-	33
Other financial assets	11	-	11
Deferred tax assets	50	-	50
Current assets	761	-	761
Current liabilities	(267)	(476)	(743)
<b>Total net assets</b>	<b>588</b>	<b>(476)</b>	<b>112</b>
Consideration transferred			3
<b>Gain generated from business combination</b>			<b>109</b>

The fair value of the receivables acquired in the business combinations – primarily trade receivables – is €440 thousand in the case of Tree Inversiones Inmobiliarias SOCIMI, S.A. and zero in the case of Bosque Portfolio Management, S.L., which does not differ from the gross contractual amounts. The Parent's directors do not consider that at the acquisition date there were any indications that these receivables would not be collected in full.

The profits and revenues generated by the acquired businesses in 2014 totaled €32,783 thousand and €44,242 thousand (Tree Inversiones Inmobiliarias SOCIMI, S.A.) and €17 thousand and €162 thousand (Bosque Portfolio Management, S.L.), recognized in the consolidated income statement.

Had the two businesses been acquired on 1 January 2014, net profit would have increased by €4,449 thousand and revenues contributed to the Group would have been approximately €44,965 thousand higher compared to the figures in the accompanying consolidated financial statements. When calculating these amounts, the directors considered that the revenue generated and expenses incurred between 1 January 2014 and the acquisition date, along with the acquisition costs, did not vary.

Net cash flow from acquisition-

	Thousands of euros
Cash paid	739,486
Less: cash and cash equivalents	(15,761)
<b>Total</b>	<b>723,725</b>

#### **4. Appropriation of the Parent's results**

The allocation of losses proposed by the Parent's directors for approval by its shareholders at the Annual General Meeting, is as follows:

	Thousands of euros
Loss for the period	(3,053)
Appropriation: Prior years' losses	(3,053)

## **5. Accounting policies**

The main accounting principles, policies and measurement criteria used by the Group in preparing the accompanying consolidated financial statements and which are in conformity with the IFRS in force at the date of the corresponding consolidated financial statements are detailed below:

### ***5.1 Investment property***

Investment property comprises buildings under construction and development for use as investment property, which are partially or fully held to generate revenue, profits or both, rather than for use in the production or supply of goods or services, or for the Group's administrative purposes or sale in the ordinary course of business.

All assets classified as investment property are occupied by various tenants. These properties are earmarked for leasing to third parties. The Parent's directors do not plan to dispose of these assets in the near future and have therefore decided to recognize them as investment property in the consolidated statement of financial position.

Investment property is stated at fair value at the end of the reporting period and is not depreciated. Investment property is land, buildings or other constructions held to earn rents or for capital appreciation upon disposal due to increases in their respective market prices in the future.

Gains or losses arising from changes in the fair value of investment property are included in the income statement in the year in which they arise.

While construction work is in progress, the costs of construction work and finance costs are capitalized. When the asset is put to use, it is recognized at its fair value.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property to ensure the fair value reflects the actual market conditions of the investment property at that date. Fair value is determined annually based on independent expert appraisals.

The market value of the Group's investment property at 31 December 2014, calculated on the basis of appraisals carried out by Savills, independent appraisers not related to the Group, amounted to €1,969,934 thousand (see Note 7).

### ***5.2 Leases***

#### ***5.2.1 Classification of leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially the risks and rewards of ownership to the Group, which usually has an option of acquiring the asset at the end of the lease under the conditions agreed when the transaction was arranged. All other leases are classified as operating leases. At 31 December 2014, the Group did not hold any finance leases.

#### ***5.2.2 Accounting treatment as lessor***

##### **Operating leases**

Assets leased to third parties under operating leases are recognized according to their nature.

Rental income from operating leases is recognized in the consolidated income statement on a straight-line basis over the term of the lease, net of any incentives granted.

Contingent payments from operating leases are recognized in the consolidated income statement when it is probable that they will be collected, which generally occurs when the conditions stipulated in the lease agreement are fulfilled.

### 5.2.3 Accounting treatment as lessee

#### Operating leases

Lease payments under an operating lease, net of any incentives received, are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

The Group expenses the initial costs directly incurred under the operating leases as they are incurred.

Contingent payments on operating leases are expensed when it is probable that they will be incurred.

### **5.3 Financial instruments**

Financial instruments are classified upon initial recognition as a financial asset, a financial liability or equity instrument, according to the substance of the contract and the definitions of financial asset, financial liability and equity instrument given in IAS 32 – Financial Instruments: Presentation.

Financial instruments are recognized when the Group becomes a party to the contractual provisions of the instrument.

For measurement purposes, financial instruments are classified as financial assets or liabilities at fair value through profit or loss, separating those initially classified as held for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities at amortized cost. The financial instruments are classified in these categories depending on their nature and the Group's intentions at the time of initial recognition.

#### *Financial assets*

Financial assets are recognized in the consolidated statement of financial position on acquisition, and are initially measured at fair value. The financial assets held by the Group companies are classified as:

1. Loans and receivables: Financial assets originated by Group companies in exchange for cash, or from the sale of goods or the rendering of services, which have fixed or determinable payments and are not traded in an active market.
2. Held-for-trading financial assets: Assets acquired with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. It also includes derivatives that are not designated as hedging instruments.
3. Held-to-maturity investments: Assets with fixed or determinable payments and fixed maturity. The Group must also have the positive intention and ability to hold these securities from the date of acquisition to maturity.

Loans and receivables are initially measured at the fair value of the consideration given plus directly attributable transaction costs and, thereafter, at amortized cost. The Group has recognized provisions to cover non-payment risks. These provisions are calculated according to the probability of recovering the debt based on its age and the debtor's solvency. At 31 December 2014, the fair value of these assets was not materially different from their value in the consolidated statement of financial position.

Financial assets held for trading are measured at fair value through profit and loss in the consolidated income statement. The fair value of a financial instrument on a given date is the amount at which the asset could be exchanged between knowledgeable, willing parties in an arms' length transaction.



At least at each reporting date, the Group tests its financial assets not measured at fair value for impairment. Objective evidence of impairment is considered to exist when the recoverable amount of the financial asset is lower than its carrying amount. When this occurs, the impairment loss is recognized in the consolidated income statement.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the cash flows from the financial assets or transfers substantially all the risks and rewards of ownership of the financial asset. However, the Group does not derecognize financial assets which it sells while retaining substantially all the risks and rewards of ownership, instead recognizing a financial liability equal to the consideration received.

#### *Financial liabilities*

The main financial liabilities held by Group companies are held-to-maturity financial liabilities, which are measured at amortized cost. Group companies classify their financial liabilities as follows:

1. Bank loans and other borrowings: Loans obtained from banks and other lending institutions are recognized at the amount received net of any loan arrangement costs incurred and subsequently measured at amortized cost. Finance costs are recognized on an accruals basis in the consolidated income statement using the effective interest method and are added to the carrying amount of the financial liability to the extent that they are not settled in the year in which they arise.
2. Trade and other payables: Payables originated on trade operations are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

The Group derecognizes financial liabilities once the resulting obligations have been extinguished.

#### **5.4 Derivative financial instruments and hedge accounting**

The Group uses derivatives to hedge its exposure to business, operating and cash flow risks. There risks are mainly due to variations in interest rates and inflation. Among the various transactions, the Group uses certain financial instruments as economic hedges.

In order for these financial instruments to qualify as accounting hedges they are designated as such from the outset and the hedge relationship is documented. The Group also verifies the effectiveness of the hedge initially, and subsequently on a period basis over the term of the hedge (at least at the end of each reporting period). A hedge is effective if it is expected, prospectively, that the changes in the cash flows from the hedged item (attributable to the hedged risk) are almost entirely offset by the changes in the cash flows of the hedging instrument and that, retrospectively, the gains or losses on the hedge have fluctuated within a range of 80 to 125% of gains or losses on the hedged item.

Financial derivatives are initially recognized at cost in the consolidated statement of financial position, and the required valuation adjustments are subsequently made to reflect their fair value at all times. Increases in value are recognized under "Non-current financial assets – Derivatives" and "Other current financial assets – Derivatives" and reductions in value under "Non-current and current bank borrowings – Derivatives" in the consolidated statement of financial position. Gains and losses from these changes are recognized in the consolidated income statement, unless the derivative has been designated as a hedging instrument and the resulting hedge is highly effective, in which case the recognition criteria are as follows:

- Cash flow hedges: The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity and taken to profit and loss in the same period during which the hedged item affects profit or loss, unless the hedge relates to a forecast transaction that results in the recognition of a financial asset or liability, in which case the amounts recognized in equity are included in the cost of the asset acquired or liability assumed.
- Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the period.

Any derivatives embedded in other financial instruments or in host contracts are recognized separately as derivatives if their risks and characteristics are not closely related to those of the instrument or host contract, provided that the host contracts are not measured at fair value by recognizing changes in fair value in the consolidated comprehensive income statement.

The fair value of the derivative financial instruments is calculated using the valuation methods described in Note 5.5 below.

### **5.5 Valuation techniques and assumptions used to measure fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- Fair values of financial assets or liabilities with standard terms and conditions traded on active liquid markets are determined by reference to their quoted market price.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable market transactions and dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated by discounting future settlements between fixed and floating interest rates to their present value, in line with implicit market interest rates, obtained from long-term interest rate swap curves. Implicit volatility is used to calculate the fair values of caps and floors using option valuation models.

Consideration must be given when valuing financial derivative instruments that the derivative must also effectively offset the exposure inherent to the hedged item or position throughout the expected term of the hedge, and there must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this effectiveness was intended to be achieved and measured. Moreover, pursuant to IFRS 13 and due to the inherent risk, credit risk of the parties to the contract – both own risk and that of the counterparty – must be included when valuing derivatives. The Group applied the discounted cash flow method, considering a discount rate affected by the Merlin Group's own credit risk.

Financial instruments measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Measurements derived from (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level 2: Measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (non-observable inputs).

The Group's financial assets and liabilities measured at fair value were as follows at 31 December 2014:

	Thousands of euros			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Note 13.2)	-	(53,407)	-	(53,407)
Embedded derivatives (Note 9)	-	261,689	-	261,689
	-	<b>208,282</b>	-	<b>208,282</b>

Note 7 also provides information on calculating the fair value of investment property in accordance with the valuation techniques described in said note.

## **5.6 Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of the Parent after deducting all of its liabilities.

Equity instruments issued by the Parent are recognized in consolidated equity at the proceeds received, net of issue costs.

The Parent's equity instruments acquired by the Group are recognized separately at cost and deducted from equity in the consolidated statement of financial position, regardless of why they were acquired. No gains or losses from transactions involving own equity instruments are recognized in the consolidated income statement.

If the Parent's own equity instruments are subsequently redeemed, capital is reduced by the nominal amount of the treasury shares and the positive or negative difference between the acquisition price and nominal amount of the shares is debited from or credited to reserves.

## **5.7 Shareholder remuneration**

Dividends are paid in cash and recognized as a reduction in equity when the pay-outs are approved by shareholders at the Annual General Meeting.

The Parent is subject to the special regime for SOCIMIs. As established in Article 6 of Act 11/2009, of 26 October, amended by Act 16/2012, of 27 December, the SOCIMIs opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders as dividends. Once the corresponding commercial obligations have been fulfilled, said distribution must be agreed within six months from year end, and the dividends paid within 30 days from the date on which the pay-out is agreed.

Moreover, as specified in Act 11/2009, of 26 October, amended by Act 16/2012, of 27 December, the Parent must distribute the following as dividends:

- 100% of the profit from dividends or shares in profits distributed by the entities referred to in Section 1, Article 2 of Act 11/2009.
- At least 50% of the profits arising from the transfer of the properties, shares or ownership interests referred to in Section 1, Article 2 of Act 11/2009, of 26 October, subsequent to expiry of the time limits referred to in Section 3, Article 3 of Act 11/2009, which are used for pursuit of the entities' principal corporate purpose. The remainder of these profits must be reinvested in other property or investments used for the pursuit of said activity within three years after the transfer date. Otherwise these profits should be distributed in full together with any profit arising in the year in which the reinvestment period expires. If the items subject to reinvestment are transferred before the holding period ends, the related profits must be distributed in full together with any profits arising in the year in which they are transferred. The distribution obligation does not extend to the portion of these profits, if any, which may be allocated to years in which the Company did not file tax returns under the special tax regime of Act 11/2009 of 26 October.
- At least 80% of the remaining profits obtained. When dividend distributions are charged to reserves generated from profits in a year in which the special tax regime applied, the distribution must necessarily be approved as set out above.

## **5.8 Cash and cash equivalents**

This includes cash and short-term highly liquid investments maturing in less than three months that are readily convertible to cash and where the risk of change in value is insignificant. Interest on these investments is recognized as income when paid and interest accrued at period-end is recognized in the consolidated statement of financial position as an increase in this item.

## **5.9 Provisions**

In preparing the consolidated financial statements, the Parent's directors made a distinction between:

- Provisions: Credit balances covering present obligations arising from past events, the settlement of which is likely to give rise to an outflow of resources, but which are uncertain as to their amount and/or timing.
- Contingent liabilities: Possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not within the Group's control.

Provisions are included in the consolidated financial statements when it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather disclosure is provided in the notes to the consolidated financial statements unless the possibility of an outflow in settlement is considered remote.

Provisions are recognized at the present value of the best estimate of the consideration required to settle or transfer the present obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognized as a finance cost on an accrual basis.

The compensation receivable from a third party on settlement of the obligation is recognized as an asset, provided that there are no doubts that the reimbursement will be received, unless there is a legal relationship whereby a portion of the risk has been externalized as a result of which the Group is not liable. In this situation, the compensation will be taken into account for the purpose of estimating the amount of the related provision that should be recognized, if any.

#### **5.10 Revenue recognition**

Revenue and expenses are recognized on an accruals basis; i.e. when the goods or services relating to them are provided, regardless of when actual payment or collection occurs. Rental income is measured at the fair value of the consideration received, net of discounts and taxes.

Discounts (rent waivers and rebates) granted to lessees are recognized as a reduction in rental income when it is probable that conditions precedent will be fulfilled requiring them to be granted.

Discounts are recognized by expensing the total rent waiver or rebate on a straight-line basis over the term of the lease agreement in force. If a lease agreement is cancelled earlier than expected, any outstanding rent waiver or rebate is recognized in the last period prior to the end of the agreement.

#### Leasing of investment property to third parties

The Group companies' principal activity comprises the acquisition and leasing of primarily shopping malls, logistics units and offices. The Group's ordinary income is generated from the leasing of this investment property to third parties.

Ordinary income from the leasing of investment property is recognized taking into account the stage of completion of the transaction at the reporting close, provided the result of the transaction can be reliably estimated. Income from the Group's leases is recognized by Group companies on a monthly basis pursuant to the conditions and amounts agreed with the lessees in the various agreements. This income is only recognized when it can be measured reliably and it is probable that the economic benefits from the lease will be received.

Where the outcome of services rendered cannot be measured reliably, revenue is recognized to the extent that the expenses incurred are deemed recoverable.

Service charges rebilled to lessees are recognized net of other operating expenses.

#### **n) Tax matters**

##### 5.11.1 General tax regime

Income tax expense or income tax receivable includes both the current and deferred tax expense or income.

Current tax expense is the tax payable by the Company on its taxable income for a given year. Deductions and other tax benefits, excluding withholdings and prepayments, along with tax loss carryforwards from prior years effectively set off in the current period reduce the current tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as unused tax losses and tax credits. These amounts are measured by applying to the corresponding temporary difference or tax asset, the tax rate at which the asset is expected to be realized or the liability is expected to be settled.

Deferred tax liabilities are recognized for all taxable temporary differences except where the temporary difference arises from the initial recognition of goodwill, whose amortization is not deductible, or the initial recognition of an asset or liability in a transaction and affects neither the accounting result nor taxable profit or tax loss.

Deferred tax assets are recognized for temporary differences to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized, and the deferred tax assets do not arise from the initial recognition of other assets and liabilities in a transaction that affects neither the accounting result nor taxable profit or tax loss. The remaining deferred tax assets (tax loss carryforwards, temporary differences and unused tax credits) are only recognized if it is considered likely that the consolidated companies will have sufficient taxable profits in the future against which they may be utilized.

Recognized deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments made where there are doubts as to their future recoverability. Also, unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that they will be recovered through future taxable profits.

#### 5.11.2 SOCIMI tax regime

The SOCIMI special tax regime, as amended by Act 16/2012 of 27 December, is based on a 0% corporate income tax rate, provided certain requirements are met. Particularly noteworthy amongst those conditions is that at least 80% of income must come from urban real estate used for leasing purposes and acquired in full ownership or through holdings in companies that comply with the same investment and dividend distribution requirements, whether foreign or Spanish, and whether or not they are quoted in organized markets. Likewise, the main income sources of these entities must be real estate, either from leases, from subsequent sale of properties after a minimum leasing period or from income generated by holdings in entities of similar characteristics. Nevertheless, tax is accrued in proportion to dividend distributions. Dividends received by the members are exempt, unless the recipient is a legal person subject to corporate income tax or a permanent establishment of a foreign entity, in which case a deduction in the tax liability is established, so that these earnings are taxed at the member's rate. However, the remaining earnings shall not be taxed so long as they are not distributed to members.

As provided by the Ninth Transitional Provision of Act 11/2009 of 26 October, as amended by Act 16/2012 of 27 December, which regulate SOCIMIs, the entity shall be taxed at a 19% rate on the total amount of dividends and profit shares distributed to members with a shareholding in the entity of 5% or more, when the said dividends are exempt or taxed at a rate below 10% in the members. The Group has therefore established the procedure guaranteeing confirmation by shareholders of their tax rate, proceeding where applicable, to withhold 19% of the dividend distributed to shareholders that do not meet the aforementioned tax requirements.

The Group has not distributed dividends to its shareholders.

#### **5.12 Share-based payments**

On the one hand, the Company recognizes the goods and services received as an asset, if qualifying, or an expense, when obtained, with an increase to equity, if the transaction is settled in equity instruments, or with the corresponding liability, if it is settled with an amount that is referenced to the value of equity instruments.

In the case of equity-settled transactions, both the services rendered and the increase in equity are measured at the fair value of the equity instruments granted, by reference to the grant date. In the case of cash-settled share-based payments, the goods and services received and the related liability are recognized at the fair value of the latter, by reference to the date on which the requirements for recognition are met.

At 31 December 2014, the Parent had a commitment to award an additional bonus to the management team as determined by the Appointments and Remuneration Committee, linked to the Company's shares, since the Company's Senior Management is remunerated based on the returns obtained by the Company's shareholders (the "Management Stock Plan").

The Company must exceed the following thresholds before members of Senior Management are entitled to shares under the Management Stock Plan:

- Total shareholder return per annum of over 8%. The annual shareholder return is calculated as the sum of any fluctuation in the Company's EPRA NAV over the year minus the net funds obtained from shares issued during the year, plus the dividends distributed during the year.
- The sum of: (i) MERLIN's EPRA NAV at 31 December of said year, and (ii) the total value of dividends (or any other form of shareholder remuneration or pay-out) distributed during said year or any prior year since the last year when there was an entitlement to receive shares under the Management Stock Plan, must exceed the greater of the following amounts: (a) the opening EPRA NAV (opening EPRA NAV being the net funds obtained by the Company on offering and trading its shares) and (b) the EPRA NAV at 31 December (plus any adjustments resulting from excluding the net funds of any issuance of ordinary shares in said year) of the last year when there was an entitlement to receive shares under the Management Stock Plan. This excess is referred to as the High Watermark Outperformance and represents the amount over and above the last EPRA NAV that gave rise to entitlement to shares under the Management Stock Plan.

Once both thresholds are reached, the amount to be allocated to the Management Stock Plan for the year (bonus) will be the lower of the following:

- (x) 10% of the annual shareholder return once this exceeds 8%, and 15% of the shareholder return if the annual shareholder return is over 12%; or
- (y) 20% of the High Watermark Outperformance.

### **5.13 Current assets and liabilities**

The Group classifies its assets and liabilities as current and non-current in the consolidated statement of financial position. To this end, current assets and current liabilities are those that meet the following criteria:

- Assets are classified as current when they are expected to be realized in, or are intended for sale or consumption in, the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they are expected to be realized within twelve months after the consolidated statement of financial position date, or when they constitute cash or a cash equivalent, unless they are restricted from being exchanged or used to settle a liability for at least twelve months after the consolidated statement of financial position date.
- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle, when they are held primarily for the purpose of being traded, when they are due to be settled within twelve months after the consolidated statement of financial position date, or when the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the consolidated statement of financial position date.
- Derivative financial instruments not held for trading are classified as current or non-current according to the period of maturity or periodic settlement.

### **5.14 Segment information**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses whose operating results are reviewed regularly by the Group's highest operating decision-making body to determine how to allocate resources to the segment and assess its performance, for which separate financial information is available.

### **5.15 Earnings per share**

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by Group companies.

### **5.16 Environment**

The Group carries out activities whose primary purpose is to prevent, mitigate or repair environmental damage caused by its operations.

Expenses incurred in connection with these environmental activities are recognized as other operating expenses in the year in which they are incurred. Nonetheless, the Group's business activities do not have significant environmental impact.

### **5.17 Consolidated cash flow statements**

Consolidated statements of cash flow are prepared using the direct method and the terms used are defined as below:

1. Cash flows: Inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to insignificant risk of changes in value.
2. Operating activities: Ordinary activities undertaken by companies making up the consolidated group, and all other activities that cannot be classified as investing or financing activities.
3. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: Activities that result in changes in the size and composition of the equity and borrowings of the Group that are not operating activities.

## **6. Segment reporting**

### **a) Basis of segmentation**

The Group's management has segmented its activity into four lines of business according to the type of assets acquired and managed:

- Shopping malls;
- Tertiary office buildings;
- Tertiary industrial and/or logistics units; and
- Properties leased to BBVA.

Any revenue or expense that cannot be attributed to a specific line of business or relate to the entire Group are attributed to the Parent as a "Corporate unit/Other", as are the reconciling items arising from the reconciliation of the result of integrating the financial statements of the various lines of business (prepared using a management approach) and the Group's consolidated financial statements.

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

The Group operated solely in Spain during the period of nine months and seven days ended 31 December 2014.

### **b) Basis and methodology of business segment reporting**

The segment information below is based on monthly reports prepared by Group management, generated using the same computer application that prepares all of the Group's accounting data. The segments follow the same accounting policies as the Group, which are described in Note 5.

Segment revenue relates to ordinary revenue directly attributable to the segment plus the proportion of the general revenue of the Group that may be reasonably allocable to it. Ordinary revenue of each segment does not include interest or dividend income, gains on the disposal of investment property, debt recoveries or cancellation.

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

Each segment's result is presented before any adjustment for non-controlling interests.

Segment assets and liabilities are those directly related to the operation of the segment plus those that are directly attributable to the segment based on the same criteria as indicated above. Segment assets and liabilities include the share of joint ventures. Segment liabilities do not include income tax payable.

### *Segment reporting*

Segment information about these businesses at 31 December 2014 is presented below.

	Thousands of euros					
	Office buildings	BBVA branches	Shopping centers	Logistics	Corporate unit	Group total
Revenue from non-Group customers						-
Rental income	3,898	44,242	7,631	845	-	56,616
Total ordinary income	3,898	44,242	7,631	845	-	56,616
Other income	-	-	380	-	1	381
Employee benefits expense	-	(43)	-	-	(3,036)	(3,079)
Operating expenses	(326)	(12,554)	(1,791)	(39)	(1,303)	(16,013)
Gains/(losses) on disposal of assets	-	126	-	-	-	126
Depreciation and amortization	-	(14)	(14)	-	(7)	(35)
Negative goodwill arising from business combinations	-	7,138	-	-	109	7,247
Operating profit/(loss)	3,572	38,895	6,206	806	(4,236)	45,243
Change in fair value of investment property	(3,000)	38,751	14,368	(648)	-	49,471
Net finance income/(expense)	(445)	(17,967)	1	-	329	(18,082)
Changes in the value of derivative financial instruments	-	(25,920)	-	-	-	(25,920)
Profit/(loss) before tax	127	33,759	20,575	158	(3,907)	50,712
Income tax	-	(992)	-	-	(50)	(1,042)
Profit/(loss) for the period	127	32,767	20,575	158	(3,957)	49,670



	Thousands of euros					
	Office buildings	BBVA branches	Shopping centers	Logistics	Corporate unit	Group total
Investment property	215,990	1,407,820	281,054	65,070	-	1,969,934
Non-current financial assets-	3,981	274,249	2,578	346	38	281,192
<i>Derivatives</i>	-	261,689	-	-	-	261,689
<i>Other financial assets</i>	3,981	12,560	2,578	346	38	19,503
Deferred tax assets	-	9,369	-	-	-	9,369
Other non-current assets	-	66	767	-	210	1,043
<b>Non-current assets</b>	<b>219,971</b>	<b>1,691,504</b>	<b>284,399</b>	<b>65,416</b>	<b>248</b>	<b>2,261,538</b>
Trade and other receivables	171	658	1,711	127	673	3,340
Other current financial assets	757	31	-	3	125,000	125,791
Other current assets	2,826	16,505	4,049	1,765	1,027	26,172
<b>Current assets</b>	<b>3,754</b>	<b>17,194</b>	<b>5,760</b>	<b>1,895</b>	<b>126,700</b>	<b>155,303</b>
<b>Total assets</b>	<b>223,725</b>	<b>1,708,698</b>	<b>290,159</b>	<b>67,311</b>	<b>126,948</b>	<b>2,416,841</b>
Long-term bank borrowings	69,167	958,175	-	-	-	1,027,342
Other non-current liabilities	2,185	38,656	3,890	1,199	476	46,406
<b>Non-current liabilities</b>	<b>71,352</b>	<b>996,831</b>	<b>3,890</b>	<b>1,199</b>	<b>476</b>	<b>1,073,748</b>
<b>Current liabilities</b>	<b>5,104</b>	<b>23,504</b>	<b>1,992</b>	<b>1,409</b>	<b>2,405</b>	<b>34,414</b>
<b>Total liabilities</b>	<b>76,456</b>	<b>1,020,335</b>	<b>5,882</b>	<b>2,608</b>	<b>2,881</b>	<b>1,108,162</b>

As the Group was incorporated in 2014, all investments in investment property (the Group's primary asset) are recognized as additions in 2014.

a) *Geographical segment reporting*

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

The following tables summarizes ordinary income and non-current investment property for each of the assets held by the Group by geographical area:

	Thousands of euros			
	Ordinary income	%	Investment properties	%
Madrid	12,875	22.7	515,636	26.2
Galicia	10,892	19.2	375,217	19.0
Catalonia	7,116	12.6	272,024	13.8
Basque Country	5,055	8.9	177,764	9.0
Valencia	4,149	7.3	126,243	6.4
Castile-Leon	3,343	5.9	98,216	5.0
Andalusia	3,293	5.8	98,862	5.0
Rest of Spain	9,893	17.5	305,972	15.5
<b>Total</b>	<b>56,616</b>	<b>100.0</b>	<b>1,969,934</b>	<b>100.0</b>

b) *Main customers*

The table below lists the lessees from which the most rental has been received at 31 December 2014, and the primary characteristics of each of them:

Position	Name	Building type	% of total rental income	% accum.	Maturity	Segment
1	BBVA	Branch offices	75.03	75.03	2040	BBVA branches
2	BBVA	Flagship buildings	3.12	78.14	2029	BBVA branches
3	VESTAS	Offices	1.79	79.93	2016	Office buildings
4	AXA	Offices	1.60	81.53	2025	Office buildings

## **7. Investment property**

Details of and movements in items included in this account in the consolidated statement of financial position are as follows:

	Thousands of euros
Business combination additions	1,369,069
Additions during the period	551,394
Changes in value of investment property	49,471
<b>Balances at 31 December 2014</b>	<b>1,969,934</b>

Investment property is recognized at fair value. Gains recognized in the consolidated income statement on measuring investment property at fair value total €49,471 thousand.

Investment property comprises: 880 branches and five buildings leased in their entirety to BBVA, five office buildings, one shopping mall, one hotel and four logistics units.

Additions and assets acquired through business combinations in 2014 are as follows:

Type of asset	Name	Thousands of euros	
		Acquisition cost	Fair value
Business combination:			
Offices	BBVA branches	1,369,069	1,407,820
Additions:			
Shopping mall	Marineda City shopping mall	259,855	277,120
Shopping mall	Carris Marineda hotel	6,831	3,934
Office building	World Trade Center Almeda Park 6	47,700	47,470
Office building	Edificio Sanchinarro T2	69,150	66,090
Office building	Edificio Sanchinarro T4	21,355	17,940
Office building	Edificio Sanchinarro T7	41,693	47,100
Office building	World Trade Center Almeda Park 8	39,092	37,390
Logistics units	Plaza Zaragoza logistics center	11,163	11,050
Logistics units	Almussafes Valencia logistics unit	12,686	12,490
Logistics units	Transportes Getafe logistics center	13,032	12,790
Logistics units	Vitoria logistics center	28,837	28,740
		<b>1,920,463</b>	<b>1,969,934</b>

At 31 December 2014, the Group had pledged real estate assets totaling €1,501,266 thousand to secure various loans and derivative financial instruments, the balances of which at 31 December 2014 were €1,009,756 thousand and €53,407 thousand, respectively (see Note 13). The Group holds no rights of use, seizure or similar situations with regard to its investment property.

At 31 December 2014, all properties included in "Investment property" are insured.

At 31 December 2014, the Group had a building replacement commitment corresponding to the BBVA project, as per clause 20 of the general terms and conditions of the lease agreement. Pursuant to this commitment, 42 BBVA branch offices will be replaced in 2015 by 45 other branch offices owned by BBVA. The principles regulating this replacement process are that the lease terms and conditions, including the rent, will remain unchanged, and the market value as calculated by an independent valuer, will be the same.

#### Fair value measurement and sensitivity

All investment property under lease or earmarked for lease through operating leases (leased asset business segment) are classified as investment property.

In accordance with IAS 40, the Group periodically determines the fair value of its investment property so that the fair value reflects the actual market conditions of the investment property at that date. The fair value is determined by reference to the appraisals carried out each year by independent valuers.

The market value of the Group's investment property at 31 December 2014, calculated on the basis of appraisals carried out by Savills Consultores Inmobiliarios, S.A. – independent appraisers not related to the Group – amounted to €2,231,623 thousand (this appraisal takes into account the value of the derivative embedded in the rental of the lease agreement with BBVA of €261,689 thousand). The valuation was carried out in accordance with the Appraisal and Valuation Standards issued by the Royal Institute of Chartered Surveyors (RICS) of the United Kingdom, and the International Valuation Standards (IVS) issued by the International Valuation Standards Committee (IVSC).

The method used to calculate the market value of investment property, except the BBVA portfolio, involves drawing up ten-year projections of income and expenses for each asset, adjusted at the reporting date using a market discount rate. The residual amount at the end of Year 10 is calculated by applying an exit yield or cap rate to the net income projections for Year 11. The market values obtained are analyzed by calculating and considering the capitalization of the returns implicit in these values. The projections are intended to reflect the best estimate of

future income and expenses from the investment properties. Both the exit yield and discount rate are determined taking into account the national market and institutional market conditions.

The method used by Savills to value the BBVA portfolio analyzes each property individually, without making any adjustments for inclusion in a large portfolio of properties. For each property, a capitalization rate has been assumed for the estimated market rent and subsequently adjusted on the basis of the following parameters:

- Term of the lease agreement and creditworthiness of the lessee;
- Location of the premises within the city (downtown, metropolitan area or suburbs);
- Immediate vicinity of the property;
- Level of upkeep of the property (outside and inside);
- Above and below-ground distribution of the floor area;
- Façade on one street or more than one (corner, three-sided); and
- Lease situation with respect to current market rent.

In any event, the situation of the rental property market could lead to material differences between the fair value of the Group's investment property and their effective realizable values.

Fees paid by the Group to valuers for the appraisals at 31 December were as follows:

	Thousands of euros
Valuation services	110
<b>Total</b>	<b>110</b>

Breakdown of fair value of investment properties

Details of the assets measured at fair value and the classification thereof are as follows:

Thousands of euros

	2014			
	Total	Level 1	Level 2	Level 3
Recurring fair value measurement	1,969,934			1,969,934
<i>Investment property</i>				
BBVA branches				
- Land	481,285			481,285
- Buildings	926,535			926,535
Shopping malls				
- Land	14,396			14,396
- Buildings	266,658			266,658
Office buildings				
- Land	103,264			103,264
- Buildings	112,726			112,726
Industrial units				
- Land	16,353			16,353
- Buildings	48,717			48,717
Total assets measured at fair value on a recurrent basis	<u>1,969,934</u>			<u>1,969,934</u>

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

At 31 December 2014, the gross surface areas and occupancy rates of the assets by line of business were as follows:

31/12/2014	Square meters						Occupancy rate (%)
	Gross leasable area						
	La Coruña	Madrid	Álava	Barcelona	Other	Total	
BBVA branches	13,293	64,619	2,935	39,189	254,144	<b>374,180</b>	100.00
Offices	-	34,175	-	29,078	-	<b>63,253</b>	79.20
Shopping malls	106,276	-	-	-	-	<b>106,276</b>	90.62
Industrial units	-	16,242	72,717	-	47,377	<b>136,336</b>	100.00
<b>Total surface area</b>	<b>119,569</b>	<b>115,036</b>	<b>75,652</b>	<b>68,267</b>	<b>301,521</b>	<b>680,045</b>	<b>96.60</b>
<b>% weight</b>	<b>17.58</b>	<b>16.92</b>	<b>11.12</b>	<b>10.04</b>	<b>44.34</b>	<b>100.00</b>	

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

	Net initial yield	Discount rate
BBVA branches	5.33%	(*)
Offices	6.17% - 7.9%	8% - 9%
Shopping mall	5.62%	7%
Hotel	6.69%	9%
Industrial units	8.11% - 9.37%	10% - 11%

(\*) Not applicable, performed by direct capitalization of earnings

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

	Thousands of euros	
	Assets	Consolidated net profit/(loss)
Increase in the rate of return of one-quarter of one percent	(96,355)	(96,355)
Decrease in the rate of return of one-quarter of one percent	105,549	105,549

Details of "Change in value of investment property" in the consolidated income statement are as follows:

Type of asset	Name	Thousands of euros
Offices	BBVA branches	38,752
Shopping mall	Marineda City shopping mall	17,264
Shopping mall	Carris Marineda hotel	(2,897)
Office building	World Trade Center Almeda Park 6	(230)
Office building	Edificio Sanchinarro T2	(3,060)
Office building	Edificio Sanchinarro T4	(3,415)
Office building	Edificio Sanchinarro T7	5,407
Office building	World Trade Center Almeda Park 8	(1,702)
Logistics units	Plaza Zaragoza logistics center	(113)
Logistics units	Almussafes Valencia logistics unit	(196)
Logistics units	Transportes Getafe logistics unit	(242)
Logistics units	Vitoria logistics center	(97)
		<b>49,471</b>

## **8. Operating leases**

### **8.1 Operating leases – Lessee**

The Group leases two offices through operating leases for its own use, which are owned by Rreef Investment GmbH Sucursal en España at December 2014.

The operating lease payments expensed in 2014 were as follows:

	Thousands of euros
Minimum lease payments (Note 17.b)	63
	<b>63</b>

### 8.2 Operating leases – Lessor

At 31 December 2014, the Group leases out the BBVA branches, office buildings, shopping mall and logistics units to third parties through operating leases.

The occupancy rates of the leased buildings at 31 December 2014 were as follows:

	Occupancy rate (%)
BBVA branches	100.00
Office buildings	79.20
Shopping mall	90.62
Industrial units	100.00

Ordinary income and the fair value of each asset are as follows:

	Thousands of euros	
	Ordinary income (*)	Fair value
BBVA branches	44,242	1,407,820
Marineda City shopping mall	7,485	277,120
Carris Marineda hotel	146	3,934
World Trade Center Almeda Park 6	1,260	47,470
Edificio Sanchinarro T2	1,143	66,090
Edificio Sanchinarro T4	336	17,940
Edificio Sanchinarro T7	1,011	47,100
World Trade Center Almeda Park 8	148	37,390
Plaza Zaragoza logistics center	424	11,050
Almussafes Valencia logistics unit	317	12,490
Transportes Getafe logistics unit	89	12,790
Vitoria logistics center	15	28,740
<b>Total</b>	<b>56,616</b>	<b>1,969,934</b>

(\*) The income shown in the table above refers to the rental income of the properties accrued since they were included in the Group's scope of consolidation at 31 December 2014. The annualized amount of rental income would be approximately €124,717 thousand (only the estimate of fixed rental income of the establishments is included in the calculation)

The lease agreements entered into by the Group and its customers include a fixed rent, and where applicable, a variable rent linked to the lessee's performance.

Future minimum lease payments under non-cancellable operating leases (calculated at the nominal amount) are as follows:

	Thousands of euros
Up to a year	128,854
1 to 5 years	451,005
Over 5 years	1,880,329
	<b>2,460,188</b>

## **9. Current and non-current financial assets**

The breakdown of this consolidated statement of financial position item by nature of transaction is as follows:

*Classification of financial assets by category:*

	Thousands of euros
<b>Non-current:</b>	
At fair value-	
Derivative embedded in BBVA lease agreement	261,689
At amortized cost-	
Deposits and guarantees	19,503
	<b>281,192</b>
<b>Current:</b>	
At amortized cost-	
Other financial assets	125,791
Trade and other receivables	3,340
	<b>129,131</b>

The carrying amount of financial assets recognized at cost or amortized cost does not differ significantly from their fair value.

"Derivatives" includes the value of the embedded derivative corresponding to the inflation multiplier included in the lease agreement with BBVA to revise rents annually (see Note 3). The variation in this derivative during 2014 was €25,733 thousand, recognized under "Change in fair value of financial instruments" in the accompanying 2014 consolidated income statement. The measurement approach used is described in Note 3 and is applicable to Level two of the fair value measurement hierarchy established in IFRS 7, as observable inputs but not quoted prices are reflected.



Sensitivity to fluctuations of 50 percentage points in the inflation curves is analyzed below:

Scenario	Thousands of euros	
	Assets	Consolidated profit/(loss) before tax
+50 bps	68,186	68,186
-50 bps	(45,759)	(45,759)

“Deposits and guarantees” primarily includes the guarantees provided by lessees as security amounting to €19,503 thousand, which the Group has deposited with the housing authority (*Instituto de la Vivienda*) in each region. At 31 December 2014, guarantees provided by lessees as security amounted to €21,498 thousand, recognized under “Other financial liabilities – Non-current” on the liabilities side of the accompanying consolidated statement of financial position.

“Other financial assets” comprises a €125,000 thousand deposit opened with a financial institution on 30 December 2014, which accrues interest at a rate of 1.15%. Although the deposit matures in 2019, the conditions thereof stipulate that the Parent can close it early. The Parent’s directors consider that the entire balance of the deposit will be withdrawn before 31 December 2015. It has therefore been classified as a current asset in the accompanying consolidated statement of financial position at 31 December 2014.

*Classification of financial assets by maturity:*

The classification of financial assets by maturity is as follows:

	Thousands of euros			
	Less than 1 year	Over 5 years	Undetermined	Total
Derivative embedded in BBVA lease agreement	-	261,689	-	261,689
Deposits and guarantees	-	-	19,503	19,503
Other financial assets	125,791	-	-	125,791
Trade and other receivables	3,340	-	-	3,340
<b>Total financial assets</b>	<b>129.131</b>	<b>261,689</b>	<b>19,503</b>	<b>410.323</b>

## **10. Trade and other receivables**

“Trade and other receivables” includes the following:

	Thousands of euros
Trade debtors and notes receivable	2,709
Other receivables from public authorities (Note 16)	708
Impairment of trade receivables	(77)
	<b>3,340</b>

“Trade debtors and notes receivable” in the accompanying consolidated statement of financial position at 31 December 2014 mainly includes the balances receivable from the leasing of investment property. In general these receivables are interest free and the terms of collection range from immediate payment on billing to payment at 30 days, while the average collection period is approximately four days.

At 31 December 2014, a breakdown by age of overdue receivables not considered impaired is as follows:

	Thousands of euros
Less than 30 days	61
31 to 60 days	-
61 to 90 days	129
Over 90 days	105
	<b>295</b>

At 31 December 2014, no collection rights had been transferred to financial institutions.

The Group periodically analyzes the risk of insolvency of its accounts receivable by updating the related provision for impairment losses. The Group's directors consider that the amount of trade and other receivables approximates their fair value.

Movement in the provision for impairment and bad debt in 2014 was as follows:

	Thousands of euros
Charges made in the period	(77)
<b>Balance at 31 December</b>	<b>(77)</b>

The majority of impaired receivables are overdue by more than five months.

Details of the concentration of customers (customers with which a significant share of transactions are performed) are included in the segment information in Note 6.

## **11. Cash and cash equivalents**

"Cash and cash equivalents" includes the Group's cash on hand and in banks and short-term deposits with an original maturity of three months or less. The carrying amount of these assets is equal to their fair value.

At 31 December 2014, the balance of "Cash and cash equivalents" is freely available, except the amount included in reserves to cover payment of a quarterly instalment of the senior syndicated mortgage loan, of €2,038 thousand.

At 31 December 2014, the balance of "Cash and cash equivalents" is freely available, except the amount included in reserves to cover payment of a quarterly instalment of the senior syndicated mortgage loan, of €2,038 thousand.

## **12. Equity**

The composition of and movements in equity are disclosed in the consolidated statement of changes in equity.

### ***12.1 Share capital***

At 31 December 2014, the share capital of Merlin Properties SOCIMI, S.A., amounted to €129,212 thousand, represented by 129,212,001 shares of €1 par value each, fully subscribed and paid. All shares are of the same class and confer the holders thereof the same rights. All the Company's shares can be publicly traded and are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges.

The Parent was incorporated in Spain pursuant to the Corporate Enterprises Act on 25 March 2014 through the issuance of 60,000 registered shares of €1 par value each. On 5 June 2014, the partners made a cash contribution of €540 thousand as a "Contributions from equity holders or owners".

On 30 June 2014, the Parent carried out a public offering of shares to increase capital by €125,000 thousand, with a share premium of €1,125,000 thousand, issuing 125,000,000 new shares of €1 par value each, fully subscribed and paid.

In order to meet demand for shares under the Greenshoe option, on 14 July 2014, the Parent carried out a second share issue of €4,152 thousand, with a share premium of €37,368 thousand, issuing 4,152,001 new shares of €1 par value each, fully subscribed and paid.

	Number of shares
Incorporation of the Parent	60,000
Capital increase on 30 June 2014	125,000,000
Capital increase on 14 July 2014	4,152,001
<b>Shares at period end</b>	<b>129,212,001</b>

At 31 December 2014, the significant shareholders of Merlin Properties SOCIMI, S.A. with direct or indirect ownership interests exceeding 3% of share capital, are as follows:

	Shares			% of capital
	Direct	Indirect	Total	
UBS Group AG	-	15,886,656	15,886,656	12.295%
Mainstay Marketfield Fund	12,895,055	-	12,895,055	9.980%
Marketfield Asset Management LLC	-	12,761,227	12,761,227	9.876%
EJF Capital LLC	-	6,732,662	6,732,662	5.211%
Friedman, Emanuel J.	-	6,732,662	6,732,662	5.211%
Monarch Master Funding 2 (Luxembourg) S.A.R.L.	5,000,000	-	5,000,000	3.870%
Credit Suisse Group	-	6,426,926	6,426,926	4.974%
EJF Debt Opportunities Master Fund, LP	4,000,000	-	4,000,000	3.096%

## 12.2 Share premium

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

This reserve is freely distributable provided that the Company's capital does not fall below share capital as a result of it being distributed.

## 12.3 Other reserves

### Legal reserve

The legal reserve will be set up in accordance with Article 274 of the Consolidated Text of the Corporate Enterprises Act, which states that an amount equal to 10% of profit for the year shall be transferred to the legal reserve until this reserve reaches at least 20% of capital.

This reserve cannot be distributed, and can only be used to offset losses if no other reserves are available. Any amount of the reserve used for this purpose must be restored with future profits.

At 31 December 2014, the Group had not appropriated to this reserve the minimum established in the Consolidated Text of the Corporate Enterprises Act because 2014 was the first year of activity of Merlin Properties SOCIMI, S.A.

The legal reserve of companies which have chosen to avail themselves of the special tax regime established in Act 11/2009, of 26 October, must not exceed 20% of share capital. These companies' bylaws cannot create any other restricted reserve.

#### *Other reserves*

This reserve primarily corresponds to the costs of incorporating the Parent and the capital increases in 2014, which total €30,475 thousand.

#### **12.4 Capital management**

The Group's aim vis-à-vis capital management is to ensure it is able to continue operating as a going concern in such a way as to safeguard returns for shareholders and benefit other stakeholders, while maintaining an optimal capital structure to reduce the cost of capital.

In line with the practice of other companies in the sector, the Group controls its capital structure through the leverage ratio, which is calculated as net financial debt over equity. Net debt is determined as the sum of financial liabilities, less cash and cash equivalents. Total capital is determined as the sum of equity plus net financial debt.

	Thousands of euros
Total financial debt	1,063,574
Less – Cash and cash equivalents and Other current financial assets	(151,841)
Net debt	911,733
Equity	1,308,673
<b>Total capital</b>	<b>2,220,406</b>
Debt-to-equity ratio	41.06%

#### **12.5 Earnings per share**

##### *Earnings per share*

Earnings per share are calculated by dividing net profit attributable to common equity holders of the Parent by the number of outstanding shares during the period, excluding treasury stock.

Details of the calculation of earnings/(losses) per share are as follows:

Net profit for the period attributable to equity holders of the Parent (thousands of euros)	49,670
Number of outstanding shares (thousands)	129,212
<b>Earnings per share (euros)</b>	<b>0.38</b>

##### *Basic*

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

Details of the calculation of basic earnings/(losses) per share are as follows:

Net profit for the period attributable to equity holders of the Parent (thousands of euros)	49,670
Weighted average number of shares outstanding (thousand)	85,564
<b>Basic earnings per share (euros)</b>	<b>0.58</b>

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

	Number of shares
Ordinary shares (incorporation of the Group)	60,000
First capital increase	125,000,000
Second capital increase	4,152,000
Average effect of outstanding shares	(43,648,340)
<b>Weighted average number of ordinary shares outstanding at 31 December 2014 (thousands of shares)</b>	<b>85,563,660</b>

#### *Diluted*

Diluted earnings per share are calculated by adjusting the profit attributable to equity holders of the Parent by the weighted average common stock outstanding in respect of all dilutive effects of potential ordinary shares, i.e., as if all potentially dilutive ordinary shares had been converted.

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

#### **12.6 Valuation adjustments**

This heading of the consolidated statement of financial position includes changes in the value of financial derivatives designated as cash flow hedges. Movement in this heading in 2014 was as follows:

	Thousands of euros
Changes in the fair value of hedges during the period (Note 13.2)	(2,636)
<b>Closing balance</b>	<b>(2,636)</b>

### **13. Current and non-current financial liabilities**

At 31 December 2014, current and non-current liabilities were as follows:

	Thousands of euros
<b>Non-current:</b>	
<i>At amortized cost</i>	
Senior syndicated mortgage loans	930,358
Syndicated loan arrangement costs	(24,323)
<b>Total, syndicated mortgage loan</b>	<b>906,035</b>
Mortgage loan	69,000
Mortgage loan arrangement costs	(1,100)
<b>Total, mortgage loan</b>	<b>67,900</b>
<b>Total amortized cost</b>	<b>973,935</b>
<i>At fair value</i>	
Financial derivative instruments	53,407
<b>Total at fair value</b>	<b>53,407</b>
<b>Total, non-current</b>	<b>1,027,342</b>
<b>Current:</b>	
<i>At amortized cost</i>	
Senior syndicated mortgage loans	9,491
Mortgage loan	1,318
<b>Total, current</b>	<b>10,809</b>

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

### 13.1 Mortgage loans

The breakdown of mortgage loans at 31 December 2014 is as follows:

	Thousands of euros				
	Bank borrowings				
	Limit	Loan arrangement costs	Drawn down		Current interest
Long term			Short term		
Senior syndicated mortgage loan	939,756	(24,323)	930,358	9,398	93
Mortgage loan	70,000	(1,100)	69,000	1,000	318
<b>Total payables</b>	<b>1,009,756</b>	<b>(25,423)</b>	<b>999,358</b>	<b>10,398</b>	<b>411</b>

#### Senior syndicated mortgage loan

On 30 December 2014, the Group formalized a novation agreement to modify the senior syndicated loan taken out on 29 July 2010 by Inversiones Inmobiliarias SOCIMI, S.A., the agent bank of which is Deutsche Bank.

Pursuant to this agreement, the senior syndicated loan, which at the novation date totaled €776,547 thousand, was increased to €939,756 thousand. Equally, the 2017 maturity date was extended to 24 September 2024. The loan bears interest at the 3M Euribor rate, plus a spread of 1.75%.

The funds obtained through the loan will be partially used to cancel early the mezzanine syndicated loan taken out by Tree Inversiones Inmobiliarias SOCIMI, S.A. and the hedging instruments covering this loan, amounting to €50,478 thousand and €1,883 thousand, respectively. As a result of these cancellations, the Group recognized a finance cost in the 2014 consolidated income statement of €2,019 thousand, due to the early cancellation charge for the mezzanine syndicated mortgage loan. The recycling through profit and loss of the valuation adjustments to Tree Inversiones Inmobiliarias SOCIMI, S.A.'s equity did not have a material impact on the Group's consolidated income statement as these valuation adjustments were included in the equity acquired through the business combinations (see Note 3).

Pursuant to IAS 39, the Group has assessed whether the novation of the original loan agreement (senior syndicated mortgage loan) involves a substantial change requiring it to be treated as a cancellation of the original loan and the refinancing recognized as new debt. In accordance with the aforementioned standard, the Group therefore considered whether there had been a substantial change in the terms and conditions of lending, concluding that there had not, as the 10% threshold stipulated in the standard had not been reached.

Loan arrangement costs of €13,952 thousand were also incurred, recognized under "Non-current bank borrowings" in the accompanying consolidated statement of financial position.

The finance includes commitments to maintain certain coverage ratios – standard in this type of real estate company – such as the loan-to-value ratio, the ratio of the subsidiary's income used to service the debt (interest coverage ratio, ICR), and a minimum credit rating of BBVA from ratings agencies. The Parent's directors have confirmed that these ratios were met at 31 December 2014 and do not forecast that they will not be fulfilled in forthcoming years.

#### Mortgage loan

On 2 October 2014, the Group obtained a €70,000 thousand mortgage loan from Banco Santander secured by the office buildings in Madrid (Edificio Sanchinarro T2, T4 and T7) (see Note 7). The loan bears interest at the Euribor rate, plus a spread of 185 pp. The loan falls due on 7 October 2021 and will be repaid in fixed quarterly instalments of €250 thousand.

The finance cost of the (senior and mortgage) loans totaled €13,395 thousand and is recognized in the accompanying 2014 consolidated income statement.

At 31 December 2014, the loan arrangement costs were recognized as a reduction in “Bank borrowings”. In 2014, the Parent expensed €2,966 thousand associated with this debt under “Finance costs” in the accompanying consolidated income statement (see Note 17.d).

The breakdown by maturity of these loans is as follows:

Maturity	Thousands of euros	
	Senior Syndicated mortgage loan	Mortgage loan
2015	9,398	1,000
2016	9,398	1,000
2017	9,398	1,000
2018	9,985	1,000
2019	11,747	1,000
Over 5 years	889,830	65,000
	<b>939,756</b>	<b>70,000</b>

### 13.2 Derivatives

Details of financial derivative instruments are as follows:

	Thousands of euros
<b>Non-current</b>	
Interest rate derivatives	(62,546)
Inflation derivatives	9,139
	<b>(53,407)</b>

To measure the fair value of the interest rate and inflation derivatives, the Company discounts cash flows based on the underlyings determined by the euro interest rate curve as per market conditions on the measurement date.

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



Details of the financial derivative instruments in the consolidated statement of financial position at 31 December 2014 are as follows:

	Thousands of euros	
	Financial asset	Financial liability
<b>Non-current</b>		
Interest rate derivatives	-	62,546
Inflation derivatives	-	(9,139)
Derivative embedded in BBVA lease agreement (Note 9)	261,689	-
<b>Total derivatives recognized</b>	<b>261,689</b>	<b>53,407</b>

The interest rate and inflation financial derivative instruments are primarily from the business combination in 2014 through which Tree Inversiones Inmobiliarias SOCIMI, S.A. joined the Merlin Group. At Merlin Group level, the change in fair value of these financial instruments since the date of the business combination has been €2,479 thousand, €1,455 thousand of which was recognized in equity as valuation adjustments. The remainder was taken to consolidated profit and loss. The Group also took out other financial derivative instruments in 2014, the value of which was €1,267 thousand at 31 December 2014. €1,181 thousand of this amount was recognized in equity as a valuation adjustment, and the remainder taken to consolidated profit and loss.

The derivatives held by the Group at 31 December 2014 and the fair values thereof at that date are as follows (in thousands of euros):

	Contractual interest rate	Fair value at 31/12/2014	Thousands of euros				
			Notional amount				
			2015	2016	2017	2018	Thereafter
Interest rate derivatives	3.46%-0.65%	(62,546)	1,002,406	991,009	63,000*	63,000*	63,000*
Inflation derivative	3.14%	9,139	79,834	82,500	-	-	-
		<b>(53,407)</b>	<b>1,082,240</b>	<b>1,073,509</b>	<b>63,000</b>	<b>63,000</b>	<b>63,000</b>

\* In January 2015, the Company arranged a number of interest rate derivatives to replace the interest rate derivatives hedging the senior syndicated mortgage loan which mature in September 2017. These new derivatives, described later in these notes, mature in September 2024.

The Group has opted for hedge accounting, suitably designating the hedging relationships in which these financial instruments are hedging instruments of the financing used by the Group. In this manner, the Group has neutralized flow variations stemming from interest payments and fixed the rate to be paid for said financing. These hedging relationships are, cumulatively, highly effective prospectively and retrospectively, starting at their designation date for certain derivatives.

The Group requested to file tax under the special regime for listed real estate investment companies (SOCIMI tax regime) pursuant to Act 16/2012 of 27 December, regulating SOCIMIs (SOCIMI Act), applicable to the Group and its subsidiaries from 1 January 2014; 1 January 2013 for Tree Inversiones Inmobiliarias, SOCIMI, S.A. As a result of this, the Group recognized a total of €(2,636) thousand under equity at 31 December 2014 corresponding to the fair value of the derivatives fulfilling the requirements thereof, without considering any tax effect. It also recognized €(1,024) thousand under "Change in fair value of financial instruments" in the consolidated income statement as a result of the derivative financial instruments not meeting the requirements to be treated as hedges.

In 2014, finance costs were recognized for settlement of the new financial derivative instruments of €86 thousand.

Moreover, as a consequence of the additional loan principal refinanced, the Group arranged a number of senior interest rate swap (IRS) derivative instruments to hedge the entire debt. The conditions of these new derivatives further to the previous ones are:

- Notional amount: €261,122 thousand
- Maturity: 2017
- Average interest rate: 0.13%

Several senior IRS derivative instruments were also arranged to hedge the loan from the date the existing derivatives mature to the end of the loan term. The conditions of these derivatives are as follows:

- Notional amount: €913,912 thousand
- Date arranged: 2017
- Maturity: 2024
- Average interest rate: 0.96%

These derivative financial instruments had a value of zero at 31 December 2014.

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

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

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

Furthermore, for the credit risk adjustment, the Group's net exposure has been taken into account with regards to each of the counterparties, if the financial derivatives arranged with them are within a financial transaction framework agreement which provides for netting positions. For counterparties for whom credit information is available, the credit spreads have been obtained from the CDS (Credit Default Swaps) quoted in the market; whereas for those with no available information, references from peers have been used. The Group hired Chatham Financial Europe Ltd. to measure the fair value of the derivatives.

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

Scenario	Thousands of euros		
	Liabilities	Equity	Consolidated profit before tax
5% rise in credit risk rate	(10,813)	(10,813)	-
5% reduction in credit risk rate	3,088	3,088	-

The total valuation of the derivatives entered into by the Group at 31 December 2014 was €53,407 thousand.

#### **14. Other current and non-current liabilities**

Details of this heading at 31 December 2014 are as follows:

	Thousands of euros	
	Non-current	Current
Other provisions	476	-
Guarantees and deposits received	21,498	-
Deferred tax liabilities	24,432	-
Other payables	-	190
Other current liabilities	-	38
<b>Total</b>	<b>46,406</b>	<b>228</b>

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

The Parent and its subsidiaries are subject to the SOCIMI tax regime. Under this regime, gains from the sale of assets are taxed at 0%, provided that certain requirements are met (basically, the assets must have been held by the SOCIMI for at least three years). Any gains from the sale of assets acquired prior to joining the SOCIMI tax regime will be distributed on a straight-line basis (unless proven to be distributed otherwise) over the period during which the SOCIMI owned them. Any gains generated prior to joining the SOCIMI tax regime will be taxed at the general rate, while a rate of 0% will be applied for the other years. The only assets owned by the Group acquired prior to joining the tax regime by the subsidiary holding them are those owned by Tree Inversiones Inmobiliarias SOCIMI, S.A. (the acquisitions were in 2009 and 2010 and Tree Inversiones Inmobiliarias SOCIMI, S.A. joined the SOCIMI tax regime in 2013). In this regard, the Parent’s directors performed an estimate based on the years when these assets were disposed of, estimating the tax rate applicable to the gains (calculated in function of the assets’ fair value obtained from expert appraisals at the date of the business combination and at 31 December 2014). As a result, a deferred tax liability of €25,091 thousand was recognized in the business combination (see Note 3) corresponding to the estimated tax burden in the event the assets are sold, as per the established plan. The deferred tax liability totaled €24,432 thousand at 31 December 2014, adjusted pursuant to changes in the value of the investment property and the reductions in the general tax rate from 30% to 28% (2015) and to 25% (2016 and thereafter). The €659 thousand reduction in the deferred tax liability was recognized under “Income tax” in the 2014 consolidated income statement.

The Parent’s directors do not envisage disposing of any of the investment property acquired after the Parent and its subsidiaries joined the SOCIMI tax regime within three years, and have therefore not recognized the deferred tax liability corresponding to the changes in fair value since the assets were acquired (see Note 7) as the applicable tax rate is 0%.

## **15. Trade and other payables**

Details of this heading at 31 December 2014 are as follows:

	Thousands of euros
<b>Current</b>	
Payable to suppliers	19,058
Remuneration payable	1,869
Current tax liabilities (Note 16)	75
Other payables to public authorities (Note 16)	1,740
Advances from customers	635
<b>Total</b>	<b>23,377</b>

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

The information required under Additional Provision Three of Law 15/2010, of 5 July, is as follows: (thousands of euros)

	<b>Payments made and outstanding at the reporting date</b>	
	<b>Initial</b>	<b>%</b>
Payments made within the statutory limit	46,630	99.79
Other	100	0.21
<b>Total payments in the period</b>	<b>46,730</b>	
Weighted average days past due	-	
Deferrals at the reporting date exceeding the statutory limit	-	

The figures in the preceding table on payments to suppliers refer to those whose nature makes them trade creditors because they are suppliers of goods and services. Therefore, they include the figures relating to "Payable to suppliers" under current liabilities in the consolidated statement of financial position. This item therefore includes payments for guarantee retentions, which are settled within a period that exceeds the statutory limit to guarantee receipt of the work within the periods and according to the quality initially agreed upon with the supplier.

The weighted average late payment days is calculated by multiplying each supplier payment in the period over the statutory payment period by the number of days over the period and dividing the sum of these amounts by the total amount of payments made in the period past the statutory limit.

The maximum statutory payment period applicable to the Company in 2014 under Act 3/2004, of 29 December, establishing measures on combating late payment in commercial transactions, is 30 days (60 days in 2013), except where a longer payment period has been agreed, which cannot exceed 60 days in any circumstances.

## 16. Tax situation

### a) Tax receivables and payables

The main taxes receivable and payable are as follows:

	Thousands of euros			
	Tax assets		Tax liabilities	
	Non-current	Current	Non-current	Current
Accounts payable to the Treasury for withholdings	-	-	-	305
VAT	-	592	-	1,413
Tax assets	9,369	-	-	-
Corporate income tax	-	116	-	75
Payable to the Social Security	-	-	-	22
Deferred tax liabilities	-	-	24,432	-
	<b>9,369</b>	<b>708</b>	<b>24,432</b>	<b>1,815</b>

### b) Reconciliation of accounting result and tax loss

At 31 December 2014, the tax loss was calculated as the accounting profit for the period plus the costs of incorporating the Parent company and increasing its capital, recognized directly in equity, the effect of changes in the fair value of investment property, and temporary differences for the existing limitations. At the reporting close, the Group did not recognize a deferred tax asset for this item.

The reconciliation of the accounting profit to the consolidated income tax expense for the period is as follows:

	Thousands of euros
Profit before tax	50,712
Permanent differences:	
- Capital increase expenses	(30,475)
Temporary differences:	
- Changes in the value of investment property	(10,719)
a) acquired after joining the SOCIMI tax regime	
b) acquired prior to joining the SOCIMI tax regime	(38,752)
	(49,471)
Adjusted tax base	<b>(29,234)</b>
Tax rate (0%)	-
<b>Corporate income tax expense</b>	<b>-</b>

Capital increase expenses are treated as a permanent difference because the applicable tax rate is 0%.

Temporary differences arose from the change in value of investment property (IAS 40 – Fair value model). As the Parent's directors plan and state that investment property acquired by subsidiaries already subject to the SOCIMI tax regime will not be sold within three years, the fair value adjustment in 2014 is taxed at 0% and therefore the deferred tax liability is also zero.

The directors have estimated when gains will be generated from the sale of assets acquired prior to joining the tax regime, as disclosed in Note 14. Based on this estimate, they have determined that the deferred tax liability accrued in 2014 for the increase in value of said assets is €3,562 thousand.

**c) Reconciliation of accounting profit and tax expense**

	Thousands of euros
Expense for increase in value of investment property (Note 16.c)	(3,562)
Expense for adjustment of tax assets based on tax rates applicable in 2015 and as from 2016	(1,615)
Income from adjusting deferred tax liabilities based on tax rates applicable in 2015 and as from 2016	4,221
Other	(86)
<b>Total corporate income tax expense</b>	<b>(1,042)</b>

**d) Deferred tax assets recognized**

At 31 December 2014, the maturity dates of tax credits for tax loss carryforwards are as follows (in thousands of euros):

	Thousands of euros	
	Tax base	Tax credit
<i>Tax loss carryforwards:</i>		
2009	3,945	1,183
2010	21,659	6,498
2011	11,010	3,303
<b>Total tax loss carryforwards</b>	<b>36,614</b>	<b>10,984</b>
<b>Adjustment for change in tax rate</b>		<b>(1,615)</b>
<b>Total capitalized deferred tax assets</b>		<b>9,369</b>

Movement in deferred tax assets during 2014 was primarily due to the addition of €11,125 thousand from the business combination described in Note 3 and the adjustment to the tax rate. As a result of the enactment of Corporate Income Tax Act 27/2014, of 28 November, amending, *inter alia*, the tax rates applicable as from 1 January 2015, the Group recalculated deferred tax assets and liabilities using the new tax rates introduced by said law. As a result, deferred tax assets were decreased by €1,615 thousand, primarily because of the tax rate cut.

The Group has no tax credits that had not been used or recognized at 31 December 2014.

The aforesaid deferred tax assets were recognized in the consolidated statement of financial position since the Group's directors consider that, based on the best estimates of the Company's future results, including certain tax planning measures, it is likely that these assets will be recovered.

#### **e) Deferred tax liabilities**

As indicated above, the deferred tax liabilities arise from measuring at fair value the acquired investment property from the subsidiary Tree Inversiones Inmobiliarias SOCIMI, S.A. Movements in these deferred tax liabilities were as follows:

	Thousands of euros
Business combination additions	25,091
Increase in value of investment property	3,562
Adjustment to general tax rate	(4,221)
<b>Total corporate income tax expense</b>	<b>(24,432)</b>

As stipulated in Note 16.b, the increase in value of investment property acquired by subsidiaries subject to the SOCIMI tax regime generate temporary differences at a tax rate of 0%, whereby no deferred tax liability has been recognized.

#### **f) Years open to review and tax inspections**

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute of limitations has expired. At period-end 2014, the Group is open to inspection of all the taxes for which it is liable since its incorporation. The Parent's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

### **17. Revenue and expenses**

#### **a) Revenues**

Details of ordinary revenues are provided in Note 6 alongside the segment information.

**b) Other operating expenses**

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

	Thousands of euros
<i>Non-recoverable expenses of leased properties</i>	2,585
Overheads	986
Independent professional services	557
Travel expenses	146
Office rental	63
Insurance	41
Other	179
Costs associated with asset acquisitions and financing	11,766
Costs associated with flotation	73
Acquisition of Tree Inversiones Inmobiliarias	603
<b>Total</b>	<b>16,013</b>

**c) Employee benefits expense and average headcount**

The breakdown of employee benefits expense is as follows:

	Thousands of euros
Wages, salaries and similar expenses	2,968
Social security costs	111
<b>Total</b>	<b>3,079</b>

The average headcount at the various Group companies in 2014 was 20, 19 of whom were employed by the Parent.

The breakdown by category is as follows:

	2014		
	Women	Men	Total
Directors	-	2	2
Senior management	-	7	7
Managers and line personnel	2	7	9
Clerical staff	2	-	2
<b>Total</b>	<b>4</b>	<b>16</b>	<b>20</b>

**d) Finance income and costs**

The breakdown of these items in the consolidated income statement is as follows:



	Thousands of euros
<b>Finance income:</b>	
Interest from loans and other credits	473
	473
<b>Finance costs:</b>	
Interest on loans and other credits	(18,555)
Interest on financial derivatives	(25,920)
	(44,475)
<b>Net finance expense</b>	<b>(44,002)</b>

“Interest on loans and other credits” includes the charge for the amortization of loan arrangement costs of €2,966 thousand at 31 December 2014 applying the effective interest method to financial debt.

“Interest on financial derivatives” includes the change in value of the derivative embedded in the rental of the lease agreement with BBVA during the period (€25,733 thousand).

#### e) Contribution to consolidated profit

The contributions to 2014 profit by each company included in the consolidation scope are as follows:

Company	Thousands of euros)
<b>Full consolidation:</b>	
Merlin Properties SOCIMI, S.A.	(3,974)
Tree Inversiones Inmobiliarias, SOCIMI, S.A.	32,767
Merlin Logística, S.L.	158
Merlin Retail, S.L.	20,575
Merlin Oficinas, S.L.	127
Bosque Portfolio Management, S.L.	17
<b>Total</b>	<b>49,670</b>

#### 18. Related party transactions

In addition to subsidiaries, associates and joint ventures, the Group’s “related parties” are considered to be the Company’s shareholders, “key management personnel” (members of the Board of Directors and executives, along with their close relatives), and the entities over which key management personnel may exercise significant influence or control.

Details of transactions considered material given their value or relevant due to their substance between the Parent or its Group companies and the Company’s directors or key management personnel are as follows:

Name or company name of director or executive	Name or company name of related party	Nature of relationship	Amount (thousands of euros)
Magic Real Estate SL	Merlin Properties Socimi SA	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 S.A. and Bosque Portfolio Management.	43

## **19. Stakes held by directors and their affiliates in other companies**

The directors of the Parent and their affiliates have not been in a position involving a conflict of interests that required reporting under Article 229 of the Consolidated Text of the Corporate Enterprises Act, except where indicated below:

### ***Directors' compensation and other benefits***

Salaries, per diem attendance fees and compensation of other kinds earned by members of the Parent's governing bodies totaled €1,030 thousand, as detailed below:

	Thousands of euros
Fixed and variable remuneration	1,030
Statutory compensation	
Termination benefits	
Per diem allowances	
Other	
<b>Total</b>	<b>1,030</b>

At 31 December 2014, executive directors had accrued an entitlement to €580 thousand of variable remuneration.

50% of these amounts will be paid 10 days after the Board of Directors authorizes the Company's 2014 financial statements for issue. The other 50% will be paid five years after the Company's financial statements are authorized for issue.

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

Board member	Type	Thousands of euros
<i>Remuneration of board members</i>		
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 Globawsky	Independent director	-
José García Cedrún	Independent director	-
<b>Total</b>		<b>1,030</b>

The Parent has no pension obligations with members of the Board of Directors beyond those applicable to other employees.

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

### **Senior executives' compensation and other benefits**

The remuneration of the Parent's senior executives and persons discharging similar duties, excluding those who are simultaneously members of the Board of Directors (whose remuneration is disclosed above), in 2014 is summarized as follows:

Thousands of euros			
Number of employees	Compensation fixed and variable	Other remuneration	Total
7	1,671	-	1,671

At 31 December 2014, Senior Management had accrued an entitlement to €1,102 thousand of variable remuneration.

50% of these amounts will be paid 10 days after the Board of Directors authorizes the Company's 2014 financial statements for issue. The other 50% will be paid five years after the Company's financial statements are authorized for issue.

At 31 December 2014, the Parent had a commitment to award an additional bonus to the management team as determined by the Appointments and Remuneration Committee, linked to the Company's shares, since the Company's Senior Management is remunerated based on the returns obtained by the Company's shareholders (the "Management Stock Plan").

The Company must exceed the following thresholds before members of Senior Management are entitled to shares under the Management Stock Plan:

- Total shareholder return per annum of over 8%. The annual shareholder return is calculated as the sum of any fluctuation in the Company's EPRA NAV over the year minus the net funds obtained from shares issued during the year, plus the dividends distributed during the year.
- The sum of: (i) MERLIN's EPRA NAV at 31 December of said year, and (ii) the total value of dividends (or any other form of shareholders remuneration or pay-out) distributed during said year or any prior year since the last year when there was an entitled to receive shares under the Management Stock Plan, must exceed the greater of the following amounts: (a) the opening EPRA NAV (opening EPRA NAV being the net funds obtained by the Company on offering and trading its shares) and (b) the EPRA NAV at 31 December (plus any adjustments resulting from excluding the net funds of any issuance of ordinary shares in said year) of the last year when there was an entitled to receive shares under the Management Stock Plan. This excess is referred to as the High Watermark Outperformance and represents the amount over and above the last EPRA NAV that gave rise to the entitlement to shares under the Management Stock Plan.

Once both thresholds are reached, the amount to be allocated to the Management Stock Plan for the year (bonus) will be the lower of the following:

- (x) 10% of the annual shareholder return once this exceeds 8%, and 15% of the shareholder return if the annual shareholder return is over 12%; or
- (y) 20% of the High Watermark Outperformance.

Pursuant to the above, the Parent has exceeded both thresholds once the return generated in the six months between first listing and 31 December is annualized:

<i>(Thousands of euros)</i>	<b>Annualized</b>
EPRA NAV, start of period	1,292,120
EPRA NAV, end of period	1,354,973
Change in EPRA NAV	62,853
Dividends distributed during the period	-
<b>Shareholder return</b>	<b>62,853</b>
Shareholder return (%)	9.73%
Shareholder return required to exceed annualized profitability thresholds of 8% in six months	51,684
<b>Annualized six-month shareholder return over and above 8% annual threshold</b>	<b>11,169</b>
Applicable High Watermark	1,292,120
Period end EPRA NAV + dividends paid	1,354,973
<b>Return over and above applicable High Watermark</b>	<b>62,853</b>
Testing of conditions for entitles to bonus	
Shareholder return above 8%	YES
<b>Return over and above applicable High Watermark</b>	<b>YES</b>
<b>Calculation of bonus. The lower of:</b>	<b>Annualized</b>
10% of annual shareholder return for management team	6,285
Return over and above applicable High Watermark	12,570
<b>Bonus applicable</b>	<b>6,285</b>

Nonetheless, the Parent's Senior Management have decided to waive their entitlement to bonuses under the Management Stock Plan in 2014 as they understand that much of the value created for shareholders stems from the increase in value of the investment in Tree Inversiones Inmobiliarias, S.A. This company was acquired for €1,577 million, while independent appraisers have valued it at €1,656 million, giving rise to an increase in value on acquisition of €79 million.

Lastly, as regards "golden parachute" clauses for executive directors and other senior executives of the Parent or Group in the event of dismissal or takeover, contracts provide for compensation (which reduces over time). These clauses entail a total commitment of EUR 25,520 thousand at 31 December 2014.

## **20. Auditors' remuneration**

Fees for audit services in 2014 for the different companies in the Merlin Group and subsidiaries, provided by the statutory auditor and companies related thereto and by other auditors, are as follows:

Description	Thousands of euros
Audit services	102.5
Other assurance services	305.0
<b>Total audit and related services</b>	<b>407.5</b>
Other services	-
Tax advisory services	-
<b>Total other services</b>	<b>-</b>
<b>Total</b>	<b>407.5</b>

Other audit-related services include the assurance services performed as part of the share issue and flotation of the Parent.

## **21. Environmental information**

Given the activity in which the Group engages, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a material impact on its equity, financial position and results of its operations.

Therefore, no specific environmental disclosures have been included in these notes to the consolidated financial statements.

## **22. Risk exposure**

### *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programmer is based on the uncertainty of financial markets and aims to minimize the adverse effects of such risks on the financial profitability of the Group.

Risk management is undertaken by the Group's Senior Management in accordance with the policies approved by the Board of Directors. Senior Management identifies, evaluates and mitigates financial risks in close collaboration with the Group's operating units. The Board of Directors issues the written global risk management policies and the policies for specific areas, including those for covering market risk, interest rate risk and liquidity risk and investing cash surpluses.

### Market risk

Given the current status of the real-estate sector and in order to mitigate the effects thereof, the Group has specific measures in place to minimize said impact on its financial position.

These measures are applied pursuant to the results of sensitivity analyses carried out by the Group on a regular basis. These analyses involve:

- Assessing the economic environment in which the Group operates: Designing different economic scenarios and modifying the key variables potentially affecting the Group. Identifying interdependent variables and the extent of their relationship; and
- Taking into account the time frame of the analyses: Consideration is given to the periods over which analyses are performed and any possible deviations thereof.

### Credit risk

Credit risk is defined as the potential risk of loss in earnings to which the Group is exposed if a customer or counterparty breaches its contractual obligations.

As a general rule, the Group places cash and cash equivalents with financial institutions with high credit ratings.

Except in the case of the BBVA branch leases, the Group is not exposed to significant concentration of credit risk with one customer or counterparty. The Group regularly reviews the credit rating and thus the creditworthiness of BBVA vis-à-vis the segment of bank branches leased to this bank. The Group also pays close attention to this situation, since the finance held is dependent on credit quality being maintained. The Parent's directors do not consider that there is any material credit risk regarding receivables due from this lessee.

With respect to other customers, the Group has policies in place to limit the volume of risks posed by customers. Exposure to the risk of being unable to recover receivables is mitigated in the normal course of business through funds or guarantees deposited as collateral.

The Group has formal procedures to identify any impairment of trade receivables. Delays in payment are detected through these procedures and individual analysis by business area and methods are established to estimate impairment loss.

Details of the estimated maturities of the Group's financial assets in the consolidated statement of financial position at 31 December 2014 are as follows. The tables present the results of the analysis of the aforesaid maturities of financial assets at 31 December 2014:

	Thousands of euros				
	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Trade and other receivables	3,340	-	-	-	3,340
Other non-current financial assets	-	-	-	281,192	281,192
Other current financial assets	791	-	125,000	-	125,791
Cash and cash equivalents	26,050	-	-	-	26,050
<b>Total</b>	<b>30,181</b>	<b>-</b>	<b>125,000</b>	<b>281,192</b>	<b>436,373</b>

#### Cash and cash equivalents

The Group has cash and cash equivalents of €26,050 thousand, which represents its maximum exposure to the risk posed by these assets.

Cash and cash equivalents are deposited with banks and financial institutions.

#### Liquidity risk

Liquidity risk is defined as the risk of the Group encountering difficulties meeting its obligations regarding financial liabilities settled in cash or with other financial assets.

The Group conducts prudent management of liquidity risk by maintaining sufficient cash to meet its payment obligations when they fall due, both in normal and stressed conditions, without incurring unacceptable losses or risking the Group's reputation.

Details of the Group's exposure to liquidity risk at 31 December 2014 are provided in the table below. The tables present the results of the analysis of financial liabilities by remaining contractual maturity date:

	Thousands of euros				
	Less than 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Bank borrowings	568	2,693	7,548	-	10,809
Other non-current liabilities – Guarantees				21,498	21,498
Trade and other payables (excluding payables to public authorities)	19,295	1,426	-	841	21,562
<b>Total</b>	<b>19,863</b>	<b>4,119</b>	<b>7,548</b>	<b>22,339</b>	<b>53,869</b>

#### Cash flow interest rate risk and fair value risk

At 31 December 2014, the Group held current financial assets earning a fixed rate of interest (deposits) to extract value from the surplus cash not invested in investment properties.

The Group manages its interest rate risk by borrowing at fixed and floating rates of interest. The Group's policy is to ensure non-current net financing from third parties is at a fixed rate. To manage this, the Group enters into interest rate swaps which are designated as hedges of the respective loans. The impact of interest rate fluctuations is explained in Note 13.2.

#### Exchange rate risk

The Group is not exposed to exchange rate fluctuations as all its operations are in its functional currency.

#### Price risk

The Group has inflation hedges to protect rental income from risks of fluctuations in the inflation rate (CPI) (see Note 13.2).

#### Tax risk

As mentioned in Note 1, the Parent and its subsidiaries are subject to the special tax regime for SOCIMIs. As established in Article 6 of Act 11/2009, of 26 October, amended by Act 16/2012, of 27 December, the SOCIMIs opting to pay tax under the special tax regime are required to distribute the profit generated during the year to shareholders as dividends. Once the corresponding commercial obligations have been fulfilled, said distribution must be agreed within six months from year end, and the dividends paid within 30 days from the date on which the pay-out is agreed (Note 5.7).

Should the shareholders of these companies at their respective general meetings not approve the distribution of dividends proposed by their board of directors – calculated pursuant to the requirements of the aforementioned law – they will be in breach of the law and will therefore have to pay tax under the general tax regime not the one applicable to SOCIMIs.

### **23. Events after the reporting period**

On 3 February 2015, Tree Inversiones Inmobiliarias, Socimi, S.A. arranged with BBVA to replace 42 BBVA branch offices with 45 new branch offices owned by the latter, applying the same lease terms and conditions under which the outgoing assets were leased. The value of the outgoing and incoming assets, calculated by an independent appraiser, also remains the same.

On 18 February 2015, Merlin Retail, Socimi, S.L. obtained a €133.6 million loan from Allianz Real Estate to finance the Centro Comercial Marineda, which matures in 2025.

#### **24. Explanation added for translation to English**

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.



**Appendix I**  
**“Subsidiaries”**

Company	Registered office	Activity	% interest	Thousands of euros					Auditor
				Net cost at 31/12/2014	Share capital	Profit/(Loss)	Other equity		
Tree Inversiones Inmobiliarias SOCIMI, S.A.	Castellana 42, Madrid	Acquisition and development of property assets for subsequent leasing	2014 100%	657,984	9,323	(27,169)	36,144	Deloitte	
Bosque Portfolio Management, S.L.	Castellana 42, Madrid	Real estate management	100%	-	3	(288)	311	Deloitte	
Merlin Logística, S.L.	Castellana 42, Madrid	Acquisition and development of property assets for subsequent leasing	100%	3	3	158	(1)	Deloitte	
Merlin Retail, S.L.	Castellana 42, Madrid	Acquisition and development of property assets for subsequent leasing	100%	3	3	1,880	(1)	Deloitte	
Merlin Oficinas, S.L.	Castellana 42, Madrid	Acquisition and development of property assets for subsequent leasing	100%	3	3	(5,365)	(1,182)	Deloitte	

**ANNEX 2: FORM OF INVESTOR LETTER**

**Form of Investor Letter**

**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 2 May 2015 but 1 and 2 May are public holidays in Spain, and, therefore, Subscription Rights cannot be exercised on such dates. 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 depository receipt facility established or maintained by a depository bank, other than a restricted depository 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 April 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 XVII: 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 2 May 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>	<b>Introducción</b>	<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>	<b>Posible venta posterior o la colocación final de los valores por parte de los intermediarios financieros</b>	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>	<b>Nombre legal y comercial del emisor</b>	El emisor tiene la denominación social de MERLIN Properties, SOCIMI, S.A. El nombre comercial del emisor es “MERLIN Properties”.
<b>B.2</b>	<b>Domicilio y forma jurídica del emisor</b>	<p>La Sociedad se constituyó como sociedad anónima en España bajo 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, Paseo de la Castellana, 42, 28046 Madrid. La Sociedad se constituyó por un plazo ilimitado.</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 la comunicación pertinente. Dicha elección resultará de aplicación hasta que la Sociedad renuncie a su aplicabilidad o no cumpla con los requisitos del</p>

		<p>Régimen de SOCIMI.</p> <p>Una entidad con derecho a optar por el Régimen SOCIMI puede solicitar la aplicación del régimen fiscal especial aunque en el momento de la solicitud dicha entidad 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 DGT). Además, dicha 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><b>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 compete el emisor.</b></p>	<p>La rentabilidad objetivo prevista por la Sociedad una vez que los Ingresos Netos hayan sido invertidos en su totalidad es una combinación de rentabilidad anual por dividendos de entre 4% a 6% más 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 una indicación de los resultados o rendimientos previstos o reales de la Sociedad. Por consiguiente, los inversores no deben basarse en esta Rentabilidad Objetivo al decidir si invertir, o no, en las Nuevas Acciones Ordinarias. La Rentabilidad Objetivo 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 la Rentabilidad Objetivo será alcanzada o que los resultados actuales no van a variar significativamente respecto de la Rentabilidad Objetivo.</p> <p><b><u>Estrategia de Negocio</u></b></p> <p>La principal actividad de la Sociedad es la adquisición (directa o indirecta), gestión activa, funcionamiento y 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 la creación tanto de ingresos adecuados como de sólidos rendimientos del capital para la Sociedad con una Rentabilidad Objetivo 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 que deriva de arrendamientos y de las bajas necesidades de gastos de capital, que son más fáciles de financiar y generalmente lideran las tasas de capitalización más bajas.</p> <p>Los segmentos “<i>Core Plus</i>” son segmentos con activos de buena calidad, que normalmente representan para el inversor la oportunidad de incrementar el rendimiento de la inversión en el activo a través de algún evento (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> <p>(i) Activos Inmobiliarios Comerciales: centrarse en activos inmobiliarios comerciales y, en particular, oficinas, espacios destinados al comercio</p>

		<p>minorista, hoteles y propiedades logísticas.</p> <p>(ii) 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 activos logísticos y de las oficinas del Grupo estén situados en Madrid y Barcelona, aunque también podría considerar otras zonas urbanas importantes. En relación con Portugal, la Sociedad pretende centrarse principalmente en la adquisición de activos situados en Lisboa.</p> <p>(iii) Apalancamiento: pretender que se mantenga por debajo del 50% <i>loan-to-value</i> (LTV) (calculado sobre el valor total bruto de activos (Total GAV) más la tesorería disponible en la Sociedad tras la realización de la Oferta).</p> <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>• 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 de 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 selectivos; y</li> <li>• refinanciaciones de deuda.</li> </ul> <p><i>Tipos de propiedades</i></p> <p>Las adquisiciones target que cumplirían con los pilares estratégicos del Grupo son, entre otros, 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/activos destinados al comercio minorista prime en la zona de Lisboa;</li> <li>• especial atención en propiedades infragestionadas con potencial de desarrollo; y</li> </ul>
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		<ul style="list-style-type: none"> <li>• propiedades en ubicaciones que se benefician de inversiones extranjeras directas internas.</li> </ul> <p>Las propiedades residenciales, construidas y para ser desarrolladas, están excluidas como tipo de propiedades target.</p> <p><i>Apalancamiento</i></p> <p>La Sociedad pretende usar el apalancamiento para intentar aumentar, a largo plazo, la rentabilidad de los Accionistas. El nivel de apalancamiento será supervisado 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 con la utilización de derivados de cobertura cuando se considere adecuado para mitigar tipo de interés y/o riesgo de inflación. El nivel de apalancamiento está sujeto a los siguientes criterios: (i) mientras que la Sociedad busca mantener un ratio de apalancamiento (<i>gearing LTV ratio</i>) estable (calculado sobre el GAV Total más la tesorería disponible en la Sociedad tras la realización de la Oferta) de entre 30% y 40%, el importe total comprometido bajo cualquier financiación externa inmediatamente posterior a la realización de cualquier adquisición de oportunidades de activos o contratación de financiaciones externas no puede ser superior a un máximo de 50% LTV; (ii) la financiación de deuda para adquisiciones será evaluada caso por caso inicialmente con referencia a la capacidad de la Sociedad para soportar el apalancamiento y al perfil de riesgo del activo que será adquirido; y (iii) la deuda en propiedades de desarrollo estará, en la medida de lo posible, restringida para evitar recurrir a otros activos del Grupo.</p> <p>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 de cualesquiera otros factores que considere oportunos.</p> <p><i>Generación de oportunidades</i></p> <p>El Equipo gestor tiene una comprobada trayectoria en la generación de oportunidades de inversión de inversiones inmobiliarias y la Sociedad considera que está bien posicionado para continuar implementando la Estrategia de Negocio debido a su sólida trayectoria en activos inmobiliarios comerciales en España y Portugal, la red para la búsqueda de operaciones fuera del mercado con la que cuenta y como consecuencia de la alta visibilidad de la que la Sociedad dispone conseguir como entidad cotizada en España. El Equipo Gestor espera generar operaciones mediante subastas competitivas, subastas restringidas y operaciones fuera del mercado.</p> <p>Se espera que las adquisiciones de la Sociedad procedan principalmente de una combinación de las siguientes vías esenciales (conocidas al detalle por el Equipo Gestor):</p> <ul style="list-style-type: none"> <li>• Instituciones bancarias/receptores/prestatarios</li> <li>• SAREB</li> <li>• Instituciones públicas</li> <li>• Grandes empresas</li> <li>• Inversores privados e institucionales</li> </ul>
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- Inversores en préstamos incumplidos

*Rotación de activos*

Aunque la Sociedad busca tener activos por un periodo de tiempo relativamente largo, reconoce que puede crearse valor mediante la rotación de activos que forman los Activos en el tiempo. 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.

*Restricciones regulatorias*

De acuerdo con el Régimen de SOCIMI, la Sociedad y cada una de sus filiales estará obligada, entre otras cosas, a llevar a cabo un Negocio de Arrendamiento de Inmuebles y cumplir con los siguientes requisitos: (i) invertir al menos el 80% del valor bruto de los activos en activos inmobiliarios urbanos arrendables, terrenos adquiridos para el desarrollo de propiedades inmobiliarias urbanas arrendables, siempre y cuando el desarrollo empiece dentro de los tres años siguientes a la adquisición, o en acciones de otras SOCIMIs, o entidades extranjeras o filiales que realicen las actividades mencionadas anteriormente con requisitos de distribución similares, y (ii) al menos el 80% de los ingresos anuales netos deben provenir de ingresos de alquiler y de dividendos o ganancias de capital en relación con los activos anteriormente referidos.

La Sociedad y cada una de sus filiales dispondrá de un periodo de gracia de dos años desde el día en que se optó por el régimen de SOCIMI, al final del cual deberá cumplir con sus requisitos. Además, la Sociedad y cada una de sus filiales dispondrá de un año de gracia para subsanar el incumplimiento de cualquiera de los requisitos exigidos.

**Estrategia Financiera**

El uso principal por la Sociedad de los Ingresos Netos de la Emisión será financiar la política corporativa general del Grupo, incluyendo la adquisición de activos inmobiliarios de forma coherente con la Estrategia de Negocio. La Compañía posee una cartera de proyectos y de potenciales inversiones de un tamaño aproximado de €1.950 millones, de los cuales €170 millones corresponden a activos e inversiones que se analizan bajo régimen de exclusividad y o *due diligence* y otros €1.780 millones que se corresponden con activos e inversiones en fase de análisis. Respecto de las diferentes categorías de activo o de la naturaleza de los negocios en los que se invierte, estarían constituidas por las que siguen: 56% oficinas, 20% de uso mixto, 13% de comercios y 11% de logística. Estas inversiones pueden ser realizadas mediante el patrimonio de la sociedad o mediante deuda, y como consecuencia, pueden resultar en un ratio de endeudamiento más elevado por parte de la sociedad. La Sociedad pretende tener los Ingresos Netos invertidos en su totalidad en los 18 meses siguientes a la Oferta.

El Grupo puede optar por financiar una parte de ciertas adquisiciones con financiaciones de 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 en cuanto a los Mandatos Históricos (*Legacy Mandates*), el Equipo Gestor actuará exclusivamente para el Grupo respecto de cualquier tipo de generación de operaciones hasta que todos los ingresos netos obtenidos por la Sociedad estén invertidos en su totalidad en oportunidades adecuadas. Esta exclusividad cubre la recaudación de ingresos en la Oferta al igual que cualesquier 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 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.

#### *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 por 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 (este límite se aplicará de forma acumulativa); (b) activos residenciales 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 (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.

Además, para reducir aún más el riesgo de posibles conflictos de interés, los accionistas de MAGIC Real Estate han suscrito una carta de intenciones (*letter of intent*) con la Sociedad de fecha 5 de junio de 2014, en virtud de la cual han acordado negociar de buena fe, durante el periodo que finaliza el 5 de junio de 2015, la venta del 100% de las acciones en MAGIC Real Estate a la Sociedad si esta última lo considera conveniente. Esta posible adquisición por la Sociedad tendría que ser aprobada por la Junta General de Accionistas. En caso de ser aprobada, la Sociedad deberá encomendar su supervisión y ejecución a un comité ad-hoc formado en su totalidad por consejeros independientes.

### **Política de Tesorería**

El Grupo tiene intención de llevar a cabo una política de tesorería diseñada para garantizar la preservación 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, compuesto por profesionales del sector inmobiliario y de las finanzas con una 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..

La plantilla total a fecha de este Folleto, la plantilla total de la Sociedad es de 23 empleados. El Equipo Gestor espera alcanzar una base estable de entre 25 y 30 empleados, una vez se hayan invertido totalmente los Ingresos Netos.

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 como Personal Clave bajos los Contratos de MAGIC (*MAGIC Contracts Key Employees*) conforme a los numerosos acuerdos actualmente vigentes y firmados entre MAGIC Real Estate y distintos terceros.

El Personal Clave bajos los Contratos de MAGIC dedican parte de su tiempo a supervisar y gestionar determinados activos administrados en última instancia por MAGIC Real Estate. Tres empleados adicionales de la Sociedad (D. Francisco Rivas, D. Enrique Gracia y D. Enrique Fonseca) dedican parte de su tiempo a ayudar al Personal Clave bajos los Contratos de MAGIC.

### *Remuneración del Equipo Gestor*

El sistema de remuneración de la Sociedad incluye los siguientes elementos:

- (i) Remuneración anual, que comprende:
  - remuneración fija anual; y
  - planes de incentivos / retribución variable anual
- (ii) 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
<i>Remuneración</i>		
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*

Costes previstos de la Remuneración Anual

El importe correspondiente a la retribución anual computará como parte de los costes operativos totales (*Annual Total Overheads*). La remuneración global anual del Equipo Gestor no será superior al importe equivalente a los costes operativos totales menos los gastos corrientes anuales (*Annual Running Costs*).

La remuneración fija anual representará inicialmente aproximadamente el 40 por 100 de los gastos de personal de los miembros del Equipo Gestor, y los planes de incentivos representarán aproximadamente el 60 por 100 de dichos gastos, sujeto al cumplimiento de los costes operativos totales.

Los costes operativos totales (*Annual Total Overheads*) de la Sociedad serán el mayor de (a) 6,0% de los Ingresos Brutos por Rentas consolidado de la Sociedad y (b) 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 a final de año de la Sociedad 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.

Remuneración fija anual

La remuneración fija anual constituye el componente 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 pueda tener en el rendimiento de la entidad, y (iii) el ámbito de la responsabilidad asumida.

La remuneración fija anual incluirá el componente en efectivo y cualquier remuneración en especie que pueda ser concedido a los empleados, tales como como el uso de un vehículo, seguros médicos y seguros de vida.

Plan de incentivos

La política de remuneración variable de la Sociedad se basará en el establecimiento de objetivos individuales.

La remuneración variable constará de dos elementos:

- Bonus anual, al que todos los empleados de la Sociedad tienen, en principio, derecho a inicialmente, el 50 por 100 del plan de incentivos; y
- Bonus anual restringido (*Annual Restricted Bonus*), al que sólo los miembros del Equipo Gestor tienen derecho, inicialmente, al 50 por 100 de la retribución variable anual.

(ii) *Plan de Acciones para el Equipo Gestor*

Además, la Sociedad ha acordado conceder un incentivo de remuneración variable anual adicional al Equipo Gestor tal y como se determine por la Comisión de Nombramientos y Retribuciones, vinculado a las acciones

		<p>de la Sociedad, que ha sido designado para 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>Los contratos de trabajo suscritos entre cada miembro del Equipo Gestor y la Sociedad contienen disposiciones que otorgan, a dichos miembros, derecho al pago de indemnizaciones por despido sustanciales si su relación laboral fuese terminada en circunstancias que no sean las siguientes (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. Si la terminación se produce durante el primer año tras la Admisión Inicial, el miembro en cuestión tendría derecho a cinco veces su remuneración global bruta (incluyendo remuneración fija anual, retribución variable anual y Acciones Ordinarias otorgadas en virtud del Plan de Acciones para el Equipo Gestor). En caso de que dicha terminación tenga lugar una vez transcurrido el primer año desde la Admisión Inicial, dicha indemnización se reduciría en un 20% cada año durante los próximos cuatro años.</p> <p><u>Servicios de auditoría</u></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><u>Tasadores de inmuebles</u></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 (i.e. una valoración limitada que no implica inspección física de los inmuebles y que busca actualizar la valoración del 31 de diciembre anterior, incorporando cambios significativos que puedan haber tenido lugar en las condiciones del mercado y/o en los activos correspondientes (i.e. 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>
<b>B.4a</b>	<b>Descripción de las tendencias recientes más significativas que afecten al emisor y a los sectores en los que ejerce su</b>	<p>Las economías de España y de Portugal han empezado a mostrar signos de recuperación en 2013 y dicha recuperación ha ganado fuerza en 2014, con la mayoría de los indicadores macroeconómicos apuntando hacia signos de recuperación. La gran caída del precio del petróleo en 2014 podría haber hecho disminuir la inflación, y tener así un impacto sobre las rentas; no obstante, esto se compensará por un mayor crecimiento económico. La debilidad actual del euro ha beneficiado a los mercados inmobiliarios español y portugués dado que ha permitido mantener la</p>

	<b>actividad</b>	<p>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 y en zonas industriales de Madrid y Barcelona se han comprimido desde finales del año 2012, con niveles, a finales del año 2014, en ambas ciudades alrededor del 5,5% (-100 bps en Madrid y -125 bps en Barcelona) para centros comerciales, 5,0% (-125 bps) para oficinas en Madrid, 5,25% (-100 bps) para oficinas en Barcelona y 7,8% (-25 bps) para espacios logísticos industriales en Madrid. El valor del capital para este tipo de propiedades en Madrid ha mostrado una tendencia similar y a finales del año 2014 era de aproximadamente €15.273/m2, €6.100/m2 y €774/m2 respectivamente; un 23%, 25% y 6% 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 €16.364/m2, €4.100/m2 y €929/m2 para cada tipo de inmueble respectivamente, presentando un aumento frente a los respectivos niveles del suelo durante la crisis de 29%, 17%, y 6%, respectivamente (fuente: CBRE)..</p> <p>El mercado inmobiliario portugués ha mostrado también signos de recuperación en 2012. Los rendimientos de la propiedad a finales de 2014 en centros de negocios y en zonas industriales de Lisboa eran de aproximadamente 6,5% (-125 bps) para centros comerciales 6,25% (-200 bps) para oficinas y 8,0% (-150 bps) para espacios logísticos industriales. Los valores del capital también han mostrado signos de recuperación a finales de 2014 en €15.692, €3.550/m2 y €490/m2, respectivamente, suponiendo un incremento del 19%, 32% y del 19% respectivamente desde 2012 (fuente: CBRE).</p> <p>En resumen, los valores de los centros comerciales, 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 45%, un 43% y un 45% (en Madrid), y un 28%, un 45% y un 46% (en Barcelona) inferiores para cada tipo de propiedad, respectivamente, a finales del año 2014. Los valores de los centros comerciales, oficinas y los inmuebles industriales en Lisboa fueron un 23%, 17% y un 39% inferiores a finales del año 2014 en comparación con los de 2007.</p>
<b>B.5</b>	<b>Descripción del grupo</b>	A fecha de este Folleto, la Sociedad posee el 100% de las acciones de cuatro sociedades filiales, cada una de las cuales mantiene y gestiona un tipo de activo en particular: Tree, MERLIN Retail, MERLIN Oficinas and MERLIN Logística.
<b>B.6</b>	<b>Accionistas principales</b>	<p>A fecha de este Folleto, el capital social emitido de la Sociedad asciende a €129.212.001 divididos en acciones de la misma clase representadas por anotaciones en cuenta con €1 de valor nominal. Todas estas acciones están íntegramente desembolsadas.</p> <p>De acuerdo con la última información disponible en la CNMV UBS Group AG, Mainstay Marketfield Fund, EJP Capital LLC y Gruss Capital Manaement LLP poseen el 3,855%, el 9,876%, el 4.429%, y el 4.544%,</p>

		<p>respectivamente, del capital social antes de la Oferta.</p> <p>La Sociedad no tiene constancia de ninguna persona que, directa o indirectamente, individual o conjuntamente, ejerza o pueda ejercer control sobre la Sociedad en la fecha de este Folleto.</p>																																																																																				
<b>B.7</b>	<b>Información financiera fundamental histórica</b>	<p>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:</p> <p>(I) BALANCE CONSOLIDADO A 31 DE DICIEMBRE DE 2014 (en miles de euros)</p> <table border="1"> <thead> <tr> <th>ACTIVO</th> <th>31/12/2014</th> </tr> </thead> <tbody> <tr> <td><b>ACTIVO NO CORRIENTE:</b></td> <td></td> </tr> <tr> <td>Activos intangibles</td> <td>149</td> </tr> <tr> <td>Inmovilizaciones materiales</td> <td>894</td> </tr> <tr> <td>Inversiones inmobiliarias</td> <td>1.969.934</td> </tr> <tr> <td>Inversiones financieras no corrientes</td> <td>281.192</td> </tr> <tr> <td>Derivados</td> <td>261.689</td> </tr> <tr> <td>Otros activos financieros</td> <td>19.503</td> </tr> <tr> <td>Activos por impuesto diferido</td> <td>9.369</td> </tr> <tr> <td><b>Total activo no corriente</b></td> <td><b>2.261.538</b></td> </tr> <tr> <td><b>ACTIVO CORRIENTE:</b></td> <td></td> </tr> <tr> <td>Deudores comerciales y otras cuentas por cobrar</td> <td>3.340</td> </tr> <tr> <td>Otros activos financieros corrientes</td> <td>125.791</td> </tr> <tr> <td>Otros activos corrientes</td> <td>122</td> </tr> <tr> <td>Efectivo y otros activos equivalentes</td> <td>26.050</td> </tr> <tr> <td><b>Total activo corriente</b></td> <td><b>155.303</b></td> </tr> <tr> <td><b>TOTAL ACTIVO</b></td> <td><b>2.416.841</b></td> </tr> <tr> <td><b>PATRIMONIO NETO Y PASIVO</b></td> <td><b>31/12/2014</b></td> </tr> <tr> <td><b>PATRIMONIO NETO:</b></td> <td></td> </tr> <tr> <td>Capital suscrito</td> <td>129.212</td> </tr> <tr> <td>Prima de emisión</td> <td>1.162.368</td> </tr> <tr> <td>Reservas</td> <td>(30.475)</td> </tr> <tr> <td>Otras aportaciones de socios</td> <td>540</td> </tr> <tr> <td>Ajustes por cambio de valor</td> <td>(2.636)</td> </tr> <tr> <td>Beneficios del ejercicio</td> <td>49.670</td> </tr> <tr> <td>Patrimonio neto atribuible a los accionistas de la sociedad dominante</td> <td>1.308.679</td> </tr> <tr> <td><b>PASIVO NO CORRIENTE:</b></td> <td></td> </tr> <tr> <td>Deudas a largo plazo con entidades de crédito</td> <td>1.027.342</td> </tr> <tr> <td>Otros pasivos financieros</td> <td>21.498</td> </tr> <tr> <td>Pasivos por impuesto diferido</td> <td>24.432</td> </tr> <tr> <td>Otras provisiones</td> <td>476</td> </tr> <tr> <td><b>Total pasivo no corriente</b></td> <td><b>1.073.748</b></td> </tr> <tr> <td><b>PASIVO CORRIENTE:</b></td> <td></td> </tr> <tr> <td>Deudas a corto plazo con entidades de crédito</td> <td>10.809</td> </tr> <tr> <td>Otros pasivos financieros corrientes</td> <td>190</td> </tr> <tr> <td>Acreedores comerciales y otras cuentas a pagar</td> <td>23.302</td> </tr> <tr> <td>Pasivos por impuestos sobre ganancias corrientes</td> <td>75</td> </tr> <tr> <td>Otros pasivo corriente</td> <td>38</td> </tr> <tr> <td><b>Total pasivo corriente</b></td> <td><b>34.414</b></td> </tr> <tr> <td><b>TOTAL PATRIMONIO NETO Y PASIVO</b></td> <td><b>2.416.841</b></td> </tr> </tbody> </table> <p>(II) CUENTA DE PÉRDIDAS Y GANANCIAS CONSOLIDADA PARA EL PERIODO DE NUEVE MESES Y SIETE DÍAS FINALIZADO EL 31 DE DICIEMBRE DE 2014</p> <table border="1"> <thead> <tr> <th></th> <th>2014</th> </tr> </thead> <tbody> <tr> <td><b>OPERACIONES CONTINUADAS:</b></td> <td></td> </tr> </tbody> </table>	ACTIVO	31/12/2014	<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	<b>Total pasivo corriente</b>	<b>34.414</b>	<b>TOTAL PATRIMONIO NETO Y PASIVO</b>	<b>2.416.841</b>		2014	<b>OPERACIONES CONTINUADAS:</b>	
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<b>Importe neto de la cifra de negocios</b>	<b>56.616</b>
<b>Otros ingresos de explotación</b>	<b>381</b>
<b>Gastos de personal</b>	<b>(3.079)</b>
<b>Otros gastos de explotación</b>	<b>(16.013)</b>
<b>Resultados por la enajenación de inmovilizado</b>	<b>126</b>
<b>Dotación a la amortización</b>	<b>(35)</b>
<b>Diferencia negativa en combinación de negocios</b>	<b>7.247</b>
<b>RESULTADO DE LAS OPERACIONES</b>	<b>45.243</b>
<b>Ingresos financieros</b>	<b>473</b>
<b>Gastos financieros</b>	<b>(18.555)</b>
<b>Variación en valor razonable de instrumentos financieros</b>	<b>(25.920)</b>
<b>Variación del valor razonable en inversiones inmobiliarias</b>	<b>49.471</b>
<b>RESULTADO ANTES DE IMPUESTOS</b>	<b>50.712</b>
<b>Impuesto sobre Sociedades</b>	<b>(1.042)</b>
<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>	<b>0.38</b>
<b>RESULTADO BÁSICO POR ACCIÓN (en euros)</b>	<b>0.58</b>
<b>RESULTADO POR ACCIÓN DILUIDAS (en euros)</b>	<b>0.58</b>

**(III) ESTADO CONSOLIDADO DE FLUJOS DE EFECTIVO PARA EL PERÍODO DE NUEVE MESES Y SIETE DÍAS FINALIZADO EL 31 DE DICIEMBRE DE 2014**

	<b>2014</b>
<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
Variación de valor razonable de instrumentos financieros	25.920
<b>Cambios en el capital corriente-</b>	<b>19.165</b>
Deudores y otras cuentas a cobrar	(3.417)
Otros activos corrientes	(122)
Acreedores y otras cuentas a pagar	22.471
Otros activos y pasivos	233
<b>Otros flujos de efectivo de las actividades de explotación-</b>	<b>(29.821)</b>
Pagos de intereses	(28.616)
Cobros de intereses	473
Pagos por Impuesto sobre Beneficios	(1.678)
<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE INVERSIÓN:</b>	<b>(1.401.988)</b>
<b>Pagos por inversiones-</b>	<b>(1.401.988)</b>
Salida de caja neta en la adquisición de negocios	<b>(723.725)</b>
Inmovilizaciones inmobiliarias	(551.394)

		Inmovilizaciones materiales (929) Activos intangibles (149) Activos financieros (125.791) <b>Cobros por desinversiones-</b> Inmovilizaciones inmobiliarias - Inmovilizaciones materiales -	
		<b>FLUJOS DE EFECTIVO DE LAS ACTIVIDADES DE FINANCIACIÓN:</b>	<b>1.400.110</b>
		<b>Cobros y pagos por instrumentos de patrimonio -</b>	<b>1.261.645</b>
		Emisión de instrumentos de patrimonio	1.261.105
		Aportaciones de socios	540
		<b>Cobros y pagos por instrumentos de pasivo financiero -</b>	<b>138.465</b>
		Emisión de deudas con entidades de crédito	206.838
		Devolución de deudas con entidades de crédito	(68.373)
		<b>AUMENTO/DISMINUCIÓN NETA DEL EFECTIVO O EQUIVALENTES:</b>	<b>26.050</b>
		Efectivo o equivalentes al comienzo del ejercicio	-
		Efectivo o equivalentes al final del ejercicio	<b>26.050</b>
		Desde el 31 de diciembre de 2014 (fecha de la información financiera 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.	
<b>B.8</b>	<b>Información financiera seleccionada pro forma</b>	No resulta de aplicación. Este Folleto no contiene información condensada pro forma.	
<b>B.9</b>	<b>Estimación de los beneficios</b>	No aplica. Este Folleto no contiene estimaciones o previsiones de beneficios.	
<b>B.10</b>	<b>Descripción de la naturaleza de cualquier salvedad en el informe de auditoría sobre la información financiera histórica</b>	En relación con la información financiera histórica consolidada de la Sociedad y el 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>	<b>Capital de explotación</b>	No aplica. La Sociedad opina, considerando los Estados Financieros Consolidados y los Ingresos Netos que recibirá la Sociedad a resultas de la Oferta, que el capital circulante disponible por la Sociedad es suficiente para cubrir sus necesidades actuales y, en particular, para al menos los próximos 12 meses desde la fecha de este Folleto.	

**Sección C – Valores**

<b>C.1</b>	<b>Descripción del tipo y de la clase de valores ofertados y/o admitidos a cotización</b>	<p>Las Nuevas Acciones Ordinarias tienen un valor nominal de €1,00 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, el cual 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>	<b>Divisa de emisión de los valores</b>	Las Nuevas Acciones Ordinarias se emitirán en euros.
<b>C.3</b>	<b>Número de acciones emitidas</b>	La Oferta consistirá en 64.605.999 Nuevas Acciones Ordinarias con un Precio de Suscripción de €9,50 por cada Nueva Acción Ordinaria. La Sociedad prevé que las Nuevas Acciones Ordinarias emitidas en la Oferta comiencen a negociarse sobre el 12 de mayo de 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>	<b>Derechos vinculados a los valores</b>	<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 11 de mayo de 2015.</p> <p>Las Acciones Ordinarias confieren a sus propietarios los derechos recogidos en los Estatutos Sociales y en la legislación mercantil española, como son, 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>	<b>Cualquier restricción sobre la libre transmisibilidad</b>	<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 para los Accionistas Significativos en favor de la Sociedad diseñadas para desincentivar la posibilidad de que haya que pagar un dividendo a un Accionista Significativo. 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</p>

		<p>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 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) han firmado acuerdos de no enajenación, tal como se expone con más detalle en el apartado E5 siguiente.</p>
<b>C.6</b>	<b>Admisión a cotización en un mercado regulado</b>	<p>Las Acciones Ordinarias Existentes de la Sociedad en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, así como su incorporación 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 12 de mayo 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>	<b>Política de dividendos</b>	<p>La Sociedad tiene intención de mantener una política de dividendos que tenga debidamente en cuenta unos niveles sostenibles de distribución de dividendos, y que refleje la previsión de la Sociedad de obtención de beneficios recurrentes adecuados. La Sociedad no pretende crear reservas que no puedan ser distribuidas a los Accionistas salvo por las 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 del beneficio obtenido en el ejercicio, después de cumplir cualquier requisito relevante de la Ley de Sociedades de Capital, en forma de dividendos, a los Accionistas, 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 deben ser reinvertidos en otros activos inmobiliarios dentro de un periodo máximo de tres años desde la fecha de la transmisión o, sino, el 100% de los beneficios deben ser distribuidos 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>); (iii) al</p>

		<p>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 disponen 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 in interés en la Sociedad igual o superior al 5% de su capital social. 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>	<b>Información fundamental sobre los principales riesgos específicos del emisor o de su sector de actividad</b>	<p>Antes de invertir en las Acciones Ordinarias, los potenciales inversores</p> <p><u>1. Riesgos generales</u></p> <ul style="list-style-type: none"> <li>– La Sociedad es de reciente creación 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>– La Oferta podría no seguir adelante o revocarse bajo ciertas circunstancias..</li> </ul> <p><u>2. Riesgos derivados de la actividad del Grupo y de su negocio inmobiliario</u></p> <p><i>A) Riesgos derivados de la actividad del Grupo</i></p> <p><i>1. Generales</i></p> <ul style="list-style-type: none"> <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 la obtención de un rendimiento objetivo.</li> <li>– El Grupo puede no tener control sobre su cartera de activos y, por</li> </ul>

		<p>tanto, puede estar sujeta a riesgos derivados de inversiones minoritarias y joint ventures.</p> <ul style="list-style-type: none"> <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 con un retorno menor del esperado o negativo, o incluso que no sea capaz de enajenarlos.</li> <li>- Puede haber retrasos o dificultades en el empleo de los Ingresos Netos (debido a retrasos en la identificación y/o adquisición de inversiones apropiadas).</li> <li>- La estructura financiera del Grupo puede resultar ineficiente durante el periodo en el que los Ingresos Netos estén invirtiéndose.</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 de esos inmuebles no cumpla o alquile, 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 garantiza la deuda.</li> <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 sujeta al riesgo de prepago de sus activos de deuda (<i>loan assets</i>).</li> <li>- La Estrategia de Negocio del Grupo incluye apalancamiento, algo que incrementa el riesgo en que incurre el Grupo y lo expone al riesgo derivado de los préstamos.</li> <li>- Puede que el Grupo no obtenga financiación o que no sea capaz de hacerlo en términos satisfactorios.</li> <li>- Si el Grupo se endeuda con tipo de interés variable quedará sujeta a riesgos derivados de la fluctuación del tipo de interés.</li> <li>- La capacidad del Grupo para repartir dividendos dependerá de su habilidad para generar ingresos distribuibles y de su acceso a flujos de efectivo suficientes.</li> </ul> <p><i>II) Riesgos específicos derivados de los Activos</i></p> <ul style="list-style-type: none"> <li>- Los Activos de Tree están arrendados en su totalidad a un único</li> </ul>
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		<p>inquilino.</p> <ul style="list-style-type: none"> <li>- Tree tiene altos niveles de endeudamiento y no ha tenido beneficios todavía. El valor de los Activos podrían ser menores que el precio de adquisición que forman los Activos..</li> <li>- El Contrato de Financiación Senior contiene una serie de pactos que podrían incumplirse.</li> </ul> <p><i>B) Riesgos derivados del sector inmobiliario en general</i></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 sujetas 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>- Se prevé que la composición de la cartera de activos del Grupo varíe.</li> <li>- Los análisis previos (due diligence) 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><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>.</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 <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</li> </ul>
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		<p>cuantiosos en caso de alcanzarse el nivel más alto del ciclo.</p> <ul style="list-style-type: none"> <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><b><u>4. Riesgos regulatorios y relativos a la estructura y fiscalidad</u></b></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” (plan assets), los cuales se encuentran sujetos a ciertos 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.</li> <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> </ul>
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		<ul style="list-style-type: none"> <li>- Determinadas enajenaciones de activos pueden tener consecuencias negativas en el régimen de SOCIMIs español.</li> <li>- La tributación de las ganancias del 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> <p>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.</p>
<p><b>D.3</b></p>	<p><b>Información fundamental sobre los principales riesgos específicos de los valores</b></p>	<ul style="list-style-type: none"> <li>- El Contrato de Underwriting entre la Sociedad y los Gestores prevé la resolución del contrato si se dan ciertas circunstancias y el compromiso de underwriting 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> <li>- Los inversores que ejercite 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</li> </ul>

		<p>porcentaje significativo de acciones en la Sociedad en el contexto de la Oferta y en cualquier otra ocasión.</p> <ul style="list-style-type: none"> <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>	<b>Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta</b>	La Sociedad espera obtener unos Ingresos Netos de aproximadamente €595.105.894,60 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>	<b>Motivos de la oferta y destino de los ingresos</b>	El principal destino de los Ingresos Netos de la Emisión será la financiación de las políticas corporativas generales del Grupo, incluyendo la adquisición futuros activos inmobiliarios de forma coherente con la Estrategia de Negocio. La Sociedad tiene una cartera de proyectos y potenciales inversiones con un tamaño estimado de €1.950 millones, de los que aproximadamente €170 millones corresponden a activos e inversiones analizados exclusivamente y/o informes de due diligence y €1.780 millones más que corresponden a activos en análisis. En términos de tipos de activos o naturaleza de las inversiones realizadas, la cartera puede diferenciarse como sigue (según valor estimado bruto): 56% oficinas, 20% uso mixto, 13% espacio comercial y 11% logística. Estas inversiones pueden realizarse mediante capital/patrimonio de la Sociedad o deuda y podrían por lo tanto derivar en un mayor ratio de endeudamiento de las Sociedad. La Sociedad prevé invertir la totalidad de los Ingresos Netos dentro de los 18 meses siguientes a la Admisión.
<b>E.3</b>	<b>Descripción de las condiciones de la</b>	La Oferta se refiere a 64.605.999 Nuevas Acciones Ordinarias a un Precio de Suscripción de 9,50€ por Nueva Acción Ordinaria.

	<p><b>oferta</b></p>	<p>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 espera que tenga lugar el 17 de abril de 2015) Derechos de Suscripción Preferente a suscribir un total de 64.605.999 Nuevas Acciones Ordinarias con un valor nominal de 1€ 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 dos Derechos de Suscripción Preferente dará derecho al titular a suscribir una Nueva Acción Ordinaria 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 abril hasta el 2 de mayo 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 abril de 2015 a las 17:30 (hora de Madrid) del 30 de abril 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 durant 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 7 de mayo 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</p>
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	<p>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> <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 7 de Mayo 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 8 de Mayo 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>Aseguramiento: El 15 de abril 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 64.231.000 Nuevas Acciones Ordinarias (las <b>Acciones Aseguradas</b>). El número de Acciones Aseguradas se obtiene 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, 374.999 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, 64.605.999 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 las Entidades Directoras (en nombre de las Entidades Aseguradoras), actuando unánimemente, 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>
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		<p>Además, las obligaciones de las Entidades Aseguradoras bajo el Contrato de Aseguramiento se encuentran sujetas al cumplimiento de determinadas condiciones suspensivas, incluyendo la entrega de opiniones legales y cartas de auditores en términos de mercado.</p> <p>UBS Limited actúa como Entidad Coordinadora Global y Entidad Directora, Credit Suisse Securities (Europe) Limited, Goldman Sachs International y Morgan Stanley &amp; Co. International plc actúan como Entidades Directoras y Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander S.A., BNP PARIBAS, Crédit Agricole Corporate, Investment Bank, Fidentis Equities, Sociedad de Valores S.A. y Société Générale como Entidades Co-Directoras.</p>
<b>E.4</b>	<b>Descripción de cualquier interés que sea importante para la emisión/oferta, incluidos los conflictivos</b>	<p>La Sociedad no tiene constancia de otras conexiones o intereses económicos significativos entre la Sociedad y las entidades que participan en la Oferta (Consejeros, secretario de la sociedad, Entidad Coordinadora Global, Entidades Directoras, Entidades Co-Directoras, Banco Agente y asesores legales), a excepción de la estricta relación profesional derivada del asesoramiento legal y financiero que se describe en relación 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 Adquisición Preferente, tendrán 7.472.011 Acciones Ordinarias) y (2) el Equipo Gestor (a través de su vehículo de inversión, MAGIC Kingdom, el cual, a fecha de este Folleto posee 750.000 Acciones Ordinarias y, tras la Oferta, asumiendo que el 100% de sus Derechos de Adquisición Preferente, tendrá 1.124.999 Acciones Ordinarias). Además, algunos de los Gestores, directa o indirectamente, ha llevado a cabo servicios para la Sociedad o han realizado operaciones de inversión, financieras y de banca comercial y podrán realizarlas también en el futuro.</p>
<b>E.5</b>	<b>Nombre de la persona o de la entidad que se ofrece a vender el valor</b> <b>Acuerdos de no enajenación</b>	<p>No existen otros oferentes además de la propia Sociedad que ofrezcan la venta de las Nuevas Acciones Ordinarias.</p> <p><u>Compromisos de la Sociedad</u></p> <p>Desde la firma del Contrato de Colocación y por un período de 90 días desde la fecha de la Admisión, la Sociedad, en virtud de lo acordado en el Contrato de Colocación, no podrá, sin previa autorización de la mayoría de Entidades Directoras (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 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 bursátil en relación 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 económicos derivados de la propiedad de las Acciones Ordinarias o 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,</p>

	<p>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) las Acciones Ordinarias que sean emitidas en relación con la potencial adquisición de MAGIC Real Estate por parte de la Sociedad durante los 3 meses siguientes al día hábil bursátil siguiente a la Fecha de Suscripción, y (C) 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.</p> <p><u>Compromiso del Equipo Gestor</u></p> <p>En relación con la Emisión Inicial, MAGIC Kingdom 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,</p> <p>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 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>
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		<p>Adicionalmente, cada uno de los miembros del Equipo Gestor, en virtud del <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 <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>	<b>Dilución</b>	<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 66,7% de total de Acciones Ordinarias tras la Oferta, lo que implicaría una dilución de su participación en un 33,3%.</p>
<b>E.7</b>	<b>Gastos estimados aplicados al inversor por el emisor o el oferente</b>	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>Comentario</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 XX.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 XX.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	Part XVI, Part X.2	Merlín se constituyó en marzo de 2014, por lo que no hay



	<b>periodo cubierto por la información financiera histórica, y cualquier periodo financiero intermedio subsiguiente, en la misma divisa que la información financiera</b>		información financiera histórica previa.
<b>3.2</b>	<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</b>	N/A	
<b>4.</b>	<b>FACTORES DE RIESGO</b>	Part II	
<b>5.</b>	<b>INFORMACIÓN SOBRE EL 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 X, Part XX.2	
5.1.2.	<i>lugar de registro del emisor y número de registro;</i>	Part VIII, Part XX.2	
5.1.3.	<i>fecha de constitución y periodo de actividad del emisor, si no son indefinidos;</i>	Part XX.2	Se constituyó en marzo de 2014 por un periodo indefinido.
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 X.1	
<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 X	
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 X, Part XIII	
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 X, Part	

		XIII	
<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 X, Part XIII, Part XV	
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 se encuentra.</i>	N/A	
<b>6.2.</b>	<b>Mercados principales</b>	Part X.7	
<b>6.3.</b>	<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	
<b>6.4.</b>	<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	Ver Part XX.17
<b>6.5.</b>	<b>Se incluirá la base de cualquier declaración efectuada por el emisor relativa a su posición competitiva</b>	N/A	
<b>7.</b>	<b>ESTRUCTURA ORGANIZATIVA</b>		
<b>7.1.</b>	<b>Si el emisor es parte de un grupo, una breve descripción del grupo y la posición del emisor en el grupo.</b>	Part X.1	
<b>7.2.</b>	<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 X.1, Part XIII.1, Part XXI	
<b>8.</b>	<b>PROPIEDAD, INSTALACIONES Y EQUIPO</b>		
<b>8.1.</b>	<b>Información relativa a todo inmovilizado material tangible existente o previsto, incluidas las propiedades arrendadas, y cualquier gravamen importante al respecto.</b>	Part XIII, Part XX.15 y Part	

		XV	
<b>8.2.</b>	<b>Descripción de cualquier aspecto medioambiental que pueda afectar al uso por el emisor del inmovilizado material tangible.</b>	N/A	
<b>9.</b>	<b>ANÁLISIS OPERATIVO Y FINANCIERO</b>		
<b>9.1</b>	<b>Situación financiera</b>	Part XV, Part XVI	
<b>9.2.</b>	<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 XV.3	
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 XV.4, Part XV.5	
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 XV, Part XVIII	
<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 X.2	
<b>10.2.</b>	<b>Explicación de las fuentes y cantidades y descripción narrativa de los flujos de tesorería del emisor.</b>	Part XV	
<b>10.3.</b>	<b>Información sobre los requisitos de préstamo y la estructura de financiación del emisor.</b>	Part X.5 y 7, Part XIII.	
<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>	Part X.5 y 6, Part XVIII, Part XV.4	
<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.8	
<b>11.</b>	<b>INVESTIGACIÓN Y DESARROLLO,</b>	N/A	Ver XX.17

	<b>PATENTES Y LICENCIAS</b>		
<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 X.7	Se describen las tendencias del sector inmobiliario en España y Portugal.
<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	No hay previsión de beneficios, pero sí se revela un objetivo de rentabilidad señalado específicamente en Part X.1. Merlin Properties no garantiza que estos objetivos de rentabilidad se vayan a cumplir y por lo tanto, los inversores no deberían basar su inversión únicamente en este objetivo de rentabilidad.
<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 fundamento contable utilizado para la previsión o estimación de los beneficios es coherente con las políticas contables del emisor.</b>	N/A	
<b>13.3.</b>	<b>La previsión o estimación de los beneficios debe prepararse sobre una base comparable con la información financiera histórica.</b>	N/A	
<b>13.4.</b>	<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	
<b>14.</b>	<b>ÓRGANOS DE ADMINISTRACIÓN, DE GESTIÓN Y DE SUPERVISIÓN, Y ALTOS DIRECTIVOS</b>		
<b>14.1.</b>	<b>Nombre, dirección profesional y cargo 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>  <b>(a) miembros de los órganos de</b>	Part VIII, Part XII	

<p><b>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><b>(c) fundadores, si el emisor se ha establecido para un período inferior a cinco años; y</b></p> <p><b>(d) 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><b>(a) 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><b>(c) 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 contemplados en (a) y (d) estuviera relacionada por lo menos durante los cinco años anteriores;</b></p> <p><b>(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.</b></p> <p><b>De no existir ninguna información en este</b></p>		
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	sentido que deba revelarse, efectuar una declaración a ese efecto.		
14.2.	Conflictos de intereses de los órganos de administración, de gestión y de supervisión, y altos directivos	Part II, Part X.6, Part XI.2, Part XII.2, Part XX.10	
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 XI.1.3, Part XII.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 XI.1.1, Part XII.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 XII.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 XII.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 XII.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 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	Part XI.1, Part XII.1, Part XX.7	

	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 XI.1.3, Part XII.3	
17.3.	Descripción de todo acuerdo de participación de los empleados en el capital del emisor.	Part XI.1.3, Part XII.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 XX.4	
18.2.	Si los accionistas principales del emisor tienen distintos derechos de voto, o la correspondiente declaración negativa.	Part XVII.2, Part XX.4 y .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 XX.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 XVI, Annex 1	
20.2.	Información financiera pro-forma	N/A	
20.3.	Estados financieros	Annex 1	

<b>20.4.</b>	<b>Auditoría de la información financiera histórica anual</b>	Annex 1	
<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 1	
<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 XVI, Annex 1	
<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.	N/A	
<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 X.11, Part XVII	Política de dividendos específica para el régimen de



			SOCIMI. "Mandatory dividend distribution"
<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	Ver Part XX.12
<b>20.9</b>	<b>Cambios significativos en la posición financiera o comercial del emisor</b>	Part XX.8	
<b>21</b>	<b>INFORMACIÓN ADICIONAL</b>		
<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 XX.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 IV, Part XX.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	N/A	

	opciones.		
<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 XX.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 X.1, Part XX.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 XII.8	
<b>21.2.3.</b>	Descripción de los derechos, preferencias y restricciones relativas a cada clase de las acciones existentes.	Part XX.6	<i>“Shareholders’ reporting obligations”</i>
<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 XX.6	<i>“Shareholders’ meetings and voting rights”</i>
<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 rija el umbral de propiedad por encima del cual deba revelarse la propiedad del accionista.	Part XX.6	<i>“Shareholders’ reporting obligations”</i>
<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 XX.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</b>	Part XIV	

	<p>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.</p>		
23.2.	<p>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.</p>	N/A	
24	<b>DOCUMENTOS PRESENTADOS</b>	Part XX.18	
25	<b>INFORMACIÓN SOBRE CARTERAS</b>	N/A	

**EQUIVALENCIAS CON ANEXO III DEL REGLAMENTO 809/2004**

Contenido	Apartado	Comentario
<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 XX.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 XX.1
<b>2.</b>	<b>FACTORES DE RIESGO</b>	
<b>2.1</b>	Factores de riesgo	Part II
<b>3.</b>	<b>INFORMACIÓN ESENCIAL</b>	
<b>3.1</b>	Declaración sobre el capital circulante.	Part XX.8
<b>3.2</b>	Capitalización y endeudamiento	Part V
<b>3.3</b>	Interés de las personas físicas y jurídicas participantes en la emisión/oferta.	Part XVII. 7
<b>3.4</b>	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>	
<b>4.1</b>	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 XVII.2, Part XX.6
<b>4.2</b>	Legislación según la cual se han creado los	Part XVII, 1.1

	<b>valores.</b>	y 2	
<b>4.3</b>	<b>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.</b>	Part XVII.2	
<b>4.4</b>	<b>Divisa de la emisión de los valores.</b>	Part XVII.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>	Part XX.6	
4.5.1	<i>Derechos a participar en las ganancias sociales y en el patrimonio resultante de la liquidación.</i>	Part XX.6	
4.5.2	<i>Derechos de voto.</i>	Part XX.6	
4.5.3	<i>Derechos de suscripción preferente en las ofertas de suscripción de valores de la misma clase.</i>	Part XX.6	
4.5.4	<i>Derecho de participación en los beneficios del emisor.</i>	Part XX.6	
4.5.5	<i>Derechos de participación en cualquier excedente en caso de liquidación.</i>	Part XX.6	
4.5.6	<i>Derecho de información.</i>	Part XX.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 XVII, 1.1	
<b>4.7</b>	<b>En caso de nuevas emisiones, fecha prevista de emisión de los valores.</b>	Part VI, Part XVII, 1.5	
<b>4.8</b>	<b>Descripción de cualquier restricción sobre la libre transmisibilidad de los valores.</b>	Part XVII.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>	N/A	
<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</b>	Part XVIII	

	<b>indicación de si el emisor asume la responsabilidad de la retención de impuestos en origen.</b>		
<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/Oferata, 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 XVII.1	
5.1.3.	<i>Plazo de suscripción, incluida cualquier posible modificación, de la Oferta y descripción del proceso de solicitud.</i>	Part XVII, 1.4	
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 XVII, 1.8 y 1.13	
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>	Part XVII, 1.8 y 1.13 primer párrafo.	
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 XVII, 1.8, 1.9 y 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 XVII, 1.12	
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 XVII, 1.4 y 1.8	
<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</i>	Part XVII, 1.4 y 1.8	

	<i>tramo para determinados países, indicar el tramo.</i>		
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 X.4, Part IX.1.1	
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 XVII, 1.8, apartado d), último párrafo y apartado e), séptimo párrafo.	
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 XVII, 1.1	
5.3.2	<i>Proceso de publicación del precio de Oferta.</i>	Part XVII, 1.1	
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, Part XVII.3, Part XX.11	
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</i>	Part XVII.3,	

	<i>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 XX.11	
5.4.4	<i>Cuándo se ha alcanzado o se alcanzará el acuerdo de suscripción.</i>	Part XVII.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 XVII.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>	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>	N/A	
<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 prevé que puedan realizarse actividades de estabilización de precios en relación con la oferta.</b>	N/A	
<b>7.</b>	<b>TENEDORES VENDEDORES DE VALORES</b>		



7.1.	<b>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.</b>	N/A	
7.2.	<b>Número y clase de los valores ofertados por cada uno de los tenedores vendedores de valores.</b>	N/A	
7.3.	<b>Acuerdos de bloqueo. Partes implicadas. Contenido y excepciones del acuerdo. Indicación del Período de bloqueo.</b>	Part XVII.4	
8.	<b>GASTOS DE LA EMISIÓN / OFERTA</b>		
8.1.	<b>Ingresos netos totales y cálculo de los gastos totales de la emisión/oferta.</b>	Part XX.16	
9.	<b>DILUCIÓN</b>		
9.1	<b>Cantidad y porcentaje de la dilución inmediata resultante de la emisión/oferta.</b>	Part IV	
9.2.	<b>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.</b>	Part IV	
10.	<b>INFORMACIÓN ADICIONAL</b>		
10.1.	<b>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.</b>	Part VIII	
10.2.	<b>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.</b>	Part XVI, Annex 1	
10.3.	<b>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.</b>	Part XIV	
10.4.	<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</b>	N/A.	

	<b>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>		
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