BASE PROSPECTUS

MERLIN PROPERTIES, SOCIMI, S.A.

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

€5,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this base prospectus (the "**Programme**"), Merlin Properties, SOCIMI, S.A. (the "**Issuer**" or the "**Company**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed Euro 5,000,000,000 (or the equivalent in other currencies), subject to increase as provided herein.

Notice of the aggregate nominal amount of Notes, interest payable in respect of Notes and the issue price of Notes will be set out in the Final Terms, which will also complete information set out in the terms and conditions applicable to each Tranche, as required.

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, for the approval of this base prospectus (the "**Base Prospectus**") as a base prospectus for the purposes of article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**"). Application has also been made to the Luxembourg Stock Exchange for the Notes issued under the Programme to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments. The Programme provides for Notes to be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market (or any other stock exchange). Copies of the Final Terms in relation to the Notes to be listed on the Official List will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Each Series (as defined in "*General Description of the Programme – Method of Issue*") of Notes will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and together with the temporary Global Notes, the "**Global Notes**"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Overview of Provisions Relating to the Notes while in Global Form*".

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation on credit rating agencies will be disclosed in the relevant Final Terms. A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg law of 10 July 2005 on prospectuses for securities, as amended.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus.

Arranger for the Programme
SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT BANKING

Dealers

BANCA IMI
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
BARCLAYS
BNP PARIBAS
CAIXABANK
CITIGROUP
CRÉDIT AGRICOLE CIB
CREDIT SUISSE
DEUTSCHE BANK
GOLDMAN SACHS INTERNATIONAL
ING
J.P. MORGAN
MEDIOBANCA
NATIXIS
SANTANDER
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

The date of this Base Prospectus is 18 May 2018

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IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer and its subsidiaries (including associates) taken as a whole (the "**Group**") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Base Prospectus and any applicable Final Terms. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

Copies of the Final Terms will be available, free of charge, from the registered office of the Issuer and the specified office of the Fiscal Agent set out below.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in "*General Description of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms and save that, in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Base Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or under any securities law of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Securities Act). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

The Arranger and the Dealers have not separately verified the information contained in this Base Prospectus. To the fullest extent permitted by law, none of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility for the contents of this Base Prospectus (including the information contained or incorporated by reference in this Base Prospectus), the accuracy or completeness of any of the information in this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its

behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) as specified in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to Euro and € are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed Euro 5,000,000,000 and, for this purpose, any Notes denominated in another currency shall be translated into Euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

FORWARD-LOOKING STATEMENTS

This Base 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 Base Prospectus and include, but are not limited to, statements regarding the Issuer’s intentions, beliefs or current expectations concerning, among other things, the Issuer’s results of operations, financial position, prospects, anticipated growth, Business Strategy, financing strategies, prospects for sourcing, acquiring and relationships with tenants, liquidity of the Issuer’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 Issuer’s operations and the development of the markets and the industry in which the Issuer operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Base

Prospectus. In addition, even if the Issuer's results of operations, financial position and growth, and the development of the markets and the industry in which the Issuer operates, are consistent with the forward-looking statements contained in this Base 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 Issuer 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 "*Risk Factors*". The Issuer 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 Issuer's expectations or to reflect events or circumstances after the date of this Base Prospectus, except where required by applicable law. Given the uncertainty inherent in forward-looking statements, prospective investors are cautioned not to place undue reliance on these statements.

The Dealers 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 Base Prospectus.

ALTERNATIVE PERFORMANCE MEASURES

The financial data included and incorporated by reference in this Base Prospectus, in addition to the conventional financial performance measures established by IFRS-EU, contains certain alternative performance measures (as defined in the ESMA Guidelines on Alternative Performance Measures) ("**APMs**") that are presented for purposes of providing investors with a better understanding of the Group's financial performance, cash flows or financial position as they are used by the Company when managing its business. The relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components in the appendices entitled "EPRA Metrics Calculation" and "Alternative Measures of Performance" to the 2017 "Consolidated Management Report" and the 2016 "Consolidated Management Report", both of which are incorporated by reference in this Base Prospectus.

Such measures should not be considered as a substitute for those required by IFRS-EU.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

BENCHMARK REGULATION

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**") or the London Interbank Offered Rate ("**LIBOR**") which are administered by the European Money Markets Institute ("**EMMI**") and ICE Benchmark Administration Limited ("**ICE**") respectively. As at the date of this Base Prospectus, ICE does appear and EMMI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 26 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**"). As far as the Issuer is aware, the transitional provisions in in Article 51 of the BMR apply such that EMMI is not currently required to obtain authorisation or registration.

RISK FACTORS

Prospective investors should carefully consider all the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference into this Base Prospectus, as well as their own personal circumstances, before deciding to invest in any Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this section of this Base Prospectus.

The Issuer believes that each of the following risk factors, many of which are beyond the control of the Issuer or are difficult to predict, may materially affect its financial position and its ability to fulfil its obligations under Notes issued under the Programme. The Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, there may be other factors that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Risk factors that are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the risk factors described below represent the principal risk factors inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus, including the descriptions of the Issuer and the Group, as well as the documents incorporated by reference, and reach their own views prior to making any investment decisions.

Before making an investment decision with respect to any Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this section.

1. RISKS RELATING TO THE GROUP'S ACTIVITY AND TO ITS REAL ESTATE BUSINESS

I GENERAL RISKS

A) RISKS RELATING TO THE GROUP'S ACTIVITY

The 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 geographically diversified businesses

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) high street retail properties (i.e., retail stores located in the primary business and retail streets of a city, such as top fashion boutiques); (iii) shopping centres (including retail parks and big box properties (i.e., retail stores that occupy large warehouse-style buildings)); (iv) logistics, including industrial properties; 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 primarily in Spain and, to a lesser extent, in Portugal.

As a result of this strategy, the Group has, and will continue to have, a significant geographic concentration and an investment in the Notes may therefore be subject to greater risk than investments in companies with more geographically diversified portfolios. The Group's performance may be significantly affected by events

beyond its control affecting Spain and Portugal, and the Spanish and Portuguese commercial property markets in particular. Such events include: a general downturn in the Spanish and Portuguese economies; adverse changes in demand for, or increased supply of, commercial property in Spain and Portugal; changes in domestic and/or international regulatory requirements and applicable laws and regulations (including in relation to taxation); a deterioration in Spain's and Portugal's attractiveness as foreign direct investment destinations; political conditions; the condition of financial markets; sovereign debt defaults in the Euro area; European Union exits; the availability of credit; the financial condition of tenants; interest rate and inflation rate fluctuations; higher accounting and control expenses and other developments. Any of these events could reduce the rental and/or capital values of the Group's property assets and/or the ability of the Group to acquire or dispose of properties and to secure or retain tenants on acceptable terms or at all and, consequently, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group is subject to certain restrictions on investments under the SOCIMI Regime (see "*Spanish SOCIMI Regime and Taxation Information*" below 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, which may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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 reducing the Management Team's potential bonus entitlement, 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. 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.

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

The Group may elect to dispose of assets and may also be required to dispose of an asset at any time, including due to a requirement imposed by a third party (for example, a lending bank). There can be no assurance that, at the time the Group seeks to dispose of assets (whether voluntarily or otherwise), relevant market conditions will be favourable or that the Group will be able to maximise the returns on such disposed assets. It may be particularly difficult to dispose of certain types of real estate assets during recessionary times, such as land plots. 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. In addition, if the Group disposes of an asset within a period of three years from its acquisition or, if developed, from the time the property is rented or offered for rent, 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*".

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

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

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

The Group faces competition from property investors for the purchase of desirable properties and in seeking creditworthy tenants for the acquired properties. Competitors include not only regional Spanish or Portuguese investors and real estate developers with in-depth knowledge of the local markets, but also property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. The competitiveness in the Spanish real estate sector has been heightened recently by the entry of new participants, such as other real estate investment companies, backed by both national and international investors, that have entered the Spanish market to take advantage of what they perceive as attractive valuations of real estate assets. Competition in the commercial property market may lead to prices for existing properties being driven up through competing bids by potential purchasers.

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 faces potential risks related to its indebtedness

The Group aims that its LTV will not exceed 50% from time to time.

A number of the Group's current financing agreements contain standard covenants and covenants relating to the interest coverage ratio and loan to value ratio that, if breached, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The indebtedness incurred by the Group, or that it may incur in the future, even within the limits set forth in its Business Strategy, could reduce the Group's financial flexibility and cash available to the Company to pay interest, principal or other amounts on or in connection with the Notes. 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.

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 its 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.

Credit Risk

The Group is exposed to credit risk insofar as its counterparties, such as customers, financial institutions and partners may default on their contractual payment obligations by failing to make payments on time or at all. The business is exposed to defaults in its portfolios due to both the deterioration of existing portfolios and changes in the quality of new counterparties as a result of current economic and financial conditions. Business activity which requires a prior investment in assets is especially sensitive to default risk because, in the event of default, these assets might not be recoverable or reusable.

There is an international consensus that in order to determine credit quality, the ratings provided by rating agencies are to be taken into account. This leads to the risk that following a deterioration in the rating of the Company, especially below investment grade, all purchase transactions would entail an increase in financial costs which could even lead to transaction restrictions if the Group is unable to obtain credit at all.

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 Base Prospectus, the Group has incurred debt under a number of facility agreements, a number of which have 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 31 December 2017, the Group had hedged 98.6% of the interest rate exposure on the gross financial debt of the Group. Any hedging arrangements will expose the Group to credit risk in respect of the hedging counterparty. Any of the foregoing may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

B) RISKS RELATING TO THE REAL ESTATE BUSINESS

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

Real estate markets are cyclical in nature and are affected by the condition of the economy as a whole. The Group's performance 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. 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. While from 2015 to 2017, both Spain and Portugal have shown signs of recovery which have been reflected in key real estate indicators, such as increasing capital values for high street retail, offices and logistics property types and increasing investment volumes, there is no assurance that any further increase in the value of Spanish real estate assets will occur or be sustained. Spanish real estate values could decline and those declines could be substantial, particularly if there are recessionary conditions in the Spanish economy and/or if demand does not increase.

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.

In addition, 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.

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 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 often fixed and are therefore 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.

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

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

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

- decreased demand by potential buyers for properties or tenants for space;
- relative illiquidity of the assets;
- sub-optimal tenant rotation policies or lease renegotiations;
- material declines in property and/or rental values;
- material disposals in extensions/refurbishment and/or re-letting of a relevant property;
- the inability to recover operating costs such as local taxes and service charges on vacant space;
- incorrect repositioning of an asset in changing market conditions;
- exposure to the creditworthiness of buyers and tenants, which could result in delays in receipt of contractual payments, including rental payments, the inability to collect such payments at all, including the risk of buyers and tenants defaulting on their obligations and seeking the protection of bankruptcy laws, the renegotiation of purchase agreements or tenant leases on terms less favourable to the Group, or the termination of purchase agreements or tenant leases;
- defaults by a number of tenants with material rental obligations (including pre-let obligations) or a default by a significant tenant of a specific property that may hinder or delay the sale or re-letting of such property;
- material litigation with buyers or tenants;
- material expenses in relation to the construction of new tenant improvements and re-letting a relevant property, including the provision of financial inducements to new tenants such as rent-free periods;
- limited access to financing;
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants;
- increases 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 to 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 Notes may therefore be subject to greater risk than investments in other companies that have more diversified portfolios or business strategies. As of 31 December 2017, offices, high street retail, shopping centres and logistics assets represent 49.3%, 20.9%, 15.6%, and 6.9%, respectively of the Assets (calculated over market value as of 31 December 2017). 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 larger 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.

High street retail and shopping centres. Demand for retail space is closely linked to general economic conditions, including levels of employment and consumption, and demand for rented residential properties in adjacent areas. In addition, the retail sector, which is currently experiencing an excess of supply, is facing competition from large commercial premises, as well as 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.

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.

Property valuation is particularly uncertain in relation to land plots, where there is limited real estate transactional data against which the valuations can be benchmarked due to the restricted number of market transactions completed in Spain during the recent financial crisis. There is also no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

At the Company's request, external independent real estate appraisers prepared two valuation reports which, taken together, valued the Group's Assets at an aggregate amount of approximately €11.254 billion as at 31 December 2017 (the "**Valuation**"). If the Valuation does not accurately reflect the value of the underlying properties, or if any valuations relied on by the Group in making acquisitions should prove to have been inaccurate, whether due to the above factors or otherwise, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

Prior to entering into an agreement to acquire any property, the Group performs due diligence on the proposed asset. For instance, the Group performed due diligence on Testa Inmuebles en Renta, SOCIMI, S.A. ("**Testa**") before its acquisition and on Metrovacesa, S.A. ("**Metrovacesa**") before integrating its commercial real estate rental assets into the Group's portfolio. In such due diligence, the Group 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. As part of the due diligence process in relation to the acquisitions of Testa and Metrovacesa, the Issuer also made subjective judgements regarding the real estate assets, contractual agreements, obligations and liabilities of Metrovacesa and Testa. To the extent that the Group and other third parties underestimate or fail to identify risks and liabilities associated with an asset, the Group may be subject to one or more of the following risks:

- defects in title;

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

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

Real estate assets are illiquid

Real estate assets can be illiquid for reasons including, but not limited to, the long-term nature of leases, commercial properties being tailored to tenants' specific requirements and varying demand for commercial property. This is especially the case with land. 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 not have full control of its Assets and may therefore be subject to the risks associated with minority investments and joint venture investments

Pursuant to the Group's Business Strategy, the Group may enter into a variety of acquisition structures in which the Group acquires less than a 100% interest in a particular asset or entity with the remaining ownership interest being held by one or more third parties. For example, following completion of the spin-off (*escisión total*) of Metrovacesa, the Company no longer has control of Testa Residencial SOCIMI, S.A. ("**Testa Residencial**"), as its indirect shareholding in Testa Residencial fell from 100% to 16.17% as at 12 April 2017 while the former shareholders of Metrovacesa held the remaining 83.83% as at such date (as of the date of this Base Prospectus, the Company has since increased its stake in Testa Residencial to 16.95%). The management and control of such an asset or entity may entail risks associated with multiple owners and decision makers, including the risks that:

- investment partners become insolvent or bankrupt, or fail to fund their share of any capital contribution which might be required, resulting in the Group having to pay the investment partner's share or bearing the risk of losing the particular asset;
- investment partners have economic or other interests that are inconsistent with the Group's interests and are in a position to take or influence actions contrary to the Group's interests and plans (for example, in implementing active asset management measures), which may create impasses on decisions and affect the Group's ability to implement its strategies and/or dispose of the asset or entity;
- income obtained from these minority investments may not qualify as income received from Qualifying Subsidiaries and hence may affect the Company's ability to comply with the SOCIMI Regime requirement that at least 80% of the Company's net annual income must derive from rental income and from dividends or capital gains in respect of certain specified assets;

- disputes develop between the Group and investment partners, resulting in the Group incurring litigation or arbitration costs and distracting the Board of Directors and/or the Management Team from their other managerial tasks;

- investment partners do not have enough liquid assets to make cash advances that may be required in order to fund operations, maintenance and other expenses related to the property, which could result in the loss of current or prospective tenants and may otherwise adversely affect the operation and maintenance of the property;

- an investment partner breaches agreements related to the property, which may cause a default under such agreements and result in liability for the Group;

- the Group may, in certain circumstances, be liable for the actions of investment partners; and

- a default by an investment partner constitutes a default under mortgage loan financing documents relating to the particular asset, which could result in a foreclosure and the loss of all or a substantial portion of the particular asset held by the Group.

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

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

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 of 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.

The Group may be involved in litigation and arbitration proceedings, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects

From time to time the Group may be involved in legal proceedings in the ordinary course of its business. An unfavourable outcome in respect of one or more of such proceedings could, to the extent such outcome is not covered by any of the Group's insurance policies, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2. SPECIFIC RISKS RELATING TO THE GROUP'S EXISTING ASSETS

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

The transfer of Testa's Qualifying Assets (as described in "*Spanish SOCIMI Regime and Taxation Information*") that were held prior to the application of the SOCIMI Regime would be partly subject to taxation even if transferred after the end of the three-year minimum holding period. In particular, the profit that is deemed to be obtained prior to the application of the SOCIMI Regime would be subject to taxation at the general corporate income tax rate (currently 25%).

For this purpose, the SOCIMI Act sets out a rebuttable presumption (rebuttable either by the Company or by the Spanish tax authorities, as confirmed by the Spanish General Tax Directorate (*Dirección General de Tributos*) (the "**DGT**") in a recent ruling (n.V3767-15)) by virtue of which any profit obtained on the transfer of real estate assets that were held prior to the application of the SOCIMI Regime is deemed to be obtained on

a lineal basis along the holding period of the relevant asset. Therefore, the tax payable on any such profits would generally be lower the longer the asset is held after the application of the SOCIMI Regime. Therefore, if non-core assets are disposed of shortly after the application of the SOCIMI Regime, depending on the date of transfer, they may be subject to taxation at the abovementioned general CIT rate.

As at 31 December 2017 the Company has registered a deferred tax liability in its accounts in the amount of €592.4 million, that mainly arose from business combinations carried out in recent years (Testa and Metrovacesa) and due to the increase in value of the assets of Tree Inversiones Inmobiliarias, SOCIMI, S.A. ("**Tree**") (assets that were acquired before adhering to the SOCIMI Regime) and from the non-SOCIMI subsidiaries (resident in Portugal which comply with the requirements established in article 2.1c) of the SOCIMI Act for being considered as compliant assets under the SOCIMI Regime). For further information about tax matters see Note 19 to the 2017 Annual Accounts.

A concentration of the Assets are leased to a single tenant

As of 31 December 2017, approximately 19.6% of the Group's revenue came from bank branches that are leased to 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 its 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, any adverse developments affecting the financial institutions sector or BBVA or the failure by BBVA to comply with the terms of its lease agreement could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the relevant 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 lease. In the event of such a breach, the legal remedies available to the Group would be unlikely to extend beyond a claim for breach of contract, action for eviction or similar remedies. Moreover, given the size of the relevant Assets, the Group would likely be unable to mitigate the impact of any default by BBVA on its obligations under its 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 may seek to approach for any potential sale or letting of the relevant assets.

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

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. In addition, the Group's future prospects are, in part, dependent on the successful integration and motivation of certain key employees of Testa.

Even if the current Management Team is retained, 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 Base Prospectus.

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 Management Team's employment contracts contain provisions, which entitle the members of the Management Team to substantial severance payments, in certain circumstances, if any such employment is terminated. Such payments have a maximum limit of twice the annual fixed salary and bonus pool awarded to the relevant member of the Management Team (but, to clarify, any awards related to the long term incentive plan are excluded from such severance payment calculations). Consequently, the termination of employment of any of the members of the Management Team may be costly to the Company, which in turn, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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.

The Issuer's major shareholder is able to exercise significant influence over the Group and its interests may conflict with those of the Group and other minority shareholders and may result in business decisions which are not in the Group's best interest

As at 16 May 2018, Banco Santander, S.A. ("**Santander**") held 22.27% of the Issuer's share capital and has appointed two non-executive directors to the Board of Directors. As such, it is able to exercise significant influence over the Group and its interests may differ from the Issuer's interests or those of the Issuer's other shareholders.

Since the financial crisis, financial institutions such as Santander have sought to dispose of real estate assets (including real estate assets used as security in financing arrangements and mortgaged assets seized from

debtors following defaults). In addition, Santander also holds stakes in other real estate companies. Although the Issuer does not consider Santander to compete directly with the Group in its market segments, there can be no assurance that the activities of Santander will not conflict with the interests of the Group. Any of the foregoing could have a material adverse effect on the Group's revenues and operations and, accordingly, the Issuer's ability to meet its obligations under the Notes.

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 Company may cease to be qualified as a Spanish SOCIMI which would have adverse consequences for the Group

As described in the section entitled "*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 only limited interpretation by the tax authorities and no judgements from the Spanish courts (see "*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 in the Notes 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).

The application of the SOCIMI Regime to the Company is conditional on compliance with certain requirements as set forth in "*Spanish SOCIMI Regime and Taxation Information*" including, among others, the listing of the SOCIMI's shares, investment in Qualifying Assets (as described in "*Spanish SOCIMI Regime and Taxation Information*") under the SOCIMI Regime, the receipt of income from certain sources and mandatory distribution of certain profits.

Failure to comply with such requirements will result in the loss of the special tax regime except where the regulations allow for such failure to be remedied within the immediately following financial year. However, the SOCIMI regulations do not allow remedy of failure to comply with the requirements related to listing of the shares or mandatory distributions of dividends.

The disapplication of the SOCIMI Regime to the Company would (i) have a negative impact in respect of both direct and indirect taxes, (ii) affect the liquidity and financial position of the Company to the extent it were required to reassess the taxation of income obtained in previous tax years which should have been taxed in accordance with the general Spanish corporate income tax regime and at the general corporate income tax rate, and (iii) prevent the Company from opting again for the SOCIMI Regime for three years from the end of the last tax period in which the SOCIMI Regime was applicable.

Furthermore, if the Company transferred its Qualifying Assets before the end of the three-year minimum holding period, as explained in "*Spanish SOCIMI Regime and Taxation Information*", income obtained as a result of such transfers, as well as the rental income generated by the Qualifying Assets taxed according to the SOCIMI Regime, would be taxed according to the general Spanish corporate income tax regime and at the general corporate income tax rate and would have a negative impact for the purposes of determining compliance with the requirement for the Company to obtain income from certain sources, which could result in the loss of its SOCIMI status unless such situation were remedied within the following financial year.

If the Company were to lose such status as a result of any of the above or for any other reason, it would have to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard Corporate Income Tax rate (currently 25%), and would not be eligible to become a SOCIMI (and benefit from its special tax regime) for the following three fiscal years as from the end of the last tax period in which the Spanish SOCIMI Regime was applicable.

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.

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 "*Spanish SOCIMI Regime and Taxation Information*" below), or from dividends distributed by Qualifying Subsidiaries.

Capital gains derived from the sale of Qualifying Assets are, if transferred after the end of the three-year minimum holding period, 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 net income 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, 25%)); 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 subject 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 to cure such infraction within the following fiscal year. If the gross asset or net revenue tests were not met within that fiscal year, the Company would lose its SOCIMI status, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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, as a Spanish SOCIMI, the Company will be, as a general rule, subject to a 0% Spanish Corporate Tax rate 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.

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 when such shareholder 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**"). Specific rules apply regarding those dividend payments made to (i) any shareholder that qualifies as a Spanish SOCIMI, as this special 19% Corporate Income Tax would not

apply in this case, and to (ii) non-Spanish resident real estate investment entities assimilated to a Spanish SOCIMI, which are subject to a specific scrutiny and evidence procedure regarding their own shareholders.

Notwithstanding the above, the By-laws of the Company include indemnity obligations of the Substantial Shareholders in favour of the Company. In particular, the By-Laws require that in the event 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 Company.

The DGT has issued two binding rulings (n.V3308-14 and n.V0323-15) indicating that the 10% test to be carried out in order to identify substantial shareholders shall be focused on the tax liability arising from the dividend income considered individually, taking into account (a) exemptions and tax credits affecting the dividends received by the shareholder and (b) those expenses incurred by the shareholder which are directly linked to the dividend income (e.g., fees paid in relation to the management of the shareholding in the relevant SOCIMI distributing the dividends, or financial expenses (interest) deriving from the financing obtained to fund the acquisition of the shares of the relevant SOCIMI), without taking into consideration for this purpose other income of the shareholder (e.g., compensation of carried forward losses by the shareholder). In addition, the DGT has confirmed that the withholding tax levied on a dividend payment (including any non-resident income tax liability) should also be taken into consideration by the shareholder for assessing this 10% threshold.

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.

The Group is exposed to the political risks of the countries in which it operates. The growth of political ideology and changing priorities in Member States that could be contrary to the European Union could affect the political and economic situation in the Eurozone or in Spain or Portugal and, as a result, have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The United Kingdom's vote in favour of leaving the EU and subsequent invocation of Article 50 of the Treaty of Lisbon implies an end to the idea that a nation's participation in the EU is irreversible and has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets. Further details about the process of the UK leaving the EU are needed to better assess the impact on the real economy. In addition, investor confidence may fall due to uncertainties arising from the results of election processes or other political events in the different countries in which the Group operates, which may ultimately result in changes in laws,

regulations and policies. With regard to the Spanish economy in particular, investor confidence may fall due to the ongoing debate surrounding Cataluña's potential independence and the fact that, as at the date of this Base Prospectus, there is a high level of political uncertainty with the current government unable to pass a budget for 2018 following the June 2016 general elections which left no one party with a strong majority.

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

In addition, uncertainty continues to surround the pace and scale of economic recovery, in particular in Spain and Portugal, and globally, where China's growth rate is a concern, 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 the weakening of the euro, oil price fluctuations, 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. RISKS RELATING TO THE NOTES

A) RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer

In the case of any particular Tranche of Notes, the relevant Final Terms of which specify that the Notes are redeemable at the Issuer's option (for example pursuant to Condition 7(d) (*Redemption at the Option of the Issuer*), Condition 7(g) (*Residual Maturity Call Option*), Condition 7(h) (*Redemption following a Substantial Purchase Event*) or Condition 7(i) (*Redemption following an Acquisition Event*)), in certain circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. Any redemption will be at a price equal to or greater than 100 per cent. of the nominal amount of the Notes.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes or, in respect of redemption pursuant to Condition 7(h) (*Redemption following a Substantial Purchase Event*) or Condition 7(i) (*Redemption following an Acquisition Event*), upon the occurrence of certain events. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a

significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The regulation and reform of benchmarks may adversely affect the value of Notes referencing such benchmarks

The London Interbank Offered Rate ("**LIBOR**"), Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**BMR**") was published in the Official Journal of the EU on 29 June 2016 and has applied from 1 January 2018. The BMR applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The BMR could have a material impact on any Notes referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the BMR. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

In addition, following the implementation of any such potential reforms, benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of LIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes referencing such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR which may, depending on the manner in which the LIBOR benchmark is to be determined under the terms and conditions, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available). Such factors may have the effect, amongst other things, of: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other

consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR reforms in making any investment decision with respect to any Notes referencing a benchmark. In particular, investors should be aware that in relation to Floating Rate Notes relating to LIBOR or any other such benchmarks where Screen Rate Determination is specified, the Notes contain the fallback provisions described under Condition 6(b) (*Interest on Floating Rate Notes*) of the Notes (see "*Terms and Conditions of the Notes*"). The operation of such provisions, being dependent in part upon the provision by the Reference Banks of offered quotations, is subject to market circumstances and the availability of rates information at the relevant time. If such quotations are not available, the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date and, if LIBOR or any other relevant benchmarks are discontinued, the same Rate of Interest may continue to be the Rate of Interest for each successive Interest Accrual Period until the maturity of the Notes so that the Notes will, in effect, become fixed rate Notes utilising the relevant benchmark rate last available. Any of the foregoing could have an adverse effect on the value or liquidity of and return on any Floating Rate Notes which reference such benchmarks.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

B) RISKS RELATING TO NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally:

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless, in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with an outstanding Tranche). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Luxembourg Stock Exchange's regulated market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there can be no assurance as to the development or liquidity of any trading market for any particular Tranche.

Financial covenants

The terms and conditions of the Notes (the "**Terms and Conditions of the Notes**" or the "**Conditions**"), as well as certain of the Group's debt facilities, contain financial covenants requiring the Group to maintain certain financial ratios, including LTV ratios and interest coverage ratios (see "*Terms and Conditions of the Notes – Covenants*") and restricting asset disposals by the Group. Failure to comply with said covenants, including as a result of the occurrence of extraordinary or unforeseen events, could result in an event of default under the Notes issued under the Programme and said debt facilities and that they become subject to early termination, which may have a material adverse effect on the Issuer and its Group.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

As the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

The Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or paying agent (in the case of a NGN) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

The proposed financial transactions tax (the "FTT")

The European Commission published in February 2013 a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (excluding Estonia, the "**participating Member States**"). Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain.. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Members States may withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Change of law

The Terms and Conditions of the Notes, save for Condition 3 (*Status of Notes*), are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Condition 3 (*Status of Notes*), is based on Spanish law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Spanish law or administrative practice after the date of this Base Prospectus.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as set out in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations. In such a case a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed)

and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the Spanish Withholding Tax

The Issuer considers that, according to article 44 of Royal Decree 1065/2007, of 27 July ("**Royal Decree 1065/2007**"), as amended by Royal Decree 1145/2011, of 29 July ("**Royal Decree 1145/2011**"), it is not obliged to withhold taxes in Spain on any interest paid under the Notes to any Noteholder, irrespective of whether such Noteholder is tax resident in Spain. The foregoing is subject to certain information procedures (which do not require identification of the Noteholders) having been fulfilled. These procedures are described in "*Spanish SOCIMI Regime and Taxation Information – Disclosure of Information in Connection with the Notes*" below.

The Issuer and the Paying Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof.

Under Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, it is no longer necessary to provide an issuer with information regarding the identity and the tax residence of an investor or the amount of interest paid to it, provided that the securities: (i) are regarded as listed debt securities issued under Spanish Act 10/2014, of 26 June and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state. The Issuer considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax.

Notwithstanding the above, in the case of Notes held by Spanish tax resident individuals (and under certain circumstances, by Spanish entities subject to Spanish Corporate Income Tax (*Impuesto sobre Sociedades*)) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the rate of 19 per cent.

If the Spanish Tax Authorities maintain a different opinion as to the application by the Issuer of withholding to payments made to Spanish tax residents (individuals and entities subject to Spanish Corporate Income Tax), the Issuer will, with immediate effect, make the appropriate withholding. If this is the case, identification of Noteholders may be required and the procedures, if any, for the collection of relevant information will be applied by the Issuer (to the extent required) so that it can comply with its obligations under the applicable legislation as interpreted by the Spanish Tax Authorities. If procedures for the collection of the Noteholders information are to apply, the Noteholders will be informed of such new procedures and their implications. Noteholders must seek their own advice to ensure that they comply with all procedures to ensure the correct tax treatment of their Notes. None of the Issuer, the Dealers, or the Paying Agent assumes any responsibility therefor.

Risks related to the Spanish Insolvency Act

Spanish Act 22/2003 of 9 July 2003 on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*) (the "**Spanish Insolvency Act**") regulates court insolvency proceedings (*concurso de acreedores*), which may lead either to the restructuring of the debts of the Issuer or to the liquidation of its assets. As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of the debtors and creditors, the law extends the jurisdiction of the court dealing with insolvency

proceedings, which is then legally authorised to handle any enforcement proceedings or interim measures affecting the debtor's assets (whether based upon civil, labour or administrative law).

The order opening the court insolvency proceedings contains an express request for the creditors to declare debts owed to them, providing original documentation to justify such credits. Based on the documentation provided by the creditors and that held by the debtor, the insolvency receiver draws up a list of acknowledged creditors, either actual or contingent, and classifies the claims according to the categories established under the Spanish Insolvency Act, which are: (i) post-insolvency claims (*créditos contra la masa*), (ii) secured claims (*créditos con privilegio especial*), (iii) preferential claims (*créditos con privilegio general*), (iv) ordinary claims (*créditos ordinarios*) and (v) subordinated claims (*créditos subordinados*).

The ranking of claims owed by a debtor that is the subject of Spanish insolvency proceedings is set out in the Spanish Insolvency Act. The insolvency court would not recognise any contractual ranking of claims, save in respect of claims that are, by contract, subordinated to all claims owed by the debtor. Upon the insolvency of an entity under the Spanish Insolvency Act, ordinary creditors rank ahead of subordinated creditors but behind preferential creditors and creditors with post-insolvency claims and secured creditors are given preferential rights in respect of the underlying secured assets. It is intended that claims against the Issuer under the Notes will be classified as ordinary claims. However, certain actions or circumstances which are beyond the control of the Issuer may result in these claims being classified as subordinated claims. For example, pursuant to article 92.5 of the Spanish Insolvency Act, the claims of those persons closely related to the Issuer will be classified as subordinated claims. The following persons (amongst others) may be considered closely related to the Issuer:

(a) shareholders holding 5 per cent. or more of the Issuer's share capital at the time the claim arises;

(b) actual or shadow directors (including those who acted as such in the two years leading up to the Issuer's declaration of insolvency); and

(c) members of the same group of companies as the Issuer and their common shareholders, if they comply with the requirements established in article 93.2.1 of the Spanish Insolvency Act.

Furthermore, any person who acquires claims which were held by one of the above persons is also presumed to be closely related to the Issuer if the acquisition takes place in the two years leading up to the Issuer's declaration of insolvency. This presumption is rebuttable.

The claims of Noteholders under the Notes may, therefore, be subordinated to the extent the Noteholders are considered closely related to the Issuer as a result of the application of the provisions of the Spanish Insolvency Act. Noteholders should be aware of this subordination risk and take those precautions they consider appropriate to ensure that their claims are not subordinated.

The Spanish Insolvency Act also provides, among other things, that (i) any claim may in some circumstances become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within one month from the last official publication of the court order declaring the insolvency in the Spanish Official Gazette (*Boletín Oficial del Estado*), (ii) actions deemed detrimental for the insolvency estate of the insolvent debtor carried out during the two-year period preceding the date of its declaration of insolvency may be set aside, (iii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, (iv) accrual of interest (other than interest accruing under secured liabilities up to an amount equal to the value of the security) shall be suspended as from the date of the declaration of insolvency and any amount of interest accrued up to such date and unpaid (other than any interest accruing under secured liabilities up to an amount equal to the value of the security) shall become subordinated and (v) set-off is not permitted once a declaration of insolvency has been made, although certain

financial netting agreements (for example, ISDA or CMOF) and any agreements subject to foreign law (if the relevant law permits off-setting in the event of insolvency), are exempt from such prohibition.

A substantial reform of the Spanish Insolvency Act approved in 2014 focussed on pre-insolvency instruments, refinancing agreements and creditors' agreements (*convenios*). The key issues addressed by such reform are as follows:

(a) *No enforcement of security in pre-insolvency scenarios*: the Spanish Insolvency Act already included a notification system for distressed companies when negotiations with creditors had been started for the purposes of agreeing a restructuring agreement, which suspended the obligation of the insolvent company to file for insolvency for a period of three months. A limitation was introduced on the enforcement of security over assets that are needed for the continuity of the debtor's business activity. The same restriction applies for financial creditors in respect of any asset, if 51% of the debtor's financial creditors by value have supported the start of negotiations for a restructuring agreement and committed not to initiate individual enforcements while negotiations were ongoing. Secured creditors can initiate the enforcement of security but it will be automatically suspended.

(b) *Protected restructuring agreements*: protected restructuring agreements were introduced in the Spanish Insolvency Act in 2011 in order to establish a "safe harbour" for restructuring processes, so that the claw-back actions set out under the Spanish Insolvency Act did not affect them and the transactions carried out under these restructuring agreements were not subject to scrutiny and potential annulment when the company became insolvent. However their success has been limited given certain constraints previously included in the law. The reform carried out was aimed to further encourage the use of these pre-insolvency agreements.

(c) *Spanish "schemes of arrangement"*: the restructuring agreements described above are designed to protect the actions carried out pursuant to them from the claw-back period upon insolvency of the company, but were only applicable to those creditors who were party to them. The amendments of the Spanish Insolvency Act approved in 2014 allow the cram-down of dissenting creditors within refinancing agreements when meeting certain requirements, mainly regarding majority thresholds.

(d) *Creditors' agreements*: their content is now broader and expressly includes the ability to convert debt into equity (or any debt instrument) or the assignment of assets in payment as compulsory. Proposals of creditors' agreements must contain write-downs and/or moratoria on payment, but the limits that had applied since the Spanish Insolvency Act came into force (50% and five years, respectively) have been lifted. In exchange, qualified majorities are needed for arrangements where these limits are exceeded. In addition, it is now possible to bind secured and preferential creditors provided that a particular percentage of such creditors of the same class vote in favour of the arrangement.

C) RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued and one may never develop. Even if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited

secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls for Investors

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the Conditions). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks for Fixed Rate Notes

Investment in Notes that bear interest at a fixed rate involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016, respectively, together in each case with the audit report thereon, which have been previously published or are published simultaneously with this Base Prospectus and which have been approved by the CSSF or filed with it. Such documents shall be incorporated by reference in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be inspected, free of charge, during normal business hours at the registered office of the Issuer or obtained (without charge) from the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The table below sets out the relevant page references for the audited consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2016, respectively. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.

1. Unaudited balance sheet and profit and loss account of the Issuer as of and for the three months ended 31 March 2018

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

2. Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2017

Merlin Properties, SOCIMI, S.A. audited consolidated financial statements as of and for the year ended 31 December 2017

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

3. Audited consolidated financial statements of the Issuer as of and for the year ended 31 December 2016

Merlin Properties, SOCIMI, S.A. audited consolidated financial statements as of and for the year ended 31 December 2016

Note: the page numbers in the above table refer to the page numbers of the corresponding pdf file.

4. The Terms and Conditions of the Notes set out on pages 41 to 69 (inclusive) of the base prospectus of the Issuer dated 6 April 2016 prepared by the Issuer in connection with the Programme.

5. The Terms and Conditions of the Notes set out on pages 41 to 70 (inclusive) of the base prospectus of the Issuer dated 12 May 2017 prepared by the Issuer in connection with the Programme.

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) 809/2004.

Pursuant to Spanish regulatory requirements, the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2016 and 31 December 2017 are required to be accompanied by the respective "Consolidated Management Report". These "Consolidated Management Reports" are incorporated by reference in this Base Prospectus only in order to comply with such regulatory requirements. Investors are strongly cautioned that the information contained in the "Consolidated Management Reports" has been neither audited nor prepared for the specific purpose of the Programme. Accordingly, the "Consolidated Management Reports" should be read together with the other sections of this Base Prospectus, and in particular the section "*Risk Factors*". Any information contained in the "Consolidated Management Reports" shall be deemed to be modified or superseded by any information elsewhere in the Base Prospectus that is subsequent to or inconsistent with it. Furthermore, the "Consolidated Management Reports" include certain forward-looking statements that are subject to inherent uncertainty (see "*Forward-Looking Statements*"). Accordingly, investors are cautioned not to rely upon the information contained in such "Consolidated Management Reports".

BASE PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a supplement to this Base Prospectus pursuant to article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market, shall constitute a prospectus supplement as required by article 13 of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to

modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	Merlin Properties, SOCIMI, S.A.
Issuer Legal Entity Identifier (LEI):	959800L8KD863DP30X04
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" above.
Description:	Euro Medium Term Note Programme.
Size:	Up to €5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Société Générale.
Dealers:	Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, CaixaBank, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., NATIXIS and Société Générale. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a Dealer in respect of one or more Tranches.
Fiscal Agent:	Société Générale Bank & Trust S.A.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price,

	first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms for such Tranche (the "**Final Terms**").
Issue Price:	The Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Notes:	The Notes may be issued in bearer form only. Each Tranche of Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Subscription and Sale – Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN, the Global Note will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN, the Global Note representing Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the

	minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such

	redemption. Any redemption will be at a price equal to or greater than 100 per cent. of the nominal amount of the Notes.
Status of Notes:	The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and, in the event of insolvency (*concurso*) of the Issuer, will (unless they qualify as subordinated debts under Article 92 of the Spanish Insolvency Act or equivalent legal provision which replaces it in the future, and subject to any legal and statutory exceptions) rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future, all as described in "*Terms and Conditions of the Notes – Status of Notes*".
Negative Pledge:	See "*Terms and Conditions of the Notes – Negative Pledge*".
Cross Default:	See "*Terms and Conditions of the Notes – Events of Default*".
Issuer Covenants:	So long as any of the Notes remains outstanding, the Issuer will be subject to certain covenants. See "*Terms and Conditions of the Notes – Covenants*".
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "– *Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Taxation:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Kingdom of Spain unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Notes – Taxation*". The Issuer considers that, according to Royal Decree 1065/2007, of 27 July, as amended by Royal Decree 1145/2011, of 29 July, it is not obliged to withhold taxes in Spain in

	relation to interest paid on the Notes to any investor (whether tax resident in Spain or not) provided that the information procedures described in section "*Spanish SOCIMI Regime and Taxation Information – Disclosure of Information in Connection with the Notes*" below are fulfilled. According to the information procedures described in such section, it would no longer be necessary to provide the Issuer with information regarding the identity and tax residence of the Noteholders or the amount of interest payable to them, provided certain conditions are met. For further information on this matter, please refer to "*Risk Factors — Risks related to the Spanish Withholding Tax*".
Governing Law:	Save for Condition 3 (*Status of Notes*), English law.
Listing and Admission to Trading:	Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a Specified Denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Spain and Japan. See "*Subscription and Sale*". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for the text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 18 May 2018 between the Issuer, Société Générale Bank & Trust S.A. as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 18 May 2018 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent) and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. If so required by Spanish law, the Issuer will execute a public deed (*escritura pública*) (the "**Public Deed**") before a Spanish public notary in relation to the Notes and will register the Public Deed with the Commercial Registry of Madrid. The Public Deed will contain, among other information, the terms and conditions of the Notes.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form in each case in the Specified Denomination(s) shown in the relevant Final Terms, provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of those Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown in the relevant Final Terms.

Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Title to the Notes and to the Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and

regardless of any notice of ownership, trust or an interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Note, "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Note, Coupon or Talon and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes

Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

3 Status of Notes

The Notes and Coupons constitute direct, general, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and, in the event of insolvency (*concurso*) of the Issuer, will (unless they qualify as subordinated debts under Article 92 of Spanish Act 22/2003, of 9 July 2003 (*Ley Concursal*) (the "**Spanish Insolvency Act**") or equivalent legal provision which replaces it in the future, and subject to any legal and statutory exceptions) rank *pari passu* without any preference among themselves and with all other outstanding unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

In the event of insolvency (concurso) of the Issuer, under the Spanish Insolvency Act claims relating to the Notes (which are not subordinated pursuant to article 92 of the Spanish Insolvency Act) will be ordinary credits (créditos ordinarios) as defined in the Spanish Insolvency Act. Ordinary credits rank below credits against the insolvency state (créditos contra la masa) and credits with a general or special privilege (créditos con privilegio general o especial). Ordinary credits rank above subordinated credits and the rights of shareholders. Interest on the Notes accrued but unpaid as at the commencement of any insolvency proceeding (concurso) relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, accrual of interest on the Notes shall be suspended as from the date of any declaration of insolvency (concurso) of the Issuer.

4 Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not, and will ensure that none of its Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto securing the Notes and the Coupons equally and rateably therewith or according the Notes and the Coupons such other Security Interest as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

"**Permitted Security Interest**" means any Security Interest created in respect of (i) any Relevant Indebtedness of an entity which, in each case after 18 May 2018, merges with the Issuer or one of its Subsidiaries or which is acquired by the Issuer or one of its Subsidiaries, provided that such security was already in existence at the time of the merger or the acquisition, was not created for the purpose of financing the merger or the acquisition and is not increased in amount or otherwise extended following the merger or the acquisition, or (ii) any Refinancing Relevant Indebtedness;

"**Refinancing Relevant Indebtedness**" means any Relevant Indebtedness incurred by Tree Inversiones Inmobiliarias SOCIMI, S.A.U. to refinance the indebtedness under the senior facility agreement entered into on 23 September 2009 between Tree Inversiones Inmobiliarias SOCIMI, S.A.U., as borrower, and a syndicate of financing entities, as lenders;

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be (with the consent of the issuer thereof), quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and

"**Subsidiary**" means in relation to any company, corporation or other legal entity, (a "holding company"), a company, corporation or other legal entity:

(a) which is controlled, directly or indirectly, by the holding company;

(b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the holding company; or

(c) which is a subsidiary of another Subsidiary of the holding company,

and, for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to determine the composition of the majority of its board of directors or equivalent body.

5 Covenants

For so long as any Note or Coupon remains outstanding (as defined in the Agency Agreement), the Issuer undertakes that:

(a) **Financial Condition:**

(i) **Loan to Value Ratio:** the Loan to Value Ratio will not at any time exceed 60 per cent.;

(ii) **Interest Cover:** the Interest Cover for each Relevant Period will not be less than 2.5; and

(iii) **Unencumbered Ratio:** the Unencumbered Ratio will not at any time be less than 125 per cent.

The financial covenant calculations set out in paragraphs (i), (ii) and (iii) of this Condition 5(a), in each case, shall be calculated and interpreted on a consolidated basis in accordance with IFRS-EU and shall be expressed in euro;

(b) **Reports:** the Issuer will post on its website:

(i) within 180 days after the end of each of the Issuer's fiscal years, annual reports containing the following information:

(x) audited consolidated financial statements prepared in accordance with IFRS-EU; and

(y) the related audit report of the Independent Auditors on the consolidated financial statements; and

(ii) within 120 days after the end of each half of each fiscal year of the Issuer, unaudited consolidated semi-annual financial statements prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

This Condition 5(b) shall not apply for so long as the Issuer's ordinary shares are listed on an EEA Regulated Market;

(c) **Compliance Certificates:**

(iii) the Issuer will deliver to the Noteholders through the Fiscal Agent promptly following the publication of each set of Financial Statements, a certificate (a "**Compliance Certificate**") setting out (in reasonable detail) computations as to the compliance by the Issuer, as at the relevant Reporting Date, with the covenants set out in paragraphs (i), (ii) and (iii) of Condition 5(a);

(iv) each Compliance Certificate shall be signed by a duly authorised representative of the Issuer; and

(v) each Compliance Certificate that is delivered in connection with publication of an annual report of the Issuer pursuant to Condition 5(b)(i) shall be reported on by the Independent Auditors on the proper extraction of the numbers used in the financial covenant calculations; and

In these Conditions:

"**EEA Regulated Market**" means a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU which is situated in the European Economic Area;

"**Excluded Subsidiaries**" means Tree Inversiones Inmobiliarias SOCIMI, S.A.U. and any other Subsidiary of the Issuer whose gross asset value from residential real estate business represents at least 75% of its gross asset value, calculated on the same basis as the Gross Assets Value;

"**Facility Agreement**" means the facilities agreement entered into by the Issuer with certain financial institutions on 20 December 2015, as novated and modified on 24 October 2016, which as at 31 December 2017 had a maximum amount of €840,000,000;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS-EU, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition required by IFRS-EU to be shown as borrowing in the consolidated statement of financial position of the Group;

(g) any amounts due and payable under any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price;

(h) any shares which are expressed to be redeemable (*acciones rescatables*); and

(i) without double counting any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(j) without double counting the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

"**Financial Statements**" means the audited annual consolidated financial statements (including the consolidated management report) of the Issuer, prepared in accordance with IFRS-EU, or, as the case may be, the unaudited consolidated semi-annual financial statements (including the consolidated management report) of the Issuer, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union in each case as published by the Issuer as at a Reporting Date;

"**Gross Assets Value**" means, as at each Reporting Date, the value of the assets owned by the Group (valued on a current market basis) based on the most recent Valuation delivered by the Valuer (adjusted, for assets owned by a non-wholly-owned Subsidiary of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary) plus the book value of any advanced payments already made by the Group in respect of assets to be acquired by it and where there is already in place a binding commitment for the relevant seller to sell such asset to the Group, as shown in the Financial Statements published by the Issuer as at the relevant Reporting Date;

"**Group**" means the Issuer and its Subsidiaries for the time being;

"**Hedging Agreement**" means the master agreement, confirmation, schedule or other agreement in agreed form entered into or to be entered into by the Issuer for the purpose of hedging interest payable under the Facility Agreement;

"**IFRS-EU**" means International Financial Reporting Standards as adopted by the European Union;

"**Independent Auditors**" means the Issuer's independent auditors, currently Deloitte, S.L.;

"**Interest Cover**" means, for any Relevant Period, the ratio of net operating income to finance costs for that Relevant Period. For the purposes of this definition:

(a) "**finance costs**" means the aggregate amount of interest and periodic fees, including periodic payments under the Hedging Agreements or other derivative transactions, payable in relation to the Financial Indebtedness of members of the Group (adjusted, for finance costs of a non-wholly-owned Subsidiary of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary); and

(b) "**net operating income**" means in relation to any Relevant Period, the net consolidated operating income of the Group for that Relevant Period (adjusted, for net operating income of a non-wholly-owned Subsidiary of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary);

"**Loan to Value Ratio**" means the ratio, expressed as a percentage, of Total Net Debt to Gross Assets Value;

"**Material Subsidiary**" means any Subsidiary wholly owned by the Issuer (other than the Excluded Subsidiaries) which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as EBITDA representing 10 per cent. or more of EBITDA or has gross assets or turnover (excluding intra-Group items) representing 10 per cent. or more of the gross assets or turnover of the Group, calculated on a consolidated basis of the Restricted Group;

"**Reporting Date**" means an accounts date for which audited annual consolidated financial statements of the Issuer, prepared in accordance with IFRS-EU, have been published by the Issuer or unaudited consolidated semi-annual financial statements of the Issuer, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, have been published by the Issuer, being on the date of this Base Prospectus, 30 June and 31 December in each year;

"**Relevant Period**" means (i) the 12-month period prior to each Reporting Date that is the accounts date for which annual consolidated financial statements of the Issuer have been published and (ii) the 6-month period prior to each Reporting Date that is the accounts date for which unaudited consolidated semi-annual financial statements have been published by the Issuer;

"**Restricted Group**" means the Group excluding the Excluded Subsidiaries;

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

"**Total Net Debt**" means any outstanding amounts in respect of the Financial Indebtedness of the Group (adjusted, for the Financial Indebtedness of any non-wholly-owned Subsidiaries of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary) deducting an amount of cash (at bank or at hand) or cash equivalents held by the Group (adjusted, for the amount of cash (at bank or at hand) or cash equivalents of any non-wholly-owned Subsidiaries of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary) as of the relevant date;

"**Unencumbered Total Assets**" means the value of the real estate assets owned by the Restricted Group (adjusted, for assets owned by a non-wholly-owned Subsidiary of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary) from time to time in accordance with the most recent Valuation delivered by the Valuer which are not subject to a Security;

"**Unsecured Debt**" means the Financial Indebtedness of the Restricted Group (adjusted, for the Financial Indebtedness of any non-wholly-owned Subsidiaries of the Issuer, by the relevant percentage of the participation of the Issuer in the share capital of that Subsidiary) that is not secured by a Security over any assets of the Restricted Group; and

"**Unencumbered Ratio**" means the ratio, expressed as a percentage, of Unencumbered Total Assets to Unsecured Debt;

"**Valuation**" means a valuation of all real estate assets of the Group showing the relevant market value of such assets, as of the relevant Reporting Date, prepared by a Valuer; and

"**Valuer**" means Savills, CBRE, Jones Lang Lasalle, Aguirre Newman, Knight Frank, Cushman & Wakefield, BNP Paribas Real Estate and Colliers or any other valuer appointed by the Issuer.

6 Interest and other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per

annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(f). Such Interest Payment Date(s) is/are either shown in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

A. ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph A., "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the relevant Final Terms;

(y) the Designated Maturity is a period specified in the relevant Final Terms; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph A., "**Floating Rate**", "**Calculation Agent**", "**Swap Transaction**", "**Floating Rate Option**", "**Designated Maturity**"

and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

B. Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, only one of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the relevant Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the relevant Final Terms.

(y) If the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at

the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

C. Linear Interpolation

Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i)).

(d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgement) at the Rate of Interest in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 9).

(e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**

(i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 6(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph;

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be; or

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (with 0.000005 of a percentage point being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Acquisition Call Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Acquisition Call Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Acquisition Call Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "**30E/360**" **or** "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if "**Actual/Actual-ICMA**" is specified in the relevant Final Terms,

A. if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

B. if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s);

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro-zone interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day

falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified in the relevant Final Terms;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Final Terms;

"**LIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the relevant Final Terms;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms;

"**Reference Rate**" means the rate specified as such in the relevant Final Terms;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Specified Currency**" means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) **Change of Interest Basis:** If Change of Interest Basis is specified in the relevant Final Terms as being applicable, the Final Terms will indicate the relevant Interest Periods to which the Fixed Rate Note provisions, Floating Rate Note provisions and/or Zero Coupon Note provisions shall apply.

(j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent

shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7 Redemption, Purchase and Options

(a) **Final Redemption:**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount (which, unless otherwise provided, shall be its principal amount and in any event shall be at a price equal to or greater than 100 per cent. of the principal amount of the Note).

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

A. The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 7(c), Condition 7(d) or Condition 7(e) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms

B. Subject to the provisions of sub-paragraph C. below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

C. If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c), Condition 7(d) or Condition 7(e) or upon it becoming due and payable as provided in Condition 11 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph B. above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c), Condition 7(d) or Condition 7(e) or upon it becoming due and payable as provided in Condition 11, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 7(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the relevant Final Terms (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the relevant Final Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Final Terms.

The Optional Redemption Amount will either be the Early Redemption Amount (as described in Condition 7(b) above) or, if Make-whole Amount is specified in the relevant Final Terms, will be the higher of (a) 100 per cent. of the principal amount outstanding of the Notes to be redeemed and (b) the sum of the present values of the principal amount outstanding of the Notes to be redeemed and the Remaining Term Interest on such Notes (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis at (i) the Reference Note Rate plus the Redemption Margin or (ii) the Discount Rate, in each case as specified in the relevant Final Terms. If the Make-whole Exemption Period is specified as applicable and the Issuer gives notice to redeem the Notes during the Make-whole Exemption Period, the Optional

Redemption Amount will be 100 per cent. of the principal amount outstanding of the Notes to be redeemed.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 7(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

In these Conditions:

"**Discount Rate**" will be as set out in the relevant Final Terms.

"**FA Selected Note**" means a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the remaining term of the Notes.

"**Financial Adviser**" means the entity so specified in the relevant Final Terms or, if not so specified or if such entity is unable or unwilling to act, any financial adviser selected by the Issuer.

"**Make-whole Exemption Period**" will be as set out in the relevant Final Terms.

"**Redemption Margin**" will be as set out in the relevant Final Terms.

"**Reference Note**" shall be the note so specified in the relevant Final Terms or, if not so specified or if no longer available, the FA Selected Note.

"**Reference Note Price**" means, with respect to any date of redemption: (a) the arithmetic average of the Reference Government Note Dealer Quotations for such date of redemption, after excluding the highest and lowest such Reference Government Note Dealer Quotations or (b) if the Financial Adviser obtains fewer than four such Reference Government Note Dealer Quotations, the arithmetic average of all such quotations.

"**Reference Note Rate**" means, with respect to any date of redemption, the rate per annum equal to the annual or semi-annual yield (as the case may be) to maturity or interpolated yield to maturity (on the relevant day count basis) of the Reference Note, assuming a price for the Reference Note (expressed as a percentage of its principal amount) equal to the Reference Note Price for such date of redemption.

"**Reference Date**" will be set out in the relevant notice of redemption, such date to fall no earlier than the date falling 30 days prior to the date of such notice.

"**Reference Government Note Dealer**" means each of five banks selected by the Issuer which are (a) primary government securities dealers, and their respective successors, or (b) market makers in pricing corporate note issues.

"**Reference Government Note Dealer Quotations**" means, with respect to each Reference Government Note Dealer and any date for redemption, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the Reference Note (expressed in each

case as a percentage of its principal amount) at the Quotation Time specified in the relevant Final Terms on the Reference Date quoted in writing to the Calculation Agent by such Reference Government Note Dealer.

"**Remaining Term Interest**" means with respect to any Note, the aggregate amount of scheduled payment(s) of interest on such Note for the remaining term of such Note determined on the basis of the rate of interest applicable to such Note from and including the date on which such Note is to be redeemed by the Issuer in accordance with this Condition 7(d).

(e) **Redemption at the Option of Noteholders:** If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the relevant Final Terms (which may be the Early Redemption Amount (as described in Condition 7(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent within the notice period. No Note so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption at the Option of Noteholders on a Change of Control Put Event**: If Change of Control Put Event is specified in the relevant Final Terms and a Change of Control Put Event occurs, the holder of any such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 7(c) or 7(d) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if:

(i) any person or any persons acting in concert acquires Control of the Issuer; (each such event being, a "**Change of Control**"); and

(ii) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the first public announcement of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry:

A. an investment grade credit rating (*Baa3/BBB-, or their respective equivalents, or better*), from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (*Ba1/BB+, or their respective equivalents, or worse*) (a "**Non-Investment Grade Rating**") or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to an investment grade credit rating by such Rating Agency; or

B. a Non-Investment Grade Rating from any Rating Agency whether provided by such Rating Agency at the invitation of the Issuer or by its own volition and such rating is, within the Change of Control Period, either downgraded by one or more

rating categories (*from Ba1 to Ba2 or such similar lowering*) or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded to its earlier credit rating or better by such Rating Agency,

provided that if at the time of the occurrence of the Change of Control the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then only sub paragraph A. will apply; and

(iii) in making any decision to downgrade or withdraw a credit rating pursuant to paragraphs A. and B. above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the Relevant Potential Change of Control Announcement.

Further, if at the time of the occurrence of the Change of Control the Notes carry no credit rating, a Change of Control Put Event will be deemed to occur upon the occurrence of a Change of Control alone.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, the holder of a Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 30 days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 13) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 7(f) shall be treated as if they were Notes.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 85 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7(f), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some

only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

If the rating designations employed by any of Moody's, Fitch or S&P are changed from those which are described in paragraph (ii) of the definition of "Change of Control Put Event" above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Moody's, Fitch or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's, Fitch or S&P and this Condition 7(f) shall be construed accordingly.

In these Conditions:

"**Change of Control Period**" means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration);

"**Control**" means (i) the acquisition or control of more than 30 per cent. of the voting rights or (ii) the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and "**controlled**" shall be construed accordingly;

"**Rating Agency**" means Moody's Investors Service, Inc. ("**Moody's**"), Fitch Ratings Ltd. ("**Fitch**") or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. ("**S&P**") or any of their respective successors or any rating agency (a "**Substitute Rating Agency**") substituted for any of them by the Issuer from time to time; and

"**Relevant Potential Change of Control Announcement**" means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

(g) **Residual Maturity Call Option:** If a Residual Maturity Call Option is specified in the relevant Final Terms as being applicable, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption (the "**Residual Maturity Call Option Redemption Date**")), redeem all (but not some only) of the outstanding Notes comprising the relevant Series at their principal amount together with interest accrued to, but excluding, the date fixed for redemption, which shall be no earlier than three months before the Maturity Date.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 7(g).

(h) **Redemption following a Substantial Purchase Event:** If a Substantial Purchase Event is specified in the Final Terms as being applicable and a Substantial Purchase Event has occurred and is continuing, then the Issuer may, subject to having given not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem the Notes comprising the relevant Series in whole, but not in part, in accordance with these Conditions at any time, in each case at their principal amount, together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

For the purposes of this Condition, a "**Substantial Purchase Event**" shall be deemed to have occurred if at least 80 per cent. of the aggregate principal amount of the Notes of the relevant Series originally issued (which for these purposes shall include any further Notes of the same Series issued subsequently) is purchased by the Issuer or any Subsidiary of the Issuer (and in each case is cancelled in accordance with Condition 7(k).

(i) **Redemption following an Acquisition Event**: If an Acquisition Event is specified in the Final Terms as being applicable and an Acquisition Event has occurred, then the Issuer may, subject to having given not less than 15 nor more than 30 days' irrevocable notice to the Noteholders within the Acquisition Notice Period (as specified in the Final Terms) in accordance with Condition 15 (which notice shall specify the date fixed for redemption), redeem the Notes comprising the relevant Series in whole, but not in part, in accordance with these Conditions at any time, in each case at their Acquisition Call Redemption Amount (as specified in the Final Terms), together with any accrued and unpaid interest up to (but excluding) the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

Prior to the publication of any notice of redemption pursuant to this Condition 7(i), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and certifying that an Acquisition Event has occurred.

For the purposes of this Condition:

an "**Acquisition Event**" shall be deemed to have occurred if the Issuer (i) has not, on or prior to the Acquisition Completion Date (as specified in the Final Terms), completed and closed the acquisition of the Acquisition Target (as specified in the Final Terms) or (ii) has publicly announced that it no longer intends to pursue the acquisition of the Acquisition Target.

(j) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(k) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8 Payments and Talons

(a) **Method of Payment:** Payments of principal and interest in respect of Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 8(e)(v)) or Coupons (in the case of payments of interest, save as specified in Condition 8(e)(v)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such

currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Payments in the United States:** Notwithstanding the foregoing, if any Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Payments Subject to Laws:** Save as provided in Condition 9, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer, or its Paying or Fiscal Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives, or agreements. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) **Appointment of Agents:** The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least one major European city and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in paragraph (b) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(e) **Unmatured Coupons and unexchanged Talons:**

(i) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10).

(ii) Upon the due date for redemption of any Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.

(f) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10).

(g) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" in the relevant Final Terms and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (collectively, "**Taxes**") imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax (the "**Spanish Tax Authorities**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date:** presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **Information requested by Spanish Tax Authorities:** while the Notes are represented by a global Note, to, or to a third party on behalf of, a Noteholder or a Couponholder who does not provide to the Issuer or an agent acting on behalf of the Issuer the information concerning such Noteholder or Couponholder as may be required in order to comply with the procedures that may be implemented to comply with the interpretation of Royal Decree 1065/2007, of 27 July (in the version set out by Royal Decree 1145/2011, of 29 July) as eventually made by the Spanish Tax Authorities; or

(d) **Information requested by Spanish Tax Authorities:** while the Notes are represented by definitive Notes, to, or to a third party on behalf of, a Noteholder or Couponholder who does not comply with the Issuer's request to provide a valid certificate of tax residence duly issued by the tax authorities of the country of tax residence of the beneficial owner of the Notes or the Coupons, which the Noteholder or Couponholder or the beneficial owner is required to provide by the applicable tax laws and regulations of the relevant taxing authority as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by such relevant taxing authority; or

(e) **FATCA Taxes**: where such withholding or deduction is imposed under Sections 1471 and 1472 of the United States Internal Revenue Code (the "**Code**"), including, pursuant to an agreement described in section 1471(b)(1) of the Code, under any intergovernmental agreement implementing such provisions of the Code or any laws implementing any of the foregoing; or

(f) any combinations of items (a) through (e) above.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption

Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

10 Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment**: default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default**: (A) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described) (but subject to any applicable grace periods), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds €50,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the Euro as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 90 days, provided that the amount levied, enforced or sued on such distress, attachment or execution, individually or in the aggregate with any other amount levied, enforced or sued, exceeds €50,000,000; or

(e) **Unsatisfied judgement:** one or more judgement(s) or order(s) for the payment of any amount is rendered against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment, provided that the amount subject of such judgement(s) or order(s), individually or in the aggregate, exceeds €50,000,000; or

(f) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), provided that the individual or aggregate value of all assets subject to such enforcement exceeds €50,000,000; or

(g) **Insolvency**: the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt (*concurso*, in the case of Spanish companies) or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries; or

(h) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries ceases or threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) pursuant to which the surviving entity shall be the transferee of or successor to all or substantially all of the business of the Issuer and assumes all of the obligations of the Issuer with respect to the Notes or (ii) on terms approved by an Extraordinary Resolution of the Noteholders or (iii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Material Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of England and of the Kingdom of Spain is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(k) **Analogous Events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (d), (e), (f), (g), (h) and (i) of this Condition 11.

12 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or

Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the relevant Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be completed in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) **Notification to the Noteholders**: Any modification, waiver or authorisation in accordance with this Condition 12 shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

13 Replacement of Notes, Coupons and Talons

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent in Luxembourg (in the case of Notes, Coupons or Talons) or such other Paying Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

14 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (in all respects except for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

15 Notices

Notices to the holders of Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed on the Luxembourg Stock Exchange, notices to holders of the Notes shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Until such time as any definitive Notes are issued, there may, so long as any global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders in accordance with their respective rules and operating procedures. Any such notice shall be deemed to have been given to the Noteholders on the day on which the notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Notes in accordance with this Condition 15.

16 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note or Coupon is due (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 16, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Note or Coupon or any other judgement or order.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** Save as described below, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Condition 3 shall be governed by, and shall be construed in accordance with, Spanish law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer irrevocably appoints Law Debenture Corporate Services Limited of fifth floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

If the Global Notes are stated in the applicable Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Notes, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*General*

Description of the Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.3 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due,

in each case by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

3.4 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or (iii) if the Global Note is a NGN, procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the Definitive Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that has not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer

will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes and the permanent Global Notes contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 8(g) (*Non-Business Days*).

4.2 Prescription

Claims against the Issuer in respect of Notes will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

4.3 Meetings

The holder of a permanent Global Note shall (unless such permanent Global Note represents only one Note) be treated as being one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

The Issuer and any of its subsidiaries may at any time purchase Notes in the open market or otherwise at any price (provided that they are purchased together with the rights to receive all future payments of interest (if any) thereon). Any purchase by tender shall be made available to all Noteholders alike. The Notes so purchased, while held by or on behalf of the Issuer or any of its subsidiaries, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders or for the purposes of Condition 12(a).

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 11 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 18 May 2018 to come into effect in relation to the whole or a part of such Global Note in favour of the persons entitled to such part of such Global Note as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note will become void as to the specified portion.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of a clearing system, then:

(a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum, as defined in the Agency Agreement, was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in

which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the issue of Notes will be applied by the Issuer either:

- for the general corporate purposes of the Group, including the repayment of existing indebtedness of the Group; or
- to finance and/or refinance, in whole or in part, Eligible Assets.

"**Eligible Assets**" means (i) new or on-going projects (including brownfield, greenfield and/or extension/renovation projects) and/or (ii) existing assets under management by the Issuer or any of its subsidiaries, which have received (a) either a BREEAM Certificate Design Stage (or any equivalent certification) of at least (and including) "Good" (i.e., a minimum score of 55/100) or a LEED Certificate Design Stage (or any equivalent certification) of at least (and including) "Silver"; and (b) either which have obtained or will obtain a BREEAM (1) In-Use Certificate (or any equivalent certification) in respect of the asset and building management under Part 1 (Asset) and Part 2 (Building Management) respectively, of the BREEAM assessment (www.breeam.org) of at least (and including) "Good" as soon as reasonably possible after the commencement of operations, or which have obtained or will obtain a LEED (1) In-Use Certificate (or any equivalent certification) in respect of the asset and building management under BD+C (Asset) and O+M (Building Management) respectively, of the LEED assessment (www.usgbc.org/leed) of at least (and including) "Silver" as soon as reasonably possible after the commencement of operations.

A third party appointed by the Issuer will issue a report each year in the Issuer's annual report on the compliance, in all material respects, of the Eligible Assets with the eligibility criteria described above.

The Issuer will also indicate each year in its annual report the list of Eligible Assets financed by the net proceeds of the issue of Notes with indicators on these Eligible Assets regarding environmental impact, energy performance and impact on local territory and the well-being of visitors and tenants, to be published on the Issuer's website (www.merlinproperties.com).

INFORMATION ON THE COMPANY

Incorporation and Status

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 and operates under the laws of Spain. The registered office of the Company is at Paseo de la Castellana, 257, 28046 Madrid, Spain and the telephone number is +34 917875530. The Company is registered with the Madrid Commercial Registry at volume (*tomo*) 32,065, sheet (f*olio*) 206 and page (*hoja*) M 577086.

The Company is the parent company of the Group.

Share Capital

As at the date of this Base Prospectus, the share capital of the Company amounts to €469,770,750 represented by 469,770,750 shares with a nominal value of €1 per share. The shares of the Company were admitted to trading 30 June 2014 and are traded on the Spanish electronic trading system (*mercado continuo*) on the four Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia). The Company forms part of the Ibex 35 index.

Principal Shareholders

As of 16 May 2018, according to the information disclosed on the webpage of the Spanish Securities Market Commission (*Comisión Nacional de Mercado de Valores*) 70.57% of the Company's shares were free float. The largest shareholders at that date were Banco Santander, S.A., Blackrock Inc., Principal Financial Group and Invesco Limited with shareholdings of 22.27%, 3.14%, 3.01% and 1.01%, respectively.

History

For information on the history of the Group, please refer to the section entitled "*Information on the Group – History*" in this Base Prospectus.

Principal activities

For a description of the principal activities of the Group, please refer to the section titled "*Information on the Group*" in this Base Prospectus.

Management

Board of Directors

The following table sets forth the name, title and principal activities outside the Group of each member of the Board of Directors of the Company as of the date of this Base Prospectus.

Name	Title	Principal activities outside the Group
Mr. Ismael Clemente.....	Executive Vice-Chairman	Director of Ardim, S.A., Ardim Casa Port I, S.àr.l., Ardim Parc Logistique, S.àr.l., Bincomerc, S.A., Caesar Park Hotel Portugal, S.A., DB Real Estate Iberian Value Added I, S.A., SICAR, Diars Tamouda, S.àr.l., Felting, S.G.P.S., LV Bureau, S.A., MAGIC Real Estate, S.L., Proargos Tánger,

		S.A. (under insolvency proceedings), Prodec Immobilier, Sci, QPL Empreendimentos, S.A., QPL Lux, S.àr.l., RREEF Moroccan Explorer I, S.A., SICAR, Silcoge, S.A., and Tree Inversiones Inmobiliarias, S.A.
Mr. Javier Garcia-Carranza Benjumea	Non-Executive Chairman	Deputy Director General of Banco Santander, S.A., Director of Metrovacesa Suelo y Promoción, S.A., Sareb, Altamira Asset Management, S.A., and Altamira Real Estate
Mr. Miguel Ollero	Executive Director	Director of Ardim Casa Port I, S.àr.l., Ardim Parc Logistique, S.àr.l., Ardim, S.A., Bincomerc, S.A., Caesar Park Hotel Portugal, S.A., DB Real Estate Iberian Value Added I, S.A., SICAR, Diars Tamouda, S.àr.l., Felting, S.G.P.S., Fidere Residencial, S.L.U., LV Bureau, S.A., MAGIC Real Estate, S.L., Proargos Tánger, S.A. (under insolvency proceedings), Prodec Immobilier, Sci, QPL Empreendimentos, S.A., RREEF Moroccan Explorer I, S.A., SICAR, and Silcoge, S.A.
Ms. Francisca Ortega Hernández-Agero	Non-Executive Director	Head of major clients within the Restructurings and Corporate Holdings Department in Banco Santander, S.A., Director of Sareb, and PBI Gestión Agencia de Valores
Ms. Pilar Cavero Mestre	Non-Executive Independent Director	Founding partner and Head of the Labour and Employment Department of Cuatrecasas and co-founding partner of Cuatrecasas Madrid
Mr. Juan María Aguirre Gonzalo	Non-Executive Independent Director	Director of BBVA Elcano, SRC, CRB Inverbio y Mevion Technology, Sacyr, S.A., EOM Peru, CGU Colombia, and Mantbraca Aruba
Ms. Ana García Fau	Non-Executive	Independent Director and member of

	Independent Director	the Remunerations Committee of Eutelsat Communications, S.A.
Mr. Alfredo Fernández.....	Non-Executive Independent Director	Managing Partner at AF Corporate Finance, Chairman of the Board of Directors of Catral Garden & Home Depot, S.L., Chairman of the Board of Directors of South Capital Fotovoltaica I, SICC, S.A., Vice-Chairman of the Board of Directors, member of the Delegated Committee and member of the Nominations, Retributions and Corporate Governance committee of NH Hotel Group, S.A., and Chairman of the Board of Directors of Everwood Capital SGEIC, S.A.
Mr. Fernando Ortiz	Non-Executive Independent Director	Managing Partner and Chairman of ProA Capital de Inversiones, SGECR, S.A., Director of Avizor, S.A., SABA infraestructuras, S.A., Eugin, S.A. and Ibermática, S.A.
Ms. María Luisa Jordá	Non-Executive Independent Director	Director of Jazztel, plc Director and member of the Audit and Control Committee of Tubos Reunidos, S.A., and Member of the Governing Board and member of the Audit Committee of the Institute of Directors and Administrators (*Instituto de Consejeros y Administradores*)
Mr. Donald Johnston.....	Non-Executive Independent Director	Chairman of Yankee Kingdom Advisory, Senior External Advisor to Deutsche Bank, Executive Director and member of the Audit and Control Committee of Acerinox, and Member of the Advisory Committee of Broseta

Mr. John Gómez-Hall	Non-Executive Independent Director	Senior advisor to TPG Capital and Director of Servihabitat Servicios Inmobiliarios
Mr. Emilio Novela Berlín	Non-Executive Independent Director	Partner of NOQCA PARTNERS, President of ITEVELESA, Independent Director of Talgo, S.A., Senior Advisor of BlackRock in Spain and member of the Advisory Council of Trilantic Capital Partners

The business address of each of the members of the Board of Directors at the date of this Base Prospectus is Paseo de la Castellana 257, 28046 Madrid, Spain.

Conflicts of Interest

The Legacy Mandates

Mr. Ismael Clemente (Executive Vice-Chairman & CEO) and Mr. Miguel Ollero (CFO/COO) are two of the four managers of the Company that 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**"). Mr. Luis Lázaro (Asset Management) and Mr. Miguel Oñate (Asset Management) are the other managers of the Company who are 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 Base Prospectus, the Legacy Mandates are as follows:

DB Real Estate Iberian Value Added I, S.A., SICAR

MAGIC Real Estate is the delegated manager of this Luxembourg-incorporated investment vehicle, which is fully invested. The vehicle has targeted Value Added opportunities in Spain and/or Portugal and manages both a plot with 2.2 million sqm known as "Quinta da Penha Longa" located in the Portuguese golden triangle composed by Sintra, Estoril, Cascais and Silcoge, S.A. (which owns a commercial real estate portfolio in Lisbon and Porto).

RREEF Moroccan Explorer I, S.A., SICAR

MAGIC Real Estate is the delegated manager of this investment 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 projects in Tetuan, Fez, Casablanca and Tangier.

Separate Accounts Management

Fidere group

Fidere group is a SOCIMI exclusively dedicated to the management of residential units for rent. 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.

Martell Investments

Martell Investments is a private company devoted to residential development that is currently implementing two projects for first-time buyers. Hoyo 10 is located in El Encinar de los Reyes, east of Madrid. Paseo de la Habana 75 is located in Paseo de la Habana, Madrid. The project management of Hoyo 10 and Paseo de la Habana 75 is carried out by MAGIC Real Estate by virtue of an agreement entered into with Martell Investments under which MAGIC Real Estate manages all aspects of the rented residential development.

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

Key Employees	DB Real Estate Iberian Value Added I, S.A., SICAR	RREEF Moroccan Explorer I, S.A., SICAR	Fidere group	Loans Portfolio
Ismael Clemente	Yes	Yes	Yes	Yes
Miguel Ollero	No	No	Yes	Yes

Mr. Ismael Clemente and Mr. Miguel Ollero believe that the Legacy Mandates do not create conflicts of interest with respect to the Group or the Business Strategy as the Legacy Mandates are primarily concentrated on rented residential properties, non-performing loans, non-Iberian assets or assets in the Opportunistic/Value Added segments, respectively. The MAGIC Contracts Key Employees are active in the Core and Core Plus segments of the real estate market in Spain and Portugal on an exclusive basis for the Group.

Aside from Mr. Ismael Clemente and Mr. Miguel Ollero, and based on the representations of the Company's other Directors, as of the date of this Base Prospectus, the Company believes there are no potential conflicts of interest between any duties owed by the Directors of the Company to the Company and their respective private interests and/or other duties.

INFORMATION ON THE GROUP

History

The Company is a Spanish real estate company and the largest Spanish REIT listed on the Spanish Stock Exchanges in terms of market capitalisation. The Company was incorporated on 25 March 2014 and its principal activity 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, high street retail, shopping centres, and logistics primarily in Spain, and to a lesser extent, in Portugal. The Company aims to generate returns to its shareholders through the distribution of a cash-on-cash dividend and the value enhancement of its Assets. The Company elected to join the SOCIMI Regime in 2014.

The Company's shares were admitted to listing on the regulated market of the Spanish Stock Exchanges and to trading through the SIBE of the Spanish Stock Exchanges on 30 June 2014. The Company raised net proceeds of €1,292 million in its initial public offering, and a further €614 million, €1,034 million and €1,673 million in capital increases in May 2015, August 2015 and September 2016, respectively.

On 3 July 2014, the Company completed its first acquisition when it purchased Tree, a company which owns and operates branches and buildings fully leased to the international Spanish banking group BBVA. The Company continued to expand its portfolio at a steady pace between July 2014 and June 2015, with the acquisitions of several Assets (including various offices, logistics assets and a shopping centre) and its growth peaked with the acquisition of Testa, a sizeable, best in class real estate platform, which allowed the Company to expand its footprint and build critical mass in the office, logistics and retail segments, becoming the reference real estate player in Spain.

On 21 June 2016, the Company, Testa and Testa Residencial signed an integration agreement with Metrovacesa and its principal shareholders. The transaction was structured through the total spin-off (*escisión total*) of Metrovacesa (the "**Spin-Off**"), resulting in the dissolution of that company and the division of its assets into three business units.

First, Metrovacesa's commercial real estate rental assets (including real estate, shares and other equity interests in subsidiaries and investee companies, and contractual rights) and associated liabilities (save for €250 million in indebtedness, which was instead transferred to Testa Residencial, as further described below), as well as relevant staff of the Metrovacesa group were acquired by the Company. As a result of this transaction, the former shareholders of Metrovacesa acquired 31.237% of the share capital of the Company and the large majority of the staff of the Metrovacesa group joined the Company.

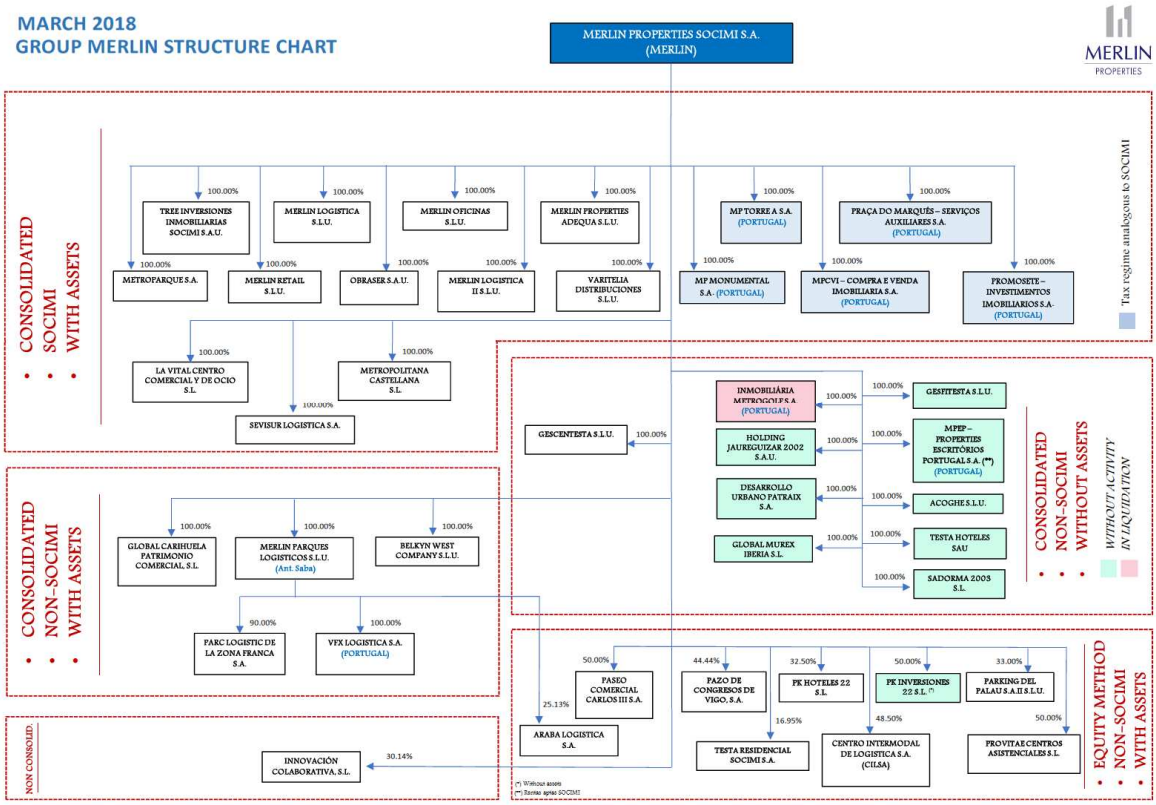
Second, Metrovacesa's residential real estate rental assets and associated liabilities (as well as €250 million in indebtedness not transferred to the Company in connection with Metrovacesa's commercial real estate rental assets) were acquired by Testa Residencial, which had been a wholly-owned subsidiary of the Company prior to the Spin-Off. As a result of this transaction, the former shareholders of Metrovacesa acquired the majority of the share capital of Testa Residencial. This loss of control resulted in the deconsolidation of Testa Residencial from the Group.

Third, Metrovacesa's non-strategic real estate assets and liabilities were spun off into a newly-incorporated company, Metrovacesa Promoción y Arrendamiento, S.A, in which the Company does not hold a stake.

In the aftermath of the Testa acquisition and the Spin-Off, the Company has continued to refocus its asset base through the acquisition of additional assets and the sale of non-core assets.

Organisational Structure

The Company is the parent company of the Group. Set forth below is an organisational chart of the Group as at 31 March 2018:



KPIs

The Group's Assets consist of real estate assets primarily in the office, high street retail, shopping centre and logistics segments. As at 31 December 2017, the Assets had a GAV of approximately €11.254 billion (based on the Valuation), a GRI of €469.4 million, an aggregate GLA above ground of 4,319,522 sqm and a gross yield of 4.6% calculated over the aggregate market value as per the Valuation.

Certain of the following key performance indicators constitute APMs as defined in the ESMA Guidelines. The Company considers that these metrics provide useful information for investors, securities analysts and other interested parties in order to better understand the underlying business, the financial position, cash flows and the results of operations of the Group. Such APMs are not audited and are not measures required, or presented in accordance with, IFRS-EU. Accordingly, they should not be considered substitutes to the information contained in the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016 incorporated by reference in this Base Prospectus or to any performance measures prepared in accordance with IFRS-EU. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similar titled measures used by other companies. Investors should not consider such APMs in isolation, as alternative to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the Issuer's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for, or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction

with the consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016 incorporated by reference to this Base Prospectus.

The Issuer considers that the APMs contained in this Base Prospectus comply with the ESMA Guidelines.

The following is a table of the key performance indicators of the Group's Assets (not including minority stakes) by asset class as at 31 December 2017:

(€ million, unless otherwise indicated)		**Offices**	**High street retail**	**Shopping centres**	**Logistics**	**Others[(1)]**	**Total**
Number of Assets		139	928	17	40	35	1,159
	% of total	12.0%	80.1%	1.5%	3.5%	3.0%	100.0%
GAV[(2)]		5,219	2,348	1,753	648	866	10,833
	% of total	48.2%	21.7%	16.2%	6.0%	8.0%	100.0%
Gross Rents		217	104	93	41	14	469
	% of total	46.3%	22.2%	19.8%	8.8%	2.9%	100.0%
"Topped Up" Net Rents[(3)]		202	102	81	38	11	434
	% of total	46.6%	23.6%	18.6%	8.7%	2.6%	100.0%
Net Rents[(4)]		193	102	76	35	10	415
	% of total	46.5%	24.5%	18.2%	8.3%	2.4%	100.0%
Gross Yield[(5)]		4.1%	4.4%	5.3%	6.6%	4.2%	4.6%
EPRA Net Initial Yield[(6)]		3.6%	4.3%	4.4%	6.1%	3.8%	4.1%
Total GLA (ksqm)[(7)]		1,267	460	488	961	1,143	4,320
	% of total	29.3%	10.6%	11.3%	22.2%	26.5%	100.0%
Occupancy Rate		88.2%	99.4%	89.4%	98.5%	76.7%	92.6%
WAULT by Rent Years[(8)]		3.1	19.3	2.7	3.7	1.4	6.7

Notes:

(1) Others includes logistics WIP, hotels, land for development, non-core land and miscellaneous.

(2) GAV based on market value as at 31 December 2017, excluding minority stakes. See the appendix entitled "Alternative Measures of Performance" to the 2017 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components and a definition of this APM.

(3) "Topped Up" Net Rents deducts from gross rents direct property expenses non rechargeable to tenants.

(4) Net Rents deducts from gross rents incentives, collection loss and property expenses not recharged to tenants.

(5) Gross Yield is calculated dividing annualised gross rents by GAV. See the appendix entitled "Alternative Measures of Performance" to the 2017 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for a definition of this APM.

(6) EPRA Net Initial Yield is calculated by dividing the annualised rental income based on the cash passing rents less non-recoverable property operating expenses by GAV. See the appendices entitled "EPRA Metrics Calculation" and "Alternative Measures of Performance" to the 2017 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components and a definition of this APM.

(7) GLA above ground.

(8) WAULT by Rent Years means the weighted average unexpired lease term, calculated as of 31 December 2017. See the appendix entitled "Alternative Measures of Performance" to the 2017 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for a definition of this APM.

The following is a table of the key performance indicators of the Group's Assets (not including minority stakes) by asset class as at 31 December 2016:

(€ million, unless otherwise indicated)	Offices	High street retail	Shopping centres	Logistics	Others[1]	Total
Number of Assets	138	931	17	34	37	1,157
% of total	11.9%	80.5%	1.5%	2.9%	3.2%	100.0%
GAV[2]	4,541	2,205	1,613	472	658	9,489
% of total	47.9%	23.2%	17.0%	5.0%	6.9%	100.0%
Gross Rents Annualised[3]	212	103	92	33	12	451
% of total	47.0%	22.8%	20.4%	7.3%	2.6%	100.0%
"Topped Up" Net Rents Annualised[4]	195	101	83	32	10	420
% of total	46.3%	24.0%	19.7%	7.6%	2.4%	100.0%
Net Rents Annualised[5]	193	101	79	28	10	411
% of total	47.0%	24.6%	19.2%	6.8%	2.4%	100.0%
Gross Yield[6]	4.7%	4.7%	5.7%	7.0%	4.3%	5.0%
EPRA Net Initial Yield[7]	4.2%	4.6%	4.9%	5.9%	3.5%	4.5%
Total GLA (ksqm)[8]	1,246	418	455	755	121	3,001
% of total	41.5%	13.9%	15.4%	25.2%	4.0%	100.0%
Occupancy Rate	87.9%	100%	88.6%	95.4%	76.5%	91.3%
WAULT by Rent Years[9]	3.5	20.3	2.3	4.0	2.9	7.2

Notes:

(1) Others includes logistics WIP, hotels, land for development, non-core land and miscellaneous.

(2) GAV based on market value as per the Valuation, excluding minority stakes. See page 13 of and the appendix entitled "Alternative Measures of Performance" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components and a definition of this APM.

(3) Gross Rents Annualised calculated as the GRI for the month ended 31 December 2016 multiplied by 12. See the appendices entitled "EPRA Metrics Calculation" and "Alternative Measures of Performance" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components and a definition of this APM.

(4) "Topped Up" Net Rents Annualised calculated as the NRI for the month ended 31 December 2016 multiplied by 12. Net rents deducts from gross rents direct property expenses non rechargeable to tenants. See the appendix entitled "EPRA Metrics Calculation" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components.

(5) Net Rents Annualised calculated as of the NOI for the month ended 31 December 2016 multiplied by 12. Net operating income deducts from net rents direct collection loss and rents discounts. See the appendix entitled "EPRA Metrics Calculation" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus for an explanation of this metric's components.

(6) Gross Yield is calculated dividing annualised gross rents by GAV. See the appendix entitled "Alternative Measures of Performance" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for a definition of this APM.

(7) EPRA Net Initial Yield is calculated by dividing the annualised rental income based on the cash passing rents less non-recoverable property operating expenses by GAV. See the appendices entitled "EPRA Metrics Calculation" and "Alternative Measures of Performance" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for an explanation of this metric's components and a definition of this APM.

(8) GLA above ground, excluding Opción Shopping Center.

(9) WAULT by Rent Years means the weighted average unexpired lease term, calculated as of 31 December 2016. See the appendix entitled "Alternative Measures of Performance" to the 2016 "Consolidated Management Report", which is incorporated by reference in this Base Prospectus, for a definition of this APM.

The Group's Business Strategy

The strategy pillars

The Group's principal objective is to deliver long-term returns to shareholders through the acquisition (directly or indirectly), active management, operation and selective rotation of Commercial Property Assets in the Core and Core Plus segments. The business model stands on the following four pillars:

- *Activity*. The Company is a diversified REIT, operating in Spain and, to a lesser extent, in Portugal (with a maximum limit of 25% of Total GAV), inspired by the best practices set by REITs in the United States. 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 focuses on acquiring assets located in Lisbon.

- *Assets*. The Company focuses on high quality, Core and Core Plus Commercial Property Assets, mainly offices, high street retail, shopping centres and logistics. Selective development focused on AAA buildings given the scarcity of this product class in the domestic market.

- *Capital structure*. The Company takes a conservative approach to capital structure, with a maximum 50% LTV on a portfolio basis.

- *Management*. The Management Team's main goal is to maximise the profitability potential of the existing portfolio, with the additional aim of enhancing quality and returns through new acquisitions. It has an additional focus on undermanaged properties with upside potential. With regard to the rotation of assets, the Company prioritises the disposal of obsolete assets without rental growth potential.

Strategy for management of assets

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.

Overview of the Group's Business

As at the date of this Base Prospectus, the Group's Assets are held in the following four core business lines:

- Offices;
- High Street Retail;
- Shopping Centres; and
- Logistics.

The Company instructs independent appraisers at least every twelve months to prepare a valuation of the Group's Assets.

As of 31 December 2017, the market value of the Group's Assets was approximately €11.254 billion (based on the Valuation). The Valuation has been carried out by independent appraisers as at 31 December 2017 and sets out the market value of the property according to the Professional Standards and Valuation Practice Statements contained in the RICS Red Book, which is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Company has a broad and diversified tenant base. The Company's top ten tenants, representing 37.9% of annualised gross rents as of 31 December 2017, are the following: BBVA, Endesa, Inditex, Técnicas Reunidas, PWC, Caprabo, Indra, Hotusa, Comunidad de Madrid and XPO Logistics.

Offices

The Company's strategy for this asset class is to focus on prime properties located in Madrid, Barcelona, and, to a lesser extent, Lisbon, prioritising class A tenant relationships providing long term cash flow security and visibility. Asset rotation is limited in this asset category. As at 31 December 2017, the Group owned and operated 139 office buildings, with a GAV of €5.219 billion. The Group's most relevant assets in this asset class are:

Asset	**Location**	**GLA (sqm)**	**Main tenant**
Ribera del Loira, 60	Madrid	54,960	Endesa
Torre Glòries (Avenida Diagonal, 211)	Barcelona	37,614	N/A
Avenida de Bruselas, 33	Madrid	33,718	Indra
Tower Castellana, 259	Madrid	21,390	PWC
Josefa Valcarcel, 48	Madrid	19,893	L'Oreal
Monumental (Fontes Pereira de Melo, 51)	Lisbon	16,892	KPMG
Castellana, 83-85	Madrid	15,254	Sacyr

High Street Retail

The Company's strategy for this asset class is to benefit from the contractual conditions of the long-term lease agreement with BBVA and simultaneously monetise some of the assets through the implementation of a 3-year program for the individual sale of bank branches. The Company will monitor the long-term opportunity to convert the use of these assets to extract value. As at 31 December 2017, the Group owned and operated 867 bank branches leased to BBVA and 33 supermarkets leased to Caprabo, among others, with a GAV of €2.348 billion.

Shopping Centres

The Company's strategy for this asset class is to focus on dominant destination centres with the right tenant mix to protect against any changes in the retail landscape, and prime urban malls with barriers to entry for potential competition. Geographically, the Company invests in the strongest economic areas in Spain. The Company extracts value out of its portfolio through the implementation of selective repositioning capital expenditure programs to maximise footfall and occupancy. As at 31 December 2017, the Group owned and operated 18 shopping centres (17 fully-owned and one 50% stake), with a GAV of €1.753 billion for the shopping centres that are fully-owned by the Group. The Group's most relevant assets in this asset class are:

Asset	**Location**	**GLA (sqm)**	**Main tenant**
Marineda	A Coruña	100,207	Decathlon
Larios	Málaga	40,805	Primark
Porto Pi	Mallorca	32,119	Inditex
Arenas	Barcelona	31,918	Cinemas Balaña
El Saler	Valencia	26,262	Inditex
Artea	Bilbao	24,323	Inditex

Logistics

The Company's strategy for this asset class is to focus on logistics properties located in close proximity to Spain's main transportation hubs. The proximity of the assets to main economic centres should help to minimise reletting risk. The Company is particularly interested in assets that are structured to be able to take advantage of the ongoing internet retail trends. As at 31 December 2017, the Group owned 40 logistics assets with a GAV of €648 million. The Group's most relevant assets in this asset class are:

Asset	Location	GLA (sqm)	Main tenant
Cabanillas Park I	Guadalajara	202,608	XPO, Luis Simoes, DSV
Vitoria-Jundiz	Vitoria	72,717	XPO
Madrid-Coslada Complex	Coslada (Madrid)	36,234	UPS
Madrid-Meco	Meco (Madrid)	35,285	Dachser
Madrid-Coslada	Coslada (Madrid)	28,491	Dachser

Gearing

The Company uses gearing to seek to enhance shareholder returns over the long term. The level of gearing is 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 has a hedging policy in place to use hedging derivatives where considered appropriate to mitigate interest rate and or inflation risk. The financial policy of the Company can be summarised as follows:

- *Gearing level*. It is subject to the following criteria: (i) while the Company aims to maintain a stable gearing LTV ratio (calculated as net debt over Total GAV) of around 40% to 50%, the aggregate amount outstanding under any external financing immediately following any acquisition of asset opportunities or entry into external financings should not exceed a maximum of 50% LTV in the long-term; (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 at 31 December 2017, the LTV of the Company was 43.6%. The Group's other policies regarding debt are as follows:

- Minimum hedging of interest rates of 60%.
- Maintain portfolio encumbrance ratio below 50%.
- Maintain a balanced debt maturity profile.
- Maintain a ratio of net operating income to finance costs of at least 2.5:1.
- Diversification of debt financial sources through a combination of bank debt, insurance companies, debt and capital markets.

The Management Team

The management team, which carries out the day-to-day operations of the Company, including the implementation of the Business Strategy, currently comprises twelve members: Mr. Ismael Clemente (CEO), Mr. David Brush (CIO), Mr. Miguel Ollero (COO), Mr. Fernando Lacadena (CFO), Mr. Javier Zarrabeitia, Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Manuel García Casas, Mr. Luis Lázaro, Mr. Miguel Oñate, Ms. Inés Arellano and Mr. Fernando Ramírez (together the "**Management Team**"). The Management Team consists of property and finance professionals who have extensive experience in the Spanish and Portuguese real estate markets and a notable track record of creating value for shareholders. The Company believes that the Management Team is one of the most experienced real estate management teams in Spain, and this experience will provide the Group with acquisition opportunities across all of its targeted asset classes.

The business address of each of the members of the Management Team at the date of this Base Prospectus is Paseo de la Castellana 257, 28046 Madrid, Spain.

Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. Luis Lázaro and Mr. Miguel Oñate are Key Employees in Legacy Mandates related to their former posititions in MAGIC Real Estate. See "*Information on the Company*" for a discussion of the Legacy Mandates. Aside from Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. Luis Lázaro and Mr. Miguel Oñate, as of the date of this Base Prospectus, the Company believes there are no potential conflicts of interest between any duties owed by the Management Team to the Company and their respective private interests and/or other duties. The members of the Management Team are required to disclose to the Board of Directors in writing any potential conflicts of interest. The Board of Directors will decide upon the existence of a conflict of interest by simple majority vote of the Directors. Executive Directors will abstain from voting when the Board of Directors decides upon the existence of a conflict of interest but will count toward the quorum for such a vote and will not frustrate such vote by failing to attend the relevant meeting. No conflict of interest has arisen as at the date of this Base Prospectus and so no disclosure in this regard by the Board of Directors has been needed.

Material Contracts

The material contract to which the Group is a party, other than the agreements referred to in other parts of this document and agreements entered into in the ordinary course of its business, is described below.

The BBVA Lease Agreement

The Company's fully-owned subsidiary, Tree Inversiones SOCIMI, S.A. ("**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 Base 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 (21.5 years left) and of 20 years for the buildings (11.5 years left). The average lease term is 22 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 15th 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 remaining term of the BBVA Lease Agreement, 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 10th year of the lease until the end of the 20th 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 12th and 24th 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 45th year and the 35th 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).

The Tree Senior Facility Agreement

On 30 December 2014, a syndicate of financing entities, as lenders, and Tree, as borrower, amended the terms of a senior facility agreement, governed by Spanish law, for a maximum amount of €939.76 million, to finance part of the acquisition price of the real estate assets acquired from BBVA and the payment of any related fees and expenses. The total amount outstanding under this senior facility agreement as of 31 December 2017 was €898.1 million and it matures on 27 September 2024. For further information about this senior facility agreement see Note 16.1 to the 2017 Annual Accounts.

The Testa Facility Agreement

On 20 December 2015, the Company, as borrower, entered into a syndicated unsecured facilities agreement, subject to English law, with, among others, certain financial institutions as arrangers and original lenders and Testa and Merlin Retail, S.L. (Sociedad Unipersonal), a fully-owned subsidiary of the Company, as guarantors. This facilities agreement was amended and restated on 24 October 2016 to consolidate Metrovacesa's syndicated financing within the Company's syndicated unsecured facilities agreement. The total amount outstanding under it as at 31 December 2017 was €840 million divided into three tranches: (i) the first tranche for an amount of €850 million to refinance secured debt of Testa, the amount outstanding under which as at 31 December 2017 was €530 million and which matures in June 2021, (ii) the second tranche for an amount of €370 million, the amount outstanding under which as at 31 December 2017 was €310 million and which matures in April 2021, and (iii) the third tranche for an amount of €100 million, which is a revolving credit facility which was not draw down as at 31 December 2017 and which matures in April 2021 and that is intended to be used for the acquisition of new real estate assets. As a consequence of the facility agreement novation, Merlin Oficinas, S.L. (Sociedad Unipersonal) and Merlin Properties Adequa S.L. (Sociedad Unipersonal), fully-owned subsidiaries of the Company, became guarantors together with the Company and Merlin Retail S.L. (Sociedad Unipersonal). For further information about this facility agreement see Note 16.1 to the 2017 Annual Accounts.

Litigation and Arbitration

From time to time the Group may be involved in legal proceedings in the ordinary course of its business. An unfavourable outcome in respect of one or more of such proceedings could, to the extent such outcome is not covered by any of the Group's insurance policies, have a material adverse effect on the Group's financial condition and results of operations.

The Company does not believe that any litigation or arbitration proceedings in which the Group is involved could, individually or in the aggregate, significantly adversely affect the Group's financial condition, results of operations or business.

Employees

The average number of employees of the Group for the year ended 31 December 2017 was 155.

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 this 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 in the hands of the shareholder or, in certain cases, of the SOCIMI.

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.

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 provision.

SOCIMIs are allowed to carry out other ancillary activities that do not fall under the scope of their main corporate purpose. However, such ancillary activities must not exceed 20% of the assets or 20% of the income of the SOCIMI in each tax year, in accordance with the minimum Qualifying Assets and qualifying income tests described below.

Restrictions on investments

At least 80% of the SOCIMI's assets must be invested in:

- urban real property to be leased;
- land plots acquired for the development of urban real property to be leased afterwards, provided that the development of such property starts within three years as from the acquisition date;
- participations in Qualifying Subsidiaries (see "*Purpose of the SOCIMI / Minimum share capital*" above); and/or
- participations in real estate collective investment funds.

The Spanish General Directorate of Taxes ("**DGT**") has confirmed that the assets should be measured on a gross basis, disregarding depreciation or impairments, in accordance with Royal Decree of November 16, 2007, approving the Spanish General Accounting Plan (*Plan General de Contabilidad*) which sets forth the Spanish generally accepted accounting principles (Spanish GAAP).

In the event the SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold for the dominant entity will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries described in "*Purpose of the SOCIMI / Minimum share capital*" above.

There are no asset diversification requirements.

Restrictions on income

At least 80% of a SOCIMI's net annual income must derive from the lease of Qualifying Assets (as described in "*Restrictions on investments*" above), or from dividends distributed by Qualifying Subsidiaries and real estate collective investment funds and companies.

The 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, subject to any applicable tax adjustments, –upwards or downwards– as set out by the Spanish CIT Law, without prejudice to the special provisions of the SOCIMI Regime.

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, if transferred after the end of the three-year minimum holding period, 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 25% rate). 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 the case of urban real estate, the holding period requires that these assets are actually rented for at least three years. For these purposes, the time during which the real asset has been offered for lease (even if vacant) may be added to the time the asset was leased with a maximum of 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 "*Minimum holding period*" above 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 (e.g., profits derived from ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, or the Company fails to pay (totally or partially) the corresponding dividends, the SOCIMI would lose its SOCIMI status as from the year in which the undistributed profits were obtained (inclusive).

Dividends must be paid within the month following the distribution agreement.

In addition, according to the SOCIMI Regime (i) the SOCIMI legal reserve may not exceed 20% of the share capital of the SOCIMI; and (ii) the SOCIMI's by-laws may not establish any reserve that 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 (limits on the tax deduction of financial expenses and carrying-forward of tax losses limitations) should have no practical impact provided that the SOCIMI is taxed at a 0% Corporate Income Tax rate.

Penalties

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 as from 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 income generated on the transfer will be considered as non-Qualifying Income for the purpose of the 80%/20% net income test; and (ii) the entire income derived from such assets (both, income derived from the transfer and rental income derived from such assets in all tax periods where the SOCIMI's special tax regime would have been applicable) would be taxed at the standard Corporate Income Tax rate (i.e., currently, 25%).

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, 25%), 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 following is a general description of certain Spanish tax considerations relating to the Notes. The information provided below does not purport to be a complete overview of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. This analysis is a general description of the tax treatment under Spanish legislation without prejudice of regional tax regimes that may be applicable.

This taxation summary solely addresses the principal Spanish tax consequences of the acquisition, the ownership and disposal of Notes issued by the Issuer after the date hereof held to a holder of Notes. It does not consider every aspect of taxation that may be relevant to a particular holder of Notes under special circumstances or who is subject to special treatment under applicable law or to the special tax regimes applicable in the Basque Country and Navarra (*Territorios Forales*). Where in this summary English terms and expressions are used to refer to Spanish concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Spanish concepts under Spanish tax law. This summary assumes that each transaction with respect to the Notes is at arm's length.

This overview is based on the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. References in this section to Noteholders include the beneficial owners of the Notes, where applicable. Any prospective investors should consult their own tax advisers who can provide them

with personalised advice based on their particular circumstances. Likewise, investors should consider the legislative changes which could occur in the future.

2.1 Introduction

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Base Prospectus:

(i) of general application, Additional Provision One of Law 10/2014, as well as RD 1065/2007;

(ii) for individuals resident for tax purposes in Spain which are subject to the Personal Income Tax ("**PIT**"), Law 35/2006 of 28 November, on the PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, and Royal Decree 439/2007 of 30 March promulgating the PIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax;

(iii) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Act 27/2014, of 27 November governing the CIT, and Royal Decree 634/2015, of 10 July promulgating the CIT Regulations; and

(iv) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the NRIT Law, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax.

Whatever the nature and residence of the beneficial owner, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

2.2 Individuals with Tax Residency in Spain

2.2.1. Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Spanish individuals with tax residency in Spain are subject to PIT on a worldwide basis. Accordingly, income obtained from the Notes will be taxed in Spain when obtained by persons that are considered resident in Spain for tax purposes. The fact that a Spanish company pays interest or guarantees payments under a Note will not lead an individual or entity to be considered tax-resident in Spain.

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed at a flat rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

As a general rule, both types of income are subject to a withholding tax on account at the rate of 19 per cent. However, it should be noted that Royal Decree 1145/2011 introduced certain procedures for the provision of information which are explained under section "*Disclosure of Information in Connection with the Notes*" below and that, in particular, in the case of debt listed securities issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, as the Notes issued by the Issuer:

(i) it would not be necessary to provide the Issuer with the identity of the Noteholders who are individuals resident in Spain for tax purposes or to indicate the amount of income attributable to such individuals; and

(ii) interest paid to all Noteholders (whether tax resident in Spain or not) should be paid free of Spanish withholding tax provided that the information procedures are complied with.

Therefore, the Issuer understands that, according to Royal Decree 1145/2011, it has no obligation to withhold any tax amount for interest paid on the Notes corresponding to Noteholders who are individuals with tax residency in Spain provided that the information procedures (which do not require identification of the Noteholders) are complied with.

Nevertheless, Spanish withholding tax at the applicable rate (currently, 19 per cent.) may have to be deducted by other entities (such as depositaries or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory. The amounts withheld, if any, may be credited by the relevant investors against its final PIT liability.

2.2.2 **Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

Net Wealth Tax may be levied in Spain on resident individuals, on a worldwide basis. In particular, individuals with tax residency in Spain are subject to Net Wealth Tax to the extent that their net worth exceeds €700,000. Therefore, they should take into account the value of the Notes which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Law 4/2008, of 23 December introduced a 100% relief (*bonificación del 100%*) on the Net Wealth Tax. However, for the years 2011 to 2017 the Spanish Central Government has repealed the 100% relief of this tax.

From tax year 2018 onwards, in accordance with Article 4 of the Royal Decree-Law 3/2016, of 2 December 2016, adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures the 100% relief on Net Wealth Tax should apply again.

However, it is currently expected that, in May 2018, the Spanish Government will pass the General Budget Act for year 2018, which will most probably (if drafted in line with the bill passed on 3 April 2018) postpone the application of the 100% relief for one year, meaning that the relief should apply from 2019 only.

The collection of this tax depends on the regulations of each Autonomous Region. Therefore, in the case that the repeal 100% relief is extended again, investors should consult their tax advisers according to the particulars of their situation.

2.2.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable effective tax rates currently range between 0 per cent. and 81.6 per cent. depending on relevant factors.

2.3 Legal Entities with Tax Residency in Spain

2.3.1 **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Legal entities with tax residency in Spain are subject to CIT on a worldwide basis.

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 25 per cent.) in accordance with the rules for this tax.

Pursuant to Section 61.s of Royal Decree 634/2015 approving the Spanish corporate income tax regulations (the "**Corporate Tax Regulations**"), there is no obligation to make a withholding on income obtained by taxpayers subject to Spanish CIT (which for the avoidance of doubt, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. However, in the case of Notes held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest and income deriving from the transfer may be subject to withholding tax at the current rate of 19 per cent. Such withholding may be made by the depositary or custodian if the Notes do not comply with the exemption requirements specified in the ruling issued by the DGT dated 27 July 2004 (that is, placement of the Notes outside of Spain in another OECD country and admission to listing of the Notes on an organised market in an OECD country other than Spain). The amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

Notwithstanding the above, according to Royal Decree 1145/2011, in the case of listed debt instruments issued under Law 10/2014 and initially registered in a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state (such as the Notes issued by the Issuer), interest paid to investors should be paid free of Spanish withholding tax. The foregoing is subject to certain information procedures having been fulfilled. These procedures are described in "*Disclosure of Information in Connection with the Notes*" below.

Therefore, the Issuer considers that, pursuant to Royal Decree 1145/2011, it has no obligation to withhold any tax on interest paid on the Notes in respect of Noteholders who are Spanish Corporation Tax payers, provided that the information procedures are complied with.

2.3.2 **Net Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes are not subject to Net Wealth Tax.

2.3.3 **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish CIT purposes.

2.4 Individuals and Legal Entities with no Tax Residency in Spain

2.4.1 **Non-Resident Income Tax (*Impuesto sobre la Renta de no Residentes*)**

(a) *With permanent establishment in Spain*

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*—Corporate Income Tax (Impuesto sobre Sociedades)*". Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) *With no permanent establishment in Spain*

Both interest payments periodically received and income deriving from the transfer, redemption or repayment of the Notes, obtained by individuals or legal entities who have no tax residency in Spain, being Non-Resident

Income Tax taxpayers with no permanent establishment in Spain, are exempt from such Non-Resident Income Tax on the same terms laid down for income from Public Debt.

In order for such exemption to apply, it is necessary to comply with the information procedures, in the manner detailed under "*Disclosure of Information in Connection with the Notes*" as set out in section 44 of Royal Decree 1065/2007 (as amended by Royal Decree 1145/2011).

2.4.2 **Net Wealth Tax *(Impuesto sobre el Patrimonio)***

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to Net Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Net Wealth Tax. In such event, they should take into account the value of the Notes which they hold as at 31 December each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent.

Holders tax resident in a State of the European Union or of the European Economic Area may be entitled to apply the specific regulation of the autonomous community where their most valuable assets are located and which trigger this Spanish Net Wealth Tax due to the fact that they are located or are to be exercised within the Spanish territory.

In accordance with Article 4 of the Royal Decree-Law 3/2016, of 2 December 2016, adopting measures in the tax field aimed at the consolidation of public finances and other urgent social security measures, from the year 2018, a full exemption on Net Wealth Tax would apply (*bonificación del 100%*). However, it is currently expected that in May 2018 the Spanish Government will pass the General Budget Act for year 2018, which will most probably (if drafted in line with the bill passed on 3 April 2018) postpone the application of the 100% relief for one year, meaning that the relief should apply from 2019 only.

2.4.3 **Inheritance and Gift Tax *(Impuesto sobre Sucesiones y Donaciones)***

Unless otherwise provided under an applicable double tax treaty in relation to Inheritance and Gift Tax, the latter may be levied in Spain on non-resident individuals only on those assets and rights that are located or that may be exercised or fulfilled within the Spanish territory.

The effective tax rate, after applying all relevant factors, ranges between 0% and 81.6%.

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the common law. However, if the deceased or the donee are resident in an EU or European Economic Area member State, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

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, as capital gains, unless otherwise provided under an applicable double tax treaty.

2.5 Obligation to inform the Spanish tax authorities of the ownership of the Notes

With effects as from 1 January 2013, Law 7/2012, of 29 October, as implemented by Royal Decree 1558/2012, of 15 November, introduced annual reporting obligations applicable to Spanish residents (i.e., individuals, legal entities, permanent establishments in Spain of non-resident entities) in relation to certain foreign assets or rights.

Consequently, if the Notes are deposited with or placed in the custody of a non-Spanish entity, Noteholders resident in Spain will be obliged, if certain thresholds are met as described below, to declare before the Spanish Tax Authorities, between 1 January and 31 March every year, the ownership of the Notes held on 31 December of the immediately preceding year (e.g., to declare between 1 January 2017 and 31 March 2017 the Notes held on 31 December 2016).

This obligation would only need to be complied with if certain thresholds are met: specifically, if the only rights/assets held abroad are the Notes, this obligation would only apply if the value of the Notes together with other qualifying assets held on 31 December exceeds €50,000 (with the corresponding valuation to be made in accordance with Wealth Tax rules). If this threshold is met, a declaration would only be required in subsequent years if the value of the Notes together with other qualifying assets increases by more than €20,000 as against the declaration made previously. Similarly, cancellation or extinguishment of the ownership of the Notes before 31 December should be declared if such ownership was reported in previous declarations.

2.6 Disclosure of Information in Connection with the Notes

According to Additional Provision One of Law 10/2014, the Issuer is subject to certain reporting obligations in relation to the Notes.

In accordance with section 5 of Article 44 of RD 1065/2007 as amended by RD 1145/2011 and provided that the Notes issued by the Issuer are initially registered for clearance and settlement in Euroclear and Clearstream, Luxembourg, the Fiscal Agent would be obliged to provide the Issuer with a declaration (the form of which is set out in the Agency Agreement), which should include the following information:

(i) description of the Notes (and date of payment of the interest income derived from such Notes);

(ii) total amount of interest derived from the Notes; and

(iii) total amount of interest allocated to each non-Spanish clearing and settlement entity involved.

According to section 6 of Article 44 of RD 1065/2007, the relevant declaration will have to be provided to the Issuer on the business day immediately preceding each Interest Payment Date. If this requirement is complied with, the Issuer, will pay gross (without deduction of any withholding tax) all interest under the Notes to all Noteholders (irrespective of whether they are tax resident in Spain).

In the event that the Paying Agent were to fail to provide the information detailed above, according to section 7 of Article 44 of RD 1065/2007, the Issuer, or the Paying Agent acting on its behalf, could be required to withhold tax from the relevant interest payments at the general withholding tax rate (currently, 19 per cent.). If on or before the 10th day of the month following the month in which the interest is payable, the Paying Agent were to submit such information, the Issuer, or the Paying Agent acting on its behalf, would refund the total amount of taxes withheld.

Notwithstanding the foregoing, the Issuer has agreed that in the event that withholding tax were required by law, the Issuer, would pay such additional amounts as may be necessary such that a Noteholder would receive the same amount that he would have received in the absence of any such withholding or deduction, except as provided in "*Terms and Conditions of the Notes — Taxation*".

In the event that the current applicable procedures were to be modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Issuer would inform the Noteholders of such information procedures and of their implications, as the Issuer may be required to apply

withholding tax on interest payments under the Notes if the Noteholders were not to comply with such information procedures.

2.7 Disclosure of Noteholder Information in Connection with the Redemption or Repayment of Zero Coupon Notes

In accordance with Article 44 of Royal Decree 1065/2007, in the case of Zero Coupon Notes with a maturity of 12 months or less, the information obligations established in Section 44 (see "*—Disclosure of Information in Connection with the Notes*" above) will have to be complied with upon the redemption or repayment of the Zero Coupon Notes.

If the Spanish tax authorities consider that such information obligations must also be complied with for Zero Coupon Notes with a longer term than 12 months, the Issuer will, prior to the redemption or repayment of such Notes, adopt the necessary measures with the Clearing Systems in order to ensure its compliance with such information obligations as may be required by the Spanish tax authorities from time to time.

3. THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

The European Commission published in February 2013, a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (excluding Estonia, the "**participating Member States**"). Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

In the ECOFIN meeting of 17 June 2016, the FTT was discussed between the EU Member States. It has been reiterated in this meeting that participating Member States envisage introducing an FTT by the so-called enhanced cooperation.

However, the FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Members States may withdraw. Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Overview of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 18 May 2018 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of an identifiable Tranche of which such Notes are a part, as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable Tranche sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable Tranche purchased by or through it, in which case the Fiscal Agent shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise

make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Kingdom of Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October 2015 (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*) and Royal Decree 1310/2015, of 4 November 2005 (*Real Decreto 1310/2005, de 4 de noviembre*) each, as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

Neither the Notes nor the Base Prospectus have been registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and, therefore, the Base Prospectus is not intended to be used for any public offer of Notes in Spain.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has

represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Base Prospectus or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-*ter*, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms in all cases at its own expense.

Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

MiFID II product governance / Professional investors and ECPs only target market – solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Final Terms dated [●]

Merlin Properties, SOCIMI, S.A.

(*Incorporated with limited liability in the Kingdom of Spain*)

Legal Entity Identifier (LEI): 959800L8KD863DP30X04

Issue of **[Aggregate Nominal Amount of Tranche] [Title and type of Notes]**

under the **€5,000,000,000**

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 May 2018 [and the base prospectus supplement dated [●]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and/,] the Final Terms [and the Base Prospectus supplement] [have] been published on the website of the Luxembourg Stock Exchange at

www.bourse.lu and [are] available for viewing during normal business hours at Paseo de la Castellana, 257, 28046 Madrid, Spain (being the registered office of the Issuer).]

(The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.)

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") contained in the Agency Agreement dated [6 April 2016 / 12 May 2017] and set forth in the Base Prospectus dated [6 April 2016 / 12 May 2017]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 18 May 2018 [and the base prospectus supplement dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the base prospectus dated [6 April 2016 / 12 May 2017] and incorporated by reference into the Base Prospectus dated 18 May 2018. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [6 April 2016 / 12 May 2017] and 18 May 2018 [and the base prospectus supplements dated [●] and [●]]. The Base Prospectuses[and/,] the Final Terms [and the base prospectuses supplements] [have] been published on the website of the Luxembourg Stock Exchange at www.bourse.lu and [are] available for viewing during normal business hours at Paseo de la Castellana, 257, 28046 Madrid, Spain (being the registered office of the Issuer).]

(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.)

1	(i) Series Number:	[●]
	(ii) Tranche Number:	[●]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the existing notes with Series number [●] on [*insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below* [which is expected to occur on or about [*insert date*]]].]
2	Specified Currency or Currencies:	[●]
3	Aggregate Nominal Amount of Notes:	[●]
	(i) Series:	[●]
	(ii) Tranche:	[●]
4	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] to, but excluding the Issue Date.]

5	(i)	Specified Denominations:	[●]
	(ii)	Calculation Amount:	[●]
6	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date	[[●]]/[Issue Date]/[Not Applicable]
7		Maturity Date:	[[●]]/[Interest Payment Date falling in or nearest [●]]
8		Interest Basis:	[[●] per cent. Fixed Rate (see paragraph 13 below)] [[●] month [LIBOR]/[EURIBOR] +/– [●] per cent. Floating Rate (see paragraph 14 below)] [Zero Coupon (see paragraph 15 below)]
9		Redemption/Payment Basis:	Subject to any purchase and calculation or early redemption, the Notes will be redeemed on the Maturity Date at [●][100] per cent. of their nominal amount.
10		Change of Interest Basis	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [13/14/15] applies and for the period from (and including) [*date*], up to (and including) the Maturity Date, paragraph [13/14/15] applies]/[Not Applicable]
11		Put/Call Options:	[Put Option] [Change of Control Put Option] [Issuer Call] [Residual Maturity Call Option] [Substantial Purchase Event] [Acquisition Event] [Not Applicable] (see paragraph [16/17/18/19/20/21] below)
12		Date of Board approval for issuance of Notes obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13	**Fixed Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i)	Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
(ii)	Interest Payment Date(s):	[●] in each year
(iii)	Fixed Coupon Amount[(s)]	[●] per Calculation Amount
(iv)	Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]/Not Applicable]
(v)	Day Count Fraction:	[Actual/Actual] / [Actual/Actual-ISDA]/[Actual / 365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] / [30E/360] / [30E/360(ISDA)] / [Actual/Actual-ICMA]
(vi)	Determination Dates:	[[●]]/[Not Applicable] (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual(ICMA)*)

14	**Floating Rate Note Provisions**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
(i)	Interest Period(s):	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/ , not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
(ii)	Specified Interest Payment Dates:	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/ , not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]
(iii)	Interest Period Date:	[Not Applicable]/[[●], subject to adjustment in accordance with the Business Day Convention set out in (iv) below/ , not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]] (*Not applicable unless different from Interest Payment Date*)
(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
(v)	Business Centre(s):	[[●]]/[Not Applicable]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]

(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent(s)):	[●]
(viii)	Screen Rate Determination:	
	– Reference Rate:	[●] month/[LIBOR]/[EURIBOR]
	– Reference Banks:	[●]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(ix)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(x)	Linear Interpolation	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction:	[Actual/Actual / Actual/Actual-ISDA/Actual / 365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 30E/360 / 30E/360(ISDA) / Actual/Actual-ICMA]]

15	**Zero Coupon Note Provisions**	[[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum]
	(ii) Reference Price:	[●]
	(iii) Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual / Actual/Actual (ISDA) / Act/Act / Act/Act (ISDA) / Actual/Actual (ICMA) / Act/Act (ICMA) / Actual/365 (fixed) / Act/365 (fixed) / A/365 (fixed) / A/365F / Actual/365 (Sterling) / Actual/360 / Act/360 / A/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / 30E/360 (ISDA)]]

PROVISIONS RELATING TO REDEMPTION

16	**Call Option**	[Applicable]/[Not Applicable] (*If not applicable, delete the remaining sub- paragraphs*

		of this paragraph)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount/Condition 7(b) applies]/[Make-Whole Amount]
	(iii) Make-whole Amount:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Reference Note:	[[●]/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	Redemption Margin:	[●]
	Financial Adviser:	[●]
	Quotation Time:	[●]
	(b) Discount Rate:	[[●]/Not Applicable]
	(c) Make-whole Exemption Period:	[Not Applicable]/[From (and including) [●] to (but excluding) [●]/the Maturity Date]]
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(v) Notice period	[●] days
17	**Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount]
	(iii) Notice period	[●] days
18	**Change of Control Put Option**	[Applicable/Not Applicable]
19	**Residual Maturity Call Option**	[Applicable/Not Applicable]
20	**Substantial Purchase Event**	[Applicable/Not Applicable]
21	**Acquisition Event**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Acquisition Target:	[●]
	(ii) Acquisition Completion Date:	[●]
	(iii) Acquisition Call Redemption Amount:	[●]

	(iv) Acquisition Notice Period:	The period from the Issue Date to [●/the Acquisition Completion Date]
22	**Final Redemption Amount of each Note**	[●] per Calculation Amount
23	**Early Redemption Amount**	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	**Form of Notes:**	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes] (*N.B. In relation to any issue of Notes which are expressed to be represented by a Temporary Global Note exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater that €100,000 (or equivalent) and integral multiples thereof.*) [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
25	New Global Note:	[Yes]/[No]
26	Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub paragraph 14(v) relates*]

27	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Merlin Properties, SOCIMI, S.A.

By: .....

Duly authorised

PART B – OTHER INFORMATION

1 **LISTING AND ADMISSION TO TRADING**

(i)	Admission to listing and trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on [the official list of the Luxembourg Stock Exchange/[●]] with effect from [●]] [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/[●]] with effect from [●]] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
(ii)	Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings:	[The Notes to be issued [have been/are expected to be] rated] /[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S&P: [●]] [Moody's: [●]] [[Fitch: [●]] [[Other]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)*(Insert one (or more) of the following options, as applicable)* [[●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and has applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**"), although notification of the registration decision has not yet been

provided.

[●] (*Insert legal name of particular credit rating agency entity providing rating*) is established in the EU and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**").

[●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but the rating it has given to the Notes is endorsed by [●] (*insert legal name of credit rating agency*), which is established in the EU and registered under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**"). A list of registered credit rating agencies is published at the European Securities and Market Authority's website: www.esma.europa.eu. [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU but is certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**"). [●] (*Insert legal name of particular credit rating agency entity providing rating*) is not established in the EU and is not certified under Regulation (EC) No 1060/2009 as amended by Regulation (EC) No. 513/2011 (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EU and registered under the CRA Regulation.]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

[Save for (i) any fees payable to the Dealer[s] and (ii) so far as the Issuer is aware, no person involved in the issue/offer of the Notes has an interest material to the offer. The Dealer[s] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and any of its affiliates in the ordinary course of the business for which they may receive fees.] [*Amend as appropriate if there are other interests*]

4 Fixed Rate Notes only – YIELD

Indication of yield: [Not Applicable/[●]]

5 OPERATIONAL INFORMATION

ISIN: **[●]**

Common Code:	**[●]**
FISN:	[Not Applicable/[●]]
CFI Code:	[Not Applicable/[●]]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and number(s) and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	**[●]**
Names and addresses of additional Paying Agent(s) (if any):	**[●]**
[Intended to be held in a manner which would allow Eurosystem eligibility]	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

6 **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated:	
	(A) Names of Managers:	[Not Applicable/*give names*]
	(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(iii)	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(iv)	US Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C/ TEFRA D/ TEFRA not applicable]

GENERAL INFORMATION

(1) Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Spain in connection with the update of the Programme. The update of the Programme was authorised by a resolution of the board of directors of the Issuer passed on 10 May 2018.

(3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 March 2018, being the date of the last published unaudited interim financial information, and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

(4) Neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had significant effects on the financial position or profitability of the Issuer or the Group.

(5) Each Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN), the Financial Instrument Short Name (FISN), the Classification of Financial Instruments Code (CFI Code) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(7) The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(8) Other than as described in "*Information on the Group – Material Contracts*", there are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes being issued.

(9) Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(10) Notes may be issued at any price. The issue price of each Tranche of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the

Series) to the issue date of the relevant Tranche. The yield of each Tranche of Notes will be calculated as of the relevant issue date using the relevant issue price and will be specified in the applicable Final Terms. It is not an indication of future yield. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(11) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent:

(i) the Agency Agreement (which includes the form of the Global Notes, the definitive Notes, the Coupons and the Talons);

(ii) the Deed of Covenant;

(iii) the constitutive documents of the Issuer;

(iv) the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016 respectively;

(v) the unaudited balance sheet and profit and loss account of the Issuer as of and for the three months ended 31 March 2018;

(vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity);

(vii) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Base Prospectus; and

(viii) all reports, letters and other documents, consolidated statements of financial position, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(12) Deloitte, S.L., (Independent Auditors) located at Plaza de Pablo Ruiz Picasso 1, Torre Picasso, Madrid 28020, Spain, and registered in the Official Registry of Accounting Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. has audited the Issuer's consolidated financial statements, prepared in accordance with IFRS-EU, as of and for the years ended 31 December 2017 and 31 December 2016, and has issued unqualified audit reports, respectively.

(13) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or any of its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge

their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, conflicts of interest could arise where a Dealer is appointed as calculation agent for a Tranche of Notes or if proceeds from any issue of Notes under the Programme are used to repay financing granted to the Group by the Dealers and those Dealers receive commissions on such Notes. For the purpose of this paragraph, the term "affiliates" includes parent companies.

DEFINITIONS

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

"***Agency Agreement***"	the agency agreement dated 18 May 2018 between the Issuer, Société Générale Bank & Trust S.A. as the Fiscal Agent and the other agents named in it (as amended or supplemented as at the Issue Date) pursuant to which the Notes are issued;
"***Agent Bank***".....	Société Générale Bank & Trust S.A.;
"***Alternative Clearing System***"	Euroclear, Clearstream, Luxembourg or any other permitted clearing system;
"***APMs***"	alternative performance measures (as defined in the ESMA Guidelines on Alternative Performance Measures);
"***Arranger for the Programme***".....	Société Générale Corporate & Investment Banking;
"***Assets***"	the Group's assets from time to time;
"***Base Prospectus***"	this document issued by the Company in relation to the Programme and issuance of Notes for the purposes of article 5.4 of the Prospectus Directive;
"***BBVA***".....	Banco Bilbao Vizcaya Argentaria, S.A.;
"***BMR***"	the Benchmark Regulation (Regulation (EU) 2016/1011);
"***Board of Directors***".....	the board of directors of the Company;
"***Business Strategy***"	the Group's business strategy to be implemented by the Management Team;
"***By-laws***"	the by-laws (*Estatutos*) of the Company, as amended from time to time;
"***C Rules***"	U.S. Treas. Reg. §1.163-5(C)(2)(i)(C);
"***Calculation Agent***"	the calculation agent(s) for the time being (if any);
"***CIT***".....	Spanish corporate income tax;
"***Classic Global Notes***" or "***CGN***" ..	Global Notes not issued in NGN form;
"***Clearstream, Luxembourg***"	Clearstream Banking, société anonyme;
"***Conditions***" or "***Terms and Conditions***"	the terms and conditions of the Notes;
"***Commercial Property Assets***".....	(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;
"***Common Depositary***".....	the common depositary on behalf of Euroclear and Clearstream, Luxembourg;
"***Common Safekeeper***"	the common safekeeper for Euroclear and Clearstream, Luxembourg;
"***Commission's Proposal***"	the proposal by the European Commission published on 14 February 2013 for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, France, Italy, Austria, Portugal, Slovenia and Slovakia;
"***Company***".....	MERLIN Properties, SOCIMI, S.A., incorporated under the laws of Spain, with registered office at Paseo de la Castellana 257, 28046 Madrid, Spain;
"***Core***"	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 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;
"***Corporate Tax Regulations***".....	Royal Decree 634/2015 approving the Spanish corporate income tax regulations;
"***Couponholders***"	holders of Coupons and Talons;
"***Coupons***".....	interest coupons relating to interest bearing Notes in bearer form;
"***CRA Regulation***"	Regulation (EU) No 462/2013 of the European Parliament and of the Council of 21 May 2013 amending Regulation (EC) No 1060/2009 on credit rating agencies;
"***CSSF***"	*Commission de Surveillance du Secteur Financier*, the competent authority under the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities;
"***D Rules***"	U.S. Treas. Reg. §1.163-5(C)(2)(i)(D);
"***Dealers***".....	Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, CaixaBank, S.A., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., NATIXIS and Société Générale, Permanent Dealers and all persons appointed as a Dealer in respect of one or more Tranches;
"***Dealer Agreement***"	the dealer agreement (as amended or supplemented as at the Issue Date) dated 18 May 2018 between the Dealers and the Company in relation to the Programme;
"***Deed of Covenant***"	the deed of covenant (as amended or supplemented as at the Issue Date) dated 18 May 2018 executed by the Issuer in relation to the Notes;
"***Delegated Management***"	the ultimate management by MAGIC Real Estate pursuant to certain agreements entered into with third parties, of assets under management owned by investment vehicles;
"***DGT***"	the Spanish General Directorate of Taxes (*Dirección General de Tributos*);
"***Directors***"	the directors of the Company, whose names as at the date of this Base Prospectus are set out in "*Information on the Company*");
"***distributor***"	any person subsequently offering, selling or recommending the Notes;
"***EEA***"	the European Economic Area;
"***EEA Regulated Market***"	means a regulated market for the purposes of MiFID II which is situated in the European Economic Area;
"***EMMI***"	the European Money Markets Institute;
"***EPRA***".....	European Public Real Estate Association. Further information on the EPRA, as well as the EPRA Reporting Best Practice Recommendations (August 2011) are available at www.epra.com;
"***ESMA***"	the European Securities and Markets Authority;
"***EU***".....	European Union;
"***EURIBOR***"	the Euro Interbank Offered Rate;
"***€***" or "***euro***" or "***Euro***".....	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community as amended;
"***Euroclear***".....	Euroclear Bank, S.A./N.V. (operator of the Euroclear System);
"***FCA Announcement***"	the UK Financial Conduct Authority's announcement made on 27 July 2017 that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021;

"***Financial Instruments and Exchange Act***"	the Financial Instruments and Exchange Act of Japan, Act No. 25 of 1948, as amended;
"***Final Terms***"	final terms for a Tranche;
"***Fiscal Agent***"	the fiscal agent for the time being (if any);
"***FTT***"	the common financial transactions tax proposed by the Commission's Proposal;
"***GAV***"	gross assets value;
"***GLA***"	gross leasable area;
"***Global Notes***"	temporary Global Notes and permanent Global Notes together;
"***GRI***" or "***Gross Rental Income***"...	gross rental income;
"***Group***".....	the Issuer and its Subsidiaries for the time being;
"***Ibex 35***"	the benchmark stock market index of the Madrid Stock Exchange to which the Company was admitted on 12 December 2015;
"***ICE***"	ICE Benchmark Administration Limited;
"***IFRS-EU***"	International Financial Reporting Standards as adopted by the European Union;
"***IMF***"	International Monetary Fund;
"***Investor's Currency***"	the currency or currency unit an investor's financial activities are denominated in;
"***Issuer***"	MERLIN Properties, SOCIMI, S.A., incorporated under the laws of Spain, with registered office at Paseo de la Castellana 257, 28046 Madrid, Spain;
"***Legacy Mandates***"	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;
"***leverage***" or "***gearing***"	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;
"***LIBOR***"	the London Interbank Offered Rate;
"***LTV***" or "***Loan to Value Ratio***"....	the ratio, expressed as a percentage, of Total Net Debt to Gross Assets Value;
"***MAGIC Contracts Key Employees***"	Mr. Ismael Clemente, Mr. Miguel Ollero, Mr. Luis Lázaro and Mr. Miguel Oñate;
"***MAGIC Real Estate***"	MAGIC Real Estate, S.L.;
"***Management Team***"	Mr. Ismael Clemente, Mr. David Brush, Mr. Miguel Ollero, Mr. Fernando Lacadena, Mr. Javier Zarrabeitia, Mr. Francisco Rivas, Mr. Enrique Gracia, Mr. Manuel García Casas, Mr. Luis Lázaro, Mr. Miguel Oñate, Ms. Inés Arellano and Mr. Fernando Ramírez;
"***Metrovacesa***"	Metrovacesa, S.A.;
"***MiFID II***"	Directive 2014/65/EU;
"***MiFID Product Governance Rules***"	the MiFID Product Governance rules under EU Delegated Directive 2017/593;
"***Moody's***"	Moody's Investors Services Limited;
"***NGN***".....	new global note;
"***NOI***"	net operating income;
"***Notes***"	notes issued by the Company as specified in this Base Prospectus;
"***Noteholders***"	holders of Notes issued by the Company as specified in this Base Prospectus;
"***NRI***"	net rental income;

"***NRIT***"	the Non-Resident Income Tax, Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the NRIT Law, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax;
"***Official List***"	the official list of the Luxembourg Stock Exchange;
"***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;
"***Paying Agent***"	the paying agents for the time being (if any), including the Fiscal Agent;
"***participating Member States***"	the EU Member States, namely Belgium, Germany, Greece, France, Italy, Austria, Portugal, Slovenia and Slovakia, that participate in the proposed FTT regime (Estonia has since said it will not participate);
"***Permanent Dealers***"	Dealers and such additional persons that are appointed as Dealers in respect of the whole Programme;
"***permanent Global Note***"	permanent global note in bearer form representing a Series of Notes;
"***Portugal***"	the Portuguese Republic;
"***PRIIPs Regulation***"	Regulation (EU) No 1286/2014, as amended;
"***Programme***"	The Euro Medium Term Note Programme described in this Base Prospectus;
"***Prospectus Directive***"	European Parliament and Council Directive 2003/71/EC of 4 November (and amendments thereto, including Directive 2010/73/EU);
"***Public Deed***"	a public deed (*escritura publica*) that the Issuer will execute if required to by Spanish Law in relation to the Notes;
"***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;
"***Regulation S***"	Regulation S under the US Securities Act;
"***REIT***"	A real estate investment fund;
"***relevant clearing system***"	Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system;
"***Relevant Implementation Date***" ...	the date on which the Prospectus Directive is implemented in the Relevant Member State;
"***Relevant Member State***"	each Member State of the European Economic Area which has implemented the Prospectus Directive;
"***RICS***"	Royal Institution of Chartered Surveyors;
"***RICS Red Book***"	the Seventh Edition of the Appraisal and Valuation Manual (or if it has been replaced, its equivalent) published by RICS;
"***Royal Decree 1065/2007***"	Royal Decree 1065/2007, of 27 July;
"***Royal Decree 1145/2011***"	Royal Decree 1145/2011, of 29 July amending Royal Decree 1065/2007;
"***Santander***"	Banco Santander, S.A.;
"***Sacyr***"	Sacyr, S.A., a company incorporated under the laws of Spain, with registered address at Paseo de la Castellana 83-85, 28046 Madrid (Spain);
"***Securities Act***"	U.S. Securities Act of 1933, as amended;
"***Security Interest***"	any mortgage, charge, lien, pledge or other security interest;

"***Separate Accounts Management***"	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;
"***Series***"	series in which the Notes will be issued, the Notes of each series being intended to be interchangeable with all other Notes of that series;
"***SIBE***"	the electronic platform for the Spanish Stock Exchanges (*Sistema de Interconexión Bursátil Español*);
"***SOCIMI***"	a listed limited liability company for investment in the real estate market (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*);
"***SOCIMI Act***"	Spanish Law 11/2009, of 26 October, as modified by Spanish Law 16/2012, of 27 December;
"***SOCIMI Regime***" or "***Spanish SOCIMI Regime***"	Spanish legal provisions applicable to a Spanish SOCIMI pursuant to the SOCIMI Act;
"***Spain***"	the Kingdom of Spain;
"***Spanish Companies Act***"	the consolidated text of the Spanish Companies Act adopted under Royal Legislative Decree 1/2010, of 2 July, as amended;
"***Spanish GAAP***"	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;
"***Spanish Insolvency Act***"	Spanish Act 22/2003, of 9 July on Insolvency (*Ley 22/2003, de 9 de julio, Concursal)*;
"***Spanish Securities Market Act***" ...	Spanish Law 24/1988, of 28 July, on the securities market, as amended;
"***Spanish Stock Exchanges***"	Madrid, Barcelona, Bilbao and Valencia stock exchanges;
"***Spanish Urban Renting Act***"	requires the mandatory annual extension of lease agreements for at least three years, unless otherwise stated by the lessee, and the amendment or removal of government subsidies for leasing (*Ley de Arrendamientos Urbanos*);
"***Spin-Off***"	the total spin-off (*escisión total*) of Metrovacesa;
"***sqm***"	square metres;
"***Stabilising Manager(s)***"	the Dealer or Dealers named as the stabilising manager;
"***Standard & Poor's***" or "***S&P***"	Standard & Poor's Rating Services;
"***Subsidiary***"	means in relation to any company, corporation or other legal entity, (a "holding company"), a company, corporation or other legal entity (i) which is controlled, directly or indirectly, by the holding company; (ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the holding company; or (iii) which is a subsidiary of another Subsidiary of the holding company, and, for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to determine the composition of the majority of its board of directors or equivalent body;
"***Substantial Shareholder***"	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;
"***Talons***"	talons for further Coupons;
"***TEFRA***"	the United States Tax Equity and Fiscal Responsibility Act of 1982;
"***temporary Global Note***"	temporary global note in bearer form representing a Series of Notes;
"***Testa***"	Testa Inmuebles en Renta, SOCIMI, S.A., a company incorporated under the laws of Spain with registered office at Paseo de la Castellana 83, 28046 Madrid (Spain);
"***Total GAV***"	total gross asset value of the Company's assets from time to time;

"***Tranche***"	Notes identical in all respects;
"***Transfer Tax***"	Spanish transfer tax (*Impuesto sobre Transmisiones Patrimoniales—ITP*);
"***Tree***".....	Tree Inversiones SOCIMI, S.A.;
"***United Kingdom***" or "***UK***".....	the United Kingdom of Great Britain and Northern Ireland;
"***United States***" or "***US***".....	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"***U.S. dollars***".....	the lawful currency of the United States;
"***Valuation***".....	the valuation of the Group's Assets by independent appraisers as of 31 December 2017;
"***Value Added***".....	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;
"***VAT***" or "***Value Added Tax***".....	Spanish value added tax (*Impuesto sobre el Valor Añadido—IVA*);
"***WAULT by Rent Years***".....	the weighted average unexpired lease term;
"***yield***".....	a measure of return on an asset calculated as the income arising on an asset expressed as a percentage of the total cost of the asset, including costs.

For the purpose of this Base 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.

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