MANAGEMENT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED ON
DECEMBER 31, 2015

MERLIN
PROPERTIES

MERLIN PROPERTIES IS THE LEADING SOCIMI IN THE SPANISH REAL ESTATE MARKET

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MERLIN PROPERTIES

01.

ORGANIZATION AND STRUCTURE

MERLIN Properties is a Company devoted to delivering sustainable return to shareholders through the acquisition, active management and selective rotation of high quality commercial real estate assets in the “Core” and “Core plus” segments.

COMPANY

- Diversified REIT
- Operating in Spain and, to a lesser extent, in Portugal
- Governed by the best Anglo-Saxon REIT's practices

ASSETS

- Focus on high quality, "core" and "core plus" commercial properties: mainly office assets with support from retail and logistics cash flow
- Target portfolio by 2018: office (40%), high street retail (20-30%), shopping centres (20-25%) and logistics (10-15%)
- Selective development focused on AAA buildings given the scarcity of his product class in the market

CAPITAL STRUCTURE

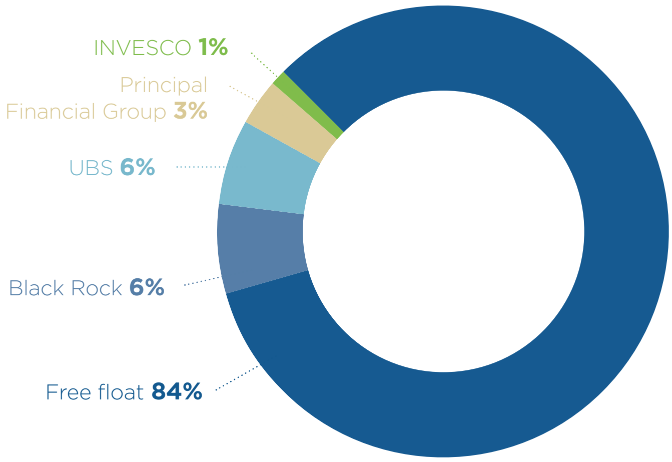
- Conservative approach to capital structure with a maximum 50% LT on a portfolio basis
- Target to reach an annual levered return of 8-10%
- Attractive sustainable dividend yield

MANAGEMENT

- Maximizes profitability potential of the existing portfolio and seeks to enhance quality and returns through selective new acquisitions
- Limited rotation of assets focused on matured, optimized assets
- In-house asset management teams to enhace the portfolio's return

SHAREHOLDING

The Company's share capital is composed of 323,030,000 ordinary shares. MERLIN Properties has a very solid shareholding structure with a significant "free float" of 84%.

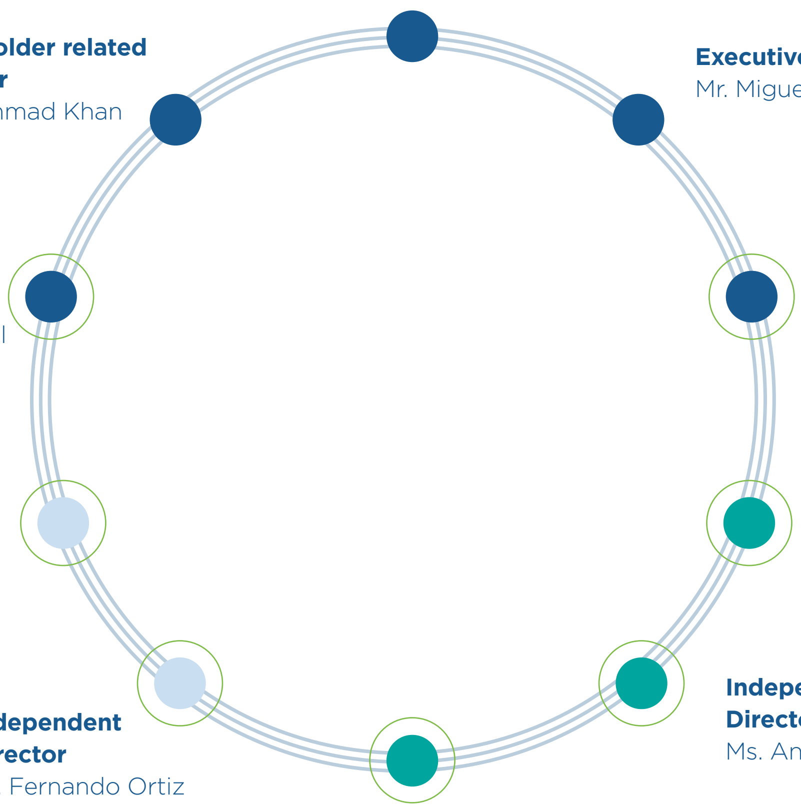


Data as of February 26th, 2016 in accordance with the announcemts made to the CNMV

COMPOSITION

The internal management organization structure can be summarized as follows:

- Board of Directors: consisting of ten directors, advised by both the Audit Control Committee and the Remuneration and Nomination Committee.
- President and Chief Executive Officer: reporting directly to the Board of Directors and forming part of it.
- Investment Committee: reporting to the President / CEO and consisting of 9 members



- Remuneration and nomination committee
- Audit and control committee
- Independent directors

Secretary
Ms. Mónica Martín de Vidales

Vice-secretary
Mr. Ildefonso Polo del Mármol

02.

KEY ASPECTS

KEY ASPECTS

1. Capital structure

During 2015, two capital increases of MERLIN Properties took place, one on 11 May for an amount of € 613,756 thousand, and another on 7 August, for an amount of € 1,033,696 thousand.

2. Investment activity

MERLIN Properties signed on 8 June 2015 with Sacyr, S.A. a binding agreement for the acquisition by MERLIN, in different phases, of a majority stake (99.6%) of Testa Inmuebles en Renta, S.A. (hereinafter, Testa). As of 31 December 2015, according to the terms of the agreement, MERLIN acquired a 77.01% stake of Testa. The stake and pending payment for the remaining stake owned by Sacyr was accounted for using business combination. Additionally, on 28 October, the CNMV authorized a public tender offer over 100% of the share capital of Testa, addressed to 581,609 shares (0.38% of the share capital of Testa) at a price of € 13.54 per share. 81.2% of the shares tendered the offer, representing 0.31% of the share capital of Testa. MERLIN does therefore holds a 77.32% of Testa as of 31 December, 2015, which has represented a total disbursement of € 1,669,863 thousand euros.

During 2015, MERLIN Properties, apart from Testa, has acquired 48 assets and a 32% stake in CILSA (ZAL-Port). These acquisitions have represented an aggregate disbursement of € 366,626 thousand (including transaction costs)

3. Commercial portfolio

After the acquisition of Testa and the acquisitions of other assets in 2015, MERLIN Properties owns a commercial real estate comprising 1,014 fully owned assets (plus 7 minorities stakes accounted as equity method), with a stock gross lettable area ("stock G.L.A.") of 1,865,487 sqm and 8 assets under development, with a development gross lettable area ("development G.L.A.") of 223,024 sqm. The portfolio gross asset value ("GAV"), in accordance with Savills and CBRE valuation as of 31 December 2015, plus advanced payments for forward purchases projects ("Gross Asset Value" or "GAV") amounts to € 6,052,665 thousand. The net asset value, following EPRA recommendations ("EPRA Net Asset Value" or "EPRA NAV"), amounts to € 3,181,246 thousand (€ 9.85 per share). Adjusted EPRA NAV, once deducted the goodwill arising as a result of Testa acquisition, outstanding as of 31 December 2015 (€ 199,696 thousand), amounts to € 2,981,547 thousand (€ 9.23 per share).

4. Results

In 2015, MERLIN recorded revenues of € 216,781 thousand, a recurring EBITDA of € 186,691 thousand, an EBITDA of € 161,252 thousand, a recurring FFO of € 133,097 thousand, a net consolidated result of € 49,078 thousand attributable to the parent company, and a net consolidated result excluding the net cost of the business combination of Testa and Obraser of € 231,797 thousand. These results include the full consolidation of Testa from 30 June to 31 December.

Capital structure key data

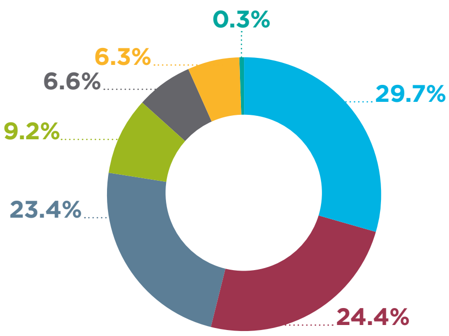
Number of ordinary shares	323,030,000
Total Equity (€ thousand)	2,926,431
GAV (€ thousand)	6,052,665
Net Debt (€ thousand)	3,013,436
Net Debt / GAV	49.8%

Key aspects of the commercial portfolio

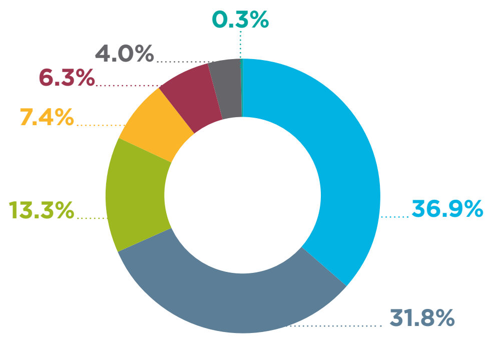
(€ thousand)	31/12/15
GAV of the commercial portfolio [1] [2]	5,731,443
GAV of the portfolio under development [1] [2]	50,524
GAV non-core land [2]	132,635
GAV equity method stakes [2]	138,064
Total GAV	**6,052,665**
Gross annualized rents 2015	301,667
"Topped-up" annualized rents 2015	287,184
Net annualized rents 2015	284,329
EPRA gross yield [5]	5.3%
EPRA topped-up yield [6]	5.0%
EPRA net initial yield [7]	5.0%
Stock G.L.A. (sqm)	1,865,487
Occupancy rate	94.6%
WAULT by rents (years) [8]	9.4
Development G.L.A. (m^2)	223,024
EPRA net asset value ("EPRA NAV")	**3,181,246**
EPRA NAV per share	9.85
Adjusted EPRA NAV (ex-goodwill)	**2,981,547**
Adjusted EPRA NAV per share	9.23

[1] Commercial portfolio: assets avaialable for lease including rented residential. Portfolio under development includes advanced payments for forward purchases
[2] In accordance with Savills and CBRE appraisals as of 31 December 2015
[3] Gross annualized rents have been calculated as passing rent as of 31 December multiplied by 12
[4] Net annualized rents have been calculated as net rent as of 31 December multiplied by 12
[5] Calculated as gross annualized rents divided by GAV of the commercial portfolio
[6] Calculated as "topped-up" annualized rents divided by GAV of the commercial portfolio
[7] Calculated as net annualized rent divided by GAV of the commercial portfolio
[8] Weighted unexpired lease term, calculated as the number of years of unexpired lease term, as from 31 December 2015, until the first break option of the lease contracts, weighted by the gross rent of each individual lease contract

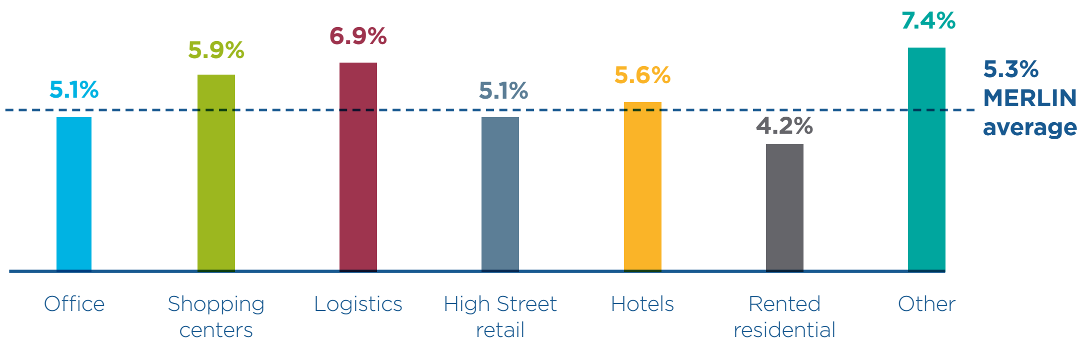
GLA per asset class



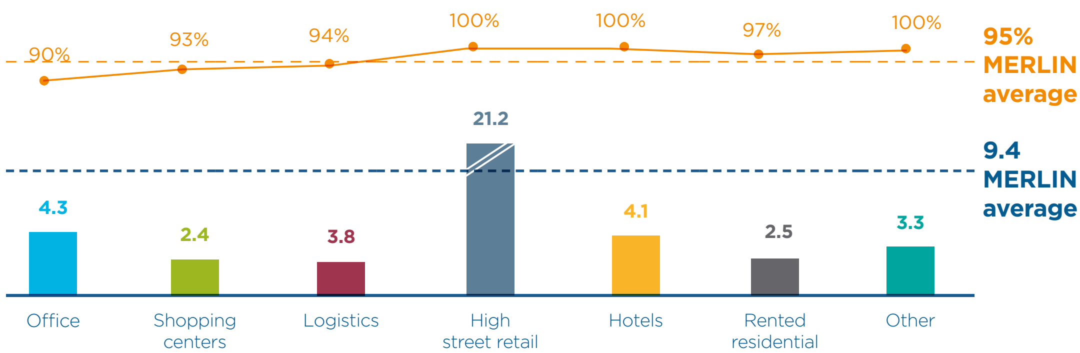
Gross annualized rents per asset class



Gross yield per asset class



Occupancy and wault per asset class



Key consolidated financial and economic indicators (IFRS)

(€ thousand)	31/12/15		31/12/14		YoY
Gross rents	**214,454**		**56,761**		**277.8%**
Property expenses not recharged to tenants	(10,236)		(2,584)		
Net rents before incentives	**204,218**		**54,177**		**276.9%**
Incentives and collection loss	(2,699)		(145)		
Net rents after incentives	**201,519**		**54,032**		**273.0%**
Other income	4,690		381		
Personnel expenses	(15,710)		(3,079)		
General expenses recurring	(3,808)		(986)		
General expenses non-recurring	(25,439)	**Per share**	(12,443)	**Per share**	
EBITDA	**161,252**	**0.50**	**37,905**	**0.29**	**325.4%**
Net interest expense	(53,594)		(17,963)		
Net interest expense additional in cash flow	(4,389)				
FFO	**107,658**	**0.32**	**19,942**	**0.15**	**439.9%**
EPRA earnings	**99,335**	**0.31**	**20,395**	**0.16**	
Profit (loss) for the period attributable	**49,078**	**0.15**	**49,670**	**0.15**	**146.1%**
Plus: general expneses non-recurring	25,439		12,443		
Recurring EBITDA	**186,691**	**0.58**	**50,348**	**0.39**	**270.8%**
Recurring FFO	**133,097**	**0.41**	**32,385**	**0.25**	**311.0%**

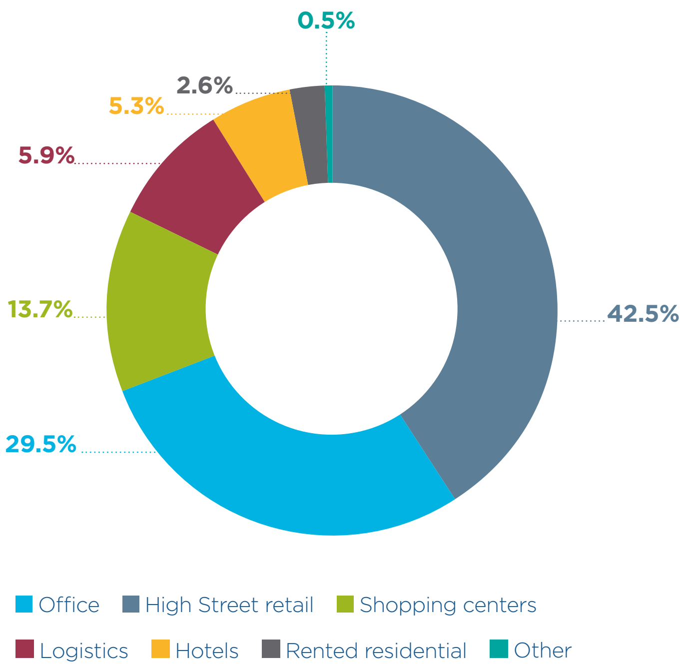
03.

BUSINESS PERFORMANCE

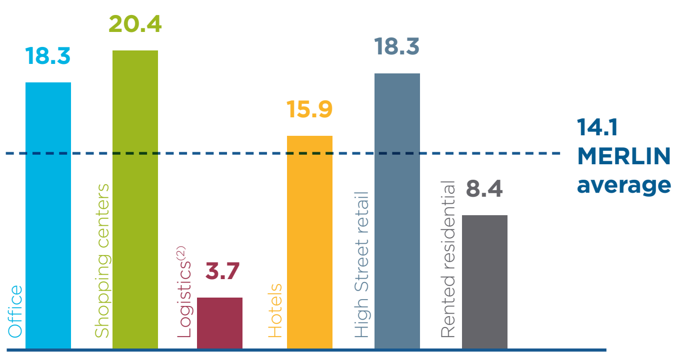
AVERAGE RENT

Gross rents in the period amount to € 214,454 thousand. Gross rents per asset category as well as average passing rent for office, shopping centers and logistics are shown below:

2015 Gross rents per asset category



Average Passing Rent[1] (€/sqm/month)



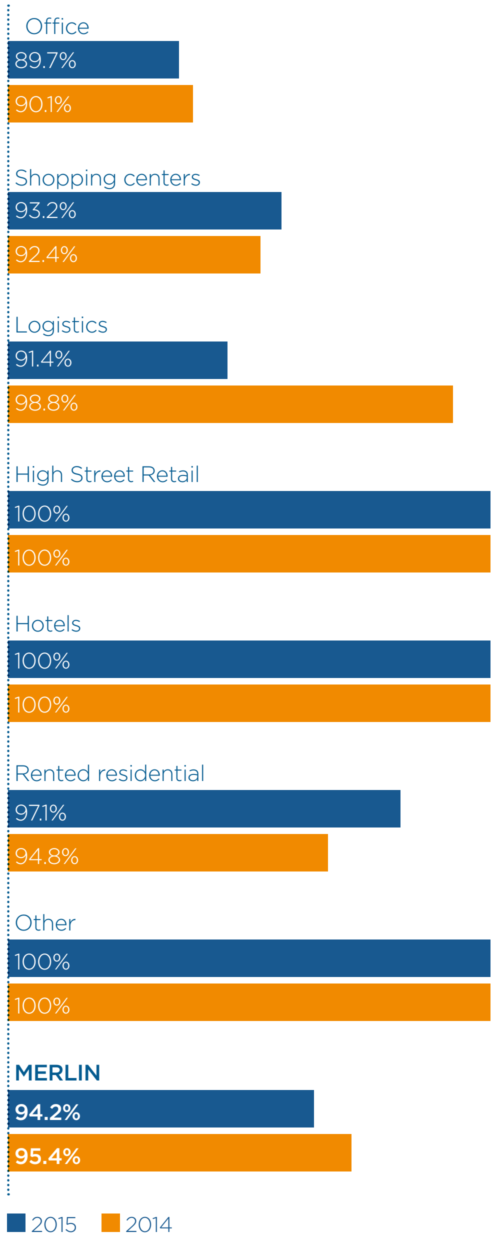
(1) Excluding other income (ie. rent guarantees, or mall income in shopping centers)
(2) Excluding turn-key projects

OCCUPANCY

Stock G.L.A. of MERLIN as of 31 December 2015 amounts to 1,865,487 sqm. Stock as of 31 December 2014 amounted to 680,046 sqm, resulting in an increase of the stock in 2015 of 1,184,123 sqm, out of which 997,853 sqm correspond to Testa acquisition and the remaining to the 48 assets acquired in 2015. Occupancy rate as of 31 December 2015 is 94.6%.

Occupancy evolution on a like-for-like basis, adjusted to exclude changes in the stock GLA, is as follows

	31/12/15
Office	
Total GLA (sqm)	554.362
GLA occupied (sqm)	498.728
Occupancy rate (%)	90,0%
Shopping centers	
Total GLA (sqm)	172.032
GLA occupied (sqm)	160.740
Occupancy rate (%)	93,4%
Logistics	
Total GLA (sqm)	454.784
GLA occupied (sqm)	425.178
Occupancy rate (%)	93,5%
High Street Retail	
Total GLA (sqm)	437.409
GLA occupied (sqm)	437.409
Occupancy rate (%)	100,0%
Hotels	
Total GLA (sqm)	116.741
GLA occupied (sqm)	116.741
Occupancy rate (%)	100,0%
Rented residential	
Total GLA (sqm)	124.019
GLA occupied (sqm)	120.367
Occupancy rate (%)	97,1%
Other	
Total GLA (sqm)	6.140
GLA occupied (sqm)	6.140
Occupancy rate (%)	100,0%
MERLIN	
Total GLA (sqm)	**1.865.487**
GLA occupied (sqm)	**1.765.303**
Occupancy rate (%)	**94,6%**



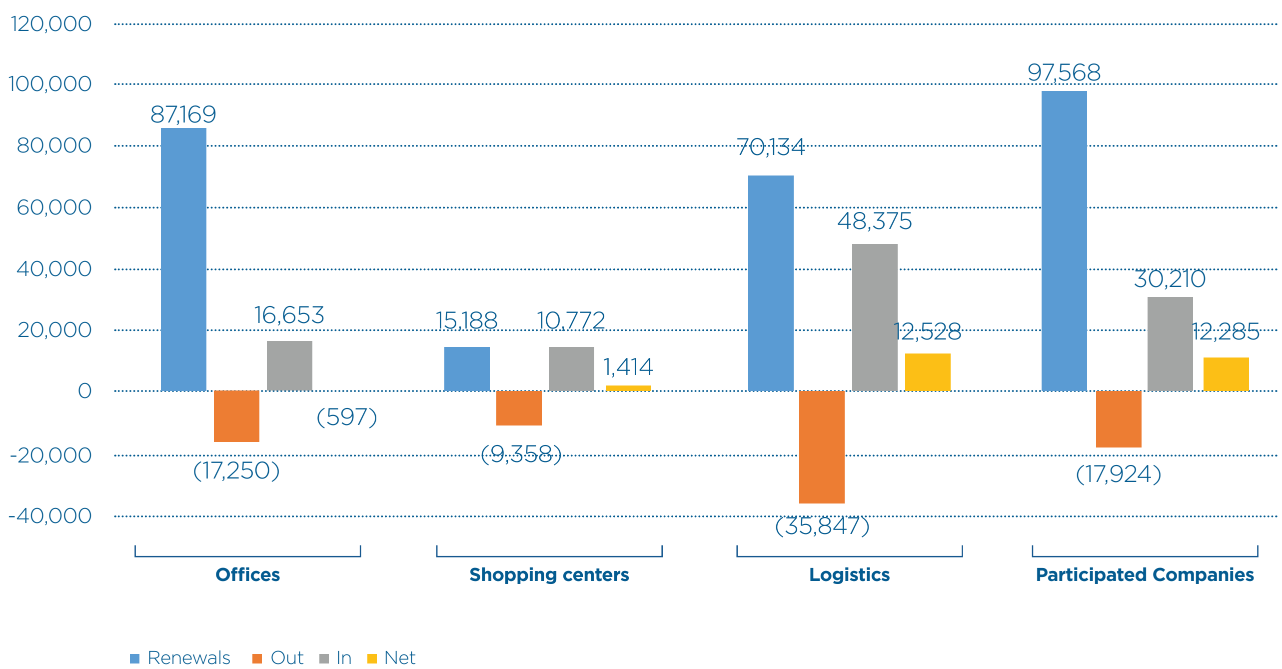
MERLIN enjoys a high quality tenant base, broadly diversified. Top 10 tenants, representing 55% of annualized gross rents as of 31 December 2015, are as follows:

Tenant	Years as tenant
BBVA	7
ENDESA	12.5
AYUNTAMIENTO MADRID	14.0
COMUNIDAD MADRID	14.0
HOTUSA	14.5
PWC	5.5
CAPRABO	23.5
INDRA	13.5
L'OREAL	7.5
SACYR	12.5
URÍA MENÉNDEZ	10.5

LEASING ACTIVITY

Since beginning of 2015, or since the acquisition date for the assets acquired during the year, MERLIN has signed lease agreements amounting to 248,291 sqm, out of which 75,800 sqm corresponds to new leases and 172,491 sqm to renewals. Adding the leasing activity of assets accounted under equity method, total lease agreement signed amount to 376,069 sqm, out of which 106,010 sqm correspond to new contracts and 270,059 sqm to renewals.

The breakdown per asset category is as follows:



Office

Total take-up amounts to 103,823 sqm out of which 87,169 sqm correspond to renewals and 16,653 sqm to new contracts. Exits amounted to 17,250 sqm, and therefore the net take up is negative by 597 sqm. New contracts have been concentrated in Atica, Princesa 3-5 y Juan Esplandiu.

Asset	Tenant	GLA (sqm)
Atica	Masmovil	1,837
Juan Esplandiu	TBWA	1,800
Princesa 3	Comunidad de Madrid	1,781
WTC8	Cofidis	1,497

Shopping centers

Total take-up amounts to 25,960 sqm out of which 15,188 sqm correspond to renewals and 10,772 sqm to new contracts. Exits amounted to 9,358 sqm, and therefore the net take up is positive by 1,414 sqm. Arturo Soria, accounted under equity method, since the acquisition by MERLIN, has signed renewals for 239 sqm, new contracts for 230 sqm and exits for 241 sqm.

Positive trend on both footfall and sales per sqm with strong demand from first in class tenants (Inditex) to increase the area leased in order to set-up their new image with a positive impact on economic terms.

Main contracts signed are:

Tenant	Asset	GLA (sqm)
I-fitness	Porto Pi	1,877
Kiwoko	Marineda	1,209
Pull & Bear	Marineda	757
McDonald's	Plaza de los Cubos	634

Footfall performance continues upwards with total visitors in the period up by 7% vs. 2014. Accumulated sales in 2015 compared to 2014 post an increased by 9.5%.

Footfall and sales evolution in shopping centers

(€/sqm/month)	2015	2014
Marineda		
Footfall (million)	16,391,444	15,098,983
Change %	8.6%	10.4%
Total sales	164,761,987	149,157,258
Change %	10.5%	18.2%
Porto Pi		
Footfall (million)	8,474,394	7,566,080
Change %	12.0%	0.2%
Total sales	87,341,982	76,425,323
Change %	14.3%	3.9%
Larios		
Footfall (million)	10,641,739	9,991,363
Change %	6.5%	0.7%
Total sales	56,825,006	51,681,906
Change %	10.0%	5.6%
Centro Oeste		
Footfall (million)	6,720,921	6,460,154
Change %	4.0%	(2.5%)
Total sales	45,312,860	44,367,176
Change %	2.1%	0.5%
Arturo Soria		
Footfall (million)	4,608,141	4,673,257
Change %	(1.4%)	(2.2%)
Total sales	24,996,198	24,678,033
Change %	1.3%	(1.9%)
Total MERLIN		
Footfall (million)	**46,836,639**	**43,789,837**
Change %	**7.0%**	**2.9%**
Total sales	**379,238,033**	**346,309,696**
Change %	**9.5%**	**8.9%**

In Marineda, refurbishment works have started in order to adapt the supply to the new design concept of foot court (with terraces and infant area), under the supervision of the well-known architect Broadway Malyan,

With respect to others shopping centers, Centro Oesta in Majadahonda (Madrid) is enjoying a high demand from tenants, and 2,098 sqm have been signed during 2015, raising occupancy levels to virtually 100% and at a higher rents level.

Logistics

Take-up up until 31 December amounts to 118,509 sqm, out of which 70,134 sqm correspond to renewals and 48,375 sqm to new contracts. Exits represent 35,847 sqm, thus leading to a positive net absorption of 12,528 sqm. Main activity has been concentrated in Guadalajara-Cabanillas II and Coslada complex. CILSA (equity method) also enjoyed a very strong year in terms of leasing activity, with renewals amounting to 97,329 sqm, new contracts 29,980 sqm and exits representing 17,683 sqm, and as a result achieving a remarkable positive net absorption of 12,297 sqm.

Main contracts signed are:

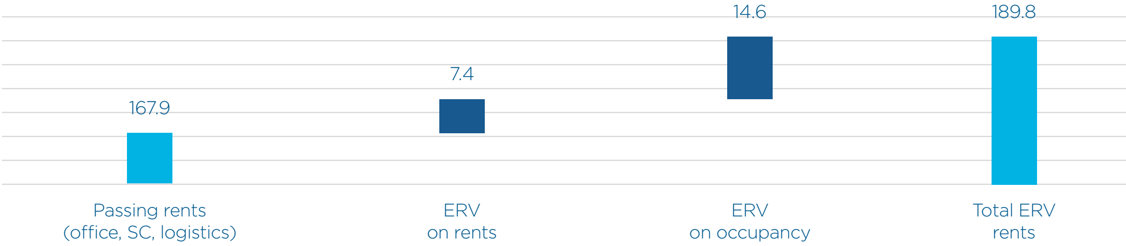
Rented residential

In 2015, a total of 298 contracts have been signed, out of which 64 correspond to renewals and 234 to new contracts. Contracts not renewed amount to 255.

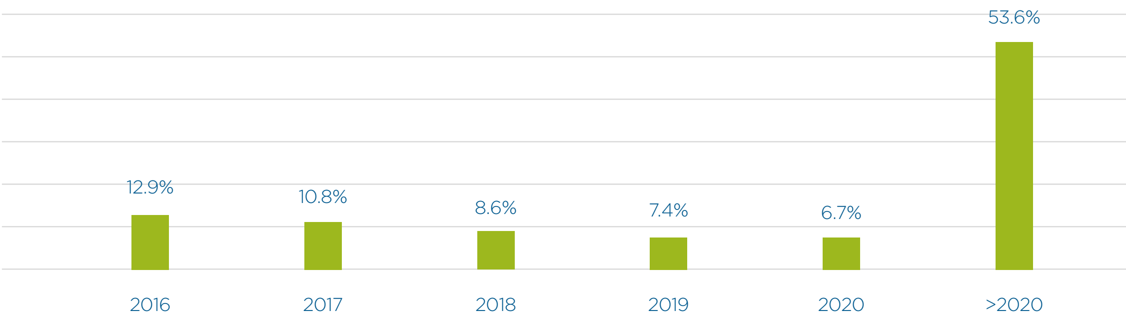
Asset	Tenant	GLA (sqm)
Guadalajara-Cabanillas II	n.d.	38.054
Coslada Complex	ICS	2.709
Valencia-Almusafess	Truck&Wheel	7.612

WAULT AND LEASE MATURITY PROFILE

Erv Growth Potential

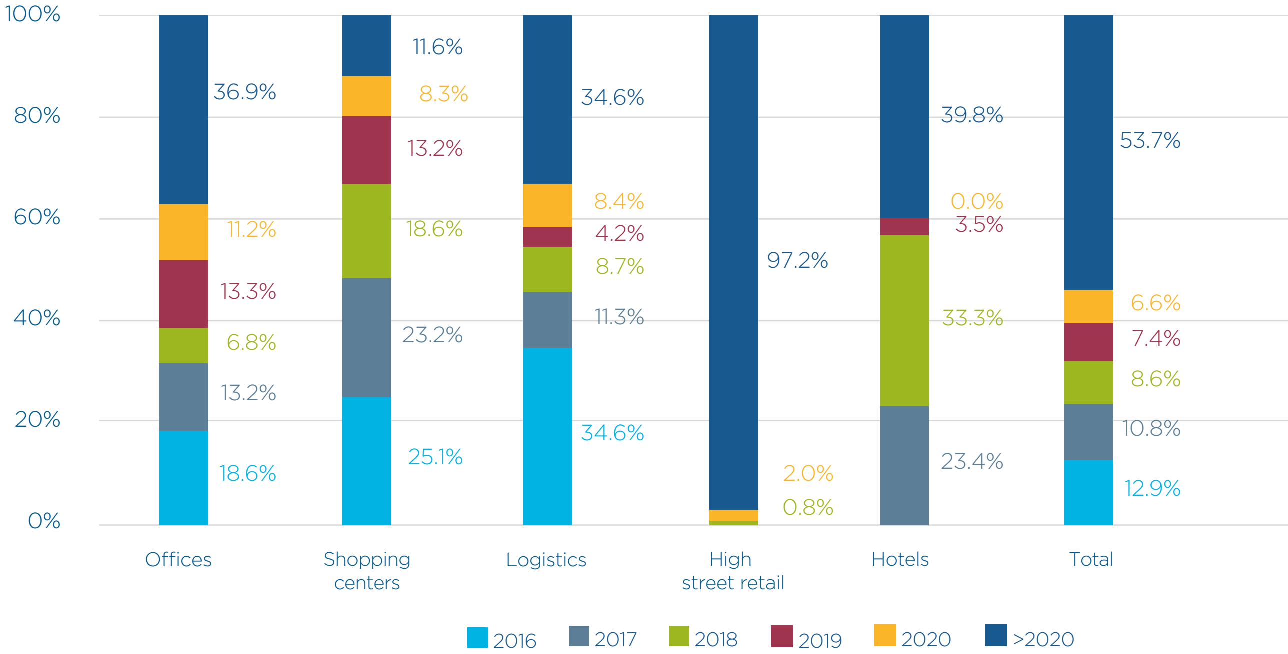


Lease contracts maturity profile (per year as a % of total rents)





Lease maturity profile shows a well-balanced picture. On aggregate terms, over the next three years, rents expiring amount to 12.9% (2016), 10.8% (2017) and 8.6% (2018) of total contracted rents.



INVESTMENTS

2015 has been a very intense year with respect to acquisitions, including Testa acquisition, which has been transformational for the Company. Total cost of new investments (excluding Testa) has been € 367,094 and the breakdown per asset category is as follows:

(€ thousand)	Precio
Office	57,210
Logistics	90,583
High-street retail	99,138
Land for development	32,851
Equity method[1]	87,313
TOTAL	**367,094**

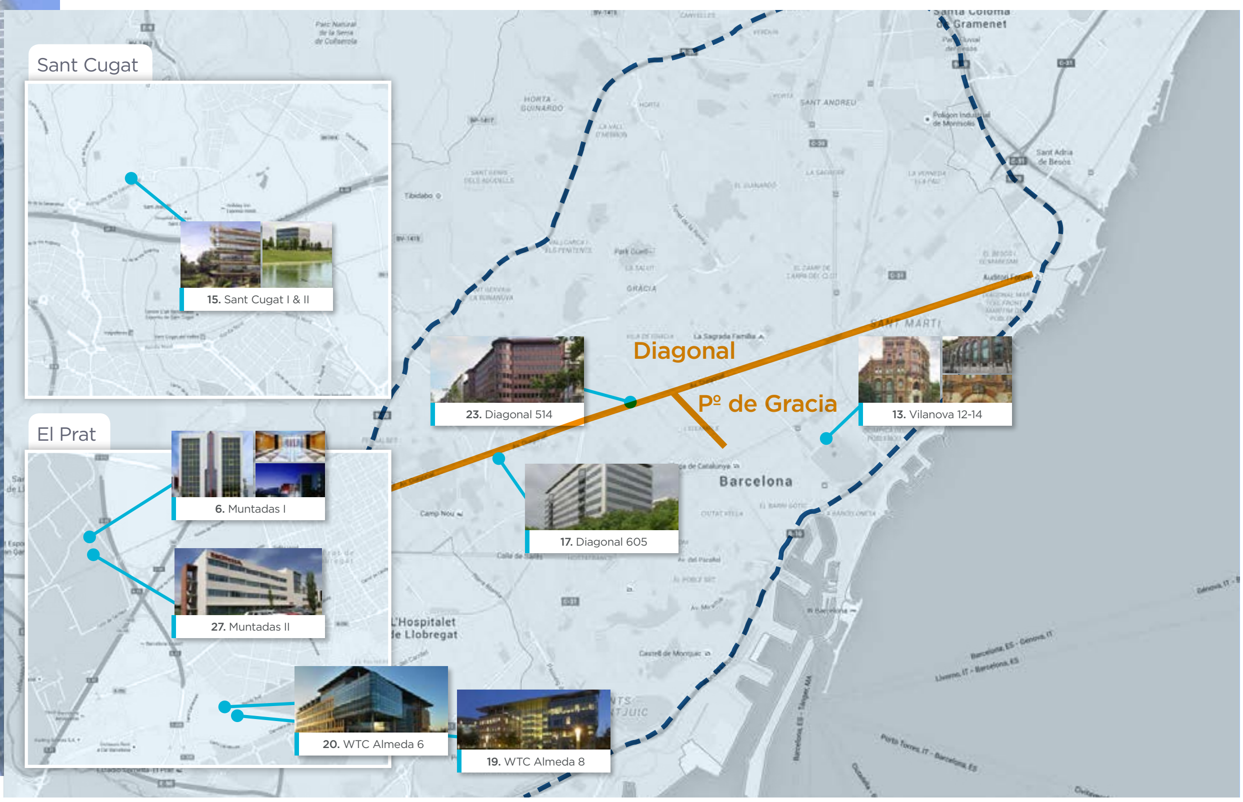
[1] Includes 50% of Arturo Soria Plaza and 32% of CILSA, manage company of Zal Port

04.

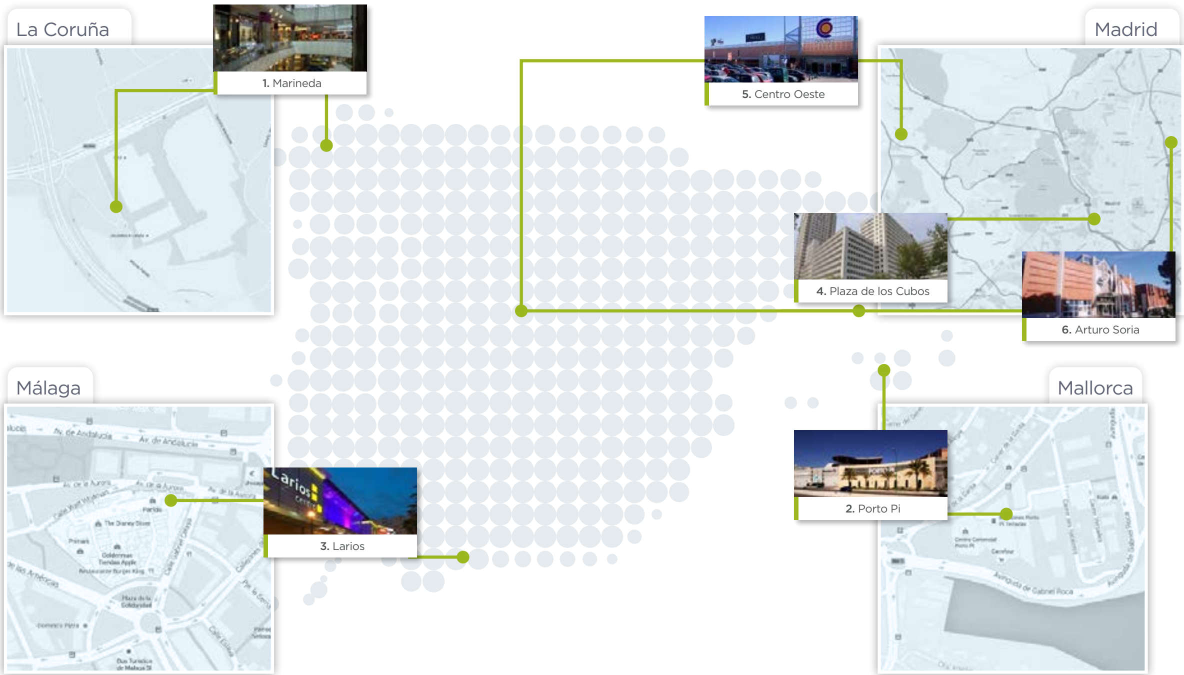
PORTFOLIO AND VALUATION

Offices Madrid

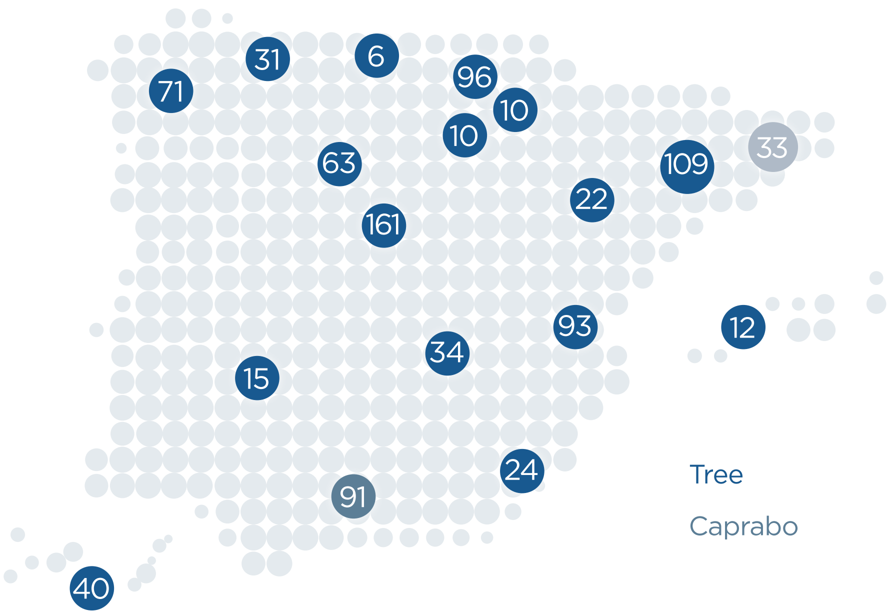
Offices Barcelona



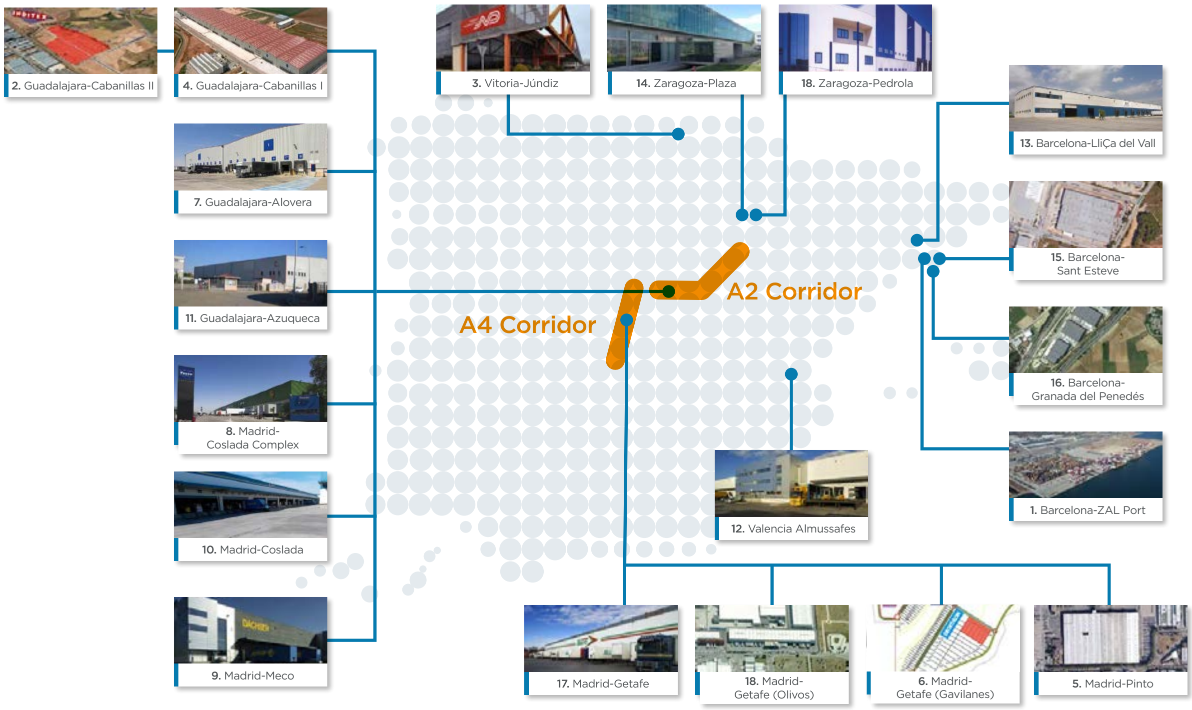
Shopping centers



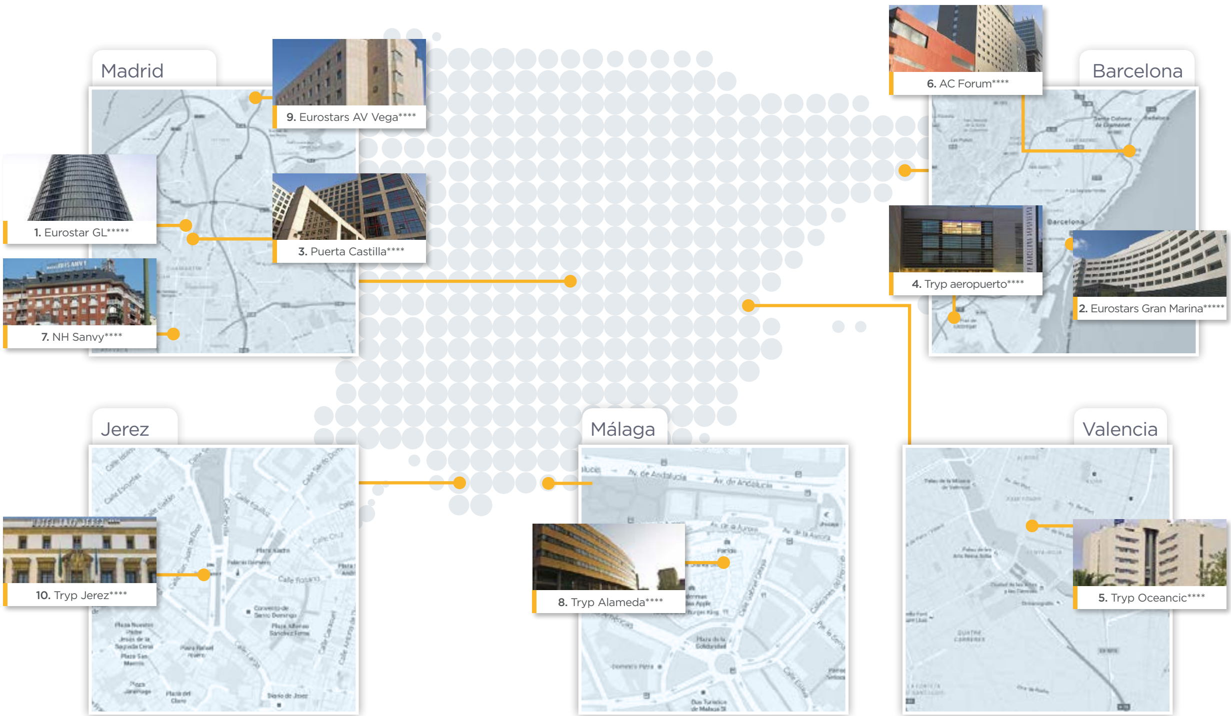
High Street Retail



Logistics



Hotels



VALUATION

MERLIN portfolio has been appraised by CBRE (Testa assets except for land) and Savills (MERLIN assets plus Testa land). Advanced payments related to forward purchase transactions, which have not been appraised, have been added at book value as part of the land for development category. The GAV of MERLIN as of year-end amounts to € 6,052.7 million.

	31/12/15		Valuation metrics	
	€ thousand	**%**	**€ /sqm/AG**	**Gross Yield**
Office	2,189,565	36.2%	3,949.7	5.1%
Shopping centers	683,680	11.3%	3,974.1	5.9%
Logistics	276,500	4.6%	608.0	6.9%
Hish Street Retail	1,883,908	31.1%	4,307.0	5.1%
Hotels	397,455	6.6%	3,404.6	5.6%
Rented residential	288,140	4.8%	2,323.4	4.2%
Other	12,195	0.2%	1,986.2	7.4%
Land for development	50,524	0.8%	226.5	-
Non-core land	132,635	2.2%	n,a,	-
Total	**5,914,602**	**97.7%**	**2,411.6**	**5.3%**
Equity method[1]	138,064	2.3%	1,132.0	7.8%
Total with equity method	**6,052,665**	**100.0%**	**2,330.8**	**5.3%**

[1] Considering GAV of stakes held at equity method (€187,285 thousands)

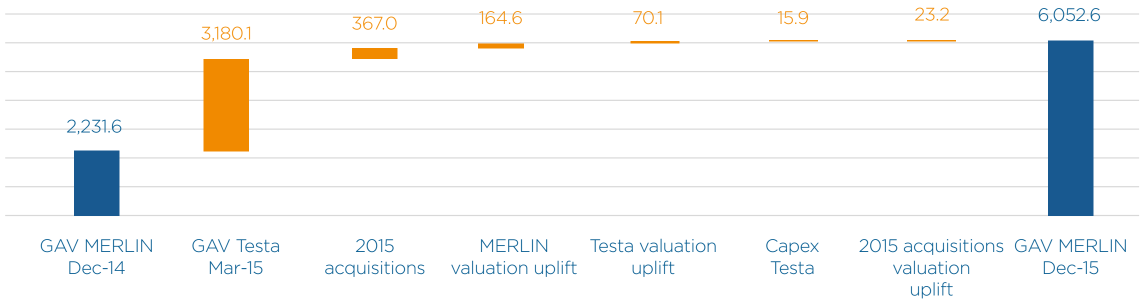
GAV lfl evolution

	Dec-15 vs Dec14
Office	10.0%
Shopping centers	10.3%
Logistics	11.3%
Hish Street Retail	6.8%
Hotels	1.5%
Rented residential	1.5%
Other	1.7%
Land for development	-
Non-core land	(48.8%)
Total	**5.1%**
Equity method	0.1%
Total including equity method	**5.1%**
Total excluding non-core land	**7.8%**

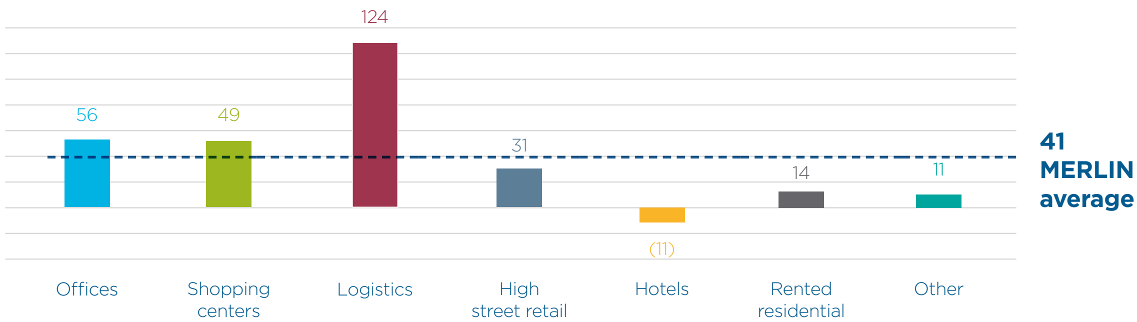
The like-for-like increase from 31 December 2014 is +7.8%, and +5.1% after the significant write-off in non-core land valuation.

The like-for-like average yield compression in the portfolio is of 41 basis points.

Gav reconciliation (€m)

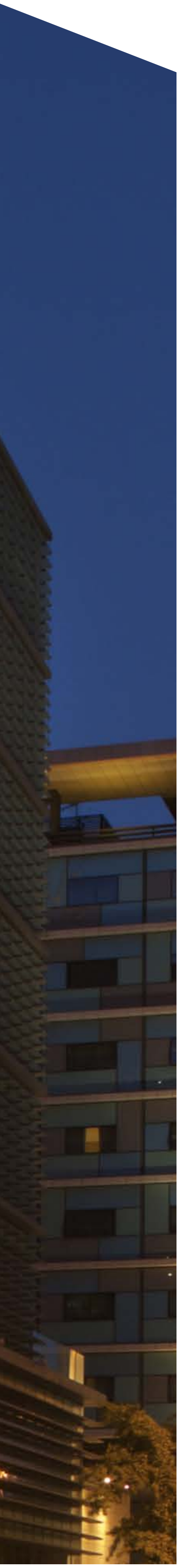


Lfl yield evolution (bps compression)



05.

FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT

(€ thousand)	31/12/15	31/12/14
Gross rents	**214,454**	**56,761**
Office	63,326	3,898
High street retail	91,091	44,242
Shopping centers	29,334	7,776
Logistics	12,703	845
Hotels	11,432	-
Rented residential	5,601	-
Other	967	-
Other income	**4,690**	**381**
Total Revenues	**219,144**	**57,142**
Incentives	(2,363)	(145)
Collection loss	(336)	-
Total operating expenses	**(55,193)**	**(19,092)**
Property expenses not recharged to tenants	(10,236)	(2,584)
Personnel expenses	(15,710)	(3,079)
General expenses recurring	(3,808)	(986)
General expenses non-recurring	(25,439)	(12,443)
EBITDA	**161,252**	**37,905**
Depreciation	(107)	(35)
Gain / (losses) on disposal of assets	3,986	126
Provision surpluses	476	-
EBIT	**165,607**	**45,243**
Net interest expense	(53,594)	(17,963)
Business combination	(302,188)	7,247
Change in fair value of investment property	314,586	49,352
Change in fair value of financial instruments	(67,940)	(25,920)
Share in earnings of equity method investees	805	-
PROFIT BEFORE TAX	**57,276**	**50,712**
Income taxes	(8,323)	(1,042)
PROFIT (LOSS) FOR THE PERIOD	**48,953**	**49,670**
Minorities	125	-
PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE	**49,078**	**49,670**

Notes to the consolidated income statement

Gross rents (€ 214,454 thousand) less portfolio operating expenses not rechargeable to tenants (€ 10,236 thousand) equals to net rents before incentives and collection loss of € 204,218 thousand. After deducting incentives and collection loss (€ 2,699 thousand), the resulting amount is € 201,519 thousand of net rents after incentives and collection loss.

Other operating income includes asset management services performed for third parties by Gesfontesta (€2,019 thousand), penalties to tenants for early lease cancellations (€ 2,006 thousand), income deriving from the Tree inflation derivative (€ 255 thousand) and other (€ 410 thousand).

Total operating expenses of the Company for this year were € 55,193 thousand, with the following breakdown: (i) € 10,236 thousand of portfolio operating expenses non-recoverable from tenants, (ii) € 15,710 thousand of personnel costs, (iii) € 3,808 thousand of recurring general expenses, and (iv) € 25,439 thousand of general expenses non-recurring, mostly related to costs associated with the acquisition companies, mainly Testa.

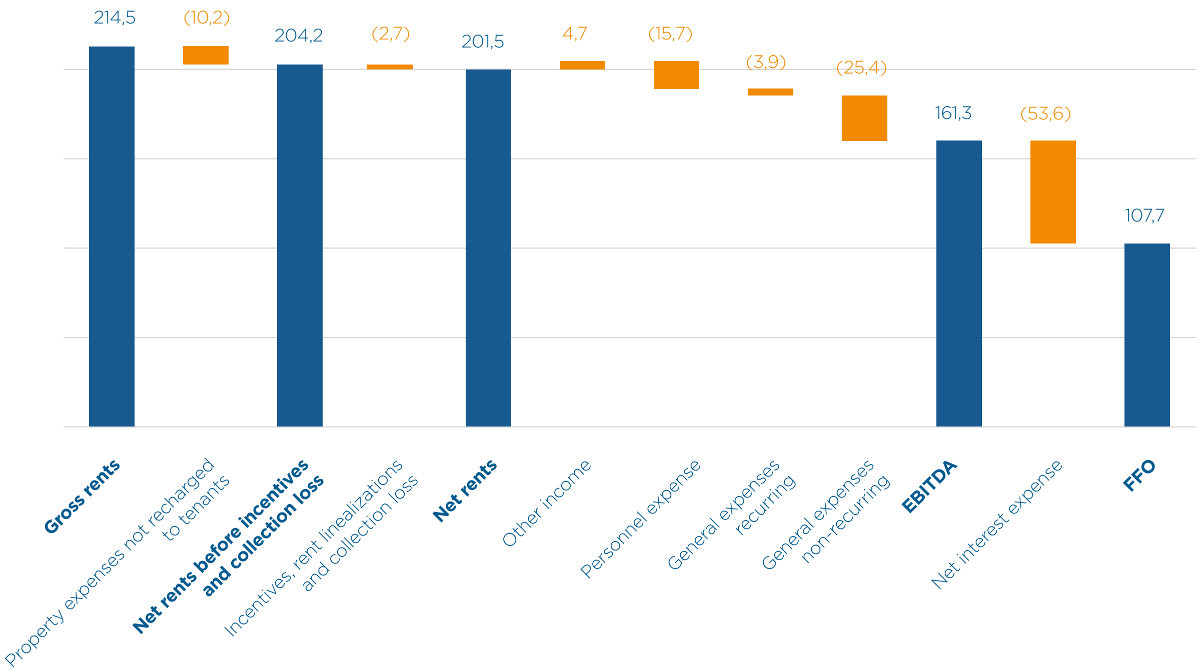
The negative goodwill on business combinations corresponds to the latent capital gain tax mainly related to the acquisition of Testa and Obraser, S.A. The integration in MERLIN of the operations of both companies entails the calculation of the difference between the purchase price of 100% of the equity of each company and their book value as at the acquisition date, adjusted by the fair market value of the assets acquired.

Income taxes correspond mostly to the taxation arising as a result of the capital gain produced by the substitution of branches exercised by virtue of the master lease agreement by BBVA, which was signed on 3 February 2015 (45 entry branches and 42 exiting branches). Exiting branches were sold at a price equivalent to the Savills valuation giving rise to a capital gain for the difference between the sales value and the book value of the referred 42 branches sold.

The reconciliation between gross rents of the period and FFO is as follows:


City


NEORIS
PHILIPS


214,5
(10,2)
204,2
(2,7)
201,5
4,7
(15,7)
(3,9)
(25,4)
161,3
(53,6)
107,7
Gross rents
Property expenses not recharged to tenants
Net rents before incentives and collection loss
Incentives, rent linealizations and collection loss
Net rents
Other income
Personnel expense
General expenses recurring
General expenses non-recurring
EBITDA
Net interest expense
FFO

MERLIN PROPERTIES

CONSOLIDATED BALANCE SHEET

(€ thousand)

ASSETS	31/12/15	31/12/14	EQUITY AND LIABILITIES	31/12/15	31/12/14
NON CURRENT ASSETS	**6,025,390**	**2,261,538**	**EQUITY**	**2,926,431**	**1,308,679**
Intangible assets	264,937	149	Subscribed capital	323,030	129,212
Property. plant and equipment	1,056	894	Share premium	2,616,003	1,162,368
Investment property	5,397,091	1,969,934	Reserves	(32,364)	(30,475)
Inverstments in group companies	-	-	Other equity holder contributions	540	540
Investments accounted for using the equity method	101,126	-	Interim dividend	(25,035)	-
Non-current financial assets	238,040	281,192	Profit for the period	49,078	49,670
Deferred tax assets	23,140	9,369	Valuation adjustments	(5,913)	(2,636)
			Minorities	1,092	-
			NON CURRENT LIABILITIES	**1,760,603**	**1,073,748**
			Long term debt	1,520,942	1,027,342
			Long term provisions	16,573	21,974
			Deferred yax liabilities	223,088	24,432
CURRENT ASSETS	**891,048**	**155,303**	**CURRENT LIABILITIES**	**2,229,404**	**34,414**
Non-current assets for disposal	298,534	-	Liabilities associated with non-current assets for disposal	161,425	-
Trade and other receivables	24,384	3,340	Short term debt	1,710,025	10,809
Investments in Group companies and unconsolidated entities	4,363	125,791	Liabilities with group companies and unconsolidated entities	274	265
Other current financial assets	560,740	26,050	Short term provisions	354,087	23,302
Cash and cash equivalents	3,027	122	Trade and other payables	1,224	38
TOTAL ASSETS	**6,916,438**	**2,416,841**	**TOTAL EQUITY AND LIABILITIES**	**6,916,438**	**2,416,841**

Notes to the consolidated balance sheet

During 2015, two capital increases of MERLIN Properties took place for an aggregate amount of € 1,647,452 thousand. After the capital increases, total equity of the Company as of year-end amounts to €2,926,431 thousand.

Fair value of the portfolio corresponds to the appraisal value delivered by CBRE and Savills as of 31 December 2015. The referred appraisal value is reflected in the following accounting items:

(€ thousand)	
Leaseholds (included in intangible assets)	71,500
Investement Property	5,397,091
Derivatives (in non-current financial assets)	194,766
Equity method	101,126
Non-current assets for disposal	288,182
Total	**6,052,665**

FINANCIAL DEBT

The balance of long term debt and short term debt includes Company's outstanding financial debt, other financial liabilities and the mark-to-market of interest-rate and inflation hedging contracts. The breakdown of gross financial and net financial debt is as follows:

Financial debt

€ thousand	**Long term**	**Short term**	**Total**
Financial debt	1,443,219	1,706,637	3,149,856
Loan arrangement costs	(30,182)	(2,921)	(33,103)
Mark-to-market of interest-rate hedging contracts	50,837	6,309	57,146
Mark-to-market of inflation hedging contracts	(8,39)	-	(8,397)
Other financial liabilities (i,e, legal deposits)	65,465	1,961	67,426
Total debt	**1,520,942**	**1,711,986**	**3,232,928**

MERLIN financial debt has an average maturity period of 3.7 years and a spot average cost of 2.23%. Nominal debt with Interest rate hedged amounts to 43.3% of total financial debt. Net financial debt as of 31 December 2015 is € 3,013,436 thousand.

On 20 December 2015, MERLIN Properties SOCIMI, S.A. subscribed an unsecured loan agreement with 10 financial entities for a total amount of € 1,700 million. The referred amount will be used to repay Testa mortgage debt (excluding mortgage debt associated with the rented residential portfolio) and full repayment of the outstanding amount of € 350 million related to the bridge loan subscribed to by MERLIN in 2015 to partially fund Testa acquisition. The effective disbursement of the unsecured loan was executed on 8 January, 2016 and as such it was not accounted for in 2015 financial statements. For further information on the unsecured loan as well as the pro-forma impact on MERLIN financial debt position, please refer to the events post-closing section.

Net financial debt breakdown

€ thousand	Long term	Short term	Total
Mortgage debt	1,279,369	1,332,881	2,612,250
Non-mortgage debt	-	350,117	350,117
Leasings	163,850	11,705	175,555
Bonds	-	-	-
Total gross financial debt [(1)]	**1,443,219**	**1,694,703**	**3,137,922**
Financial debt associated with assets held for sale	110,629	8,785	119,414
Total gross financial debt	**1,553,848**	**1,703,488**	**3,257,336**
Cash and equivalents	-	(560,740)	(560,740)
Payment owed to Sacyr for 23% stake in Testa	-	316,840	316,840
Total net financial debt	**1,553,848**	**1,459,588**	**3,013,436**

[(1)] Excludes accrued interest of € 11,934 thousand

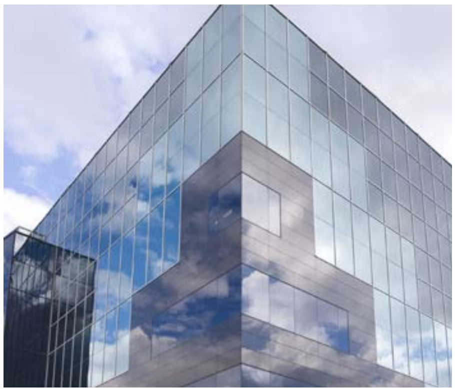
RETURN TO SHAREHOLDERS AND MANAGEMENT STOCK PLAN

The Shareholder Return for a given year is equivalent to the sum of (a) the change in the EPRA NAV of the Company during such year less the net proceeds of any issues of ordinary shares during such year; and (b) the total dividends (or any other form of remuneration or distribution to the Shareholders) that are paid in such year (the "Shareholder Return"). The Shareholder Return Rate is defined as the Shareholder Return for a given year divided by the EPRA NAV of the Company as of 31 December of the immediately preceding year (the "Shareholder Return Rate").

Following the acquisition of Testa, the Management Team of MERLIN unilaterally decided that the Shareholder Return is to be calculated over the Adjusted EPRA NAV in lieu of the EPRA NAV, meaning that the outstanding balance of goodwill associated arising from Testa acquisition should be deducted from the EPRA NAV. In accordance with these definitions and management decision, the Shareholder Return in 2015 amounts to € 55,630 thousand and the Shareholder Return Rate amounts to 4.1%

(€ thousand)		
EPRA NAV 31 December 2015		**3,181,246**
Net proceeds from May capital increase		(596,235)
Net proceeds from August capital increase		(999,747)
EPRA NAV 31 December 2015 adjusted to capital increases impact	(a)	**1,585,264**
Testa goodwill outstanding amount	(b)	(199,699)
Adjusted EPRA NAV 31 December 2015	(c) = (a) - (b)	**1,385,565**
EPRA NAV beginning of period	(d)	1,354,970
Adjusted EPRA NAV end of period		1,385,565
Change in Adjusted EPRA NAV	(e) = (c) - (d)	30,595
Dividends paud in year	(f)	25,035
Shareholder Return	(g) = (e) + (f)	**55,630**
Shareholder Return Rate	(h) = (g)/(d)	**4.1%**
Shareholder Return needed to exceed 8% hurdle of Shareholder Return Rate		**171,319**





Furthermore, the Company has agreed to grant an additional incentive of annual variable remuneration to the management team, to be determined by the Remuneration and Nomination Committee, linked to the Company's shares which rewards the management team depending on the returns achieved by the Company's shareholders (the "Management Stock Plan").

The members of the management team will be entitled to the delivery of the shares stemming from the Management Stock Plan if the following two key hurdles are met:

- The Shareholder Return Rate (defined as the Shareholder Return for a given year divided by the EPRA NAV of the Company as of 31 December of the immediately preceding year) for such year exceeds 8%.
- The sum of (i) the EPRA NAV of the company on 31 December of the fiscal year and (ii) the total dividends (or any other form of remuneration or distribution to the shareholders) that has been distributed in that fiscal year, or in any preceding fiscal year since the most recent fiscal year in respect of which a payment under the Management Stock Plan was made, exceeds the Relevant High Watermark

If the above hurdles are met, the Management Stock Plan is awarded. In 2015, MERLIN Properties does not comply with exceeding both limits and consequently no incentive related to the Management Stock Plan is awarded.

(€ thousand)		
Relevant High Watermark	(a)	1,354,970
EPRA NAV end of period + dividends paid	(b)	1,410,600
High Watermark Outperformance	**(c) = (b) - (a)**	**55,630**
Key Hurdles Test:		
Shareholder Return above 8%		NO
High Watermark Ourperformance		YES
Promote calculation. It is the lower of the following:		
8% of the Total Shareholder Return		-
16% of the excess return on Relevant High Watermark	(e) = (c) *0.16	8,901
Applicable Stock Plan		**-**

06.

EPRA METRICS

EPRA Performance metrics summary

Performance Measure	Definition	31/12/2015		31/12/2014	
		€ thousand	Per share	€ thousand	Per share
EPRA Earnings	Recurring earnings from core operational activities	99,335	0.31	20,395	0.16
EPRA NAV	EPRA Net Asset Value (EPRA NAV) is calculated based on the consolidated shareholders' equity of the Group adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model, as per EPRA's recommendations	3,181,246	9.85	1,354,973	10.49
EPRA NNNAV	EPRA NAV adjusted to include the fair value of financial instruments, debt and deferred taxes	2,926,431	9.06	1,286,5	9.96
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with acquisition costs	4.96%		5.86%	
EPRA "topped-up" NIY	Adjustment to the EPRA Net Initial Yield in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents)	5.01%		5.93%	
EPRA Tasa de desocupación	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	5.4%		3.4%	
EPRA Cost Ratio (including vacancy costs)	Recurring running costs of the Company divided by recurring rents	14.3%		12.2%	

EPRA Net Asset Value

EPRA NAV as of 31 December 2015 amounts to € 3,181,246 thousand (€9.85 per share). EPRA NNNAV amounts to € 2,926,431 thousand euros, equivalent to € 9.06 per share.

07.

7. EVENTS POST-CLOSING

TESTA REFINANCING

On 20 December 2015, MERLIN Properties SOCIMI, S.A. subscribed an unsecured loan agreement with 10 financial entities for a total amount of € 1,700 million. The referred amount will be used to repay Testa mortgage debt (excluding mortgage debt associated with the rented residential portfolio) and full repayment of the outstanding amount of € 350 million related to the bridge loan subscribed to by MERLIN in 2015 to partially fund Testa acquisition. The effective disbursement of the unsecured loan was executed on 8 January, 2016 and as such it was not accounted for in 2015 financial statements. After the said financing, debt position of MERLIN is as follows:

Net financial debt breakdown

€ thousand	Long term	Short term	Total	Weigthed average maturity (years)	Nominal debt with interest rate hedged (%)	All-in Sport rate (%)
Secured bank debt	1,145,769	10,749	1,156,518	8.5	97.7%	Sport rate (%)
Secured debt with other entities	133,600	-	133,600	9.2	100.0%	2.66%
Unsecured debt	1,700,000	117	1,700,117	4.2	35.0%	1.33%
Leasings	163,850	11,705	175,555	3.5	83.1%	2.99%
Total gross debt	**3,143,219**	**22,571**	**3,165,790**	**5.9**	**63.1%**	**2.02%**
Debt associated with assets held for disposal	110,629	8,785	119,414	7.1		1.90%
Total gross debt	**3,253,848**	**31,356**	**3,285,204**	**6.0**	**60.8%**	**2.02%**

NEW ACQUISITIONS

On January 2016, MERLIN Properties acquired, through its subsidiary MERLIN Logistica, a logistics facility located in Pinto for an amount of € 12.8 million. The facility has 70,000 sqm of GLA and benefits from an excellent location in the junction of A-2 and A-7 highways.

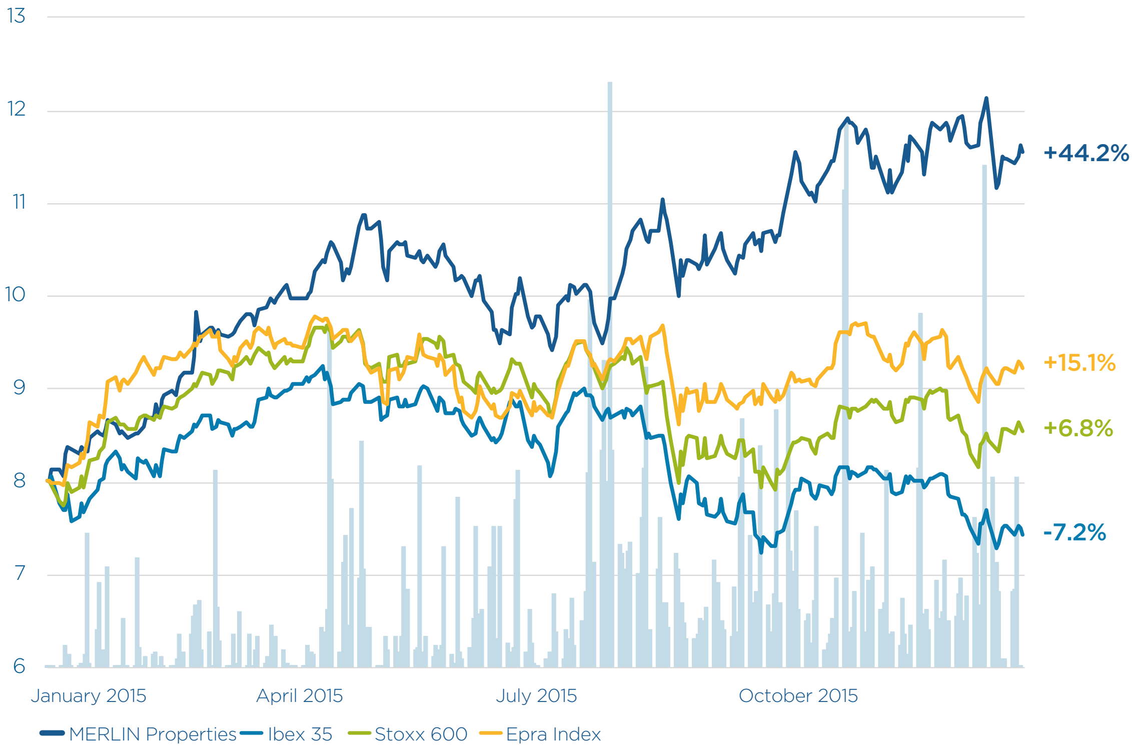
The Company has recently acquired, through MERLIN Logistica, a 100k sqm GLA turn-key project in Azuqueca, Corredor de Henares, for an amount of € 17 million.

08.

STOCK EXCHANGE EVOLUTION

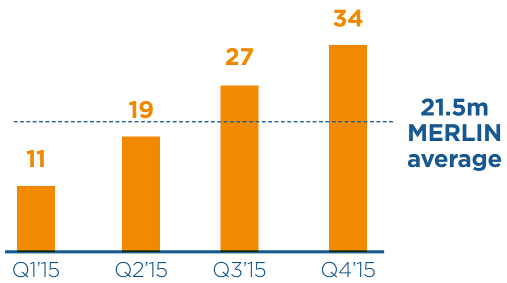
MERLIN shares closed on 31 December 2015 at € 11.55, an increase of 44.2% versus 31 December 2014 closing price. The share has outperformed in the same period the IBEX-35 (-7.2%), Euro Stoxx 600 (+6.8%) and the sectorial EPRA reference index (+15.1%)

MERLIN share price performance vs IBEX 35 / EPRA Index / Euro Stoxx 600



Average daily trading volume during the period has been € 21.5 million. During 2015 the average daily trading volume significantly increased

Average daily trading value (€ m)



MERLIN Properties has achieved the inclusion in 2015 in two relevant indexes. On 22 June 2015, MERLIN was included in the Euro Stoxx 600 and on 21 December 2015, MERLIN was included in the IBEX-35. MERLIN is also a member of the FTSE EPRA/NAREIT Global Real Estate, GPR Global Index, and MSCI Small Cap indexes.

As of the date of this report, MERLIN is covered by a wide variety of equity research houses, 19. Consensus target price is 12.14

Target prices and analyst recommendations

	Report Date	Recommendation	Target price
Credit Suisse	11-02-16	Neutral	10.35
Kepler Cheuvreux	29-01-16	Buy	12.60
Societe Generale	27-01-16	Buy	12.00
CaixaBank	27-01-16	Buy	12.10
Goldman Sachs	22-01-16	Buy	13.90
Bank of America Merrill Lynch	07-01-16	Sell	10.50
Kempen & Co	05-01-16	Buy	12.70
Santander	21-12-15	Buy	12.90
N+1	13-11-15	Neutral	11.30
bankinter. Securities	08-10-15	Buy	12.50
JBCapitalMarkets	28-09-15	Buy	12.90
Sabadell	17-09-15	Buy	12.41
Morgan Stanley	11-09-15	Overweight	12.50
MainFirst Bank AG	10-08-15	Outperform	12.40
BBVA	21-07-15	Outperform	11.00
UBS (1)	09-06-15	Buy	12.85
Ahorro Corporación (1)	26-05-15	Buy	12.10
fidentiis (1)	02-02-15	Buy	13.08
Deutsche Bank (1)	21-01-15	Buy	13.30
Consensus			**12.14**

(1) Prior to the capital increase of August

09.

DIVIDEND POLICY

The Company maintains a dividend policy that takes into account sustainable levels of distributions. The Company does not intend to create reserves that cannot be distributed to the shareholders, other than those required by law.

According to the Spanish regime for REIT's, the Company will be obligated to adopt agreements to distribute the profits obtained in this financial year in the form of dividends to shareholders, after complying with any relevant requirement of the Spanish Corporation Law. The Company will be obligated to agree its distribution within six months of the close of each financial period, in the following manner: (i) at least 50% of the profits derived from the transfer of real properties, shares, or shareholdings in qualified affiliates, provided that the remaining profits are reinvested in other real estate assets within a maximum period of three years from the date of transmission or, if not, 100% of the profits must be distributed as dividends at the end of this three year period; (ii) 100% of the profits obtained by receiving dividends paid by qualified subsidiaries; (iii) at least 80% of the rest of the obtained profits. If the dividend distribution agreement is not adopted within the legal timeframe, the Company will lose its REIT status during the financial year to which the dividends refer.

In accordance with the Prospectus, MERLIN Properties targets to deliver a dividend yield of between 4% and 6% over the initial IPO price.

The Board of Directors of MERLIN Properties agreed on 14 October 2015, to distribute a dividend on account of 2015 results for a gross amount of € 7.75 cents per share.

The management team of MERLIN Properties will recommend a complimentary dividend on account of 2015 results, for an amount of 0.569 cents per share, together with a share premium distribution of € 10.261 cents per share, both recommendations being subject to the 2015 General Shareholders Meeting. In aggregate terms, total remuneration to shareholders on account of 2015 results is 18.58 cents per share.

10.

MAIN RISKS AND UNDERTAINTIES

The policies of financial risk management within the commercial real estate sector deal mainly with the analysis of investment projects, the management of the building's occupation and the situation of the financial markets:

- Credit risk: credit risk relating to the Company's ordinary business is not significant because the contracts signed with the tenants require payment in advance of most sums. These contracts also require the tenant to provide legal and additional financial guarantees or deposits to cover possible non-payment of the rent.

- Liquidity risk: The Company, in order to manage liquidity risk and to meet the needs of funds, uses an annual budget and monthly forecast of the liquid assets. This monthly forecast is detailed and updated on a daily basis. The main liquidity risk is due to the potential for negative working capital resulting from short term debt from tenants. The factors mitigating liquidity risk include the following: (i) cash generated in the ordinary course of business is very stable; and (ii) the company's liabilities are largely long-dated and the high quality of the assets provides ample ability to obtain new sources of funding.

When formulating consolidated annual accounts, the Company had already covered all of its funding requirements, enabling it to meet its commitments with providers, employees and the Public Sector, according to the cash flow for FY2015.

Furthermore, given the type of industry in which the Company operates, the investments, the financing for such investments, the stable EBITDA generated and the high occupancy rate of properties is more likely to produce surplus cash. The company's policy is to invest this cash in Short-term investments and liquid deposits with highly rated institutions. The acquisition of options or futures on stocks, or any other high-risk activities as a means of investing its cash surplus are not considered by the Company.

- Interest rate risk: in order to minimize the Company's exposure to this risk, financial hedges, such as interest rate swaps, have been executed. Total interest rate hedged amount to 61% of total debt.

- Exchange rate risk: the Company only invests in assets in Spain and Portugal with all contracts denominated in euro and the Company's policy is to contract debt only in the same currency as that of the cash flows of each business. Therefore, the Company is currently not exposed to exchange rate risk.

- Market risk: MERLIN Properties is exposed to market risk from potential downward movement in rental rates when current contracts terminate. This risk could negatively affect the cash flow and valuation of the assets of the Company. However, the market risk is mitigated by policies of attracting and selecting new high quality clients and negotiating compulsory lease terms that maximize the length of the lease term. For this reason, on 31 December 2015, the occupancy rate of the Company's assets is 94.6%, with a weighted average unexpired lease term of 9.4 years (weighted by gross rents).

11.

OUTLOOK AND OTHER

In 2016, MERLIN expects to continue with high occupation rates and the maintenance of strong cash flow due to the long remaining lease period (9.4 years from 31 December 2015, weighted by each tenant rents.).

The Company also expects to continue with the acquisition of assets that fit within its investment strategy. To this end, it holds a cash position that exceeds 243 million euros, after deducting the payment to Sacyr for the remaining 23% stake that Sacyrs owns of Testa.

MERLIN Properties has adjusted its internal processes and payment time-periods to the provisions of legislation to combat late payment in commercial transactions. In this regard, in 2015, in accordance to our best estimates, average payment period to suppliers was 29.84 days.

12.

R+D INFORMATION / OWN SHARES TRANSACTIONS

The Company has not developed any research and development activities during FY2015. The Company has not carried out any acquisition of own shares.

13.

CORPORATE RESPONSABILITY

ENVIRONMENTAL COMMITMENT

MERLIN has embraced the challenge of leading the environmental commitment and respect to the areas where its activity is laid out, adopting two commitments, on one side provide client satisfaction and on the equally match our growth with the environment protection, and consequently actively participate in sustainable growth while complying with the increasing social demands on this front.

The aim of environmental commitment is to obtain a portfolio of efficient buildings that require lower resource consumption in their daily activity and, consequently, manage to reduce CO2 emissions, waste generation and water consumption.

Sustainable management and working towards environmentally friendly, efficient and sustainable performance are based on a process of continuous improvement by implementing the internationally best-known certificates regarding environmental management systems, efficiency and sustainable building, at the same time as committing to implementing tools to enable the monitoring of building consumption as a mechanism in the pursuit of continuous improvement. With this in mind, four major challenges have been identified in terms of sustainability as faced by MERLIN Properties:

- Waste Management
- Energy efficiency and emission reduction
- Responsible water consumption
- Reduction of material consumption

CONSUMPTION

Final energy consumption is closely related to the activity carried out by MERLIN, with variations due to the level of occupancy, equipment density and the number of workers. The main sources of energy consumption are electricity, as used in lighting and operation of certain items of equipment, heating oil used by heating facilities, natural gas and water.

Some measures taken to reduce energy consumption:

Electricity

- Installation of LED-type light fittings and lamps to replace conventional lighting in car parks and common areas in buildings.

- Installation of presence sensors to switch on lighting.

- Installation of power factor correction equipment.

- Installation of new chiller sets, cooling towers, HVAC units, energy recovery units, pumping equipment and outdoor VRF units for HVAC systems, with greater energy efficiency.

- Installation of new, higher performance boilers.

Water

- There are equipment maintenance programmes to guarantee equipment performance in water saving.

- Installation of timed taps and aerators to reduce water consumption by 50%.

Indicador	Consumption	Measure	# Buildings	sqm	
Oficinas					
Fuel consumption (Natural Gas)	358,010.2	m^3	9	94,060	S/R
Fuel consumption (Heating Oil C)	50.0	m^3	1	15,055	S/R
Electricity consumption	10,588.8	MWh	15	288,590	S/R y B/R
Water consumption	126,763.0	m^3	18	322,255	S/R y B/R
CO_2 Emissions	4,864,311	Kg	18	322,255	S/R y B/R
Shopping centres					
Electricity consumption	3,471.1	MWh	2	48,046	S/R
Water consumption	40,965.4	m^3	2	48,046	S/R
CO_2 Emissions	1,336,356	Kg	2	48,046	S/R
Logistics					
Electricity consumption	46.0	MWh	1	35,934	S/R
Water consumption	4,875.0	m^3	1	35,934	S/R
CO_2 Emissions	17,699	Kg	1	35,934	S/R

CERTIFICATES

Testa has had an ISO 9001 Quality Management System implemented since 2002 and an ISO 14001 Environmental Management System since 2007. These standards, of acknowledged prestige, promoted by the International Standards Organisation, have the aim of providing an organisation with the elements of an effective quality and environmental management system. These standards specify the requirements for a quality and environmental management system to enable an organisation to develop and implement a policy and objectives that take the legal requirements and the information on significant environmental aspects into account.

Energy certification, Spain

Energy certification of buildings in Spain was regulated according to Spanish Royal Decree 47/2007, of 19 January, approving a basic procedure for certifying the energy efficiency of newly constructed buildings, and Royal Decree 235/2013, of 5 April, approving the basic procedure for certifying the energy efficiency of existing buildings. In their commitment to due compliance, Testa and Merlin have efficiency labels in 77 of their buildings:

Categoría A	-
Categoría B	13
Categoría C	31
Categoría D	19
Categoría E	12
Categoría F	2
Categoría G	-

LEED

This voluntary certification was developed by the U.S. Green Building Council and is composed of a set of standards on the use of strategies aimed at all types of building sustainability, based on the incorporation in the project of aspects related to:

- Sustainable site
- Water saving
- Energy efficiency
- Selection of materials and resources
- Indoor environmental quality
- Innovation and design

There are four levels of certification depending on the compliance of building characteristics and materials with the highest demands in terms of management, product quality and sustainability: Certified (40-49 points), Silver (50-59 points), Gold (60-79 points), Platinum (80+ points).

Pedro de Valdivia	Silver
Avda. de Bruselas, 33	Gold
Avda. del Partenón, 12-14	Gold Pre-certificación

BREEAM

BREEAM (BRE Environmental Assessment Method) sets the standards for the best sustainable design qualities and has become the reference measure used for the environment performance of buildings.

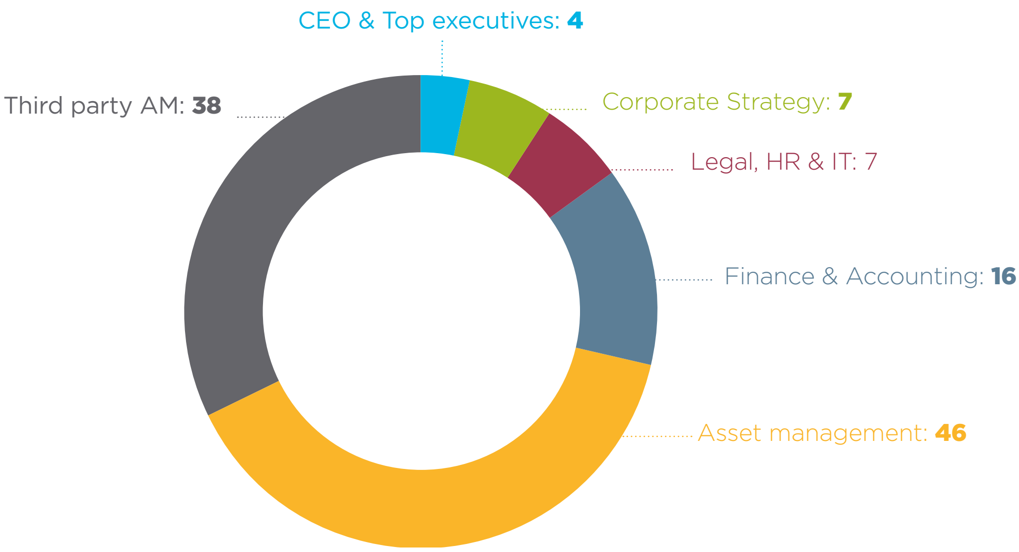
MERLIN has launched its LEED/BREEAM certificate plan 2016-2018, with the aim of at least 70% of its buildings having environmental certificates by 2018. Of these, 41 buildings would have LEED certificates and 30 BREEAM certificates.

14.

STAFF

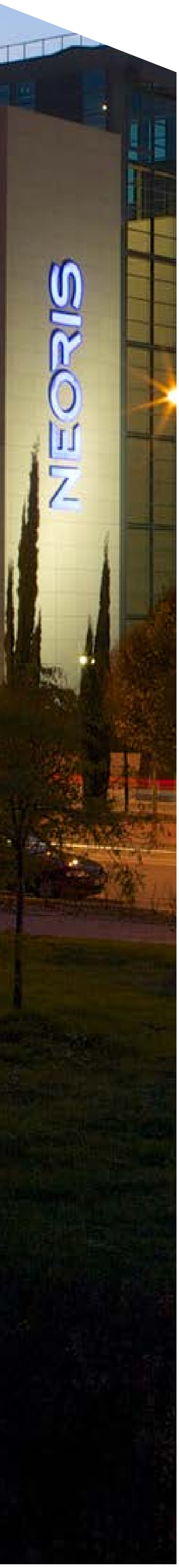
STAFF

MERLIN's corporate culture with its employees is based on driving creativity, responsibility and interdisciplinary collaboration This culture, combined with professionalism, integrity and commercial vision, define its professional team. At 31 December 2015, MERLIN had a workforce of 120 employees.



	Total	Men	Women	% Women
Category (annual weighted average)				
General Directors and Presidents	5	5	-	-
Rest of Directors and Managers	11	10	1	6%
Specialists and Support professionals	60	35	25	42%
Accounting, administrative employees	43	15	28	65%
Total Workforce	**118**	**65**	**53**	**45%**
Age (31/12/2015)				
Under 30	4	2	2	50%
Between 30 and 50	93	52	41	44%
Over 50		13	10	43%
Total Workforce	**120**	**67**	**53**	**44%**

APPENDIXES



1. EPRA METRICS

PRA Earnings

€ thousand	
Consolidated net profit in accordance with >IFRS	**49,078**
Adjustments to calculate EPRA eranings	50,257
(i) changes in value of investment properties	(318,941)
(ii) change in fair value of deferred taxes	302,188
(iii) change in fair value of financial instruments	67,135
(iv) transaction costs in respect of acquisition of companies / joint ventures	-
(v) minority interests in respect of previous adjustmnents	(125)
EPRA net earnings	**99,335**
EPRA net earnings per share	**0.31**

EPRA NAV

€ thousand		
Equity in balance sheet		**2,926,431.2**
Derivatives Mark-to-market		48,749.6
Derivatives	44,972.8	
Short term interest derivatives	3,776.8	
Deferred taxes Mark-to-market		239,167.9
Deferred tax assets	(23,139.8)	
Deferred tax liabilities	223,087.7	
Deferred tax liabilities adjustment	39,220.0	
Debt mark-to-market		(33,102.7)
Debt arrangement expenses	(33,102.7)	
EPRA NAV		**3,181,245.9**
Shares		**323,030,000.0**
EPRA NAV / share		**9.85**

EPRA YIELDS

(€ thousand)	Office	Shopping centers	Logistics	High Street Retail
Gross asset value	**2,189,565.0**	**683,680.0**	**276,500.0**	**1,883,908.0**
Exclude:				
Land for development				
Non-core land				
Commercial Property GAV	2,189,565	683,680	276,500	1,883,908
Gross rents annualized	**111,307**	**40,138**	**18,967**	**96,019**
Exclude:				
Property expenses not recarhed to tenants	(7,714)	(1,299)	(609)	-
"Topped-up" net rents annualized	**103,593**	**38,839**	**18,358**	**96,019**
Exclude:				
Incentives and collection loss	(415)	(1,687)	(283)	-
Net rents annualized	**103,178**	**37,152**	**18,075**	**96,019**
EPRA "topped-up" yield	**4.7%**	**5.7%**	**6.6%**	**5.1%**
EPRA "topped-up" yield	**4.7%**	**5.4%**	**6.5%**	**5.1%**

Hotels	Rented residential	Other	Land for development	Non-core land	TOTAL
397,455.0	**288,140.0**	**12,195.0**	**50,523.6**	**132,635.0**	**5,914,601.6**
			(50,524)		(50,524)
				(132,635)	(132,635)
397,455	288,140	12,195	-	-	5,731,443
22,241	**12,088**	**908**	**-**	**-**	**301,624**
(2,214)	(2,558)	(88)	-	-	(14,483)
20,026	**9,530**	**819**	**-**	**-**	**287,141**
(213)	(256)	-	-	-	(2,855)
19,813	**9,273**	**819**	**-**	**-**	**284,286**
5.0%	**3.3%**	**6.7%**			**5.0%**
5.0%	**3.2%**	**6.7%**			**5.0%**

MERLIN PROPERTIES

EPRA NNNAV

(€ thousands)	31/12/15
EPRA NAV	**3,181,245.9**
Includes:	
MtM Derivatives	(48,749.6)
Deferred tax assets	(239,167.9)
Cost of debt	33,102.7
EPRA NNNAV	**2,926,431.2**

EPRA Cost Ratio

(€ thousand)	31/12/15
Property expenses not recharged to tenants	(10,236)
Incentives	(2,363)
Collection loss	(336)
Personal expenses	(15,710)
General expenses recurring	(3,808)
General expenses non-recurring	(25,439)
Joint ventures attributable expenses	-
Exclude:	
Investment property depreciation	-
Ground rent costs	-
Service charge costs recovered through rents but not invoiced separately	-
Expenses related to 3rd party asset management services (Gesfontesta)	1,799
EPRA Cost ratio (including direct vacancy costs)	**(56,093)**
Costes directos de desocupación	-
Costes EPRA (excluyendo costes directos de desocupación)	**(57,899)**
Gross rents less ground rent costs	214,454
Less: service fee if part of Gross rentas	-
Add: share of Joint Ventures	-
Gross rental income	**214,454**
EPRA Cost Ratio (excluding general expenses non-recurring)	**14.3%**

LIST OF ASSETS

	Location	GLA sqm AG
Office		**554,362**
Juan Esplandiú. 11-13	Madrid	28,008
Pedro de Valdivia. 10	Madrid	6,721
Principe de Vergara. 187	Madrid	10,732
Princesa. 3	Madrid	17,810
Princesa. 5	Madrid	5,788
Parking Princesa *	Madrid	26,963
Partenon. 12-14	Madrid	19,289
Partenon. 16-18	Madrid	18,343
Josefa Valcarcel. 48	Madrid	19,893
Atica 1	Madrid	7,080
Atica 2	Madrid	5,644
Atica 3	Madrid	5,746
Atica 4	Madrid	4,936
Avenida de Bruselas. 33	Madrid	33,718
Avenida de Bruselas. 24	Madrid	9,164
Avenida de Bruselas. 26	Madrid	8,895
Costa Brava. 2-4	Madrid	16,000
Ventura Rodríguez. 7	Madrid	10,070
Castellana. 83-85	Madrid	15,254
Juan de Mariana. 17	Madrid	3,046
Eucalipto. 25	Madrid	7,368
Eucalipto. 33	Madrid	7,185
Torre Castellana. 259	Madrid	21,390
Alcala. 45	Madrid	18,655
Ribera del Loira. 60	Madrid	54,960
Maria de Portugal T2. 1	Madrid	5,749
Maria de Portugal T2. 2	Madrid	5,641
Maria de Portugal T2. 3	Madrid	5,749
Arroyo de Valdebebas T7	Madrid	10,856
Padres Dominicos T4	Madrid	6,176
Alcala. 40	Madrid	9,315

	Location	GLA sqm AG
Office		**554,362**
Juan Esplandiú. 11-13	Madrid	28,008
Pedro de Valdivia. 10	Madrid	6,721
Principe de Vergara. 187	Madrid	10,732
Princesa. 3	Madrid	17,810
Princesa. 5	Madrid	5,788
Parking Princesa *	Madrid	26,963
Partenon. 12-14	Madrid	19,289
Partenon. 16-18	Madrid	18,343
Josefa Valcarcel. 48	Madrid	19,893
Atica 1	Madrid	7,080
Atica 2	Madrid	5,644
Shopping centers		**172,032**
Centro Oeste	Madrid	10,838
Plaza de los Cubos	Madrid	13,202
Porto Pi	Mallorca	26,559
Larios	Andalucía	21,504
Marineda	Galicia	99,929
Logistics		**646,169**
Guadalajara-Alovera	Castilla la Mancha	38,763
Madrid-Coslada Complex	Madrid	36,234
Guadalajara-Azuqueca	Castilla la Mancha	27,995
Zaragoza-Pedrola	Zaragoza	21,579
Guadalajara-Cabanillas I	Castilla la Mancha	70,134
Barcelona-Lliça del Vall	Cataluña	14,911
Zaragoza-Plaza	Zaragoza	20,764
Valencia-Almussafes	Comunidad Valenciana	26,612
Madrid-Getafe	Madrid	16,242
Vitoria-Jundiz	País Vasco	72,717
Madrid-Coslada	Madrid	28,490
Madrid-Meco	Madrid	35,285
Madrid-Getafe (Los Olivos)	Madrid	11,488
Guadalajara-Cabanillas II	Castilla la Mancha	103,519
Guadalajara-Cabanillas II Ext	Castilla la Mancha	48,290

Madrid-Getafe (Gavilanes)	Madrid	39,576
Barcelona-Granada Penedes	Cataluña	16,758
Barcelona-Sant Esteve	Cataluña	16,812
High Street Retail		**437,409**
Tree	España	373,157
Caprabo	Cataluña	64,252
Hotels		**116,741**
Puerta Castilla	Madrid	13,180
NH Sanvy	Madrid	12,182
Eurostars Torre Castellana 259	Madrid	31,800
Eurostars Arroyo de la Vega	Madrid	3,581
Eurostars Grand Marina	Cataluña	20,030
Tryp Barcelona Aeropuerto	Cataluña	10,125
Valencia - Tryp Oceanic	Valencia	9,308
Málaga -Tryp Alameda	Málaga	6,000
Tryp Jerez	Jerez	4,637
Hotel Marineda	Galicia	5,898
Resident residential		**124,019**
Locales Plaza Castilla - Castellana 193	Madrid	1,275
Plaza Castilla I - Castellana 193	Madrid	18,987
Parking Pza, Castilla *	Madrid	18,488
Valdebernardo	Madrid	9,310
Alcorcón	Madrid	14,797
Pavones Este	Madrid	10,461
Usera	Madrid	12,074
Leganés	Madrid	7,193
Móstoles I	Madrid	7,138
Móstoles II	Madrid	5,795
Alameda de Osuna	Madrid	9,318
Benquerencia	Castilla la Mancha	10,327
Benta Berri	San Sebastián	17,344

* Below ground surface in parkings has not been taken into account.

Other		**6,140**
Faro de Hércules	Galicia	5,829
Locales Plaza Castilla - Castellana 193 (McD)	Madrid	311
Parking Palau *	Comunidad Valenciana	597

Non-core land		**364,015**
Arapiles. 8	Madrid	1,700
Vadebebas - office	Madrid	25,955
Zaragoza - residencial	Zaragoza	47,971
Navalcarnero	Madrid	288,389

Land for development		**31,639**
Zaragoza Plaza	Zaragoza	15,000
Isla Chamartin	Madrid	16,639

Equity method		**165,435**
Parking Palau (33%)	Comunidad Valenciana	-
Costa Ballena (32.5%)	Andalucía	5,045
Villajoyosa (50%)	Comunidad Valenciana	-
AC Forum (50%)	Cataluña	13,768
Pazo de Vigo (44%)	Galicia	18,523
ZAL Port (32%)	Cataluña	125,112
Arturo Soria (50%)	Madrid	2,987
ZAL Port (32%)	Cataluña	125,112
TOTAL including equity method		**2,617,961**

* Below ground surface in parkings has not been taken into account

2015 ANNUAL ACCOUNTS

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MERLIN
PROPERTIES