



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

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

**€4,000,000,000**

### **Euro Medium Term Note Programme**

This base prospectus supplement (the “**Supplement**”) is supplemental to and must be read in conjunction with the Base Prospectus dated 12 May 2017 (the “**Base Prospectus**”), prepared by Merlin Properties, SOCIMI, S.A. (the “**Issuer**” or the “**Company**”) in connection with the €4,000,000,000 Euro Medium Term Note Programme (the “**Programme**”). Terms defined in the Base Prospectus have the same meaning when used in this Supplement unless the context requires otherwise.

On 12 May 2017, the Commission de Surveillance du Secteur Financier (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and relevant implementing measures in Luxembourg, approved the Base Prospectus as a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and in compliance with relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of Notes issued under the Programme described in the Base Prospectus.

Application has been made to the CSSF for approval of this Supplement as a supplement to the Base Prospectus for the purposes of Article 16 of the Prospectus Directive and relevant implementing measures in Luxembourg.

This Supplement has been prepared for the purpose of supplementing the section of the Base Prospectus entitled “*Documents Incorporated By Reference*” to incorporate by reference certain financial information as of and for the year ended 31 December 2017 in respect of the Issuer as well as to supplement the sections entitled “*Important Notices*”, “*Information on the Group*”, “*Form of Final Terms*” and “*General Information*”. The amendments included in this Supplement shall only apply to final terms, the date of which falls on or after the approval of this Supplement.

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Save as disclosed in this Supplement, there has been no other significant new factor and there are no material mistakes or inaccuracies relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

To the extent that there is any inconsistency between (i) any statement in, or incorporated by reference into the Base Prospectus by virtue of, this Supplement and (ii) any other statement in or incorporated by reference into the Base Prospectus, the statements in (i) above will prevail.

The Arranger and the Dealers have not separately verified the information contained in this Supplement. None of the Arranger or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Supplement or the Prospectus. None of the Arranger or the Dealers accepts any liability in relation to the information contained or incorporated by reference in this Supplement or the Base Prospectus or any other information provided by the Issuer in connection with the Programme.

Copies of this Supplement will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## IMPORTANT NOTICES

With effect from the date of this Supplement, the information appearing on page 6 of the Base Prospectus under the heading “*Important Notices*” shall be amended in the manner described below.

By virtue of this Supplement, the paragraphs under the sub-headings “*Alternative Performance Measures*” and “*Prohibition of Sales to EEA Retail Investors*” shall be replaced by the following paragraphs:

### “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 “Management Report” and the 2016 “Management Report” and in the 2015 “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 MiFID II; (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; 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.”

## DOCUMENTS INCORPORATED BY REFERENCE

The documents set out below, which have been previously published and which have been filed with the CSSF, shall be deemed, via this Supplement, to be incorporated by reference into, and to form part of, the Base Prospectus. Copies of documents incorporated by reference in the 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](http://www.bourse.lu)).

To that end, the information set out below shall supplement, by virtue of this Supplement, the section of the Base Prospectus entitled “Documents Incorporated By Reference” on pages 34 to 35 of the Base Prospectus:

### **“3. 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**

Independent Auditor’s Report .....	Pages 2 – 9
Consolidated Statement of Financial Position .....	Page 10
Consolidated Income Statement .....	Page 11
Consolidated Statement of Changes in Equity .....	Page 12
Consolidated Statement of Cash Flows .....	Page 13
Notes.....	Pages 14 - 112
Management Report .....	Pages 113 - 222

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

## INFORMATION ON THE GROUP

The information set out below shall supplement the section of the Base Prospectus entitled “Information on the Group” on pages 83 to 92 of the Base Prospectus by adding the following table immediately before the sub-section entitled “The Group’s Business Strategy”.

“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 <sup>(1)</sup>	Total
Number of Assets	139	928	17	40	35	1,159
<i>% of total</i>	12.0%	80.1%	1.5%	3.5%	3.0%	100.0%
GAV <sup>(2)</sup>	5,219	2,348	1,753	648	866	10,833
<i>% of total</i>	48.2%	21.7%	16.2%	6.0%	8.0%	100.0%
Gross Rents	217	104	93	41	14	469
<i>% of total</i>	46.3%	22.2%	19.8%	8.8%	2.9%	100.0%
“Topped Up” Net Rents <sup>(3)</sup>	202	102	81	38	11	434
<i>% of total</i>	46.6%	23.6%	18.6%	8.7%	2.6%	100.0%
Net Rents <sup>(4)</sup>	193	102	76	35	10	415
<i>% of total</i>	46.5%	24.5%	18.2%	8.3%	2.4%	100.0%
Gross Yield <sup>(5)</sup>	4.1%	4.4%	5.3%	6.6%	4.2%	4.6%
EPRA Net Initial Yield <sup>(6)</sup>	3.6%	4.3%	4.4%	6.1%	3.8%	4.1%
Total GLA (ksqm) <sup>(7)</sup>	1,267	460	488	961	1,143	4,320
<i>% of total</i>	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 <sup>(8)</sup>	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 “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 “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 “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 “Management Report”, which is incorporated by reference in this Base Prospectus, for a definition of this APM.

## FORM OF FINAL TERMS

With effect from the date of this Supplement, the information appearing on page 108 of the Base Prospectus under the heading “*Form of Final Terms*” shall be amended in the manner described below.

*By virtue of this Supplement, the paragraph starting “PROHIBITION OF SALES TO EEA RETAIL INVESTORS” shall be replaced by the following new paragraphs, which shall be inserted at the beginning of page 108:*

**“MiFID II product governance / Professional investors and ECPs only target market** – solely for the purposes of 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 manufacturers’ 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 manufacturers’ 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 Directive 2014/65/EU; (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; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the Prospectus Directive). 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.”

## GENERAL INFORMATION

*The information set out below shall supplement the section of the Base Prospectus entitled “General Information” on pages 120 to 122 of the Base Prospectus.*

*To this end, the following text shall, by virtue of this Supplement, replace, in its entirety, paragraph 3 of this section:*

“(3) There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2017, being the date of the last published annual accounts, and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.”

*Furthermore, the following text shall, by virtue of this Supplement, replace, in its entirety, paragraph (11)(iv) of this section:*

“(iv) the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2017, 31 December 2016 and 31 December 2015, respectively;”