

AXIARE DELIVERS A +17.6% EPRA NAV UPLIFT IN 2016 TO EUR 13.8 PER SHARE

Axiare announces the company earnings and management statement for the twelve months ended 31 December 2016.

INTENSIVE ASSET MANAGEMENT AND DISCIPLINED INVESTMENTS UNDERPINNING VALUATION UPLIFT

- GAV of EUR 1,343 million as at 31 December 2016¹, delivering valuation growth of +14.3% 12-month LfL² and +25.7% on acquisition price
- Redevelopment properties delivered valuation growth of +18.9% on a 12-month LfL basis and +29.2% on acquisition price net of capex
- 29% of the valuation gain driven by asset management and redevelopment activities, and 23% as a result of disciplined investment activity

SOLID FINANCIAL PERFORMANCE AND A TALENTED TEAM TO DELIVER ORGANIC GROWTH

- EPRA NAV³ per share of EUR 13.8, up +17.6% YoY and +45.4% since IPO. EPRA NAV of EUR 968 million
- GRI for the 12-month period of EUR 42.4 million, up +19.5% YoY
- Adjusted EPRA earnings and FFO of EUR 24 million (EUR 0.34 per share). After revaluation surplus, reported profit of EUR 148.6 million, up +74.2% YoY, and EPS of EUR 2.09
- Dividend of ca. EUR 0.30⁴ per share, payable in two instalments. BoD supports a covered and progressive dividend policy

APPROACHING TARGET FINANCIAL POSITION WITH EXCELLENT TERMS

- Gross LTV of 39%, cash in banks and undrawn facilities of EUR 153.9 million at year-end
- All-in cost of 2.0%⁵ with an average maturity of 7 years



ANOTHER VERY ACTIVE YEAR IN ACQUISITIONS, COMMITTED TO OUR INVESTMENT STRATEGY

- EUR 323.6 million invested in 9 high-quality properties in the year, acquired at 10% below replacement cost, and with significant reversionary potential
- Since period-end, further EUR 138.4 million invested in 3 high-quality office buildings in Madrid
- Overall, a well-balanced EUR 1.5bn portfolio built since IPO, comprising a stable mix of income producing assets with substantial upside potential through active asset management, in line with our investment strategy

RECORD YEAR LEASING AHEAD OF ERVs, WITH STRONG VISIBILITY GOING INTO 2017

- 14 new leases signed (53,481 sqm) generating additional annual rent of EUR 3.1 million, up +210% YoY; signed +14% above valuers' previous ERV and on a triple net basis
- 70,068 sqm renegotiated in 2016, securing annual rent of over EUR 7.1 million; 32% signed with ca. +5% embedded annual rental step-ups for the next three years
- Occupancy rate increased to 88% by year-end, 558 bps on a LfL basis, with increases across all sectors
- Since the period-end, over 90,000 sqm of office and logistics space signed or in advanced negotiations, all expected to close in the short term and ahead of valuers' Dec'16 assumptions

COMPLETED REDEVELOPMENTS SUCCESSFULY CAPTURING TENANT DEMAND; SOLID 2017 PIPELINE

- Three major asset refurbishments completed (35,654 sqm), all awarded LEED Gold and now fully leased or with heads of terms signed for all available space
- Two schemes near completion (17,211 sqm), due to complete in Q1 2017, and already enjoying strong tenant interest
- Three schemes in progress, 19,107 sqm in offices and 73,624 sqm in logistics

PIONEERING TECHNOLOGY AND SUSTAINABILITY ACROSS THE PORTFOLIO

- Axiare I+D+i launched to develop and implement new innovative processes across the portfolio; asset management mobile application deployed to improve tenant experience
- All Axiare's offices and logistics registered under LEED/ BREEAM certification programmes; 15% of Axiare's portfolio now certified, and 65% expected by end-2017
- 1) Market value based on the external independent appraisal determined by CBRE Valuation Advisory (RICS).
- 2) 12-month like-for-like compares the same properties included in the portfolio at December 2015.
- 3) In accordance with EPRA Best Practice Recommendations.
- 4) Estimate based on the outstanding number of shares at year-end.
- 5) Weighted average; all-in costs include spread, up-front costs and a 39% of drawn debt hedged.

"The implementation of our strategy is generating market-leading shareholder returns. In 2016, we have brought schemes to a market with limited supply of high-quality office space. We have also moved forward with our investment pipeline, consolidating our portfolio and presence in prime office markets.

2016 was our best year yet for leasing activity and visibility remains strong going into 2017, particularly in the office sector. Schemes completed in 2016 have been successfully leased achieving rental growth in CBD and BD areas. We expect similar results from the existing and future redevelopment pipeline.

We continue in execution mode, focused on investing in our outstanding portfolio, diligently managing lettings, delivering our best-in-class redevelopments and being at the forefront of technology and sustainability. We remain confident in our ability to deliver our long-term strategic objectives, which is above all a testament to the dedication of our experienced, first-class team"

Luis López de Herrera-Oria Chief Executive Officer

CONTACTS

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FULL YEAR RESULTS 2016 Our Financial Results

1. Our Financial Results

Axiare Patrimonio's financial results reflect the strong performance in 2016. Despite being a transitional year, with the start of the redevelopment projects and a high level of investment still, we have seen a very positive performance throughout our portfolio. We expect to continue delivering such positive results in the near-term.

1.1. CONSOLIDATED PROFIT & LOSS ACCOUNT (IFRS)

Full Year 2016 Analytical Income State (IFRS)

EUR m unless specified	FY 2016	FY 2015	YoY Change	H2 2016	H1 2016	HoH Change
Recurring Gross Rental Income (GRI)	42.412	35.496	19.5%	22.485	19.926	12.8%
Property Operating Expenses	(4.756)	(4.811)	(1.2)%	(2.178)	(2.577)	(15.5)%
Net Rental Income (NRI)	37.656	30.685	22.7%	20.307	17.349	17.0%
Overheads	(6.209)	(4.775)	30.0%	(3.160)	(3.049)	3.6%
o/w wages, salaries and similar remuneration	(4.104)	(2.822)	45.5%	(2.051)	(2.054)	(0.1)%
o/w other selling and administrative expenses	(2.105)	(1.953)	7.8%	(1.110)	(0.995)	11.5%
Operating income (EBITDA)	31.447	25.910	21.4%	17.147	14.300	19.9%
Amortization & Provisions	(0.057)	(0.065)	(11.8)%	(0.019)	(0.038)	(49.7)%
EBIT	31.389	25.845	21.5%	17.128	14.262	20.1%
Net financial charges	(7.354)	(3.303)	122.7%	(4.201)	(3.153)	33.2%
Tax	-	-	=-	-	=	-
Underlying net profit	24.035	22.542	6.6%	12.927	11.109	16.4%
Change in fair value of assets	129.354	68.836	87.9%	43.831	85.523	(48.7)%
Other income and expenses	(4.764)	(6.037)	(21.1)%	8.104	(12.868)	(163.0)%
Reported net profit	148.626	85.340	74.2%	64.862	83.764	(22.6)%
Recurring EPS (EUR)	0.34	0.40	(15.8)%	0.18	0.16	17.1%
Reported EPS (EUR)	2.09	1.52	37.6%	0.92	1.18	(22.1)%
Average no. of shares outstanding	71,025,429	56,109,538	27%	70,811,474	71,245,938	(1%)

Total recorded group gross rental income, excluding income related to the portfolio operating expenses chargeable to tenants, was EUR 42.4 million, up +19.5% over the same period the prior year. The annualised GRI as of December 2016 was EUR 52.3 million¹, up +23% YoY.

NRI margin improved by 234 bps in the 12-month period, to an average 89% for the year, driven primarily by operational improvements during the period. Net rental income, after deducting portfolio operating expenses not chargeable to tenants, amounted to EUR 37.7 million for the 12-month period. This represents an increase of +23% over the same period the prior year, owed to higher gross rental income and improved NRI margins.

Total overheads for the 12-month period increased by +30% to EUR 6.2 million. During 2015 the group has built up the team and business muscle to run the company effectively, which has had a full impact in 2016. Total running costs represent 0.8% of the average share capital and premium over the period, well below the company's limit on annual overheads (1% of the average share capital and premium).

Underlying operating income (EBITDA) reached EUR 31.4 million for the 12-month period, up +21.4% comparing with the same period last year. This was primarily due to higher gross rental income and improved NRI margin.

¹⁾ Topped-up passing rental income, adjusted for the expiration of rent free periods as per EPRA BPR.

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Net financial charges for the 12-month period were EUR 7.4 million, up +122.7% YoY. During 2016 the company continued levering its balance sheet to fund further growth, securing EUR 203.6 million additional financing. Overall, total debt raised since the Company's inception amounted to EUR 537.9 million by year-end. Gross interest paid on debt facilities amounted to EUR 7.8 million over the 12-month period, partially compensated by interest income of EUR 0.4 million.

For the twelve-month period, recurring net profit was EUR 24.0 million, up +6.6% YoY, and recurring EPS was EUR 34 cents.

Changes in the fair value of the group assets generated an attributable profit of EUR 129.4 million², while other income and expenses an attributable expense of EUR 4.8 million. The latter includes, among other things, a EUR 12.2 million charge related to the share-based management incentive plan for the 12-month period, as well as EUR 6.8 million tax relief linked to the group's subsidiary Venusaur S.L. loss carryforwards and EUR 2.2 million compensation received for early lease terminations.

Overall, the Group consolidated net profit for the 12-month period ended 31 December 2016 reached EUR 148.6 million, up +74.2% YoY, and EPS of EUR 2.09.

Adjusted for non-recurring income and expenses items, EPRA earnings for the 12-month period were EUR 24.0 million and 34 cents per share (please refer to Section 4. EPRA Metrics for the detailed EPRA Earnings calculation). The Group's funds from operations (FFO) for the 12-month period was EUR 24.1 million and 34 cents per share. The table below shows the detailed FFO calculation:

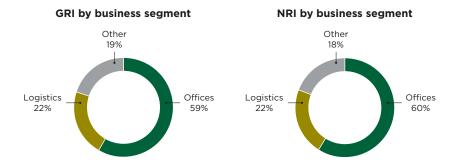
Funds from Operations (FFO)

EUR m unless specified	FY2016
Recurring Gross Rental Income (GRI)	42.412
Property Operating Expenses	(4.756)
Net Rental Income (NRI)	37.656
Overheads	
o/w wages, salaries and similar remuneration	(4.104)
o/w other selling and administrative expenses	(2.105)
Operating Income (EBITDA)	31.447
Net Financial Charges	(7.354)
Underlying FFO	24.093
Other income and expenses	(4.764)
Reported FFO	19.329
Underlying FFO per share (EUR)	0.34
Reported FFO per share (EUR)	0.27
Avg. number of shares outstanding, basic	71,025,429

²⁾ Includes EUR 6.0m reversal of an impairment loss of the group's subsidiary Venusaur S.L.

Breakdown by business segment

The charts below illustrate the company's gross and net rental income breakdown by business segment:



Dividend

The Board of Directors will propose to the Annual General Meeting to resolve an ordinary dividend of EUR 12.4 million (2015: EUR 2.98 million) against 2016 results, representing approximately some 18 cents per share³ (2015: 4 cents). This dividend is expected to be paid before 30 June 2017.

Additionally, the Board of Directors has the intention to approve an interim dividend on account of 2017 results of ca. EUR 8.4 million, representing approximately some 12 cents per share. This dividend is expected to be paid before 30 November 2017.

Our dividend policy aims for a covered and progressive dividend based on a pay-out ratio of around 70% of EPRA Earnings. We are confident that our portfolio repositioning and value enhancing activities will allow us to grow our recurring income and dividend going forward.

The chart below illustrates the shareholder distribution guidance:

Proposed dividend distribution



The Annual General Meeting of Shareholders will be held in Madrid and will be announced in the coming weeks.

³⁾ Estimate based on the outstanding number of shares at year-end. Note that the dividend payment should be approved at the Annual General Meeting (AGM). In accordance with Axiare Patrimonio's By-Laws, only persons legitimised in the accounting records of IBERCLEAR (Spanish Central Securities Depository) at 23.59 hours (CET) on the AGM day are entitled to receive the dividend payment.

FULL YEAR RESULTS 2016 Our Financial Results

1.2. CONSOLIDATED BALANCE SHEET

Assets

	1.331.489	849.254
Deferred tax asset	7.457	-
Long term investments	12.455	6.070
Derivatives	-	0.808
Investment property	1,310.867	841.865
Property plant and equipment	0.710	0.511
Non-current assets	30/12/2016	31/12/2015
		EUR m

Equity and Liabilities

		EUR m
Equity	30/12/2016	31/12/2015
Share capital	718.750	718.750
Share premium	35.869	35.869
Retained earnings	207.808	77.254
Treasury shares	(18.678)	(4.631)
	943.749	827.242

	rr					

TOTAL ASSETS

Trade and other receivables	17.885	13.353
Short-term investments	0.039	0.124
Other assets	0.999	0.048
Cash and cash equivalents	145.421	268.809
	164.344	282.334

	164.344	282.334
Cash and cash equivalents	145.421	268.809
Other assets	0.999	0.048

Liabilities		
Non-current liabilities		
Financial debt	516.852	270.852
Financial derivatives	9.483	1.382
Other non-current liabilities	9.188	6.886
	535.523	279.120
Current liabilities		
Financial debt	2.888	10.024
Trade and other payables	12.970	15.087
Other liabilities	0.703	0.115
	16.561	25.226
TOTAL LIABILITIES	552.084	304.346

TOTAL EQUITY AND LIABILITIES 1,495.833 1,131.588

The value of Axiare Patrimonio's portfolio at December 2016 on the balance sheet was EUR 1,310.9 million, based on the external independent appraisal determined by CBRE Valuation Advisory (RICS) at 31 December 2016⁴.

1.131.588

1,495.833

Financing

Debt with credit institutions amounted to EUR 519.7 million on the balance sheet at amortised cost. At 31 December 2016 Axiare Patrimonio's gross debt was EUR 528.3 million. Since its inception, the company has signed financial agreements for a notional amount of EUR 537.9 million of which EUR 8.5 million remain undrawn and EUR 1.1 million were repaid.

Cash and cash equivalents at 31 December 2016 amounted to EUR 145.4 million bringing the company's net debt to EUR 391.4 million. Gross Loan to Value (LTV) stood at 39%.

	31/12/2016	31/12/2015
GAV ⁵	1,343.000	858.800
Gross debt	528.294	332.851
Cash	145.421	268.809
Net debt	382.873	64.042
Gross LTV	39%	39%
Net LTV	29%	8%
All-in cost ⁶	2.0%	2.0%
Weighted average maturity	7 years	10 years

⁴⁾ The fair value of the forward purchase of San Fernando (logistics asset in Madrid 1st ring) on the balance sheet corresponds only to the amount disbursed as advance payments at 31 December 2016 of EUR 17.4 million. The value of EUR 1,311 million Investment property on the balance sheet at 31 December 2016 also includes EUR 7.7 million in relation to advanced payments for acquisitions announced in Q1 2017.

⁵⁾ GAV at 31 December 2016 based on external independent valuation carried out by CBRE Valuation Advisory (RICS).

⁶⁾ Cost of debt to increase to 2.16% in 2019 when all the interest rate forward swaps are started. At 31 December 2016, 39% of the interest rate is hedged. This percentage will gradually increase to 72% in the next 2 years.

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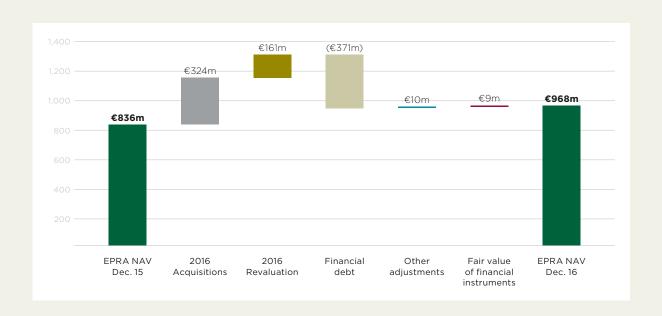
Net Asset Value

EPRA net asset value (NAV) per share at 31 December 2016 was EUR 13.8, an increase of +17.6% over the last twelve months and +45.4% since the IPO (July 2014), largely due to the rise in value of the property portfolio. At 31 December 2016, Axiare Patrimonio EPRA NAV were EUR 968 million, up from EUR 836 million at 31 December 2015.

Further details of the NAV and EPRA NAV calculations are available in Section 4 (EPRA Metrics).



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1.3. CONSOLIDATED CASH FLOW

EURm, unless specified	12 month period until	12 month period until
Profit before taxes	141.793	85.340
Change in fair value investment properties	(129.354)	(68.836)
Depreciation	0.057	0.065
Financial result	7.354	3.303
Changes in working capital	(8.013)	3.009
Other non-cash income and expenses	11.671	6.927
Cash flows from operating activities	23.508	29.808
Acquisition of property, plant and equipment	(0.021)	(0.187)
Acquisition of investment properties	(343.695)	(353.404)
Acquisition of intagible assets	(0.235)	-
Group companies	-	-
Cash flows from investment activities	(343.951)	(353.591)
Capital increase	-	382.604
Bank loans	239.336	210.797
Interest payments	(6.559)	-
Dividends paid	(2.983)	(1.449)
Remuneration on other equity instruments	(3.069)	-
Acquisition of treasury shares	(29.670)	(3.625)
Other debts	-	-
Cash flows from financing activities	197.055	588.327
Total Changes in Cash Flows	(123.388)	264.544

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Cash flow from operating activities

Cash flow from operating activities generated a positive cash flow of EUR 23.5 million, mainly driven by the underlying operating income (EBITDA) of EUR 31.4 million, changes in working capital and other income and expenses adjustments.

Cash flow from Investment activities

Cash flow from investment activities for the 12-month period generated a cash outflow of EUR 343.9 million. This cash outflow was due to the acquisition of investment properties amounting to EUR 296.0 million, the amounts disbursed for the forward purchases of Manuel de Falla 7 (EUR 9.4 million) and San Fernando (EUR 17.4 million), and capital expenditures of EUR 20.9 million.

Capex represented 1.6% of the portfolio GAV in 2016 (2015: 0.4%). By asset category, capex invested in offices in the 12-month period amounted to EUR 18.0 million (86% of total), driven primarily by investments in Avenida de la Vega, Don Ramón de la Cruz, J.I. Luca de Tena 14 and Ramírez de Arellano. In the logistics segment, capex amounted to EUR 2.0 million (10% of total).

The chart below shows capital expenditure invested in the portfolio as of 31 December 2016:

Capex

EUR m FY16 Offices 17.979 Logistics 1.998 Other 0.886	Total	20.863	3.374
Offices 17.979	Other	0.886	0.152
	Logistics	1.998	2.375
EUR m FY16	Offices	17.979	0.847
	EUR m	FY16	FY15

Cash flow from financing activities

Cash flow from financing activities generated a cash inflow of EUR 197.1 million in 2016. Bank loans accounted for a positive cash flow of EUR 239.3 million, which was partly offset by dividend cash outlays of EUR 3.0 million, interest payments of EUR 6.6 million and the acquisition of treasury shares linked to the company's management incentive plan and liquidity contract amounting to EUR 30.0 million.

Overall the company ended the period with a negative net change in cash and cash equivalents of EUR 123.4 million. At 31 December 2016 Axiare Patrimonio had cash and cash equivalents amounting to EUR 145.4 million.



2. Portfolio Valuation

The valuation of Axiare Patrimonio's portfolio rose to EUR 1,343 million at 31 December 2016, delivering valuation growth of +14.3% on a 12-month like-for-like basis and +25.7% on acquisition price. Our redevelopment properties delivered valuation growth of +18.9% in 2016 on a like-for-like basis and +29.2% on acquisition price, net of capex.

The table below shows the portfolio breakdown based on the market value determined by CBRE Valuation advisory (RICS) at 31 December 2016¹.

						12-month	
	Acquisition Price	GAV 31/12/2016	Weighting	Valuation performance on	Valuation performance on	LFL Valuation performance	12-month LFL Valuation
	EUR m	EUR m	weighting %		acq price %	EUR m	performance %
Offices	794.7	973.2	72.5%	178.5	22.5%	87.0	14.0%
Madrid	741.7	906.2	67.5%	164.5	22.2%	78.0	13.9%
CBD	334.9	402.0	29.9%	67.1	20.0%	33.7	18.7%
BD	406.9	504.2	37.5%	97.3	23.9%	44.3	11.6%
Barcelona	53.0	67.0	5.0%	14.0	26.4%	9.0	15.5%
Logistics	163.3	230.6	17.2%	67.3	41.2%	26.6	20.4%
Madrid	135.9	184.6	13.7%	48.7	35.9%	16.0	16.9%
Barcelona	18.0	29.5	2.2%	11.5	63.9%	7.7	35.3%
Other	9.4	16.5	1.2%	7.1	75.2%	2.9	21.3%
Others	110.5	139.2	10.4%	28.7	26.0%	9.3	8.6%
Total	1,068.5	1,343.0	100.0%	274.5	25.7%	122.9	14.3%

The key drivers behind the Group's like-for-like valuation movement for the period were:

- Intensive asset management: 2016 was a record year for leasing activity. Our improved and refurbished assets have captured a substantial portion of the institutional tenant demand, and outperformed the market with increased rental levels in CBD and key BD areas. New rents, rent renewals and reviews covering 123.5 thousand sqm were signed during the period, securing EUR 10.3 million of annual income, which supported valuation growth over the period
- Redevelopment projects: the valuation of current redevelopment properties increased by +18.9% in 2016 on a like-for like basis and +29.2% compared to their acquisition price net of capex
- Rental value growth: since the start of the year the portfolio's rental values have increased by +5.3%. Our asset management and leasing success including Constantí, Avenida de la Vega and Fernando el Santo combined with occupational markets gathering speed and increasing tenant interest in the limited amount of available Grade A space, are putting pressure on rents of new and refurbished space



D. RAMÓN CRUZ

+20.70

12-month
valuation gain
(net of capex)

^{1) 12-}month like-for-like compares the same properties included in the portfolio at December 2015.

• Lower investment yields: investment levels remained high in our relevant markets, helping reduce market yields by 25 basis points² in the period (2015: 68 basis points reduction). In addition, our activities to improve the quality of the portfolio had a significant impact on our portfolio yield reduction

Our disciplined investment approach also contributed to the valuation movement. During 2016 we acquired assets in-line with our investment strategy at an average 10% discount to replacement cost, which crystallised in significant valuation surpluses. The valuation of the assets acquired in 2016 rose to EUR 354 million as at 31 December 2016, delivering valuation growth of +12.7% on acquisition price.

Overall, our investment strategy drove 52% of the valuation increase (29% owed to intense active management and 23% to disciplined acquisitions), while market rental growth and yield compression contributed the remaining 48%.

The valuation performance for the different business segments was as follows:

- Offices delivered a strong valuation gain growing by +14.0% on a like-for-like basis over the 12-month period and +22.5% on acquisition price to EUR 973.2 million
- **Logistics** produced the strongest performance over the period, rising in value by +20.4% on a like-for-like basis over the 12-month period and +41.2% on acquisition price to EUR 360.6 million
- Others, composed mainly of retail assets, rose over the period by +8.6% on a like-for-like basis and by 26% on acquisition price to EUR 139.2 million

²⁾ Market yield reduction for prime offices, according to CBRE Research.



3. Our Business

3.1. INVESTMENT MANAGEMENT

2016 has been another very active year in terms of new acquisitions. We have carried out EUR 323.6 million of purchases (EUR 328.7 million including transaction costs), showing a solid track record in our ability to deliver a steady investment pace.

We remain highly disciplined and committed to our investment strategy, acquiring commercial real estate (primarily offices and logistics) in Madrid and Barcelona with the aim of creating value via active asset management.



During 2016, we have acquired nine high quality properties, or with the potential to be, growing our portfolio by 43%, and increasing our footprint in well-established office and logistics markets in Madrid and Barcelona.

In total, we have added 70,083 sqm of offices, 101,500 sqm of logistics space, and 15,744 sqm of retail warehousing to our existing portfolio. New acquisitions currently generate total annual rent of EUR 11.6 million, as well as providing significant reversionary potential through active leasing management, refurbishments and redevelopment. We continue to create a balanced property portfolio, comprising a stable mix of income producing assets and repositioning opportunities.

OFFICES

Josefa Valcarcel 24

Acquired at the end of January, and located in Madrid's A-2/M-30 office area, with direct access from the A-2 motorway, and less than five minutes by car to the M-30 orbital motorway. Axiare Patrimonio considers this area to be a strategic office market and expects the area to see significant recovery, aided by the inauguration in 2018 of the new 40,000 sqm Banco Popular global headquarters, less than 1 km from the property.

The seven-storey, free-standing office building has a gross lettable area (GLA) of 5,652 sqm and 90 car parking spaces. The property was 90% occupied by American multinational conglomerate Honeywell at the time of acquisition, and acts as their Spanish headquarters. The building benefits from excellent levels of natural light and visibility from the A-2 motorway.



Since acquisition, we have increased net rents by 39% and occupation to 100%, as Honeywell has taken additional space and now occupies the entire building.

The asset was acquired off-market for EUR 13 million, representing a capital value of 2,300 €/sqm, 11% below current market level according to 31 December 2016 valuation by CBRE VA.

Puerto de Somport

Acquired in various stages in 2015-2016, the asset is located in Madrid's Las Tablas office area, the extension of Paseo de la Castellana, with direct access from the A-1 motorway, and less than five minutes by car from the M-30 orbital motorway. Axiare Patrimonio considers the Las Tablas area to be a key market due to its strategic location, and expects the area to see significant recovery and rental growth. As well as an established, young and well served residential area, Las Tablas is already home to major multinational HQs, including those of BBVA and Telefonica, the former less than 1 km from the property.

Axiare Patrimonio is currently designing a turnkey project to develop a state-of-the-art office complex comprising a freestanding, five storey building. The project comprises a total GLA of ca. 22,000 sqm and around 450 parking spaces. Works are expected to start in 2017.



The asset was acquired in three phases from three different vendors for EUR 23 million, representing an average capital value of ca. 1,050 €/sqm, 25% below comparable market transactions in 2016. It represents another example of Axiare's ability to unlock complicated, multi-ownership situations, and convert them into large institutional lots.

Sagasta

Acquired in November 2016, this prime period building is located in Madrid's CBD, on Plaza de Alonso Martinez, close to the headquarters of many of the major international firms including Linklaters, Cuatrecasas Gonçalves Pereira, Ramón y Cajal, Garrigues and Freshfields. Given its prominent location, the building benefits from excellent visibility, transport connections and a high level of amenities.

The office building, located on Calle Sagasta 31-33, comprises 7,054 sqm GLA and 93 underground parking spaces. The property, which underwent a full refurbishment in 2006, and acts as the Spanish headquarters of a leading international consultancy firm, has a high occupation and substantial potential rental uplift in the short term.



The asset was acquired off-market for EUR 41.8 million, representing a capital value of 5,135 €/sqm¹, 21% below comparable market transactions in 2016.

Almagro

Landmark asset acquired in December 2016. The building is located in Madrid's CBD, in the Chamberí district, in the heart of Madrid's legal quarter, close to the headquarters of many of the major international firms including Linklaters, Ramón y Cajal, Garrigues and Freshfields, as well as leading financial institutions and consulting firms.

The building has a GLA of 15,094 sqm and 201 underground parking spaces. It is the current global headquarters of the prestigious international law firm, Cuatrecasas, Gonçalves Pereira, which fully occupies the building. The property underwent a full refurbishment which was completed on 2012. It is an extremely striking and highly visible building, given its location on the corner of Calle Almagro and Calle Zurbarán. The free-standing property, with three modern curtain wall façades, benefits from very good levels of natural light. The property also features floor plates of approximately



1,700 sqm, which is particularly rare in Madrid's prime area, and which are highly sought-after by top-tier tenants.

The asset was acquired in a complex off-market corporate transaction for EUR 124 million, representing a capital value of 7,416 €/sqm², 23% below comparable market transactions in 2016.

Juan Ignacio Luca de Tena 7

Acquired in December 2016, and located in Madrid's A-2/M-30 office area, with direct access from the A-2 (main Madrid-Barcelona motorway), and less than five minutes by car to the M-30 orbital motorway. Axiare Patrimonio consider the A-2/M-30 office area to be a strategic market and expect the area to see significant recovery, aided by the inauguration in 2018 of the new Banco Popular 40,000 sqm global headquarters, plus a 6,000 sqm shopping centre, adjacent to the property.

The four-storey office building has a current GLA of 10,145 sqm and 280 car parking spaces, and the plot benefits from excellent visibility from the A-2 motorway.

The property, 100% occupied by Spanish media group Vocento's headquarters, provides secured rental income in the medium term. It also provides significant value-add potential, given the ca. 10,000 sqm of additional buildable space. We expect to carry out a major redevelopment of a brand new ca. 20,000 sqm office complex upon lease expiry.



The asset was acquired for EUR 35 million, representing a capital value of 3,450 €/sqm on the existing building. If we were to apply a market value of 1,200 €/sqm to the additional buildable area, the capital value paid for the existing asset would drop to 2,300 €/sqm, 36% below comparable market transactions in 2016.

LOGISTICS

San Fernando

Acquired in June 2016, this turnkey logistics project is located in San Fernando de Henares, in Madrid's first logistics ring. The area is highly sought after by major international logistics operators given its strategic location and close proximity to the city centre and Barajas airport. The project is also located less than 1-minute drive from the M-50 ring road and less than 4-minute drive from the A-2 motorway. Occupiers in the immediate surrounding area include Amazon, TNT and XPO.

The platform, due to be delivered in H1 2018, has a total GLA of 73,464 sqm and 144 loading docks. Divisible in 10 units, it will feature state-of-the-art design and the most efficient technical specifications in the market, as well as LEED Gold sustainability certification.



The asset was acquired off market for EUR 43 million, representing a capital value of 585 €/sqm, 35% below comparable market transactions in 2016.

Alcalá de Henares

Acquired in November 2016, this prime logistics platform is located in Alcalá de Henares, in Madrid's first logistics ring. The area is popular among major national and international logistics operators, given its strategic location less than 4-minute drive from the A-2 motorway, and less than 10-minute drive from the M-50 ring road. Occupiers in the immediate surrounding area include DHL, UPS, Goodyear and Electrolux.

The platform has a total GLA of 8.972 sqm, 9 loading docks, 2 ramps, 84 parking spaces, and is divisible into 2 units. It is fully leased to Hellman Worldwide Logistics, and provides significant potential rental uplift in the short term.



The asset was acquired off market for EUR 5,6 million, representing a capital value of 628 €/sqm, 9% below comparable market transactions in 2016.

Azuqueca de Henares II

Acquired in November 2016, this prime logistics platform is located on the Corredor del Henares, a strategic location with excellent road and rail transport links to Spain's main freight ports, direct access to the A-2 motorway (Madrid-Zaragoza-Barcelona) and just 35 minutes from the centre of Madrid. Occupiers in the immediate surrounding area include Kuehne + Nagel, FCC Logística, Mercedes Benz, MRW and Liebherr

The platform has a total GLA of 19,064 sqm, 18 loading docks, and is divisible into 2 units. It is fully leased to Sport Street group, which includes brands such as Decimas, and provides significant potential rental uplift in the short term.



The asset was acquired off market for EUR 8.5 million, representing a capital value of 448 €/sqm, 23% below comparable market transactions in 2016.

RETAIL

Viapark

Retail park, acquired in March 2016, located strategically between Roquetas de Mar and Almeria, with direct access from the A-7 motorway. It has a large catchment area that includes a population of approximately 385,000 residents, which significantly increases during the holiday season, and limited competition.

The complex, developed in 2008, totals 15,744 sqm and over 1,000 capacity car park. It is fully let to major and well covenanted retailers including Carrefour, Decathlon, Kiabi and Bricomart, and provides steady, long term rental income.

The asset was acquired off-market for EUR 20 million, representing a capital value of 1,270 €/sqm, 5% below



comparable market transactions in 2016. The return on this acquisition is considerably higher than current market average for similar transactions.

Portfolio breakdown at December 2016

Investment properties

						Annualised GRI			Gross yield		EPRA NIY
EUR m. unless specified	GLA (sqm)	Acq Price	Acq Cost	GAV	Annualised GRI	"Topped-up"	Annualised NRI	Gross yield	"Topped up"	EPRA NIY	"Topped-up"
Offices	184,944	663.390	675.902	793.670	29.939	32.389	28.217	4.5%	4.9%	3.5%	3.8%
Madrid	169,593	610.390	621.469	726.670	26.812	29.107	25.109	4.4%	4.8%	3.4%	3.7%
CBD	42,218	271.140	275.108	313.500	9.430	10.028	9.191	3.5%	3.7%	2.9%	3.1%
BD	127,375	339.250	346.361	413.170	17.382	19.078	15.919	5.1%	5.6%	3.8%	4.2%
Barcelona	15,351	53.000	54.433	67.000	3.127	3.282	3.108	5.9%	6.2%	4.6%	4.8%
Logistics	332,930	120.270	123.685	173.400	10.166	10.923	9.743	8.5%	9.1%	5.5%	6.0%
Madrid	222,185	92.850	95.408	127.400	7.553	7.613	7.000	8.1%	8.2%	5.4%	5.5%
Barcelona	68,279	18.000	18.620	29.500	1.339	2.036	1.558	7.4%	11.3%	5.2%	7.5%
Other	42,466	9.420	9.658	16.500	1.274	1.274	1.185	13.5%	13.5%	7.1%	7.1%
Others	78,937	110.500	114.845	139.200	8.860	8.984	7.990	8.0%	8.1%	5.7%	5.7%
Total	596,810	894.160	914.432	1,106.270	48.965	52.296	45.950	5.5%	5.8%	4.1%	4.4%

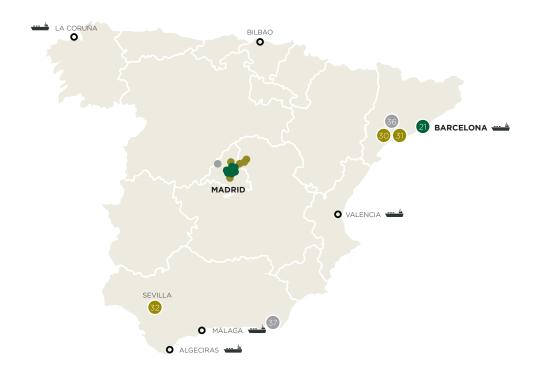
Redevelopments

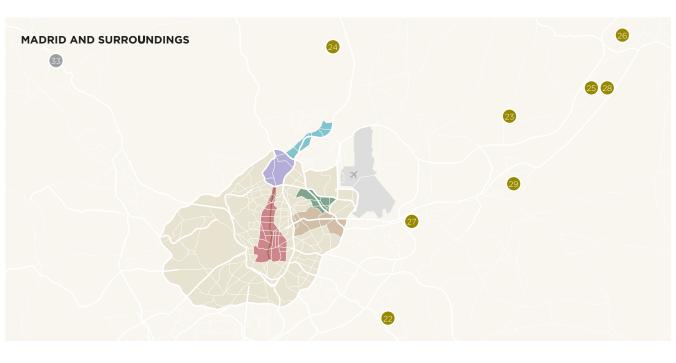
EUR m. unless specified	GLA (sqm)	Acq Price	Acq Cost	GAV
Offices	60,001	131.340	133.723	179.530
Madrid	60,001	131.340	133.723	179.530
CBD	15,583	63.725	65.065	88.500
BD	44,419	67.615	68.658	91.030
Logistics	73,464	43.000	43.530	57.200
Total	133,466	174.340	177.252	236.730

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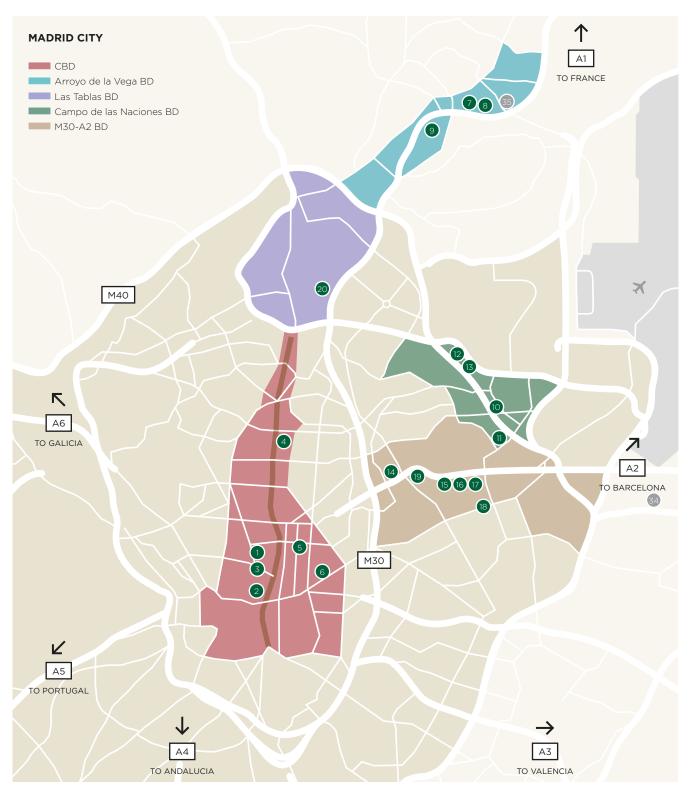
3.2. PORTFOLIO AT 31 DECEMBER 2016

SPAIN











2 Fernando El Santo

3 Sagasta

4 Manuel de Falla

5 Velázquez

6 Don Ramón de la Cruz

7 Francisca Delgado

8 Avenida de la Vega

• OFFICES • LOGISTICS • OTHERS

9 Avenida de Bruselas

10 Ribera del Loira

1 Tucumán

12 Cristalia 2&3

13 Cristalia 5&6

14 Ramírez de Arellano

15 JILT 6

16 JILT 7

17 JILT 14

18 Alcalá

19 Josefa Valcárcel

20 P. Somport

34 Las Mercedes

35 Madrid Norte Hotel

OFFICES

At the end of 2016, our office portfolio comprised 21 properties, all located in well-established office areas in Madrid and Barcelona, totalling 245,000 sqm and EUR 973 million GAV.





Location	Madrid, CBD
Acquisition date	Dec-16
GLA	15,094
Net Acquisition Price	€ 124.00m
Gross Acquisition Price	€ 124.98m
Capital value	8,215 €/sqm
Market value (Dec. 16)	€ 130.00m
Market capital value	8,613 €/sqm
Revaluation	+5%
Ownership	100%
Const./major refurb. year	2012



Fernando el Santo

Location	Madrid, CBD
Acquisition date	Sep-14
GLA	3,254
Net Acquisition Price	€ 16.50m
Gross Acquisition Price	€ 16.81m
Capital value	5,071 €/sqm
Market value (Dec. 16)	€ 27.50m
Market capital value	8,451 €/sqm
Revaluation	+67%
Ownership	100%
Const./major refurb. year	1992



Sagasta

Location	Madrid, CBD
Acquisition date	Nov-16
GLA	7,054
Net Acquisition Price	€ 41.80m
Gross Acquisition Price	€ 42.68m
Capital value	5,926 €/sqm
Market value (Dec. 16)	€ 46.00m
Market capital value	6,521 €/sqm
Revaluation	+10%
Ownership	100%
Const./major refurb. year	2005



Manuel de Falla

Location	Madrid, CBD
Acquisition date	Nov-14
GLA	6,244
Net Acquisition Price	€ 31.00m
Gross Acquisition Price	€ 31.43m
Capital value	4,965 €/sqm
Market value (Dec. 16)	€ 44.50m
Market capital value	7,127 €/sqm
Revaluation	+44%
Ownership	100%
Const./major refurb. year	2016



Velázquez

Location	Madrid, CBD
Acquisition date	Jun-15
GLA	16,816
Net Acquisition Price	€ 88.84m
Gross Acquisition Price	€ 90.65m
Capital value	5,283 €/sqm
Market value (Dec. 16)	€ 110.00m
Market capital value	6,541 €/sqm
Revaluation	+24%
Ownership	100%
Const./major refurb. year	1971



Don Ramón de la Cruz

Location	Madrid, CBD
Acquisition date	Oct-15
GLA	9,339
Net Acquisition Price	€ 32.73m
Gross Acquisition Price	€ 33.63m
Capital value	3,504 €/sqm
Market value (Dec. 16)	€ 44.00m
Market capital value	4,711 €/sqm
Revaluation	+34%
Ownership	100%
Const./major refurb. year	2001
·	



Francisca Delgado

Location	Madrid, A. Vega
Acquisition date	Jul-14
GLA	17,273
Net Acquisition Price	€ 28.75m
Gross Acquisition Price	€ 29.27m
Capital value	1,664 €/sqm
Market value (Dec. 16)	€ 47.47m
Market capital value	2,748 €/sqm
Revaluation	+65%
Ownership	100%
Const./major refurb. year	2001



Avenida de la Vega

Location	Madrid, A. Vega
Acquisition date	Sep-14
GLA	22,578
Net Acquisition Price	€ 52.00m
Gross Acquisition Price	€ 52.93m
Capital value	2,303 €/sqm
Market value (Dec. 16)	€ 71.00m
Market capital value	3,145 €/sqm
Revaluation	+37%
Ownership	100%
Const./major refurb. year	2000

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Avenida de Bruselas

Location	Madrid, A. Vega
Acquisition date	Sep-15
GLA	14,547
Net Acquisition Price	€ 27.50m
Gross Acquisition Price	€ 28.08m
Capital value	1,890 €/sqm
Market value (Dec. 16)	€ 38.00m
Market capital value	2,612 €/sqm
Revaluation	+38%
Ownership	100%
Const./major refurb. year	2003



Ribera del Loira

Location	Madrid, C. Naciones
Acquisition date	Dec-14
GLA	12,822
Net Acquisition Price	€ 47.00m
Gross Acquisition Price	€ 48.13m
Capital value	3,666 €/sqm
Market value (Dec. 16)	€ 49.30m
Market capital value	3,845 €/sqm
Revaluation	+5%
Ownership	100%
Const./major refurb. year	2002



Tucumán

Location	Madrid, C. Naciones
Acquisition date	Mar-15
GLA	6,327
Net Acquisition Price	€ 23.50m
Gross Acquisition Price	€ 23.91m
Capital value	3,714 €/sqm
Market value (Dec. 16)	€ 25.40m
Market capital value	4,015 €/sqm
Revaluation	+8%
Ownership	100%
Const./major refurb. year	2006



Cristalia 2&3

Location	Madrid, C. Naciones
Acquisition date	Dec-14
GLA	17,338
Net Acquisition Price	€ 53.00m
Gross Acquisition Price	€ 54.27m
Capital value	3,057 €/sqm
Market value (Dec. 16)	€ 60.55m
Market capital value	3,492 €/sqm
Revaluation	+14%
Ownership	100%
Const./major refurb. year	2007

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Cristalia 5&6

Location	Madrid, C. Naciones
Acquisition date	May-15
GLA	17,587
Net Acquisition Price	€ 49.00m
Gross Acquisition Price	€ 50.20m
Capital value	2,786 €/sqm
Market value (Dec. 16)	€ 61.10m
Market capital value	3,474 €/sqm
Revaluation	+25%
Ownership	100%
Const./major refurb. year	2008



Ramírez de Arellano

Location	Madrid, M30-A2
Acquisition date	Jul-15
GLA	6,832
Net Acquisition Price	€ 16.50m
Gross Acquisition Price	€ 16.84m
Capital value	2,415 €/sqm
Market value (Dec. 16)	€ 23.00m
Market capital value	3,366 €/sqm
Revaluation	+39%
Ownership	100%
Const./major refurb. year	2016



JILT 6

Location	Madrid, M30-A2
Acquisition date	Sep-15
GLA	4,560
Net Acquisition Price	€ 9.50m
Gross Acquisition Price	€ 9.70m
Capital value	2,083 €/sqm
Market value (Dec. 16)	€ 10.60m
Market capital value	2,325 €/sqm
Revaluation	+12%
Ownership	100%
Const./major refurb. year	2007



JILT 7

Location	Madrid, M30-A2
Acquisition date	Dec-16
GLA	10,147
Net Acquisition Price	€ 35.00m
Gross Acquisition Price	€ 35.63m
Capital value	3,449 €/sqm
Market value (Dec. 16)	€ 36.00m
Market capital value	3,547 €/sqm
Revaluation	+3%
Ownership	100%
Const./major refurb. year	1991



JILT 14

Location	Madrid, M30-A2
Acquisition date	Mar-15
GLA	7,872
Net Acquisition Price	€ 17.00m
Gross Acquisition Price	€ 17.30m
Capital value	2,160 €/sqm
Market value (Dec. 16)	€ 20.83m
Market capital value	2,646 €/sqm
Revaluation	+23%
Ownership	100%
Const./major refurb. year	2014



Alcalá

Location	Madrid, M30-A2
Acquisition date	Sep-15
GLA	6,260
Net Acquisition Price	€ 12.00m
Gross Acquisition Price	€ 12.25m
Capital value	1,917 €/sqm
Market value (Dec. 16)	€ 14.25m
Market capital value	2,276 €/sqm
Revaluation	+19%
Ownership	100%
Const./major refurb. year	1993



Josefa Valcárcel

Location	Madrid, M30-A2
Acquisition date	Jan-16
GLA	5,652
Net Acquisition Price	€ 13.00m
Gross Acquisition Price	€ 13.23m
Capital value	2,300 €/sqm
Market value (Dec. 16)	€ 14.50m
Market capital value	2,565 €/sqm
Revaluation	+12%
Ownership	100%
Const./major refurb. year	1987



Puerto de Somport

Location	Madrid, Las Tablas
Acquisition date	Dec-15
GLA	22,000
Net Acquisition Price	€ 23.12m
Gross Acquisition Price	€ 23.27m
Capital value	1,050 €/sqm
Market value (Dec. 16)	€ 32.20m
Market capital value	1,454 €/sqm
Revaluation	+38%
Ownership	100%
Const./major refurb. year	-



Diagonal

Location	Barcelona, CBD
Acquisition date	Dec-14
GLA	15,351
Net Acquisition Price	€ 53.00m
Gross Acquisition Price	€ 54.43m
Capital value	3,452 €/sqm
Market value (Dec. 16)	€ 67.00m
Market capital value	4,364 €/sqm
Revaluation	+26%
Ownership	100%
Const./major refurb. year	2007

LOGISTICS

At the end of 2016, our logistics portfolio comprised 11 properties in well-established logistics hubs in Madrid and Cataluña, totalling 406,000 sqm and EUR 231 million GAV.



Rivas

Location	Madrid 1st ring
Acquisition date	Sep-14
GLA	35,248
Net Acquisition Price	€ 17.00m
Gross Acquisition Price	€ 17.32m
Capital value	482 €/sqm
Market value (Dec. 16)	€ 24.50m
Market capital value	695 €/sqm
Revaluation	+44%
Ownership	100%
Const./major refurb. year	2002



Camarma

Location	Madrid 2nd ring
Acquisition date	Oct-14
GLA	70,296
Net Acquisition Price	€ 26.00m
Gross Acquisition Price	€ 26.60m
Capital value	370 €/sqm
Market value (Dec. 16)	€ 35.00m
Market capital value	498 €/sqm
Revaluation	+35%
Ownership	100%
Const./major refurb. year	2002



Guadalix

Location	Madrid 2nd ring
Acquisition date	Oct-14
GLA	14,945
Net Acquisition Price	€ 4.50m
Gross Acquisition Price	€ 4.60m
Capital value	301 €/sqm
Market value (Dec. 16)	€ 8.00m
Market capital value	535 €/sqm
Revaluation	+78%
Ownership	100%
Const./major refurb. year	2001



Azuqueca

Location	Madrid 2nd ring
Acquisition date	Jul-14
GLA	35,781
Net Acquisition Price	€ 14.49m
Gross Acquisition Price	€ 14.85m
Capital value	405 €/sqm
Market value (Dec. 16)	€ 20.10m
Market capital value	562 €/sqm
Revaluation	+39%
Ownership	100%
Const./major refurb. year	2003



Cabanillas

Location	Madrid 3rd ring
Acquisition date	Jul-14
GLA	37,879
Net Acquisition Price	€ 16.68m
Gross Acquisition Price	€ 17.21m
Capital value	440 €/sqm
Market value (Dec. 16)	€ 23.30m
Market capital value	615 €/sqm
Revaluation	+40%
Ownership	100%
Const./major refurb. year	2005



San Fernando

Location	Madrid 1st ring
Acquisition date	Jun-16
GLA	73,464
Net Acquisition Price	€ 43.00m
Gross Acquisition Price	€ 43.53m
Capital value	585 €/sqm
Market value (Dec. 16)	€ 57.20m
Market capital value	779 €/sqm
Revaluation	+33%
Ownership	100%
Const./major refurb. year	-



Azuqueca II

Location	Madrid 2nd ring
Acquisition date	Nov-16
GLA	19,064
Net Acquisition Price	€ 8.55m
Gross Acquisition Price	€ 8.97m
Capital value	448 €/sqm
Market value (Dec. 16)	€ 10.50m
Market capital value	551 €/sqm
Revaluation	+23%
Ownership	100%
Const./major refurb. year	2008



Alcalá de Henares

Location	Madrid 1st ring
Acquisition date	Nov-16
GLA	8,972
Net Acquisition Price	€ 5.63m
Gross Acquisition Price	€ 5.86m
Capital value	628 €/sqm
Market value (Dec. 16)	€ 6.00m
Market capital value	669 €/sqm
Revaluation	+6%
Ownership	100%
Const./major refurb. year	2007



Valls

Location	Barcelona 3rd ring
Acquisition date	Oct-14
GLA	26,026
Net Acquisition Price	€ 4.50m
Gross Acquisition Price	€ 4.59m
Capital value	173 €/sqm
Market value (Dec. 16)	€ 9.50m
Market capital value	365 €/sqm
Revaluation	+111%
Ownership	100%
Const./major refurb. year	2003



Constantí

Location	Barcelona 3rd ring
Acquisition date	Jul-15
GLA	42,253
Net Acquisition Price	€ 13.50m
Gross Acquisition Price	€ 14.03m
Capital value	320 €/sqm
Market value (Dec. 16)	€ 20.00m
Market capital value	473 €/sqm
Revaluation	+48%
Ownership	100%
Const./major refurb. year	2008



Dos Hermanas

Location	Seville South
Acquisition date	Jul-14
GLA	42,466
Net Acquisition Price	€ 9.42m
Gross Acquisition Price	€ 9.66m
Capital value	222 €/sqm
Market value (Dec. 16)	€ 16.50m
Market capital value	389 €/sqm
Revaluation	+75%
Ownership	100%
Const./major refurb. year	1994

OTHER

At the end of 2016, our other portfolio comprised mostly retail assets, as well as a hotel, totalling 79,000 sqm and EUR 139 million GAV.



Planetocio

Location	Madrid, A-6
Acquisition date	Sep-14
GLA	19,222
Net Acquisition Price	€ 14.00m
Gross Acquisition Price	€ 14.47m
Capital value	728 €/sqm
Market value (Dec. 16)	€ 17.50m
Market capital value	910 €/sqm
Revaluation	+25%
Ownership	100%
Const./major refurb. year	2012



Las Mercedes Open Park

Location	Madrid, A-2
Acquisition date	Sep-15
GLA	21,111
Net Acquisition Price	€ 39.00m
Gross Acquisition Price	€ 39.82m
Capital value	1,847 €/sqm
Market value (Dec. 16)	€ 50.20m
Market capital value	2,378 €/sqm
Revaluation	+29%
Ownership	100%
Const./major refurb. year	2015



Madrid Norte Hotel

Location	Madrid, A. Vega
Acquisition date	Feb-15
GLA	10,447
Net Acquisition Price	€ 10.50m
Gross Acquisition Price	€ 12.20m
Capital value	1,005 €/sqm
Market value (Dec. 16)	€ 15.50m
Market capital value	1,484 €/sqm
Revaluation	+48%
Ownership	100%
Const./major refurb. year	2006



Les Gavarres

Location	Tarragona
Acquisition date	Dec-14
GLA	12,413
Net Acquisition Price	€ 27.00m
Gross Acquisition Price	€ 27.73m
Capital value	2,175 €/sqm
Market value (Dec. 16)	€ 34.40m
Market capital value	2,771 €/sqm
Revaluation	+27%
Ownership	100%
Const./major refurb. year	2008

33



Viapark

Location	Almeria
Acquisition date	Apr-16
GLA	15,744
Net Acquisition Price	€ 20.00m
Gross Acquisition Price	€ 20.62m
Capital value	1,270 €/sqm
Market value (Dec. 16)	€ 21.60m
Market capital value	1,372 €/sqm
Revaluation	+8%
Ownership	100%
Const./major refurb. year	2008

3.3. REDEVELOPMENT MANAGEMENT

- Three major asset refurbishments completed (35,654 sqm), including Manuel de Falla. All awarded LEED Gold certification and now fully leased or with heads of terms signed for all available space, capturing reversion following works completions
- Two schemes near completion (17,211 sqm), including Don Ramón de la Cruz, due to complete in Q1 2017, and already in negotiations with potential tenants
- Three schemes in progress, 19,107 sqm in offices (Avenida de Bruselas and Luca de Tena 6), and one logistics scheme (73,624 sqm extension in San Fernando)

The table below shows the committed schemes in detail, and the significant value uplift potential they represent:

Project	Location	Status	Delivery date	Lettable area (sqm)	Acq. Price (EUR m)	Acq. Cost (EUR m)	Valuation (EUR m)
Manuel de Falla	Madrid CBD	Completed	H2 2016	6,244	31.000	31.431	44.500
A. de la Vega	Madrid	Completed	H2 2016	22,578	52.000	52.926	71.000
R. de Arellano	Madrid	Completed	H2 2016	6,832	16.500	16.837	23.000
J. Ignacio Tena 14	Madrid	Near completion	H1 2017	7,872	17.000	17.303	20.830
D. Ramon Cruz	Madrid CBD	Near completion	H1 2017	9,271	32.725	33.633	44.000
J. Ignacio Tena 6	Madrid	In progress	H2 2017	4,560	9.500	9.701	10.600
A. de Bruselas	Madrid	In progress	H1 2018	14,547	27.500	28.082	38.000
F. Delgado	Madrid	In analysis	H2 2017	17,273	28.750	29.274	47.470
Velazquez	Madrid CBD	In analysis	H1 2018	14,979	75.340	76.711	110.000
P.Somport	Madrid	In analysis	H1 2018	22,000	23.115	23.273	32.200
Total Offices				126,156	313.430	319.172	441.600
S. Fernando	Madrid 1st ring	In progress	H2 2017	73,624	43.300	44.166	57.200
Dos Hermanas³	Seville	Committed	H2 2017	51,466	9.420	9.658	16.500
Total Logistics				125,090	52.720	53.824	73.700
Total Redevelopment				251,246	366.150	372.996	515.300

OFFICES REDEVELOPMENT PIPELINE		
ERV (EUR m):	30.5	
Est. Yield on Total Investment:	7.7%	
Est. Yield on GAV + CAPEX:	6.1%	
EXIT Yield:	5.1%	

LOGISTICS REDEVELOPMENT	PIPELINE
ERV (EUR m):	6.0
Est. Yield on Total Investment:	10.5%
Est. Yield on GAV + CAPEX:	7.8%
EXIT Yield:	6.8%

TOTAL REDEVELOPMENT PIPELINE		
ERV (EUR m):	36.5	
Est. Yield on Total Investment:	8.1%	
Est. Yield on GAV + CAPEX:	6.3%	
EXIT Yield:	5.3%	

³⁾ Corresponds to the extension of ca. 9,200 sqm of the existing asset, requested by existing tenant $\frac{1}{2}$

Completed

Manuel de Falla

Works completed at the end of 2016. The brand new LEED Gold building, with underground parking, is ideal for medium-sized international and national institutions looking to relocate their headquarters in Madrid's CBD. Its size, large terraces and strategic location make Manuel de Falla a unique building in Madrid. Its modern appearance and large floor plates provide highly efficient workspaces.

Axiare Patrimonio purchased Manuel de Falla in November 2014 for EUR 31 million, representing a capital value of 4,965 €/sqm, 30% below its current market valuation as at 31 December 2016 upon works completion.

Since year end, and having been in the market only a few months, Axiare Patrimonio has signed heads of terms to fully lease the property to a single tenant at ca. 8% above current market level. This lease is not reflected in the market valuation at 31 December 2016.





Avenida de la Vega

The complex was successfully delivered in November 2016 with LEED Gold certification expected to be received in H1 2017. Axiare has repositioned De La Vega Business Park as the best office complex in its surrounding area, with a strong focus on sustainability and technology. The works have already delivered strong results: ca. 4,400 sqm has been let at an average rental level ca. +11% above valuers' December 2015 ERV, bringing the park's occupancy to 100%. In addition, over 50% of the park has undergone lease renegotiations, with major tenants extending their lease contracts, generating additional secured income.

Axiare Patrimonio purchased the complex in September 2014 for EUR 52 million, representing a capital value of 2,340



€/sqm and with an occupancy level of 75%. Total capital expenditure amounts to ca. 220 €/sqm, bringing the total all-in investment to 2,560 €/sqm, 8% below current market value as at 31 December 2016.

Avenida de la Vega is a prime example of Axiare's investment strategy showing successful results: the asset was purchased in 2014 with 25% vacancy and a tired look, but good underlying real estate fundamentals. Axiare has modernized the park during 2015 and 2016, renegotiated existing leases, signed new leases and within just over two years, now has a modern, fully functioning and fully let technological and sustainable business park.



Ramírez de Arellano

Refurbishment works completed at the end of 2016. The reception, common areas and all office floors have been modernized, the A/C system fully replaced, new LED lighting system installed, achieving LEED Gold sustainability certification.

Axiare purchased the building in July 2015 for EUR 16.5 million, representing a capital value of 2,470 €/sqm. Total capital expenditure amounts to ca. 480 €/sqm, bringing the total all-in investment to 2,950 €/sqm, 10% below current market valuation as at 31 December 2016.

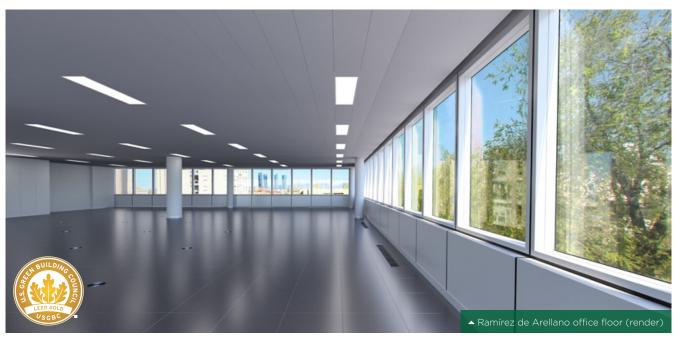
Since year-end, Axiare Patrimonio has brought the building to market and has already, only one month after works completion, leased 3,379 sqm (85% of the current vacant space) to a single tenant, in line with market rental levels, and with an embedded rental step-up.

This is another example of the successful results of Axiare's active asset management strategy. In 2015 we purchased a tired office building in a strategic location, with a 34% occupancy rate. In 2016 we initiated a refurbishment project, and have already increased occupancy to 91% as of February 2017, generating a significant rental uplift within less than 18 months of purchase.





36



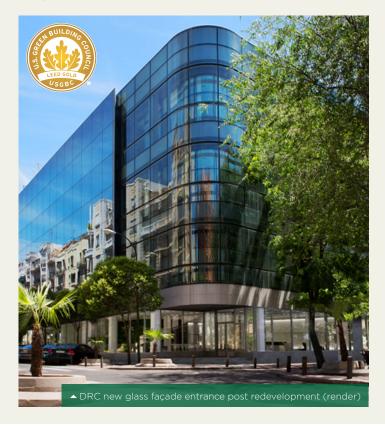
Near Completion

Don Ramón de la Cruz

Redevelopment works are coming to a close and due to finish in Q1 2017. The new LEED Gold certified building will benefit from a brand-new image, with new reception and common areas, brand new VRV A/C system, LED lighting system throughout the building and the latest in sustainable and technological features. The property provides large, flexible floor plates of over 2,100 sqm with a floor to ceiling height of over 3.5 m, which is very unique in the centre of Madrid.

Axiare Patrimonio purchased the building in October 2015 for EUR 32.75 million, representing a capital value of 3,530 €/sqm. Total capital expenditure will amount to ca. 440 €/sqm, bringing the total all-in investment to 3,970 €/sqm, 16% below current market valuation as at 31 December 2016.

Axiare Patrimonio is currently in initial marketing stages. The building is already showing strong traction amongst potential tenants, given its central location, excellent transport connections, and large floor plates. At present Axiare Patrimonio is in advanced negotiations to lease the entire building following works completion.













Juan Ignacio Luca de Tena 14

Works are near completion and due by H1 2017. The former brick façade has been replaced by a new glass structure, significantly improving the level of natural light in the building and its general image. Amongst other improvements, the reception has been redesigned and enlarged to enhance visibility and access, and a new LED lighting system has been installed. The building will be delivered with LEED Gold certification. In addition to light, spacious office space on the upper floors, the building also offers the possibility of ground floor retail space.

Axiare purchased the building in March 2015 for EUR 17 million, representing a capital value of 2,150 €/sqm. Total capital expenditure will amount to 440 €/sqm, bringing the total all-in investment to 2,590 €/sqm, in line with current market valuation as at 31 December 2016.

An active leasing programme will commence following works completion. We are witnessing the effect of the expected synergies from the inauguration of Banco Popular's new global HQ, located directly opposite the building, which will attract new large occupiers to the surrounding area.

In progress



Avenida de Bruselas

Full redevelopment project committed. The building was actively vacated during 2016 and initial demolition works started in January 2017. Works to include brand new glass curtain façade, reconfiguration of office floors of over 2,700 sqm, with a central atrium providing excellent levels of natural light throughout the building. The new 13,750 sqm building, due to be delivered in 2018 with LEED Gold certification, is set to mark a milestone for Axiare Patrimonio in terms of sustainability and new technological advances, which are currently being implemented by *Axiare I+D+i* (see page 46). The completed building will make an ideal new HQ for a major multinational, in an area that is currently experiencing a high level of demand and a limited supply of good quality, new office buildings.

Axiare purchased Avenida de Bruselas in September 2015, for EUR 27.5 million, representing a capital value of 1,890 €/sqm, 28% below current market value. Total capital expenditure will amount to ca. 740 €/sqm, bringing the total all-in investment to 2,630 €/sqm.



Juan Ignacio Luca de Tena 6

Refurbishment works started in January 2017. The main entrance and reception area will undergo a major modernization. The office floor configuration will undergo significant adaptation, with the existing common areas that currently run down the north façade moved into the centre to create a horse-shoe shaped floor, thereby opening the façade and increasing levels of natural light in the office floors. Works are expected to be completed in H2 2017 and the building will be certified LEED Gold.

The freestanding building will benefit from ample floor to ceiling height and excellent levels of natural light. The property is located directly opposite Banco Popular's new global HQ and a recently built 6,000 sqm shopping centre, which will provide a wide range of services to the building's future occupier.

Axiare purchased Juan Ignacio Luca de Tena 6 in September 2015, for EUR 9.0 million, representing a capital value of 2,080 €/sqm, 11% below current market value. Total capital expenditure will amount to ca. 600 €/sqm, bringing the total all-in investment to 2,680 €/sqm.



San Fernando

Development works have begun in San Fernando. The brand new logistics complex will feature state-of-the-art design and the most efficient technical specifications in the market, including LED lighting & WiFi system throughout the entire warehouse and offices, and free height of ca. 12 m in warehouse area. Divisible in 10 units, the platform has a total GLA of 73,464 sgm and 144 loading docks.

Due to be delivered in H1 2018 with LEED Gold sustainability certification, it is already attracting considerable traction in the occupier market, given its strategic location and excellent build quality.

Axiare acquired the asset off market for EUR 43 million, representing a capital value of 585 €/sqm, 35% below comparable market transactions in 2016.

Committed Schemes



Dos Hermanas

Axiare has reached an agreement with Carrefour, the existing tenant, to extend their existing logistics warehouse an additional 9,200 sqm due to further space requirement. Development works will begin in H1 2017. With this extension, Axiare has signed a new lease for the entire unit, locked the tenant in for a longer period and will significantly increase rental income.

3.4. LEASING ACTIVITY

2016 has shown a record year for leasing activity, and visibility remains strong going into 2017, particularly in the Office sector. Tenant requirements are becoming more specific, and quality of space of increasing importance. Institutional tenant demand is focused on new and refurbished space, which, given the limited supply of high-quality stock across the office and logistics sectors, is a positive message for Axiare Patrimonio's portfolio and its take up trend.

The main highlights from 2016 include:

- 14 new leases signed (53,481 sqm), up +62% against YoY (2015: 33,103 sqm) and generating additional annual rent of EUR 3.12 million, up +210% YoY
- All new leases signed on average +14% above valuers' December 2015 ERV, and on a triple net basis
- 20% of all new leases signed with above +7% annual embedded rental increase step-ups for the next three years and all with mark-to-market rent reviews in the next 3-4 years
- 70,068 sqm (10% of all tenancies) were renegotiated in 2016, either due to breaks, retentions or relettings, securing annual rent of over EUR 7 million
- 32% of all rent reviews signed in the year with a ca. 5% annual embedded rental step-up for the next three years
- Since the period-end, over 90,000 sqm of office and logistics space signed or in advanced negotiations, all expected to close short term and ahead of valuers' Dec'16 assumptions
- Occupancy rate increased to 88% by year-end, with increases across all sectors, up 124 bps sequentially and 558 bps on a like-for-like basis, in line with the company target to bring the portfolio occupancy to ca. 90%

Offices

38,442 sqm of office space has been signed during 2016, more than triple the amount signed in 2015. 30,344 sqm corresponds to renewals on existing leases (up +177% vs. 2015) and 8,098 sqm to new leases (up +526% vs. 2015). New office lettings signed in H2 2016 have outperformed those signed both in H1 2016 and in 2015 together. This shows a very positive trend. Tenant exits in Axiare Patrimonio's office portfolio in 2016 totalled 15,550 sqm, primarily driven by space being vacated in buildings due to undergo repositioning through 2017. We are starting to see the positive results of our asset repositioning programs completed this year and expect similar results from existing and future redevelopment pipeline.

New leases have secured an additional annualized rental income of ca. EUR 1.6 million, whilst renegotiations have secured ca. EUR 5.2 million. New leases have been signed as a result of the active management strategies that have been carried out across the Office portfolio.



Success Story | Fernando El Santo

Space re-let following the departure of a tenant during a rent review. Previous tenant lease was significantly below market rent levels (-22%).

Asset:	Fernando el Santo 15
Location:	Madrid CBD
Leasing:	1,609 sqm re-let (49% of total GLA)
Additional take up vs previous tenant	+14%
Rental uplift vs previous tenant:	+30%
Asset occupation:	79%, with the remainder in negotiations



Success Story | Avenida de la Vega

Refurbishment works completed end 2016. Within just under a year De La Vega Business Park has become one of the most modern and technological business parks in Spain. Axiare has renegotiated existing leases, and signed new leases on all vacant space, bringing the property to full occupancy following works.

Asset:	Avenida de la Vega 15
Location:	Arroyo de la Vega BD
Leasing:	15,235 sqm renegotiated (67% of total GLA) and 4,667 sqm new leases (21% of total GLA)
Asset occupation at acquisition	74%
Asset occupation upon works c	ompletion: 100%
Additional & secured rent:	ca. EUR 3.5 million

Across the Office portfolio, all new leases signed in 2016 were triple net, at an average of 8% above current valuer's December 2015 ERV. 37% of all new leases were signed with an implied 7% annual rental increase over the next 3 years. In addition, all new leases have market rent reviews within the next 3-4 years. This reinforces the quality of Axiare's portfolio and management team and their capability to outperform the market.

It has also been a busy year for renegotiations, with over 12% of the Office portfolio (30,344 sqm) undergoing lease renewals or renegotiations. All lease renewals have been signed in line with current market levels. 40% of all renegotiations have been signed with an average ca. 5% embedded annual rental increase step-up.

The current average occupancy across Axiare Patrimonio's office investment properties is 82%, up 316 bps sequentially. On a six-month like-for-like basis, the office occupancy rate has increased 127 basis points to 78% during the period. On an annual like-for-like basis, it has decreased 122 basis points to 77% during the period, mainly due to vacating office buildings prior to redevelopment.

Since the period-end, there has been some significant leasing activity across Axiare's Office portfolio, including:

- 3,379 sqm of space signed in Ramirez de Arellano, securing an additional annualized rental income of ca. EUR 0.7 million
- Over 10,000 sqm in advanced negotiations, all ahead of valuers' December 2016 assumptions, generating a potential additional ca. EUR 3.0 million of annualized rental income

As we complete our repositioning schemes, we are successfully leasing up vacant space, with all completed schemes almost fully leased (see Success Story: Ramirez de Arellano). As we near completion on two other projects, both are seeing significant tenant traction and are well positioned to lease up over the next few months. We are providing the market with what top tenants are looking for.



Success Story | Ramirez de Arellano

91% occupancy achieved immediately following asset repositioning. Existing tenant has taken additional space, new tenant has taken 49% of total GLA.

Asset:	Ramirez de Arellano 15
Location:	A-2 / M-30
Leasing:	3,379 sqm new leases (49% of total GLA)
Asset occupation at acquisition:	34%
Asset occupation upon works completion:	91%, with the remainder in negotiations

The above transactions illustrate that Axiare's competitive positioning - with best quality and most efficient properties in Madrid's most established office markets - can outperform the market. We have been able to achieve increased rental levels in CBD and BD areas, significantly outperforming the market. The level of tenant demand continues to gain momentum. We see the limited supply of high-quality office space available in Madrid as an opportunity, which our asset management activities are capturing.

Logistics & Other

A total of 69,297 sqm of logistics space has been signed during 2016, of which 44,217 sqm corresponds new leases and 25,080 sqm to renewals on existing leases. There have been two tenant exits totalling 16,364 sqm, providing a net take-up over the period of 52,933 sqm.

New leases have secured an annualised rent of EUR 1.4 million and have been signed at an average of ca. 15% ahead of valuers' December 2015 ERV. Renegotiations have secured an annualised rent over of over EUR 0.9 million.

In terms of leasing activity in 2016 across the Logistics portfolio, Axiare Patrimonio's leasing in Q2 of the entire Constanti logistics platform (42,253 sqm) to Kuehne+Nagel, one of the world's leading logistics providers, stands out. Axiare signed a headline rent 8% above valuers' December 2015 ERV. This lease is an example of Axiare Patrimonio's value add strategy and ability to identify excellent opportunities in the market, purchasing a fully vacant logistics platform and leasing it to a single multinational tenant within less than 10 months. This is a similar case to that of Valls, which was acquired vacant and subsequently fully let to Kellogg's in 2015.



Success Story | Constanti

Vacant logistics complex purchased in August 2015. Fully leased to Keuhne + Nagel within less than nine months.

Asset:	Constanti
Location:	Barcelona 3rd ring
Leasing:	42,253 sqm new lease (100% of total GLA)
Asset occupation at acquisition:	0%
Asset occupation nine months pos	st acquisition: 100%
Current yield on total investment	10%

Other new leases across the Logistics Portfolio in 2016 include FNAC, which has further increased its presence in Rivas, extending its existing contract, and taking an additional 1,964 sqm, 3% above valuers' December 2015 ERV. This expansion follows repositioning works carried out by Axiare Patrimonio, which achieved BREAM certification. This reinforces the quality of Axiare's management strategies, that existing tenants are valuing the improvements being carried and choosing to remain in occupation rather than relocate.

The current average occupancy across Axiare Patrimonio's Logistics investment properties is 89%, up 99 bps sequentially. On a six-month like-for-like basis, it has increased 978 bps, driven primarily by the leasing of the Constanti logistics platform.

Since the period-end there has been some important leasing activity across Axiare's Logistics portfolio, including:

- 11,765 sqm signed in Cabanillas, with an existing tenant that has increased occupation in the complex.
 This lease successfully stabilizes the park, bringing occupation to 100%, generating an additional ca.
 EUR 0.5 million of annual rental income
- Over ca. 70,000 sqm either under heads of terms or in advanced negotiations, all ahead of valuers' December 2016 assumptions, expected to generate additional ca. EUR 3.2 million of annual rental income

In the Other portfolio there has been minimal activity given its high occupancy rate. Three new leases have been signed in Planetocio totalling 1,166 sqm) during the period, securing an annualized income of ca. EUR 0.2 million. There has been one renegotiation and one exit. The centre remains stable and is currently undergoing a design program.

Overall leasing activity helped to increase occupancy across Axiare Patrimonio's investment properties to 88% at year end. This represents a 124 bps sequential increase and 558 bps on a 12-month like-for-like basis.

At 31 December 2016, the average rent across our office and logistics portfolio was EUR 16.2 and EUR 3.0 respectively. Our total annualised rent roll was EUR 52.3 million by year-end.

The table below shows Axiare's occupancy per business sector. Note that the decrease in 12 month like-for-like occupancy is mainly due to vacating office buildings prior to redevelopment.

Occupancy

	2016 Q4	2015 Q4	YoY change	12-month LfL 2016 Q4	2015 Q4	12-month LfL change
Offices	81.5%	78.1%	339 bps	76.9%	78.1%	(122) bps
Madrid	79.8%	75.5%	427 bps	74.2%	75.5%	(136) bps
CBD	83.8%	62.6%	2,338 bps	67.3%	62.6%	520 bps
BD	78.5%	77.9%	60 bps	75.4%	77.9%	(245) bps
Barcelona	100%	100.0%	0 bps	100%	100%	0 bps
Logistics	89.3%	78.5%	1,077 bps	88.3%	78.5%	978 bps
Madrid	83.9%	88.0%	(408) bps	81.6%	88.0%	(641) bps
Barcelona	100.0%	38.1%	6,188 bps	100.0%	38.1%	6,188 bps
Other	100.0%	100.0%	0 bps	100.0%	100%	0 bps
Others	97.5%	95.7%	173 bps	96.8%	95.7%	110 bps
Total	87.9%	80.5%	744 bps	86.1%	80.5%	558 bps

3.5. SUSTAINABILITY

Sustainability is at the forefront of Axiare Patrimonio's approach to business. The company is driving the need to increase both awareness and knowledge in what is becoming an increasingly important sector, acknowledging that space quality has never been more important to occupiers/tenants, and working together with existing and potential tenants to find balanced solutions.

Since there is no single definition of sustainability, we use classification standards that give importance to: location, use of public or alternative transport, efficient use of water and energy, materials and especially the quality of the interior space. All these categories are quantifiable and easily recognizable both by tenants that require quality space and landlords keen to attract that kind of tenant. We are also aware of the potential savings to be made on service charge expenses.

Axiare looks to minimize real estate asset risk by achieving recognition from international sustainable certification programs. The entire Office portfolio is registered under the LEED program and the Logistics portfolio under BREEAM. Axiare aims to certify at least 90% of its office building assets with LEED and retail parks and logistic platforms with BREEAM in the next three years. By the end of 2016 Axiare had already achieved certification for 15% of its complete portfolio. We have targeted to have LEED/BREEAM certification on least 65% of the portfolio by the end of 2017.

Asset	Certificacion BREEAM / LEED	Status	Expected Certification Date
Rivas	BREEAM ES in Use 2014	BREEAM in USE GOOD	-
Cabanillas	BREEAM ES in Use 2014	BREEAM in USE GOOD	-
Valls	BREEAM ES in Use 2014	Registered	H1 2017
Guadalix	BREEAM ES in Use 2014	Registered	H1 2017
Constanti	BREEAM ES in Use 2014	Registered	H1 2017
Camarma	BREEAM ES in Use 2014	Registered	H1 2017
Azuqueca	BREEAM ES in Use 2014	Registered	H1 2017
Planetocio	BREEAM ES in Use 2014	Registered	H1 2017
Las Mercedes	BREEAM ES in Use 2014	Registered	H1 2017
Ribera del Loira	LEED Existing Building: Operations & Maintenance	LEED CS - GOLD	-
Manuel de Falla	LEED Core & Shell	LEED CS - GOLD	-
Ramírez de Arellano	LEED Core & Shell	LEED CS - GOLD	-
Avenida de la Vega	LEED Existing Building: Operations & Maintenance	Registered	H1 2017
Avenida Diagonal	LEED Existing Building: Operations & Maintenance	Registered	H1 2017
Cristalia 2&3	LEED Existing Building: Operations & Maintenance	Registered	H1 2017
Cristalia 5&6	LEED Existing Building: Operations & Maintenance	Registered	H1 2017
Francisca Delgado	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Fernando el Santo	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Almagro	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Juan Ignacio Luca de Tena 7	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Sagasta 33	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Edificio Cedro	LEED Existing Building: Operations & Maintenance	Registered	H2 2017
Tucuman	LEED Existing Building: Operations & Maintenance	Registered	H1 2018
Alcalá	LEED Existing Building: Operations & Maintenance	Registered	H1 2018
Juan Ignacio Luca de Tena 14	LEED Core & Shell	Pre-certified	H1 2017
Don Ramón de la Cruz	LEED Core & Shell	Pre-certified	H1 2017
Juan Ignacio Luca de Tena 6	LEED Core & Shell	Pre-certified	H2 2017
Velázquez	LEED Core & Shell	Pre-certified	H1 2018
Avenida de Bruselas	LEED Core & Shell	Pre-certified	H1 2018
San Fernando de Henares	LEED Core & Shell	Pre-certified	H2 2018
Sagasta 31	LEED Core & Shell	Registered	H1 2018

At year end 2016, three Office properties (Ribera del Loira, Manuel de Falla and Ramirez de Arellano) have all been approved and certified LEED Gold. That all three assets are now almost fully let is evidence of the importance sustainability has in the market and its perception amongst potential tenants. In the Logistics portfolio, both Rivas and Cabanillas have been awarded BREAM in USE GOOD certification. Many institutional tenants are now only permitted to occupy officially certified sustainable buildings, a trend that Axiare Patrimonio believes is only the beginning.

In addition, the potential energy savings derived from an active sustainable approach are significant: on average, a 30% reduction in energy costs. This amounts to EUR 0.4 million in potential savings across Axiare Patrimonio's portfolio.

All of Axiare Patrimonio's portfolio is currently in the process of being connected to an innovative software platform to monitorise, analyse and manage energy consumption.

The way we use this information allows us to buy better and to use less energy by discovering appropriate savings as it simplifies the identification, control and optimization from all the related parameters.

3.6. TECHNOLOGY

Axiare Patrimonio is a technology pioneer in the Spanish real estate market. It understands the importance of technology in today's global climate, and envisions huge potential in the Spanish real estate market. As part of its commitment to technology that improves quality of space for occupiers, the company has created **Axiare I+D+i**, launched to develop and implement new innovative processes across Axiare's portfolio. The company has partnered up with Opinno, the global innovation consultancy firm, and market leader in Spain, to explore new technological tools, to further increase quality of space, reduce costs and improve building management systems.

The company is the first property owner to install a fully functioning business park mobile application (in Avenida de la Vega), which was launched at the end of 2016. The integral platform allows tenants to increase their interaction with the properties. Users can use the App for a range of functions including: access control via mobile phone, send visitor access, reserve sports facilities, order meals. The App not only improves the park's tenants' comfort, it also improves functionality: users can report issues on common areas direct to the park's property managers with a single click.

Furthermore, the App replaces the need for both access cards and cash on site. All facilities, including restaurant, electric bicycles, sports centre and changing rooms and visitor parking spaces can be reserved/purchased via the App.

Whilst it has already been very well received both by existing and new tenants in De la Vega Business Park, Axiare plans a six-month test period, in order to monitor its use and compatibility with the parks' facilities. Following this period, we intend to subsequently deploy the App and other exciting innovations, across the Office portfolio, in particular in Francisca Delgado and Don Ramón de la Cruz over the course of the year, and in Avenida de Bruselas and Velázquez over the medium term. The world is changing at a fast speed and Axiare intend to be at the forefront of Spain's technological wave.





FULL YEAR RESULTS 2016 EPRA Metrics

4. EPRA Metrics

Axiare Patrimonio is a member of the European Public Real Estate Association (EPRA).



EPRA Key Performance Indicators

		FY 2	2016
	Definition	(EURm unless specified)	per share (EUR)
EPRA Adjusted Earnings	Adjusted earnings from operational activities	24.036	0.34
EPRA Earnings	Earnings from operational activities	19.272	0.27
EPRA NAV	Group NAV 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	967.8	13.8
EPRA NNNAV	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	956.4	13.6
EPRA Net Initial Yield (NIY)	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 ¹ of the property, increased with (estimated) purchasers' costs	4.1%	
EPRA "Topped-up" NIY	Incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods or other unexpired lease incentives	4.4%	
EPRA Vacancy Rate	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	14.1%	

EPRA Earnings and Earnings Per Share

(EURm unless specified)	FY2016
Earnings per IFRS income statement	148.626
Adjustments to calculate EPRA Earnings, exclude:	
(i) Changes in value of investments properties	(129.354)
EPRA Earnings	19.272
EPRA Earnings per Share (EPS)	0.27
Company specific adjustments:	
(a) Company specific adjustment	4.764
(b) Company specific adjustment	
Company specific Adjusted Earnings	24.036
Company specific Adjusted EPS	0.34
Number of shares outstanding, basic, end of period	70,361,722

¹⁾ Market value based on the external independent appraisal determined by CBRE Valuation Advisory (RICS) at 30 June 2016.

FULL YEAR RESULTS 2016 EPRA Metrics

EPRA NAV and EPRA NNNAV

EPRA Net Asset Value (EPRA NAV)

(EURm unless specified)	31/12/2016
NAV per the financial statements	965.838
Effect of exercise of options, etc	
Diluted NAV	965.838
Exclude:	
(iv) Fair value of financial instruments (5)	9.436
(v.a) Deferred tax	(7.457)
EPRA NAV	967.817
EPRA NAV per share	13.8
	'
Number of shares outstanding, basic, end of period	70,361,722

EPRA Triple Net Asset Value (EPRA NNNAV)

(EURm unless specified)	31/12/2016
EPRA NAV	967.817
Include:	
(i) Fair value of financial instruments	(9.436)
(ii) Fair value of debt	(9.421)
(iii) Deferred tax	7.457
EPRA NNNAV	956.417
EPRA NNNAV per share	13.6
Number of shares outstanding, basic, end of period	70,361,722

EPRA NIY and EPRA "Topped-up" NIY

		Q4 201	16	
EPRA YIELDS	Offices	Logistics	Other	Total
Investment property - wholly owned	973.200	230.600	139.200	1,343.000
Investment property - share of JVs/Funds	=	-	=	=
Trading property (including share of JVs)	-	-	-	-
Less developments	(179.530)	(57.200)	-	(236.730)
Completed property porfolio	793.670	173.400	139.200	1,106.270
Allowance for estimated purchasers' costs	12.302	2.688	2.158	17.147
Gross up completed property portfolio valuation (B)	805.972	176.088	141.358	1,123.417
Annualised cash passing rental income	29.939	10.166	8.860	48.965
Property outgoings	(1.722)	(0.423)	(0.870)	(3.015)
Annualised net rent (A)	28.217	9.743	7.990	45.950
Notional rent expiration of rent free periods or other lease incentives	2.450	0.757	0.124	3.332
Topped-up net annualised rent (C)	30.667	10.500	8.114	49.281
EPRA NIY (A/B)	3.5%	5.5%	5.7%	4.1%
EPRA "topped-up" NIY (C/B)	3.8%	6.0%	5.7%	4.4%

EPRA VACANCY RATE

	31/12/2016		
	Vacant Space ERV Total Space ERV EPRA vacancy ra		
Offices	7.148	40.725	17.6%
Logistics	1.606	12.971	12.4%
Other	0.254	10.160	2.5%
Total	9.008	63.856	14.1%



FULL YEAR RESULTS 2016 Capital Structure

5. Capital Structure

Axiare Patrimonio manages its capital to ensure that it will be able to seize investment opportunities in the real estate market as they arise. As such, it aims to maintain an appropriate mix of debt and equity financing that minimises the firm's cost of capital while allowing maximum flexibility, and monitors the markets continuously for these purposes.

The current capital structure of Axiare Patrimonio consists of a mix of equity and debt. Equity comprises issued share capital, capital premium, reserves and retained earnings. Debt comprises long-term loan agreements and bridge loan facilities from banks. The interest rate risk is hedged through interest rate swaps and forwards swaps.

5.1. EQUITY

As 31 December 2016, Axiare Patrimonio's share capital amounted to EUR 754,618,868 divided into 71,874,988 shares each with a nominal value of EUR 10 and all of the same class and series.

The company went public on July 9 2014 issuing 36 million shares at a nominal value of EUR 10 each raising ca. EUR 360 million. One year later, on June 2015 the company completed a fully subscribed capital increase for a nominal amount of EUR 394,558,868, through the issuance of 35,868,988 new ordinary shares with preferential subscription rights with a nominal value of EUR 10 and a share premium of EUR 1 each.

The Company's shares are listed on the Spanish Stock Exchanges. Axiare Patrimonio became a constituent of the IBEX Small Cap Index in December 2015, and of the EPRA Developed EMEA Index since March 2016.

At 31 December 2016 Axiare Patrimonio's main shareholders¹ were:

Denomination	% of voting rights attached to shares
Inmobiliaria Colonial, S.A.	15.09%
T. Rowe Price Associates, Inc	9.78%
Citigroup Global Markets Limited	9.17%
JP Morgan Chase & Co	5.80%
GAM International Management Limited	5.75%
Deutsche Bank, A.G.	5.00%
PGGM Vermogensbeheer B.V.	3.20%
GIC Private Limited	3.16%
The Goldman Sachs Group, INC.	3.02%
Denomination	% of voting rights through financial instruments
Pelham Capital LTD	9.22%
Einhorn, David	6.96%
Gruss Capital Management LLP	4.82%
Landsdowne Partners International Limited	2.02%

¹⁾ According to the Spanish Securities Market Comission (CNMV).

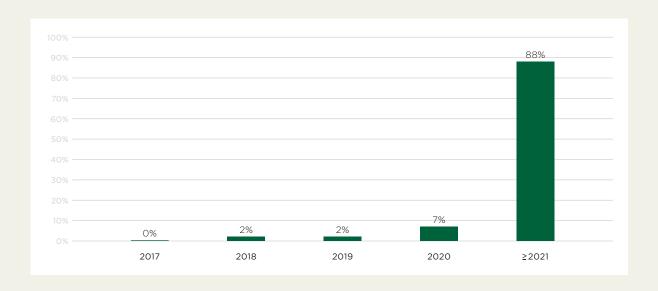
5.2. **DEBT**

During 2016 Axiare Patrimonio has signed 8 long-term loan agreements for a total amount of EUR 203.6 million. These agreements have financed a total of 10 properties. Since its inception Axiare Patrimonio has signed 17 long-term financial agreements with 7 different financial entities for an aggregate amount of EUR 537.9 million.

All facilities signed were closed in the form of bilateral loans with very flexible and attractive conditions:

- 2.0% all-in rate (including up-front cost, spread and 39% interest rate hedge) by year-end and 2.16% (72%hedged) from 2019 onwards²
- 0% cancellation penalty fee
- ca. 90% bullet structure to be amortized 2021 onwards
- 39% Gross Loan to Value (LTV)
- 29% Net LTV
- Weighted Average maturity 7 years

Appendix 01 discloses details of the loans' positions against the portfolio properties at December 2016.



 $^{2) \ \ \}text{Interest rate risk hedged through interest rate forward swaps}.$



FULL YEAR RESULTS 2016 Share Price Performance

6. Share Price Performance

Axiare Patrimonio shares have outperformed the IBEX-35 Index as well as the sectorial EPRA Developed EMEA Index and its peers in the Spanish market. Axiare Patrimonio Shares (AXIA: MCE) ended the year at 13.82€/Share which represents an increase of +6% in the last twelve months and +47% since the Company's IPO in July 2014.





FULL YEAR RESULTS 2016 Post-closing Events

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7. Post-closing Events

On 31 January 2017, Axiare completed the acquisition of the Cedro Building, headquarters of the international consultancy firm Cappemini in Spain, for EUR 43.5 million. The office building comprises a gross lettable area (GLA) of 17,032 sqm and 381 parking spaces. The property is located in the Arroyo de la Vega office area in Madrid, a strategic area with excellent access to the A-1 motorway, the airport, Madrid's CBD and its main ring roads. With the property currently close to a 90% occupancy level, this transaction provides Axiare Patrimonio with an immediate income stream. In addition, this acquisition offers substantial value-add potential, given the potential rental uplift in the short term.



On 20 January 2017, Axiare Patrimonio completed the acquisition of the PSA (Peugeot Citroën) Group's Spanish headquarters in Las Tablas, for EUR 41.5 million. The office building, located on Calle Puerto de Somport 8, close to the global headquarters of BBVA and Telefónica, features a gross lettable area (GLA) of 9,280 sqm and 370 parking spaces. With this transaction, Axiare Patrimonio has ensured a continued rental stream from a top-tier tenant, boasting a very high NIY locked in until 2026.





Since year end, Axiare Patrimonio invested EUR 53.4 million to acquire a prime office building located on Calle Miguel Angel in the heart of Madrid's financial district, and one of most sought-after areas by top tier tenants. The office building, located on a prominent corner position, features a gross lettable area (GLA) of 8,036 sqm and 99 underground parking spaces. The property benefits from high occupancy and has significant reversionary potential through asset repositioning.

Leasing

- On 1 February 2017, Axiare Patrimonio leased 3,379 sqm (85% of the current vacant space) in Ramirez de Arellano 15 to a public body, shortly after concluding repositioning works on the building. The deal, signed in line with current market rental levels and with a stepped rent structure, brings the building's occupancy rate to 91% (34% upon purchase), adding an additional annualized income of approximately EUR 0.7 million (see Success Story on page 42).
- 11,765 sqm signed in Cabanillas, with an existing tenant that has increased occupation in the complex. This
 lease successfully stabilizes the park, bringing occupation to 100%, generating an additional ca. EUR 0.5
 million of annual rental income
- Axiare Patrimonio currently has a total of over 80,000 sqm in advanced negotiations or with Heads of Terms signed, expected to close in H1 2017 and generating an additional annual income of ca. EUR 6.5 million.

Financing

- On 1 February 2017, Axiare Patrimonio signed 2 financing agreements with Banco Santander totalling EUR 34.2 million:
 - The first agreement, for EUR 26.4 million, has a 7-year term and a loan-to-value (LTV) of approximately 63%. The financed property is the office building located at Calle Sagasta 31-33, which was recently acquired by Axiare Patrimonio in November 2016.
 - The second agreement, for EUR 7.8 million, is an additional tranche of the loan that the company completed in July 2015 to finance the Velázquez property.
- On 17 February 2017, Axiare Patrimonio signed a bridge loan financing agreement with CaixaBank totalling EUR 51.4 million.

FULL YEAR RESULTS 2016 Appendix 01

Appendix 01. Portfolio in detail at end 2016

EUR m. unless specified

	40057	Acquisition	GLA	Parking	Net	Gross	Market –	Сар	ital Structure	
Nº	ASSET	Date	(sqm)	spaces (units)	Acquisition Price	Acquisition Price	Value	Equity	Debt	LTV
1	F. Delgado	28.jul.14	17,273	394	28.750	29.274	47.470	29.470	18.000	38%
2	F. Santo	24.sep.14	3,254	42	16.500	16.810	27.500	15.500	12.000	44%
3	Av Vega	24.sep.14	22,578	447	52.000	52.926	71.000	42.400	28.600	40%
4	M. Falla	1.nov.14	6,244	41	31.000	31.431	44.500	20.500	24.000	54%
5	Diagonal	4.dec.14	15,351	251	53.000	54.433	67.000	37.850	29.150	44%
6	Rib. Loira	4.dec.14	12,822	370	47.000	48.128	49.300	25.200	24.100	49%
7	Cristalia 2&3	4.dec.14	17,338	418	53.000	54.272	60.550	31.400	29.150	48%
8	Tucuman	30.mar.15	6,327	170	23.500	23.906	25.400	12.474	12.926	51%
9	Luca de Tena 14	30.mar.15	7,872	185	17.000	17.303	20.830	9.980	10.850	52%
10	Cristalia 5&6	22.may.15	17,587	381	49.000	50.199	61.100	33.600	27.500	45%
11	Velazquez	15.jun.15	16,816	155	88.840	90.646	110.000	65.676	44.324	40%
12	R.Arellano	21.jul.15	6,832	112	16.500	16.837	23.000	14.500	8.500	37%
13	Av Bruselas	23.sep.15	14,547	364	27.500	28.082	38.000	23.600	14.400	38%
14	Alcalá	23.sep.15	6,260	185	12.000	12.254	14.250	7.550	6.700	47%
15	Luca de Tena 6	23.sep.15	4,560	190	9.500	9.701	10.600	6.100	4.500	42%
16	D.Ramón Cruz	8.oct.15	9,339	93	32.725	33.633	44.000	23.000	21.000	48%
17	P. Somport	23.dec.15	22,000	300	23.115	23.273	32.200	32.200	-	0%
18	J Valcarcel 24	26.jan.16	5,652	90	13.000	13.235	14.500	7.500	7.000	48%
19	Sagasta 33	17.nov.16	7,054	93	41.800	42.676	46.000	46.000	-	0%
20	Almagro 9	02.dec.16	15,094	201	124.000	124.977	130.000	54.300	75.700	58%
21	Luca de Tena 7	23.dec.16	10,147	260	35.000	35.630	36.000	36.000	-	0%
то	TAL OFFICES		244,946	4,742	794.730	809.625	973.200	574.800	398.400	41%
22	Cabanillas	29.jul.14	37,879	-	16.681	17.214	23.300	13.602	9.698	42%
23	Miralcampo	30.jul.14	35,781	-	14.485	14.849	20.100	10.957	9.143	45%
24	Dos Hermanas	30.jul.14	42,466	-	9.420	9.658	16.500	11.319	5.181	31%
25	Rivas	24.sep.14	35,248	-	17.000	17.316	24.500	15.150	9.350	38%
26	Valls	9.oct.14	26,026	-	4.500	4.591	9.500	4.547	4.953	52%
27	Guadalix	9.oct.14	14,945	-	4.500	4.603	8.000	3.651	4.349	54%
28	Camarma	9.oct.14	70,296	-	26.000	26.595	35.000	15.119	19.881	57%
29	Constantí	30.jul.15	42,253	-	13.500	14.029	20.000	8.985	11.015	55%
30	San Fernando	15.jun.16	73,464	-	43.000	43.530	57.200	57.200	-	0%
31	Alcalá de Henares	25.nov.16	8,972	-	5.634	5.859	6.000	2.737	3.263	54%
32	Azuqueca	25.nov.16	19,064	-	8.550	8.972	10.500	5.721	4.779	46%
то	TAL LOGISTICS		406,394	-	163.270	167.215	230.600	148.988	81.612	35%
33	Planetocio	24.sep.14	19,222	797	14.000	14.473	17.500	17.500	_	0%
34	Bauhaus	4.dec.14	12,413	352	27.000	27.729	34.400	19.550	14.850	43%
35		24.abr.15	10,447	212	10.500	12.195	15.500	8.500	7.000	45%
	Las Mercedes	23.sep.15	21,111	540	39.000	39.825	50.200	25.700	24.500	49%
	Víapark	15.apr.16	15,744	1,500	20.000	20.623	21.600	10.100	11.500	53%
	TAL OTHER	10.001.10	78,937	3,401	110.500	114.845	139.200	81.350	57.850	42%
	AL VIIIEN		70,337	5,751	110.500	117.073	155.200	01.000	37.030	-7∠/0

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