axiare PATRIMONIO

TRADING UPDATE THIRD QUARTER 2016

Axiare publishes its trading and business update for the 9 months ended 30 September 2016. Highlights for the period include:

RECORD LEASING ACTIVITY IN OFFICES WITH TENANT DEMAND GAINING MOMENTUM

- Office lettings in the quarter with ca. 4,000 sqm of new leases signed, generating annual rental income of ca. EUR 1 million
- All new leases signed triple net and 5.5% above valuers' June 2016 ERVs; 75% of all new leases signed with embedded 6% p.a. rental step-ups
- From period-end, over 14,000 sqm of Office space under offer or already signed, all ahead of valuers' June 2016 ERVs
- Total lettings in the financial year to date securing annualised rent of EUR 7 million (ca. 91,500 sqm)
- Occupancy rate increased to 86.8% at quarter-end, up 88bps QoQ and 889bps on a like-for-like basis. Our target to bring the portfolio occupancy to ca. 90% by year-end remains unchanged

SIGNIFICANT PROGRESS ACROSS OUR BEST-IN-CLASS REDEVELOPMENT PIPELINE

- One completed scheme and major progress across four further schemes totalling 52,900 sqm. These will complete in the next one/two quarters and are already proving very attractive to prospective tenants: one scheme fully let, with new leases 8.3% above valuers' June 2016 ERVs, and two others under offer
- One committed project to fully reposition 14,547 sqm, and further 6,832 sqm to be refurbished
- Redevelopment pipeline offering an estimated yield on total investment of 7.8%

PIONEERING ON SUSTAINABILITY AND TECHNOLOGY ACROSS THE PORTFOLIO

- All Axiare Patrimonio's Office portfolio registered under LEED and Logistics under BREEAM certification programmes. A significant proportion of Axiare's Office portfolio now pre-certified LEED Silver or Gold
- Pilot study launched in De La Vega to make it one of the most technologically advanced business park in Spain from which to replicate initiatives across the portfolio

STRONG FINANCIAL PERFORMANCE UNDERPINNED BY OPERATIONAL IMPROVEMENTS

- Gross rental income for the 9-month period of EUR 30.5 million, up +22.5% YoY and +3.1% on a QoQ like-for-like basis. Annualised GRI at Sep'16 was EUR 42.7 million
- NRI margin improved by 361 bps in the 9-month period, from 85.3% to 89.0%
- Adjusted EPRA earnings of EUR 17.3 million and EPRA EPS of 24 cents per share for the 9-month period
- Reported profit, after June revaluation surplus, of EUR 91.3 million, up +145% YoY, and EPS of EUR 1.28

SOLID FINANCIAL POSITION TO SECURE FUTURE GROWTH

- Gross LTV of 37%, cash in banks and undrawn facilities of EUR 394 million
- All-in costs of 2.27%, fixed[1], with 8-year average maturity and very flexible conditions

"I am delighted to report a quarter of strong results. This quarter's activity validates Axiare Patrimonio's strategy. Our high-quality properties are leasing ahead of ERVs and our best-in-class asset management activities are generating meaningful reversionary potential.

The level of tenant demand is gaining momentum given the appeal of our high-quality properties and redevelopment projects, together with limited supply of high-quality available office space in the market. We can expect further lettings and healthy rates of rental growth.

Finally, we continue to make good progress on the investment pipeline, while maintaining our capital discipline. We are confident in our ability to crystallise in the short-term the advances made"

Luis Alfonso López de Herrera-Oria
Chief Executive Officer

1) Weighted average; includes spread, up-front cost and 88% of drawn debt hedge.

CONTACTS

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Carmen Boyero-Klossner, Head of Investor Relations

1. Our Financial Results

1.1. CONSOLIDATED PROFIT & LOSS ACCOUNT (IFRS)

EUR m unless specified	9m 2016	9m 2015	YoY Change
Recurring Gross Rental Income (GRI)	**30.473**	**24.871**	**22.5%**
Property Operating Expenses	(3.365)	(3.644)	(7.7)%
Net Rental Income (NRI)	**27.108**	**21.226**	**27.7%**
Overheads	(4.580)	(3.501)	30.8%
o/w wages, salaries and similar remuneration	(3.084)	(2.065)	49.4%
o/w other selling and administrative expenses	(1.497)	(1.436)	4.2%
Operating income (EBITDA)	**22.527**	**17.726**	**27.1%**
Amortization & Provisions	(0.057)	(0.013)	336.3%
EBIT	**22.471**	**17.713**	**26.9%**
Net financial charges	(5.170)	(2.107)	145.4%
Tax	-	-	-
Underlying net profit	**17.301**	**15.606**	**10.9%**
Change in fair value of assets	85.523	27.643	209.4%
Other income and expenses	(11.490)	(6.038)	90.3%
Reported net profit	**91.333**	**37.211**	**145.4%**
Recurring EPS (EUR)	0.24	0.31	(20.7)%
Reported EPS (EUR)	**1.28**	**0.73**	**75.6%**
Average no. of shares outstanding	71,125,999	50,884,448	40%

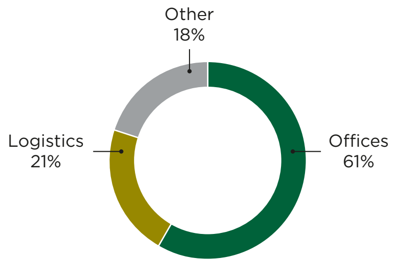
Profit and loss and earnings per share

Total recorded group gross rental income, excluding income related to the portfolio operating expenses chargeable to tenants, were EUR 30.5 million, up +22.5% over the same period the prior year. On a like-for-like basis, rental income was up +3.1% sequentially[2], owed to operational improvements in occupancy and increased rental levels achieved with the rent reviews settled in the quarter.

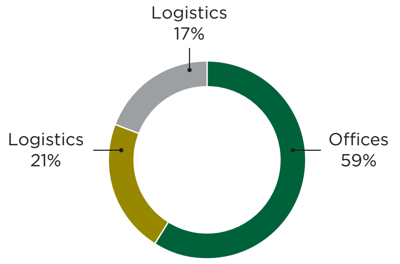
The annualised GRI as of September 2016 was EUR 42.7 million[3].

NRI margin improved by 361 bps in the 9-month period, from 85.3% to 89.0%, driven by operational improvements during the period as well as the one-off impact of the cost adjustment resulting from the mid-year property expenses' budget review. Net rental income during the first 9 months amounted to EUR 27.1 million, after deducting portfolio operating expenses not chargeable to tenants. This represents an increase of 27.7% over the same period the prior year, owed to higher gross rental income and improved margins.

GRI by business segment



NRI by business segment



2) Comparing with the investment properties included in the portfolio at June 2016.
3) Topped-up passing rental income.

Total overheads for the 9-month period were EUR 4.6 million, +30.8% above the same period the prior year. 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 0.61% of the average share capital and premium over the period. On an annualised basis, running costs remain well below the company's limit on annual overheads (1% of the average share capital and premium).

Underlying operating income (EBITDA) reached EUR 22.5 million for the 9-month period, up +27.1% YoY. This was primarily due to higher recurring gross rental income and improved NRI margin. Net financial cost were 5.2 million, up +145% year-on-year. The company continued levering its balance sheet during the period to fund further growth. Gross interest paid on debt facilities amounted to EUR 5.5 million, partially compensated by interest income of EUR 0.3 million.

For the 9-month period, underlying net profit was EUR 17.3 million and recurring EPS 24 cents. Changes in the fair value of Group's assets generated an attributable profit of EUR 85.5 million, and other income and expenses an attributable expense of EUR 11.5 million. The latter includes a EUR 12.2 million charge related to the share-based management incentive plan for the 12-month period ending 30 June 2016, as well as compensation received for early lease terminations. Overall, the Group consolidated net profit for the 9-month period ended 30 September 2016 reached EUR 91.3 million and EPS of EUR 1.28, up +145.4% and 75.6% respectively over the same period the previous year.

Adjusted for non-recurring income and expenses items, EPRA earnings for the 9-month period was EUR 17.3 million and 24 cents per share. The Group's funds from operations (FFO) for the 9-month period was EUR 17.4 million and 24 cents per share. The table below shows the detailed FFO calculation:

FFO

EUR m unless specified	9m 2016
Recurring Gross Rental Income (GRI)	**30.473**
Property Operating Expenses	(3.365)
Net Rental Income (NRI)	**27.108**
Overheads	
o/w wages, salaries and similar remuneration	(3.084)
o/w other selling and administrative expenses	(1.497)
Operating Income (EBITDA)	**22.527**
Net Financial Charges	(5.170)
Underlying FFO	**17.357**
Other income and expenses	(11.490)
Reported FFO	5.867
Underlying FFO per share (EUR)	**0.24**
Reported FFO per share (EUR)	0.08
Avg. number of shares outstanding, basic	71,125,999

1.2. CONSOLIDATED BALANCE SHEET

Assets

Non-current assets	30/09/2016	31/12/2015
	EUR m	
Property plant and equipment	0.459	0.511
Investment property	1,020.048	841.865
Derivatives	–	0.808
Long term investments	11.970	6.070
	1,032.477	**849.254**
Current assets		
Trade and other receivables	12.688	13.353
Short-term investments	0.030	0.124
Other assets	1.548	0.048
Cash and cash equivalents	267.144	268.809
	281.410	**282.334**
TOTAL ASSETS	**1,313.887**	**1,131.588**

Equity and Liabilities

Equity	30/09/2016	31/12/2015
	EUR m	
Share capital	718.750	718.750
Share premium	35.869	35.869
Retained earnings	145.617	77.254
Treasury shares	(6.091)	(4.631)
	894.145	**827.242**
Liabilities		
Non-current liabilities		
Financial debt	379.334	270.852
Financial derivatives	14.294	1.382
Other non-current liabilities	7.852	6.886
	401.480	**279.120**
Current liabilities		
Financial debt	1.885	10.024
Trade and other payables	15.874	15.087
Other liabilities	0.503	0.115
	18.262	**25.226**
TOTAL LIABILITIES	**419.742**	**304.346**
TOTAL EQUITY AND LIABILITIES	**1,313.887**	**1,131.588**

The value of Axiare Patrimonio's portfolio on the balance sheet at 30 September 2016 amounted to EUR 1,020 million[4]. The value is based on the external independent valuation carried out by CBRE valuation Advisory (RICS) at 30 June 2016 and the investment in capital expenditures. The portfolio has not been revalued this quarter.

Financing

Debt with credit institutions amounted to EUR 381.2 million on the balance sheet at amortised cost. At 30 September 2016 Axiare Patrimonio's gross debt was EUR 387.5 million. Overall the company has signed financial agreements for a notional amount of EUR 394.4 million of which EUR 6 million remain undrawn and EUR 0.9 million were repaid.

Cash and cash equivalents at 30 September 2016 amounted to EUR 267 million bringing the company's net debt to EUR 128 million including financial derivatives.

Gross Loan to value stood at 36.5% at the end of September 2016.

	30/09/2016	31/12/2015
GAV[5]	1,060.228	858.800
Gross debt	387.464	332.851
Cash	267.144	268.809
Gross LTV	36.5%	38.8%
Net LTV	11.3%	7.5%
All-in cost[6]	2.3%	2.0%
Weigthed average maturity	8 years	9 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 30 September 2016 of EUR 17 million.
5) GAV at 30 September 2016 based on external independent valuation carried out by CBRE at 30 June 2016, EUR 8 million capital expeditures for the quarter and EUR 3 million disbursed in P. Somport's project.
6) Cost of debt increased by 27 bps as 50.3% of the forward interest rate swaps previously signed have now started.

1.3. CONSOLIDATED CASH FLOW

	9 month period until 30th September 2016	9 month period until 30th September 2015
Profit before taxes	**91,333**	**37,211**
Change in fair value investment properties	(85,523)	(27,643)
Depreciation	57	13
Financial result	5,173	2,104
Changes in working capital	(8,073)	5,080
Other non-cash income and expenses	12,631	7,013
Cash flows from operating activities	**15,598**	**23,778**
Acquisition of property, plant and equipment	(5)	(157)
Acquisition of investment properties	(92,660)	(307,341)
Group companies	0	0
Cash flows from investment activities	**(92,665)**	**(307,498)**
Capital increase	0	386,663
Bank loans	100,204	210,200
Interest payments	(4,794)	(1,124)
Dividends paid	(2,982)	(1,449)
Acquisition of treasury shares	(17,026)	(3,526)
Other debts	0	0
Cash flows from financing activities	**75,402**	**590,764**
Total Changes in Cash Flows	**(1,665)**	**307,044**

Cash flow from operating activities

Cash flow from operating activities reached EUR 15.6 million driven primarily by the underlying income (EBITDA) of EUR 22.5 million and changes in working capital.

Cash flow from investment activities

Cash flow from investment activities for the 9-month period of 2016 generated a cash outflow of EUR 92.7 million. This cash out flow was owed to the acquisition of investment properties amounting to EUR 79.6 million and capital expenditures of EUR 13 million.

CAPEX

EUR m	30/09/2016	30/09/2015
Office	10.466	0.345
Logistics	1.892	1.556
Other	0.501	-
Total	**12.859**	**1.901**

Cash flow from financing activities

Cash flow from financing activities generated a positive cash flow of EUR 75 million. Bank loans accounted for a cash inflow of EUR 100 million, which was partly offset by dividend payments of EUR 3.0 million, interest payments of EUR 4.8 million and the acquisition of treasury shares linked to the company's management incentive plan amounting to EUR 17.0 million.

Overall over the 9-month period the company generated a cash outflow of EUR 1.6 million mainly due to investment activities.

2. Our Business

2.1. OUR PORTFOLIO

Axiare Patrimonio' portfolio comprises 32 properties with a total GLA of 666 thousand sqm at 30 September 2016. The volume invested stands at EUR 837 million, with a gross asset value (GAV) of EUR 1,049 million based on the external independent appraisal carried out by CBRE Valuation Advisory at 30 June 2016.

The portfolio breakdown stands at 68% offices, 19% logistics platforms and 13% other commercial assets, mainly retail warehouses, in line with the company's strategy.

Portfolio breakdown[7]

Investment properties

EUR m unless specified	GLA (sqm)	Acq. Price	Acq. Cost	GAV	Annualised GRI	Annualised GRI "Topped-up"	Annualised NRI	Gross Yield	Gross Yield "Topped-up"	EPRA NIY	EPRA "Topped-up" NIY
Offices	**150,812**	**449.090**	**458.697**	**542.575**	**23.352**	**23.976**	**21.178**	**5.1%**	**5.2%**	**3.8%**	**4.0%**
Madrid	135,461	396.090	404.264	479.575	20.001	20.625	17.684	4.9%	5.1%	3.6%	3.8%
CBD	18,233	91.840	93.521	118.025	2.336	2.336	1.465	2.5%	2.5%	1.2%	1.2%
BD	117,228	304.250	310.743	361.550	17.665	18.289	16.219	5.7%	5.9%	4.4%	4.6%
Barcelona	15,351	53.000	54.433	63.000	3.351	3.351	3.493	6.2%	6.2%	5.5%	5.5%
Logistics	**304,894**	**106.086**	**108.855**	**147.200**	**8.614**	**10.133**	**8.056**	**7.9%**	**9.3%**	**5.4%**	**6.4%**
Madrid	194,149	78.666	80.557	104.400	6.001	6.823	5.500	7.4%	8.5%	5.2%	6.0%
Barcelona	68,279	18.000	18.620	27.000	1.339	2.036	1.371	7.2%	10.9%	5.0%	7.5%
Other	42,466	9.240	9.658	15.800	1.274	1.274	1.185	13.2%	13.2%	7.4%	7.4%
Others	**78,937**	**110.500**	**114.845**	**136.900**	**8.537**	**8.595**	**7.452**	**7.4%**	**7.5%**	**5.4%**	**5.4%**
Total	**534,643**	**665.676**	**682.396**	**826.675**	**40.503**	**42.704**	**36.685**	**5.9%**	**6.3%**	**4.4%**	**4.6%**

Redevelopments

EUR m unless specified	GLA (sqm)	Acq. Price	Acq. Cost	GAV
Offices	**58,001**	**128.225**	**130.488**	**165.050**
Madrid	58,001	128.225	130.488	165.050
CBD	15,583	63.725	65.065	81.550
BD	42,419	64.500	65.423	83.550
Logistics	**73,464**	**43.000**	**43.530**	**57.200**
Total	**131,466**	**171.225**	**174.017**	**222.250**

TOTAL PORTFOLIO	**666,108**	**836.901**	**856.413**	**1,048.925**

7) As per EPRA recommendations, investment properties comprise rented or under commercialisation properties, excluding redevelopments. Redevelopments in the quarter include Manuel de Falla, J.I. Luca de Tena 14, Don Ramón de la Cruz, Av de Bruselas and P.Somport in offices, and San Fernando in logistics.

Our disciplined investment approach has allowed us to acquire high-quality assets at an average 16% discount to replacement cost across the portfolio.

	Exposure	Acquisition Price (€/sqm)	Average replacement cost (€/sqm)	Discount
Offices	67.5%	2,880	3,210	-10.3%
Logistics	19.5%	394	554	-28.9%
Other	13.1%	1,424	1,854	-23.2%
Portfolio	**100.0%**	**1,357**	**1,610**	**-15.7%**

ACQUISITION PRICE
-16%
below replacement cost

2.2. LEASING ACTIVITY

Leasing activity in Q3 2016 has shown a record quarter in Office lettings, with tenant demand gaining momentum given the appeal of Axiare Patrimonio's properties and redevelopment projects, together with the limited supply of high-quality available office space in the markets in which we operate. The activity in the quarter validates Axiare Patrimonio's strategy, with level of occupier demand for our products set to continue.

Highlights

- Record Office lettings in the quarter with new leases signed totalling 3,937 sqm, securing an additional annualized rental income of over EUR 0.9 million
- All new leases signed 5.5% above valuers' June 2016 ERVs, on average, and on triple net basis
- 75% of all new leases signed with embedded 6% p.a. rental step-ups for the next three years and all with mark-to-market rent reviews in the next 3-4 years
- 1 rent review settled in the quarter securing EUR 0.2 million of rent (ca. 1,000 sqm)
- Total lettings in the financial year to date securing annualised rent of EUR 7 million (ca. 91,500 sqm)
- Since the period-end, over 14,000 sqm of Office space under offer or already signed, all ahead of valuers' June 2016 assumptions
- Occupancy rate increased to 86.8% at quarter-end, up 88bps sequentially and 889bps on a like-for-like basis. Our target to bring the portfolio occupancy to ca. 90% by year-end remains unchanged

Offices

During Q3 2016, 4,857 sqm of space has been signed across Axiare Patrimonio's Office portfolio, 81% of which corresponds to new leases. New office lettings in the quarter have not only outperformed those signed in both Q1 and Q2 combined, but also our pre-announcement in the half year results. The level of tenant demand is gaining momentum for the limited amount of high-quality available office space in Madrid, which our active asset management activities are capturing. We have been able to achieve increased rental levels in CBD and BD areas, substantially outperforming the market.

Four new leases have been signed in Fernando el Santo (see details below), Cristalia 2&3 and Avenida de la Vega 15, totalling 3,937 sqm and securing an additional annualised rental income of over EUR 0.9 million. This represents an increase of 46% in let area from our previous announcement in the half year results.

All new contracts have been signed 5.5% above valuers' June 2016 ERV assumptions and as triple net leases. 75% of all new leases have been signed with embedded rental step-ups, with an implied 6% p.a. rental increase over the next three years. In addition, all new leases have market rent reviews within the next 3-4 years.

Recent Success Story | Fernando El Santo

Space re-let following the departure of a tenant at a rent review. Previous tenant lease was significantly below market rent.

Asset:	Fernando el Santo 15
Location:	Madrid CBD
Area:	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 advanced negotiations

We also negotiated one rent review in the quarter, signed at current market levels, covering ca. 1,000 sqm and securing EUR 0.2 million of rent.

Since the period-end, Axiare Patrimonio has leased all the remaining available space (ca. 1,900 sqm) of De La Vega Business Park, a major business park in Madrid's Arroyo de la Vega BD currently undergoing refurbishment and expected to be completed before year-end. Overall, upon works completion by year-end, Axiare Patrimonio's would bring the park's occupancy to 100% (see details below).

Recent Success Story | Avenida de la Vega

Refurbishment works to be completed before year-end. Most existing leases renegotiated, and signed new leases, bringing occupancy to 100%. Within just under a year De La Vega Business Park has become one of the most modern and technologically advanced business parks in Spain.

Asset:	Avenida de la Vega 15
Location:	Madrid BD
Area:	16,089 sqm renegotiated (71% of total GLA) and 5,890 sqm new leases (26% of total GLA)
Asset occupation at acquisition:	74%
Asset occupation upon works completion:	Fully let

The above transactions illustrate that Axiare's competitive positioning – with best quality and the most efficient properties in Madrid's most established office markets – can outperform the market. The leasing market is gathering speed and tenant interest in the limited amount of available Grade A space is increasing. We expect this trend to continue to gather momentum over the coming quarters.

Overall, during the first nine months of the year, 26,268 sqm of office space has been signed, of which 5,017 sqm corresponds to new leases and 21,251 sqm to renewals on existing leases, securing annualised rent of EUR 4.5m, 4.2% ahead of December 2015 ERV.

The average occupancy across Axiare Patrimonio's Office investment properties is 78.5% at end of Q3, up 188 basis points sequentially (real and like-for-like basis).

Logistics & Other

No new contracts, renegotiations or tenant exits have taken place in Axiare Patrimonio's Logistics portfolio in Q3 2016. Overall, during the first nine months of the year, 59,201 sqm of logistics space has been signed, of which 44,217 sqm corresponds to new leases and 14,984 sqm to renewals on existing leases, securing annual rent of EUR 2.1 million, 7.7% ahead of valuers' December 2015 ERVs.

In the Other portfolio there have been no new leases and renegotiations and only two small tenant exits in Planetocio (totalling 81 sqm) during the period.

Occupancy

	3Q16	2Q16	QoQ change	6-month LfL 3Q16	1Q16[8]
Offices	**78.5%**	**76.7%**	**188 bps**	**78.5%**	**77.6%**
Madrid	76.1%	74.0%	209 bps	76.1%	75.0%
CBD	55.2%	55.2%	0 bps	55.2%	62.8%
BD	79.3%	76.9%	241 bps	79.3%	76.9%
Barcelona	100.0%	100.0%	0 bps	100.0%	100.0%
Logistics	**88.3%**	**87.6%**	**64 bps**	**88.3%**	**73.8%**
Madrid	81.6%	80.6%	101 bps	81.6%	80.6%
Barcelona	100.0%	100.0%	0 bps	100.0%	38.1%
Other	10.0%	100.0%	0 bps	100.0%	100.0%
Others	**96.8%**	**96.9%**	**(11) bps**	**96.0%**	**95.3%**
Total	**86.8%**	**85.9%**	**88 bps**	**86.4%**	**77.5%**

Overall leasing activity helped to increase occupancy across Axiare Patrimonio's investment properties[9] to 86.8% at end of Q3. This represents a 88 bps sequential increase and 889 bps on a 6-month like-for-like basis).

At 30 September 2016, the average rent across our office and logistics portfolio was EUR 15.6 and EUR 3.2 respectively. Our total annualised rent roll was EUR 42.7[10] million.

8) Av. Bruselas is part of Axiare Patrimonio's redevelopment pipeline since Q2 2016. For comparative reasons, Av. Bruselas has been excluded from the 1Q16 figures shown in the table.
9) Investment properties comprise rented or under commercialisation properties, excluding redevelopments. Redevelopments in the quarter include Manuel de Falla, J.I. Luca de Tena 14, Don Ramón de la Cruz, Av de Bruselas and P.Somport in offices, and San Fernando in logistics.
10) Topped-up rent.

2.3. REDEVELOPMENT MANAGEMENT

Axiare Patrimonio continued to make good progress on the redevelopment/refurbishment pipeline during the quarter, with completed and near-term projects showing strong tenant interest. The table below shows the committed schemes in detail, and the excellent opportunity they represent:

Project	Location	Delivery date	Status	Lettable area (sqm)	Acq. Price (EUR m)	Acq. Cost (EUR m)	Valuation (EUR m)
Manuel de Falla	Madrid CBD	3Q16	Completed	6,244	31.000	31.431	42.600
J.Ignacio Tena 14	Madrid	4Q16	In Progress	7,872	17.000	17.303	19.000
A. de la Vega	Madrid	4Q16	In Progress	22,578	52.000	52.926	63.000
R. de Arellano	Madrid	4Q16	In Progress	6,832	16.500	16.849	20.000
D. Ramon Cruz	Madrid CBD	4Q16	In Progress	9,271	32.725	33.633	38.950
J.Ignacio Tena 6	Madrid	1Q17	Committed	4,560	9.500	9.701	10.300
A. de Bruselas	Madrid	2Q17	Committed	14,547	27.500	28.082	36.500
Velazquez	Madrid CBD	2018	In Analysis	14,979	75.340	76.711	92.025
P.Somport	Madrid	1Q18	In Analysis	20,000	20.000	20.038	28.000
Total Offices				**106,883**	**281.565**	**286.675**	**350.375**
S.Fernando	Madrid 1st Ring	4Q17	In Progress	73,624	43.300	44.166	57.200
Total Logistics				**73,624**	**43.300**	**44.166**	**57.200**
Total Redevelopments				**180,507**	**324.865**	**330.841**	**407.575**

OFFICES REDEVELOPMENTS

ERV (EUR m):	27.3
Est. Yield on Total Investment:	7.5%
Est. Yield on GAV + CAPEX:	6.4%
EXIT Yield:	5.3%

LOGISTICS REDEVELOPMENTS

ERV (EUR m):	4.4
Est. Yield on Total Investment:	10.0%
Est. Yield on GAV + CAPEX:	7.7%
EXIT Yield:	7.0%

TOTAL REDEVELOPMENTS

ERV (EUR m):	31.7
Est. Yield on Total Investment:	7.8%
Est. Yield on GAV + CAPEX:	6.6%
EXIT Yield:	5.5%

Completed

Manuel de Falla 7

Works on Manuel de Falla were completed in late September and an active marketing strategy is now underway.

The LEED Gold building is ideal for medium-sized international firms looking to relocate their headquarters in Madrid's CBD. Its size, location and efficiency makes Manuel de Falla a unique building in Madrid and this is reflected in the interest we are seeing in the market. There have been over 25 potential tenant visits since coming to the market with very positive feedback. At present Axiare Patrimonio is in negotiation to fully let the property to a single tenant.

The building was acquired 26% below its current valuation as at 30 June 2016[11], and 36% below current average market capital values.

▲ MF7 prior to redevelopment

▲ MF7 post redevelopment

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

Near completion

Avenida de la Vega

The complex is expected to be delivered by the end of November with LEED Gold certification. Axiare's intention to reposition Avenida de la Vega Business Park as the best office complex in its surrounding area, with a strong focus on sustainability and technology, is already delivering strong results. Since the commencement of the works, ca. 2,500 sqm of office space has been let at an average rental level +5.3% above valuers' June 16 ERVs. In addition, Axiare expect to fully lease all remaining vacant space (ca. 2,500 sqm) prior to works completion in November, bringing the park's occupancy to 100%.

Axiare Patrimonio purchased Avenida de la Vega 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 approximately 220 €/sqm, bringing the total all-in investment to 2,560 €/sqm, 8% below current market value[12].

Avenida de la Vega is a prime example of Axiare's investment strategy showing successful short to medium term results: upon purchase the complex was tired and had 25% vacancy, but the underlying real estate asset was of top quality. Axiare has modernized the park, renegotiated existing leases, signed new leases and within just over two years, now have a modern, fully functioning and fully let office park.

▲ Av. Vega's new entrance area post redevelopment

▲ Av. Vega's new entrance area post redevelopment

▲ Av. Vega's new open-space area post redevelopment

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

Don Ramón de la Cruz

Redevelopment works are coming to a close and due to finish in January 2017. The building, due to be handed over with LEED Gold certification, 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 features.

Axiare purchased Don Ramón de la Cruz in October 2015 for EUR 32.75 million, representing a capital value of 3,530 €/sqm, 16% below current market value[13]. Total capital expenditure will amount to approximately 440 €/sqm, bringing the total all-in investment to 3,970 €/sqm.

At present Axiare Patrimonio is in advanced negotiations to pre-let over 75% of the property before works completion.


▲ DRC reception area prior to redevelopment


▲ DRC new design reception area post redevelopment

▲ DRC new glass façade entrance post redevelopment

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

J.I. Luca de Tena 14

Works are near completion and handover is expected by the year end. The former brick façade has been demolished and replaced by a new glass structure, significantly improving the level of natural light in the building. 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.

Axiare purchased Juan Ignacio Luca de Tena 14 in March 2015 for EUR 17 million, representing a capital value of 2,150 €/sqm, 9% below current market value[14]. Total capital expenditure will amount to 440 €/sqm, bringing the total all-in investment to 2,590 €/sqm.

An active leasing programme is underway. Axiare expect significant synergies with the inauguration of Banco Popular's new global HQ, located directly opposite the building, which will attract new occupiers to the surrounding area.

▲ JILT 14 pre-refurbishment

▲ Works on JILT 14 new glass façade

▲ JILT 14 post refurbishment (render)

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

Ramírez de Arellano

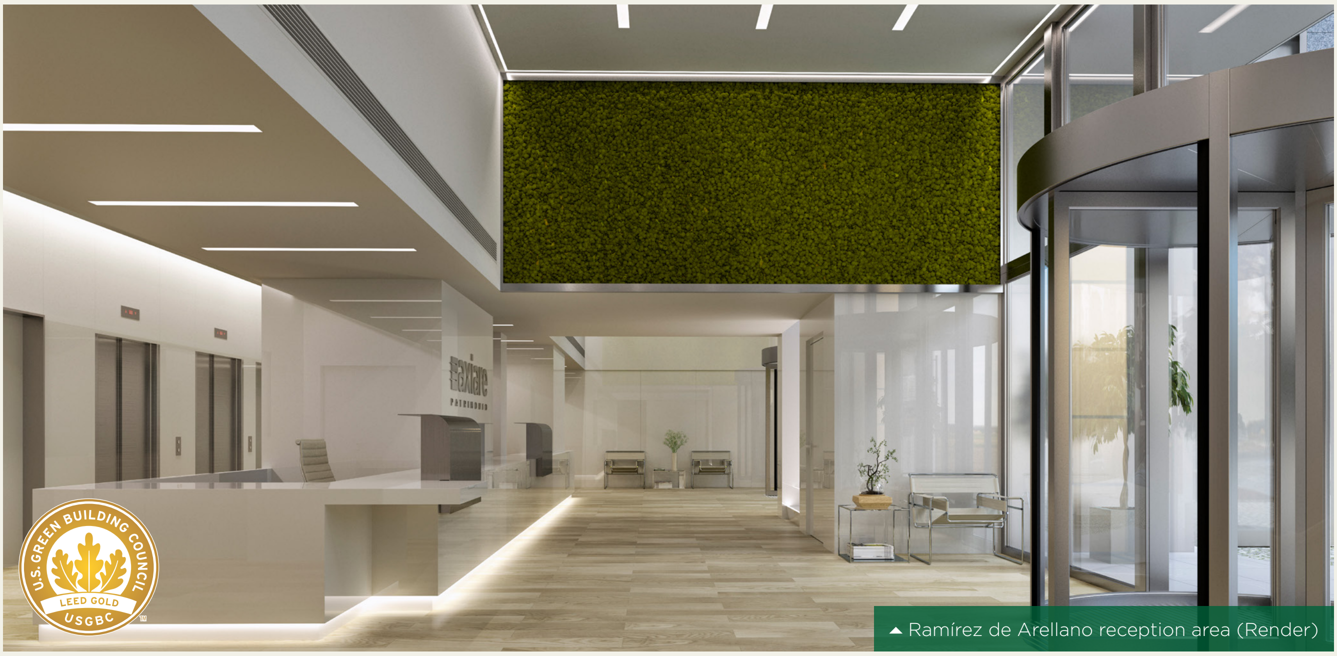
Major refurbishments works, including the reception floor, have now been completed and works on the office floors are advancing on schedule and expected to be completed in the next few weeks.

The A/C system has been fully replaced, new LED lighting system has been installed, and LEED Gold sustainable certification is expected post completion.

Axiare purchased Ramírez de Arellano in July 2015 for EUR 16.5 million, representing a capital value of 2,470 €/sqm, 13% below current market valuation[15]. Total capital expenditure will amount to approximately 480 €/sqm, bringing the total all-in investment to ca. 2,950 €/sqm.

▲ Ramírez de Arellano reception area before refurbishment

▲ Ramírez de Arellano reception area under refurbishment (Photo)



▲ Ramírez de Arellano reception area (Render)

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

Committed

Avenida de Bruselas

Full redevelopment project committed. Initial demolition works due to start in November 2016 and project expected to last around 18 months. 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 will be delivered in Q2 2018.

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

J.I. Luca de Tena 6

Refurbishment works are due to start before the year-end. The main entrance and reception area will be modernized. 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.

Axiare purchased Juan Ignacio Luca de Tena 6 in September 2015, for EUR 9.0 million, representing a capital value of 2,080 €/sqm, 8% below current market value[16]. Total capital expenditure will amount to approximately 600 €/sqm, bringing the total all-in investment to 2,680 €/sqm.

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

2.4. SUSTAINABILITY AND TECHNOLOGY

Sustainability is among the most important requirements from our existing and potential tenants, with technology also playing an ever increasing role when determining whether to relocate. Our mission to optimize the environmental impact of our buildings incorporates improvements in energy efficiency and sustainability based on the LEED methodology for offices and BREEAM for logistics.

All of Axiare Patrimonio's office portfolio has been registered under LEED and the buildings are in various stages according to their current technical and leasing situations.

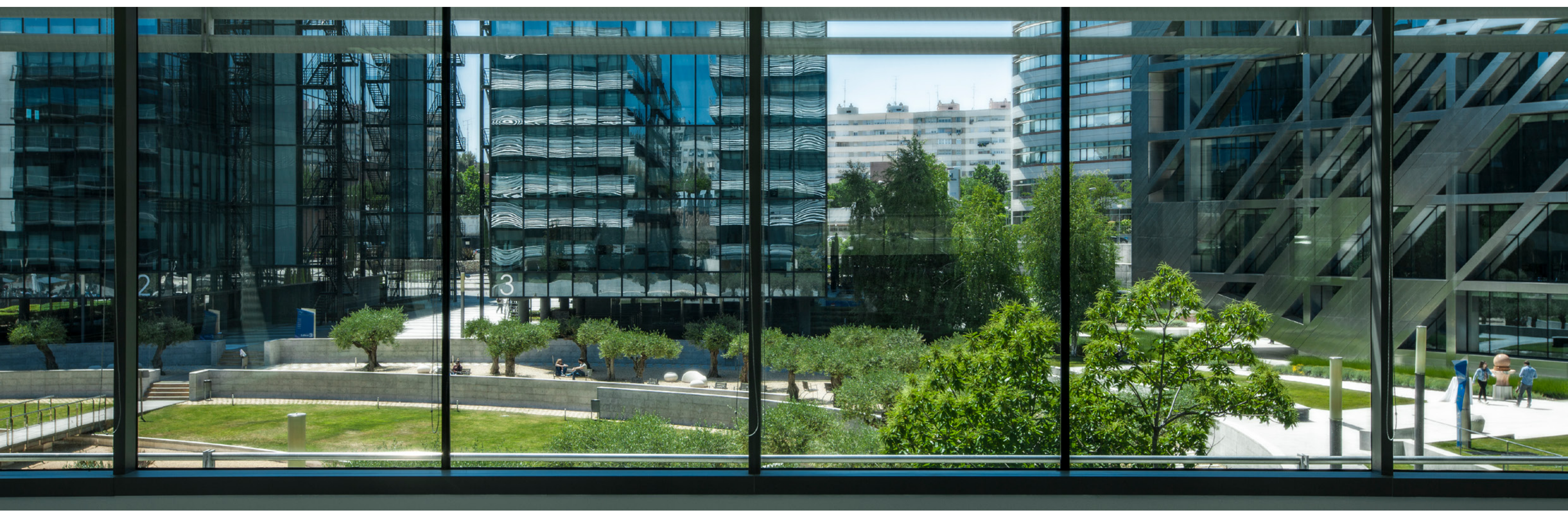
Through our LEED certification program, we are improving the office space quality across the portfolio, via improved ventilation, lighting, air conditioning /filtration and air quality systems amongst others, to provide ideal workplaces and increase occupier productivity. In addition, management policies and plans including landscape management, water/waste management, green cleaning techniques and sustainable procurement policy are being incorporated.

The Logistics portfolio is currently in a BREAM certification program, with similar actions being carried out as in the Office portfolio, and an important focus on sustainable lighting (the majority of the assets' lighting systems are being converted to LED). Rivas has already obtained BREEAM certification during Q4 2015.

With regards to technology, Axiare Patrimonio has carried out analysis of the most advanced buildings in Europe and the US, and has hired a specialist team to advise our real estate team to take advantage of the latest technology advances for our portfolio.

Avenida de la Vega 15, has been used as the pilot study for which Axiare Patrimonio is applying the latest advances, not only to improve sustainability, but also to improve security, functionality, services and employee experience. Our aim is to make Avenida de la Vega the most technologically advanced business park in Spain and a base from which to replicate initiatives across other buildings in the portfolio.

Amongst other initiatives we have created a smartphone app for tenant's use that will improve employee working experience and will also allow us to monitor both the park and its tenants' daily requirements. The app's design will allow us to roll it out across additional buildings at any given stage. It is due to launch in Avenida de la Vega in Q4 2016 and will be available for implementation in other office buildings by early 2017.



Appendix 01. Portfolio in detail

Nº	ASSET	Acquisition Date	GLA (sqm)	Parking spaces (units)	Net Acquisition Price	Gross Acquisition Price	Market Value	Capital Structure		
								Equity	Debt	LTV
1	F. Delgado	28.jul.14	17,273	394	28.750	29.274	45.100	27.100	18.000	40%
2	F. Santo	24.sep.14	3,254	42	16.500	16.810	26.000	14.000	12.000	46%
3	Av Vega	24.sep.14	22,578	447	52.000	52.926	63.000	34.400	28.600	45%
4	M. Falla	-	6,244	41	31.000	31.431	42.600	42.600	0.000	0%
5	Diagonal	4.dec.14	15,351	251	53.000	54.433	63.000	33.850	29.150	46%
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	60.400	31.250	29.150	48%
8	Tucuman	30.mar.15	6,327	170	23.500	23.906	25.200	12.274	12.926	51%
9	Luca de Tena 14	30.mar.15	7,872	185	17.000	17.303	19.000	9.650	9.350	49%
10	Cristalia 5&6	22.may.15	17,587	381	49.000	50.199	60.000	32.500	27.500	46%
11	Velazquez	15.jun.15	14,979	122	75.340	76.711	92.025	47.701	44.324	48%
12	R.Arellano	21.jul.15	6,832	112	16.500	16.849	20.000	20.000	0.000	0%
13	Av Bruselas	23.sep.15	14,547	364	27.500	28.082	36.500	20.307	16.193	44%
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	10.300	4.968	5.332	52%
16	D.Ramón Cruz	8.oct.15	9,339	93	32.725	33.633	38.950	20.505	18.445	47%
17	P. Somport	23.dec.15	20,000	300	20.000	20.038	28.000	28.000	0.000	0%
18	J. Valcárcel 24	26.jan.16	5,652	90	13.000	13.235	14.000	7.000	7.000	50%
TOTAL OFFICES			**208,814**	**4,155**	**577.315**	**589.185**	**707.625**	**418.855**	**288.770**	**41%**
19	Cabanillas	29.jul.14	37,879	-	16.681	17.214	22.500	13.377	9.123	41%
20	Miralcampo	30.jul.14	35,781	-	14.485	14.849	18.000	9.560	8.440	47%
21	Dos Hermanas	30.jul.14	42,466	-	9.420	9.658	15.800	10.619	5.181	33%
22	Rivas	24.sep.14	35,248	-	17.000	17.316	22.300	12.950	9.350	42%
23	Valls	9.oct.14	26,026	-	4.500	4.591	8.300	3.676	4.624	56%
24	Guadalix	9.oct.14	14,945	-	4.500	4.603	7.800	4.237	3.563	46%
25	Camarma	9.oct.14	70,296	-	26.000	26.595	33.800	16.250	17.550	52%
26	Constantí	30.jul.15	42,253	-	13.500	14.029	18.700	18.700	0.000	0%
27	San Fernando	15.jun.16	73,464	-	43.000	43.530	57.200	57.200	0.000	0%
TOTAL LOGISTICS			**378,358**	**-**	**149.086**	**152.384**	**204.400**	**146.569**	**57.831**	**28%**
28	Planetocio	24.sep.14	19,222	797	14.000	14.473	16.500	16.500	0.000	0%
29	Bauhaus	4.dec.14	12,413	352	27.000	27.729	33.500	18.650	14.850	44%
30	Hotel	24.abr.15	10,447	212	10.500	12.195	15.500	8.500	7.000	45%
31	Las Mercedes	23.sep.15	21,111	540	39.000	39.825	50.200	25.700	24.500	49%
32	Víapark	15.apr.16	15,744	1,500	20.000	20.623	21.200	21.200	0.000	0%
TOTAL OTHER			**78,937**	**3,401**	**110.500**	**114.845**	**136.900**	**90.550**	**46.350**	**34%**
TOTAL PORTFOLIO			**666,108**	**7,556**	**836.901**	**856.413**	**1,048.925**	**655.974**	**392.951**	**37%**

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