AXIARE PATRIMONIO SOCIMI, S.A.

Report on limited review of condensed
interim consolidated financial statements
of the period ended at june 30, 2017

This version of our report is a free translation of the original, which will be prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Axiare Patrimonio Socimi, S.A.:

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Axiare Patrimonio Socimi, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2017, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 20x1 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2016. This matter does not modify our conclusion.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2017 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2017. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Axiare Patrimonio Socimi, S.A. and its subsidiaries´ accounting records.

Other Matter

This report has been prepared at the request of Axiare Patrimonio Socimi, S.A. management in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Rafael Pérez Guerra

26 de Julio de 2017

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements
and Interim Management Report
for the six-month period
ended 30 June 2017

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(Thousands of euros)

	Notes	At 30 June 2017	At 31 December 2016
Assets			
Non-current assets			
Intangible assets		1,072	235
Property, plant and equipment		675	475
Investment property	6	1,630,689	1,310,867
Loans to third parties	7	4,579	4,626
Financial derivatives	7	250	47
Other non-current financial assets	7	9,393	7,782
Deferred tax assets		6,339	7,457
		1,652,997	**1,331,489**
Current assets			
Clients for sales and services	7	3,339	2,464
Various debtors	7	4,140	5,383
Other credits held with Public Authorities		7,225	10,038
Other assets	7	108	39
Short-term accruals	7	2,625	999
Cash and other equivalent liquid assets		182,497	145,421
		199,934	**164,344**
Total assets		**1,852,931**	**1,495,833**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(Thousands of euros)

	Notes	At 30 June 2017	At 31 December 2016
Equity and liabilities			
Equity			
Equity attributable to the parent company's owners			
Share capital	8	790,625	718,750
Share premium	8	57,431	35,869
Reserves	9	(31,722)	(31,141)
Treasury shares	8	(21,141)	(18,678)
Retained earnings	9	347,695	248,385
Other equity instruments		19,095	-
Hedging transactions	9	(6,585)	(9,436)
		1,155,398	**943,749**
Liabilities			
Non-current liabilities			
Bank loans and credits	10	607,759	516,852
Financial derivatives	10	6,834	9,483
Other non-current financial liabilities	10	10,565	9,188
		625,158	**535,523**
Current liabilities			
Bank loans and credits	10	55,500	2,888
Commercial creditors and other payables		15,227	12,970
Other liabilities		1,648	703
Total liabilities		**72,375**	**16,561**
Total equity and liabilities		**1,852,931**	**1,495,833**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(Thousands of euros)

	Note	Six-month period ended on 30 June 2017	Six-month period ended on 30 June 2016
Continuing operations			
Revenue	5	32,245	23,387
Changes in fair value of financial investments	6	120,702	85,523
Personnel costs		(21,390)	(14,225)
Other operating costs		(9,515)	(7,790)
Allocation to depreciation		(33)	(38)
Other results		5	60
OPERATING RESULTS		**122,014**	**86,917**
Financial Income		86	275
Financial Expense	10	(6,239)	(3,428)
FINANCIAL RESULT		**(6,153)**	**(3,153)**
PRE-TAX RESULT		**115,861**	**83,764**
Income tax		(1,864)	-
RESULTS FOR THE PERIOD ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS		**113,997**	**83,764**
EARNINGS PER SHARE ATTRIBUTABLE TO THE PARENT COMPANY'S OWNERS			
Basic and diluted earnings per share	8	**1.47**	**1.18**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

	Note	Thousands of euros Six-month period ended 30 June 2017	Six-month period ended 30 June 2016
Profits for the financial year	**5**	**113,997**	**83,764**
Other comprehensive income			
Entries that could be reclassified as results			
Other results		100	307
Entries that will not be reclassified as results			
Cash flow hedges		2,851	(12,183)
Other comprehensive income for the financial year, after tax		**2,951**	**(11,876)**
Total comprehensive income for the financial year		**116,948**	**71,888**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Thousands of euros)

	Note	Six-month period ended 30 June 2017	Six-month period ended 30 June 2016
A) CASH FLOW FROM BUSINESS OPERATIONS			
Pre-tax result for the period	**5**	**115,861**	**83,764**
Adjustments		**(94,822)**	**(69,701)**
Depreciation of fixed assets		33	38
Changes in fair value of real estate investments	6	(120,702)	(85,523)
Change in provisions		85	460
Financial income		(86)	(275)
Financial expenses		6,239	3,428
Other income and expenses		16,609	12,171
Changes to working capital		**1,307**	**(7,212)**
Debtors and other receivables	7	2,581	(372)
Other current assets	7	(1,626)	(1,884)
Creditors and other payables	10	227	714
Other current liabilities		424	(3,822)
Other non-current assets and liabilities		(299)	(1,848)
Cash flows from business operations		**22,346**	**6,851**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payments on investments		**(176,771)**	**(81,362)**
Intangible assets		(838)	-
Property, plant and equipment		(232)	(5)
Investment property	6	(175,701)	(81,357)
Cash flows from investment activities		**(176,771)**	**(81,362)**
C) CASH FLOW FROM FINANCING ACTIVITIES			
Receivables and payments on equity instruments		**88,166**	**(7,287)**
Issue of equity instruments	8	90,482	-
Acquisition of treasury shares	8	(2,463)	(7,627)
Disposal of treasury shares		100	340
Other receivables		47	-
Receivables and payments on financial liabilities	**10**	**115,748**	**51,254**
Receivables on financial borrowings		121,582	54,409
Repayment of financial borrowings		(698)	(306)
Interest received		17	374
Interest paid		(5,662)	(3,223)
Other borrowings		509	-
Dividends paid and remuneration on other equity instruments:		**(12,413)**	**(2,982)**
Dividends	9	(12,413)	(2,982)
Cash flows from financing activities		**191,501**	**40,985**
NET INCREASE / REDUCTION IN CASH OR EQUIVALENTS		**37,076**	**(33,526)**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

Notes to the condensed consolidated interim financial statements

(Thousands of euros)

	Attributable to the parent company's owners							
	Capital	Share premium	Reserves	Treasury shares	Retained earnings	Other asset instruments	Hedging transactions	TOTAL
	Note 8	Note 8	Note 9	Note 9	Note 9	Note 11	Note 9	
BALANCE AT 31 DECEMBER 2015	**718,750**	**35,869**	**(31,384)**	**(4,631)**	**102,742**	**6,470**	**(574)**	**827,242**
Result for the period	-	-	-	-	83,764	-	-	83,764
Other comprehensive income for the period	-	-	307	-	-	-	(12,183)	(11,876)
Total comprehensive income for the period	**-**	**-**	**307**	**-**	**83,764**	**-**	**(12,183)**	**71,888**
Distribution of dividends (Note 9)	-	-	-	-	(2,983)	-	-	(2,983)
Incentive plan (Note 11)	-	-	-	-	-	12,171	-	12,171
Treasury share transactions	-	-	-	(7,287)	-	-	-	(7,287)
Total transactions with owners, recognised directly in equity	**-**	**-**	**-**	**(7,287)**	**(2,983)**	**12,171**	**-**	**1,901**
BALANCE AT 30 JUNE 2016	**718,750**	**35,869**	**(31,077)**	**(11,918)**	**183,523**	**18,641**	**(12,757)**	**901,031**
Result for the period	-	-	-	-	64,862	-	-	64,862
Other comprehensive income for the period	-	-	267	-	-	-	3,321	3,588
Total comprehensive income for the period	**-**	**-**	**267**	**-**	**64,862**	**-**	**3,321**	**68,450**
Incentive plan (Note 11)	-	-	(331)	3	-	(18,641)	-	(18,969)
Treasury share transactions (Note 8)	-	-	-	(6,763)	-	-	-	(6,763)
Total transactions with owners, recognised directly in equity	**-**	**-**	**(331)**	**(6,760)**	**-**	**(18,641)**	**-**	**(25,732)**
BALANCE AT 31 DECEMBER 2016	**718,750**	**35,869**	**(31,141)**	**(18,678)**	**248,385**	**-**	**(9,436)**	**943,749**
Result for the period	-	-	-	-	113,997	-	-	113,997
Other comprehensive income for the period	-	-	100	-	-	-	2,851	2,951
Total comprehensive income for the period	**-**	**-**	**100**	**-**	**113,997**	**-**	**2,851**	**116,948**
Distribution of 2016 results	-	-	1,379	-	(1,379)	-	-	-
Share capital increase	71,875	21,562	(2,955)	-	-	-	-	90,482
Distribution of dividends (Note 9)	-	-	-	-	(12,413)	-	-	(12,413)
Incentive plan (Note 11)	-	-	-	-	-	19,095	-	19,095
Treasury share transactions (Note 8)	-	-	-	(2,463)	-	-	-	(2,463)
Other movements	-	-	895	-	(895)	-	-	-
Total transactions with owners, recognised directly in equity	**71,875**	**21,562**	**(681)**	**(2,463)**	**(14,687)**	**19,095**	**-**	**98,870**
BALANCE AT 30 JUNE 2017	**790,625**	**57,431**	**(31,722)**	**(21,141)**	**347,695**	**19,095**	**(6,585)**	**1,155,398**

Notes 1 to 16 form an integral part of these condensed consolidated interim financial statements.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

Notes to the condensed consolidated interim financial statements
(Thousands of euros)

1. ACTIVITIES AND GENERAL INFORMATION

Axiare Patrimonio Socimi, S.A. (hereinafter, the "Company" was incorporated in Spain on 19 March 2014 under the Spanish Capital Companies Act. Originally called Axia Real Estate Socimi, S.A., its name was changed to the current one on 7 May 2015. Its registered office is at Calle José Ortega y Gasset 29, 28006 Madrid.

Its corporate purpose is described in Article 2 of its articles of association and consists of:

- The acquisition and development of urban properties intended for lease.
- The ownership of interests in the share capital of other Spanish Real Estate Investment Trusts (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario*, "SOCIMI") or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution.
- The ownership of interests in the share capital of other companies that are both resident and non-resident in Spain, whose corporate purpose is the acquisition of urban properties for lease, and which are governed by the same rules that govern SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, and which meet the investment requirements set out in Article 3 of the Spanish SOCIMI Act.
- The ownership of shares or holdings in Collective Investment Institutions governed by Spanish Collective Investment Institutions Act 35 of 4 November 2003.

The Company may also engage in other ancillary activities, this being understood to mean activities that generate income account for less than 20% of the Company's total income over a single tax period.

Any activity that must by law meet special requirements that are not met by the Company are excluded.

The aforementioned business activities may also be fully or partially engaged in indirectly by the Company through the ownership of interests in another company or companies with a similar corporate purpose.

a) Regulatory regime

The Company is regulated under the Spanish Capital Companies Act.

In addition, on 12 June 2014 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs), and is therefore subject to Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed. Article 3 of Act 11 of 26 October 2009 sets out certain requirements that must be met by this type of company, namely:

i) They must have invested at least 80% of the value of their assets in urban properties intended for lease, or in land for the development of properties that are to be used for the same purpose, provided that development begins within three years following its acquisition, or in equity investments in other companies, as set out in Article 2 section 1 of the aforementioned Act.

(Thousands of euros)

ii) At least 80% of the income from the tax period corresponding to each year, excluding the income deriving from the transfer of ownership interests and real estate properties used by the Company to comply with its main corporate purpose, once the retention period referred to in the following paragraph has elapsed, must come from the lease of properties and from dividends or shares in profits associated with the aforementioned investments.

iii) The real estate properties that make up the Company's assets must remain leased for at least three years. Calculation of this term will include the time that the properties have been offered for lease, up to a maximum of one year.

The First Transitional Provision of the SOCIMI Act allows for application of the SOCIMI tax rules under the terms set out in Article 8 of the SOCIMI Act, even when the requirements it contains are not met on the date of incorporation, on the condition that these requirements are met during the two years following the date on which it is decided to opt for application of the said tax rules. It is the opinion of the Company's directors that these requirements will be met in full, within the proper time and in the proper manner.

The Company has been listed on the Spanish Stock Market since 9 July 2014.

b) Subsidiaries

As at 30 June 2017, Axiare Patrimonio Socimi, S.A. is the parent company of a Group of companies which is comprised of the following subsidiaries:

Name	**Address**	**Activity**	**Shareholding %**
Axiare Investments, S.L.U.	Calle José Ortega y Gasset, 29 - 28006 Madrid	Real estate activity	100
Axiare Properties, S.L.U.	Calle José Ortega y Gasset, 29 - 28006 Madrid	Real estate activity	100
Axiare Investigación, Desarrollo e Innovación, S.L.U.	Calle José Ortega y Gasset, 29 - 28006 Madrid	Industrial property and real estate activity	100
Venusaur, S.L.U.	Caller Rosselló 258, principal, 1ª planta, 08037 Barcelona	Real estate activity	100
Chamaleon (CEDRO), S.L.U.	Caller Rosselló 258, principal, 1ª planta, 08037 Barcelona	Real estate activity	100

On 6 February 2015 the Company acquired 100% of the shares in Acotango Spain, S.L., which subsequently became known as Axiare Investments, S.L.U. on 24 October 2016. No goodwill was generated during the acquisition, as it was carried out applying the shareholder equity value.

The companies Axiare Properties, S.L.U. and Axiare Investigación, Desarrollo e Innovación, S.L.U. were respectively incorporated on 14 November 2016 and 12 December 2016. Both companies are in the initial stages of their business activity.

On 2 December 2016, the Company acquired 100% of the shares in Venusaur, S.L.U., a real estate investment Company, like the parent Company. This company owns an office building, which on 31 December 2016 was 100% occupied, located at Calle Almagro 9, Madrid.

This transaction is considered and defined as a property investment, as it does not conform to the business definition established in IFRS 3.

On 1 February 2017 the Company acquired 100% of the shares in Chamaleon (CEDRO), S.L.U., a real estate investment Company, like the parent Company. This company owns an office building, which on 30 June 2017 was 87% occupied, located at Calle Anabel Segura 14, Madrid. This transaction is considered and defined as a property investment, as it does not conform to the business definition established in IFRS 3.

2. BASES FOR THE PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The main accounting policies adopted in the preparation of these condensed consolidated interim financial statements are described below. These policies have been applied consistently to all the periods shown, unless otherwise stated.

2.1 Bases for presentation.

For the periods shown in these condensed consolidated interim financial statements, the Group has prepared interim financial statements for the individual companies, in accordance with current Spanish Company Law and the Spanish Chart of Accounts approved by Royal Decree 1514/2007, as amended by Royal Decrees 1159/2010 and 602/2016, for the purposes of providing a true and fair picture of the equity, the financial situation and the results of each of the companies that form part of the Group.

The condensed consolidated interim financial statements that correspond to the six-month period ending 30 June 2017, which were obtained from the account records of the parent company and the rest of the companies forming the Group as at 30 June 2017, have been prepared in accordance with IAS 34 "Interim Financial Reporting", and should be read in conjunction with the consolidated annual financial statements for the year ending 31 December 2016, prepared in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the European Union (jointly, IFRS-EU), pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council and its successive amendments.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, though values have been modified as the result of the restatement to fair value of investment properties, financial assets and financial liabilities (including derivatives), with changes shown in the results.

The preparation of these condensed consolidated interim financial statements in accordance with IFRS-EU requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in the process of applying the Group's accounting policies. Note 2.3 explains the areas that require a higher level of judgement or complexity and the areas in which assumptions and estimates have a significant effect on the condensed consolidated interim financial statements.

Unless otherwise stated, the figures contained in these condensed consolidated interim financial statements are expressed in thousands of euros.

These condensed consolidated interim financial statements have been prepared and approved by the Board of Directors on 25 July 2017. These condensed consolidated interim financial statements have been submitted for limited review, but they have not been audited.

2.2 New IFRS-EU standards, amendments and IFRIC interpretations issued

a) Standards, amendments and obligatory interpretations for the years commencing 1 January 2017:

Annual Improvements to IFRSs 2010 – 2012 Cycle: In December 2013, the IASB issued Annual Improvements to the IFRS for the 2010-2012 Cycle. The amendments included in these Annual Improvements generally apply to all financial years beginning from 1 February 2015, although early adoption is permitted. The main amendments relate to the following:

- IFRS 2 "Share-based Payments": Definition of “vesting condition”.
- IFRS 3 “Business Combinations”: Accounting of a contingent consideration in a business combination.
- IFRS 8 “Operating Segments”: Information to be disclosed regarding the aggregation of operating segments and the reconciliation of all assets assigned to segments being reported on with the company’s assets.
- IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets”: Proportional restatement of the amortisation accumulated when applying the revaluation model.
- IAS 24 “Related Party Disclosures”: Entities providing key management personnel services as related parties.
- IAS 19 (Amendment) “Defined Benefit Plans: Employee Contributions”
- IFRS 11 (Amendment) “Accounting for Acquisitions of Interests in Joint Operations”
- IAS 16 (Amendment) and IAS 38 (Amendment) “Clarification of Acceptable Methods of Depreciation and Amortization”.
- IAS 27 (Amendment) “Equity Method in Separate Financial Statements”.

Annual Improvements to IFRSs. 2012 – 2014 Cycle: The amendments affect IFRS 5, IFRS 7, IAS 19 and IAS 34, and they apply to annual periods beginning from 1 January 2016 onwards, subject to adoption by the EU. The main amendments relate to the following:

- IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations”: Changes in methods of disposal.
- IFRS 7, “Financial Instruments: Disclosures”: Continued involvement in administrative contracts.
- IAS 19, “Employee Benefits”: Determination of the type of discount on pension obligations.
- IAS 34, “Interim Financial Reporting”: Information presented in the other part of the interim financial reporting.
- IAS 1 (Amendment) “Disclosure Initiative”
- IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) “Investment Entities: Exception to Consolidation”

These amendments have not had a significant impact on the financial statements of the Company.

b) Standards, amendments and interpretations that are not yet in force, but which may be adopted in advance of years commencing after 1 January 2016:

As at the date on which these consolidated annual accounts are signed, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations that are outlined below:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers".

c) Standards, amendments and interpretations of existing rules that cannot be adopted early or have not been adopted by the European Union.

On the date on which these annual accounts are being prepared, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations that are outlined below, and which are pending adoption by the European Union.

- IFRS 16 "Leases".
- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sales or Contributions of Assets between an Investor and its Associates/Joint Ventures".
- IAS 7 (Amendment) "Disclosure Initiative".
- IAS 12 (Amendment) "Recognition of Deferred Tax Assets for Unrealised Losses".
- IFRS 15 "Revenue from Contracts with Customers".

- IFRS 2 (Amendment) "Classification and Measurement of Share-based Payment Transactions".
- IFRS 4 (Amendment) Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"

Annual Improvements to IFRSs. 2014 – 2016 Cycle: The amendments affect IFRS 1, IFRS 12 and IAS 28, and they apply to annual periods beginning from 1 January 2018 onwards in the case of amendments to IFRS 1 and IFRS 28 and 1 January 2017 for those corresponding to IFRS 12, all of which are subject to adoption by the EU. The main amendments relate to the following:

- IFRS 1, "First-time Adoption of International Financial Reporting Standards": Deletion of short-term exemptions for first-time adopters.
- IFRS 12, "Disclosure of Interests in Other Entities": Clarification of the scope of the Standard.
- IAS 28, "Investments in Associates and Joint Ventures": Valuation of an investment in an associate or joint venture at fair value.
- IAS 40 (Amendment) "Transfers of Investment Property"
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
- IFRS 17 "Insurance Contracts"
- IFRIC 23, "Uncertainty over Income Tax Treatments"

The Group is currently analysing the impacts that the new standards may have on its consolidated annual accounts. In particular, the Group has assessed the impact that the application of IFRS 15 would have on financial statements, given its income from services and IFRS 9, as it owns financial instruments, given that both standards come into force in 2018. The group also believes that there will be no significant impact of both standards in the financial statements. The Group has also analysed the impact IFRS 16 would have on its financial statements, though this is not significant, as it does not incur substantial costs on its operational leases.

2.3 Use of estimates

Estimates and judgements are continually reassessed and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

The Group makes estimates and judgments concerning the future. The resulting accounting estimates, by definition, will rarely match actual results. The estimates and judgements that entail a significant risk of giving rise to a substantial adjustment to the book values of assets and liabilities during the next financial year are discussed below.

- Fair value of real estate investments

The best evidence of the fair value of real estate investments in an active market is the price of similar assets. In the absence of such information and in light of the current market situation, the Company determines fair value using a range of reasonable values. When making such judgements, the Company uses a series of sources, including:

i. The current prices in an active marketplace of different kinds of properties in varying states of repair and different locations, adjusted to reflect differences with the Company's own assets.
ii. The recent prices paid for properties in other, less active marketplaces, adjusted to reflect changes in economic conditions since the transaction date.
iii. The discounting of cash flows based on estimates resulting from the terms and conditions contained in current lease contracts and, where possible, evidence of the market prices of similar properties in the same location, through the use of discount rates that reflect the uncertainty of the time factor.

- Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, off-exchange derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and develop hypotheses that are based on current market conditions at each balance sheet date. The Group has used discounted cash flow analyses for various interest rate contracts that are not traded on active markets.

- Income Tax

The company applies the system provided for in Act 11 of 26 October 2009, which governs Spanish Real Estate Investment Trusts (SOCIMIs), which in practice means that, provided that it meets certain requirements, the Company is subject to a Corporate Income Tax rate of 0% (Note 1).

The Directors monitor compliance with the requirements set out in the relevant legislation in order to secure the tax advantages offered.

In this regard, the Directors consider that the necessary requirements will be met within the established terms and periods, and they have therefore not entered any income or expense in respect of Corporate Income Tax.

2.4 Consolidation

(a) Subsidiaries

Subsidiaries are all the companies (including structured institutions) over which the Group has control. The Group controls a company or institutions when it obtains, or has the right to obtain, variable returns as the result of its involvement in the subsidiary and also has the ability to use its power over the company in question in order to influence these returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated on the date on which such control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts presented by subsidiaries have been adjusted to bring them into line with the Group's accounting policies.

(b) Changes to shareholdings held in subsidiaries without any change of control

Transactions involving non-controlling shareholdings that do not result in a loss of control are entered as equity transactions, i.e. as transactions with the owners in their capacity as such. The difference between the fair value of the consideration paid and the corresponding proportion of the book value of the subsidiary's net assets is entered under net worth. Any gains or losses resulting from the disposal of non-controlling shareholdings are entered under net worth.

(c) Disposal of subsidiaries

When the Group ceases to have control, any shareholding retained in the company is remeasured at its fair value on the date on which control is lost, and the change is entered in the book value in the income statement. Fair value is the initial book value for the purposes of the subsequent entry of the shareholding maintained as an associate, joint venture or financial asset. In addition, any amount previously entered in respect of the company in question under other comprehensive income is accounted for as if the Group had directly sold the related assets and liabilities. This could mean that the amounts previously entered under other comprehensive income are moved to the income statement.

2.5 Financial information by segment

Information on business segments is reported on the basis of the internal information supplied to the body with ultimate authority to take decisions. The investments committee has been identified as the body with ultimate authority to take decisions, since it is responsible for allocating resources and assessing the performance of operating segments, as well as being in charge of strategic decision-making, with final approval from the Board of Directors.

2.6 Investment property

Property that is held in order to obtain long-term rent or capital gains or both and is not occupied by Group companies is classified as investment property. Investment properties include office buildings, logistics warehouses and other items owned by the Group. Investment property also includes property that is under construction or being developed for future use as investment property.

Investment property is initially valued at cost, including related transaction costs and financing costs, if applicable. Following its initial entry, investment property is accounted for at fair value.

The fair value of investment property reflects, *inter alia*, income from leasing and other assumptions that market players would take into account when valuing the property under current market conditions.

Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Any remaining costs for repairs and maintenance are entered in the income statement when they are incurred. When part of an investment property is replaced, the book value of the replaced part is written down.

If the valuation obtained for a property held for lease is net of all payments which are expected to be made, any liabilities entered separately on the balance sheet in respect of its lease are added once again when the book value of the investment property for accounting purposes is reached.

Any changes to fair value are entered in the income statement.

When the Group disposes of a property at fair value in an arm's-length transaction, the book value immediately prior to the sale is adjusted to the transaction price and the adjustment is entered in the income statement as part of the net gain from the adjustment to the fair value of investment properties.
If an investment property becomes an owner-occupied property, it is reclassified as a tangible fixed asset. Its fair value on the date on which it is reclassified becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, due to a change of use, the resulting difference between the book value and fair value of that asset on the transfer date is treated in the same way as a restatement under IAS 16. Any resulting increase in the book value of the property is entered in the income statement, insofar as it reverses a previous loss due to impairment. Any remaining increase is entered under other comprehensive income, directly increasing equity in the revaluation reserve. Any resulting fall in the book value of the property is initially entered under other comprehensive income against any previously entered restatement reserve, and any remaining fall in value is entered in the income statement.

When an investment property is subject to a change of use, as demonstrated by the beginning of development work with a view to its sale, the property is transferred to stocks. The cost allocated to property for subsequent entry under stocks is its reasonable value on the date on which the change of use occurs.

2.7 Intangible Assets

IT applications

The IT programme licences acquired by third parties are capitalised applying the costs incurred when purchasing them and preparing them to use the specific programmes. These costs will be amortized over their estimated useful lives.

Costs related to IT programme maintenance are accounted for as costs once they have been incurred. Costs that are directly related to the production of unique and identifiable IT programmes controlled by the Company, and which are likely to generate profits for more than one year, are accounted for as intangible assets. Direct costs include personnel costs for developing IT programmes and a suitable percentage of general costs.

2.8 Property, plant and equipment

Property, plant and equipment items are entered at their acquisition price or production cost, minus accumulated depreciation and the accumulated value of any recognised losses.

Subsequent expenses are capitalised at the asset's book value only when it is likely that future profits associated with these expenses will flow to the Group and the item's cost may be reliably measured. Recurring maintenance costs are charged to the income statement for the period in which they are incurred.

The depreciation of property, plant and equipment (except for land, which is not depreciated) is systematically calculated by the straight-line method according to its estimated useful life, taking account of the actual depreciation caused by its operation, use and benefit. Estimated useful life figures are as follows:

	Depreciation rate (%)
Other Facilities	10%
Furnishings	10%
Data processing equipment	25%
Transport items	25%
Other fixed assets	10%

The useful life of all property, plant and equipment is reviewed and, where applicable, adjusted on the date of each balance sheet.

When the book value of a fixed asset is higher than its estimated recoverable value, its book value is immediately reduced to its recoverable value (Note 2.9).

2.9 Losses due to the value impairment of non-financial assets

Assets subject to depreciation are subjected to impairment reviews whenever some event or a change in circumstances indicates that the book value may not be recoverable. An impairment loss is entered in the amount by which the asset's book value exceeds its recoverable value. The recoverable value is calculated as either the fair value minus sale costs or the operational value, whichever is higher. In order to assess impairment losses, assets are grouped at the lowest level for which there are generally independent identifiable cash flows (cash generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed for their possible reversal on each financial reporting date.

2.10 Stocks

Group stocks arise when there is a change in the use of investment properties, as demonstrated by the beginning of development work with a view to its sale, and the properties are reclassified as stock at attributed cost, which is the fair value on the date on which they are reclassified. These are subsequently valued at either cost price or net realisable value, whichever is the lower. The realisable value is the estimated sale price in the normal course of business, minus the costs incurred in completing the development and sale costs. At the close of this period, the Group did not have any stock.

2.11 Financial assets

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included under current assets unless they mature more than 12 months after the balance sheet date, in which case they are entered under non-current assets. Loans and receivables are entered on the balance sheet under "Trade and other receivables".

These financial assets are initially valued at fair value, including directly attributable transaction costs, and are subsequently valued at amortised cost. Accrued interest is entered at the effective interest rate, this being understood to be the updated rate that brings the instrument's book value into line with all estimated cash flows through to maturity. Notwithstanding the foregoing, trade receivables that are due within less than one year are valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating flows is not significant.

At least at the end of each financial year, the necessary value adjustments are made to account for impairment when there is objective evidence that all receivables will not be collected.

Losses due to impairment are calculated as the difference between book value of the asset in question and the current value of estimated future cash flows, discounted at the effective interest rate at the time of initial entry. Value adjustments, as well as any applicable reversions, are accounted for in the profit and loss statement.

<u>Cash and cash equivalents</u>

Cash and cash equivalents includes cash holdings, instantly accessible deposits with credit institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.12 Financial derivatives and hedge accounting

Financial derivatives are measured at fair value both on initial entry and on subsequent measurement. The method used to enter any resulting gains or losses depends on whether the derivative is designated as a hedging instrument or not and, if so, the type of hedging applied.

Hedging instruments are valued and entered according to their characteristics, insofar as they do not provide, or cease to provide, effective coverage.

In the case of derivatives that do not qualify for hedge accounting, gains or losses in their fair value are immediately entered in the income statement.

The Group designates certain derivatives as hedges for a specific risk associated with a recognised asset or liability or with a highly probable forecast transaction (cash flow hedges).

Upon initiating the transaction, the Group documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Group also documents its evaluation, both at the outset and continuously thereafter, as to whether the derivatives being used in the hedging transactions are expected to be highly effective in order to offset changes in fair value or in cash flows from hedged items.

The total fair value of a hedging derivative is entered under non-current assets or liabilities if the time remaining to maturity of the hedged item is more than 12 months and under current assets or liabilities if the time remaining to maturity of the hedged item is less than 12 months. Derivatives held for trading are entered under current assets or liabilities.

Cash flow hedges

The effective portion of changes in the fair value of a derivative designated as a cash flow hedge is entered under other comprehensive income. The profit or loss on the ineffective portion is entered immediately in the income statement under “other (losses)/gains - net”.

Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). Gains or losses on the effective part of interest rate swaps used to hedge loans at variable rates are entered in the income statement under “financial income/expenses”. However, when the forecast transaction that is being hedged results in the entry of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial valuation of the cost of the asset. The deferred amounts are definitively entered as the cost of the assets sold, in the case of stocks, or as depreciation in the case of property, plant and equipment.

When a hedging instrument matures or is sold or when the requirements for the application of hedge accounting cease to be met, any gains or losses accumulated in equity to that date will remain in equity and will be entered when the forecast transaction is finally entered in the income statement. When it is expected that the scheduled transaction is not going to take place after all, the profit or loss accumulated in the equity is immediately transferred to the income statement under the heading “other net (losses)/profits”.

2.13 Financial liabilities

Debts and payables

This category includes trade and non-trade payables. These third-party resources are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

These payables are initially entered at their fair value, adjusted for directly attributable transaction costs, and subsequently entered at amortised cost using the effective interest rate method. The effective interest rate is the updated rate which brings the instrument's book value into line with expected future payment flows until maturity of the liability.

However, trade receivables that are due within less than one year and do not have a contractually agreed interest rate are valued at their par value, both when initially entered and on subsequent valuation, provided that the effect of not updating cash flows is not significant.

Financial borrowings

Financial borrowings are initially entered at their fair value, minus any transaction costs incurred. Subsequently, financial borrowings are valued at amortised cost: any difference between the proceeds obtained (net of the costs required to obtain them) and the redemption value is entered in the income statement over the life of the borrowings using the effective interest rate method.

2.14 Offsetting financial instruments

Financial assets and financial liabilities are offset and are shown in the net amount on the balance sheet when there is a legally enforceable right to offset the amounts recognised and the Group intends to settle them for the net amount or realise the asset or cancel the liability simultaneously. The legally enforceable right should not be contingent on future events and should be enforceable in the normal course of business and in the event of a breach or the insolvency or bankruptcy of the company or counterparty.

2.15 Share capital

The share capital is made up of ordinary shares.

The costs of issuing new shares or options are entered directly in equity as a reduction in reserves.

In the event that the Company acquires treasury shares, the consideration paid including any incremental cost that is directly attributable, is deducted from equity until the shares are redeemed, issued again or otherwise disposed of. When treasury shares are subsequently sold or reissued, any amount received is moved to equity, net of any directly attributable incremental costs.

Basic earnings per share are calculated by dividing the profit attributable to the company's owners, excluding the cost of servicing equity other than ordinary shares, among the weighted average number of ordinary shares in circulation during the year, adjusted for incentives in ordinary shares issued during the year and excluding treasury shares.

For diluted earnings per share, the figures used in determining basic earnings per share are adjusted, taking account of the effect after income tax of interest and other financial costs associated with potential ordinary shares with dilutive effects and the weighted average number of additional ordinary shares that would have been in circulation, assuming the conversion of all potential ordinary shares with dilutive effects.

2.16 Current and deferred income tax

In accordance with the SOCIMI tax rules, the parent Company is subject to a Corporate Income Tax rate of 0%.

As established in Article 9.2 of Act 11 of 26 October 2009, with the amendments incorporated via Act 16 of 27 December 2012, the Company shall be subject to a special rate of 19% on the overall sum of the dividends or profit distributions received by shareholders whose stake in the share capital of the Company is equal to or greater than 5%, when those dividends, in the possession of its shareholders, are exempt from or have a tax rate of less than 10% (to this effect, the tax due will be taken into consideration under the Non-Resident Income Tax Act).

However, that special rate will not apply when the dividends or profit shares are received by entities whose purpose is the ownership of interests in the share capital of other SOCIMIs or other companies that are not resident in Spain, that have the same corporate purpose, and that are governed by rules similar to those governing SOCIMIs as regards the compulsory, legal or statutory policy on profit distribution, with respect to companies that have a share that is equal to or greater than 5% of the share capital of the SOCIMIs and that pay tax on those dividends or profit shares at a rate of at least 10%.

For each Company in the Group that does not form part of the aforementioned tax rules, the income tax expense (income) is the sum that, for this concept, accrues in the financial year and comprises the expense (income) related to both current tax and deferred tax.

Both the current tax expense and deferred tax expense (income) is entered in the profit and loss statement. However, the tax effect related to entries that are directly registered in the equity have been entered in net worth.

The assets and liabilities related to current tax will be valued at the amounts expected to be paid or recovered from the tax authorities, in line with the legislation in force or approved and pending publication at the end of the financial year.

Deferred taxes are calculated, in accordance with the liability method, on the time-period differences arising between the tax bases for assets and liabilities and their book values.
However, the deferred taxes will not be entered if they arise from the initial entry of an asset or liability in a transaction that is not a combination of businesses which, at the time of transaction, does not affect the accounting result or the tax base. The deferred tax is determined by applying the regulation and tax rates approved or about to be approved at the date of the balance sheet, and that are expected to be applied when the relevant deferred tax asset is realised or the deferred tax liability is paid.

As regards assets due to deferred taxes, these are only recognised to the extent that it is probable that the company will earn future taxable profits that will allow these time-period differences to be offset.

2.17 Leases

a) When the Group is the lessee - Operating lease

Leases in which the lessor maintains a significant part of the risks and benefits arising from ownership are classified as operating leases. Operating lease payments (net of any incentive received by the lessor) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease period.

b) When the Group is the lessor

Properties let out under operating lease are included with investment property on the balance sheet. Income earned from the leasing of property is entered on a straight-line basis over the lease period (Note 2.20).

2.18 Share-based payments

On 7 May 2015, the Annual General Meeting of Shareholders approved a new remuneration plan based on the Company's own shares granted to the Axiare Patrimonio team. This plan will remain in force for 7 years, with the right to receive shares as an incentive occurring, when for each calculation period (one year, between July and June of the following year), the plan's terms and conditions are met.

These terms and conditions primarily refer to the total shareholder return being higher than a pre-defined percentage. This return is measured based on the total dividend pay-out, plus the Net Value uplift of the Assets and, excluding any share capital increase carried out in each calculation period. This remuneration therefore focuses on the creation of shareholder returns, obtained via active management, rather than the size of the portfolio.

In order for this incentive to come into effect, the shareholder return must be higher than a threshold of 10%. When the return is higher than this threshold, the incentive shall be 20% of the excess over this threshold. This plan does not include any "catch-up" or "promote equalization" mechanism, i.e., this percentage is the only one to be applied for this calculation.

The right to this incentive accrues and is calculated annually (between July and June of the following year), and it is settled with an award of company shares. The team will not be able to access these shares for a period of one year from the delivery date.

2.19 Provisions

Provisions are set aside: when the Group has a present legal or implied obligation as a result of past events; when it is likely that an outflow of resources will be required to settle the obligation; and when the amount has been reliably estimated. No provisions are set aside for future operating losses.

Provisions are valued at the current value of the payments that are expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessment of the time value of money and the specific risks of the obligation. The adjustments to provisions as the result of their restatement are entered as an expense as they accrue.

Provisions that mature in one year or less and have non-significant financial effects are not discounted. When it is expected that a portion of the payment necessary to cancel the provision will be reimbursed by a third party, this reimbursement is entered as an independent asset, provided that its receipt is practically certain.

2.20 Entering income

Income is stated at the fair value of the consideration to be received and it represents the amounts to be collected for the services rendered during the ordinary course of the Group's activities, minus returns, discounts, rebates and VAT.

Rendering of services

The Group provides leasing services. Income earned from the leasing of property is entered on a straight-line basis over the lease period. When the Group offers incentives to its tenants, the cost of the incentive is entered during the lease period on a linear basis, as a reduction in rental income. The costs associated with each rental payment are entered as an expense.

Interest income

Interest income is entered using the effective interest method. When the value of a receivable is impaired, the Group reduces the book amount to its recoverable amount, which is calculated as the estimated future cash flow discounted at the original effective interest rate of the instrument, and the receivable is continuously updated as interest income.

2.21 Dividend distribution

The payment of dividends to the Company's shareholders is entered as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

The parent company falls into the special category of SOCIMI (Spanish Real Estate Investment Trust), and is thus governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs are governed.

They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement.
When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

3. SIGNIFICANT CHANGES DURING THE CURRENT REPORTING PERIOD

During H1 2017, the Group acquired five assets for a total of €177.4 million: an office building located at Calle Miguel Ángel 23, in Madrid for €53.4 million; an office building located at Calle Puerto de Somport 8, in Madrid, for €41.5 million; an office building located in Sant Cugat del Vallés, Barcelona, for €19.5 million; 77% of an office building located at Calle Sagasta 27, in Madrid, for €19.5 million, and an office building located at Calle Anabel Segura 14, in Madrid, for €43.5 million.

The Company also continues the work started in 2016 on the purpose-built logistics platform project in San Fernando de Henares, Madrid, with a total cost of €43 million, a GLA of 73,464 sqm and 144 loading bays (Phase 1) and €38 million, and a GLA of 59,842 sqm and 64 loading bays (Phase 2), of which €31.3 million has been invested to date (€14 million in this period).

Letting activity in H1 2017 has been upbeat both in terms of the number of new lease agreements signed and the number of existing lease agreements renegotiated.
The main lease agreements signed include: Ebay in Don Ramón de la Cruz, the Comunidad de Madrid in Manuel de Falla, the Cámara de Cuentas in Ramírez de Arellano and Banco Sabadell in Sant Cugat.

Axiare Patrimonio has also continued with its asset financing programme, signing the following financing agreements in this period: €26 million with Banco Santander for Sagasta 31-33, €7.8 million with Banco Santander for the space acquired in the Velázquez building at the end of 2016, €14.5 million with BMN for the Sant Cugat building, €19 million with Liberbank for the Vocento building, a €51.4 million bridging loan with CaixaBank, which the Company plans to convert into allocated financing in H2 2017 for the properties Miguel Ángel 23 and Puerto de Somport 8 and the Company also entered into a €26.4 million loan with ING in order to acquire Sociedad Chameleon (Cedro) S.L.U.

4. FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to various financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's risk management programme focuses on uncertainty in financial markets and seeks to minimise any potential adverse impact on its financial profitability.

Risk management is overseen by the Group's Finance Department, which identifies, evaluates and hedges financial risks in accordance with the policies approved by the Board of Directors. The Board provides policies for overall risk management and policies covering specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives and investing excess liquidity.

4.1 Financial risk management

a) <u>Market risk</u>

The Group's interest rate risk originates from its financial borrowings. Borrowings issued at floating rates expose the Group to interest rate risk on cash flow. At 30 June 2017 circa 91% (89% in 2016) of its financing was linked to a floating rate. The Group's borrowings at variable interest rates are denominated in euros.

The Group analyses its exposure to interest rate risk dynamically. Several scenarios are generated, taking account of financing and hedging alternatives. Based on these scenarios, the Group estimates the impact of a certain interest rate change on the result (scenarios are only used for liabilities that represent the most significant positions affected by interest rates).

These analyses take the following into account:

- The economic environment in which it conducts its business: The design of different economic scenarios, modifying the key variables that may affect the group (interest rates, share price, percentage of ownership of property investments, etc.). The identification of interdependent variables and the degree to which they are connected.
- The timeframe within which the evaluation is being made: The timeframe for the analysis and any potential divergence will be taken into account.

Based on the simulations carried out, the maximum recalculated impact that a 1% interest-rate variation would have on profit after tax would be a respective €3,486 thousand increase or a €2,900 thousand reduction in financial expenses. Simulations are performed regularly to ensure that the potential maximum loss remains within the limits established by Management.

On the basis of these different scenarios, the Group manages the cash flow interest rate risk through variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest borrowings to fixed interest borrowings. In general the Group obtains long-term borrowings at variable interest rates and swaps them for borrowings at fixed interest rates lower than those which would be available if the Group obtained borrowings directly at fixed interest rates. Under interest rate swaps, the Group undertakes with third parties to exchange on a regular basis the difference between fixed and variable interest, calculated on the basis of the notional principal amount contracted. Fixed interest rates vary between 1.50% and 2.20% and floating interest rates vary between 1% and 2.20%.

b) Credit risk

Credit risk is managed at Group level. The Group defines its policy for managing and analysing the credit risk of its new customers before offering them normal terms and conditions. Credit risk mainly arises from deposits made with the relevant organisations, financial derivatives and receivables for sales and services rendered, as well as sundry receivables. The Group's credit risk controls set out the credit quality that must be displayed by customers, taking account of their financial situation, past experience and other factors. Individual credit limits are established on the basis of internal and external ratings, in accordance with the limits established by the Board of Directors. The use of credit limits is regularly reviewed.

The Group believes that it does not have any significant concentrations of credit risk, this being understood to refer to the possible impact that a default on receivables could have on the income statement.

The Group's maximum exposure to credit risk by type of financial asset (excluding financial derivatives and deposits) is as follows:

	Thousands of euros	
	30.06.2017	**31.12.2016**
Current assets net of impairment provisions		
Trade and other receivables (Note 7)	12,058	12,473
Short-term financial investments (Note 7)	108	39
Cash and other equivalent liquid assets (Note 7)	182,497	145,421
	194,663	**157,933**

Deposits to be returned to the Group's tenants will be withheld if the balances payable by the tenants to the Group are not paid or there is a breach of the lease agreement.

The fair value of cash and cash equivalents is close to the book value shown in the above table.

c) Liquidity risk

Cash flow predictions are carried out by the Group's Finance Department. This Department monitors forecasts of the Group's liquidity requirements in order to ensure that it has sufficient cash to meet its operational needs while maintaining sufficient available liquidity at all times to ensure that the Group continues to comply with its financing limits and covenants. These forecasts take account of the Group's financing plans, ratio compliance, compliance with internal objectives and, where applicable, any regulatory or legal requirements.

The cash surplus maintained by the Group is usually deposited in current accounts that attract interest at a specific rate or in term deposits, with maturity dates or levels of liquidity that are sufficient to offer the appropriate flexibility in light of the forecasts mentioned above. On the date of this balance sheet, the Group has cash assets totalling €182,497 thousand (€145,421 thousandat 31 December 2017) which are expected to generate cash inflows.

d) Tax risk

As mentioned in Note 1, the Parent Company has applied the special tax regime for Spanish Listed Real Estate Investment Trusts (SOCIMIs). Pursuant to the contents of Article 6 of Law 11 of 26 October 2009, as amended by SOCIMI Act 16 of 27 December 2012, companies that have applied this regime are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year-end and paid within one month of the date of the distribution agreement (Note 9).

If the General Meeting of Shareholders of such Companies does not approve the dividend distribution proposed by the Board of Directors, calculated in accordance with the requirements of the said Act, they will be in breach of the Act and will therefore be taxed under the general tax rules, rather than the rules that apply to SOCIMIs.

4.2 Capital management

The Group's main capital management objectives are to ensure long- and short-term financial stability, the positive performance of Axiare Patrimonio SOCIMI, S.A.'s shares, the appropriate financing of investments and a reduction in debt levels. Financial leveraging ratios, calculated as (Financial borrowings) / (Financial borrowings + Equity) at 30 June 2017 and 31 December 2016 were as follows:

	Thousands of euros	
	30.06.2017	**31.12.2016**
Financial borrowings (Note 10)	663,259	519,740
Equity attributable to the parent Company	1,155,398	943,749
Leveraging	37%	23%

The Management believes that the Group's level of indebtedness is low. At 30 June 2017, leveraging had increased by 2%, due to the new financing operations in H1 2017 (Note 3).
The investment property leveraging ratio, calculated as: (Financial borrowings at amortized cost) / (Fair value of investment properties) at 30 June 2017 and 31 December 2016 was 41% and 40% respectively, and the Group's aim is to keep these ratios at between 50%-60%.

	Thousands of euros	
	30.06.2017	**31.12.2016**
Financial borrowings (Note 10)	663,259	519,740
Fair value of real estate investments (Note 6)	1,630,689	1,310,867
Leveraging	41%	40%

Notes to the condensed consolidated interim financial statements
(Thousands of euros)

4.3 Estimation of fair value

The table shown below contains an analysis of the financial instruments that are measured at fair value, classified by valuation method. The different levels have been defined as follows:

- Quoted prices (non-adjusted) in active markets for identical assets and liabilities (Level 1).
- Data that differ from the quoted price included in Level 1, that are observable for the asset or liability, either directly (the prices themselves) or indirectly (derived from prices) (Level 2).
- Data for the asset or liability, which is not based on observable market input (i.e., unobservable inputs) (Level 3).

The following table shows the Group's financial assets and liabilities at fair value. See Note 6, which reports on the fair value of the investment properties.

30 June 2017

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
Interest rate hedging derivatives	-	250	-	250
Total assets	**-**	**250**	**-**	**250**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term debts				
Interest rate hedging derivatives	-	6,834	-	6,834
Total liabilities	**-**	**6,834**	**-**	**6,834**

31 December 2016

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term financial investments				
- Interest rate hedging derivatives	-	47	-	47
Total assets	**-**	**47**	**-**	**47**
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-term debts				
- Interest rate hedging derivatives	-	9,483	-	9,483
Total liabilities	**-**	**9,483**	**-**	**9,483**

The fair value of interest rate swaps is calculated as the current value of estimated future cash flows, based on the estimated interest rate curve.
During the six-month period ending on 30 June 2017, no transfers between levels have occurred.

4.4 Offsetting financial assets and liabilities

The Group's only financial assets and liabilities subject to offsetting are, respectively, deposits made with official bodies and deposits to be returned to tenants. It is the Group's intention that these financial assets and liabilities will be settled on a gross basis.

5. FINANCIAL INFORMATION BY SEGMENT

The investments committee acting together with the Board of Directors represent the Group's highest decision-making authority. The management has defined operating segments, based on information which is reviewed by these bodies for the purposes of allocating resources and evaluating performance. The management analyses the performance of the operating segments based on the results for the period. The management considers office, logistics and other activities separately.

Six-month period ended 30 June 2017

					Thousands of euros
	Offices	**Logistics**	**Others**	**Corporate**	**Total**
Provision of services	21,704	5,759	4,782	-	32,245
Changes in fair value of investment properties	96,503	18,386	5,813	-	120,702
Operating Costs	(5,777)	(757)	(904)	(23,495)	(30,933)
Operating result	**112,430**	**23,388**	**9,691**	**(23,495)**	**122,014**
Financial income	12	-	-	74	86
Financial expenses	(3,661)	(1,618)	(632)	(328)	(6,239)
Financial result	**(3,649)**	**(1,618)**	**(632)**	**(254)**	**(6,153)**
Pre-tax result	**108,781**	**21,770**	**9,059**	**(23,749)**	**115,861**
Tax on profits	(1,864)	-	-	-	(1,864)
Result for the period	**106,917**	**21,770**	**9,059**	**(23,749)**	**113,997**

Six-month period ended 30 June 2016

	Offices	Logistics	Others	Corporate	Total (Thousands of euros)
Provision of services	14,935	4,404	4,048	-	23,387
Changes in fair value of investment properties	62,099	15,635	7,789	-	85,523
Operating Costs	(4,550)	(1,020)	(1,166)	(15,257)	(21,993)
Operating result	**72,484**	**19,019**	**10,671**	**(15,257)**	**86,917**
Financial income	263	-	-	12	275
Financial expenses	(1,995)	(1,205)	(228)	-	(3,428)
Financial result	**(1,732)**	**(1,205)**	**(228)**	**12**	**(3,153)**
Pre-tax result	**70,752**	**17,814**	**10,443**	**(15,245)**	**83,764**
Tax on profits	-	-	-	-	-
Result for the period	**70,752**	**17,814**	**10,443**	**(15,245)**	**83,764**

The amounts provided to the Investments Committee and the Board of Directors in respect of total assets and liabilities are valued in accordance with the same criteria as those applied in the condensed consolidated interim financial statements. These assets and liabilities are assigned on the basis of segment activities.

30 June 2017

	Offices	Logistics	Others	Corporate	Total (Thousands of euros)
Non-current assets					
Investment property	1,261,520	223,919	145,250	0	1,630,689
Other non-current assets	12,626	1,861	1,468	6,353	22,308
	1,274,146	**225,780**	**146,718**	**6,353**	**1,652,997**
Current assets					
Commercial debtors and other receivables	5,454	1,450	430	7,370	14,704
Other current assets	153,944	2,548	5,021	23,717	185,230
	159,398	**3,998**	**5,451**	**31,087**	**199,934**
Non-current liabilities					
Bank loans and credits	(473,010)	(79,099)	(55,650)	0	(607,759)
Other non-current liabilities	(12,190)	(3,108)	(1,832)	(269)	(17,399)
	(485,200)	**(82,207)**	**(57,482)**	**(269)**	**(625,158)**
Current liabilities	**(13,593)**	**(834)**	**(1,818)**	**(56,130)**	**(72,375)**

31 December 2016

	Thousands of euros				
	Offices	**Logistics**	**Others**	**Corporate**	**Total**
Non-current assets					
Investment property	980,909	190,758	139,200	0	1,310,867
Other non-current assets	12,346	1,857	1,007	5,412	20,622
	993,255	**192,615**	**140,207**	**5,412**	**1,331,489**
Current assets					
Commercial debtors and other receivables	5,274	1,803	620	10,188	17,885
Other current assets	62,657	1,485	7,233	75,084	146,459
	67,931	**3,288**	**7,853**	**85,272**	**164,344**
Non-current liabilities					
Bank loans and credits	(383,245)	(79,242)	(54,367)	0	(516,854)
Other non-current liabilities	(12,844)	(3,279)	(1,893)	(655)	(18,671)
	(396,089)	**(82,521)**	**(56,260)**	**(655)**	**(535,525)**
Current liabilities	**(10,157)**	**(905)**	**(3,204)**	**(2,295)**	**(16,561)**

6. INVESTMENT PROPERTY

Investment properties include office buildings, logistics warehouses and other items owned by the Group that are held to obtain long-term rental income and are not occupied by the Group.

The following table contains a breakdown of the entries shown for investment properties and the movements in these figures:

	Thousands of euros
	Investment property
Balance at 31-12-2015	**841,865**
Acquisitions	311,021
Subsequent capitalised disbursements	28,628
Gain / (loss) net of adjustments at fair value	129,354
Balance at 31-12-2016	**1,310,867**
Acquisitions	188,456
Subsequent capitalised disbursements	10,664
Gain / (loss) net of adjustments at fair value	120,702
Balance at 30-06-2017	**1,630,689**

In H1 2017 the Company acquired five assets. Note 16 contains detailed information on the properties acquired.

During H1 2017, the Group acquired five assets for a total of €177.4 million (not including acquisition costs): an office building located at Calle Miguel Ángel 23, in Madrid for €53.4 million (€3.5 million of which had already been paid in advance at 31 December 2016); an office building located at Calle Puerto de Somport 8, in Madrid, for €41.5 million (€4.15 million of which had already been paid in advance at 31 December 2016); an office building located at Sant Cugat del Vallés, in Barcelona, for €19.5 million; 77% of an office building located at Calle Sagasta 27, in Madrid, for €19.5 million, and an office building located at Calle Anabel Segura 14, in Madrid, for €43.5 million.

The Company also continues the work started in 2016 on the purpose-built logistics platform project in San Fernando de Henares, Madrid, with a total cost of €43 million, a GLA of 73,464 sqm and 144 loading bays (Phase 1) and €38 million, and a GLA of 59,842 sqm and 64 loading bays (Phase 2), of which €31.3 million has been invested to date (€14 million in this period).

Several mortgage guarantees have been put in place for certain properties, the market values of which stand at €1,413,230 thousand (€1,154,100 thousand at 31 December 2016), by way of guaranteeing the Company will meet the terms and conditions upon which it has obtained financing. At 30 June 2017, the nominal value of this financing amounted to €672,654 thousand (€528,294 thousand at 31 December 2016) (Note 10).

a) Income and expenses on investment properties

The following income and expenses on investment properties have been detailed in the income statement:

	Thousands of euros	
	Six-month period ended 30 June 2017	**Six-month period ended 30 June 2016**
Rental Income	32,245	23,387
Expenses for the operations resulting from investment properties that generate rental income	(7,044)	(6,479)
Expenses for the operations resulting from investment properties that do not generate rental income	(481)	(317)
	24,720	**16,591**

a) Operating leases

The total amount of future minimum collections from non-cancellable operating leases is as follows:

		Thousands of euros
	30.06.2017	**31.12.2016**
Less than one year	51,345	36,053
Between one and five years	102,056	78,189
More than five years	27,909	7,960
	181,310	**122,202**

b) Insurance

The Company maintains a policy of taking out all the insurance policies necessary to cover any possible risk that might affect any aspect of its investment properties. Coverage under these policies is deemed to be sufficient.

c) Valuation process

The cost and fair value of the investment properties at 30 June 2017 and 31 December 2016 are detailed below:

				Thousands of euros
	30.06.2017		**31.12.2016**	
	Net cost value	**Fair value**	**Net cost value**	**Fair value**
Investment properties	1,299,086	1,630,689	1,103,957	1,310,867

Their valuation was made using “market value” hypotheses, in accordance with the asset Appraisal and Valuation method and the Guidance Notes published by the Royal Institution of Chartered Surveyors of Great Britain (RICS), Valuation Standards, 8th edition. The market value of the Group's properties has been determined on the basis of a valuation carried out by independent expert valuers (CBRE Valuation Advisory, S.A.).

“Market Value” is defined as the estimated amount at which a property should exchange on the valuation date, between a willing seller and a willing buyer and after a reasonable sales marketing period, during which both parties have acted knowledgeably, prudently and without compulsion.

The valuation methodology adopted by the independent valuers in order to determine fair value was primarily the discounted cash flow method at 10 years and the income capitalisation method (reflecting net rent, capitalised expenses, etc.), in addition to verifying the information against comparables.

The discounted cash flow method is based on forecasts of the probable net income that will be generated by assets over a specific time period, taking into account the residual value of the assets in question at the end of that period. Cash flows are discounted at an internal rate of return in order to arrive at current net value. This internal rate of return is adjusted to reflect the risk associated with the investment and assumptions adopted. Key variables are therefore net income, approximate residual value and internal rate of return.

The income capitalisation method consists of capitalising estimated net income from each property, based on the length of the lease and reversion. This involves the capitalisation of current income over the entire period, together with the valuation of probable subsequent rentals following rent reviews or the arrangement of new rentals in each of the forecast periods, always taking current value as a basis. The yield applied to the different income categories reflects all forecasts and risks associated with cash flows and the investment.

Therefore the key variables involved in the capitalisation method are the determination of net income, the period over which it is discounted, the approximate value at which it is realised at the end of each period and the target internal rate of return used to discount cash flows.

The estimated yields depend on the type and age of the properties and their location. The properties have been valued individually, via calculations based on the lease agreements in place at the end of the financial year and, if applicable, the forecast value based on current market rents for the different areas, supported by comparables and completed transactions.

On the basis of the simulations performed, the recalculated impact that a variation of 0.25% would have on the fair value of the property would be as follows:

30 June 2017

	Thousands of euros	
	THEORETICAL RESULT YIELD VARIANCE	
	(0.25%)	**0.25%**
Offices	49,246	(44,278)
Logistics	11,650	(10,795)
Retail	3,990	(3,610)
Hotels	400	(400)
Land	2,300	(2,100)
	67,586	**(61,183)**

YIELDS	**PRIME**	**DECENTRALISED**
Offices	3.5% - 4.5%	4.5% - 6%
Logistics	5.75% - 6.5%	6.5% - 7.5%
Retail	4.5% - 7.5%	7.5% - 11%
Hotels	6.75%	10%

	DISCOUNT RATES
Offices	6.0% - 8.59%
Logistics	8.0% - 8.81%
Others	7.8% - 11.5%

31 December 2016

Thousands of euros		
	THEORETICAL RESULT YIELD VARIANCE	
	(0.25%)	**0.25%**
Offices	32,943	(30,070)
Logistics	6,410	(5,990)
Retail	4,695	(4,100)
Hotels	400	(400)
Land	2,800	(2,500)
	47,248	**(43,060)**

YIELDS	**PRIME**	**DECENTRALISED**
Offices	4% - 6%	6.5% - 8.5%
Logistics	5.75% - 7.75%	9% - 9.5%
Retail	4.5% - 7.5%	7.5% - 11%
Hotels	6.75%	10%

	DISCOUNT RATES
Offices	6.25% - 8.5%
Logistics	6.9% - 7.3%
Others	7.8% - 11.8%

The valuation of investment properties is classified under level 2, according to the definition in Note 4.3 above. The fair value of investment properties has been calculated by independent expert valuers using valuation techniques involving observable and available market data, based, to a lesser extent, on specific estimates by the organisations.

During the six-month period ending on 30 June 2017, no transfers between levels occurred.

7. LOANS AND RECEIVABLES

	Thousands of euros	
	30.06.2017	**31.12.2016**
Long-term loans and receivables:		
- Loans to third parties	4,579	4,626
- Derivatives (Note 4.3)	250	47
- Other financial assets (Note 7)	9,393	7,782
	13,972	**12,455**
Short-term loans and receivables		
- Trade receivables for sales and services	3,339	2,464
- Sundry debtors	4,010	5,253
- Personnel	130	130
- Other financial assets	108	39
	7,587	**7,886**
	21,559	**20,341**

The book amounts of loans and receivables (both long and short-term) approximate their fair values, since the effect of discounting is not significant.

The entry “Other long-term financial assets” includes the amounts deposited in the corresponding institutions.
Of the total short-term loans and receivables, at 30 June 2017, client and sundry receivables to the value of €98 thousand had matured (€355 thousand at 31 December 2016), of which €85 thousand had been provisioned (0 euros at 31 December 2016) according to the established antiquity policy for client balances and the Group’s own analysis. At the end of the period, the client entry includes an amount of €2,771 thousand pending invoicing, which relates to specific letting incentives (€2,109 thousand at 31 December 2016).

Sundry receivables mainly includes fund provisions for the Company’s regular transactions with notary public’s offices and registries.

The following table contains a breakdown of the age of receivables for sales and services, receivables from related parties and sundry receivables:

	Thousands of euros	
	30.06.2017	**31.12.2016**
Up to 3 months	308	244
Between 3 and 6 months	247	94
More than 6 months	13	17
	568	**255**

The book value of loans and receivables is denominated in euros.

Movements in the bad debt provision over the period have been as follows:

	Thousands of euros	
	30.06.2017	**31.12.2016**
Opening balance	-	(367)
Allocation	(85)	(460)
Reversion	-	-
Application	-	827
Closing balance	**(85)**	**-**

8. SHARE CAPITAL AND SHARE PREMIUM

a) Share capital

The Company was incorporated on 19 March 2014 with the issue of 10,000 registered shares, each with a par value of 6 euros. On the date of its incorporation, Rodex Asset Management, S.L. held 9,999 ordinary shares representing 99.99% of the Company's issued share capital, and Inmodesarrollos Integrados, S.L. held 1 ordinary share representing 0.01% of the Company's issued share capital.

At an Extraordinary General Meeting of Shareholders held on 10 June 2014, it was agreed to increase the share capital by 36,000,000 shares with a par value of €10, by means of an offer to subscribe shares in the Company, and the shareholders waived their preferential subscription right.

A share capital increase was agreed at a General Meeting of the Company's Shareholders on 7 May 2015. On 13 May 2015 the Board of Directors approved the agreements relating to the share capital increase. This was entered at the Madrid Company Registry on 10 June 2015 and 35,868,988 new shares were listed, each with a par value of €10 and a premium of €1.

On 7 March 2017 the Board of Directors approved the agreements relating to the share capital increase that the Company carried out in the first half of this financial year. This was entered at the Madrid Company Registry on 9 March 2017 and 7,187,498 new shares were listed, each with a par value of €10 and a premium of €3.

Following this share capital increase, subscribed share capital stood at 79,062,486 ordinary fully paid-up shares with a par value of €10 euros per share.

As of 30 June 2017 and 31 December 2016, the breakdown of share capital is as follows:

	Thousands of euros	
	30.06.2017	**31.12.2016**
Subscribed share capital	790,625	718,750
Non-paid-up capital	-	-
	790,625	**718,750**

b) Share premium

This reserve is freely available.

c) Treasury stock

Movements in treasury stock over the period have been as follows:

	2017		2016	
	Number of treasury shares	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
Opening balance	1,536,266	18,678	416,928	4,631
Additions/purchases	289,631	3,977	2,797,932	
Reductions	(111,605)	(1,514)	(1,678,594)	(19,646)
Closing balance	**1,714,292**	**21,141**	**1,536,266**	**18,678**

On 31 October 2014 Axiare Patrimonio entered into a liquidity contract with JB Capital Markets, S.V., S.A.U. with the aim of increasing liquidity and promoting stability in the listing of the Company's shares. This contract came into effect on 2 January 2015.

The General Meeting of Shareholders held on 7 May 2015 agreed to implement a management incentive plan consisting of the award of shares or cash, at the Company’s discretion (Note 11).

Shares owned by the Company at 30 June 2017 equated to 2.17% of the Company’s share capital (2.11% at 31 December 2016) and totalled 1,714,292 shares (1,536,266 shares at 31 December 2016). The average cost of the Company’s own shares was €12,332 per share (€12,158 per share at 31 December 2016).

These shares are registered reducing the value of the Company's equity on the 30 June 2017 to €21,141 thousand (€18,678 thousand on 31 December 2016).

The Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent Company and its subsidiaries, must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

d) Earnings per share

Basic earnings per share are calculated by dividing the net gain/(loss) attributable to the parent Company's owners for the period by the weighted average number of ordinary shares in circulation during the period, excluding the weighted average number of treasury shares held over the period.

Diluted earnings per share are calculated by dividing the net gain/(loss) attributable to the parent Company's owners for the period by the weighted average number of ordinary shares in circulation during the period, plus the weighted average number of ordinary shares that would be issued during the conversion of all potentially dilutive instruments. As shown in Note 10, the Group currently has a remuneration (incentive) plan in force based on the award of a number of shares. The Group's directors have evaluated the dilutive effect of these plans and calculated the impact of earnings per share, concluding that this effect is not significant and therefore making no distinction between them.

The following table shows the income figures and information on the number of shares used to calculate basic and diluted earnings per share:

Calculation of basic and diluted earnings

	Six-month period ended 30 June 2017	**Six-month period ended 30 June 2016**
Net profit (thousands of euros)	109,828	83,764
Weighted average number of shares issued (shares)	76,302,487	71,874,988
Average number of treasury shares held in the company's own portfolio (shares)	1,648,549	629,050
Basic and diluted earnings per share (euros)	1.47	1.18

In terms of calculating earnings per share, there have been no transactions on ordinary or potential ordinary shares between the date on which the condensed consolidated interim financial statements were closed and their drafting, which have not been taken into consideration in said calculations for the six-month period ending on 30 June 2017.

9. RESERVES AND RETAINED EARNINGS

Reserves

At 30 June 2017, €533 thousand (€201 thousand at 31 December 2015) corresponded to the legal reserve. This reserve has been set aside under the terms of Article 274 of the Spanish Capital Companies Act, which establishes that companies must in all cases allocate an amount equal to 10% of their profits for the year to this reserve, until the total reaches at least 20% of the share capital figure. It cannot be distributed, and if it is used to offset losses when the other available reserves are not sufficient for this purpose, it must be replenished with future profits.

	Thousands of euros	
	30.06.2017	**31.12.16**
Legal Reserve	1,911	532
Other reserves	(33,633)	(31,673)
Hedging reserve	(6,585)	(9,436)
Total Reserves	**(38,307)**	**(40,577)**
Retained earnings		
Accumulated result	360,108	251,368
Distribution of dividends	(12,413)	(2,983)
Total retained earnings	**347,695**	**248,385**

The Other Reserves entry, mainly registers the expenses associated with issuing shares and with the two share capital increases completed. Said expenses totalled €33,955 thousand and are mainly attributable to banks and advisors.

Distribution of the result

The proposed distribution of the Parent Company Axiare Patrimonio Socimi, S.A's result for the 2016 financial year, which was approved at the General Meeting of Shareholders on 20 June 2017, was as follows:

	Thousands of euros
	2016
Base for distribution	
Profit and Loss	13,792
Application	
Legal reserve	1,379
Dividends	12,413
	13,792

The approved distribution of the 2016 result included a total dividend distribution of €12,413 thousand, which was paid to shareholders in June 2017.

10. DEBTS AND PAYABLES

	Thousands of euros	
	30.06.2017	**31.12.2016**
Long-term debts and payables:		
- Debts with credit institutions	607,759	516,852
- Other financial liabilities	10,565	9,188
- Financial derivatives	6,834	9,483
	625,158	**535,523**
Short-term debts and payables:		
- Debts with credit institutions	55,500	2,888
- Creditors and other payables	10,923	11,907
	66,423	**14,795**
	691,581	**550,318**

The book amounts of debts and payables, both long and short-term, approximate their fair values, since the effect of discounting is not significant. In the case of debts with financial institutions, these are entered at their amortised cost.

The rental income received from tenants as per the lease agreements signed are registered as other long-term financial liabilities.

Creditors and other payables mainly includes provisioned amounts relating to the Company's property acquisitions, financing obtained during the current financial year, as well as balances payable relating to investments currently under construction.

The book value of loans and receivables to be paid by the Company is denominated in euros.

(Thousands of euros)

Debt with credit institutions includes the balance of 41 loans granted to the Company. The maturities of this debt with credit institutions is detailed below by par value:

	2017		2016	
Maturity year	**Non-Current**	**Current**	**Non-Current**	**Current**
2017	-	51,420	-	-
2018	30,419	-	7,000	-
2019	-	-	-	-
2020	24,100	-	24,100	-
2021	62,200	-	62,200	-
>2022	500,977	3,539	432,992	2,001
Total	**617,696**	**54,959**	**526,292**	**2,001**

The Company has included €9,396 thousand (€8,554 thousand in 2016) in the amortized cost on the balance sheet for the formalisation of the debt costs. As of 30 June 2017, accrued financial interest not paid stood at €541 thousand (€887 thousand at 31 December 2016). The financial expenses accrued during the period stand at €6,239 thousand (€3,428 thousand at 30 June 2016).

During the period the Company has signed financing agreements to the value of €146,067 thousand (€201,082 thousand in 2016).

These loans are granted subject to compliance with certain financial ratios, which is standard practice in the sector in which the Company operates, with the ratio being calculated annually at the end of each financial year.

The loans detailed are secured via a mortgage commitment on certain properties whose market value at 30 June 2017 totalled €1,413,230 thousand (Note 6). The bank loans are secured with land and buildings as detailed in the following table:

(Thousands of euros)

Loan	No.	Subject property	Outstanding nominal value 30/06/2017	Outstanding nominal value 31/12/2016	Maturity
Caixa 30M	1	Francisca Delgado 11	15,000	15,000	2030
Caixa 30M	2	Fernando el Santo 15	10,000	10,000	2030
Caixa 72M	3	Avenida de la Vega 15	27,808	27,913	2029
BS 50M	4	Cabanillas 1	2,516	2,530	2022
ING 61M	5	Cabanillas 2	3,698	3,698	2022
BS 50M	6	Cabanillas 3	2,893	2,909	2022
ING 61M	7	Azuqueca	9,143	9,143	2022
ING 61M	8	Guadalix	4,349	4,349	2022
Caixa 72M	9	Rivas Vaciamadrid	9,158	9,193	2029
ING 61M	10	Camarma	19,881	19,881	2022
BBVA 24M	11	Manuel de Falla, 7	24,000	24,000	2021
ING 61M	12	Valls	4,954	4,954	2022
Caixa 72M	13	Dos Hermanas	5,425	5,446	2029
Caixa 72M	14	Diagonal 197	28,986	29,096	2029
BS 50M	15	Les Gavarres	14,589	14,673	2022
BK 24M	16	Ribera del Loira 28	24,100	24,100	2020
BS 50M	17	Cristalia 2 & 3	29,283	29,451	2022
BK 27M	18	Cristalia 5 & 6	27,500	27,500	2022
Caixa 10M	19	Luca de Tena 14	10,725	10,850	2028
BS 64M	20	Velázquez	53,488	45,688	2022
BS 64M	23	Tucuman	10,562	10,562	2022
BMN 7M	24	Hotel Rafael Madrid Norte	7,000	7,000	2018
Caixa 20M	25	Ramírez Arellano	8,500	7,437	2028
Sabadell 40M	26	Don Ramón de la Cruz	21,000	21,000	2025
ING 61M	27	Constantí	11,015	11,015	2022
Sabadell 40M	28	Avenida de Bruselas, 38	14,400	14,400	2025
BK 31M	29	Alcalá 506	7,335	7,335	2021
Sabadell 40M	30	Luca de Tena 6	4,500	4,500	2025
BK 31M	31	Las Mercedes Open Park	23,865	23,865	2021
BBVA 7M	32	Josefa Valcárcel 24	7,000	7,000	2021
Caixa 20M	33	Viapark	11,500	10,063	2028
ING 61M	34	Azuqueca 2	4,778	4,778	2022
ING 61M	35	Alcalá de Henares	3,264	3,265	2022
ING 75M	36	Almagro	75,700	75,700	2023
BS 26M	37	Sagasta 31-33	26,400	0	2024
ING 27M	38	Cedro	23,419	0	2018
Liberbank 19M	39	Luca de Tena 7	19,000	0	2029
BMN 15M	40	Sant Cugat	14,500	0	2022
Caixa 51M			51,420	0	2017
			672,654	**528,294**	

11. PROVISIONS AND CONTINGENCIES

As of 30 June 2017 and 31 December 2016 the Group had no provisions or contingent liabilities.

12. BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of members of the Board of Directors and Senior Management

During the six-month period ended June 30, 2017, the remuneration to the members of the Board of Directors amounts to 774 thousand euros (771 thousand euros at June 30, 2016), of which the executive has received a total amount of 612 thousand euros (609 thousand euros at 30 June 2016).

Likewise, according to the stock-based incentive plan approved by the general shareholders meeting on May 7, 2015, the executive has accrued for the period 2016-2017, 334 thousand shares that will receive in 2017 and 333 thousand shares that will receive in January 2018 (472 thousand shares accrued in the period 2015-2016).

The Company has granted loans amounting to 3,850 thousand euros (1,239 thousand euros at June 30, 2016) and has no pension funds or similar obligations to its benefit.

Axiare Patrimonio Team

In accordance with the aforementioned plan for the period 2016-2017 and due to the fulfilment of the conditions, the rest of the Axiare Patrimonio's team has accrued a total of 887 thousand shares to be delivered in 2017 (588 shares accrued over the period 2015-2016).

The average cost of shares acquisition in the 2016-2017 plan amounts € 12.28 per share.

13. RELATED PARTY TRANSACTIONS

There are no balances or transactions with related parties in 2016 or in the first half of 2017.

14. OTHER INFORMATION

The average number of employees during the period, shown by professional grade, was as follows:

		Thousands of euros
Grade	**30.06.2017**	**30.06.2016**
Directors	8	6
Employees with degrees or advanced diplomas	8	10
Administrative personnel and other	4	4
	20	**20**

15. INFORMATION REQUIREMENTS RESULTING FROM SOCIMI STATUS, ACT 11/2009, AS AMENDED BY ACT 16/2012

a) Reserves from financial years prior to the application of the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012.

Not applicable.

b) Reserves from financial years in which the tax rules set out in Act 11/2009, as amended by Act 16 of 27 December 2012, have been applied.

Not applicable.

c) Dividends distributed against profits each year in which the tax rules contained in this Act applied, with differentiation between the portion originating from income subject to tax at a rate of 0% or 19%, and the portion originating from income subject to tax at the general rate.

The total dividend distributed comes from income subject to tax at 0%.

d) In the case of distribution against reserves, identifying the year from which the reserves applied originate, and whether they were taxed at 0%, 19% or the general rate.

No dividends were distributed against reserves (Note 9).

e) Date of the agreement for the distribution of dividends referred to in c) and d) above.

General Meeting of Shareholders on 20 June 2017 (Note 9).

f) Date of acquisition of properties intended for rent and interests in the share capital of companies referred to in Article 2.1 of this Act.

The parent Company has holdings in the share capital of companies referred to in Article 2.1 of the Spanish SOCIMI Act. This holding refers to the company belonging to the group Venusaur, S.L.U., which was acquired on 2 December 2016.

Notes to the condensed consolidated interim financial statements
(Thousands of euros)

	Property	Location	Date acquired
1	F. Delgado	Plot TN-5B, Sole Sector, Calle Francisca Delgado, 11, Alcobendas (Madrid)	28 July 2014
2	Cabanillas	Plot 2.4, Warehouses 1, 2 and 3, P-5 Industrial Estate, Cabanillas del Campo (Guadalajara)	29 July 2014
3	Miralcampo	Logistics warehouse, Avda. de la Construction, 9 - 11, Miralcampo Industrial Estate, Azuqueca de Henares (Guadalajara)	30 July 2014
4	Dos Hermanas	Plots 47 to 50, "La Isla" Industrial Estate, Dos Hermanas (Seville)	30 July 2014
5	F. Santo	Calle Fernando el Santo 15, 28010 Madrid	24 September 2014
6	Av. Vega	Avda. Arroyo de la Vega, nº 15, Arroyo de la Vega, Alcobendas (Madrid)	24 September 2014
7	Rivas	Plots 18-14 and 19-13, Calle Mariano Benlliure, Rivas-Vaciamadrid (Madrid)	24 September 2014
8	Planetocio	Avenida Juan Carlos I 46, Collado Villalba (Madrid)	24 September 2014
9	Valls	Logistics warehouse, Avenida del Polígono 5. Valls Industrial Estate, Valls (Tarragona)	9 October 2014
10	Guadalix	Department number 3, property forming part of U.A.-47, and building "B", San Agustín de Guadalix (Madrid)	9 October 2014
11	Camarma	Logistics warehouse, sector S1-4 "La Raya Industrial", Camarma de Esteruelas (Madrid)	9 October 2014
12	Manuel de Falla	Building undergoing refurbishment works on Calle Manuel de Falla (Madrid)	6 November 2014
13	Diagonal	Diagonal property. Avenida Diagonal 197, 08018 Barcelona	4 December 2014
14	Rib. Loira	Ribera del Loira property. Calle Ribera del Loira 28, 28042 Madrid	4 December 2014
15	Cristalia 2&3	Buildings 2 and 3, Cristalia Business Park. Calle Vía de los Poblados s/n (Madrid)	4 December 2014
16	Bauhaus	Tarragona building, property number two, sub-zone PP-9, Les Gavarres Industrial Estate (Tarragona)	4 December 2014
17	Hotel	Building intended for hotel use. Omega Business Park. Carretera de Alcobendas a Barajas, km 1,100. Alcobendas (Madrid)	20 February 2015
18	Luca de Tena 14	Calle Juan Ignacio Luca de Tena, 14, 28027 Madrid	30 March 2015
19	Tucumán	Tucumán property. Glorieta del Mar Caribe 1, Madrid	30 March 2015
20	Cristalia 5&6	Buildings 5 and 6, Cristalia Business Park. Calle Vía de los Poblados s/n (Madrid)	22 May 2015

(Thousands of euros)

	Property	Location	Date acquired
21	Velázquez	Retail unit housed in a building located at Calle Padilla 17, corner with Calle Velázquez, 28006 Madrid	22 May 2015
		Twenty registered properties located in a building at Calle Padilla 17, corner with Calle Velázquez, 28006 Madrid	15 June 2015
		Retail unit housed in a building located in Madrid, Calle Padilla 17, corner with Calle Velázquez, 28006 Madrid	29 July 2015
		Parking spaces located in a building located at Calle Padilla 17, corner with Calle Velázquez, 28006 Madrid	5 August 2015
22	R. Arellano	Building located at Calle Ramírez de Arellano 15, Madrid	21 July 2015
23	Constantí	Industrial plot located in the Constantí Industrial Estate, Constantí (Tarragona)	30 July 2015
24	Luca de Tena 6	Building located at Juan Ignacio Luca de Tena 6, 28027 Madrid	23 September 2015
25	Alcalá	Building located at Calle Alcalá 506, 28027 Madrid	23 September 2015
26	Av. Bruselas	Building located at Avenida de Bruselas 38, 28108 Alcobendas (Madrid)	23 September 2015
27	Las Mercedes	Retail Park at Calle Campezo 12, 28022, Madrid.	23 September 2015
28	D. Ramón Cruz	Building located at Calle Don Ramón de la Cruz no. 84, 28006 Madrid	8 October 2015
29	Josefa Valcárcel 24	Building located at Calle Josefa Valcárcel no. 24, 28027 Madrid	26 January 2016
30	Viapark	Four retail warehouses located in the town of Vícar, Parajes del Cortijo Blanco, Cerrillo de los Vaqueros and Cerro de los Lobos (Almería)	14 April 2016
31	San Fernando *	Industrial warehouse under construction located in sector SUP I-1, in San Fernando de Henares (Madrid)	28 April 2016
32	Sagasta	Building located at Calle Sagasta 31 and 33, 28004 Madrid	17 November 2016
33	Alcalá de Henares	Industrial warehouse located in Alcalá de Henares (Madrid)	25 November 2016
34	Azuqueca de Henares	Industrial warehouse located in Azuqueca de Henares (Guadalajara)	25 November 2016

(Thousands of euros)

	Property	Location	Acquisition Date
35	Luca de Tena 7	Building located at Calle Juan Ignacio Luca de Tena 7, 28027 Madrid	23 December 2016
36	Miguel Ángel 23	Building located at Calle Miguel Ángel, 23, Madrid	16 January 2017
37	Puerto de Somport, 8	Building located at Calle Puerto de Somport 8, Madrid	20 January 2017
38	Cedro	Building located at Calle Anabel Segura 14, Madrid	1 February 2017
39	Sant Cugat	Building located at Avenida Can Fatjó dels Aurons 9, Sant Cugat del Vallés, Barcelona	16 March 2017
40	Sagasta 27	Building located at Calle Sagasta, 27 Madrid	9 May 2017

* This asset is currently under construction. It is scheduled to complete in May 2018.

g) Identification of assets taken into account when calculating the 80% referred to in Article 3.1 of this Act.

The assets taken into account when calculating the 80% referred to in Article 3.1 of the SOCIMI Act are the ones listed in the above table.

h) Reserves from years in which the tax system provided for under the Act was applicable and which have been made use of (not for distribution or offsetting losses) during the tax period, with identification of the year from which the reserves originate.

Not applicable.

16. SUBSEQUENT EVENTS

On 7 July 2017 Axiare Patrimonio SOCIMI S.A. entered into a liquidity contract with JB Capital Markets, S.V., S.A.U. with the aim of increasing liquidity and promoting stability in the listing of the Company's shares. Said contract became valid as of 11 July 2017, replacing the prior contract signed with the same company on 31 October 2014.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

1. ORGANISATIONAL STRUCTURE AND OPERATION

Axiare Patrimonio Socimi, S.A. (Axiare Patrimonio) was incorporated in Spain on 19 March 2014, in accordance with the Spanish Capital Companies Act, through the issue of 10,000 registered shares, each with a par value of €6. At a General Meeting of Shareholders held on 10 June 2014, it was agreed to increase the share capital by means of an offer to subscribe shares in the Company, and the shareholders waived their preferential subscription right.

On 12 June 2014 the Company informed the Tax Authorities that it wished to opt for application of the rules governing Spanish Real Estate Investment Trusts (SOCIMIs).

On 9 July 2014, Axiare Patrimonio went public and made a share capital increase of €360 million through the issue of 36 million ordinary shares, each with a par value of 10 euros.

Axiare Patrimonio was a new company that was created without assets, classified as a blind pool, which would allow it to take advantage of the opportunities available in the Spanish real estate sector. As of 31 December 2014, the Company had invested 1.2 times the capital raised during its IPO, with a total investment of €424 million. The market value of this investment amounted on 31 December 2014 to €439 million (including Manuel de Falla).

In order to raise the necessary funds to continue with its investment plan, the Company initiated a share capital increase in May 2015. It was seeking to raise €395 million, all of which it successfully covered. In total 35,868,988 new shares were subscribed, worth €394,558,868, doubling the Company's capitalization to more than €800 million. One of the peculiarities of this operation was that it was performed without underwriting or guarantees from the banks. The new shares were acquired at a price of €11 per share, which represents a premium of 10 per cent over the price set when the Company's shares were first listed for trading.

During H1 2017, the Company carried out a further share capital increase, listing 7,187,498 new shares, each with a par value of €10 and an issue premium of €3.
Following this share capital increase, the subscribed share capital stands at 79,062,486 fully paid-up ordinary shares. The Company's shareholders include large well-renowned international funds, which are extremely interested in the Spanish real estate market.

Axiare Patrimonio's business strategy focuses on investment in high-quality rental assets with strong growth potential. Its commercial policy is based mainly on exploiting offices in the financial centres of Madrid and Barcelona, as well as in other prime locations outside the city centre, logistics properties in the most important distribution centres in Spain, as well as other commercial properties, primarily retail.

Axiare's Board of Directors conducts its business in accordance with the rules of good corporate governance set out, primarily, in the Company's Articles of Association, the Rules of the General Meeting of Shareholders and the Board of Directors' Regulations.

The Board of Directors is the body that is responsible for overseeing and controlling the Company's business, with jurisdiction over matters such as the adoption of the Company's general policies and strategies, corporate governance and corporate social responsibility, and risk management and monitoring. It is at all times responsible for compliance with the requirements necessary to maintain the Company's status as a SOCIMI.

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

The Board of Directors has two committees, an Audit and Monitoring Committee and an Appointments and Remuneration Committee, whose essential purpose is to provide the Board of Directors with support in the performance of its duties relating to the supervision and control of the Company's day-to-day business.

2. BUSINESS PERFORMANCE AND RESULTS

Since it was listed on the stock market in 2014, the Company has engaged in several transactions for the acquisition of real estate assets which have led to retained earnings that on 30 June 2017 stood at €344 million on a consolidated basis.

The "net business turnover" figure from letting the acquired properties reached €32,245 thousand at 30 June 2017 (€23,387 thousand in the same period of 2016).

During H1 2017, EBITDA stood at €122,047 thousand (€86,955 thousand in the same period in 2016). (EBITDA: Earnings before interest, taxes, depreciation and amortization).

The market value of the Company's assets at 30 June 2017 stood at €1,710 million, equating to a 33.3% increase on the purchase price and 9.1% on the portfolio in like-for-like terms at 31 December 2016.

3. EPRA INFORMATION

The ratios defined in the EPRA's recommended best practices are as follows:

EPRA indicators		(Thousands of euros)
	30/06/2017	31/12/2016
Adjusted EPRA earnings	13,314	24,036
Adjusted EPRA earnings per share	0.18	0.34
EPRA earnings	(10,874)	19,272
EPRA earnings per share	(0.15)	0.27
EPRA NAV (Net Asset Value)	1,184,831	967,817
EPRA NAV per share	15.32	13.8
EPRA NNNAV (Triple Net Asset Value)	1,174,650	956,417
EPRA NNNAV per share	15.31	13.6
EPRA Net Initial Yield (NIY)	3.60%	4.10%
EPRA "Topped-up" NIY	4.10%	4.40%
EPRA vacancy rate	11.00%	14.10%

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

EPRA earnings and EPRA earnings per share		(Thousands of euros)
	30/06/2017	30/06/2016
Earnings per IFRS income statement	**113,997**	**83,764**
Adjustments to calculate EPRA, exclude:		
(i) Changes in value of investment properties	(120,702)	(85,523)
EPRA earnings	**(6,705)**	**(1,759)**
EPRA earnings per share	**(0.09)**	**(0.02)**
Company specific adjustments:		
Company specific adjustments:	20,019	12,868
Adjusted earnings	**13,348**	**11,109**
Adjusted earnings per share	**0.18**	**0.16**

EPRA Net Asset Value (NAV)		(Thousands of euros)
	30/06/2017	31/12/2016
NAV per the financial statements (*)	**1,184,586**	**965,838**
Effect of exercise of options, convertibles and other interests	-	-
Diluted NAV	**1,184,586**	**965,838**
Exclude:		
(iv) Fair value of financial instruments	6,584	9,436
(v.a) Deferred tax	(6,339)	(7,457)
EPRA NAV	**1,184,831**	**967,817**
EPRA NAV per share (in euros)	**15.32**	**13.80**

(*) Includes capital gains on San Fernando

AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

Triple NAV (NNNAV)		(Thousands of euros)
	30/06/2017	31/12/2016
EPRA NAV	**1,184,831**	**967,817**
Include:		
(i) Fair value of financial instruments	(6,584)	(9,436)
(ii) Fair value of debt	(9,936)	(9,421)
(iii) Deferred tax	6,339	7,457
EPRA NNNAV	**1,174,650**	**956,417**
EPRA NNNAV per share	**15,19**	**13,60**

EPRA VACANCY RATE

	Q2 2017			Q4 2016		
	ERV of vacant space	Total ERV	EPRA vacancy rate	ERV of vacant space	Total ERV	EPRA vacancy rate
Offices	7,802	54,490	14.30%	7,148	40,725	17.60%
Logistics	490	13,330	3.70%	1,606	12,971	12.40%
Others	275	10,160	2.70%	254	10,160	2.50%
Total	**8,567**	**77,980**	**11.00%**	**9,008**	**63,856**	**14.10%**

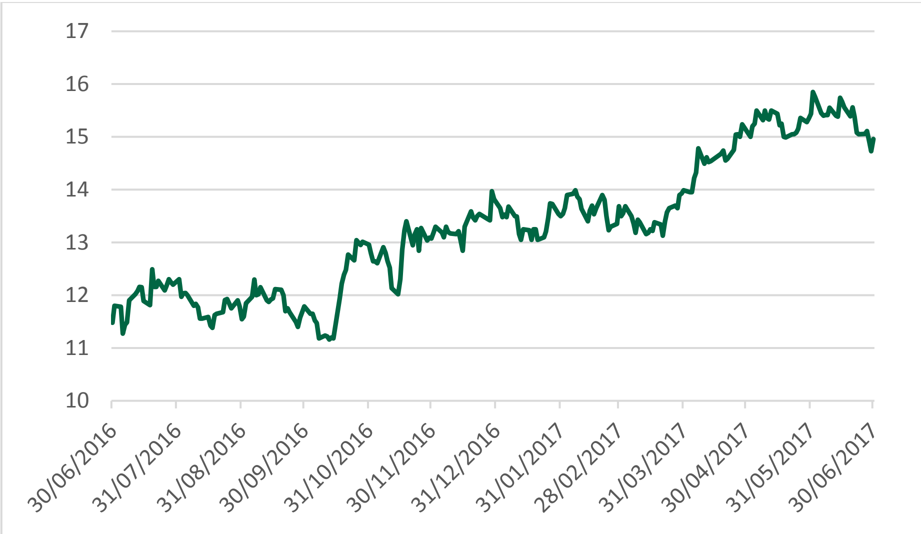
AXIARE PATRIMONIO SOCIMI, S.A. AND SUBSIDIARIES

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

EPRA YIELDS – 30 JUNE 2017				(Thousands of Euros)
	Offices	Logistics	Others	Total
Investment property	1,261,520	302,760	145,250	1,709,530
Minus assets under refurbishment	(162,850)	(110,200)	-	(273,050)
Investment property completed	**1,098,670**	**192,560**	**145,250**	**1,436,480**
Estimated real estate asset transaction costs	17,029	2,985	2,251	22,265
Gross up completed property portfolio valuation (B)	**1,115,699**	**195,545**	**147,501**	**1,458,745**
Annual return on real estate investments	37,724	11,429	8,818	57,972
Operating costs associated with non-recoverable assets	(3,796)	(343)	(866)	(5,005)
Annualised net rents (A)	**33,928**	**11,086**	**7,953**	**52,967**
Temporary rental discounts or rent-free periods	6,766	648	-	7,414
Maximum net return on real estate investments (C)	**40,693**	**11,734**	**7,953**	**60,380**
EPRA NIY (A/B)	**3.0%**	**5.7%**	**5.4%**	**3.6%**
EPRA "topped-up" NIY (C/B)	**3.6%**	**6.0%**	**5.4%**	**4.1%**

EPRA YIELDS – 31 DECEMBER 2016				(Thousands of Euros)
	Offices	Logistics	Others	Total
Investment property	973,200	230,600	139,200	1.343.000
Minus assets under refurbishment	(179,530)	(57,200)	0	(236,730)
Investment property completed	793,670	173,400	139,200	1,106,270
Estimated real estate asset transaction 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
Annual return on real estate investments	29,939	10,166	8,860	48,965
Operating costs associated with non-recoverable assets	(1,722)	(423)	(870)	(3,015)
Annualised net rents (A)	28,217	9,743	7,990	45,950
Temporary rental discounts or rent-free periods	**2,450**	**757**	**124**	**3,332**
Maximum net return on real estate investments (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%**

4. PERFORMANCE OF THE COMPANY'S SHARES



The graph shows the share price performance from 1 July 2016, starting from a listed price of €11.8 per share and ending the first six months of the year at €14.96 per share.

5. TREASURY STOCK

Movements in treasury stock over the period have been as follows:

	2017		2016	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
Opening balance	1,536,266	18,678	416,928	4,631
Additions/purchases	289,631	3,977	2,797,932	33,693
Reductions	(111,605)	(1,514)	(1,678,594)	(19,646)
Closing balance	**1,714,292**	**21,141**	**1,536,266**	**18,678**

Shares owned by the Company itself at 30 June 2017 represented 2.17% of the Company's share capital (2.11% at 31 December 2016) and totalled 1,714,292 shares (1,536,266 shares at 31 December 2016). The average cost of the Company's own shares was €12,332 per share (€12,158 per share at 31 December 2016).

These shares are registered reducing the value of the Company's equity on the 30 June 2017 to €21,141 thousand (€18,678 thousand on 31 December 2016).

The Parent Company has complied with the requirements of Article 509 of the Spanish Capital Companies Act, which establishes that the par value of acquired shares listed on official secondary markets, together with those already held by the Parent Company and its subsidiaries must not exceed 10% of the share capital. The subsidiaries do not hold either treasury shares or shares in the Company.

6. DIVIDEND POLICY

SOCIMIs are governed by the special tax rules established under Act 11 of 26 October 2009, with the amendments introduced by Act 16 of 27 December 2012, under which SOCIMIs (Spanish Real Estate Investment Trusts) are governed. They are required to distribute the profits they obtain over the course of the year to their shareholders in the form of dividends, after complying with the relevant corporate obligations. Distribution must be approved within the six months following the year end, in the following way:

a) 100% of the profits resulting from dividends or profit shares received from the companies referred to in Article 2.1 of this Act.

b) At least 50% of the profits earned from the transfer of the property, shares or ownership interests referred to in Article 2.1. of the Act, where this occurs after the deadlines referred to in Article 3.3 of the Act have expired, when the property, shares or interests are used to comply with the Company's primary corporate purpose. The remainder of these profits must be reinvested in other property or investments related to the performance of this corporate purpose within three years of the transfer date. Otherwise, these profits must be distributed in full together with any profit earned, where applicable, in the year in which the reinvestment period expires. If the items in which the reinvestment has been made are transferred prior to the end of the holding period, profits must be distributed in full, together, where applicable, with the part of the profits attributable to the years in which the Company was not taxed under the special tax scheme provided for in the aforementioned Act.

c) At least 80% of the remaining profits obtained.

The dividend must be paid within one month of the distribution agreement. When dividends are distributed with a charge to reserves originating from profits for a year in which the special tax rules were applied, the distribution must compulsorily be approved by means of the resolution referred to above.

The Company is required to allocate 10% of its profits for the year to the legal reserve until the balance held in this reserve amounts to 20% of its share capital. The balance of this reserve is not available for distribution to the shareholders until it exceeds the 20% limit. The articles of association of these companies may not establish any restricted reserve other than the foregoing.

The following table shows the distribution of the results in 2016, which were approved by the General Meeting of Shareholders on 20 June 2017:

DISTRIBUTION OF THE RESULTS		(Thousands of euros)
		2016
Result for the year		
Profits		13,792
Distribution		
Legal reserve	10% of Profits	1,379
Dividends	100% of Profits may be distributed	12,413
		13,792

The approved distribution of the 2016 result, with a total dividend of €12,413, was paid to shareholders in June 2017.

7. RISK MANAGEMENT

Axiare Patrimonio has a risk monitoring system in place that covers its operations and suitably matches its risk profile. Risk management policies are monitored by the Board of Directors.

The main risk to the attainment of the Company's objectives concerns compliance with the necessary legislative requirements to ensure it retains its SOCIMI status.

The risk monitoring system also includes the management of financial risk. The policies applied in order to hedge against each type of risk are detailed in the accompanying Notes.

Note 4 of these Notes gives details of the Group's risk management activities.

8. THE TEAM

The team of professionals who make up Axiare Patrimonio is one of the Company's main strengths. Since its incorporation, the Group has selected the necessary personnel to develop its strategy and achieve its objectives.

Axiare Patrimonio is a self-managed real estate investment group whose management team forms an integral part of its organisational structure.

This internal team works exclusively for the company and its shareholders on a full-time basis. The team comprises specialist professionals with extensive experience and a recognised track record in the real estate sector and with a deep understanding of the market. This expert group of professionals is able to undertake highly complex investment operations over short periods of time and complete all aspects of the value creation process; from identification of the investment to the active management of the property and its potential turnaround.

The Company is overseen by a Board of Directors, the broad majority of whom are independent directors, and who combine skills in the real estate, financial and legal sectors. The Board is advised by an Investments Committee, an Appointments and Remuneration Committee and an Audit and Monitoring Committee that oversee compliance with the investment and profitability requirements established by the Company.

Axiare Patrimonio has assembled a strong team of real estate professionals who together have accumulated more than 100 years' experience and who devote their time exclusively both to the creation of value for the company and the shareholders and to the satisfaction of their customers. Their specialist skills and existing contact network provide the management team with access to unique investment opportunities in the Spanish real estate market

9. MAJOR EVENTS OCCURRING AFTER THE END OF THE PERIOD

Note 17 of the notes to these accounts details the events that have occurred between the year-end and the approval of these notes.

10. COMPANY PERFORMANCE FORECAST

The Axiare Patrimonio Group has investment capacity with regard to its cash flows and it has the capacity to finance the assets that remain pending financing. In H2 2017 the Group will continue to pursue its investment strategy, which focuses on commercial properties in Spain.

The Group will also continue to actively manage its properties, focusing on improving leases expiring in 2017, as well as occupancy.

Several of the Group's assets are undergoing refurbishments which are scheduled to be completed during H2 2017.

AXIARE PATRIMONIO SOCIMI, S.A.

PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

Pursuant to the requirements set out in Article 253 of the Spanish Capital Companies Act and Article 37 of the Spanish Commercial Code, on 25 July 2017 the Board of Directors of the Company Axiare Patrimonio Socimi, S.A., hereby approves the condensed consolidated interim financial statements and the consolidated interim management report for the period between 1 January 2017 and 30 June 2017, which comprise the attached documents that precede this written submission.

Luis María Arredondo Malo
Chairman

Luis Alfonso López de Herrera-Oria
Board Member

Fernando Bautista Sagüés
Board Member

David Jiménez-Blanco Carrillo de Albornoz
Board Member

Cato Henning Stonex
Board Member