2018
trading update first quarter

axiare
PATRIMONIO

OUR PORTFOLIO

Axiare's Portfolio at 31 March 2018 comprises 42 properties with a total GLA of 827 thousand sqm. Total volume invested stands at EUR 1,281 million, with a gross asset value (GAV) of EUR 1,785 million[1].

In line with the company's strategy set out at the IPO, the portfolio breakdown stands at 75% offices (of which ca. 50% is located in CBD locations), 18% logistics platforms and 7% other commercial assets, mainly retail warehouses.

PORTFOLIO BREAKDOWN AT 31 MARCH 2018[2]

Investment properties

EUR m. unless specified	GLA (sqm)	Acquisition Price	Acquisition Cost	GAV
Offices	**251,367**	**885.5**	**904.3**	**1,193.8**
Madrid	224,016	813.0	828.8	1,099.8
CBD	62,591	371.7	378.8	519.2
BD	161,425	441.3	450.0	580.5
Barcelona	27,351	72.5	75.5	94.0
Logistics	**332,929**	**120.3**	**123.7**	**211.7**
Madrid	222,184	92.8	95.4	158.0
Barcelona	68,279	18.0	18.6	31.5
Other	42,466	9.4	9.7	22.2
Others	**59,715**	**96.5**	**100.4**	**125.0**
Total investment properties	**644,011**	**1,102.2**	**1,128.4**	**1,530.4**

Redevelopments

EUR m. unless specified	GLA (sqm)	Acquisition Price	Acquisition Cost	GAV
Offices	**49,680**	**98.9**	**100.6**	**138.5**
Madrid	49,680	98.9	100.6	138.5
CBD	4,481	18.6	19.6	25.5
BD	45,199	80.3	81.1	113.0
Logistics	**133,306**	**81.0**	**81.5**	**116.4**
Total redevelopments	**182,986**	**179.9**	**182.2**	**254.9**

Total Portfolio	**826,997**	**1,281.1**	**1,310.5**	**1,785.3**

1) Based on the external independent appraisal carried out by CBRE Valuation Advisory at 31 December 2017, and on the net acquisition price for the assets acquired in Q1 2018 and adjusted for disposals
2) Investment properties comprise rented or under commercialization properties, excluding currently undergoing redevelopments. Redevelopments in the quarter include Sagasta 27, Av de Bruselas, Puerto de Somport and Josefa Valcarcel 40 bis in Offices; San Fernando (phases I and II) in Logistics

LEASING MANAGEMENT

Leasing activity remained intense in the first quarter of the year, with over 55,000 sqm signed across the offices and logistics portfolio. Demand continues to gain momentum, as large quality spaces are scarce in the market. CBD rents increased by ca. 10%[3] in the past 12 months and we are now seeing this trend in well-stablished BD markets. Average rents in CBD are now at 31 €/sqm in Madrid and 24 €/sqm in Barcelona, and vacancy levels continue to decrease (currently 10.5% in Madrid and 10.0% in Barcelona). Office take-up for the quarter reached 140 thousand sqm and 81 thousand sqm in Madrid and Barcelona respectively, up 21% and 4% YoY[3].

During the first quarter, Axiare has signed 55,532 sqm in offices and logistics, of which 21,026 sqm corresponds to new leases and 34,506 sqm corresponds to renegotiations of existing contracts.

Highlights for the period includes:

- 1,318 sqm of new contracts signed in offices, in line with December 2017 ERVs
- 8,822 sqm renegotiated in offices, above December 2017 ERVs and with 35.6% releasing spreads, securing EUR 2.7 million of income
- During the quarter, 19,708 sqm of new leases signed in logistics, bringing the logistics investment properties portfolio occupancy to 100%. All new leases were signed above latest valuers' ERVs and will generate EUR 0.8 million of additional annualised income
- One logistics contract renegotiated during the period, covering 25,684 sqm and signed at a 7.7% market premium and with 15.9% releasing spread
- Occupancy rate increased to 92.4% at quarter-end, up 224 bps on a 12-month like-for-like basis, with increases across all sectors
- Since period-end, 2,529 sqm have been signed in offices and 4,400 sqm are in advanced negotiations with positive outlook

OFFICES

Axiare reports another strong quarter in terms of office leasing activity, confirming the positive trend in the office occupier market.

During the quarter, Axiare has signed 10,140 sqm, both in CBD and other consolidated BD areas, of which 1,318 sqm correspond to new leases and 8,822 sqm correspond to renegotiation of existing contracts.

New leases have been signed in line with current markets ERVs[4] and on a triple net basis. During the quarter Axiare has also renegotiated two existing contracts covering 8,822 sqm, signed on average 6.6% above valuers' ERV and with 35.6% releasing spreads, proving once again the positive trend in the office occupier market and Axiare's ability to capture rental growth.

Success Story Sagasta 31-33

Asset:	Sagasta 33
Location:	CBD
Lease renegotiated:	6,037 sqm (86% of total GLA)
Average rent signed (above ground):	29.5 €/sqm
Release Spread:	+49.3%
Compared to ERVs:	+5.4%
Tenant:	Blue Chip

3) Source: CBRE
4) December 2017

During the quarter, there have been tenant exits in Miguel Angel 33 and Velazquez, owing to lease expiries and pending future redevelopment works. All tenants that left the buildings were paying rents significantly below market current levels.

The current occupancy of Axiare's offices investment properties is 80.1%, up 186 bps on a 12-month like-for-like basis, comparing the same properties included in the office investment properties portfolio at the quarter-end March 2017.

Since period end, Axiare has singed an additional 2,529 sqm of office space, achieving rental levels +21% above latest valuers' ERVs and has 4,400 sqm in advanced negotiations with positive outlook to be signed in the near future.

LOGISTICS AND OTHERS

It has been a very successful quarter for the logistics segment. We have achieved full occupancy at quarter-end with the signing of 19,708 sqm of new contracts. New contracts have been signed slightly above latest valuers' ERVs, on a triple net basis, and generating additional rental income of EUR 0.9 million.

We have also renegotiated one logistics contract covering 25,684 sqm, +7.7% above latest valuers ERVs and 15.9% above previous rent signed. Additionally, one of the logistics warehouses in San Fernando has now been delivered and will start generating rents during the next quarter, as will the 9,200 sqm extension of the Dos Hermanas complex.

The current average occupancy across Axiare Patrimonio's logistics investment properties is 100%, up 289 bps on a 12 month like-for-like basis.

During the quarter, no new contracts, renegotiations or tenant exits have taken place in Axiare Patromonio's others portfolio.

Overall, leasing activity helped increase occupancy across Axiare Patrimonio's investment properties to 92.4% at quarter-end. This represents an increase of 224 bps on a 12-month like-for-like basis. The decrease in Axiare's investment properties office portfolio is due to tenant exits in future redevelopments and the incorporation of Ribera del Loira and JI Luca de Tena 6 as investment properties following works completion.

Investment properties[5]	Q1 2018[6]	Q4 2017	QoQ change	12 months LfL Q1 2018	12 months LfL Q1 2017	12 months LfL change
Offices	**80.1%**	**87.4%**	**(732) bps**	**85.9%**	**84.0%**	**186 bps**
Madrid	77.7%	85.8%	(808) bps	83.9%	81.7%	213 bps
CBD	79.5%	86.4%	(764) bps	75.9%	76.3%	(40) bps
BD	77.0%	85.5%	(849) bps	87.0%	83.9%	311 bps
Barcelona	100%	100%	-	100%	100%	-
Logistics	**100%**	**94.1%**	**592 bps**	**100%**	**97.1%**	**289 bps**
Madrid	100%	91.1%	887 bps	100%	95.7%	433 bps
Barcelona	100%	100%	-	100%	100%	-
Other	100%	100%	-	100%	100%	-
Others	**100%**	**100%**	**-**	**100%**	**100%**	**-**
Total	**92.4%**	**92.2%**	**19 bps**	**95.0%**	**92.7%**	**224 bps**

5) Investment properties comprise rented or under commercialization properties, excluding those currently undergoing redevelopments. Redevelopments in the quarter include Av de Bruselas, Puerto de Somport, Sagasta 27 and Josefa Valcarcel 40bis in Offices; San Fernando (phases I and II) in Logistics
6) Following works completion, Ribera del Loira and JI Luca de Tena 6 have been added as investment properties

REDEVELOPMENT MANAGEMENT

Progress on the 2018 schemes is detailed below.

3 schemes **completed** during the quarter:

Juan Ignacio Luca de Tena 6

Refurbishment works were completed at the end of Q1 2018, with the building pre-certified LEED Platinum. The main entrance and reception area has undergone a major modernization, the office floor configuration has been redesigned, opening the western façade and increasing levels of natural light in all office floors. The freestanding building also benefits from ample floor to ceiling height.

The building is an ideal headquarter building for medium-sized companies, given its strategic location directly opposite the soon-to-open Banco Santander new 85,000 sqm office complex and 6,000 sqm shopping centre.

Axiare purchased Luca de Tena 6 in September 2015, for EUR 9.5 million, representing a capital value of 2,083 €/sqm. Total capital expenditure amounted to ca. 720 €/sqm, bringing the total all-in investment to 2,803 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 7.75% once fully let.


Prior to redevelopment

Ribera del Loira

Refurbishment works were completed at the end of Q1. The project includes improvements to all common areas, building entrance and reception, as well as a new co-working space, overlooking the building's main entrance. In addition, the south-east and entrance façade has been replaced by a new, glass structure, with in-built lighting system, improving the building's new modern appearance. The building has been pre-certified LEED Gold.

Axiare is already in discussions with a number of interested potential multinational tenants and the building is generating good traction, due to its singularity and excellent potential as a large headquarter building.

Axiare purchased Ribera del Loira in December 2014, for EUR 47.0 million, representing a capital value of 3,666 €/sqm. Total capital expenditure will amount to ca. 300 €/sqm, bringing the total all-in investment to 3,966 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 6.25% once fully let.

Dos Hermanas

9,200 sqm warehouse extension. Works started in March 2017 and were completed in Q1 2018. The extension is already fully leased to the existing tenant (Carrefour) and will start generating income in Q2. As a result of the extension, Carrefour has committed to a 5-year obligatory lease term extension.

Axiare purchased Dos Hermanas in July 2014, for EUR 9.4 million, representing a capital value of 222 €/sqm. Total capital expenditure will amount to ca. 80 €/sqm[7], bringing the total all-in investment to 282 €/sqm. Based on the single lease signed with Carrefour, we expect to deliver a yield-on-cost of ca. 12.0%.

7) 76 €/sqm across total warehouse area or 350 €/sqm on warehouse extension

Excellent evolution across three **in progress** schemes – Avenida de Bruselas, Francisca Delgado and San Fernando:

Avenida de Bruselas

Full redevelopment works continue and expected to complete in H2 2018. The building has been stripped back to its structure. All features, systems and installations will be brand new and the latest in terms of sustainability. A new glass curtain façade will provide excellent level of natural light in the office floors, which have a standard floor plate of over 2,000 sqm. The building is already attracting interest from potential international tenants, given its excellent visibility from the A-1 motorway, proximity to Metro station, and large floor plates. The building is expected to be certified LEED Gold.

Axiare purchased Avenida de Bruselas in September 2015, for EUR 27.5 million, representing a capital value of 1,890 €/sqm. Total capital expenditure will amount to ca. 890 €/sqm, bringing the total all-in investment to 2,780 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 7.0% once fully let.

Francisca Delgado

Works began in Q2 2017 and are expected to last until H2 2018. Axiare plan to convert the asset into the first "intelligent" building in Spain, which will be fully connected via state-of-the-art technology, including machine learning and zero interface.

A technological development devised by Axiare will transform the building into a virtually connected space, allowing its occupiers to manage their day-to-day office lives via their mobile phones or by directly instructing the property itself via voice commands.

VIRTO, the new virtual assistant, name and visual identity of the building, is due to be delivered in H2 of 2018 and will comprise more than 17,000 sqm of LEED GOLD office space.

Axiare purchased Francisca Delgado in July 2014, for EUR 28.75 million, representing a capital value of 1,664 €/sqm. Total capital expenditure will amount to ca. 350 €/sqm, bringing the total all-in investment to 2,014 €/sqm. Given current ERVs and the building's current rental income level, we expect to deliver a yield-on-cost of ca. 9.75% once fully let.

San Fernando

Development works on Phase I are well under way and progressing ahead of schedule. Phase II initial works have begun this quarter.

The brand-new logistics complex will feature state-of-the-art design and the most efficient technical specifications in the market, including LED lighting & WiFi system throughout the entire warehouse and offices, and free height of ca. 12 meters. The warehouses will also comply with the strictest fire safety requirements. This is of utmost importance to potential occupiers. The entire complex will have a total GLA of ca. 134,000 sqm.

Phase I is due to be delivered end of H1 2018, and Phase II in H1 2019, both with LEED Gold sustainability certification. Axiare has already pre-let 65% (ca. 42,000 sqm) of the Phase I to a major international logistics operator, given its strategic location and excellent build quality.

Axiare forward purchased San Fernando in two phases, the first in June 2016, the latter in June 2017, for a total of EUR 81.0 million, representing an average capital value of 608 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 10.5% once fully let.

In addition, three development schemes are currently **committed:**

Velazquez

Axiare Patrimonio's largest CBD property will undergo a complete redevelopment, starting in H1 2019. Works will include redistribution of its current layout, new building entrance, common areas, brand new installations, façade and office areas. The refurbished property will include approximately 13,000 sqm of office space and 3,000 sqm of retail space distributed across three units. Standard office floor plates will be over 2,000 sqm, highly sought after by institutional tenants in CBD, and becoming increasingly difficult to source. The new asset is due to be certified LEED Gold.

Axiare purchased Velázquez in various transactions from 2015 to 2018, for EUR 96.5 million, representing an average capital value of 5,547 €/sqm. Total capital expenditure will amount to ca. 1,000 €/sqm, bringing the total all-in investment to 6,547 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 7.5% once fully let.

Somport

Development of a new state-of-the-art office complex of ca. 23,000 sqm with over 525 car parking spaces. Works are due to begin in H2 2018 and complete H2 2020. The complex will feature two office buildings of ca. 11,500 sqm each, inter-connected at ground floor level by a large concrete semi-covered structure, with large, rectangular, column-free office floors of ca. 2,800 sqm each. The campus will also offer spacious green areas and will feature large terraces, and a wide range of modern facilities and tenant services. The complex is due to be certified LEED Gold.

Axiare purchased Somport in various transactions between 2015 and 2016, for EUR 23.27 million, representing an average capital value of ca. 1,000 €/sqm. Total capital expenditure will amount to ca. 1,560 €/sqm, bringing the total all-in investment to 2,560 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 9.0% once fully let.

Miguel Angel

This prime CBD office building will undergo a complete redevelopment, starting in H1 2019. Works will include new facade, new building entrance, common areas, brand new installations and office areas. The refurbished property will feature seven office floors of approximately 1,050 sqm each, and an impressive terrace area on the seventh floor. The new asset is due to be certified LEED Platinum and WELL.

Axiare purchased Miguel Angel in four transactions in 2017, for EUR 53.4 million, representing an average capital value of 6,640 €/sqm (including ground floor retail unit). Total capital expenditure will amount to ca. 1,000 €/sqm, bringing the total all-in investment to 7,640 €/sqm. Given current ERVs, we expect to deliver a yield-on-cost of ca. 6.0% once fully let.

CONSOLIDATED PROFIT & LOSS ACCOUNT (IFRS)

Q1 2018 Analytical Statement (IFRS)

EUR m. unless specified	Q1 2018	Q1 2017	YoY Change
Recurring Gross Rental Income (GRI)	**15.868**	**13.427**	**18.2%**
Non-reimbursable expenses	(1.744)	(1.526)	14.2%
Recurring Net Rental Income (NRI)	**14.125**	**11.901**	**18.7%**
Overheads	(2.349)	(1.877)	25.1%
Recurring operating income (EBITDA)	**11.776**	**10.024**	**17.5%**
Amortization & Provisions	(0.097)	(0.015)	526.9%
EBIT	**11.680**	**10.009**	**16.7%**
Net financial charges	(3.589)	(3.078)	16.6%
Tax	(0.004)	-	-
Underlying net profit	**8.087**	**6.931**	**16.7%**
Change in fair value of assets	-	6.831	(100%)
Other income and expenses	(63.005)	(0.686)	9082.8%
Reported net profit	**(54.917)**	**13.075**	**(520.0%)**
Recurring EPS (EUR)	0.10	0.10	6.8%
Average no. of shares outstanding	78,839,321	72,155,316	9.3%

In february, Colonial finalised successfully the takeover bid with a final stake of 87%. Other income and expenses, mainly includes non-recurrent expenses related to the takeover bid incurred in January by the previous Board of Directors. Adjusted for non-recurring income and expenses items, EPRA Earnings for the 3-month period were EUR 8.2 million and EUR 10 cents per share.

FINANCING

During the quarter, no new financial agreements have been signed or drawn. In addition, upon the sale of Planetocio, Axiare has amortised its mortgage loan which amounted to EUR 11.6 million on the date of amortization.

At 31 March 2018, Axiare's interest bearing debt stands at EUR 664.0 million.

Cash and cash equivalents at 31 March 2018 amounted to EUR 119.4 million, bringing the company's net debt to EUR 554.6 million.

Gross loan-to-value (LTV) stood at 37% at 31 March 2018.

EUR m. unless specified	31/03/2018	31/03/2017
GAV[8]	1,785.255	1,508.800
Gross debt	664.027	670.679
Cash	119.426	230.783
Net debt	544.601	439.896
Gross LTV (%)	37%	44%
Net LTV (%)	31%	29%
% hedge (today)	64%	42%
All-in cost (%)[9]	2.1%	1.9%
Weighted average maturity	8 years	7 years

8) Based on the external independent valuation carried our by CBRE Valuation Advisory and on the net acquisition price for the assets acquired during the quarter and adjusted for disposals
9) All-in cost of debt includes up-front cost, spreads and hedge. Cost of debt to increase to 2.2% in 2019 when all interest rate forward swaps start. At 31 March 2018, 64% of the interest-bearing debt is hedged, this percentage will gradually increase to 75% in the next year

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