ANNUAL REPORT 2016

WCM

Beteiligungs- und Grundbesitz-AG

EARNINGS POSITION €k	1. JANUARY - 31. DECEMBER 2016	1. JANUARY - 31. DECEMBER 2015	CHANGE ABS.	CHANGE IN PERCENT
Rental income	32,613	10,445	22,168	> 100
Net operating income	29,796	9,560	20,236	> 100
Net income	18,561	57,675	-39,114	-67.8
FFO I	18,028	7,930	10,098	> 100
FFO I per share (in EUR)	0.15	0.10	0.04	35.7
FFO II	18,827	7,930	10,897	> 100
FFO II per share (in EUR)	0.15	0.10	0.05	41.7
EPRA Earnings	4,659	7,577	-2,918	-38.5
Earnings per share, undiluted (in EUR)	0.12	0.72	-0.60	-82.7
Earnings per share, diluted (in EUR)	0.12	0.72	-0.60	-83.1

KEY BALANCE SHEET RATIOS €k	31. DECEMBER 2016	31. DECEMBER 2015	CHANGE ABS.	CHANGE IN PERCENT
Investment properties	662,073	501,546	160,527	32.0
Assets held for divestment	0	4,185	-4,185	-100.0
Total assets	710,273	550,924	159,349	28.9
Shareholder's equity (incl. minorities)	315,933	269,582	46,351	17.2
Long term debt	361,864	281,342	80,522	28.6
Net Loan-to-Value (LTV) %	53.1	50.0	3.1	6.2
EPRA NAV	345,366	290,608	54,758	18.8
EPRA NAV per share (in EUR)	2.62	2.38	0.24	10.0
EPRA NNNAV per share (in EUR)	2.39	2.22	0.17	7.7

KEY PORTFOLIO FIGURES as of 31.12.2016	
Number of assets	53
Lettable area	324,031 square meters
Annualised rental income	38.3 million EUR
EPRA net initial yield (NIY)	5.1 percent
EPRA vacancy rate	3.8 percent
Loan-to-Value (LTV) of portfolio	53.1 percent
Weighted average lease time (WALT)	8.9 years
Average cost of dept	2.0 percent

DATA ON THE WCM SHARE	
Industry:	Real Estate
WKN / ISIN:	A1X3X3 / DE000A1X3X33
Share capital:	131,964,552 Euro
Number of shares:	131,964,552
High / Low 2016:	3.30 Euro / 2.47 Euro
Year-end 2015:	2.659 Euro
Year-end 2016:	2.610 Euro
Market capitalisation 2015:	321.1 million Euro
Market capitalisation 2016:	344.4 million Euro
Market segment:	Prime Standard
Indexes:	SDAX, CDAX, DIMAX, FTSE EPRA/NAREIT Developed Europe
Designated Sponsor:	Oddo Seydler Bank AG und Equinet Bank AG
Stock exchanges:	Xetra, Frankfurt, Hamburg, Stuttgart

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THE STRATEGY AND BUSINESS MODEL OF WCM AG

WCM AG specialises in long-term leasing of high-quality office and retail properties at the top locations in Germany. In doing so, it focuses on the acquisition and efficient management of properties with low vacancy rates in the core and core-plus segments. WCM also purchases properties in the value-added segment and takes advantage of opportunities that arise here. These properties are sold again after the value-adding activities – such as the reduction of vacancies – have been completed. The goal of the dynamically growing company is to continue expanding its existing property portfolio – although growth is not an end in itself. There is a very clear focus on added value for the shareholders. Growth must always contribute to increasing enterprise value, too. In fiscal year 2016, WCM once again succeeded in expanding the existing portfolio in line with its strategy from a value of around €505.7m at the end of 2015 to €662.1m at the end of 2016. Despite this significant expansion, the key parameters were largely maintained and even improved in some cases: the initial yield of around 5.8 percent, the weighted average lease term (WALT) of 8.9 years and the low vacancy rate of 3.8 percent.

WCM aims for high and steady cash flow. It achieves this by concluding long-term rental agreements with solvent tenants and thus generating stable long-term rental income as an owner of high-quality properties. The shareholders benefit from the contribution account for tax purposes. This gives investors the opportunity to receive dividends without any deduction of capital gains tax within certain limits. WCM also plans to pay out an attractive dividend for the first time for fiscal year 2016.

One key to WCM's success is the experienced management team headed by CEO Stavros Efremidis and CFO Ralf Struckmeyer. Thanks to this team's extensive property and management expertise, WCM firstly has excellent access to attractive properties and portfolios – including opportunities – in the property sector. This considerably helped with the expansion of the portfolio in line with the strategy in the 2016 fiscal year and will also benefit the Company in future acquisitions. In addition, WCM employs experienced staff for asset and property management, i.e. for the successful management and optimisation of the properties already acquired. This also represents a significant part of the Company's long-term value creation.

The business activities in relation to office properties focus on the seven top locations in Germany: Munich, Hamburg/Bremen, Berlin, Frankfurt/Rhine-Main, Cologne/Düsseldorf, the greater Stuttgart area and Dresden/Leipzig. In doing so, the Company acquires high-quality properties with solvent tenants and long-term rental agreements. WCM's target yield in this segment is 5 percent or higher p.a., while the vacancy rate on acquisition must not exceed a maximum of 10 to 20 percent, which is then reduced by means of the Company's own professional asset management.

With regard to retail properties, WCM focuses on metropolitan regions in Germany that have a high population density and good infrastructure. It aims to conclude rental agreements with a term of more than 10 years with renowned retail companies. WCM's target yield here is 6.5 to 8 percent p.a. In the retail sector, as in the office sector, the Company invests in high-quality properties. Here, too, the reduction of vacancy rates – which are usually already low – represents an additional value driver.

With regard to financing, WCM is continuing to benefit from the low interest rate level. For the total portfolio already acquired with a value of €662.1m, the Company has an interest rate for property loans of a low 2 percent with an average remaining term of 6 years (as at 31 December 2016). Accordingly, this gives rise to an above-average spread of 4 percent between the net yield of the portfolio and the financing. In future transactions, the Company will likewise aim to optimise its financing structure and achieve a high gross margin. The loan-to-value (LTV) ratio of the overall portfolio amounted to 53.1 percent at the end of 2016 and was thus in the target range of 45-55 percent.

WCM's goal is still to continue to grow dynamically and in line with its strategy as a highly profitable commercial property company and to further expand its property portfolio to a market value of more than €1bn in the medium term, thus creating long-term value for its shareholders.

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholder,

Dear Sir or Madam,

WCM developed very dynamically and successfully again in fiscal year 2016. We significantly expanded our portfolio to 53 properties with a market value of €662.1m. In addition, we have already contractually secured further properties worth approximately €113m in total, which are to be incorporated in our statement of financial position in the next few months. This results in a property portfolio with a total value of around €775m at the beginning of 2017. The comparative figure from the previous year was €505.7m. This significant expansion of the portfolio was achieved while maintaining our strict criteria for acquisitions. At the same time, we also sold properties that did not belong to our core portfolio in the past year. When making purchases and sales, there is one thing above all that we focus on – increasing value for you, our shareholders. Our success in doing so in 2016 is reflected not least in the development of the NAV, the net asset value per share. This figure rose significantly over the course of the year to reach €2.62 at the end of 2016 after €2.38 a year before.

In 2016 we have achieved significant operating progress: The operating result (Funds from Operations; FFO) has more than doubled and reached €18m compared to €7.9m in 2015. In 2016, the net income was €18.6m after €57.7m in 2015. The decline is mainly attributable to lower increases of IFRS valuations in 2015. The earning per share amounted to €0.12 after €0.72 in the previous year. The management will propose at the annual general meeting a dividend of €0.10 per share for 2016. This would mark the first payment of a dividend since the restart of WCM in 2014. For 2017 we also want the shareholders to participate in the company's success by paying an attractive dividend.

The key performance indicators for our portfolio show that we also did not compromise on the acquisition criteria for our properties in 2016. Annualised rental income increased to €38.3m, bringing the net yield on the overall portfolio to 5.8 percent. At the same time, the weighted average lease term (WALT) is long in comparison to the sector as a whole at 8.9 years. This positive picture is rounded off by a low vacancy rate of only around 3.8 percent. Alongside the high rental income of the portfolio we have acquired over the past years, we also have very favourable financing conditions. For example, the average interest rate on the property loans is 2 percent with an average remaining term of 6 years. We see these figures as proof of the successful work of the entire WCM team in the past year.

In line with the growth of the property portfolio and in view of its planned further expansion, the team was also systematically expanded with pronounced real estate expertise and the corresponding network in 2016. In Ralf Struckmeyer, an experienced real estate specialist with many years of experience in finance was also promoted to the Management Board of WCM as at 5 May 2016. He is responsible for the areas of acquisitions and finance, having taken over the position of Frank Roseen after he left the company.

The determined implementation of our strategy was also rewarded by the capital market. Since the new management took over and operating activities were resumed at the end of 2014, the WCM share price has risen by 81.25 percent to €2.61 per share as at the end of the year. Market capitalisation increased further and amounted to approximately €344m at the end of the past year.

In fiscal year 2017, we aim to build on our successful business development. Our goal here is to further expand our portfolio of commercial properties in line with the strategy. We are also aiming to continue leveraging the potential of our existing property portfolio. In doing so, we will benefit to a particular extent from our internal Asset Management department.

We would like to take this opportunity to thank our employees for their commitment. Without their exemplary commitment, WCM's dynamic development would not be possible. We also wish to thank our customers and business partners for the trust they placed in us again in 2016. And last but not least, we would like to thank you, dear shareholders, for accompanying your WCM on its growth path. We would be delighted if you choose to stay with us in 2017, too.

Yours sincerely,

Stavros Efemidis
CEO of WCM AG

Ralf Struckmeyer
CFO of WCM AG

SUPERVISORY BOARD REPORT

FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

COLLABORATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Supervisory Board performed the tasks incumbent upon it in full in accordance with the law and the articles of association in the year under review. It continuously monitored the Management Board in its management activities, advised it on all important matters for the Company and satisfied itself of the legality, regularity, expediency and economic efficiency of the corporate governance on an ongoing basis. The Supervisory Board was directly involved in and informed about in all decisions of key importance to the Company at an early stage by the Management Board. In particular, the Management Board briefed the Supervisory Board regularly, promptly and extensively, both in writing and verbally, on the corporate planning, the course of business, the continued strategic development and the current situation of the WCM Group. The reporting related to the Company's risk management and early identification system as well as to compliance and financial management by the Management Board. Documents required for decision-making were provided to the members of the Supervisory Board in good time before the meetings or the written resolution.

Based on reporting by the Management Board, the Supervisory Board discussed the business development, key decisions and transactions and the planning in depth and checked it for plausibility. The Company's strategic orientation was coordinated in dialogue with the Management Board. Where necessary, reporting also included information on differences between actual developments and previously reported targets and between the business development and the planning (follow-up-reporting). When decisions needed to be taken on transactions requiring approval in accordance with the law, the articles of association or the rules of procedure for the Management Board, for example in the case of capital measures or acquisitions of properties/equity investments, the Supervisory Board approved these transactions after a detailed review.

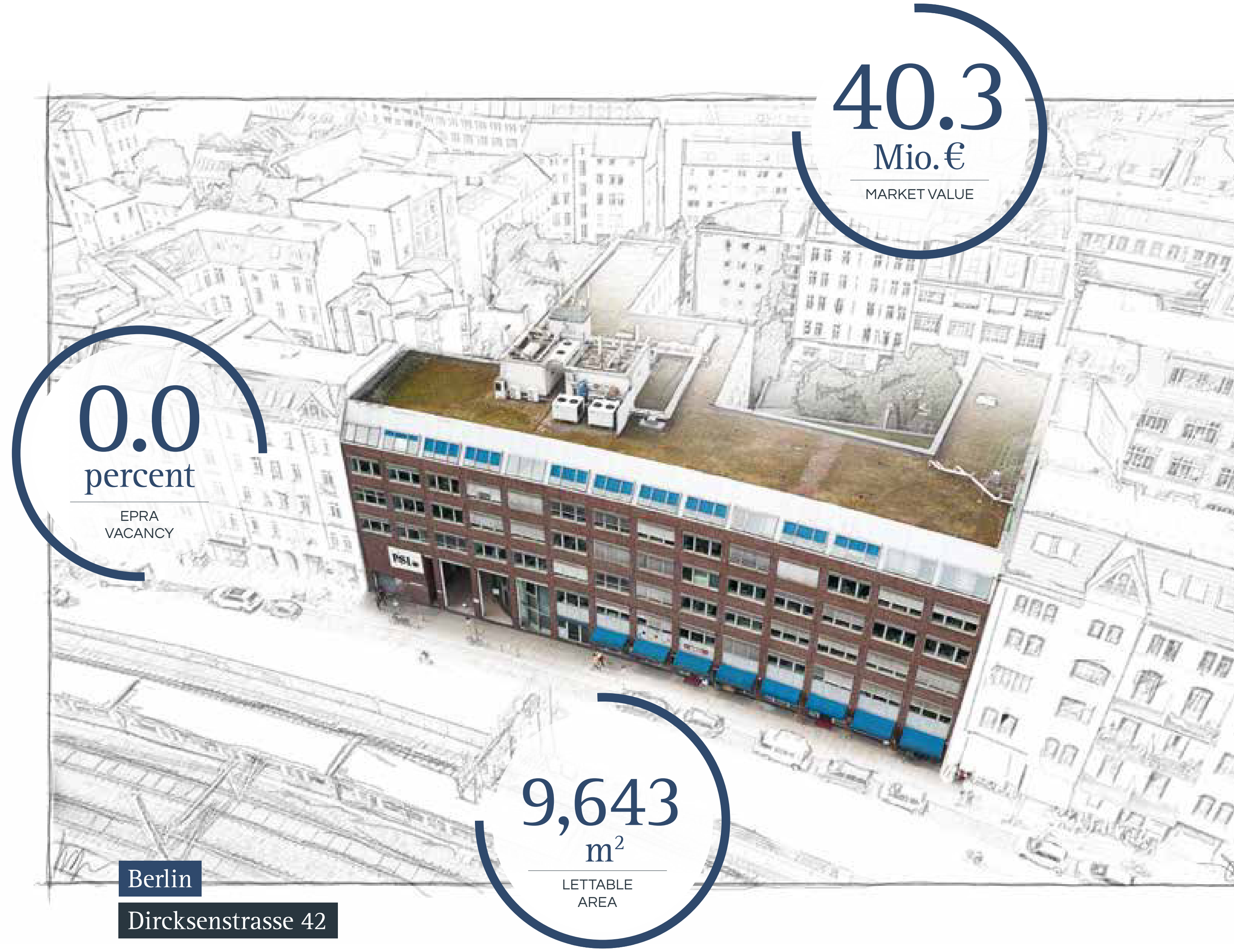
The Supervisory Board Chairman and the Audit Committee Chairman were also in regular contact with the Management Board and particularly with the Chief Executive Officer and were informed about the current development of the business situation and significant transactions. The members of the Supervisory Board as a whole and of the respective committees were always informed of the content and results of this dialogue promptly and no later than at the next meeting. There were no indications of conflicts of interest for members of the Supervisory Board or of the Management Board in fiscal year 2016.

FOCUS AREAS OF DISCUSSIONS OF THE FULL SUPERVISORY BOARD

The Supervisory Board held five meetings during the reporting period. All members attended all of the meetings.

At its meeting on 11 February 2016, the Supervisory Board discussed the business situation and performance of the Company in the first quarter. The Management Board also reported on the status of the acquisition process for an OBI DIY market in Göppingen. Another focus of the meeting was the temporary changes in the shareholder structure as a result of DIC Asset AG's stake purchase. The Supervisory Board's discussions also covered the topic area of Management Board matters. As a result of the positive development of operating business following the Company's relaunch, aspects of Management Board remuneration were discussed, particularly the amount of and targets for bonuses.

At the meeting on 26 April 2016, the Supervisory Board dealt in depth with the financial statement documents, the annual and consolidated financial statements of the Company for fiscal year 2015 and the management report and Group management report, among other matters. After the focus areas of the audit had been explained by the Chairman of the Audit Committee and the auditors, the annual financial statements were approved. Another topic



of the meeting was dealing with the new Market Abuse Regulation. With the assistance of a legal consultant, the Supervisory Board members were informed in detail about the new obligations arising from the regulation. The changed and in some cases stricter requirements for directors' dealings, ad-hoc releases and the maintenance of insider lists were discussed, as was the development of a corresponding compliance manual in good time before the Market Abuse Regulation came into force. In addition, the agenda of the 2016 Annual Shareholders' Meeting was discussed and approved. The Supervisory Board also resolved unanimously to re-appoint Mr Stavros Efremidis early as a member and Chairman of the Management Board starting from 1 May 2016 and to extend his employee contract until 30 April 2021 in the interests of the Company.

At the meeting on 20 June 2016, the Supervisory Board dealt solely with the non-cash capital increase of €10.0m proposed by the Management Board. The Supervisory Board was provided with explanations regarding the details of the planned measures and discussed the pricing of the non-cash contribution with the Management Board. The Supervisory Board unanimously authorised the Management Board to implement the non-cash capital increase.

The Supervisory Board meeting on 24 August 2016 took place immediately after the Annual Shareholders' Meeting held on that date. The events of the Annual Shareholders' Meeting and the resolutions adopted were discussed. The Management Board also reported on the business performance and results in the first half of 2016.

At the meeting on 13 December 2016, the Supervisory Board was provided with explanations of the Management Board's planning for fiscal year 2017, which it then approved following a discussion. The Supervisory Board also discussed the relocation of the Company's headquarters with the Management Board. The Annual Shareholders' Meeting on 24 August 2016 had resolved to relocated the headquarters of the Company from Frankfurt am Main to Berlin. This resolution has not yet been implemented in the commercial register. The management also examined again whether in view of the future capital measures it might not be more advantageous to keep the Company's headquarters in Frankfurt/Main, and came to the conclusion that it would be advisable to move forward with the resolution.

The Supervisory Board also adopted various resolutions by way of circulation in fiscal year 2016, including in relation to its rules of procedure, approval of investment and divestment decisions and the appointment of Mr Struckmeyer as a member of the Management Board by way of a resolution dated 4 May 2016.

WORK OF THE SUPERVISORY BOARD SUB-COMMITTEES

The Supervisory Board has formed two sub-committees: a Presidential Committee and an Audit Committee.

In fiscal year 2016, the Audit Committee consisted of Mr Karl Ehlerding (Chairman), Mr Rainer Laufs and Mr Thomas Hechtfischer, until Mr Hechtfischer left the Company as at 30 November 2016. The Audit Committee currently consists of Mr Karl Ehlerding (Chairman), Mr Rainer Laufs and Ms Nicola Sievers. In accordance with section 107 (3) sentence 2 AktG, the Audit Committee monitors the financial reporting process, the effectiveness of the internal control system, the risk management system and the internal auditing system, and the selection and independence of the auditor as well as any additional services performed by the auditor. In the period under review, the Audit Committee of the Supervisory Board held three meetings that were all attended by all members.

At the first meeting of fiscal year 2016 on 25 April 2016, the Audit Committee dealt with the annual financial statements for 2015 (separate and consolidated financial statements), had the results of the audit activities explained to it in detail by the responsible auditors from KPMG AG, who attended the meeting, and then recommended that the Supervisory Board as a whole approve the statements.

At a full-day meeting held on 14 September 2016, with the involvement of an external consultant, the Audit Committee dealt in depth with the future increase in its tasks, including as a result of the continued positive development of the Company in fiscal year 2016 and increased legal requirements. At this meeting, the Audit Committee also dealt with the remuneration of the auditor, its independence and the possibility of a rotation. It came to the conclusion that a simplified tender should take place in 2017.

On 12 December 2016, in fulfilment of its duties pursuant to section 107 (3) sentence 2 AktG, the Audit Committee was provided with explanations and reviewed the internal control system, the risk management system and the internal auditing system introduced at the Company. No objections were raised.

On 24 April 2017, the Audit Committee reviewed the annual financial statements for 2016 (separate and consolidated financial statements) with the participation of the responsible auditors from KPMG AG and recommended that the Supervisory Board as a whole approve these statements.

The Presidential Committee currently consists of Mr Rainer Laufs (Chairman), Mr Karl Ehlerding and Mr Bernd Günther. In the year under review, the Presidential Committee of the Supervisory Board did not hold any separate meetings, but instead coordinated by telephone on a regular basis. The Presidential Committee is responsible for preparing personnel decisions to be made by the Supervisory Board.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

Responsible and transparent corporate governance is given high priority at WCM. Information on corporate governance can also be found in the "Corporate Governance" section of the Group management report in the 2016 annual report on pages . With regard to version of the German Corporate Governance Codex dated 5 May 2015, which remained unchanged in 2016, the Management Board and the Supervisory Board issued a declaration of compliance on 13 December 2016, which – together with the corporate governance statement in accordance with section 289a HGB – was made permanently available to the shareholders on the Company's website. The current declaration of compliance is also reproduced on pages of the 2016 annual report.

REVIEW OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG, which was appointed as the auditor of the annual and consolidated financial statements for fiscal year 2016 by the Annual Shareholders' Meeting on 24 August 2016, audited the annual financial statements of WCM as at 31 December 2016 and the consolidated financial statements as at 31 December 2016 and issued them with an unqualified audit opinion.

The financial statement documents (the annual financial statements and consolidated financial statements as at 31 December 2016 and the management report and Group management report for fiscal year 2016) and the Management Board's proposal for the utilisation of net retained profits, as well as the auditor's audit reports, were submitted to the Audit Committee and the Supervisory Board in good time. These documents were examined thoroughly. At its meeting on 24 April 2017, which was also attended by the auditor, the Audit Committee was informed in detail about WCM's single-entity and consolidated financial statements, and also received in-depth information on the major issues. The Supervisory Board reviewed the annual financial statements of WCM, the proposal for the utilisation of net retained profits and the consolidated financial statements. At its meeting on 25 April 2017, which was also attended by the auditor, it discussed these documents in depth and approved both sets of financial statements. After performing its own review and taking account of the earnings development and financial position, the Supervisory Board endorsed the Management Board's proposal for the utilisation of profits. Together with the Management Board, we will propose to the Annual Shareholders' Meeting that a dividend of €0.10 per eligible share be paid out for fiscal year 2016.

CHANGES IN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Mr Frank Roseen left the Management Board by mutual agreement on 5 May 2016.

By way of a Supervisory Board resolution dated 4 May 2016, Mr Ralf Struckmeyer was appointed as an additional member of the Management Board with effect from 5 May 2016. He has taken on Frank Roseen's tasks and holds the position of Chief Financial Officer (CFO).

Mr Stavros Efremidis acted as Chairman of the Management Board throughout the whole fiscal year. The Supervisory Board extended the contract of Stavros Efremidis early until 30 April 2021, thereby recognising the successful relaunch and dynamic development of the Company under his leadership.

Supervisory Board member Thomas Hechtfischer resigned from his position on the Supervisory Board (and thus also his membership of the Audit Committee) with effect from 30 November 2016.
A successor has not yet been appointed. This does not affect the Supervisory Board's ability to form a quorum.

Frankfurt/Main, 25 April 2017

R. Laufs

Rainer Laufs
Chairman of the Supervisory Board

ACHIEVEMENTS AND MILESTONES

In fiscal year 2016, WCM continued on the path it had already successfully begun. While maintaining the quality criteria, the property portfolio was increased from 49 properties with a market value of €505.7m at the end of 2015 to 53 commercial properties with a volume of €662.1m as at 31 December 2016. It should be noted here that 4 properties that did not fit with the strategy were also sold during the past fiscal year. In addition, WCM contractually secured further real estate portfolios, although these were not yet recognised in the accounts as at the end of 2016. The acquisition costs for these properties amount to approximately €98m, bringing the total contractually secured volume of the property portfolio to around €775m.

The expansion of the portfolio of office and retail properties at attractive locations in Germany was achieved mainly through the acquisition of 3 very attractive retail portfolios (see also milestones diagram). In this context, WCM was able to draw on its extensive real estate expertise and its robust network. All acquisitions meet the Company's clear criteria and corporate strategy of purchasing high-quality commercial properties in good locations with attractive yields and a low vacancy rate. The Company's internal Asset Management department also takes advantage of income potential that arises. After commercial properties had mainly been acquired in the target regions of Berlin, Frankfurt/Rhine-Main and Dresden at the end of 2015, acquisitions were made in the regions of Hamburg/Berlin, southern Germany and Leipzig/Dresden in 2016. The exact details of the purchased portfolio are presented in depth in the section on WCM's portfolio (page 16 ff).

MARCH 2016	WCM completes the purchase of the DIY store in Göppingen notarised in February 2016, which features a high energy efficiency standard and a lease term of 14 years. The property has a current market value of €24.4m and a WALT of 14 years.
APRIL/MAY 2016	WCM sells a property in Bremerhaven and three properties that do not fit with the strategy for a total of €25m.
MAY 2016	WCM extends the contract with Chief Executive Officer Stavros Efremidis early until 30 April 2021, thereby recognising the dynamic development of the Company under his aegis. Ralf Struckmeyer joins the Management Board and assumes responsibility for the area of finance.
JUNE 2016	WCM acquires a retail centre in Straubing (Bavaria) by way of contribution in kind for a purchase price of €54.8m with WCM shares issued at €2.80 and thus considerably above the EPRA NAV of €2.41 per share. The retail centre generates annual rental income of around €3.5m.
SEPTEMBER 2016	WCM acquires four retail centres for a net purchase price of €66.5m. The portfolio generates annual rental income of around €4.4m, corresponding to a gross initial yield of 6.6 percent. The core tenant at all four locations is a leading hypermarket operator that accounts for around 37 percent of the total rental income. The weighted average lease term (WALT) with the core tenant is 12.3 years.
NOVEMBER 2016	WCM accelerates its growth with another contractually secured property portfolio with a market value of approximately €113m. The portfolio consists of three retail centres with around 88,000 square metres of rental space in the federal states of Baden-Württemberg and Saxony-Anhalt. The core tenant at all three locations is a leading food retail chain and has a lease term of 6.1 years.
DECEMBER 2016	WCM has succeeded in increasing the number of its properties to 53 by the end of the year and building up a portfolio of around €662.1m within a short period of time.

13,481
m²
LETTABLE AREA

Göppingen
Heininger Strasse 26

24.4
Mio. €
MARKET VALUE

The property portfolio of €662.1m generates annual rental income of €38.3m. The leases still have a high weighted average lease term (WALT) of 8.9 years (as at the end of 2016). The EPRA net yield on the overall portfolio stands at 5.1 percent. Alongside the high and steady cash flow from the rental income of the portfolio, we also have favourable interest rates on our financing. For example, the average interest rate on the property loans is at 2 percent. The average remaining term of the loans comes to 6 years. The loan-to-value (LTV) ratio of the portfolio is at a conservative level of 53.1 percent.

But WCM did more than just make successful purchases. It also sold a number of properties very successfully. All in all, the four disposals of properties which were not strategically compliant achieved selling prices considerably above the book value. Following the sale of the industrial property in Bremerhaven, WCM is now also definitively focused on the retail and office property segments.
As a result of its internal, active asset management, WCM also concluded or extended leases for around 17,900 square metres of rental space under new contracts in the 2016 fiscal year. Leases worth more than €2.0m were concluded in this context. Net rental income was improved, particularly in the specialist retail properties in Dresden, Bavaria and Lower Saxony. The attractiveness of the property portfolio is shown not least by the low vacancy rate, which is currently at 3.8 percent.

Thanks to its consistently pursued strategy, its success in expanding its portfolio over the course of the year and its high level of transparency at the same time, WCM also succeeded in further convincing the capital market. The Company's market capitalisation was thus increased further to €344.4m. The share was also used directly for acquiring properties in 2016, with the purchase of the retail centre in Straubing being financed partly via a contribution in kind by issuing 10 million new WCM shares at an issue price of €2.80.

In addition, WCM presented itself at the annual conference of the European Public Real Estate Association (EPRA) in Berlin in September 2016. WCM also became part of this renowned industry association and now prepares its key indicators in line with the recognised EPRA criteria, which are highly valued by property investors (see also key indicators in accordance with EPRA, page 20).

In terms of organisation, the early extension of the contract with Chief Executive Officer Stavros Efremidis is particularly noteworthy. The new Management Board contract has a term ending in April 2021. In addition, Ralf Struckmeyer joined the Management Board in May 2016 and took over responsibility for the area of finance from the previous CFO, Frank Roseen, who stepped down from his position by mutual agreement on 5 May 2016.

INTERVIEW

WITH STAVROS EFREMIDIS, CHIEF EXECUTIVE OFFICER OF WCM AG, AND RALF STRUCKMEYER, CHIEF FINANCIAL OFFICER OF WCM AG:

LAST YEAR, WCM SIGNIFICANTLY EXPANDED ITS PROPERTY PORTFOLIO. ARE YOU PLEASED WITH THIS DEVELOPMENT?

Stavros Efremidis: Not only did we increase the value of our property portfolio by 30.9 percent to around €662m at the end of the year, but we also achieved this without making any compromises on our strict acquisition criteria, which is particularly important to me. This means that WCM is continues to grow very profitably with a portfolio of selected office and retail properties. This can also be seen clearly in the increase of the net lettable area by a good 10.2 percent. However, at the same time, rental income more than tripled and the FFO jumped by over 125 percent.

WILL THIS CONTINUE IN 2017?

Stavros Efremidis: Our declared aim is to expand our portfolio to more than €1bn in the foreseeable future. This target has not changed. With a real estate portfolio of currently €800m Gross Asset Value, following our most recent acquisitions, we are on track to achieve this.

BUT THERE ARE PEOPLE SAYING THAT THE ENVIRONMENT IS BECOMING INCREASINGLY CHALLENGING.

Stavros Efremidis: According to a Jones Lang LaSalle investment market overview, the transaction volume of the German commercial property market exceeded €50bn in 2016 again, as already in the previous year. Around 70 percent of the property transactions were in the office and retail area, our core segments. So it's not as if there are no transactions taking place. It is important to get the right properties at a reasonable price. Here the network we have built over the years in the industry and our strong acquisition skills are of particular use for us. Financing costs are also at a historical low, accordingly our margin is better than it was a few years ago.

ON WHAT TERMS IS WCM ABLE TO REFINANCE ITSELF?

Ralf Struckmeyer: Finding the right balance between equity and debt- is important for us. The net LTV of our portfolio was roughly 53 percent at the end of 2016. This allows us to continue concluding financing agreements on highly favourable terms. For us, portfolio quality is just as important as stable cash flows, long WALTs and low vacancy rates. The average interest rate on our property loans was 2.0 percent at the end of last year, with an average maturity of six years.

HOW SENSITIVE IS WCM'S BUSINESS MODEL TO INTEREST RATE MOVEMENTS?

Ralf Struckmeyer: We do not know how interest rates will develop in the future. But we could also cope with slightly higher interest rates as our portfolio's financing structure is extremely solid. We are also seeking to further optimize this. The difference between the net initial yield and financial expenses is a key factor for us, and we continue to make acquisitions as long as this parameter is fine for us and we realize added value for our shareholders.

WHAT ARE THE VALUE DRIVERS FOR WCM'S DEVELOPMENT OVERALL?

Stavros Efremidis: Our current portfolio, which we also acquired on favourable terms with attractive financing, is a preserver of value. As a result, WCM is already now able to establish itself as dividend-bearing stock. We want to continue on this path and expand our portfolio and we have the deal pipeline for this. Thanks to our contribution account for tax purposes, we are able to pay our shareholders dividends without any deduction of capital gains tax. Investors who are highly familiar with our industry are interested in our company, which shows that we are in an excellent position.

SO YOU ARE FOCUSING ON INCREASING ENTERPRISE VALUE IN THE LONG TERM?

Stavros Efremidis: We want to continue to grow profitably and increase the enterprise value for our shareholders. This applies to FFO, NAV and dividend payments alike. We are implementing this strategy with value-adding real estate acquisitions and the consequent sale of properties in case they do not fit with our strategy. This approach allows us to grow and to develop WCM further, while reacting flexibly to market developments and opportunities.

THE PORTFOLIO OF WCM

Ludwigsfelde

Potsdamer Strasse 51

12,612
m²
LETTABLE AREA

19.9
Mio. €
MARKET VALUE

WCM continued its dynamic growth in the 2016 fiscal year. The portfolio of commercial properties was expanded further with purchases in line with the strategy and on the basis of clear acquisition criteria. The market value of the portfolio comprising 53 properties at the end of the year increased by 30.9 percent to €662.1m. WCM thus significantly exceeded the goal communicated in the 2015 annual report of increasing GAV (gross asset value) by at least 20 percent. In the medium term, WCM aims to build up a high-yielding portfolio worth more than €1bn.

As a real estate proprietor, WCM's focus is on increasing the value of high-quality commercial properties and renting them out on a long-term basis. The existing portfolio consists entirely of the two core segments of office properties (53.4 percent in terms of property value) and retail (46.6 percent). The office properties are located in attractive, fast-growing economic hubs and urban centres such as Frankfurt/Rhine-Main, Bonn/Cologne/Düsseldorf, Berlin and Dresden. Retail properties are held by WCM in Bavaria, Baden-Württemberg, Brandenburg and Thuringia, among other regions. The location of the individual retail and office properties is illustrated on the map of Germany (p. 20).

WCM's overall portfolio is characterised by a low EPRA vacancy rate of 3.8 percent, which marks a considerable improvement compared to the rate of 4.8 percent as at the end of 2015. The weighted average lease time (WALT) of the WCM portfolio amounts to 8.9 years – a high level in comparison to the sector as a whole. In the previous year, the WALT had been 9.4 years. The rental area increased by 10.2 percent to 324,031 m² in fiscal year 2016. The annualised basic rent recorded a marked increase of 21.3 percent to €38.3m in fiscal year 2016.

The core tenants at WCM's properties include DEKA, the Federal State of Hesse, OBI GmbH, the industrial company General Electric Deutschland, Kaufland and the software company PSI AG. WCM thus has a broad mix of tenants with strong credit ratings at its properties.

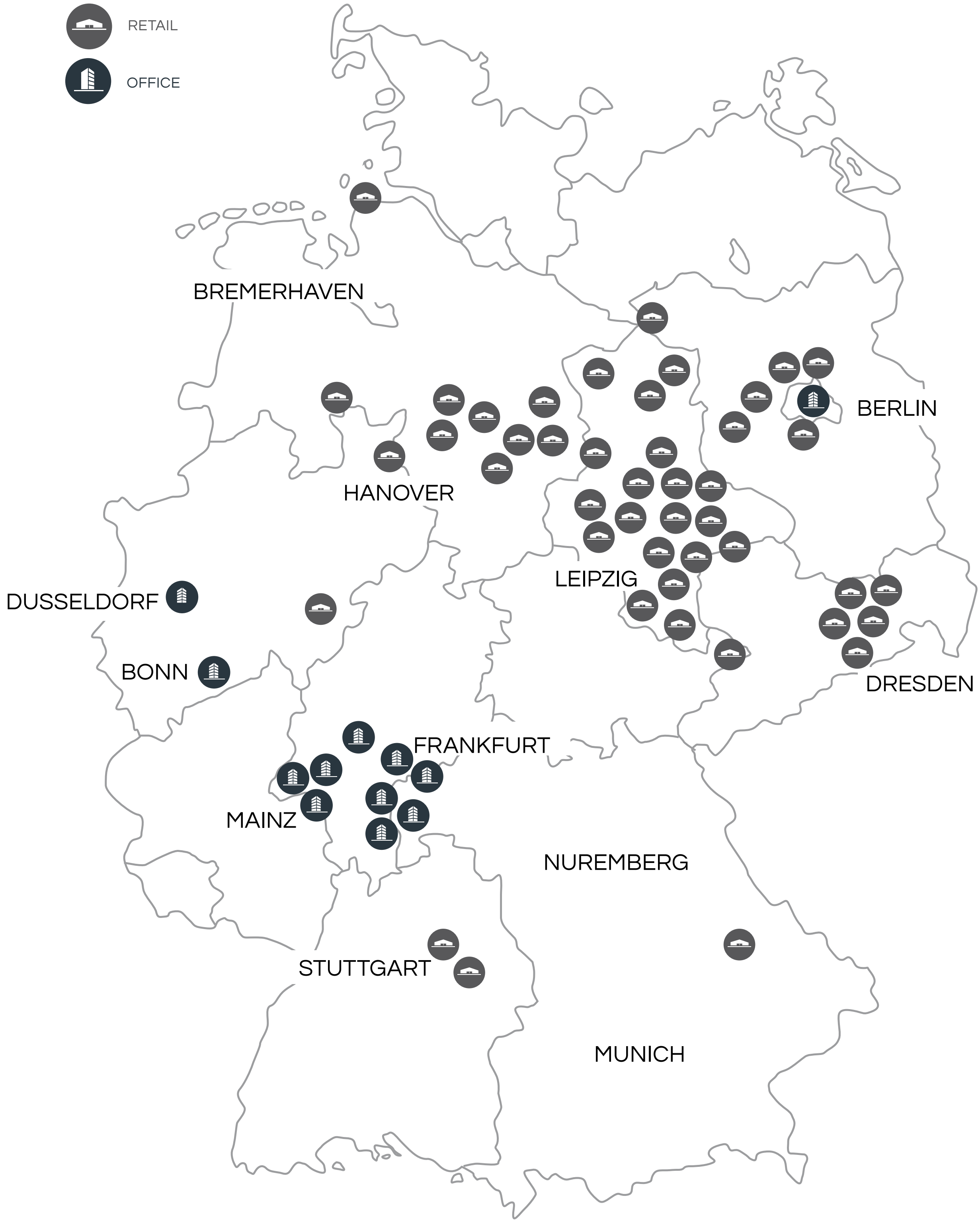
Frankfurt/Main

Zum Laurenburger Hof 76

28,405 m²

LETTABLE AREA

For each individual one of the 53 properties in its total portfolio, WCM reports the IFRS market value, rental area, annual rental income, the EPRA-approved method of determining the vacancy and the weighted average lease time (WALT) in the table (p. 22/23). The information emphasises the high quality of the purchased properties and the resulting quality of the WCM portfolio.


RETAIL
OFFICE
BREMERHAVEN
HANOVER
BERLIN
LEIPZIG
DUSSELDORF
BONN
DRESDEN
FRANKFURT
MAINZ
NUREMBERG
STUTTGART
MUNICH

OFFICE

OFFICE
FRANKFURT/MAIN,
ZUM LAURENBURGER HOF 76

IFRS MARKET VALUE:	114,000,000 €
LETTABLE AREA:	28,405 M²
ANNUALISED RENTAL INCOME:	4,899,209 €
EPRA VACANCY:	10.8 %
WALT (IN YEARS):	17.5

OFFICE
DÜSSELDORF,
KAVALLERIESTR. 2-4

IFRS MARKET VALUE:	7,700,000 €
LETTABLE AREA:	2,953 M²
ANNUALISED RENTAL INCOME:	388,968 €
EPRA VACANCY:	1.7 %
WALT (IN YEARS):	11.7

OFFICE
FRANKFURT/MAIN,
BLEICHSTR. 64-66

IFRS MARKET VALUE:	49,300,000 €
LETTABLE AREA:	11,020 M²
ANNUALISED RENTAL INCOME:	2,373,210 €
EPRA VACANCY:	7.1 %
WALT (IN YEARS):	5.5

OFFICE
BERLIN,
DIRCKSENSTR. 42-44

IFRS MARKET VALUE:	40,300,000 €
LETTABLE AREA:	9,643 M²
ANNUALISED RENTAL INCOME:	1,548,488 €
EPRA VACANCY:	0.0 %
WALT (IN YEARS):	5.2

OFFICE
ESCHBORN,
HELFMANN-PARK 8-10

IFRS MARKET VALUE:	52,500,000 €
LETTABLE AREA:	18,281 M²
ANNUALISED RENTAL INCOME:	3,271,712 €
EPRA VACANCY:	0.0 %
WALT (IN YEARS):	3.9

OFFICE
NEU-ISENBURG,
HUGENOTTENALLEE 167

IFRS MARKET VALUE:	13,400,000 €
LETTABLE AREA:	5,512 M²
ANNUALISED RENTAL INCOME:	805,761 €
EPRA VACANCY:	9.6 %
WALT (IN YEARS):	2.7

OFFICE
NEU-ISENBURG,
FRANKFURT STR. 227-229

IFRS MARKET VALUE:	39,500,000 €
LETTABLE AREA:	18,351 M²
ANNUALISED RENTAL INCOME:	2,586,470 €
EPRA VACANCY:	12.7 %
WALT (IN YEARS):	4.0

OFFICE
BONN,
GRAURHEINDORFER STR. 179A

IFRS MARKET VALUE:	18,800,000 €
LETTABLE AREA:	7,723 M²
ANNUALISED RENTAL INCOME:	1,095,652 €
EPRA VACANCY:	0.0 %
WALT (IN YEARS):	6.3

RETAIL (ACQUIRED IN 2016)
STRAUBING,
HEBBELSTR. 14B

IFRS MARKET VALUE:	55,500,000 €
LETTABLE AREA:	35,104 M²
ANNUALISED RENTAL INCOME:	3,540,578 €
EPRA VACANCY:	2.1 %
WALT (IN YEARS):	5.1

RETAIL (ACQUIRED IN 2016)
ELLWANGEN,
DR. ADOLF SCHNEIDER STR. 20

IFRS MARKET VALUE:	50,500,000 €
LETTABLE AREA:	33,799 M²
ANNUALISED RENTAL INCOME:	3,324,003 €
EPRA VACANCY:	0.4 %
WALT (IN YEARS):	5.1

RETAIL (ACQUIRED IN 2016)
HALLE (SAALE),
SÜDSTADTRING 90

IFRS MARKET VALUE:	42,300,000 €
LETTABLE AREA:	30,721 M²
ANNUALISED RENTAL INCOME:	3,163,911 €
EPRA VACANCY:	6.5 %
WALT (IN YEARS):	6.0

RETAIL (ACQUIRED IN 2016)
ASCHERSLEBEN,
HOYMER STR. 108

IFRS MARKET VALUE:	23,200,000 €
LETTABLE AREA:	15,959 M²
ANNUALISED RENTAL INCOME:	1,549,145 €
EPRA VACANCY:	0.4 %
WALT (IN YEARS):	6.3

RETAIL (ACQUIRED IN 2016)
GLAUCHAU,
WALDENBURGER STR. 175

IFRS MARKET VALUE:	18,400,000 €
LETTABLE AREA:	14,108 M²
ANNUALISED RENTAL INCOME:	1,153,988 €
EPRA VACANCY:	6.0 %
WALT (IN YEARS):	8.3

RETAIL (ACQUIRED IN 2016)
LUDWIGSFELDE,
POTSDAMER STR. 108

IFRS MARKET VALUE:	19,900,000 €
LETTABLE AREA:	12,612 M²
ANNUALISED RENTAL INCOME:	1,093,848 €
EPRA VACANCY:	4.9 %
WALT (IN YEARS):	6.3

RETAIL (ACQUIRED IN 2016)
WITTENBERGE,
WAHRENBERGER STR. 67-69

IFRS MARKET VALUE:	8,920,000 €
LETTABLE AREA:	9,811 M²
ANNUALISED RENTAL INCOME:	602,507 €
EPRA VACANCY:	0.0 %
WALT (IN YEARS):	8.5

RETAIL (ACQUIRED IN 2016)
SCHÖNEBECK,
CALBESCHE STR. 26-37

IFRS MARKET VALUE:	20.200.000 €
LETTABLE AREA:	25.360 M²
ANNUALISED RENTAL INCOME:	1.376.499 €
EPRA VACANCY:	18,6 %
WALT (IN YEARS):	6,0

RETAIL

	STREET	CITY	CATEGORY	YEAR OF CONSTRUCTION	LETTABLE AREA	WALT IN YEARS
1	KAVALLERIESTR. 2-4	DÜSSELDORF	OFFICE	1954	2,953 m²	11.7
2	GRAURHEINDORFERSTR. 179A	BONN	OFFICE	2001	7,723 m²	6.3
3	BLEICHSTR. 64-66	FRANKFURT / MAIN	OFFICE	1972	11,020 m²	5.5
4	ZUM LAURENBURGER HOF 76	FRANKFURT / MAIN	OFFICE	2006	28,405 m²	17.5
5	DIRCKSENSTR. 42-44	BERLIN	OFFICE	1997	9,643 m²	5.2
6	HUGENOTTENALLEE 167	NEU-ISENBURG	OFFICE	2002	5,512 m²	2.7
7	FRANKFURTER STR. 227-229	NEU-ISENBURG	OFFICE	1960	18,351 m²	4.0
8	KREUZBERGER RING 68	WIESBADEN	OFFICE	2006	3,092 m²	2.3
9	ISAAC-FULDA-ALLEE 9	MAINZ	OFFICE	2000	2,764 m²	3.6
10	PETER-SANDER-STR. 10	MAINZ-KASTEL	OFFICE	2003	2,767 m²	6.7
11	NIDDAGAUSTR. 32-38	FRANKFURT / MAIN	OFFICE	Sold		
12	HANS-BÖCKLER-STR. 16	NEU-ISENBURG	OFFICE	1965	3,474 m²	1.2
13	MARSDORFER STR. 5	DRESDEN	OFFICE	Sold		
14	HELFMANN-PARK 8 -10	ESCHBORN	OFFICE	2005	18,281 m²	3.9
15	SIEBENHAUSER STR. 184	WOLFEN	RETAIL	1995	16,886 m²	13.3
16	SEEGRABEN 5	ASCHERSLEBEN	RETAIL	1994	9,071 m²	13.3
17	IM GEWERBEPARK 2	GOMMERN	RETAIL	1994	9,723 m²	13.3
18	REPSOLDSTR. 2	CUXHAVEN	RETAIL	1998	4,438 m²	13.3
19	STOPPSTR. 25	BARSINGHAUSEN	RETAIL	2000	3,411 m²	13.3
20	BAHNHOFSTR. 3	SICKTE	RETAIL	2013	2,250 m²	13.3
21	LEMGOER STR. 28	KALLETAL	RETAIL	1995	2,138 m²	13.3
22	MERGELFELD 1	LEHRTE-AHLTEN	RETAIL	2000	1,886 m²	13.3
23	POPPAUERSTR. 2	KLÖTZE	RETAIL	2011	1,731 m²	13.3
24	BURGSTRASSE 18	LEMFÖRDE	RETAIL	2003	1,726 m²	13.3
25	MOORSTRASSE / ALTES MÜHLENFELD 2	ISENBÜTTEL	RETAIL	1996	1,669 m²	13.3
26	BERLINER ALLEE 10	SCHÖNWALDE	RETAIL	2007	1,596 m²	13.3
27	BEKASSINENWEG 24	BERLIN	RETAIL	1989	1,361 m²	13.3
28	SCHADEWACHTEN 26	STENDAL	RETAIL	2012	1,175 m²	13.3
29	CALENBERGER STR. 47	SEELZE-LOHNDE	RETAIL	2010	1,035 m²	13.3
30	POTSDAMER STR. 79	GROSS KREUTZ (HAVEL)	RETAIL	2014	1,159 m²	13.3
31	NACHTERSTEDTER STR. 3	HOYM	RETAIL	1991	3,074 m²	13.3
32	MARKTSTR. 25	HOLLE	RETAIL	2001	2,106 m²	15.0
33	HEINRICH-NORDHOFF-STR. 1	BADDECKENSTEDT	RETAIL	2000	1,300 m²	13.3
34	STR. DES FRIEDENS 64A	MERSEBURG	RETAIL	1992	1,220 m²	13.3
35	HEIDESTR. 195	DESSAU-ROSSLAU	RETAIL	2004	908 m²	13.3
36	MOLTKESTR. 10	STENDAL	RETAIL	2012	987 m²	13.3
37	ZEITZER STR. 11	DROYSSIG	RETAIL	2012	1,051 m²	13.3
38	ALT POUCH 3	MULDESTAUSEE	RETAIL	2012	1,050 m²	13.3
39	BRANDENBURGER STR. 82C	GOLZOW	RETAIL	2011	1,014 m²	13.3
40	AM KLOSSBERG 26	TEICHA	RETAIL	2000	937 m²	13.3
41	MAGDEBURG-LEIPZIGER STR. 102	STRASSFURT-FÖRDERSTEDT	RETAIL	2002	1,010 m²	13.3
42	BAHNHOFSTR. 18A	HOHENTHURM	RETAIL	2003	945 m²	13.3
43	MITTELSTR. 14	VÖLPKE	RETAIL	2005	850 m²	13.3
44	JACOB-WINTER PLATZ 13 (PROHLIS CENTRUM I)	DRESDEN	RETAIL	2001	8,591 m²	6.1
45	PROHLISER ALLEE 10 (PROHLIS CENTRUM II)	DRESDEN	RETAIL	2001	3,859 m²	4.4
46	PROVIANTHOFSTR. 3	DRESDEN	RETAIL	1900	5,300 m²	8.5
47	JOHANNES-PAUL-THILMAN-STR. 3	DRESDEN	RETAIL	1998	3,566 m²	4.4
48	HAUPTSTR. 29	RADEBEUL	RETAIL	1900	1,025 m²	2.8
49	IN DER TRIFT 17	OLPE	RETAIL	2014	8,922 m²	12.7
50	RIEDEMANNSTR. 1	BREMERHAVEN	LOGISTICS	Sold		
51	HEININGER STR. 26	GÖPPINGEN	RETAIL	2012	13,481 m²	14.0
52	HEBBELSTR. 14B	STRAUBING	RETAIL	1977	35,104 m²	5.1
53	HOYMER STR. 108	ASCHERSLEBEN	RETAIL	1993	15,959 m²	6.3
54	WALDENBURGER STR. 175	GLAUCHAU	RETAIL	1992	14,108 m²	8.3
55	POTSDAMER STR. 108	LUDWIGSFELDE	RETAIL	1997	12,612 m²	6.3
56	WAHRENBERGER STR. 67-69	WITTENBERGE	RETAIL	1996	9,811 m²	8.5
57	HAUPTSTR. 24**	RADEBEUL	OFFICE/RETAIL	Sold		
	PORTFOLIO AS OF 31/12/2016				324,031 m²	8.9
	KARL-MARX-ALLEE 20	JENA-LOBEDA	RETAIL	1995	12,303 m²	5.1
	DR. ADOLF SCHNEIDER STRASSE 20	ELLWANGEN	RETAIL	1992	33,799 m²	5.1
	SÜDSTADTRING 90	HALLE	RETAIL	1996	30,721 m²	6.0
	CALBESCHE STRASSE 26-37	SCHÖNEBECK	RETAIL	1994	25,360 m²	6.0
	CONTRACTUALLY SECURED ASSETS				102,183 m²	5.6
	PRO FORMA PORTFOLIO				426,215 m²	8.2

* no information due to competition ** Not taken into account due to buy and sell on same day

EPRA VACANCY	ANNUALISED RENTAL INCOME	RENT P. €/M² P.M.	GROSS YIELD	VALUATION 31/12/2015	VALUATION 31/12/2016	%-CHG.	COMMENT
1.7 %	388,968 €	11.0 €	5.1 %	7,060,000 €	7,700,000 €	9.1 %	
0.0 %	1,095,652 €	11.1 €	5.8 %	17,800,000 €	18,800,000 €	5.6 %	
7.1 %	2,373,210 €	16.7 €	4.8 %	47,100,000 €	49,300,000 €	4.7 %	
10.8 %	4,899,209 €	13.4 €	4.3 %	107,000,000 €	114,000,000 €	6.5 %	
0.0 %	1,548,488 €	13.1 €	3.8 %	33,400,000 €	40,300,000 €	20.7 %	
9.6 %	805,761 €	12.2 €	6.0 %	13,400,000 €	13,400,000 €	0.0 %	
12.7 %	2,586,470 €	10.4 €	6.5 %	39,000,000 €	39,500,000 €	1.3 %	
0.9 %	410,625 €	10.3 €	7.4 %	5,560,000 €	5,580,000 €	0.4 %	
8.4 %	315,676 €	8.7 €	5.7 %	5,510,000 €	5,540,000 €	0.5 %	
0.0 %	329,763 €	9.3 €	6.9 %	4,630,000 €	4,810,000 €	3.9 %	
				3,442,135 €	-	n.a.	
1.4 %	194,594 €	4.5 €	9.4 %	2,040,000 €	2,070,000 €	1.5 %	
				743,277 €	-	n.a.	
0.0 %	3,271,712 €	13.3 €	6.2 %	51,200,000 €	52,500,000 €	2.5 %	
0.0 %				18,900,000 €	19,400,000 €	2.6 %	
0.0 %				15,000,000 €	15,400,000 €	2.7 %	
0.0 %				8,640,000 €	8,800,000 €	1.9 %	
0.0 %				3,860,000 €	3,980,000 €	3.1 %	
0.0 %				5,080,000 €	5,220,000 €	2.8 %	
0.0 %				5,190,000 €	5,330,000 €	2.7 %	
0.0 %				3,490,000 €	3,580,000 €	2.6 %	
0.0 %				4,170,000 €	4,300,000 €	3.1 %	
0.0 %				2,690,000 €	2,760,000 €	2.6 %	
0.0 %				2,710,000 €	2,770,000 €	2.2 %	
0.0 %				3,230,000 €	3,320,000 €	2.8 %	
0.0 %				2,260,000 €	2,340,000 €	3.5 %	
0.0 %				2,300,000 €	2,360,000 €	2.6 %	
0.0 %				2,100,000 €	2,170,000 €	3.3 %	
0.0 %	7,138,720 €	7.7 €	6.7 %	1,850,000 €	1,900,000 €	2.7 %	
0.0 %				1,630,000 €	1,670,000 €	2.5 %	
0.0 %				2,470,000 €	2,570,000 €	4.0 %	
0.0 %				1,770,000 €	3,830,000 €	116.4 %	Extension of lettable area
0.0 %				1,640,000 €	1,680,000 €	2.4 %	
0.0 %				286,000 €	293,000 €	2.4 %	
0.0 %				1,300,000 €	1,340,000 €	3.1 %	
0.0 %				1,770,000 €	1,820,000 €	2.8 %	
0.0 %				1,520,000 €	1,570,000 €	3.3 %	
0.0 %				1,610,000 €	1,660,000 €	3.1 %	
0.0 %				1,380,000 €	1,420,000 €	2.9 %	
0.0 %				1,350,000 €	1,400,000 €	3.7 %	
0.0 %				1,330,000 €	1,380,000 €	3.8 %	
0.0 %				1,250,000 €	1,280,000 €	2.4 %	
0.0 %				1,110,000 €	1,140,000 €	2.7 %	
0.4 %	1,180,147 €	11.4 €	6.2 %	18,300,000 €	19,000,000 €	3.8 %	
5.9 %	406,871 €	8.8 €	6.4 %	6,110,000 €	6,400,000 €	4.7 %	
0.0 %	n.a.*	n.a.*	n.a.*	9,030,000 €	9,250,000 €	2.4 %	
0.6 %	336,729 €	7.8 €	8.0 %	4,120,000 €	4,200,000 €	1.9 %	
34.3 %	103,760 €	8.4 €	7.3 %	-	1,420,000 €	n.a.	
0.0 %	n.a.*	n.a.*	n.a.*	11,100,000 €	11,300,000 €	1.8 %	
				17,300,000 €	-	n.a.	
0.0 %	n.a.*	n.a.*	n.a.*	-	24,400,000 €	n.a.	
2.1 %	3,540,578 €	8.4 €	6.4 %	-	55,500,000 €	n.a.	
0.4 %	1,549,145 €	8.1 €	6.7 %	-	23,200,000 €	n.a.	
6.0 %	1,153,988 €	6.8 €	6.3 %	-	18,400,000 €	n.a.	
4.9 %	1,093,848 €	7.2 €	5.5 %	-	19,900,000 €	n.a.	
0.0 %	602,507 €	5.1 €	6.8 %	-	8,920,000 €	n.a.	
						n.a.	
3.8 %	38,259,270 €	9.5 €	5.8 %	505,731,412 €	662,073,000 €	5.4 % Like for Like	
4.8 %	1,410,000 €	9.6 €	6.7 %	-	21,100,000 €	n.a.	Transition beginning of February 2017
0.4 %	3,324,003 €	8.2 €	6.6 %	-	50,500,000 €	n.a.	Transition end of March 2017
6.5 %	3,163,911 €	8.6 €	7.5 %	-	42,300,000 €	n.a.	Transition end of March 2017
18.6 %	1,376,499 €	4.5 €	6.8 %	-	20,200,000 €	n.a.	Transition end of March 2017
6.3 %	9,274,413 €	7.6 €	6.9 %		134,100,000 €		
4.3 %	47,533,683 €	9.0 €	6.0 %		796,173,000 €		

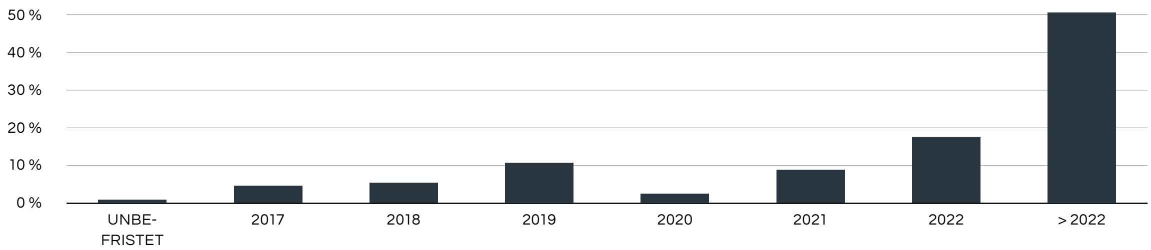
TENANT STRUCTURE AS OF 31 DECEMBER 2016

	TENANT	CATEGORY	ANNUALISED RENTAL INCOME IN €T	%-SHARE	WALT
1	EDEKA	Retail	8,071	17.0%	12.9
2	Kaufland	Retail	6,702	14.1%	6.9
3	Federal State of Hesse	Government	3,407	7.2%	22.7
4	OBI GmbH	Retail	2,312	4.9%	13.6
5	Randstadt Germany	Service	1,745	3.7%	3.9
6	General Electric Germany	Industry	1,532	3.2%	6.0
7	PSI AG	Software	1,513	3.2%	5.2
8	Toom DIY	Retail	1,156	2.4%	2.5
9	DuPont de Nemours	Industry	1,110	2.3%	5.2
10	Kombiverkehr	Service	790	1.7%	7.0
			28,336	**59.6%**	**10.5**
			19,197	40.4%	4.2
			47,534	**100.0%**	**8.2**

RENTAL INCOME PER SEGMENT

SEGMENT	GROSS RENTAL INCOME	SHARE OF INCOME
Office	18,220,127	38.3%
Retail	29,313,555	61.7%
Sum	**47,533,682**	**100.0%**

PORTFOLIO LEASE EXPIRY



LEASE EXPIRY	%-SHARE
n.a.	0.8 %
2017	4.4 %
2018	5.2 %
2019	10.6 %

LEASE EXPIRY	%-SHARE
2020	2.4 %
2021	8.7 %
2022	17.4 %
> 2022	50.4 %

EPRA'S KEY PERFORMANCE INDICATORS

The European Public Real Estate Association (EPRA) is a non-profit organisation representing the interests of European real estate companies. The association, founded in 1999 and headquartered in Brussels, has issued recommendations for how real estate companies should calculate their results. To improve the comparability of real estate companies and to present aspects that are specific to real estate, EPRA has created a framework for standardised reporting that goes beyond IFRS.

WCM joined EPRA at the beginning of 2016 as a member and aims to comply with all conditions for the regulatory and reporting key performance indicators. In calculating its key performance indicators, it uses the current version of EPRA's Best Practice Recommendations.

The key performance indicators for fiscal year 2016 were as follows:

EPRA KEY PERFORMANCE INDICATORS AT A GLANCE €k	31 DECEMBER 2015	31 DECEMBER 2016
EPRA NAV	290,608	345,366
EPRA NAV per share (in EUR)	2.38	2.62
EPRA earnings	7,577	4,659
EPRA earnings per share (in EUR)	0.10	0.04
EPRA NNNAV	270,672	315,933
EPRA net initial yield (NIY) in %	5.6	5.1
EPRA “topped-up” net initial yield in %	5.6	5.1
EPRA vacancy rate in %	4.8	3.8

EPRA EARNINGS

The EPRA earnings calculation is a methodology for determining the operating income of a real estate company that earns most of its income through the leasing and management of real estate. The basis for the calculation is IFRS earnings before minority interests, adjusted for some EPRA-defined positions.

In particular, fair value gains, real estate disposals and inputs and outputs that are not specific to real estate are eliminated and adjusted for minority interests in order to ensure comparability. Furthermore, oneoff effects and non-cash expenses and income are not included in the EPRA earnings.

EPRA EARNINGS €k	31.12.2015	31.12.2016
Earnings per IFRS income statement	57,674	18,561
Changes in value of investment properties	-54,904	-29,213
Profits or losses on disposal of investment properties		-799
Deferred tax in respect of EPRA adjustments	8,189	16,648
Non-controlling interests in respect of the above	-3,383	-539
EPRA Earnings	**7,577**	**4,659**
Avg. number of shares for the period (in k)	75,622	126,683
EPRA Earnings per share (€)	**0.10**	**0.04**


49.3
Mio. €
MARKET VALUE
5.5
years
WALT
Frankfurt/Main
Bleichstrasse 64-66

EPRA NET ASSET VALUE (NAV)

EPRA NAV is a key indicator for determining the actual net asset value of a real estate company. It corresponds to a net inventory value after recognising the property at fair value. Certain items that are not expected to materialise in the long term are adjusted in the EPRA NAV.

This KPI is therefore based on the assumption that the properties are held by the company on a long-term basis and will not be sold in the near future. Deferred tax liabilities on revaluations of the properties held are therefore eliminated. In addition, financial instruments that are held until maturity are not taken into account.

EPRA NET ASSET VALUE (NAV) €k	31 DECEMBER 2015	31 DECEMBER 2016
Diluted equity (after exercise of options and convertible bonds)	269,582	315,933
Result of revaluation of trading properties (IAS 2)	1,052	
Deferred tax liabilities for properties	19,974	29,433
EPRA net asset value (NAV)	**290,608**	**345,366**
Number of shares including exercise of mandatory convertible bond	121,965	131,965
EPRA net asset value (NAV) per share	**2.38**	**2.62**

EPRA TRIPLE NET ASSET VALUE (NNNAV)

EPRA triple NAV is based on the same calculation method as EPRA NAV, but this KPI includes the fair value of deferred taxes, liabilities and financing instruments. EPRA triple NAV can be considered as current snapshot in terms of net asset value of a real estate company.

EPRA TRIPLE NET ASSET VALUE (NNNAV) €k	31 DECEMBER 2015	31 DECEMBER 2016
EPRA net asset value (NAV)	290,608	345,366
Fair value of financial instruments	38	
Fair value of debt		
Deferred tax	-19,974	-29,433
EPRA triple net asset value (NNNAV)	**270,672**	**315,932**
Number of shares including exercise of mandatory convertible bond	121,965	131,965
EPRA triple net asset value (NAV) per share	**2.22**	**2.39**

EPRA NET INITIAL YIELD

The EPRA net initial yield is a key indicator of the yield based on annual rental income. This is reduced by deducting non-recoverable operating costs (such as property taxes, ground rents, service fees, etc.) divided by the gross market value of the portfolio including all transaction costs, which correspond to four percent of the market value.

EPRA NETTOANFANGSRENDITE (NIY) €k	31 DECEMBER 2015	31 DECEMBER 2016
Investment property	501,546	662,073
Trading property 'held for sale'	5,237	
Net market value of portfolio	**506,783**	**662,073**
Transaction costs	23,932	26,483
Gross market value of portfolio	**530,715**	**688,556**
Annualised rental income	31.533	38.259
Non-recoverable expenses*	-1.985	-3.440
Annualised net rental income	**29.548**	**34.819**
Notional rent expiration of rent free periods or other lease incentives	34	244
Topped-up net annualised rent	**29.582**	**35.063**
EPRA NIY	**5.6%**	**5.1%**
EPRA "topped-up" NIY	**5.6%**	**5.1%**

** Value derived from 2017 plan based on the portfolio as of 31.12.2016*

EPRA VACANCY RATE

The EPRA vacancy rate is calculated based on the ratio of the market rent of the vacant residential properties to the market rent of the portfolio. This KPI allows for an analysis of the economic vacancy rate of a portfolio.

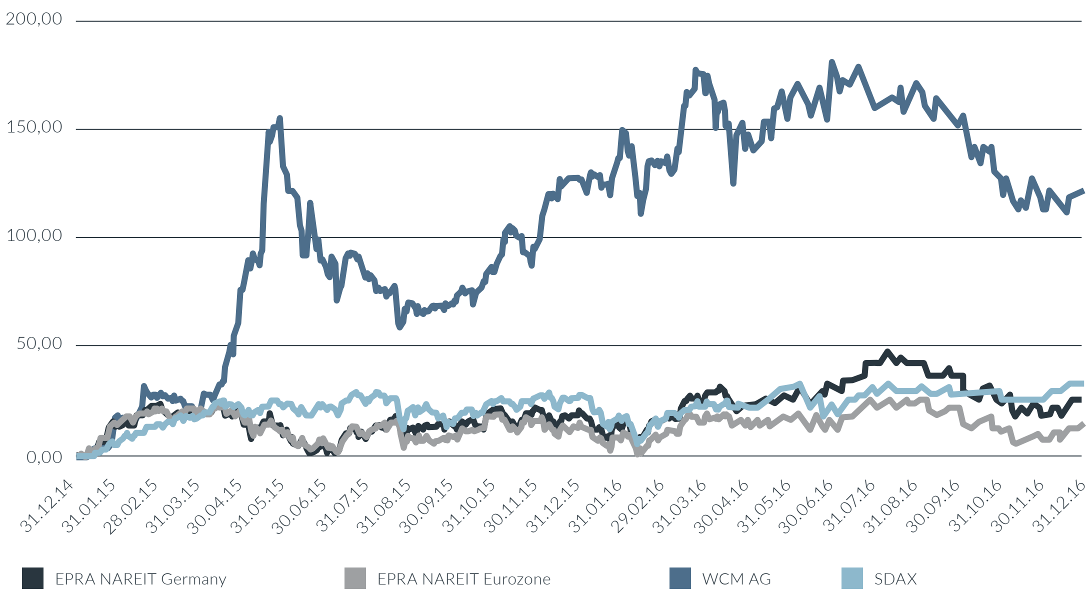
EPRA VACANCY RATE €k	31 DECEMBER 2015	31 DECEMBER 2016
Rental income for vacant areas	1,597	1,477
Annualised rental income	33,130	38,410
EPRA vacancy rate in %	**4.8**	**3.8**

WCM ON THE CAPITAL MARKET

WCM was once again successful on the capital market in the 2016 fiscal year. The operational expansion of the Company was accompanied by a further increase in its market capitalisation to around €344m at the end of 2016. Following a significant increase over the course of the year, market capitalisation amounted to €321m at the end of 2015 after around €49m at the end of 2014. The increase in market capitalisation also reflects growing awareness of the Company among national and international investors. This was partly attributable to its inclusion in Deutsche Börse's select SDAX index in December 2015. The WCM share is also included in the DIMAX, the CDAX and the internationally recognised FTSE EPRA/NAREIT Developed Europe index.

In the context of a further easing of monetary policy by the European Central Bank, the German equity market recorded growth again in the second half of 2016 after a weak start to the year. However, the year began turbulently, with the DAX recording its weakest start to the year since 1988 and losing 19 percent of its value in the first six weeks. This was triggered by concerns about China's economic growth, which had fallen to its lowest level in 25 years. In June 2016, Britain's vote for Brexit gave rise to further uncertainties on the capital markets. Following the surprise outcome of the US presidential elections in November 2016, however, the equity markets rose sharply contrary to fears. However, there were also renewed discussions regarding fears of a turnaround in interest rates, which caused interest rates to rise worldwide and particularly impacted the Bund Future, resulting in a negative effect on the real estate sector in particular.
The DAX index posted a net gain of 6.9 percent year-on-year to 11,481.06 points as at the end of 2016. The SDAX small-cap index remained slightly behind the DAX with an increase of 4.6 percent to 9,519.43 points.

After increasing by 84.4 percent in the previous year, the WCM share price stabilised at a high level in fiscal year 2016, but displayed fluctuations in a difficult market environment. After ending 2015 at €2.66, the share price fell to its low for the year of €2.47 on 11 February in the midst of stock market turbulence. The share price recovered considerably as the year progressed and reached its high for the year of €3.30 (Xetra closing price) on 1 July 2016. However, the fourth quarter of 2016 saw the



55.5
Mio. €
MARKET VALUE

Straubing
Hebbelstraße 148

6.4
percent
GROSS INITIAL YIELD

beginnings of consolidation of real estate shares on the stock markets and the WCM share was also unable to escape this trend. With the US election and speculation about higher US debt, interest rates temporarily recorded a significant increase in Europe, too, which had a particularly negative impact on property values. However, WCM's sound fundamental data gained more weight again towards the end of the year and the WCM share closed the 2016 stock market year at an Xetra closing price of €2.61. The WCM share thus outperformed the FTSE EPRA/NAREIT index, which focuses on the European real estate sector, by more than 6 percent in the past year.

The continued operational expansion of WCM in 2016 was also accompanies by a significant increase in trading volumes. After an average of 17,331 shares in 2014, daily turnover of WCM shares averaged 375,335 already in 2015. In the past year, 2016, there was a further increase in trading volumes to 433,551 shares per day (on all German stock exchanges).

This steady growth in trading volumes for the WCM share clearly reflects increased interest in WCM among investors and institutional investors. Furthermore, the improved tradeablity makes the WCM share even more interesting for capital investors.

It is not just the capital market but also competitors who see WCM as an attractive investment. In the first half of the past year, DIC Asset AG thus acquired an equity interest of 24.6 percent in WCM. DIC Asset AG is thus the largest shareholder of the Company.

WCM shares were also used for the first time in a share deal as currency for the acquisition of the retail centre in Straubing. The equity portion of the purchase price was paid via a contribution in kind by issuing 10,000,000 new no-par-value WCM shares at a price of €2.80 per share. The Company's share capital consequently increased by 8.3 percent to €130,772,500.

As a result of the conversion of an outstanding mandatory convertible bond with a nominal amount of €1,800,000, a total of 1,192,052 new WCM shares were issued on 1 July last year. The share capital of WCM thus increased to €131,964,552.

On the capital market, the Company is continuing to work with renowned banks. Equinet Bank AG and Oddo Seydler Bank AG continue to act as the designated sponsors for the WCM share. They create additional liquidity in the share on Xetra and set binding bid and ask prices.

The WCM share is listed in the Regulated Market and since August 2015 it has been included in Deutsche Börse's highest transparency level, the Prime Standard. This means publishing important company news as ad-hoc releases and publishing changes in key voting right shares, among other things. In addition, a financial calendar, analyst conferences and the publication of company reports in German and English ensure a high level of information and transparency.

The Annual Shareholders' Meeting of WCM for the 2015 fiscal year was held in Frankfurt on 24 August 2016. With an attendance rate of around 61 percent, all items of the agenda were adopted by a large majority of more than 98 percent of the voting rights represented at the Annual Shareholders' Meeting. In this way, the shareholders clearly expressed their approval of the Company's strategy and business policy. In addition, the Annual Shareholders' Meeting created authorised capital (Authorised Capital 2016) of €31,500,000 as well as contingent capital (Contingent Capital 2016) of €3,000,000 and further contingent capital (Contingent Capital II 2016) of €5,700,000. These capital measures were entered in the commercial register on 7 October 2016. In addition, the majority required to vote out members of the Supervisory Board was raised to 75 percent.

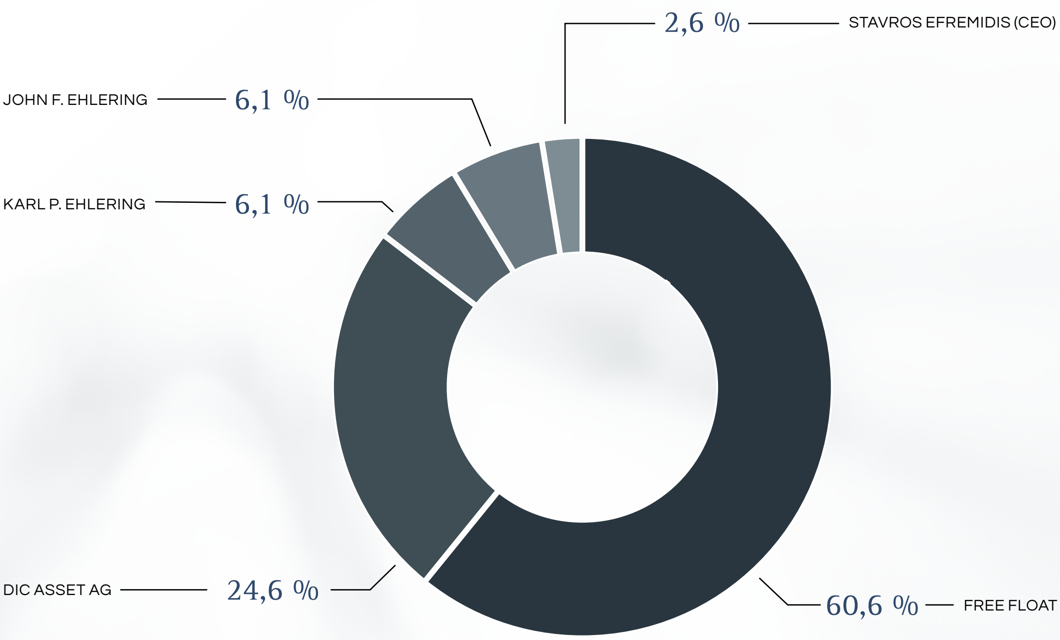
Stavros Efremidis, the Company's CEO, acquired almost 1.2 million WCM shares when the mandatory convertible bond was converted in July 2016 and increased his share in the Company again to around 3.5 million WCM shares, equivalent to a share of 2.6 percent.

Investor relations is given very high priority at WCM. The Company therefore communicated regularly and closely with institutional investors, private investors, analysts and the financial and business press. In this context, WCM took part in several capital market conferences and held several roadshows for institutional investors in Europe and the USA. The Company's continued development has brought it increasing attention on the capital market and from analysts. WCM is recommended to a wide range of investors in research publications by renowned companies such as Equinet, Oddo Seydler, First Berlin and the bank Berenberg. The target prices in the studies that had been published as at the end of 2016 ranged between €3.15 and €3.70 and were thus well above the stock exchange quotation. These recommendations and recent studies are available on the WCM investor relations website. The financial press also reported extensively on WCM in the past year and emphasised its continued positive development in many articles. In addition, the WCM share was recommended by several renowned stock market media outlets.

DATA ON THE WCM SHARE

Industry:	Real Estate
WKN / ISIN:	A1X3X3 / DE000A1X3X33
Share capital:	131,964,552 EUR
Number of shares:	131,964,552
High / Low 2016:	3.30 EUR / 2.47 EUR
Year-end 2015:	2.659 EUR
Year-end 2016:	2.610 EUR
Market capitalisation 2015:	321.1 Mio. EUR
Market capitalisation 2016:	344.4 Mio. EUR
Share price 30.12.2016:	2.61 EUR
Market segment:	Prime Standard
Indexes:	SDAX, CDAX, DIMAX, FTSE EPRA/NAREIT Developed Europe
Designated Sponsor:	Oddo Seydler Bank AG und Equinet Bank AG, HSBC (as of 1.4.2017)
Stock exchanges:	Xetra, Frankfurt, Hamburg, Stuttgart

SHAREHOLDER STRUCTURE AS AT END OF 2016



DECLARATION OF COMPLIANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289 A OF THE GERMAN COMMERCIAL CODE (HGB) FOR FISCAL YEAR 2016

DECLARATION OF COMPLIANCE (SECTION 161 AKTG)

STATEMENT OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF WCM AG CONCERNING THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AKTG

Section 161 AktG requires the Management Board and the Supervisory Board of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (**"WCM AG"**) to submit an annual declaration confirming that they have complied and continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code" (**"Code"**), which are published in the official section of the German Federal Gazette by the German Federal Ministry of Justice. The declaration must also state which recommendations have not been or are not applied and the reasons for this. The last declaration of compliance was issued in December 2015 for fiscal year 2015.

The Management Board and the Supervisory Board hereby declare that WCM AG has complied with the recommendations of the version of the Code dated 5 May 2015 since 1 January 2016. This exempts the following:

1. Section 3.8 of the Code recommends a deductible for the D&O insurance for members of the Supervisory Board. WCM AG believes that a deductible is not necessary with regard to the responsibility and motivation of the Supervisory Board members in performing their tasks. In derogation from the Code, the existing D&O insurance for members of the Supervisory Board of WCM AG therefore does not provide for a deductible.

2. Section 4.2.3 (2) sentence 2 of the Code stipulates that the monetary remuneration of the Management Board members should include fixed and variable components and that the variable components should have a multi-year assessment basis. This recommendation was not yet followed in full in fiscal year 2016, as the Supervisory Board initially used just fiscal year 2016 as the basis for performance targets for the Management Board members' bonuses, because fiscal year 2015 was not suitable as a benchmark due to the reorganisation of the Company. A multi-year assessment basis will be introduced starting from fiscal year 2017. The requirements of the Code are therefore met.

In the annual financial statements for fiscal year 2015, the disclosures regarding the total remuneration of the Management Board were limited to the disclosures listed in section 4.2.4 of the Code. As the two Management Board members do not receive most of the remuneration components specified in section 4.2.5 of the Code, WCM AG does not consider it expedient to prepare this table. The same approach is taken again in the annual financial statements for fiscal year 2016.

3. The Supervisory Board has not yet set any specific targets for its composition that deal with the Company's international activities, potential conflicts of interest and an age limit to be defined for the Supervisory Board members, while also taking account of the company-specific situation (Code section 5.4.1 (2)). However, a target of at least one woman on the Supervisory Board was set by the Supervisory Board on schedule before 30 September 2015. The extraordinary Shareholders' Meeting of WCM AG on 12 October 2015 elected a woman to the Supervisory Board with immediate effect. If the other targets have not been set, they are not taken into account in nominations by the Supervisory Board and the targets and implementation status are not published in the corporate governance re-

4.9
percent
EPRA
VACANCY

5.5
percent
GROSS INITIAL
YIELD

Ludwigsfelde
Potsdamer Strasse 51

port (Code section 5.4.1 (3)). The Supervisory Board will determine in 2017 whether it will set further specific targets for its composition and which targets would be expedient in this respect, taking account of WCM AG's particular situation. It should be noted that the current members of the Supervisory Board are all appointed until 2018. Given that further specific targets have not (yet) been set, such targets cannot currently be taken into account in nominations and the targets and implementation status cannot be disclosed in the corporate governance report.

4. The Supervisory Board has not formed a Nomination Committee to submit proposals to the Supervisory Board for the nominations it puts forward to the Annual Shareholders' Meeting regarding the election of members of the Supervisory Board (Code section 5.3.3). Since all of the six members of the Supervisory Board are shareholders and no loss of efficiency can be observed when nominations are discussed by the Supervisory Board as a whole, there is no need to form a Nomination Committee.

5. Careful preparation of the annual financial statements takes a considerable amount of time for WCM AG due to the large number of reportable transactions in 2015 and 2016. For this reason, the annual financial statements for 2015 were not published within 90 days of the end of the fiscal year, as recommended in the Code under section 7.1.2 sentence 4. It also will not be possible to comply with this deadline for the 2016 annual financial statements. The 45-day deadline for the publication of interim reports that is recommended in the Code was not met in fiscal year 2016. However, the Management Board and the Supervisory Board aim to comply with this recommendation starting from the 2016 fiscal year.

Frankfurt/Main, 13 December 2016

Representing the Supervisory Board of WCM AG

Representing the Management Board of WCM AG

Rainer Laufs
Chairman of the Supervisory Board

Stavros Efremidis
Chief Executive Officer

Ralf Struckmeyer

OTHER DISCLOSURES

The Management Board works on the basis of the rules of procedure issued by the Supervisory Board. The Chairman of the Supervisory Board is regularly informed of current transactions by the Chief Executive Officer. When important events occur, the entire Supervisory Board is informed immediately.

If resolutions need to be adopted outside Supervisory Board meetings, this is done in a written circulation procedure.

The Supervisory Board has two sub-committees. The Presidential Committee consists of: Mr Rainer Laufs (Chairman), Mr Karl Ehlerding and Mr Bernd Günther. Until 30 November 2016, the Audit Committee consisted of Mr Karl Ehlerding (Chairman), Mr Thomas Hechtfischer and Mr Rainer Laufs. Mr Hechtfischer resigned from his position as a member of the Supervisory Board of WCM AG as at 30 November 2016.

The members of the Presidential Committee regularly coordinate by telephone.

The Audit Committee deals with the annual financial statements (separate and consolidated financial statements) at a separate meeting and has the results of the audit activities explained to it in detail by the auditor in attendance. At the subsequent meeting of the Supervisory Board, the Chairman of the Audit Committee reports to the Supervisory Board as a whole on the results of the Audit Committee meeting, before the Supervisory Board as a whole approves the annual financial statements (separate and consolidated financial statements).
In accordance with section 107 (3) sentence 2 AktG, the Audit Committee monitors the financial reporting process, the effectiveness of the internal control system and the risk management system, and the independence of the auditor as well as any additional services performed by the auditor.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS) AS AT 31 DECEMBER 2016

€k	NOTE	31.12.16	31.12.15
ASSETS			
Current assets			
Cash and cash equivalents	4.10, 6.1	10,013	11,136
Trade receivables	4.12, 6.2	131	309
Property held for sale	4.11, 6.3	0	4,185
Other financial assets	4.16, 6.4	186	174
Other current assets	4.12, 6.5	21,404	14,642
Total current assets		**31,734**	**30,446**
Non-current assets			
Investment property	4.3, 4.13, 6.6	662,073	501,546
Intangible assets	4.14, 6.7	196	103
Technical equipment and machinery	4.14, 6.8	115	961
Other equipment, operating and office equipment	4.14, 6.8	2,989	3,690
Advance payments for property, plant and equipment	4.14, 6.8	392	53
Deferred tax assets	4.3, 4.9, 5.8	5,523	10,933
Other financial assets	4.16, 6.4	6,848	3,192
Other non-current assets	4.12, 6.5	403	0
Total non-current assets		**678,538**	**520,478**
Total assets		**710,273**	**550,924**
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	4.17, 6.10	5,925	6,070
Other liabilities	4.17, 6.10	9,152	4,663
Other financial liabilities	4.16, 6.9	22,169	76,316
Other provisions	4.18, 6.11	2,753	1,828
Total current liabilities		**39,999**	**88,877**
Non-current liabilities			
Other financial liabilities	4.16, 6.9	339,695	187,815
Deferred tax liabilities	4.3, 4.9, 5.8	14,646	4,650
Total non-current liabilities		**354,341**	**192,465**
EQUITY			
Share capital	4.19, 6.12	131,965	120,773
Capital reserves	4.19, 6.12	93,595	76,366
Mandatory convertible bond	4.19, 6.12	0	1,800
Retained earnings (previous year: accumulated loss)	4.19, 6.12	78,396	62,420
Equity attributable to owners of the parent		**303,956**	**261,359**
Non-controlling interests		11,977	8,223
Total equity		**315,933**	**269,582**
Total liabilities		**710,273**	**550,924**

CONSOLIDATED INCOME STATEMENT (IFRS) FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

€k	NOTE	1 JANUARY - 31 DECEMBER 2016	1 JANUARY - 31 DECEMBER 2015
Rental income	4.6, 5.1	32,613	10,445
Operating and ancillary costs	4.7, 5.1	-2,817	-885
Net rental income		**29,796**	**9,560**
Proceeds from disposal of properties held for sale	4.11, 5.2	7,875	0
Expenses of the sale from property held for sale	4.11, 5.2	-7,076	0
Net gain/loss from sale of property held for sale		**799**	**0**
Unrealised net gain/loss from fair value measurement of investment property	4.3, 5.3	29,213	54,904
Net gain/loss from fair value adjustments		**29,213**	**54,904**
Other operating income	5.4	1,454	3,012
Operating income		**1,454**	**3,012**
Staff costs	5.5	-4,576	-1,530
Depreciation	4.14, 6.7, 6.8	-1,086	-359
Other operating expenses	5.6	-12,853	-6,715
Operating expenses		**-18,515**	**-8,604**
Operating profit/loss		**42,747**	**58,872**
Financial income	4.8, 5.7	361	136
Finance expenses	4.8, 5.7	-7,499	-2,212
Net finance costs		**-7,138**	**-2,076**
Total comprehensive income or loss before taxes		**35,609**	**56,796**
Income taxes	4.3, 4.9, 5.8	-17,048	879
Other taxes		0	0
Consolidated net profit for the period/total comprehensive income		**18,561**	**57,675**
Consolidated net profit/total comprehensive income attributable to:			
Owners of the parent		15,798	54,292
Non-controlling interests		2,763	3,383
		18,561	**57,675**
Earnings per share			
Basic earnings per share in €	5.9	0.12	0.72
Diluted earnings per share in €	5.9	0.12	0.72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS) FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016 (NOTES 5.8, 6.12)

€k	NOTE	SHARE CAPITAL	CAPITAL RESERVES	CONVER-TIBLE BOND	RETAINED EARNINGS/ ACCUMULATED LOSS	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS IN EQUITY	TOTAL CONSOLIDATED EQUITY
As at 1 January 2015		**33,783**	**13,775**	**0**	**-16,799**	**30,759**	**1,050**	**31,809**
Total comprehensive income		0	0	0	54,292	54,292	3,383	57,675
Mandatory convertible bond	4.19, 6.12	0	0	1,800	0	1,800	0	1,800
Cash capital increases	4.19, 6.12	86,990	92,986	0	0	179,976	0	179,976
Withdrawals for transaction costs	4.19, 6.12	0	-4,908	0	0	-4,908	0	-4,908
Change in scope of consolidation		0	0	0	0	0	9,041	9,041
Capital repayments		0	0	0	0	0	-5,251	-5,251
Equalisation payments	4.19, 6.12	0	0	0	-598	-598	0	-598
Share-based remuneration	5.10, 6.12	0	0	0	38	38	0	38
Withdrawal from capital reserves	4.19, 6.12	0	-25,487	0	25,487	0	0	0
As at 31 December 2015		**120,773**	**76,366**	**1,800**	**62,420**	**261,359**	**8,223**	**269,582**
As at 1 January 2016		**120,773**	**76,366**	**1,800**	**62,420**	**261,359**	**8,223**	**269,582**
Total comprehensive income		0	0	0	15,798	15,798	2,763	18,561
Mandatory convertible bond	4.19, 6.12	1,192	608	-1,800	0	0	0	0
Non-cash capital increases	4.19, 6.12	10,000	18,000	0	0	28,000	0	28,000
Withdrawals for transaction costs	4.19, 6.12	0	-1,379	0	0	-1,379	0	-1,379
Change in scope of consolidation		0	0	0	0	0	1,525	1,525
Equalisation payments	4.19, 6.12	0	0	0	-739	-739	-534	-1,273
Share-based remuneration	5.10, 6.12	0	0	0	917	917	0	917
As at 31 December 2016		**131,965**	**93,595**	**0**	**78,396**	**303,956**	**11,977**	**315,933**

CONSOLIDATED CASH FLOW STATEMENT (IFRS) FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2016

€k	NOTE	1 JANUARY - 31 DECEMBER 2016	1 JANUARY - 31 DECEMBER 2015
Profit or loss for the period		18,561	57,674
Net finance costs	5.7	7,138	2,076
Net gain/loss from fair value adjustments	5.3	-29,212	-54,904
Amortisation and depreciation expense	6.7, 6.8	1,086	359
Loss (+)/gain (-) on the disposal of assets	5.2	-799	-1
Tax expense	5.8	388	722
Increase (+)/decrease (-) in provisions	6.11	926	807
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	6.2, 6.4, 6.5	-4,155	-13,888
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	6.10	4,344	2,038
Other non-cash expenses (+)/income (-)		23,062	2,517
Taxes paid		0	14
Net cash flow from operating activities		**21,339**	**-2,586**
Outflows for investments in investment property	6.6, 6.9	-89,345	-347,658
Outflows for investments in intangible assets and property, plant and equipment	6.7, 6.8	-424	-4,748
Interest received	5.7	361	0
Inflows from disposals of property, plant and equipment	5.2, 6.8	13,641	66
Cash flow from investing activities		**-75,767**	**-352,340**
Inflows from the capital increase	6.12	0	179,976
Outflows for the costs of the capital increase	6.12	-2,415	-7,211
Inflows from borrowing loans	6.9	120,370	192,173
Outflows from repaying loans	6.9	-54,746	-7,587
Outflows for granting loans to non-controlling interests	7.3	-3,072	-3,202
Capital repayments to non-controlling interests		0	-5,251
Interest paid	5.7	-6,832	-2,212
Cash flow from financing activities		**53,305**	**346,686**
Increase/decrease in cash and cash equivalents	6.9	-1,123	-8,240
Cash and cash equivalents at beginning of period	6.1	11,136	19,376
Cash and cash equivalents as at 31 December	6.1	**10,013**	**11,136**

NOTES TO THE IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2016 FISCAL YEAR

1. REPORTING ENTITY

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (hereafter: "WCM AG") based in Frankfurt/Main (Germany) is a specialist commercial property company focusing on the acquisition and long-term rental of high quality office and retail properties at major industrial locations in Germany.

The business address entered in the commercial register of the Frankfurt/Main Local Court under HR B 55695 is Bleichstrasse 64-66, 60313 Frankfurt/Main, Germany; the head office is located at Joachimsthaler Strasse 34, 10719 Berlin, Germany.

The properties are held by the subsidiaries (property companies) of WCM AG. The consolidated financial statements comprise WCM AG and its subsidiaries (hereafter: "WCM AG" or the "Group").

WCM AG is classed as a large corporation, as its shares are traded on the Prime Standard of the Xetra, Frankfurt/Main, Hamburg and Stuttgart stock exchanges (section 267(3) sentence 2 of the Handelsgesetzbuch (HGB – German Commercial Code)). WCM AG was admitted to the SDAX by Deutsche Börse effective 21 December 2015. In addition, the WCM share is included in the CDAX, DIMAX and FTSE EPRA/NAREIT Developed Europe indices.

2. SCOPE OF CONSOLIDATION

2.1 INFORMATION ON SHAREHOLDINGS

In addition to WCM AG, Frankfurt/Main, the following 35 (previous year: 28) companies were consolidated in the consolidated financial statements as at 31 December 2016:

COMPANIES IN GERMANY	SHARE	FUNCTION/PORTFOLIO
WCM Beteiligungsgesellschaft mbH, Berlin*	100.0 %	Intermediate holding company
WCM Vermögensverwaltung GmbH & Co. KG, Berlin	100.0 %	Intermediate holding company
WCM Verwaltungs GmbH, Berlin*	100.0 %	Management company
WCM Verwaltungs II GmbH, Berlin	100.0 %	Management company
WCM Verwaltungs III GmbH, Berlin (formerly MIA I GmbH, Bad Vilbel)	100.0 %	Management company
WCM Technical Services GmbH, Berlin*	100.0 %	Management company
WCM Technical Services II GmbH, Berlin*	100.0 %	Management company
WCM Handelsmärkte V GmbH & Co. KG, Berlin	100.0 %	Management company
WCM Handelsmärkte VI GmbH & Co. KG, Berlin	100.0 %	Management company
River Frankfurt Immobilien GmbH, Berlin*	94.9 %	River
River Düsseldorf Immobilien GmbH, Berlin*	94.9 %	River

River Bonn Immobilien GmbH, Berlin (formerly River Bonn B.V., Amsterdam, Netherlands)	94.9 %	River
River Berlin Immobilien GmbH**, Berlin*	94.9 %	River
WCM Handelsmärkte III GmbH & Co. KG, Berlin	88.0 %	Green
Aschgo GmbH & Co. KG, Berlin	94.0 %	Green
Barisk GmbH & Co. KG, Berlin	94.0 %	Green
Berkles GmbH & Co. KG, Berlin	94.0 %	Green
WCM Handelsmärkte VIII GmbH &Co.KG, Berlin (formerly WCM Planbau GmbH, Berlin)	94.0 %	Green
Greenman 1 D GmbH**, Berlin	94.0 %	Green
WCM Besitzgesellschaft mbH, Berlin*	100.0 %	North
WCM Beteiligungsgesellschaft mbH & Co. Objekte North KG, Berlin*	100.0 %	North
WCM Handelsmärkte VII GmbH, Berlin (formerly PRE Real Estate Deutschland A ApS, Humlebæk, Denmark)	94.9 %	North
WCM Office II GmbH, Berlin (formerly PRE Real Estate Deutschland 1 ApS, Humlebæk, Denmark)	94.9 %	North
WCM Office III GmbH, Berlin (formerly PRE Real Estate Deutschland 10 ApS, Humlebæk, Denmark)	94.9 %	North
WCM Office IV GmbH, Berlin (formerly PRE Real Estate Deutschland 14 ApS, Humlebæk, Denmark)	94.9 %	North
Triangel Frankfurt Immobilien GmbH & Co. KG, Berlin (formerly Triangel Frankfurt Immobilien GmbH, Frankfurt/Main)	94.9 %	Triangel
Main Triangel Gastronomie GmbH, Berlin*	100.0 %	Triangel
WCM Office I GmbH & Co. KG, Berlin*	100.0 %	Trevista
WCM Handelsmärkte GmbH & Co. KG, Berlin*	100.0 %	Commercial markets
WCM Handelsmärkte II GmbH & Co. KG, Berlin*	100.0 %	Commercial markets
WCM Handelsmärkte IV GmbH, Berlin (formerly Objektgesellschaft Hannah GmbH, Bad Vilbel)	94.9 %	Commercial markets

COMPANIES ABROAD	SHARE	FUNCTION/PORTFOLIO
TPL Aschersleben S.à r.l., Luxembourg	94.8 %	Neo
TPL Wittenberge S.à r.l., Luxembourg	94.8 %	Neo
TPL Glauchau S.à r.l., Luxembourg	94.8 %	Neo
TPL Ludwigsfelde S.à r.l., Luxembourg	94.8 %	Neo

* *These companies relocated their headquarters from Frankfurt/Main to Berlin in the fiscal year.*
** *A short fiscal year was formed for these companies to bring their reporting periods into line with the consolidated financial statements.*

A total of nine companies were thus established or acquired in property transactions or in order to expand operating activities in the period under review, while two companies were sold. The newly established companies were WCM Vermögensverwaltung GmbH & Co. KG, WCM Handelsmärkte V GmbH & Co. KG and WCM Handelsmärkte VI GmbH & Co. KG; they were either management or shelf companies. The acquisitions and disposals are explained in more detail below.

2.2 ACQUISITIONS AND DISPOSALS IN THE YEAR UNDER REVIEW

“Neo” portfolio: TPL Aschersleben S.à r.l., TPL Wittenberge S.à r.l., TPL Glauchau S.à r.l., TPL Ludwigsfelde S.à r.l., all Luxembourg

Under an agreement dated 23 September 2016, WCM further expanded its property portfolio in the retail segment. In the federal states of Saxony-Anhalt, Saxony and Brandenburg, four retail centres with a total rental area of around 52,500 m² were acquired by way of share deals which were not a business combination for a purchase price of €66,500k. The portfolio has an annualised basic rent of €4,500k with an occupancy rate of 99 per-cent and a weighted average lease term (WALT) of 7.4 years. The acquisition was financed with a bank loan of €38,750k and with equity.

The rights and liabilities were transferred on 30 November 2016.

The amounts reported as at the acquisition date for the assets and liabilities of the companies acquired are as follows:

€k	
Current assets	
Cash and cash equivalents	172
Other current assets	395
Non-current assets	
Investment property	66,500
Assets acquired	**67,067**
Current liabilities	
Other liabilities	32
Other financial liabilities	813
Non-current liabilities	
Other financial liabilities	37,086
Liabilities acquired	**37,931**
Net assets acquired	**29,136**

Straubing retail centre:
WCM Handelsmärkte IV GmbH, Berlin

A retail centre in Straubing was acquired for around €55,000k on 20 June 2016 as part of a share deal. The purchase price for the property is composed of €28,000m paid in the form of the newly issued shares and the assumption of loan liabilities in the amount of €25,500m. The sellers contributed their shares of 94.9 percent to the Company as a non-cash contribution to WCM Handelsmärkte IV GmbH in connection with a non-cash capital increase (please also refer to our comments in note 6.12 Equity).

The retail centre, which encompasses around 35,000 m² of space, generates annualised rental income of around €3,500k. The weighted average lease term was 4.7 years.

The amounts reported as at the acquisition date for the assets and liabilities of the company acquired are as follows:

€k	
Non-current assets	
Investment property	55,000
Assets acquired	**55,000**
Current liabilities	
Other financial liabilities	1,375
Non-current liabilities	
Other financial liabilities	24,125
Liabilities acquired	**25,500**
Net assets acquired	**29,500**

DIY store Goppingen

With the transfer of ownership rights, benefits and obligations on 30 March 2016, WCM Handelsmärkte II GmbH & Co. KG, Berlin acquired a DIY store in Göppingen with a long-term lease contract for a purchase price of €22,000k as part of an asset deal. The purchase price was paid entirely in cash and was financed with a bank loan of €14,300k and equity of €7,700k.

Around 13,500 m² of the plot of land measuring approximately 36,300 m² is attributable to the total rental area. In addition, the plot has space for around 400 parking spaces. The annual rental income amounts to €1,571k. The weighted average lease term as at the end of the reporting period is 14 years.

Disposals

Under the terms of a contract dated 21 September 2015 and an addendum dated 29 December 2015, the asset in Radebeul, Hauptstrasse 24 (Office/Retail), was sold for a purchase price of €2,550k. The transfer of ownership rights, benefits and obligations arising from the property took place on 1 January 2016.

Under the contract of 31 March 2016, the asset in Frankfurt am Main, Niddagaustrasse 32-38 (Office) was sold for €4,425k. The rights and liabilities were transferred on 13 May 2016.

Under the terms of a contract dated 18 April 2016, the asset in Dresden, Marsdorfer Strasse 5 (Office), was sold for a purchase price of €900k. The rights and liabilities were transferred as at 30 June 2016.

Under the contract of 9 May 2016, WCM has sold the industrial property in Bremerhaven (Seebeck Offshore Industriepark GmbH & Co. KG, Bremerhaven) in the framework of a share deal. The purchase price for the disposal was €13,810k. Under the terms of a contract dated 27 April 2016, WCM sold all shares in the general partner Seebeck Verwaltung GmbH, Bremerhaven. The sale was made for a selling price of €30k. (Please also refer to our comments in note 7.2 *Contingent assets and contingent liabilities* and 7.3 *Related party disclosures*).

3. BUSINESS SEGMENTS

3.1 BASIC INFORMATION ON SEGMENTS

In the reporting year the Group continued to have three segments defined by the type of properties they hold (“Office”, “Retail” and “Other”) as this distinction gives rise to different valuation parameters, investment criteria and management requirements. All properties of the Group are located in Germany.

The Administration/Consolidation segment contains charges allocated within the Group, transaction costs for the acquisition of properties, consolidation effects and the change in deferred tax assets on loss carryforwards.

Based on these property segments, the Management Board regularly assesses the business activities of the WCM Group and determines the allocation of resources.

The transactions between segments are in the form of Group allocations and intercompany remuneration for asset and property management services.

3.2 INFORMATION ON THE REPORTABLE SEGMENTS

Information on the results of each reportable segment can be found below. Rental income is used to assess profitability as the Management Board is of the opinion that this is the most relevant information in assessing the result of certain segments in relation to other property companies.

Please also see the information on the portfolio performance indicators in the Group management report.

2016 €k	OFFICE	RETAIL	OTHER	ADMINISTRATION / CONSOLIDATION	GROUP
Rental income	18,481	13,789	343	0	32,613
Revenue generated between segments	330	47	165	-542	0
Segment revenue	**18,811**	**13,836**	**508**	**-542**	32,613
Operating and ancillary costs	-1,083	-1,711	-23	0	-2,817
Net rental income	**17,728**	**12,125**	**485**	**-542**	29,796
Result of revaluation of investment properties	18,748	10,465	0	0	29,213
Result of property disposals	799	0	0	0	799
Other operating income	1,233	148	3	70	1,454
Amortisation and depreciation expense	-771	-7	-140	-168	-1,086
Other operating expenses	-3,891	-2,085	-281	-11,172	-17,429
Net finance costs	-4,414	-2,811	-39	126	-7,138
Total comprehensive income or loss before taxes	**29,431**	**17,834**	**28**	**-11,684**	35,609
Income taxes	-6,795	-3,651	0	-6,602	-17,048
Consolidated net profit for the period/total comprehensive income	**22,636**	**14,183**	**28**	**-18,286**	18,561
Net income attributable to the owners of the parent	21,652	12,404	28	-18,286	15,798
Assets	**356,738**	**314,623**	**206**	**38,706**	710,273
Additions to non-current assets	1,977	146,467	0	424	148,868
Liabilities	**198,821**	**178,425**	**88**	**17,006**	394,340

2015 €k	OFFICE	RETAIL	OTHER	ADMINISTRATION / CONSOLIDATION	GROUP
Rental income	4,694	3,899	1,852	0	10,445
Revenue generated between segments	130	0	55	-185	0
Segment revenue	**4,824**	**3,899**	**1,907**	**-185**	**10,445**
Operating and ancillary costs	-317	-202	-366	0	-885
Net rental income	**4,507**	**3,697**	**1,541**	**-185**	**9,560**
Result of revaluation of investment properties	46,980	7,991	-67	0	54,904
Other operating income	668	612	1,097	635	3,012
Amortisation and depreciation expense	-2	-8	-290	-59	-359
Other operating expenses	-1,095	-1,609	-906	-4,635	-8,245
Net finance costs	-1,181	-132	-139	-624	-2,076
Total comprehensive income or loss before taxes	**49,877**	**10,551**	**1,236**	**-4,868**	**56,796**
Income taxes	-17,007	-3,711	21	21,576	879
Consolidated net profit for the period/total comprehensive income	**32,870**	**6,840**	**1,257**	**16,708**	**57,675**
Net income attributable to the owners of the parent	31,461	4,962	1,162	16,707	54,292
Assets	355,383	157,932	18,312	19,297	550,924
Additions to non-current assets	290,208	142,774	321	698	434,001
Liabilities	**189,715**	**64,381**	**2,831**	**24,415**	**281,342**

4. ACCOUNTING POLICIES

The basic accounting policies applied are described below. Further information on individual items can be found in notes 5. *Notes to the consolidated statement of comprehensive income* and 6. *Notes to the consolidated statement of financial position.*

4.1 ACCOUNTING PRINCIPLES

These consolidated financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of change in equity and the notes to the consolidated financial statements for the fiscal year ended 31 December 2016.

The consolidated financial statements of WCM AG were prepared in accordance with the IFRSs adopted and published by the International Accounting Standards Board (IASB) as endorsed in the European Union. The supplementary provisions of section 315a(1) HGB were also taken into account.

The consolidated financial statements are prepared in line with the historical cost convention, with the exception of investment property and obligations for guaranteed dividends, which are measured at fair value in accordance with IAS 40 or as non-current liabilities.

The consolidated financial statements are prepared assuming that company's ability to continue operating (going concern principle).

These consolidated financial statements are prepared in euro (€), the functional currency of the company. Unless stated otherwise, all financial information presented in euro has been rounded to the nearest thousand.

The reporting period of the company begins on 1 January and ends on 31 December of each year.

The income statement is structured in accordance with the nature of expense method, taking property-specific points into account.

The consolidated financial statements were approved by the Management Board of WCM AG at 31 March 2017 and forwarded for approval to the Supervisory Board on 25 April 2017, followed by the publication.

4.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used to prepare the previous year's consolidated financial statements were used to prepare these consolidated financial statements without any changes. This does not apply to the standards effective for the first time as at 1 January 2016.

The following new or amended standards and interpretations were effective for WCM AG for the first time in the reporting year but did not any have any significant effect on these consolidated financial statements.

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD/INTERPRETATION OR OF THE AMENDMENT	FIRST-TIME ADOPTION [1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1	Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants	1 January 2016

[1] *Reporting periods beginning on or after the specified date.*

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD/INTERPRETATION OR OF THE AMENDMENT	FIRST-TIME ADOPTION [1]
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2015
Amendment to IAS 27	Equity Method in Separate Financial Statements	1 January 2016
Improvements to IFRS 2010 - 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	1 February 2015 [2]
Improvements to IFRS 2012 - 2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34	1 January 2016

[1] Reporting periods beginning on or after the specified date.
[2] Despite the fact that the provisions are not applicable until fiscal years beginning on or after 1 February 2015, the amendments to IFRS 2 and IFRS 3 are to be applied to transactions that take place on or after 1 July 2014.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

The amendments serve to clarify various issues in relation to applying the consolidation exception in accordance with IFRS 10 when the parent company meets the definition of an "investment entity". According to the amendments, parent companies are also exempted from preparing consolidated financial statements if the higher-level parent company does not consolidate its subsidiaries, but instead recognises them at fair value in accordance with IFRS 10.

With regard to the recognition of subsidiaries of an investment entity, the following distinction is now made: Subsidiaries that are themselves investment entities should be recognised at fair value in line with the general principle of the investment entity exception. By contrast, subsidiaries that are not investment entities themselves but provide services related to the parent company's investment activities, and can thus be considered an extension of the parent company's activities, should be consolidated.

Finally, the amendments clarify that an investor that does not meet the definition of an investment entity and that applies the equity method to an associate or joint venture may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

In addition, the amendments specify that an investment entity that measures all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations

IFRS 11 includes regulations on the recognition of joint ventures and joint operations in the statement of financial position and in the income statement. While joint ventures are accounted for using the equity method, the presentation of joint operations specified in IFRS 11 is comparable to proportional consolidation.

In the amendment to IFRS 11, the IASB provides guidance on accounting for an acquisition of interests in a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. In such cases, the acquirer should apply the principles on business combination accounting in IFRS 3. The disclosure requirements in IFRS 3 also apply in such cases.

Amendments to IAS 1 - Disclosure Initiative

The amendments relate to various reporting issues. It has been clarified that disclosures are required only if their content is not immaterial. This is explicitly also the case if an IFRS calls for a list of minimum disclosures. Notes on the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income have also been added. It also clarifies the presentation of items of other comprehensive income arising from equity accounted investments in the statement of comprehensive income. Finally, an illustrative structure for the notes was removed in order to give more relevance to aspects specific to entities.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

In these amendments, the IASB provides further guidance on determining an acceptable method of depreciation or amortisation. According to the amendments, revenue-based methods are not permitted for property, plant and equipment and are permitted for intangible assets only in certain exceptional cases (rebuttable presumption of inappropriateness).

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants

Under IAS 41, all biological assets are currently to be measured at fair value through profit or loss less estimated costs to sell. This also applies to bearer plants, such as grape vines, rubber trees and oil palms, which are used for harvesting biological assets over several periods but are not sold as an agricultural product themselves. According to the amendments, bearer plants are to be accounted for as property, plant and equipment in accordance with IAS 16 in future, as their use is comparable. By contrast, the produce growing on bearer plants is still to be accounted for in accordance with IAS 41. When applying the amendments for the first time, reporting parties can make use of special simplification options. Bearer plants can thus be measured at fair value at the transition date.

Amendment to IAS 19 - Defined Benefit Plans: Employee Contributions

The amendments clarify the provisions dealing with the allocation of employee contributions and third-party contributions to periods of service if the contributions are linked to length of service. In addition, simplification options are established for if the contributions do not depend on the number of years of service.

Amendment to IAS 27 - Equity Method in Separate Financial Statements

Under the amendment, the equity method is permitted again as an accounting option for investments in subsidiaries, joint ventures and associates in an investor's separate financial statements. The existing options of measurement at cost or in accordance with IAS 39/IFRS 9 are retained. Since 2005, the application of the equity method for investments in separate financial statements (of the parent company) had no longer been permitted in accordance with IAS 27.

Owing to complaints from users, partly with regard to the high expense of fair value measurement at every reporting date, particularly for non-listed associates, the IASB introduced this amendment to IAS 27.

Improvements to IFRS 2010 - 2012

Amendments were made to seven standards as part of the annual improvement project. Changes made to the wording of individual IFRSs are intended to clarify the existing regulations. There are also amendments that affect disclosures in the notes. The standards concerned are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Despite the fact that the provisions are applicable in fiscal years beginning on or after 1 February 2015, the amendments to IFRS 2 and IFRS 3 are to be applied to transactions that take place on or after 1 July 2014.

Improvements to IFRS 2012 - 2014

Amendments were made to four standards as part of the annual improvement project. Changes made to the wording of individual IFRSs/IASs are intended to clarify the existing regulations. These standards were IFRS 5, IFRS 7, IAS 19 and IAS 34.

The WCM Group does not plan to apply early the following new or amended standards and interpretations that are only required to be applied in later fiscal years. Unless stated otherwise, the effects on the consolidated financial statements are currently being examined.

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD/INTERPRETATION OR OF THE AMENDMENT	FIRST-TIME ADOPTION [4]
Already endorsed by EU		
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
Not yet endorsed by EU		
IFRS 14 [5]	*Regulatory Deferral Accounts*	- [6]
IFRS 16	Leases	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	- [7]
Amendment to IFRS 15	Clarifications to IFRS 15	1 January 2018
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendment to IAS 40	Transfers of Investment Property	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to IFRS 2014 – 2016	Amendments to IFRS 12	1 January 2017
Improvements to IFRS 2014 – 2016	Amendments to IFRS 1 and IAS 28	1 January 2018

[4] *Reporting periods beginning on or after the specified date.*
[5] *Owing to the extremely limited group of users, the European Commission will not propose the endorsement of IFRS 14 by the EU. Therefore, it is also not necessary to report on IFRS 14 in the context of disclosures under IFRS 8.30. The standard is included in the table only for the sake of completeness.*
[6] *IASB effective date 1 January 2016.*
[7] *On 17 December 2015, the IASB resolved to postpone the effective date of this amended standard indefinitely.*

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board published the final version of IFRS 9 *Financial Instruments.*

IFRS 9 is effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2018, with early adoption permitted. The Group currently intends to apply IFRS 9 for the first time as at 1 January 2018.

The actual effects of the application of IFRS 9 on the consolidated financial statements in 2018 are not known and cannot be estimated reliably, as they will depend on the financial instruments held by the Group and the economic conditions at that time, as well as the choice of accounting policies and judgements made by the Group in the future. The new standard may require the Group to adjust its financial reporting processes and internal controls in connection with the presentation of financial instruments. However, the Group has started to perform a preliminary assessment of the possible effects of the application of IFRS 9, based on its items as at 31 December 2016 and the hedges determined in accordance with IAS 39 during 2016.

IFRS 9 includes a new classification and measurement approach for financial assets that reflects the business model within which the assets are held and the characteristics of their cash flows.

IFRS 9 includes three important classification categories for financial assets: at amortised cost, at fair value with changes in value recognised in profit or loss (FVTPL) and at fair value with changes in value recognised in other comprehensive income (FVOCI). The standard eliminates the existing categories of IAS 39: held to maturity, loans and receivables, and held for sale.

Under IFRS 9, derivatives embedded in contracts that are based on a financial asset within the scope of application of the standard are never accounted for separately. Instead, the hybrid financial instrument is assessed as a whole with regard to its classification.

Based on its preliminary assessment, the Group does not believe that the new requirements relating to classification, impairments, hedge accounting and disclosures in the notes, if applied as at 31 December 2016, would have a material impact on accounting for its trade receivables and loans.

IFRS 15 Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers*, sets out a comprehensive framework for determining whether, how much and when revenue should be recognised. It replaces the existing guidance on the recognition of revenues, including IAS 18 *Revenue*, IAS 11 *Construction Contracts and IFRIC 13 Customer Loyalty Programmes.*

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018. Early adoption is permitted, but is not currently intended.

IFRS 15 will not have a material impact on the WCM Group, as it predominantly generated rental income and income from property disposals.

IFRS 16 Leases

IFRS 16 introduces a uniform accounting model under which leases are to be recognised in the lessee's statement of financial position. Lessees recognise a right-of-use asset, representing their right to use the leased asset, and a liability from the lease, representing their obligation to make lease payments. There are exceptions for short-term leases and leases for low-value assets. The accounting to be applied by lessors is comparable with the current standard – meaning that lessors still classify leases as either finance or operating leases.

IFRS 16 replaces the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Subject to EU endorsement, the standard is effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at the date of first-time adoption of IFRS 16 or before.

Because WCM AG almost always acts as the lessor in the context of property leases, these new regulations are not expected to have any material impact on the consolidated financial statements. Additional disclosures in the notes may be necessary.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments relate to taking account of exercise conditions when measuring cash-settled share-based payments, classifying share-based payments that provide for net settlement for taxes to be withheld, and accounting for a change in the classification of the payment from "cash-settled" to "equity-settled".

Subject to EU endorsement, the amendments are applicable to payments granted or adjusted in fiscal years beginning on or after 1 January 2018. Earlier adoption is permitted. Retroactive application is possible only if no subsequent improved knowledge is used.

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments relate to the first-time adoption of IFRS 9 for insurance companies and therefore have no impact on the consolidated financial statements of WCM AG.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the provisions of IFRS 10 and IAS 28 (2011) in the event of the sale or contribution of assets to an associate or joint venture.

Because the WCM Group does not currently include any associates or joint ventures, the new regulations do not have any material impact on the consolidated financial statements at present.

The effective date of the amendments has been postponed indefinitely by the IASB.

Amendment to IFRS 15 – Clarifications to IFRS 15

The amendments firstly include clarifications of various regulations of IFRS 15 and secondly simplifications with regard to the transition to the new standard.

In addition to the clarifications, the amended standard includes two further simplification options to reduce the complexity and cost of changing over the new standard. These options relate to the presentation of contracts that are either concluded at the beginning of the earliest period presented or were amended before the beginning of the earliest period presented.

Subject to EU endorsement, the amendments are effective for the first time as at 1 January 2018.

Amendments to IAS 7 – Disclosure Initiative

The amendments are aimed at improving information on changes in an entity's indebtedness. In accordance with the amendments, an entity must make disclosures on changes in any financial liabilities for which incoming and outgoing payments are shown in the cash flow from financing activities in the cash flow statement. Associated financial assets must also be included in the disclosures (e.g. assets from hedging transactions).

Entities must disclose changes affecting cash, changes from acquiring or selling entities, changes due to exchange rate effects, changes in fair values and other changes.

The IASB suggests presenting the disclosures in the form of a reconciliation between the opening balance and the closing balance in the statement of financial position, but it also permits other forms of presentation.

Subject to EU endorsement, the amendments are effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2017, with early adoption permitted.

In order to satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balance for liabilities that display changes in connection with financing activities.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

Subject to EU endorsement, the amendments are effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2017, with early adoption permitted.

The Group is currently assessing what possible effects the amendments could have on its consolidated financial statements. So far, the Group does not anticipate any material impact.

Amendment to IAS 40 – Transfers of Investment Property

The amendment to IAS 40 serves to clarify the cases in which the classification of a property as "investment property" begins or ends if the property is still under construction or development. Because the list in IAS 40.57 was previously formulated as being exhaustive, the classification of properties not yet completed was not clearly regulated before. The list is now explicitly considered non-exhaustive, meaning that properties not yet completed can now also be included under this regulation.

Subject to EU endorsement, the amendment is effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2018. Earlier adoption is permitted.

Because WCM AG has previously only ever acquired existing properties and plans to do so in the future, too, these new regulations are not expected to have any impact on the consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses a question regarding the application of IAS 21 The Effects of Changes in Foreign Exchange Rates. It clarifies which date is to be used when determining the exchange rate for the translation of foreign-currency transactions that include the receipt or payment of advance consideration. Under this interpretation, the relevant date for determining the exchange rate for the underlying asset, income or expense is the date at which the asset or liability resulting from the advance payment is recognised for the first time.

Subject to EU endorsement, the interpretation is effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2018. Earlier adoption is permitted.

The Group does not currently anticipate any impact on the consolidated financial statements.

Improvements to IFRS 2014 – 2016

As a result of the Annual Improvements to IFRSs (2014-2016), three IFRSs were amended. In IFRS 12, it is clarified that the disclosures under IFRS 12 also apply to interests in subsidiaries, joint ventures or associates that are classified as held for sale as defined in IFRS 5, with the exception of the disclosures under IFRS 12.B10-B16 (financial information). In IAS 28, it is clarified that the option to measure an investment in an associate or joint venture that is held by a venture capital organisation or another qualifying entity can be exercised differently for each investment. In addition, the temporary simplifying provisions in IFRS 1.Appendix E (IFRS 1.E3-E7) for first-time adopters of IFRSs have been removed.

Subject to EU endorsement, the amendments to IFRS 12 are effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 are effective for the first time in the first reporting period of a fiscal year beginning on or after 1 January 2018. Earlier adoption is permitted.

The Group does not currently anticipate any material impact on the consolidated financial statements.

4.3 JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires that the Management Board makes judgements, estimates and assumptions relating to the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised prospectively.

CALCULATION OF FAIR VALUE

Based on the inputs used in the measurement methods, the fair values are assigned to different levels of the fair value hierarchy:

- **Level 1:** Quoted (unadjusted) prices on active markets for identical assets or liabilities.
- **Level 2:** Measurement parameters other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Measurement parameters for assets or liabilities not based on observable market data.

If the inputs used to determine the fair value of an asset or liability can be classified into different levels of the fair value hierarchy, the fair value measurement in its entirety is assigned to the level of the fair value hierarchy based on the lowest input factor that is material overall for measurement of fair value.

The Group recognises reclassifications between different levels of the fair value hierarchy as at the end of the reporting period in which the change occurred.

DEFERRED TAX

Information on assumptions and estimation uncertainty that can give rise to a significant risk that a material restatement will be required within the fiscal year ending 31 December 2017 can be found in the notes on the recognition of deferred tax assets as regards the availability of future taxable results against which the tax loss carryforwards can be used.

Deferred tax assets are recognised and measured under the following assumptions:

- Tax loss carryforwards have not expired in part or in full due to changes in the past shareholder structure or as a result of changes after the end of the reporting period. The existing hidden reserves in the properties prevent or at least partially prevent the expiry of loss carryforwards, even when the participation level of 25 percent is exceeded by individual shareholders.

- a planning period of ten years is assumed for the measurement of tax loss carryforwards; the planning takes into account the projected tax liability that will be directly attributable to WCM AG for a period of ten years
- the underlying planning period of ten years was considered reliable in terms of the ability to plan over this period, taking into account the factors of remaining lease terms as at the reporting date (WALT of 8.9 years), prolongation options, creditworthiness of tenants and ability to plan financing (loan agreements with remaining terms of one to nine years). No corporate planning is in place for periods going beyond this.
- planning is carried out for each property company and takes into account the current tax and company law structure or that which is already planned and soon to be implemented
- any sale of property companies, should it have occurred, is not assumed until after the end of the analysis period of ten years; a reversal of temporary differences from unrealised net gains/losses on revaluation results in a future use of tax loss carryforwards taking into account minimum taxation
- For the 2015 fiscal year, not engaging in extended trade tax property curtailment at the level of subsidiaries with which there is a profit transfer agreement was assumed. As a result of restructuring part of the property companies from corporations into partnerships which took place in 2016, the capitalisation of deferred taxes for trade tax loss carryforwards for these companies no longer applies. From 2016 onwards, all subsidiaries with an existing profit and loss transfer agreement applied the extended commercial tax reduction law.
- For the measurement in fiscal 2016, consideration of the legal form of partnerships for the property companies was assumed as long as no profit and loss pooling agreement existed so that the tax loss carryforwards relating only to corporation tax were considered in capitalising deferred taxes. In case of corporates, recognized deferred taxes for corporate tax and commercial tax are capitalized based on the minimum tax rate.

Further notes on deferred taxes can be found in notes 4.9 and 5.8 *Income taxes.*

INVESTMENT PROPERTY

The Group uses external, independent property appraisers with relevant professional qualifications and current experience of the location and type of properties being valued to determine the fair value of investment property. The independent appraisers determine the fair value of the investment property portfolio of the Group every six months, for the half-year and annual financial statements.

Key assumptions relate, for example, to rent price increases, vacancy rates and expected maintenance expenses. The discount rate and location and property-specific premiums selected by the appraiser also have a significant impact on the valuation. Changes to the assessment and increases in capital market interest rates could lead to substantial write-downs.

The measurement at fair value of all investment property was assigned to level 3 based on the inputs of the methods used.

Further information on the assumptions in determining fair values can be found in notes 4.13 and 6.6 *Investment property.*

LEGAL DISPUTES

The Group is involved in a dispute with the tax authorities regarding the tax base for the transfer tax from two property acquisitions. Subject to the transfer tax paid, the Management Board is assuming a recoverable claim to a refund capitalised under other current assets at €5.2m. The prospects for success are also based on the judgement of the tax advisors engaged.

4.4 CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise all subsidiaries controlled by WCM AG. The WCM Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date that control ends.

When it achieves control over the property companies, the Group recognises the acquisition of a group of assets that do not constitute an operation by reporting the identifiable assets and the liabilities assumed. The cost of the group is assigned to the individual assets and liabilities as at the acquisition date on the basis of the fair values. Recognition does not result in goodwill.

If groups of assets and liabilities are acquired against share-based payment (e.g. issue of new shares), the corresponding increase in equity is recognised directly in share capital up to the nominal amount of the shares issued and directly in capital reserves for the share of the fair value of the groups of assets and liabilities acquired in excess of this.

Non-controlling interests are measured at fair value as at the acquisition date.

Intercompany balances and transactions and all unrealised income and expenses from intragroup transactions are eliminated when preparing the consolidated financial statements.

4.5 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency (euro) in the separate financial statements of the WCM Group at the relevant exchange rates on the day of the transaction.

Monetary items in a foreign currency are translated into the functional currency at the closing rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. Non-monetary items measured at cost in a foreign currency are translated using the exchange rate at the transaction date. Foreign currency translation differences are recognised in profit or loss for the period.

4.6 REVENUE RECOGNITION

Revenue from letting investment property and available-for-sale property is recognised on a straight-line basis over the term of the lease, less allowances, if the resulting receivables are likely to be recovered. Granted rental incentives are recognised as a component of total rental income over the term of the lease. Income from rent guarantees from third parties is recognised in other operating income if the leases have already been terminated.

Revenue from property disposals is recognised as soon as the material risks and rewards have passed to the buyer by way of transfer of the rights and liabilities.

4.7 OPERATING AND ANCILLARY COSTS

Operating and ancillary costs include the current costs for maintenance, property tax, brokerage commission, security and conversions. They relate to expenses incurred directly for the rental of properties. The costs not directly assigned to the individual properties are reported under other operating expenses.

4.8 FINANCE EXPENSES

Finance expenses comprise essentially interest expenses for loans. Interest expenses are recognised using the effective interest method if material, or otherwise in profit or loss in line with the contractual agreement.

4.9 INCOME TAXES

Tax expenses comprise current and deferred taxes. Current taxes and deferred taxes are recognised in profit or loss except for the extent to which they relate to a business combination or items recognised directly in equity or other comprehensive income.

CURRENT TAXES

Current taxes are the forecast tax liability or asset for the taxable income or loss for the fiscal year, on the basis of tax rates in effect or that will shortly be in effect at the end of the reporting period, and all adjustments of tax liabilities for earlier years. The amount of the forecast tax liability or asset is the best estimate, taking into account any tax uncertainty.

Current tax assets and liabilities are netted only if the company has the legal right to offset them and intends to settle on a net basis.

DEFERRED TAX

Deferred tax assets and liabilities are reported applying the temporary concept in conjunction with the liability method. Deferred taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities for consolidated accounting purposes and the amounts for tax purposes.

Deferred taxes are not recognised for:

- temporary differences from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit before taxes nor taxable profit or loss
- temporary differences in conjunction with investments in subsidiaries, associates or interests in joint ventures if the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future, and
- temporary differences from the initial recognition of goodwill.

Deferred tax assets are recognised for unutilised tax loss carryforwards, unused tax credits and deductible temporary differences to the extent that it is likely that future taxable income will be generated against which they can be used. Future taxable profits are determined on the basis of individual business plans of the subsidiaries.

Deferred tax assets are tested for impairment at the end of each reporting period and, if necessary, reduced to the extent that it is no longer probable that the associated tax benefit will be realised; impairment losses are reversed when the probability of future taxable income improves.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred taxes are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, applying tax rates which are in effect or that have been announced as at the end of the reporting period. For the purpose of calculating the domestic deferred taxes, a combined tax rate of 31.925 % for the parent company was applied for the fiscal year 2016. Due to the fact that the real estate companies make use of their right not to be taxed commercially, no tax loss carry forwards for commercial tax were capitalized for 2016.

The measurement of deferred taxes reflects the tax consequences resulting from the Group's forecasts with regard to the nature of the realisation of its assets and the settlement of its liabilities as at the end of the reporting period. For deferred tax assets and liabilities that exist on account of the measurement of investment property at fair value in accordance with IAS 40 Investment Property, the presumption that the carrying amounts of investment property will be realised from their sale was not rebutted.

Deferred tax assets and liabilities are netted only if there is a legally enforceable right to offset current tax assets and liabilities, they relate to income taxes levied by the same taxation authority and their realisation period matches.

In accordance with the regulations of IAS 12 Income Taxes, deferred tax assets and liabilities are not discounted.

The Group takes into account uncertain tax positions when determining the amount of current and deferred taxes. Its assessment is based on estimates and assumptions and can include a series of judgements about future events. New information may cause the Group to change its judgements concerning its tax liabilities. These changes in tax liabilities will affect tax expenses in the period in which such determination is made.

The Group must estimate its income tax obligations when preparing its annual financial statements. Estimates relate to both current tax expenses and the assessment of temporary differences that result from the different treatment of items of the statement of financial position for consolidated accounting and tax purposes. Determining the provision for income taxes requires estimates as there are transactions and calculations in normal business activities in which the ultimate tax expense is uncertain.

To determine the amount of deferred tax assets, estimates are required at the end of each reporting period to determine the future taxable income available.

4.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and demand deposits at banks. They are reported at nominal amount. The company can dispose freely of the cash. Agreements are in place for some of the incoming rent accounts that provide for a drawing restriction in the event of a delay in the repayment of loans (see also note 6.9 *Financial instruments and financial risk management).*

4.11 PROPERTY HELD FOR SALE

These properties are measured at the lower of cost and realisable value. Net realisable value is equal to the recoverable amount less costs to sell.

4.12 TRADE RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Trade receivables, prepayments and other current assets are measured at nominal amount less impairment.

4.13 INVESTMENT PROPERTY

Investment property is property held to generate future rental income or profits from appreciation in value that is not used by the company itself or held for sale. It is initially measured at cost and subsequently at fair value, with any changes in this recognised in profit or loss. If corresponding properties are purchased for share-based consideration as part of the acquisition of a group of assets and liabilities, the cost is already the fair value (see also note 4.4 *Consolidation* principles).

Further notes on the calculation of the fair value of investment property can be found in note 6.6 *Investment property.*

Any gain or loss on the disposal of investment property (calculated as the difference between the net realisable value and the carrying amount of the item) is recognised in profit or loss.

4.14 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are measured at cost less any cumulative amortisation, depreciation and impairment losses.

If parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items (main components) of property, plant and equipment.

Any gain or loss from the disposal of intangible assets or property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is only recognised if it is likely that it will result in the Group deriving a future economic benefit.

4.15 IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period the Group determines whether there are indications that an asset could have become impaired. Indications include a marked drop in fair value, significant negative changes in the business environment or the obsolescence of the asset.

If this is the case the Group estimates the recoverable amount of the asset in question. The recoverable amount of the asset in question is the higher of fair value less costs to sell and value in use. The value in use is the present value of the expected cash inflows. If a recoverable amount cannot be determined for an individual asset, the recoverable amount of the smallest identifiable cash-generating unit (CGU) to which the asset in question can be assigned is determined.

If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, the corresponding impairment losses are recognised in profit or loss in the expense categories for the function of the impaired asset.

At the end of each reporting period, assets are tested for indications that an impairment loss recognised previously no longer applies or has been reduced and the impairment loss is reversed where necessary. As for other intangible assets – impairment losses cannot be reversed to higher than the lower of amortised carrying amount or recoverable amount. Reversals of write-downs are recognised in other income.

4.16 FINANCIAL INSTRUMENTS

The Group classifies its non-derivative financial assets as loans and receivables and its non-derivative financial liabilities as other financial liabilities.

Loans and receivables and other financial liabilities are measured at amortised cost. Impairment losses are recognised for individual financial instruments if there are objective indications of impairment and the originally forecast cash flows are no longer expected. Objective indications of impairment include if the credit rating of an obligor deteriorates or fair values are consistently in decline. If the reasons for an impairment loss no longer apply, the losses are reversed accordingly. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire.

Financial instruments maturing in more than 12 months are shown as non-current.

For information on accounting for financial instruments please also see note 6.9 *Financial instruments and* financial risk management.

4.17 TRADE PAYABLES, OTHER FINANCIAL LIABILITIES AND OTHER LIABILITIES

Trade payables, other financial liabilities and other liabilities are classified as current if payment is due within one year of the end of the reporting period. The amortised cost for these liabilities is usually their nominal amount.

4.18 PROVISIONS

Provisions are recognised when the company has a current legal or constructive obligation as a result of past events, an outflow of resources embodying economic benefits to settle the obligation is likely and the amount can be reliably estimated. The amount recognised as a provision represents the best estimate of the expenditure required to settle the obligation as at the end of the reporting period, taking into account significant risks and uncertainties.

The amount of provisions is calculated by discounting the expected future cash flows using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the liability and if the effect of discounting is material. The interest accrued is shown as a finance cost.

4.19 EQUITY

The share capital is stated at nominal value and includes all outstanding registered shares. The transaction costs directly attributable to the issue of new shares are deducted immediately from capital reserves, after taxes.

The fair value of obligations for guaranteed dividends was calculated on the basis of a present value method.

5. NOTES TO THE INCOME STATEMENT

5.1 NET RENTAL INCOME

€k	2016	2015
Rental income	32,613	10,445
Non-apportionable operating costs	-930	-550
Maintenance expenses	-441	-317
Other rental expenses	-1,446	-18
Total	**29,796**	**9,560**

Rental income includes rental income from investment property and properties held for sale.

In the Office segment, around 18 percent (€3.3m) of rental income is generated with one tenant, while in the Retail segment around 24 percent (€3.3m) and 11 percent (€1.5m) of rental income is generated with two tenants.

Other rental expenses chiefly comprise third-party services for asset and property management. The year-on-year increase resulted primarily from the increased use of third parties for the corresponding services.

5.2 NET GAIN/LOSS FROM SALE OF PROPERTY HELD FOR SALE

€k	2016	2015
Proceeds from disposal of properties held for sale	7,875	0
Expenses of the sale from property held for sale	-7,076	0
Total	**799**	**0**

The proceeds reported here are from the disposal of the properties in Frankfurt, Radebeul and Dresden that were sold as part of asset deals. Please also refer to our comments on acquisitions and disposals in the year under review in note 2.2.

5.3 UNREALISED NET GAIN/LOSS FROM FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTY

€k	2016	2015
Gains from fair value measurement	29,469	57,728
Losses from fair value measurement	-256	-2,824
Total	29,213	54,904

The unrealised net gain from the fair value measurement of investment property resulted in income of €29,213k (2015: €54,904k). The net gains from appreciation in the fiscal year relate to the Office (€19,004k) and Retail (€10,465k) segments. The net measurement losses relate entirely to the Office segment.

For information on the measurement method please see the commentary on investment property in notes 4.13 and 6.6.

5.4 OTHER OPERATING INCOME

€k	2016	2015
Income from termination agreements	494	630
Income from the derecognition of liabilities	345	128
Reversal of provisions	127	46
Charges reallocated to third parties	73	612
Income from the reduction of impairment losses on receivables	0	83
Rent guarantee	0	672
Income from contractual protection clauses	0	500
Miscellaneous	415	341
Total	1,454	3,012

For information on rent guarantees, please see the commentary on related parties in note 7.3. Prior-period income amounted to €472k (2015: €674k).

5.5 STAFF COSTS

€k	2016	2015
Wages and salaries	4,266	1,382
Social security contributions	310	148
Total	**4,576**	**1,530**

As expected, staff costs increased substantially year-on-year in connection with the start of operating business. Staff costs include expenses for share-based remuneration of €917k (2015: €38k) (see note 5.10 *Share-based remuneration arrangements*).

WCM AG had an average of 26 employees (without Management Board members) in fiscal year 2016 (2015: 11). As at the reporting date, the Group employed 27 people (2015: 20). Seven of them were employed in asset and property management, six in the finance department, six in assistance and administration and a total of eight in the other departments.

5.6 OTHER OPERATING EXPENSES

€k	2016	2015
Losses on receivables	3,645	0
Transaction costs for the acquisition of properties	2,154	1,700
Costs for broken deals	1,861	37
Legal and consulting costs	1,116	1,544
Financial statement and audit costs	578	268
Costs of Annual Shareholders' Meeting	563	460
Advertising costs	377	183
Fees and contributions	313	122
Rental and leasing expenses	251	405
Valuation costs	250	245
Supervisory Board remuneration	242	270
Travel expenses	226	171
Miscellaneous	1,277	1,310
Total	12,853	6,715

The losses on receivables include primarily non-recurring adjustments of €3,085k for an acquired portfolio and an uncollectible receivable from a contractual safeguard clause in the amount of €500k.

Besides this, other operating expenses also increased as against the previous year as a result of the transaction costs and market testing costs in connection with the acquisition of properties and companies and the expansion of operating activities. Transaction costs and costs for broken deals mainly include the costs for the preparation and, if applicable, execution of property acquisitions, including the related financing.

For information on Supervisory Board remuneration, please see the commentary on related parties (note 7.3).

The fees for the auditor, including expenses in line with section 314 (1) no. 9 HGB, developed as follows:

€k	2016
Audits of financial statements	328
Other assurance or valuation services	287
Other services	10
Total	**625**

Audits of financial statements includes reviews for the previous year amounting to €32k. Other assurance or valuation services relate to audits of capital market transactions and audits in accordance with section 293b of the German Stock Corporation Act (AktG).

5.7 NET FINANCE COSTS

€k	2016	2015
Financial income		
Interest income from loans to related parties	152	129
Interest income on tax credits	209	7
Total	**361**	**136**
Finance expenses		
Interest for bank loans	6,530	1,945
Loan amortisation	667	0
Interest for loans from related parties	28	267
Other interest	274	0
Total	**7,499**	**2,212**
Net finance costs	**-7,138**	**-2,076**

Financial income includes interest income from VAT credits and from the overpayment of real estate transfer tax on a property acquisition. Financial expenses increased primarily as a result of the loans borrowed to finance the acquisitions. Other interest includes non-recurring interest expense from the acquisition of the "North" portfolio in the amount of €263k.

5.8 INCOME TAXES

TAXES RECOGNISED IN CONSOLIDATED NET PROFIT FOR THE PERIOD

€k	2016	2015
Current tax expense		
Current year	400	722
Adjustment for previous years	615	0
Total	**1,015**	**722**
Deferred tax expense		
Additions to/reversals of temporary differences	10,105	22,169
Change of recognized tax losses (relating to other periods)	5,928	-23,770
Total	**16,033**	**-1,601**
Tax expense of continuing operations	**17,048**	**-879**

The current tax expense is calculated on the basis of the taxable income for the fiscal year. The tax rate for the parent company for fiscal 2016 is 31.9 percent (2015: 31.9 percent). This tax rate consists of the tax rate for corporation tax and solidarity surcharge of 15.8 percent in total (2015: 15.8 percent) and for trade tax of 16.1 percent (2015: 16.1 percent).

TAXES RECOGNISED DIRECTLY IN EQUITY

€k	2016			2015		
	BEFORE TAXES	TAXES	AFTER TAXES	BEFORE TAXES	TAXES	AFTER TAXES
Costs of raising equity capital	**2,006**	**-627**	**1,379**	**7,210**	**-2,302**	**4,908**

RECONCILIATION TO EFFECTIVE TAX RATE

€k	2016		2015	
Earnings before income taxes		**35.609**		**56.796**
Taxes on the basis of the domestic tax rate of the company	-31.9 %	-11,359	-31.9 %	-18,132
Non-deductible expenses	-1.6 %	-570	-0.4 %	-251
Tax-free income	4.0 %	1,424	0.3 %	152
Recognition of tax effects of previously unrecognised loss carryforwards	18.9 %	6,750	36.4 %	20,702
Reversal of deferred tax effects due to the sale of properties	-6.6%	-2,346	0.0 %	0
Recognition of deferred tax effects from the changed company law structure to partnerships	-29.0 %	-10,332	0.0 %	0
Income taxes previous years	-1.7 %	-615	0.0 %	0
Other deferred tax effects	0.0 %	0	-2.8 %	-1,592
Tax expenses (-)/income (+) from in-come taxes as per statement of com-prehensive income	**-47,9 %**	**-17.048**	**1,5 %**	**879**

CHANGE IN DEFERRED TAXES IN STATEMENT OF FINANCIAL POSITION IN THE YEAR

2016 €k	AS AT 1 JANUARY 2016	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	NET	AS AT 31 DECEMBER 2016 DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Investment property	-19,974	-9,459	0	-29,433	0	-29,433
Capital reserves/transaction costs	141	-646	627	122	0	122
Tax loss carryforwards	26,116	-5,928	0	20,188	20,188	0
Tax assets (liabilities) before netting	6,283	-16,033	627	-9,123	20,188	-29,311
Netting of taxes					-14,665	14,665
Tax assets (liabilities), net					**5,523**	**-14,646**

2015 €k	AS AT 1 JANUARY 2015	RECOGNISED IN PROFIT OR LOSS	RECOGNISED DIRECTLY IN EQUITY	NET	AS AT 31 DECEMBER 2015 DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Investment property	0	-19,974	0	-19,974	0	-19,974
Capital reserves/transaction costs	34	-2,195	2,302	141	141	0
Tax loss carryforwards	2,346	23,770	0	26,116	26,116	0
Tax assets (liabilities) before netting	2,380	1,601	2,302	6,283	26,257	-19,974
Netting of taxes					-15,324	15,324
Tax assets (liabilities), net					**10,933**	**-4,650**

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised for the following items as it is not probable that future taxable profit will be available against which the Group can utilise the deferred tax assets.

€k	2016	2015
Unrecognised deferred tax assets on tax losses	67,185	61,504

TAX LOSS CARRYFORWARDS

€k	2016	2015
Tax loss carryforwards (corporation tax)	284,308	285,056
Tax loss carryforwards (trade tax)	263,678	263,750

The tax loss carryforwards can generally be carried forward indefinitely. As at 31 December 2016, an amount of €111,658k in corporation tax loss carryforwards and €15,814k in trade tax loss carryforwards were reported as deferred tax assets. However, under certain circumstances they can expire proportionately (e.g. if one shareholder holds between 25 percent and 50 percent of shares) or completely (e.g. if one shareholder holds more than 50 percent of shares).

5.9 EARNINGS PER SHARE

Basic earnings per share are calculated based on the profit attributable to ordinary shareholders and a weighted average number of shares outstanding. Diluted earnings are calculated taking into account the dilutive effects of potential ordinary shares. The calculation of both figures is shown below:

ATTRIBUTION OF PROFIT TO ORDINARY SHAREHOLDERS (BASIC AND DILUTED)

€k	2016	2015
Profit attributable to the owners of the parent company	15,798	54,292
Interest expenses on mandatory convertible bonds (after taxes)	-19	-28
Gain attributable to ordinary shareholders	**15,779**	**54,264**

WEIGHTED AVERAGE ORDINARY SHARES (BASIC)

Thousands of shares	2016	2015
Ordinary shares outstanding as at 1 January	120,773	33,783
Stock options issued (Management Board) as at 1 January	2,000	0
Effects of mandatory convertible bonds issued	568	911
Effects of non-cash capital increases	5,342	0
Effects of shares issued	0	40,761
Effects of stock options issued (Management Board)	0	167
Weighted average ordinary shares as at 31 December (basic)	**128,684**	**75,622**
Basic earnings per share	**0.12**	**0.72**

WEIGHTED AVERAGE ORDINARY SHARES (DILUTED)

Thousands of shares	2016	2015
Weighted average ordinary shares as at 31 December (basic)	128,684	75,622
Stock options issued (employees) as at 1 January	500	0
Effects of stock options issued (Management Board)	526	0
Effects of stock options issued (employees)	25	42
Weighted average ordinary shares as at 31 December (diluted)	**129,734**	**75,664**
Diluted earnings per share	**0.12**	**0.72**

5.10 SHARE-BASED REMUNERATION ARRANGEMENTS

ACCOUNTING POLICIES

The fair value at the grant date of share-based remuneration arrangements with employees is recognised as an expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the award. For share-based payment awards with non-vesting conditions, the fair value is calculated on the grant date, taking these conditions into account; an adjustment of the differences between expected and actual results is not required.

EQUITY-SETTLED STOCK OPTION PROGRAMME

Starting from fiscal year 2015, the Company launched stock option programmes to be able to grant members of the Management Board and selected employees options to shares in the company. The programmes serve as a targeted incentive for participants and, at the same time, are expected to increase the participants' loyalty to the company.

The 2015 stock option programme was resolved at the 2015 Annual Shareholders' Meeting on 10 June 2015. The stock options entitle participants to purchase one share at the exercise price and have a term of six years with a vesting period of four years. The stock options can be exercised only if the value of the property portfolio held by the Company and its subsidiaries is at least €250m (Management Board tranche) or €500m (employee tranche) by the end of the vesting period.

For the first time, 2,500,000 equity-settled options were granted to the Management Board and selected employees under the stock option programme on 1 December 2015.

The fair value of the stock options as at the grant date was determined using a binomial model. The following parameters are used in the measurement of the pre-emption rights:

2015	MANAGEMENT BOARD	EMPLOYEES
Share price at grant date (in €)	2.420	2.420
Exercise price (weighted average in €)	1.750	1.820
Expected volatility	39.85 %	39.85 %
Maturity	6 years	6 years
Dividend yield	4.06 %	4.06 %
Risk-free interest rate	- 0.08 %	- 0.08 %
Fair value	€0.766	€0.738

An additional stock option programme for 2016 was resolved at the 2016 Annual Shareholders' Meeting on 24 August 2016. The stock options entitle participants to purchase one share at the exercise price and have a term of six years with a vesting period of four years. The stock options can be exercised only if the all of the following performance targets are achieved at once. The average annualised net initial rent of the Company's property portfolio must amount to at least 5.0 percent in the period from the start of the fiscal year in which the stock options are issued until the date when the stock options are exercised, and the market value of the property portfolio held by the Company and its subsidiaries must be at least €750m by the end of the vesting period.

A total of 980,000 equity-settled options were granted to the Management Board and selected employees under the stock option programmes in fiscal year 2016.

The fair value of the stock options as at the grant date was calculated using a binomial model. The following parameters are used in the measurement of the pre-emption rights:

2016	MANAGEMENT BOARD	EMPLOYEES
Share price at grant date (in €)	2.841	2.608
Exercise price (weighted average in €)	2.155	2.220
Expected volatility	40.04 %	38.86 %
Maturity	6 years	5.95 years
Dividend yield	3.92 %	5.12 %
Risk-free interest rate	-0.29 %	-0.22 %
Fair value (weighted average in €)	0.913	0.653

The estimates of expected volatility are based on past volatility. Owing to the insolvency proceedings, the plan monitoring and the lack of operating activities, the development of the company's share price before 31 December 2014 has limited suitability as a basis for estimating future development, and is significantly more volatile than for other property companies. For this reason, a basket consisting of the WCM share and the shares of three peer companies (alstria office REIT AG, DIC Asset AG and Hamborner Reit AG) was formed to derive historical volatility as a share price history before 31 December 2014. In the model, the early exercise of stock options was assumed in all cases in which the closing price as at the exercise date is at least 200 percent the exercise price.

RECONCILIATION OF OUTSTANDING STOCK OPTIONS

The number and weighted average exercise prices of stock options developed as follows:

STOCK OPTIONS	2016		2015	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding as at 1 January in year under review	2,500,000	€1.764	-	-
- granted	980,000	€2.167	2,500,000	€1.764
- forfeited	-	-	-	-
- exercised	-	-	-	-
- expired	-	-	-	-
Outstanding as at 31 December	**3,480,000**	**€1.877**	**2,500,000**	**€1.764**
Exercisable as at 31 December	-	-	-	-

The options outstanding as at 31 December 2016 have an average exercise price of between €1.75 and €2.31 and a weighted average lease term of 5.06 years. The staff costs recognised in fiscal year 2016 for the granting of stock options amount to €917k (2015: €38k).

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6.1 CASH AND CASH EQUIVALENTS

€k	31 DECEMBER 2016	31 DECEMBER 2015
Cash and cash equivalents	10,013	11,136

Cash consists mainly of readily available bank balances. Bank balances of €434k (previous year: €40k) are earmarked as collateral for pending renovation work. For some of the incoming rent accounts agreements are in place that provide for a drawing restriction in the event of a delay in repayment of a loan (see note 6.9 *Financial risk management*).

6.2 TRADE RECEIVABLES

COMPOSITION AND MATURITY STRUCTURE €k	31 DECEMBER 2016	31 DECEMBER 2015
Rent receivables	146	309
Due in stated time band as at reporting date:		
Not yet due	*3*	*73*
Past due by up to one month	*0*	*219*
Past due by more than one month	*143*	*17*
Specific valuation allowances on rent receivables	-15	0
Total	131	309

6.3 PROPERTY HELD FOR SALE

€k	31 DECEMBER 2016	31 DECEMBER 2015
Property held for sale	0	4,185

The office properties in Dresden and Frankfurt/Main that were reported in this item as at the previous year's reporting date were sold in the year under review.

Based on a reassessment of the intended use, a property in Radebeul was reclassified to long-term investment property as at 30 September 2016. The first fair value recognition of the property resulted in a valuation gain of €810k.

6.4 OTHER FINANCIAL ASSETS

€k	31 DECEMBER 2016		31 DECEMBER 2015	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Loans to related parties	6,469	81	3,192	124
Deferral accounts for rent-free periods	379	35	0	0
Deposits	0	70	0	50
Total	**6,848**	**186**	**3,192**	**174**

6.5 OTHER ASSETS

€k	31 DECEMBER 2016		31 DECEMBER 2015	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Operating costs not yet invoiced	0	7,559	0	2,611
Notary trust accounts	0	6,793	0	1,500
Overpayment of transfer tax	0	5,157	0	4,950
Construction cost subsidy	403	0	0	0
Tax receivables	0	193	0	1,200
Receivable from the guarantee fund	0	0	0	1,710
Receivable from contractual safeguard clause	0	0	0	500
Other assets	0	1,702	0	2,171
Total	**403**	**21,404**	**0**	**14,642**

For information on transfer tax overpayments, please see the comments on legal disputes under note 4.3.

The notary trust accounts contain payments for property acquisitions.

6.6 INVESTMENT PROPERTY

As at 31 December 2016 the item “Investment property” comprises 53 properties assigned to WCM AG’s categories as follows:

31 DECEMBER 2016

SEGMENT	NUMBER	LETTABLE AREA M²	FAIR VALUE €K
Office	12	113,985	353,500
Retail	41	210,046	308,573
Total	**53**	**324,031**	**662,073**

31 DECEMBER 2015

SEGMENT	NUMBER	LETTABLE AREA M²	FAIR VALUE €K
Office	13	120,830	333,700
Retail	33	102,701	150,546
Other	1	68,432	17,300
Total	**47**	**291,963**	**501,546**

WCM AG leases its investment property in the form of operating leases. The net rental income generated from this amounted to €32,613k in the reporting year (2015: €10,445k).

When acquiring properties, the respective property company takes on the existing rental agreements. These generally have an uncancellable remaining term of between one and 17 years. The weighted average lease term (WALT) of the portfolio was 8.9 years at the end of the reporting period.

There are the following future net minimum lease payments under uncancellable leases as at **31 December 2016:**

€k	2016	2015
Less than one year	38,821	31,652
Later than one year and not later than five years	141,290	114,507
More than five years	161,092	147,375
Total	**341,203**	**293,534**

The direct operating expenses (operating and ancillary costs) directly attributable to the investment property with which rental income was generated in the reporting period amount to €2,312k. For vacant parts of properties, these expenses amounted to €505k.

There are maintenance obligations to third parties from the loan agreements to finance properties of usually at least 1 percent of annual rental income.

The fair value of investment property was determined by external, independent property appraisers with relevant professional qualifications and current experience of the location and type of properties being valued. As at 31 December 2016 all properties were consistently valued by the independent property valuer Cushman & Wakefield. The market value was calculated in line with the International Valuation Standards (IVS) and the guidelines and implementing provisions of the Royal Institution of Chartered Surveyors (RICS), and is therefore an estimated amount at which an asset or liability could be sold or transferred between a willing seller and a willing buyer after an appropriate marketing period in a transaction in the ordinary course of business as at the valuation date, whereby each party acts knowledgeably, prudently and without compulsion. Is also assumed that the type and extent of use as at the valuation date is the highest and best use.

The assessment of market values in this valuation is based on a dynamic present value analysis of cash flows applying the discounted cash flow (DCF) method. A detailed cash flow plan for a period of between 10 and 13 years was assumed with all incoming and outgoing payments becoming due annually in arrears and the final value becoming due annually in arrears at the end of the analysis period. An annual rate of inflation of 1.20 percent was assumed for the first four years and of 2.00 percent for the subsequent years. Growth in market rent of 2.00 percent p.a. (2015: 2.00 percent p.a.) was assumed.

The gross profit of the contractually rented space was recognised and reported taking into account the agreed minimum remaining terms (not including potential renewal options exercised by lessees), possible graduated rent arrangements and value assurance arrangements. In total, the contractual rental income (effective rent) for the portfolio as a whole amounts to €38.8m p.a. (2015: €31.7m p.a.).

At the end of the minimum contractual term, using a selected probability percentage (usually 50.0 per cent) after an assumed vacancy period specific to the property and the market and conversion and marketing costs incurred, the rental unit was assigned an updated (i.e. assumed as at the date of new rental) prevalent nominal market rent. In cases in which the lease is renewed, it is usually assumed when applying the updated market rent (as for new rentals) that only minor vacancy, conversion and marketing costs will be incurred, if at all.

A standard gross income of around €39.9m p.a. (2105: €32.7m p.a.) was calculated from the (nominal) market rents applied in line with the varying quality of space. Market rent increases were explicitly taken into account at a rate of 2.0 percent p.a. (2015: 2.00 percent p.a.).

To determine the final value, the annuity value of the estimated free cash flow of the last year of the analysis period is calculated and discounted to the measurement date. The net income applied for the 10th to 14th annual period was capitalised using a selected capitalisation rate as a reversionary perpetual annuity. The selected capitalisation rate is equal to the interest rate observed on a stable property capital market plus a risk premium specific to the property. Depending on the quality, location and structure of the properties, the capitalisation rates used vary between 3.0 percent and 7.0 percent (2015: 3.0 percent and 8.75 percent).

The following individual components were applied to determine the management costs for the individual properties.

Operating costs that cannot be allocated to tenants comprise the ongoing costs arising from ownership of the property or the intended use of the property and its structures. In line with common practice on the local property market, these costs are usually paid by the tenant in addition to the rent. The pro rata operating costs not paid by the tenant are reflected in valuation at a rate of 0.5 percent to 1.0 percent of gross income (2015: 0.5 percent to 1.0 percent).

Vacancy costs were estimated for all areas not rented as at the measurement date or that may be temporarily vacant during the analysis period as a result of tenant turnover. Annual vacancy costs of €30.00 per m² were assumed in the valuation. As at the end of the reporting period, the vacancy rate for the whole portfolio (ratio of non-rented space to rentable space) was 3.9 percent (2015: 5.9 percent).

Administrative expenses comprise letting, lease management, property accounting, controlling, the billing of ancillary costs and the planning and performance of maintenance. These were assessed in accordance with the principles of proper management. These administrative expenses were taken into account in the valuation at a rate of 1.0 percent to 3.0 percent (2015: 1.0 percent to 3.0 percent).

The maintenance expenses comprise the costs incurred as a result of wear and tear, ageing and weathering to preserve the intended use of structures during their useful life in order to maintain the economic viability and profitability of the asset being valued. These costs were taken into account in the valuation at €4.50 to €8.00 per m² (2015: €3.50 to €8.00) of rental area, €20.00 to €25.00 (2015: €25.00) per indoor parking space and €5.00 to €15.00 per outdoor parking space (2015: €5.00 to €15.00) per year.

As in the previous year, flat costs of €25.00 to €250.00 per m² of rental area were used for tenant changeovers, varying according to the quality of the space, the type of use and the possible market rent, plus broker commission of three months' rent for office and retail rentals.

The discount rate applied to all free cash flows consists of a long-term risk-free rate and a risk premium in line with international valuation practice. Depending on the quality, location and structure of the properties, the discount rates used vary between 3.50 percent and 6.25 percent (2015: 3.75 percent and 8.25 percent).

The effects of possible fluctuations in the key valuation parameters are shown in isolation in the table below. Potential interactions cannot be quantified owing to their complexity.

		CHANGE IN PARAMETER	
MEASUREMENT PARAMETER	CHANGE IN PARAMETER	€K	in %
Market rent	+5 %	17,908,574	2.8 %
	-5 %	-18,834,329	-2.8 %
Administrative expenses	+10 %	-1,455,593	-0.2 %
	-10 %	529,834	0.2 %
Maintenance expenses	+10 %	-4,270,556	-0.6 %
	-10 %	3,344,792	0.6 %
Inflation rate	1 percentage point	20,933,815	3.2 %
	-1 percentage point	-12,178,670	-1.8 %
Market growth	1 percentage point	29,635,384	4.5 %
	-1 percentage point	-28,250,127	-4.2 %
Discount and capitalisation rate	25 basis points	-30,856,092	-4.6 %
	-25 basis points	32,876,511	5.0 %

The value of investment property and prepayments developed as follows:

€k	INVESTMENT PROPERTY	PREPAYMENTS	TOTAL
Net carrying amount as at 1 January 2015	**17,337**	**3,086**	**20,423**
Additions	426,219	0	426,219
Reclassifications	3,086	-3,086	0
Changes in fair value	54,904	0	54,904
Net carrying amount as at 31 December 2015/1 January 2016	**501,546**	**0**	**501,546**
Additions	148,051	0	148,051
Disposals	16,737	0	16,737
Changes in fair value	29,213	0	29,213
Net carrying amount as at 31 December 2016	**662,073**	**0**	**662,073**

6.7 INTANGIBLE ASSETS

Intangible assets are measured at cost. Cost comprises the purchase price including directly attributable incidental costs of acquisition incurred to bring the asset to a working condition for its intended use.

Amortisation on intangible assets is recognised on a straight-line basis over their expected useful life. Useful lives and amortisation methods are reviewed periodically to ensure that amortisation methods and periods reflect the expected economic benefit of the assets. Amortisation essentially assumes useful lives of five to ten years.

Intangible assets developed as follows:

€k	SIMILAR RIGHTS AND ASSETS	TOTAL
Cost as at 1 January 2015	**0**	**0**
Additions	114	114
Disposals	0	0
Cost as at 31 December 2015/1 January 2016	**114**	**114**
Additions	147	147
Disposals	0	0
Cost as at 31 December 2016	**261**	**261**
Cumulative depreciation as at 1 January 2015	**0**	**0**
Additions (depreciation)	11	11
Additions (impairment)	0	0
Disposals	0	0
Cumulative depreciation as at 31 December 2015/1 January 2016	**11**	**11**
Additions (depreciation)	54	54
Additions (impairment)	0	0
Disposals	0	0
Cumulative depreciation as at 31 December 2016	**65**	**65**
Net carrying amount as at 31 December 2015	**103**	**103**
Net carrying amount as at 31 December 2016	**196**	**196**

6.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost.

Cost comprises the purchase price including directly attributable incidental costs of acquisition incurred to bring the asset to a working condition for its intended use.

Depreciation on property, plant and equipment is recognised on a straight-line basis over the expected useful life. Useful lives and depreciation methods for property, plant and equipment are reviewed periodically to ensure that depreciation methods and periods reflect the expected economic benefit of the assets. Depreciation essentially assumes the following useful lives:

ASSET ITEM	USEFUL LIFE IN YEARS
Technical equipment and machinery	5-10
Other equipment, operating and office equipment	2-23

Property, plant and equipment developed as follows:

€k	TECHNICAL EQUIPMENT AND MACHINERY	OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	PREPAYMENTS	TOTAL
Cost as at 1 January 2015	**445**	**38**	**0**	**483**
Additions	833	3,748	53	4,634
Disposals	46	19	0	65
Cost as at 31 December 2015/1 January 2016	**1,232**	**3,767**	**53**	**5,052**
Additions	0	277	392	669
Disposals	1,050	102	0	1,152
Reclassifications *	0	0	-53	-53
Cost as at 31 December 2016	**182**	**3,941**	**392**	**4,515**
Cumulative depreciation as at 1 January 2015	**0**	**0**	**0**	0
Additions (depreciation)	271	77	0	348
Additions (impairment)	0	0	0	0
Disposals	0	0	0	**0**
Cumulative depreciation as at 31 December 2015/ 1 January 2016	**271**	**77**	**0**	**348**
Additions (depreciation)	131	901	0	1,032
Additions (impairment)	0	0	0	0
Disposals	336	25	0	361
Cumulative depreciation as at 31 December 2016	**67**	**952**	**0**	**1,019**
Net carrying amount as at 31 December 2015	**961**	**3,690**	**53**	**4,704**
Net carrying amount as at 31 December 2016	**115**	**2,989**	**392**	**3,496**

* *The reclassifications mainly comprise reclassifications to properties held for sale.*

6.9 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to liquidity risks from its use of financial instruments. In particular, these risks include interest rate risk, liquidity risk, a risk of default in acquiring, holding and selling property and default of payment under rental agreements.

RISK MANAGEMENT CONCEPT

The Management Board has overall responsibility for establishing and monitoring the Group's risk management. The Supervisory Board was regularly informed of the development of the Group in the fiscal year and the approvals of the Supervisory Board deemed necessary were obtained.

The internal control system in relation to accounting is characterised by the transactions related to the expansion of the property portfolio and property-specific administrative functions.

WCM AG has a risk management system that chiefly consists of the following processes: a risk policy that presents the risk management structure, defined processes used to identify risks (early risk identification system, consultation of employees), the reduction of significant risks, documentation and a report to the Management Board.

In collaboration with external consultants, the risk matrix and the early risk identification system were updated and risks were identified on a regular basis in the year under review. In addition, further specific measures were taken in relation to consultation of employees, risk mitigation, possible consultation of experts, reporting, etc., as well as the associated documentation.

A further expansion is planned with the further growth of the Group. Owing to the low number of hierarchy levels, the organisation is characterised by a low degree of separation of functions and adapted to the transactions commonly encountered in this context.

The identification, analysis, communication and management of risks are regulated by a comprehensive risk management system. Please see the information on risk management in the management report.

CAPITAL MANAGEMENT

The Group endeavours to maintain a sufficient capital base to preserve the confidence of investors, creditors and the markets and to ensure the sustainable development of the company.

Financial risks are managed on the basis of reported equity.

The Group monitors capital using a ratio of net debt to equity. The net debt comprises all liabilities (including interest-bearing bonds and loans and finance lease liabilities) less cash and cash equivalents.

The ratio of net debt to equity was as follows at the end of the reporting period:

€k	31 DECEMBER 2016	31 DECEMBER 2015
Total liabilities	394,340	281,342
Less cash and cash equivalents	10,013	11,136
Net debt	**384,327**	**270,206**
Equity	**315,933**	**269,582**
Net debt in relation to Equity	**1.22**	**1.00**

RISK OF DEFAULT

The risk of default is the risk of financial loss if a tenant or a party to a financial instrument fails to meet its contractual obligations. The risk of default arises from “Trade receivables”, “Other financial assets” and “Other current assets”. The carrying amounts of the financial assets represent the maximum risk of default.

The company’s risk of default is mainly defined by the individual characteristics of customers and counterparties.

Objective evidence of impairment could, for example, include:

- signs of significant financial difficulties on the part of a customer or group of customers indicating a tangible reduction in estimated cash flows, or
- non-compliance with payment terms or non-payment of interest or principal amounts.

Where, in subsequent periods, the reasons for the impairment no longer apply, a reversal is recognised in profit or loss up to the amount of the original cost.

Carrying amounts for receivables are corrected via an allowance account. If receivables are irrecoverable, the receivables are derecognised in full together with the impairment recognised.

It is due to the customer structure and business model that outstanding receivables from leases exist at only an immaterial level.

Furthermore, WCM AG takes collateral in line with what is usual across the industry to mitigate the risk of default. Collateral includes, for example, deposits, guarantees or warranties.

The creditworthiness of tenants is monitored. Leases with new tenants with low credit scores are avoided.

Valuation allowances on trade receivables developed as follows during the year.

€k	SPECIFIC VALUATION ALLOWANCES	GENERAL VALUATION ALLOWANCES	TOTAL VALUATION ALLOWANCES
As at 1 January 2015	**0**	**0**	**0**
Impairment losses recognised	0	0	0
Amounts written off	0	0	0
As at 31 December 2015/1 January 2016	**0**	**0**	**0**
Impairment losses recognised	15	0	0
Amounts written off	0	0	0
As at 31 December 2016	**15**	**0**	**0**

MARKET RISK

Market risk is the risk that the market prices, such as exchange rates, interest rates or share prices change and thereby affect the Group's income.

When commencing operations, market risks lie particularly in the area of vacancies, housing market risks and tenant solvency. The Management Board has taken the risk into account by obtaining third-party opinions, involving consultants when acquiring property investments and receiving rent guarantees in individual cases.

In future the Group may conduct extensive interest rate hedges to protect itself against interest rate risks.

LIQUIDITY RISK

Liquidity risk is the risk that the company may not be able to fulfil its commitments in connection with its financial liabilities by delivering cash or another financial assets. The company's approach as regards liquidity management is, as far as possible, to ensure that it always has sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Short-term credit facilities have so far not been arranged.

Business activities generated a net cash outflow totalling €1,123k in 2016 (2015: €8,240k). This is essentially due to payments for investment property of €89,345k (2015: €347,658k) and loan repayments of €54,746k (2015: €7,587k) To finance these, liquidity was generated by taking up loans of €120,370k (2015: €192,173k). Operating activities generated an inflow of €21,339k largely due to rental income (2015: outflow of €2,586k).

The primary goal of financial management is to secure the liquidity necessary for the continuation of the company.

Rolling financial planning is produced and presented weekly for a period of 14 weeks and monthly thereafter.

Solvency was ensured at all times in the fiscal year.

FINANCIAL INSTRUMENTS – CARRYING AMOUNTS AND FAIR VALUES

The following table does not contain any information on the fair value of financial assets and financial liabilities not measured at fair value as carrying amount is an adequate approximation of their fair value.

CARRYING AMOUNT AS AT 31 DECEMBER 2016 €k	LOANS AND RECEIVABLES
Financial assets not measured at fair value	
Cash and cash equivalents	10,013
Trade receivables	131
Other financial assets	7,437
Other current assets	21,404
Total	**38,985**

	OTHER FINANCIAL LIABILITIES
Financial liabilities not measured at fair value	
Trade payables	5,925
Other financial liabilities	361,864
Other current liabilities	9,152
Total	**376,941**

CARRYING AMOUNT AS AT 31 DECEMBER 2015 €k	LOANS AND RECEIVABLES
Financial assets not measured at fair value	
Cash and cash equivalents	11,136
Trade receivables	309
Other financial assets	3,366
Other current assets	14,642
Total	**29,453**

	OTHER FINANCIAL LIABILITIES
Financial liabilities not measured at fair value	
Trade payables	6,070
Other financial liabilities	264,131
Other current liabilities	4,663
Total	**274,864**

FINANCIAL MANAGEMENT

The Group monitors its financing using its net loan-to-value (LTV) ratio, which is measured as the ratio of financial liabilities less cash and cash equivalents to the value of investment property plus property held for sale.

The ratio of net financial liabilities (less cash and cash equivalents) to the value of properties equity was as follows at the end of the reporting period:

€k	31 DECEMBER 2016	31 DECEMBER 2015
Financial liabilities	361,864	264,131
Less cash and cash equivalents	10,013	11,136
Net financial liabilities	**351,851**	**252,995**
Investment property	662,073	501,546
Property held for sale	0	4,185
Value of property	**662,073**	**505,731**
Net loan-to-value (LTV) in percent	**53.1**	**50.0**

OTHER FINANCIAL LIABILITIES

€k	31 DECEMBER 2016		31 DECEMBER 2015	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Secured bank loans	338,358	22,162	186,756	44,176
Loans from related parties	0	0	462	0
Fair value share of guaranteed dividends for non-controlling interests in subsidiaries	1,337	0	597	0
Deposits received	0	7	0	8
Purchase price liability for “North” portfolio	0	0	0	32,132
Total	**339,695**	**22,169**	**187,815**	**76,316**

Premiums paid are recognised as a reduction of the financial liability and amortised using the effective interest method.

TERMS AND LIABILITIES

€k	CURRENCY	NOMINAL INTEREST RATE	REPAYMENT	TERM ENDING	CARRYING AMOUNT 31 DECEMBER 2016	CARRYING AMOUNT 31 DECEMBER 2015
Secured bank loan	€	2.33	1.50	2025	62,622	63,581
Secured bank loan	€	1.99	3.00	2019	42,875	44,239
Secured bank loan	€	2.14	2.50	2023	35,085	36,000
Secured bank loan	€	2.32	3.00	2022	34,660	0
Secured bank loan	€	1.89	1.75	2022	34,643	35,255
Secured bank loan	€	1.51	-	2022	32,305	0
Secured bank loan	€	1.10	-	2021	25,500	0
Secured bank loan	€	3.00	3.00	2022	20,856	0
Secured bank loan	€	1.58	3.00	2019	19,281	0
Secured bank loan	€	1.89	1.75	2022	14,249	0
Secured bank loan	€	2.00	3.00	2025	13,978	0
Secured bank loan	€	1.65	-	2017	7,620	0
Secured bank loan	€	1.31	-	2017	7,518	7,518
Secured bank loan	€	1.45	4.17	2022	6,511	0
Secured bank loan	€	1.38	-	2019	4,059	4,059
Secured bank loan	€	1.38	-	2019	1,090	0
Secured bank loan	€	4.50	61.72	2020	0	1,437
Secured bank loan	€	6.08	30.81	2018	0	462
Secured bank loans	€	See below	See below	See below	0	39,652
Loans from related parties	€	6.16	30.81	2018	0	231
Loans from related parties	€	6.16	30.81	2018	0	231
Premiums	€	-	-	-	-2,332	-1,271
Interest-bearing loans					**360,520**	**231,394**

The bank loans are secured by land charges and other collateral (contingent account pledges, assignment and pledging of company shares and guarantees) provided to creditors. The registered land charges amount to €470,328k. If covenants are breached, or in the event of default on repayment or insolvency, the collateral will be used to satisfy creditors' claims.

Financial liabilities to banks and other lenders bear interest at nominal interest rates of between 1.10 percent and 3.00 percent (weighted average around 2.0 percent, 2015: approximately 2.1 percent). The financial liabilities as a whole do not entail significant short-term interest rate risks to more than 90 percent as the financing has fixed long-term interest rates.

The bank loans of €39,652k as of the previous reporting date were utilised for the acquisition of the "North" portfolio and refunded on 8 January 2016.

6.10 TRADE PAYABLES AND OTHER LIABILITIES

€k	31 DECEMBER 2016		31 DECEMBER 2015	
	NON-CURRENT	CURRENT	NON-CURRENT	CURRENT
Trade payables				
from rentals	0	820	0	71
other trade payables	0	4,244	0	4,728
Deferral	0	861	0	1,271
	0	**5,925**	**0**	**6,070**
Other liabilities				
Prepayments of operating costs	0	7,515	0	2,804
Liabilities to non-controlling interests	0	668	0	1,564
Prepayments received	0	126	0	90
Miscellaneous	0	843	0	205
	0	**9,152**	**0**	**4,663**
Total	**0**	**15,077**	**0**	**10,733**

6.11 OTHER PROVISIONS

Other provisions are shown in the table below.

€k	OPENING BALANCE 1 JANUARY 2016	UTILISED	REVERSED	ADDED	CLOSING BALANCE 31 DECEMBER 2016
Type of provision					
Provisions for taxes	736	244	7	398	884
Provisions for staff costs	224	224	0	744	744
Financial statements and audit costs	337	201	119	381	399
Supervisory Board remuneration	270	128	0	238	380
Annual Shareholders' Meeting	130	130	0	270	270
Miscellaneous	131	129	2	77	77
Total	**1,828**	**1,055**	**127**	**2,107**	**2,753**

Tax provisions comprise provisions for corporation tax (€234k) and trade tax (€650k).

The provisions for staff costs predominantly relate to variable remuneration components (€645k) and holiday not yet taken (€93k).

The miscellaneous provisions were predominantly recognised for administrative expenses.

The Group expects to settle all obligations within the next fiscal year. There is no significant uncertainty regarding the amount or timing of these obligations.

6.12 EQUITY

SHARE CAPITAL

€k	
1 January 2015	33,783
Capital increase for cash	+86,990
31 December 2015	120,773
1 January 2016	120,773
Capital increase against non-cash contributions	+10,000
Capital increase from convertible bond	+1,192
31 December 2016	131,965

The subscribed and fully paid up share capital of WCM AG amounts to €131,965k (previous year: €120,773k) and is divided into 131,964,552 no-par value bearer shares, which are predominantly held in free float.

On 20 June 2016, the Management Board of the company resolved, with the approval of the Supervisory Board, to increase the share capital of the company by €10,000k from authorised capital against non-cash contributions (Straubing retail centre). This was entered in the commercial register on 21 June 2016.

Invivo Capital GmbH, Berlin (formerly Kalamata Grundbesitz GmbH, Berlin) exercised its conversion right with regard to the mandatory convertible bond with a nominal amount of €1,800k on 1 July 2016.

A total of 1,192,052 no-par value bearer shares were issued to Invivo Capital GmbH, Berlin, on 12 July 2016 at the agreed conversion price of €1.51 per share. This €1,192k increase in the share capital was entered in the commercial register on 3 March 2017.

AUTHORISED CAPITAL

The Annual Shareholders' Meeting of the company on 29 January 2013 had resolved authorised capital of €144,000k (Authorised Capital 2013), which was entered in the commercial register on 1 August 2013. The Annual Shareholders' Meeting of the Company on 12 October 2015 resolved further authorised capital of €6,200k (Authorised Capital 2015), which was entered in the commercial register on 25 February 2016. Further authorised capital of €31,500k was resolved by the Annual Shareholders' Meeting of the Company on 24 August 2016 (Authorised Capital 2016). This was entered in the commercial register on 7 October 2016. As a result of the capital increases in the years 2014 to 2016, the amount remaining from all the above capitals amounted to only €65,369k as at 31 December 2016.

CONTINGENT CAPITAL

The Annual Shareholders' Meeting of the Company on 18 December 2014 resolved contingent capital of €7,000k (Contingent Capital 2014), which was entered in the commercial register on 15 January 2015. The Annual Shareholders' Meeting of the Company on 10 June 2015 resolved contingent capital of €3,300k (Contingent Capital 2015), which was entered in the commercial register on 22 January 2016. The Annual Shareholders' Meeting of the Company on 12 October 2015 resolved further contingent capital of €40,000k (Contingent Capital 2015 II), which was registered on 25 February 2016. By resolution of the Annual Shareholders' Meeting on 24 August 2016, the capital was contingently increased by €3,000k (Contingent Capital 2016) and €5,700k (Contingent Capital II 2016). This was entered in the commercial register on 7 October 2016.

CAPITAL RESERVES

Capital reserves developed as follows in the reporting period:

€k	
1 January 2015	**13,775**
Contributions to capital reserves	+92,986
Withdrawal from capital reserves	-30,395
of which for transaction costs for cash capital increases	*-4,908*
31 December 2015	**76,366**
1 January 2016	**76,366**
Contributions to capital reserves	+18,608
Withdrawals from capital reserves	-1,379
of which for transaction costs for capital increases	*-1,379*
31 December 2016	**93,595**

In the previous year, the Group utilised €25,487k of capital reserves to offset the net loss for the year and the loss carryforward of WCM AG. The contributions result from the capital increases, of which in 2016 €18,000k related to the non-cash contribution and €608k to the convertible bond. The withdrawals in the fiscal year were made for transaction costs for capital increases.

RESERVE FOR CONVERTIBLE BONDS

The acquisition of the three equity investments in the River property companies was brokered by Invivo Capital GmbH, Berlin (formerly: Kalamata Grundbesitz GmbH, Berlin). Commission of €1,800k was contractually agreed with this company on 8 August 2014 and fell due when the transaction was closed on 16 March 2015.

The commission was not paid in cash, but instead – as resolved by the Supervisory Board on 18 December 2014 – was converted into a mandatory convertible bond. The interest rate until conversion is 2.0 percent p.a. The bond can be converted into new shares of the company between 1 January 2016 at the earliest and 30 December 2018 at the latest. The conversion price of €1.51 per share was determined based on the weighted average price of WCM shares during the reference period from 1 December 2014 to 30 January 2015.

As they relate to a mandatory convertible bond, these liabilities were recognised in the reserve for convertible bonds. They were reclassified to the share capital (€1,192k) and the capital reserves (€608k) at the time of conversion on 1 July 2016.

RETAINED EARNINGS

Reserves are recognised pro rata for the stock options yet to be earned by the Management Board and selected employees. An amount of €917k (2015: €38k) was transferred to retained earnings in the fiscal year (see note 5.10 *Share-based remuneration arrangements*).

Due to the conclusion of a profit transfer agreement, €739k (2015: €598k) was withdrawn from retained earnings for the fair value share of the guaranteed dividends for non-controlling shareholders of the subsidiaries Greenman 1 D GmbH, River Düsseldorf Immobilien GmbH and River Frankfurt Immobilien GmbH. A financial liability was recognised in the same amount (see note 6.9 *Financial instruments and financial risk management*).

7. OTHER DISCLOSURES

7.1 OTHER FINANCIAL OBLIGATIONS

The Company concluded rental agreements for office space at Joachimsthaler Strasse 34, Berlin, in 2015 and 2016. The agreements have a fixed term to 31 January 2020. The total net rent for the period from 1 January 2017 to 31 January 2020, including the advance payment of operating costs, amounts to €694k.

There is a lease commitment of approximately €92k for a remaining term of two to three years for vehicles used internally by the company.

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Under the contract of 9 May 2016, WCM has sold the industrial property in Bremerhaven (Seebeck Offshore Industriepark GmbH & Co. KG, Bremerhaven) in the framework of a share deal. Obligations for WCM as the seller to make equalisation payments were agreed as part of the purchase contract. The aim is to generate contractually secured rental income in a net amount of at least €1,800k (target rent) with the sold property by 1 July 2018. If the property does not generate at least 95 percent of this target rent, WCM shall owe the buyer an equalisation payment of €1,200k. The Company currently expects that it will not be called upon to implement this contractual commitment.

Other than this, the Group had no contingent assets or liabilities arising from guarantees, warranties or the provision of collateral for third-party liabilities.

7.3 RELATED PARTY DISCLOSURES

PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

WCM AG holds the majority of votes in all equity investments and is the ultimate parent company. Please see note 2.1 for information on shareholdings.

TRANSACTIONS WITH MEMBERS OF KEY MANAGEMENT PERSONNEL

a) Remuneration of key management personnel

The remuneration of key management personnel comprises:

€k	2016	2015
Short-term benefits	1,548	478
Severance	0	38
Share-based remuneration	730	1,532
	2,278	2,048

Key management personnel exclusively comprises the Management Board. The remuneration of key management personnel includes salaries, benefits in kind and the reimbursement of costs. Key management personnel also participate in the Group's stock option programme (see note 5.10 *Share-based remuneration* arrangements).

b) Total remuneration of active and former Management Board members
(section 314(1) no. 6a sentences 1 to 4 HGB)

The total remuneration for Management Board members granted for fiscal 2016 amounts to €2,278k (2015: €2,048k) and breaks down as follows:

	Active Management Board members				Former Management Board members			
	Stavros Efremidis CEO		Ralf Struckmeyer CFO		Frank Roseen CIO/CFO		Dr. Manfred Schumann	
Start date	25 September 2014		5 May 2016		1 September 2015			
Exit date					5 May 2016		12 February 2015	
€k	2016	2015	2016	2015	2016	2015	2016	2015
Non-performance-related components								
Fixed remuneration	500	300	169	0	210	120	0	23
Additional benefits	2	0	11	0	66	35	0	0
Severance	0	0	0	0	0	0	0	38
	502	**300**	**180**	**0**	**276**	**155**	**0**	**61**
Performance-related components								
One-year variable remuneration	300	0	140	0	0	0	0	0
Bonus	150	0	0	0	0	0	0	0
	450	**0**	**140**	**0**	**0**	**0**	**0**	**0**
Long-term incentives								
Stock options granted (thousands)	*0*	*2,000*	*400*	*0*	*400*	*0*	*0*	*0*
Fair value*	0	1,532	342	0	388	0	0	0
Total remuneration	**952**	**1,832**	**662**	**0**	**664**	**155**	**0**	**61**

* *Fair value depends on the share price development and the exercise decision.*

The stock options granted have an average remaining term of 5.06 years. For information on share-based remuneration please see note 5.10 *Share-based remuneration* arrangements.

c) Total remuneration of active and former Supervisory Board members

(section 314(1) no. 6a sentences 1 to 4 HGB)

The active members of the Supervisory Board will receive total non-performance-related remuneration of €223k (2015: €129k) for fiscal year 2016 and in subsequent years are to receive remuneration for the achievement of company goals of €142k (2015: €135k). Travel expenses of €5k (2015: €3k) were reimbursed.

The former members of the Supervisory Board received total non-performance-related remuneration of €0k in fiscal year 2016 (2015: €5k).

d) Shareholdings of Management Board and Supervisory Board members

Chief Executive Officer Stavros Efremidis held 2.6 percent of the shares of the company as at the end of the reporting period.

The members of the Supervisory Board held the following numbers of shares:

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Rainer Laufs	10,000 shares
Bernd Günther	35,800 shares
Karl Ehlerding	2,267,475 shares
Nicola Sievers	36,000 shares
Arthur Wiener	65,000 shares

e) Transactions with the Supervisory Board

As of 1 January 2016, the members of the Supervisory Board receive fixed annual remuneration of €25k, the Deputy Chairman receives double and the Chairman triple that amount.

If, during the current term of office of the Supervisory Board incumbent at the time of the Annual Shareholders' Meeting on 10 June 2015, the consolidated financial statements of the company report earnings before taxes of at least €10,000k, each member of the Supervisory Board also receives a bonus payment of 50 percent of their fixed annual remuneration in addition to this.

If Group earnings before tax reach at least €20,000k, each member of the Supervisory Board also receives a bonus payment of 100 percent of their fixed annual remuneration in addition to this fixed annual remuneration. If both of the above goals are achieved during the current term in office of the Supervisory Board, only the higher of the two bonus payments is granted. The bonus payment is paid only once for the entire current term of office and is granted after the Annual Shareholders' Meeting with which the term of office of the Supervisory Board incumbent at the time of the Annual Shareholders' Meeting on 10 June 2015 ends.

The total value of transactions and the net outstanding amounts in connection with members of key management personnel were as follows:

	VALUE OF TRANSACTIONS		NET AMOUNT OUTSTANDING AS AT 31 DECEMBER	
€k	2016	2015	2016	2015
Transaction				
Loans*	462	6,560	0	462
Interest expense from loans*	9	267	0	0
Income from rent guarantee**	0	672	0	0
Disposals***	13,840	0	1,200	0
Interest income***	62	0	2	0

* In previous years, six loans for a total of €3,440k were granted by the Supervisory Board member Karl Ehlerding. A further loan of €1,000k was taken up by the Group on 19 March 2015. These loans were pooled under one loan agreement on 31 March 2015. There was also a further loan of €500k dated 23 April 2015. The loans were refunded as at 31 July 2015.

Loan liabilities, each originally for €750k, to Karl Philipp Ehlerding and John Frederik Ehlerding (sons of the Supervisory Board member Karl Ehlerding) at an interest rate of 6.16 percent were transferred to the Group at the end of 2014 as part of the non-cash contribution of SOI KG. The loans were refunded as at 30 April 2016.

The former Supervisory Board member Christoph Kroschke granted the Group two loans for a total nominal amount of €120k. Repayment was agreed for 31 March 2016. The interest rate was 6.0 percent as of 1 December 2014. The loans were refunded as at 31 July 2015.

** A member of the Supervisory Board had issued the subsidiary Seebeck Offshore Industriepark GmbH & Co. KG, Bremerhaven ("SOI KG"), a rent guarantee that fully covered any rent defaulted on until 31 December 2020. The rent guarantee was not utilised in fiscal year 2016. With the disposal of SOI KG (see below), the rental guarantee expired.

*** By way of a purchase agreement dated 9 May 2016, Mr Karl Ehlerding, a member of the Supervisory Board, effective 1 January 2016, acquired the Group company Seebeck Offshore Industriepark GmbH & Co. KG ("SOI KG") with a nominal value of €37k (= 92.9 percent of the limited liability capital) for a purchase price of €13,810k. Mr Ehlerding paid €6,000k of this purchase price immediately. The remaining amount of €7,810k was deferred with interest (interest rate of 1.5 percent p.a.). Under addendum no. 1 to this purchase agreement from 16/18 November 2016, it was agreed that Mr Ehlerding would pay another instalment of €6,610k on the purchase price immediately. The remaining purchase price of €1,200k continued to be deferred with interest until 1 July 2018.

As part of the above transaction, Mr Ehlerding also acquired all shares in Seebeck Verwaltung GmbH in a nominal amount of €30k for a purchase price of €30k.

For information on the rental guarantee provided for the property, please refer to section 7.2.

f) Other related party transactions

The total value of transactions and the net outstanding amounts in connection with related parties were as follows:

€k	VALUE OF TRANSACTIONS 2016	VALUE OF TRANSACTIONS 2015	NET AMOUNT OUTSTANDING AS AT 31 DECEMBER 2016	NET AMOUNT OUTSTANDING AS AT 31 DECEMBER 2015
Transaction				
Mandatory convertible bond*	0	1,800	0	1,800
Interest on mandatory convertible bond*	19	28	0	0
Loans to non-controlling shareholders **	5,963	55,359	4,943	3,202
Interest on loans to non-controlling shareholders **	85	129	75	113
Loans to related parties ***	325	0	325	0
Interest on loans to related parties ***	5	0	5	0

* Chief Executive Officer Stavros Efremidis is the Managing Director of Invivo Capital GmbH, Berlin (formerly: Kalamata Grundbesitz GmbH, Berlin), which brokered the acquisition of the three equity investments in the River property companies. Commission of €1,800k was contractually agreed on 8 August 2014. The liability was converted into a mandatory convertible bond on 23 March 2015. The conversion right was exercised on 1 July 2016 (see note 6.12 *Equity*).

** The loans to non-controlling shareholders comprise loans to the following companies:

Kraus Beteiligungsgesellschaft mbH, Eltville/Rhein-Rauenthal:

- Loan: €849k/as at 31 December 2016: €867k; interest rate of 2.2 percent p.a.; indefinite term, but can be called with immediate effect by the lender
- Loan: €1,400k/as at 31 December 2016: €1,416k; interest rate of 2.2 percent p.a.; remaining term of 5 years
- Loan: €222k/as at 31 December 2016: €227k; interest rate of 2.5 percent p.a.; remaining term of 4 years
- Loan: €275k/as at 31 December 2016: €281k; interest rate of 2.5 percent p.a.; remaining term of 4 years
- Loan: €1,360k/as at 31 December 2016: €1,363k; interest rate of 2.2 percent p.a.; remaining term of 5 years

River Beteiligungs GmbH, Frankfurt/Main

- Loan: €810k/as at 31 December 2016: €828k; interest rate of 2.2 percent p.a.; indefinite term, but can be called with immediate effect by the lender

Platin Real Estate Invest GmbH (Managing Director of the Company is Eva Struckmeyer, wife of Management Board member Ralf Struckmeyer)

- Loan: €1,048k/as at 31 December 2016: €36k; interest rate of 2.5 percent p.a.; indefinite term, but can be called with immediate effect by the lender

As at the reporting date, the loans totalled €5,018k, including interest.

*** There is a loan receivable of €325k from SOI KG, which has been sold to the Supervisory Board member Karl Ehlerding, from the net income of fiscal year 2015. This results from the unwithdrawn share of the limited partner WCM AG. This receivable fell due as at the reporting date and bears interest at a rate of 1.5 percent p.a. As at the reporting date, the net amount including interest came to €330k.

All outstanding net amounts with these related parties are at arm's length conditions. None of the balances are hedged. No costs were recognised for uncollectible or doubtful receivables in connection with the amounts owed by related parties in either the current or the previous year.

g) Disclosures in accordance with section 160(1) no. 8 AktG: Publication in accordance with section 26(1) WpHG

On 8 March 2017, DIC OF RE 2 GmbH Frankfurt am Main, Germany, and Mr Gerhard Schmidt, Germany, informed us in accordance with section 27a (1) of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) of the following in connection with the 10 percent threshold or a higher threshold being exceeded or reached on 7 March 2017:

- The investment serves the implementation of strategic objectives.
- Within the next twelve months the reporting party intends to acquire further voting rights through acquisition or other means.
- The reporting party intends to achieve influence over the appointment of administrative, management or supervisory bodies of the issuer.
- The reporting party does not intend to effect a significant change in the capital structure of the company, in particular with regard to the ratio of equity and debt financing or its dividend policy.
- Regarding the origin of the funds, they are 100 percent own funds that the reporting party used them to finance the acquisition of voting rights.

7.4 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft have issued a declaration in accordance with section 161 AktG and made it permanently available to the shareholders on the website of WCM AG at *www.wcm.de/de/unternehmen/corporate-governance/*.

7.5 EVENTS AFTER THE END OF THE REPORTING PERIOD

Under an agreement dated 10 November 2016, WCM further expanded its property portfolio in the retail segment. In the federal states of Saxony-Anhalt and Baden-Württemberg, three retail centres with a total rental area of around 88,329 m² were acquired by way of share deals for a net purchase price of around €100,000k. The portfolio ("MAI I") has an annualised basic rent of €7,600k with an occupancy rate of 92 percent and a weighted average lease term (WALT) of 5.5 years. It was financed with bank loans of approximately €100,000k. The rights and liabilities were transferred on 31 March 2017.

Under an agreement dated 16 February 2017, WCM further expanded its property portfolio in the retail segment. A retail centre in the Jena region with a total rental area of around 12,303 m² was acquired by way of a share deal for a net purchase price of €21,000k. The property ("MAI II") has an annualised basic rent of €1,400k with an occupancy rate of 97 percent and a weighted average lease term (WALT) of 5.6 years. The acquisition was financed issuing a mandatory convertible bond with a nominal amount of €5,983k that was subscribed to by the seller and the assumption of a bank loan of €13m. The mandatory convertible bond has a coupon of 1.5 percent and a term until 30 June 2017. It also provides for the issue of 2.1 million WCM shares The conversion price for the shares is €2.90. The remaining difference was settled in cash in the amount of approximately €1.6m. The rights and liabilities were transferred on 16 February 2017.

Based on the voting rights notification dated 8 March 2017, according to which 25.95 percent and thus more than 25 percent of the shares in WCM AG have been attributable to DIC OF RE 2 GmbH since 7 March 2017, it is likely that the tax loss carryforwards that existed at WCM AG as at 31 December 2016 have consequently been lost pro rata in the amount of 25.95 percent as at 7 March 2017 and can no longer be used to this extent to offset losses in the future, if hidden reserves -especially from property - cannot be demonstrated.

8. INFORMATION ON THE EXECUTIVE BODIES OF WCM BETEILIGUNGS- UND GRUNDBESITZ AKTIENGESELLSCHAFT, FRANKFURT/MAIN

MANAGEMENT BOARD

NAME, FUNCTION, PLACE OF RESIDENCE	PROFESSION	OTHER MANDATES
Stavros Efremidis Chairman of the Management Board, Berlin	Real estate expert	• Member of the Supervisory Board of BUWOG AG, Vienna, Austria • Chairman of the Supervisory Board of Verwaltung Tophi Warenhandel AG, Ostrau • Managing Director of Invivo Capital GmbH, Berlin • Managing Director of Invivo Management GmbH, Berlin • Managing Director of Invivo Immobilienverwaltungs GmbH, Berlin
Ralf Struckmeyer Member of the Management Board since 5 May 2016; Frankfurt/Main	Business Administration graduate	
Frank Roseen Member of the Management Board until 5 May 2016, Berlin	Real estate expert	

SUPERVISORY BOARD

NAME, FUNCTION, PLACE OF RESIDENCE	PROFESSION	OTHER MANDATES
Rainer Laufs, Kronberg (Chairman)	Independent management consultant	Supervisory board mandates: • Petrotec AG, Düsseldorf (Chairman) • Mediclin AG, Offenburg • Asklepios Kliniken GmbH, Hamburg • Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein/Taunus Other mandates: • Member of the Administrative Board for the “Industrial” segment of Bilfinger SE, Mannheim
Bernd Günther, Hamburg (Deputy Chairman)	Businessman, Managing Director of Iduna Hall Verwaltungs GmbH, Hamburg	Chairman of the Supervisory Board: • H&R Aktiengesellschaft, Salzbergen (Honorary Chairman) • Maschinenfabrik Heid AG, Stockerau, Austria • New-York Hamburger Gummi-Waaren Compagnie Aktiengesellschaft, Hamburg • MATERNUS-Kliniken-Aktiengesellschaft, Berlin Other mandates: • Member of the Stock Exchange Board of the Hamburg and Hanover Stock Exchange
Karl Ehlerding, Hamburg	Managing Director of Kommanditgesellschaft Erste “Hohe Brücke 1” Verwaltungs GmbH & Co., Hamburg	Supervisory board mandates: • Salzgitter Aktiengesellschaft, Salzgitter • KHS GmbH, Dortmund • MATERNUS–Kliniken–Aktiengesellschaft, Berlin • Elbstein AG, Hamburg Other mandates: • North Advisory Board, Deutsche Bank AG, Frankfurt/Main • Board of Directors, German Dry Docks GmbH & Co. KG, Bremerhaven

NAME, FUNCTION, PLACE OF RESIDENCE	PROFESSION	OTHER MANDATES
Thomas Hechtfischer (until 30 November 2016), Bochum	Lawyer	Managing Director: • Deutsche Schutzvereinigung für Wertpapierbesitz e.V., Düsseldorf Other mandates: • Member of the Advisory Board of the German Financial Markets Watchdog
Nicola Sievers, Hamburg	Managing Director of ICC Inner Circle Consultants - Sievers GmbH, Hamburg	• Advisory Board of Deposit Solutions GmbH, Hamburg
Arthur Wiener, Frankfurt/Main	Independent real estate expert and project developer	Managing Director of: • Arthur Wiener GmbH • Gebrüder Wiener Gesellschaft mit beschränkter Haftung • Passavantstraße 31 Verwaltungs GmbH • Projektgesellschaft Myliusstraße 15 GmbH • Kaiserstr. 48 Verwaltungs GmbH

Frankfurt/Main, 31 March 2017

Stavros Efremidis
CEO
Chief Executive Officer

Ralf Struckmeyer
CFO
Management Board

COMBINED MANAGEMENT REPORT ON THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2016

1. BASIC INFORMATION ON THE GROUP

1.1. BUSINESS MODEL OF THE GROUP

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft (hereinafter referred to as WCM AG) is a property company that developed dynamically again in fiscal year 2016, as in the previous year, and is characterised by targeted growth and a high degree of selectivity with regard to acquiring properties.

Our corporate strategy focuses on acquiring and managing commercial properties, particularly office and retail properties in the major office and industrial locations in Germany. These properties serve primarily to generate stable long-term rental income. The Group also aims to exploit opportunities that arise in connection with property transactions. The current portfolio comprises 53 commercial properties that are held as investments in line with the corporate strategy.

In fiscal year 2016, the Group continued with the expansion of its business activities in its Office and Retail segments and further increased the value of the portfolio in comparison to the previous year by means of targeted measures. With a weighted average lease term (WALT) of 8.9 years (previous year 9.4), funds from operations (FFO I) of €18m (previous year; €7.9m) and a portfolio of 53 properties (previous year: 49) valued at €662m (previous year: €506m), the WCM Group continued its impressive growth story.

The Group has loss carryforwards relating to corporation and trade tax which initially represent its main asset base following the termination of insolvency proceedings in October 2010. This will result in future income benefits for the company and its investors.

As at 31 December 2016, WCM AG had tax loss carryforwards of €284.3m relating to corporation tax and €263.7m relating to trade tax. There is no time limit on utilising the loss carryforwards. As at 31 December 2016, there was no significant risk of the loss carryforwards being lost. This risk increased considerably after the end of the reporting period due to a shareholder considerably increasing his stake (see Supplementary Report in the notes).
The Company made use of the option in line with section 315 (3) HGB and prepared a combined management report for the WCM Group and WCM AG. As the business performance, the situation of the Company and the risks and opportunities of the expected development of WCM AG and the WCM Group are largely identical, unless stated otherwise, the following comments, in particular the figures, relate to the WCM Group.

The Company is geared towards the capital market and is therefore classed as a large corporation (section 267 (3) sentence 2 HGB in conjunction with section 264d HGB). The Company is listed in the SDAX. The annual financial statements as at 31 December 2016 were prepared based on the accounting provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and taking account of the provisions of the Aktiengesetz (AktG – German Stock Corporation Act). The income statement is structured in accordance with the nature of expense method. The consolidated financial statements as at 31 December 2016 have been prepared in accordance with the regulations of IFRS as adopted by the EU.

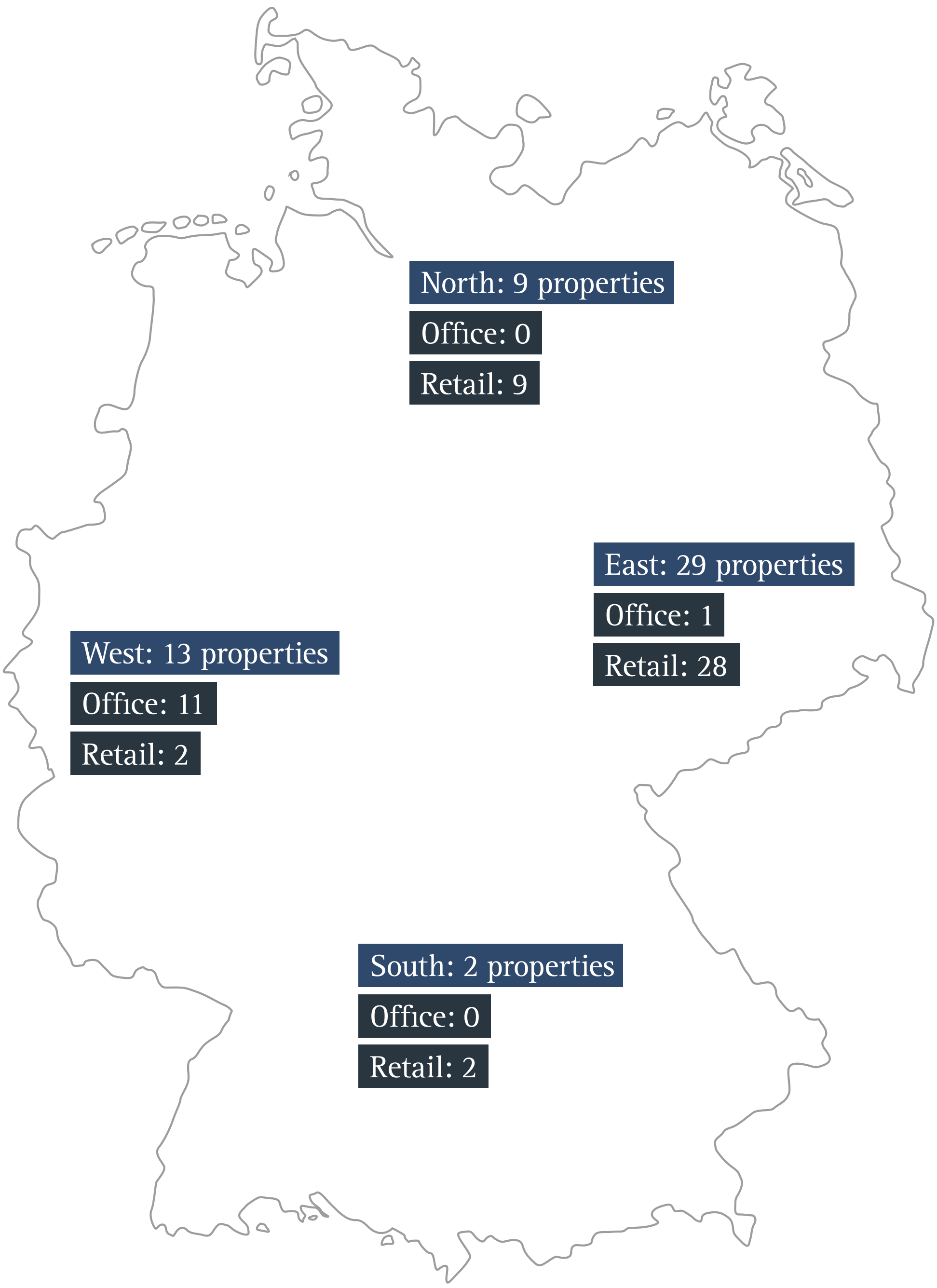
1.2. STRUCTURE OF THE GROUP

The Group parent company is based at Bleichstrasse 64-66 in 60313 Frankfurt/Main. The Management Board's headquarters are located in rented office premises at Joachimsthaler Strasse 34 in 10719 Berlin.

As Group parent company, WCM AG performs the role of a management holding company. The Group's property portfolios are held by subsidiaries that were acquired as property companies or founded in the course of property transactions. There are also two further subsidiaries that perform administrative or management functions. At the end of the reporting period, the Group comprised 35 companies in addition to WCM AG.

The subsidiaries are divided between the "Office", "Retail" and "Other" segments according to the type of properties they hold and their strategic orientation, as this distinction gives rise to specific valuation parameters, investment criteria and management requirements.

GEOGRAPHICAL BREAKDOWN OF THE PORTFOLIO



This breaks down by segment as follows:

SEGMENT	NUMBER	LETTABLE AREA M²	FAIR VALUE €K
Office	12	113,985	353,500
Retail	41	210,046	308,573
Total	**53**	**324,031**	**662,073**

1.3. OBJECTIVES AND STRATEGIES

Our corporate strategy focuses on acquiring and managing office and retail properties in the major office and industrial locations and attractive retail sites in Germany. These properties serve to generate long-term and stable rents. The Group also aims to exploit opportunities that arise.

The investment criteria for the main segments are as follows:

OFFICE

- Location: top 7 industrial locations in Germany with a focus on core/core+ office properties
- Required return: target yield of between 5.5 and 7.0 percent
- Property characteristics: low levels of overdue maintenance and high potential of third-party usability
- Tenant structure: tenants with strong credit ratings, single and also multi-tenant
- Vacancy: long-term rental contracts and low vacancy rates of between 5 and 15 percent
- Volume and process: investment volume of at least €10m; clear and rapid decision-making processes

RETAIL

- Location: metropolitan areas in Germany with a high demand potential
- Required return: target yield of between 6.5 and 8.0 percent
- Property characteristics: low levels of overdue maintenance and high potential of third-party usability
- Tenant structure: tenants with strong credit ratings and a core tenant structure for retail
- Vacancy: long-term rental contracts and a low vacancy rate of between 5 percent and 15 percent
- Volume: investment volume of at least €10m

In 2016, the growth story was continued and value-adding measures implemented. Purchase agreements with a property volume of approximately €244m were conclud-ed, of which €144m were transferred in 2016. Furthermore, as part of active property and asset management, four non-strategic properties were sold, rental contracts ex-tended or concluded for the first time. As a result of these adjustments in the form of four disposals (three portfolio assets and two with transfer of rights and liabilities in 2016) and six additional property acquisitions, the total portfolio comprised 53 proper-ties as at the end of the fiscal year.

ACQUISITIONS IN 2016: CLOSED

PORTFOLIO	CITY	SEGMENT	AREA IN M²	MARKET VALUE IN € AS AT 31 DECEMBER 2016
Commercial markets	Göppingen	Retail	13,481	24,400,000
Commercial markets	Straubing	Retail	35,104	55,500,000
Neo	Glauchau	Retail	14,108	18,400,000
Neo	Aschersleben	Retail	15,959	23,200,000
Neo	Ludwigsfelde	Retail	12,612	19,900,000
Neo	Wittenberge	Retail	9,811	8,920,000
Total			**101,075**	**150,320,000**

CONTRACTED PROPERTIES 2016

CITY	SEGMENT	AREA IN M²
Ellwangen	Retail	33,805
Halle	Retail	31,309
Schönebeck	Retail	25,360
Total		**90,474**

DISPOSALS IN 2016:

PORTFOLIO	CITY	SEGMENT	AREA IN M²
SOI Seebeck Offshore Industriepark	Bremerhaven	Other	68,432
North	Frankfurt	Office	2,860
North	Radebeul	Retail	5,383
North	Dresden	Office	1,274
Total			**77,949**

As a result of the transactions implemented and the market development, the portfolio has a market value of approximately €662m (previous year: €506m).

The company implemented and achieved its targeted objectives through several trans-actions in the reporting period. In line with the above investment criteria, the WCM Group pursued a strategy of identifying properties in good locations with tenants with strong credit ratings and acquiring them at a purchase price below the market price.

In the medium term, the WCM Group is targeting the development of a property portfolio worth around €1bn. Its long-term objective is to become one of the most successful German stock corporations focusing on commercial property.

1.4. CONTROL SYSTEM

The WCM Group's objective is to generate stable long-term income for its shareholders, employees and business partners and to ensure the positive performance of the portfolio. The control system established in 2016 comprises corporate planning and portfolio and company-specific reporting; since 2016 controlling is based on regular reviews of key performance indicators.

Corporate planning serves as a basis for this and is prepared and regularly reviewed throughout the year with the involvement of the relevant specialist departments using key performance indicators and adjusted where necessary. Corporate planning is revised on an annual basis and adapted in light of market or company-specific changes if necessary. In addition, a monthly analysis of differences between the planned and actual figures is also performed.

The key performance indicators used by the Group for controlling are:

- Funds from Operations (FFO I) comprise profit or loss for the period adjusted for disposal result, amortisation and depreciation, property measurement result, measurement effects of financial instruments, non-cash income and expenses, non-recurring and extraordinary effects, financing and transaction costs, income taxes including deferred taxes.
- Rental income

In addition, other property-specific key performance indicators are used as part of the overall management process:

- EPRA net asset value (NAV) – tangible and intangible assets less liabilities and deferred tax liabilities
- net loan-to-value (LTV) ratio, i.e. the ratio of net financial liabilities to the market value of the properties (bank liabilities minus cash and cash equivalents)
- and WALT, i.e. the weighted average of the remaining lease term.

The main factors influencing the key performance indicators are the performance of the property portfolio and the financing structure. The performance of the property portfolio is monitored on a continuous basis as part of asset management. In particular, in this process the level and term of rental income are optimised based on rental income, rental contract terms and the occupancy rate at individual property, subportfolio and overall portfolio level. The financing structure and compliance with covenants is reviewed on an ongoing basis. This enables us to recognise and initiate any steps necessary to minimise risk or optimise results at an early stage.

Net income for the year as defined in HGB is used as a key performance indicator for controlling the parent company as its reflects the ability to distribute dividends.

WCM AG is managed by the Management Board, which consisted of Stavros Efremidis (Chief Executive Officer) and Ralf Struckmeyer as at the end of the reporting period. The Management Board is advised and monitored by the Supervisory Board. In performing their management and monitoring roles, the Management Board and the Supervisory Board always act in accordance with the provisions of stock corporation law and internal company regulations. As at the reporting date, the Supervisory Board comprised five members.

2. ECONOMIC REPORT

2.1. OVERALL ECONOMIC AND INDUSTRY-SPECIFIC TRENDS

In 2016, Germany's gross domestic product (GDP) grew by 1.8 percent, adjusted for seasonal and calendar effects. The German economy thus roughly matched the development of the previous years following growth of 1.7 percent in 2015 and 1.6 percent in 2014.

According to the German Institute for Economic Research (DIW), the German economy will continue on its current upward trajectory. In particular, demand for consumer and capital goods is causing GDP to increase further following a rise of 1.8 percent in 2016. GDP is also expected to grow by around 1.5 percent in 2017, thus continuing the stable development of the past years. Current indicators, such as consumer demand, the continuing positive labour market situation and wage increases (albeit only moderate ones) point to a continued underlying upward trend in the economy. The number of people in active employment will also rise significantly, or to put it another way, a further decrease in unemployment in expected. Real wages will see only a slight positive development, as growing inflation is counteracting this effect.

The main risks for the German economy are the potential financial instability of various euro-zone countries, the condition of the banks and companies that execute transactions in these countries, the potential costs arising from EU decisions and the possible effects of unrest and geopolitical tensions. However, these risks are countered by the stable labour market, consumer spending and the advantageous exchange rates for German exporters, which are partly due to American interest rate policy. The impact on the current examination of the trade agreements remains to be seen.

The referendum on 23 June 2016 regarding the UK's membership of the EU ended with the result that the UK will end its membership and leave the EU. The application for leaving the EU was submitted on 29 March 2017. At present, it is unclear how this will affect the other EU countries and their property markets. This could have a positive impact on the German office property market, particularly in the Rhine-Main area.

FINANCING ENVIRONMENT

The ECB has been purchasing government bonds in the amount of approximately €60bn a month since the first quarter of 2015. The current volume, including expansion of the scheme to cover corporate bonds, amounts to over €1.4 trillion. This indicates the ECB's intention to counteract deflationary trends in the euro zone at an early stage and to give the euro zone's economy a helping hand.

Since March 2016, the European Central Bank (ECB) reference rate has been at an historic low of 0.00 percent. This presents an opportunity for the WCM Group to use borrowed funds for property transactions on attractive terms.

TRENDS IN THE GERMAN COMMERCIAL PROPERTY MARKET

The German commercial property market generates some of the highest revenues in Europe and is both heterogeneous and regionally diverse. Moreover, the industry continues to grow steadily owing to the high number of market participants. After six consecutive increases (2010-2015) with a record volume in the past year, it appeared until well into December that the transaction volume on the German commercial property market in 2016 would not reach the €50bn mark. However, an exceptionally strong final spurt with several large-volume individual and portfolio transactions brought about a dynamic end to the year. The decrease compared to 2015 is therefore only around 4 percent. The transaction volume of €52.9bn in 2016 puts the year in third place in the long-term statistics after 2007 (€54.7bn) and 2015 (€55.1bn). Transaction volume is divided into Office, Retail, Logistics and Other according to the respective different types of use. The WCM Group's main segments, Office and Retail, once again constitute around three quarters of the total market at 45 percent and 23 percent respectively. Logistics (9 percent) and property types such as hotels and business premises play a lesser role in the commercial property market (source: Jones Lang Lasalle, Investment Market Overview, Q4 2016).

The growth drivers are the German A cities (the "Big 7"), which generated the highest transaction revenues and have long been considered the most attractive locations for the commercial property investments of national and international investors, and thus also for WCM AG. This is attributable to the population growth in the major German cities (> 500,000 inhabitants) and the associated demand for working and living space. In the statistics for 2016 as a whole, the seven biggest investment markets in Germany – Berlin, Cologne, Düsseldorf, Frankfurt/Main, Hamburg, Munich and Stuttgart – together accounted for roughly 56 percent of the national transaction volume (€29.6bn). Although this is roughly 4 percent lower than 2015 in term of the volume, the relative share has remained constant.

Investments in major cities are considered lower risk compared to regional centres, as a higher density of larger companies settle there. However, these cities are often dependent on the overall national economy due to pronounced product development cycles and the dominance of tenants from the financial and services sector. The cities of Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart are characterised by a large volume of office space, liquid trading and strong competition. Purchase prices and rents in Germany's major cities have risen sharply in the last few years owing to positive economic trends. However, purchase prices and rents for commercial properties are still low compared to other major European cities.

The distribution of the transaction volume between individual deals and portfolio deals did not change in 2016 as compared to 2015. Individual transactions still account for around 65 percent (source: Jones Lang Lasalle, Investment Market Overview, Q4 2016).

The rental markets for WCM AG's main areas of business, i.e. office and retail properties, are presented below.

Office properties

The dynamic development of demand for office space in the "Big 7" German office property markets – Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart – also continued in 2016. Although it fell slightly short of the 4 million m^2 mark in the fourth quarter, the turnover volume of approximately 3.9 million m^2 exceeded the previous year's figure again by 9 percent and was even more significantly above the five-year average by around 24 percent. Never before has so much space in the Big 7 been let or sold to owner-occupiers. (Source: Jones Lang Lasalle, Office Market Overview, Q4 2016)

The quantity of vacant office space fell to just under 5.1 million m^2 across all the Big 7 markets. This means that the supply of space available in the short term has been reduced by almost 600,000 m^2 over the past 12 months. The aggregated vacancy rate is now only 5.5 percent. Only Frankfurt and Düsseldorf have vacancy rates significantly above this level at 9.1 percent and 8.1 percent respectively. The lowest rate is recorded by Stuttgart at just 3.7 percent. This Swabian metropolis, along with Berlin, also displayed the most substantial decreases in vacancy of around 19 percent each, which is not surprising in view of the record level of demand in these cities. Searching for suitable new office space therefore remains challenging for users. The shortage in city-centre sub-markets in particular is firstly leading companies to address relocation plans at an increasingly early stage so as to secure space. Secondly, other sub-markets are also coming under the spotlight. The effects of this second development is that demand-driven rent increases are no longer limited only to the top locations. (Source: Jones Lang Lasalle, Office Market Overview, Q4 2016)

The strong performance of the office property markets in the Big 7 combined with high demand from users has caused both peak rents and average rents to rise as a consequence. Compared to the previous year, prime rents increased in six of these seven major property markets; only in Cologne did they remain stable. The increases ranged between 2 percent in Düsseldorf and Hamburg and 13 percent in Berlin. The peak rent index for the Big 7 thus reached its highest level since the first quarter of 2002 at almost 187 points. At the same time, the 4.6 percent rise in comparison to 2015 is the highest increase since 2007. (Source: Jones Lang Lasalle, Office Market Overview, Q4 2016)

New construction increased by almost 28 percent over the course of 2016 to an aggregated volume of 1.1 million m². Because only around 17 percent (190,000 m²) of this volume was freely available at the time of completion, this brought about only a slight easing on the supply side. The majority of the space was already assigned to tenants. (Source: Jones Lang Lasalle, Office Market Overview, Q4 2016)

Retail properties

The importance of specialist stores as an investment product has increased considerably over the last few years. The reasons for this are the rising purchase prices and falling yields for city-centre business premises and shopping centres. Popular and sought-after investment properties, known as trophy properties (best locations, high standards), often meet the strict investment requirements of institutional and international investors. However, interest in robust types of property which have received little attention up to now, such as specialist retail centres and specialist stores, as well as local shopping centres and food stores, offers a reasonable yield-to-risk ratio.

Germany continues to assert its strong position as an anchor of stability in Europe as regards retail revenue and is among the drivers of growth with slight increases forecast. Demand for specialist stores and specialist retail centres continues unabated. Portfolios and products with larger volumes and properties with several tenants and food retailers as core tenants are particularly in demand.

Overall, the transaction volume across all asset classes was down roughly 4 percent year-on-year at €52,900m, with the relative decline amounting to around 4 percent for both individual properties and portfolios. The transaction volume for individual properties amounted to €34,400m, while for portfolios it came to €18,500m.

2.2. GROUP BUSINESS PERFORMANCE IN THE YEAR UNDER REVIEW

The forecast for the 2016 fiscal year made in 2015, especially the targeted growth of the real estate portfolio value by at least 20 percent, was realised. Key contributory factors were strategic acquisitions and the increased fair value of the existing portfolio.

We used the 2016 fiscal year to acquire a further six properties and to sell four properties which were not in line with the corporate strategy.

Expansion of the property portfolio progressed in fiscal year 2015 following the end of plan monitoring in 2014. This was supported by a favourable market environment (financing conditions for borrowed capital and equity), which also had a positive impact on financing activities in 2016. The expansion of the property portfolio was continued in 2016. Two properties secured in 2015 were initially transferred. Over the course of the year, the portfolio saw a targeted increase in the number of properties with six (previous year: 48) property acquisitions at the same time as four (previous year: zero) disposals. At the end of the fiscal year, the WCM Group had 53 (previous year: 49) properties with a fair value of €662.1m (previous year: €501.5m) in its portfolio. This includes an accumulated unrealised net gain from the fair value measurement of investment property of €84.1m (previous year: €54.9m).

As a result of the property portfolio, rental income of €32.6m was achieved after €10.4m in the previous year. This increase is mainly due to the fact that the majority of properties were included in the portfolio for an entire fiscal year for the first time.

For 2016, the objective was to achieve a FFO I between €18m and €21m. With a FFO I of €18.0m in the 2016 fiscal year (previous year: €7.9m), the result was within the forecast range. The rise of FFO I by €10.1m was due primarily to higher rental income. On the basis of sale and purchase prices, the disposal volume in 2016 was approximately €23m. On the other hand, the acquisition volume was roughly €144m. With the exception of non-cash contributions (€28.0m), financial liabilities were assumed (€61.2m) and loans were taken out (€53.1m) in order to finance property acquisitions. The consolidated equity ratio is 44.4 percent (previous year: 48.9 percent).

For 2016, the Management Board still anticipates positive earnings before taxes and before the net gain/loss from fair value adjustments to be in the low double-digit million range. However, this result could decrease if capital measures are implemented on account of the associated expenses. In 2016, earnings before taxes and before the net gain/loss from fair value adjustments of €6.4m (previous year: €1.9m) were achieved. Taking into account expenses due to implemented or planned capital measures, earnings were generated based on the assumption above.

CAPITAL MEASURES

On 20 June 2016, the Management Board of the company resolved, with the approval of the Supervisory Board, to increase the share capital of the company by €10,000k from authorised capital against non-cash contributions. This was entered in the commercial register on 21 June 2016. With this transaction, capital reserves increased by €18,000k in the reporting period.

Invivo Capital GmbH, Berlin (formerly Kalamata Grundbesitz GmbH, Berlin) exercised its conversion right with regard to the mandatory convertible bond with a nominal amount of €1,800k on 1 July 2016. A total of 1,192,052 no-par value bearer shares were issued to Invivo Capital GmbH, Berlin, on 12 July 2016 at the agreed conversion price of €1.51 per share. This €1,192k increase in the share capital was entered in the commercial register on 3 March 2017. The amount exceeding the share capital of €608k increased capital reserves.

EARNINGS POSITION

€k	31 DECEMBER 16	31 DECEMBER 15	CHANGE
Rental income	32,613	10,445	22,168
Net rental income	29,796	9,560	20,236
Net gain/loss from sale of property	799	0	799
Result of fair value measurement of investment property	29,213	54,904	-25,691
Staff costs	-4,575	-1,530	-3,045
Other operating income and expenses	-11,398	-3,703	-7,695
Net finance costs	-7,138	-2,076	-5,062
Amortisation and depreciation expense	-1,086	-359	-727
Total comprehensive income or loss before taxes	35,609	56,796	-21,187
Income taxes	-17,048	879	-17,927
Profit or loss for the period	18,561	57,675	-39,114
FFO I	18,028	7,930	10,098

The objective for fiscal year 2016 was to acquire further investments in property companies or individual properties. The required liquidity was procured by way of available funds and borrowing. The Straubing property was acquired by issuing new shares.

In fiscal year 2016, the WCM Group's revenue (net rental income) amounted to €32,613k (previous year: €10,445k).

The result was primarily attributable to net rental income (€29,796k, previous year: €9,560k) and adjustments to the fair value of investment properties (€29,213k, previous year: €54,904k).

Funds from Operations (FFO I) comprise profit or loss for the period adjusted for disposal result, amortisation and depreciation, property measurement result, measurement effects of financial instruments, non-cash income and expenses, non-recurring and extraordinary effects, financing and transaction costs, income taxes including deferred taxes.

The rise of FFO I by €10,098k to €18,028 was due primarily to higher rental income.

The Group generated **net rental income** of €29,796k (previous year: €9,560k) after operating and ancillary costs. Rent-related revenue amounted to €18,481k in the Office segment, €13,789k in the Retail segment and €343k in the discontinued Other segment.

Net gain from fair value adjustments amounted to €29,213 in the fiscal year (previous year: €54,904k). In the Office segment, net gains amounted to €19,004k while net losses amounted to €256k. The Retail segment reported net gains of €10,465k.

Other operating income of €1,454k (previous year: €3,012k) included termination agreements (€494k) as well as income from the derecognition of liabilities and from the reversal of provisions (€1,065k).

In connection with the start of operating business at the end of 2014 and the subsequent development of staff resources and corporate structures in 2016, as expected **staff costs** increased substantially year-on-year to €4,575k (previous year: €1,530k).

Other operating expenses also increased year-on-year to €12,852k (€6,715k). This was primarily attributable to non-recurring adjustments to the value of an acquired portfolio amounting to €3,085k as well as transaction and broken deal costs for the portfolio acquisition amounting to approximately €4,015k.

Income taxes predominantly include deferred taxes that relate to the tax group of WCM AG. Tax income as in the previous year (€879k) did not arise in 2016. In 2016, **income tax expenses**, driven by deferred taxes on the fair-value measurement of investment property and the change in the tax target structure to recognise tax loss carryforwards, amounted to €17,048k.

Consolidated net income decreased, particularly due to lower income contributions from the fair value measurement of investment property, and amounted to €19m in 2016 (previous year: €58m). Basic earnings per share amounted to €0.12 (previous year: €0.72).

The FFO I is determined as follows:

€k	2016	2015
Consolildated net profit for the period	**18,561**	**57,674**
Income taxes	17,048	-879
EBT	**35,609**	**56,795**
Net gain/loss from sale of properties	-799	-
Net gain/loss from fair value measurement of investment property	-29,213	-54,904
Depreciation	1,086	359
Other non-cash income	-1,274	-
Other non-cash expenses	6,516	3,260
One-off effects	6,102	3,144
FFO I before tax	**18,028**	**8,654**
Income tax	-	879
Deferred tax	-	-1,603
FFO I after tax	**18,028**	**7,930**
Average number of shares (undiluted	126,683	75,622
FFO I per share (in €)	0.14	0.10

Other adjusted non-cash expenses include primarily derecognised receivables after acquisitions, stock option expenses and administrative fees.

Other non-recurring effects recognised in profit or loss predominantly relate to brokerage commission from refinancing, costs for broken deals and other legal and consulting expenses.

NET ASSETS

€k	31 DECEMBER 16	31 DECEMBER 15	CHANGE
Property held for sale	0	4,185	n/a
Other current assets	21,721	15,125	43.6%
Cash and cash equivalents	10,013	11,136	-10.1%
Total current assets	**31,734**	**30,446**	**4.2%**
Investment property	662,073	501,546	32.0%
Deferred tax assets	5,523	10,933	-49.5%
Other non-current assets	10,943	7,999	36.8%
Total non-current assets	**678,539**	**520,478**	**30.3%**
Total assets	**710,273**	**550,924**	**28.9%**
Financial liabilities (current)	22,169	76,316	-71.0%
Other current liabilities	17,830	12,561	41.9%
Total current liabilities	**39,999**	**88,877**	**-55.0%**
Financial liabilities (non-current)	339,695	187,815	80.9%
Deferred tax liabilities	14,646	4,650	215.0%
Total non-current liabilities	**354,341**	**192,465**	**84.1%**
Equity			
Share capital	131,965	120,773	9.3%
Capital reserves	93,595	76,366	22.6%
Mandatory convertible bond	0	1,800	n/a
Retained earnings	78,396	62,420	25.6%
Equity attributable to owners of the parent	303,856	261,359	16.3%
Non-controlling interests	11,977	8,223	45.7%
Total equity	**315,933**	**269,582**	**17.2%**

In the fiscal year, the Group's assets increased to €710,273k (previous year: €550,924k). This increase is essentially due to **investment property** of €662,073k (previous year: €501,546k), making up 93.5 percent of assets (previous year: 91.0 percent).

Other current assets of €21,721k (previous year: €15,125k) chiefly consist of operating costs for 2016 not yet invoiced to tenants (€7,559k; previous year: €2,611k), of payments for property acquisitions of €6,793k (previous year: €1,500k) and of receivables from the tax office from an overpayment of transfer tax amounting to €5,157k (previous year: €4,950k).

Deferred tax assets of €5,523k (previous year: €10,933k) result, after offsetting, from the capitalisation of deferred taxes on loss carryforwards.

Current liabilities decreased significantly from €88,877k to €39,999k. This was attributable to the considerably lower financial liabilities of €22,169k (previous year: €76,316k) due to a purchase price payment. Non-current liabilities relate primarily to financial liabilities from bank loans (€339,695k; previous year: €187,815k) which essentially increased due to refinancing and new loans.

Equity, which amounted to €315,933k, increased chiefly due to the capital measures described above. The consolidated equity ratio is 44.4 percent (previous year: 48.9 percent).

The positive trend for assets also resulted in a rise of the property-specific ratios. In the reporting year, the net loan-to-value moved up towards the target figure of 55 percent (53.1 percent; previous year: 50.0 percent) while the NAV increased to €345,366k (previous year: €290,608k).

FINANCIAL POSITION

€k	31 DECEMBER 16	31 DECEMBER 15	CHANGE
Payment flows from ordinary activities	21,339	-2,546	23,885
Payment flows from investment activities	-75,767	-352,340	276,573
Payment flows from financing activities	53,305	346,686	-293,381
Increase/decrease of cash and cash equivalents	**-1,123**	**-8,240**	**7,117**
Cash beginning of period	11,136	19,376	-8,240
Cash and cash equivalents end of period	**10,013**	**11,136**	**-1,123**

At the beginning of the period, cash and cash equivalents amounted to €11,136k. The main cash flows related to the acquisition of properties, taking up and repaying bank loans.

Operating activities generated inflows due to higher rental income.

Cash inflows from operating activities were mainly affected by the cash inflow from rental and the use of cash for operating activities, including administration.

In the fiscal year, liquidity within the Group was the result primarily of two factors. These were firstly the cash inflows of rental income of around €30m and secondly taking up bank loans (€120m). Cash outflows were made primarily for investments in investment properties (€89m). In the previous year, high cash inflows (€347m) were generated as a result of equity and borrowing measures. These were also predominantly used for investments in investment property (cash outflows for investing activities of €352m).

In 2016, the cash outflow from investing activities of €75,767k was chiefly attributable to the acquisition of properties or property companies, property, plant and equipment and intangible assets.

Cash inflows from financing activities were primarily attributable to loans of €120,370k that had been taken out. Repayments, capital repayments to non-controlling shareholders and interest payments etc. resulted in cash outflows from financing activities totalling €53,305k.

The current interest rate of the bank loans take up is approximately 2 percent, with the repayment rate also being approximately 2 percent. The average fixed interest rate is 5.7 years. €360.5m of these bank loans (previous year: €230.9m) are secured by land charges. There is still a prevailing positive financing environment.

The LTV is currently 53.1 percent (previous year: 50.0 percent).

The Group was able to meet its financial obligations at all times. Liquidity was ensured at all times in both fiscal year 2016 and the previous year.

SUMMARY

The Group achieved its targets for 2016. The FFO I is €18.0m. Rental income in particular contributed to this. As a result of the larger portfolio, this was €22m higher than the previous year. The was the key factor driving the upturn of FFO I by approximately €10m.

Earnings before taxes and before the net gain/loss from fair value adjustments of €6.4m (previous year: €1.9m) and profit or loss for the period of €18.6m (previous year: €57.7m) were achieved in 2016.

Investment property rose from €501.5m to €662.1m. Select acquisitions and non-cash contributions of €148.1m and fair value adjustments of €29.2m contributed to this increase. This was offset by disposals related to portfolio optimisations.

As the Group's parent company, WCM AG has equity of €252.4m after €202.9m in the previous year. The increase is essentially due to the non-cash contribution (€28.0m) and net income for the year (€19.7m) which was affected by the recognition of hidden reserves.

This resulted in an LTV of 53.1 percent in the WCM Group. WCM AG and the WCM Group were able to meet their financial obligations at all times. Liquidity was ensured at all times in fiscal year 2016.

3. REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF WCM BETEILIGUNGS- UND GRUNDBESITZ-AKTIENGESELLSCHAFT

In addition to the holding company, WCM AG assumes a financing role for the Group as a whole. This financing role is fulfilled with the transfer of cash and cash equivalents from equity transactions to affiliated companies. Receivables from affiliated companies amounted to €157.5m after €137.7m in the previous year.

As regards the HGB annual financial statements, positive annual earnings in the high single-digit million range were expected for fiscal year 2016. However, this was based on the assumption that this result could have been significantly reduced if capital measures had been implemented in 2016 on account of the associated expenses.

In the HGB annual financial statements for fiscal year 2016, net income for the year of €19.7m was generated. In 2016, WCM AG acquired a non-cash contribution in the form of 94.9 percent of the shares in WCM Handelsmärkte IV GmbH (Straubing retail centre). As a result, finance assets and equity increased by €28.0m. In addition, net income for the year of €19.7m (previous year: net loss for the year of €5.6m) increased equity. In particular, income from the transfer of earnings (€20.9m) influenced by the recognition of hidden reserves and revenue (€7.0m), which was essentially offset by other operating expenses and staff costs, contributed to net income for the year. Without this effect, profit or loss for the period would have been balanced as capital measures in 2016 were adversely affected by associated expenses.
WCM plans to pay out a dividend to shareholders for the 2016 fiscal year.

There are profit and loss transfer agreements in place with River Frankfurt Immobilien GmbH, Berlin, with River Düsseldorf Immobilien GmbH, Berlin and with WCM Beteiligungsgesellschaft mbH, Berlin.

NET ASSETS

€k	31 DECEMBER 16	31 DECEMBER 15	CHANGE
Financial assets	97,759	68,287	29,472
Other non-current assets	895	639	256
Total non-current assets	**98,654**	**68,926**	**29,728**
Receivables from affiliated companies	157,454	137,660	19,794
Bank balances	2,698	860	1,838
Other current assets	2,796	1,631	1,165
Total current assets	**162,948**	**140,152**	**22,796**
Prepaid expenses	**109**	**288**	**-179**
Total assets	**261,711**	**209,365**	**52,346**

€k	31 DECEMBER 16	31 DECEMBER 15	CHANGE
Equity	252,359	202,850	49,509
Provisions	2,060	851	1,209
Debt	7,292	5,664	1,628
Total liabilities	261,711	209,365	52,346

Total assets increased by 25.0 percent to €261,711k and mainly relates to finance assets and receivables from affiliated companies. These two items make up 97.5 percent (previous year: 98.4 percent) of assets.

The increase in non-current assets was attributable to shares in affiliated companies which rose from €67,460k to €95,516k. These consisted entirely of shares in Group companies. The increase in financial assets is due to the establishment and acquisition of new subsidiaries and the increase in the investment carrying amounts of Aschgo GmbH & Co KG, Barisk GmbH & Co. KG and Berkles GmbH & Co. KG. This was offset by the disposal of Seebeck Verwaltung GmbH and Seebeck Offshore Industriepark GmbH & Co. KG.

Current assets, which increased by €22,796k in comparison to the previous year are made up primarily of receivables from affiliated companies amounting to €157,454k (previous year: €137,660k). Revolving liquidity is provided to subsidiaries at short notice on the basis of master agreements in order to finance property acquisitions and current business. As a result of expected repayments, an amount of €101,474k with a remaining term of more than one year was reported.

Equity increased by €28,000k on the basis of the non-cash contribution in connection with the acquisition of the retail property, by €1,800k as a result of the conversion of the mandatory convertible bond and by €19,709k on the basis of net income for the year. The equity ratio is 96.4 percent (previous year: 96.9 percent).

The liabilities of €7,292k (previous year: €5,664k) consist mainly of liabilities to affiliated companies (€5,655k, previous year: €526k) and trade payables (€1,472k, previous year: €3,280k).

Provisions were up due primarily to an increase in provisions for outstanding invoices to €317k (previous year: €5k), for the preparation of the annual financial statements and the Annual Shareholders' Meeting to €520k (previous year: €197k) and for staff costs to €744k (previous year: €197k).

EARNINGS POSITION

€k	2016	2015	CHANGE
Revenue	7,001	2,885	142.7%
Cost of materials	-2,285	-1,405	-62.7%
Other operating income	536	593	-9.6%
Operating expenses	-6,778	-8,849	-23.4%
Income from profit transfer agreements	20,888	2,017	935.6%
Expenses from loss absorption	-101	-36	179.6%
Net finance costs	4,275	774	452.5%
Other taxes	-1	-2	-30.2%
Annual earnings	19,708	-5,574	n/a

Revenue of €7,001k includes revenue from the Group allocation (€5,569k, previous year: €2,587k) and revenues from the intercompany property management and administration of €1,432k (previous year: €298k). The increase of the Group allocation was the key factor in higher revenue. This was due to operating companies which were acquired in the previous year and were recognised only on a pro rata basis.

The decrease in operating expenses resulted mainly from the year-on-year decrease in the cost of the capital increase. This was offset by the costs for broken deals (€1,854k) and increased staff costs owing to the higher number of employees.

The financial result was driven primarily by intercompany interest income and expenses.

Income from a profit transfer agreement amounting to €20,888k (previous year: €2,017k) was assumed. This year-on-year change was mainly due to intercompany transactions to recognise hidden reserves. Investments in four subsidiaries, of which the market value was determined by an expert, were transferred to WCM Vermögensverwaltung GmbH & Co. KG, Berlin, which was established in the year under review.

The Management Board anticipates annual earnings to be in the mid single-digit million range in fiscal year 2017.

However, this result may be significantly reduced if capital measures are implemented in 2017 and correspondingly higher expenses arise or investment income is lower than planned. WCM plans to pay out a dividend to shareholders for the 2017 fiscal year.

In 2016, further employees were recruited. No material changes are planned for 2017 as a whole with regard to the number of employees (the number of employees, excluding the Management Board, was 27 as at the reporting date and 26 on average for the year). If the portfolio was to increase significantly it would be necessary to recruit further employees.

4. REPORT ON RISKS, OPPORTUNITIES AND EXPECTED DEVELOPMENTS

4.1. INTEGRATED RISK AND BUSINESS MANAGEMENT

Based on its business activities, WCM AG is exposed to various kinds of risks and opportunities. Risks constitute developments that result in a negative business performance or negative deviations from targets, while opportunities are characterised by corresponding positive effects for WCM AG.

WCM AG is continuously enhancing its current risk management system in the direction of comprehensive risk and business management that covers the main business areas and activities. In the context of this management approach, the Company is focussing on four elements:

MANAGEMENT BOARD

(RESPONSIBLE FOR THE STRATEGY, COMPANY AIMS AND THE IMPLEMENTATION OF THEM)

INTEGRATED CORPORATE AND RISK MONITORING SYSTEM

CONTROLLING	COMPLIANCE MANAGEMENT SYSTEM	RISK MANAGEMENT	INTERNAL CONTROL SYSTEM
• Strategic Controlling (early warning indicators, scorecards etc.) • Controlling (results, forecast, planning) • Risk control	• Regulations • Contracts • Data protection • Compliance to rules and regulation	• Process for risk management • Risk reporting • Risk prevention and minimisation	• Appropriate and and robust due diligence • Process documentation

The Group intends to establish a Group audit department to work in collaboration with the Management Board and the Supervisory Board to ensure the correct functioning of the internal control system.

The Management Board bears overall responsibility and makes the necessary resources available – this applies both to day-to-day operating business and also to systematic further development. The Audit Committee of the Supervisory Board is informed regularly in specific reporting and monitors the effectiveness of risk management in particular and of the overall management concept.

The risk management system as a key element of this approach is described in detail below.

COMPREHENSIVE RISK MANAGEMENT SYSTEM

In compliance with the relevant legal requirements and industry standards, WCM AG has established an internal control system with reference to the financial reporting process. The objective and purpose of the internal control and risk management system for the financial reporting process is to ensure that transactions are properly and fully recorded and presented in accordance with statutory requirements, the principles of proper accounting and internal directives. The system implemented monitors risks within the financial reporting process and comprises principles, measures and procedures for ensuring proper financial reporting as well as the following main features:

The organisational, monitoring and control structures within WCM AG are regulated clearly and transparently. All the tasks within the financial reporting process are clearly defined. The principle of dual control with clear separation of the approval and execution functions is a key element of the financial reporting process. The financial reporting process is supported by standard IT software. An access and authorisation concept governs authorisations in accordance with internal directives. There is integrated central accounting at the Group. The Group-wide accounting, account assignment and measurement principles are subject to regular audits and updates.

In addition, further processes have been implemented and organisational units have been established (or are currently being developed) in line with the risk management concept described in order to take account of the requirements.

4.2. RISK MANAGEMENT SYSTEM

WCM AG introduced a risk management system tailored to the current business model during the course of fiscal year 2015 and further developed this system in 2016.

The risk management system covers all areas of business of WCM AG and of the Group.

The aim of the risk management system is to record, assess and finally to control risks. Depending on the process, risks are monitored by the Management Board, which is supported in this task by risk management.

The risk management system is defined by:

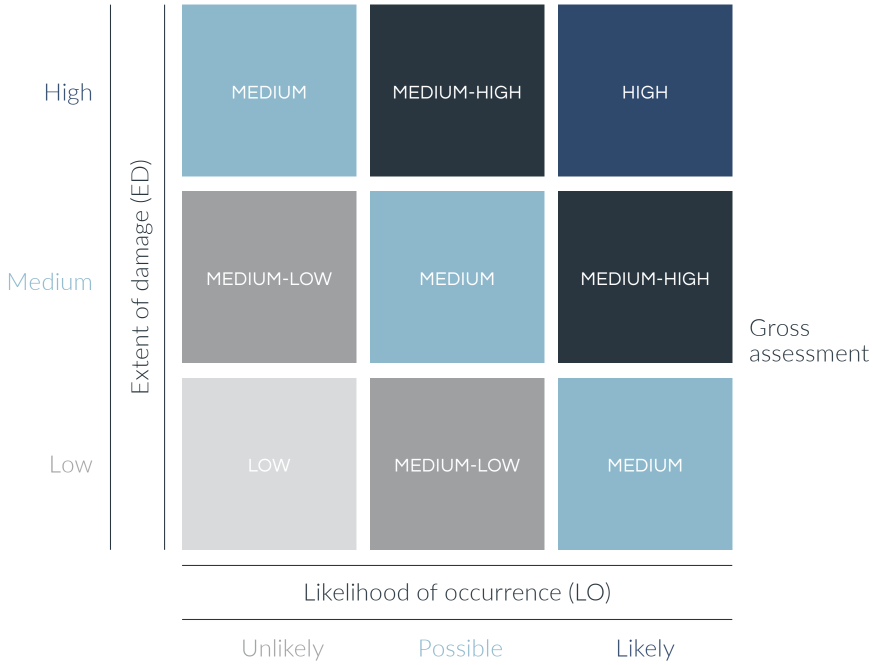
- assessing identified risks in terms of their impact on the continued existence of the company and quantifying them if possible
- processes aimed at identifying risks (risk early identification system)
- documentation in the form of reports to the Management Board and the Supervisory Board

The risks are quantified depending on the likelihood of the occurrence of damage and the extent of damage. This results in the following categories of likelihood of occurrence and damage:

DAMAGE CATEGORY		LIKELIHOOD OF OCCURRENCE	
Low risk	<5% AE	Unlikely	<10%
Medium risk	5% ≤ and <25% AE	Possible	10% ≤ and <50%
High risk	≥25% of AE	Likely	≥50%

AE = annual earnings

Each risk is evaluated in a regular internal assessment and, depending on its characteristics, included in intensive monitoring, while measures to reduce the risk are initiated.



RISK IDENTIFICATION

All risks to the company are initially identified, analysed and assessed, irrespective of the significance of the risks to WCM AG.

The Management Board and department heads at WCM AG regularly hold meetings to identify risks and discuss any possible (new) risks. This primarily serves the purpose of identifying project-specific risks relating to the imminent acquisition of new properties or companies. All risks are fully reviewed, recorded and inventoried four times a year at the end of each quarter.

Risks are also identified by way of a quarterly employee survey and controlling by the risk officer. ermöglicht.

RISK ASSESSMENT

A gross risk assessment is carried out based on likelihood of occurrence and possible extent of damage. Risk control measures aimed at reducing the gross risk are taken in order to counter the risks identified. A risk assessment that takes such measures into account results in the net risk.

A certain time period is taken into consideration in order to assess the likelihood of occurrence. The risks are categorised according to whether and how frequently the event is likely to occur within the defined time period of one year.

Risks can be assessed on both a quantitative and qualitative basis. It is thus possible to categorise the extent of damage based on several risk dimensions, such as financial damage or reputational damage.

Financial damage refers to negative effects on income and liquidity, which are initially measured based on their effect on the WCM Group's profit or loss for the period in accordance with IFRSs.

In addition to analysis at Group level and thus of the aggregated result, quarterly reporting also points out individual risks that could arise at subsidiary level.

DETERMINING EARLY WARNING INDICATORS FOR RISKS THAT JEOPARDISE THE CONTINUED EXISTENCE OF THE COMPANY

Where possible, an early warning indicator is defined for each risk that could jeopardise the continued existence of the Company. Early warning indicators may be certain factors, parameters or key figures and signal a change in the likelihood of the occurrence of or extent of damage caused by a risk and may therefore indicate a possible occurrence of damage.

The risk owner and if required the risk officer must define the threshold values and frequency of monitoring for each early warning indicator. Threshold values are directly linked to the early warning indicators and must be defined in advance by the risk owner and if required the risk officer.

REPORTING

The risk manager submits a written report to the Management Board on a quarterly basis. The Management Board briefs the Supervisory Board on a quarterly basis regarding the situation and risks faced by the company. A risk report also forms part of this regular reporting and presents at least the risks that could jeopardise the continued existence of the company.

Ad hoc risk reporting is ensured and is based on monitoring early warning indicators and their defined threshold values. If an indicator exceeds the defined threshold value, the risk manager must inform the Management Board immediately.

Shareholders and lenders may be informed of risks jeopardising the continued existence of the company and their opposing opportunities through external reporting.

4.3. RISK REPORT AND INDIVIDUAL RISKS

GENERAL RISKS

The WCM Group is subject to the general legal conditions applying to property companies with an investment focus on commercial properties in Germany, which may considerably influence the profitability of WCM AG.

The property locations in Germany are affected by regional developments. The future property locations of the WCM Group could become less attractive. Property prices have risen in some regions in the last few years and we cannot exclude the possibility that property prices will fall again in these regions.

This risk is categorised as “medium-low”.

The WCM Group is subject to the risk of deteriorating conditions for the financing of property acquisitions and for refinancing the property portfolio. The WCM Group's future business activities are based on extensive use of borrowed funds. A rise in the market rate of interest could increase the financing costs in the case of financing that is not interest rate hedged and refinancing.

This risk is categorised as “medium”.

Adverse developments as regards the tax conditions in Germany could have a negative impact on WCM AG's performance. Under certain circumstances, it may not be possible for WCM AG to utilise its tax loss carryforwards in part or in full.

This risk is categorised as "medium".

SPECIFIC RISKS

The fair value recognition of properties at Group level may result in negative value adjustments. If fair values fall below cost, the risk also impacts WCM AG. In order to ensure up-to-date and independent accounting, the WCM Group has its property portfolio valued by an independent external expert at least every six months. Periodically recording changes in value ensures that negative changes in value are identified at any early stage.

Due to the low vacancy rates and active tenancy management, there are no indications of a significant change in the value of the property portfolio. As at the reporting date, the WCM Group has not determined any significant requirement for impairment.

This risk is categorised as "medium".

The possibility of tenants becoming insolvent cannot be fully excluded. Careful credit assessments are carried out and the total rental area is divided among a number of tents in order to reduce this risk. The vacancy rate is minimised through active and professional rental management. The risk of default for receivables was assessed as medium at the end of the year under review.

This risk is categorised as "medium".

As at 31 December 2016, WCM AG had tax loss carryforwards of €284,308k relating to corporation tax and €263,679k relating to trade tax. There is no time limit on utilising the loss carryforwards.

The transfer of more than 25 percent of the voting shares within a five-year period may lead to the partial loss of existing corporation and trade tax loss carryforwards. All the tax loss carryforwards could be lost if more than 50 percent of the voting shares were transferred.

As at 31 December 2016, there was no significant risk of the loss carryforwards being lost. After the end of the reporting period, this risk increased considerably due to a shareholder increasing his stake. We refer to the report on post-balance sheet date events in the notes to the consolidated financial statements.

This risk is categorised as "medium".

The company could face severe fines and/or considerable reputational damage from ongoing legal disputes. There were no actions against the company in fiscal year 2016.

This risk is categorised as "low".

The WCM Group is subject to the legal conditions applying to property companies. Any tightening of the legal conditions, for example with respect to fire protection, environmental protection, legislation on pollutants and any resulting compulsory renovation work, will have a negative effect on the profitability of investments. There were no indications of such negative events in the reporting period.

This risk is categorised as "medium".

In addition, the Company's business activities entail risks from regulatory or stock market requirements. In a letter dated 21 November 2016, the German Financial Reporting Enforcement Panel (FREP) announced that the consolidated financial statements and the Group management report as well as the annual financial statements and management report of WCM AG as at 31 December 2015 would be reviewed in accordance with section 342b (2) sentence 3 no. 3 HGB (random sampling).

This risk is categorised as "low".

The WCM Group's business activities are also based on the use of borrowed funds. The WCM Group is subject to the risk of covenants from loans. Typical market covenants have been agreed for the existing financing with loans. These covenants were complied with at all reporting dates during the reporting period.

This risk is categorised as "medium".

FINANCIAL RISKS

For further information on financial risk management, please refer to note 6.9 of the Group notes, in which we provide a detailed description of the management of default risks, market risks, liquidity risks, etc.

RISKS SPECIFIC TO ACQUISITIONS

In 2016, WCM AG acquired properties by way of asset deals and share deals. The properties are located in different German federal states. Before properties are acquired, audit procedures are carried out to ensure that the company only acquires properties that are free of material technical, legal and economic risks. The following procedure is implemented for such acquisitions:

As part of legal due diligence, which was carried out by well-known law firms, WCM AG had the rental contracts, land register situation and building and planning law aspects thoroughly examined for risks. The technical details of the properties were also examined by well-known specialist firms with respect to fire protection, security and overdue maintenance. Finally, WCM AG obtained valuation appraisals from external experts (Jones Lang LaSalle, Cushman & Wakefield) for all sites. The contracts were only concluded after a careful and satisfactory evaluation of the above documents.

WCM AG is focusing on the German office and retail market as part of its strategic realignment and is thus heavily dependent on the development of these markets and on overall economic developments. The Group must take risks that arise in the rental business into account: vacancy, insolvency of tenants and interest rate increases in respect of borrowing. Any reduction or loss of rental income would have a negative impact on WCM AG's results of operations.

SUMMARY

The Management Board of the company assesses the risks for the fiscal year as low. No threat to the continued existence of the company has been recorded for 2016 or with respect to fiscal year 2017.

4.4. OPPORTUNITIES

Opportunities arise from minimising vacancy rates and increasing rents.

On the financing side, the Group can benefit from low interest rates when making acquisitions.

Further opportunities arise through utilising tax loss carryforwards. For further explanations, refer to Section 1.1 of the management report.

The property expertise of the Management Board is a key factor in making successful investments. In this regard, the Group may also benefit from advantageous investments in the future.

The WCM Group has a broadly based portfolio throughout Germany. Active asset and property management continuously optimise the portfolio and exploit benefits.

Due to the long WALT of approximately 8.9 years as at the reporting date, the Group's future rental income is also secure.

Owing to the positive economic forecasts for the German economy over the next few years, the WCM Group expects to continue to expand its portfolio with vacancy rates remaining the same or falling.

4.5. REPORT ON EXPECTED DEVELOPMENTS

The Management Board anticipates that the WCM Group's rental income will be between €42.0m and €44.0m in fiscal year 2017. WCM made a good start to the current year and anticipates a further increase in the FFO I (see definition 1.4. Control systems) to an amount between €23m and €24m. For fiscal year 2017 – as for fiscal year 2016 – WCM once again plans to pay out an attractive dividend to its shareholders.

If the underlying assumptions do not hold true or other exceptional developments arise, our forecast may significantly diverge from the actual results. Deviations from targets may particularly arise from changes to the property portfolio (acquisitions or disposals) or expenses exceeding planned amounts in the case of rent defaults, management costs or interest rates, for example.

It also intends to steadily expand its property portfolio. The portfolio is expected to grow by at least 20 percent as measured against the gross asset value of the existing portfolio. There may be a significant deviation from this figure depending on the attractiveness of potential investments. Expansion of the property portfolio is based on gauging the current property pipeline. The result for the period could be substantially affected by any transaction costs that may potentially arise.

In 2016, further employees were recruited. No material changes are planned for 2017 as a whole with regard to the number of employees (the number of employees, excluding the Management Board, was 27 as at the reporting date and 26 on average for the year). If the portfolio was to increase significantly it would be necessary to recruit further employees.

The objective of the Asset Management department is to reduce vacancy rates across the portfolio. If necessary, the company also plans to extend existing rental contracts under improved terms. The Asset Management team minimises existing vacancy rates through active management. A possible risk is posed by the German economy performing worse than expected.

Investments in the property portfolio are planned selectively depending on tenants' requirements. Agreements in bank loan agreements also require the company to make regular investments in the portfolio.

SUMMARY

For fiscal year 2017, the Management Board anticipates rental income in the range of between €42.0m and €44.0m. WCM plans to pay out an attractive dividend to shareholders for the 2017 fiscal year. The Management Board anticipates a further increase of the FFO I to approximately €23-24m.

5. CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289 A OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance statement can be found on WCM AG's website at *http://www.wcm.de/de/unternehmen/corporate-governance/*. The following items are covered in detail.

PROPORTION OF WOMEN ON THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The Supervisory Board of WCM AG has set a target of one member with respect to the proportion of women in the Supervisory Board. The extraordinary Shareholders' Meeting on 12 October 2015 elected a woman to the Supervisory Board.

The Supervisory Board has set a minimum quota of nil for the proportion of women on the Management Board of WCM AG as the Management Board only comprises two members. It is not necessary to set a time limit for achieving this target. The target will be reviewed after expiry of the initial time limit set, i.e. on 30 June 2017.

In accordance with section 76 (4) of the German Stock Corporation Act (AktG), the Management Board is required to set targets for the two levels of management below the Management Board. WCM AG is a company that only employs a small number of staff and only has one level of management below the Management Board. For this reason, the Management Board has set a minimum quota of nil for the level of management below the Management Board. The target will be reviewed after expiry of the initial time limit set, i.e. on 30 June 2017.

MANAGEMENT BOARD REMUNERATION SYSTEM

The total remuneration of the individual Management Board members is determined by the Supervisory Board, which also resolves on the remuneration system and reviews it.

The remuneration is to bear a reasonable relationship to the work performed by the Management Board members. This relates to personal performance and economic success as well as to future developments at the company.

In particular, the remuneration structure (taking options into account) is based on medium-term incentives and is aligned overall with the sustainable development of the company. It is also intended to allow for competitive remuneration.
The members of the Management Board receive their basic annual remuneration in equal portions on a monthly basis. In addition to their basic remuneration, Ralf Struckmeyer and Frank Roseen (who left the Board as at 5 May 2016) received options (400,000 units each) with a blocking period of four years in 2016. The commitment period of several years is intended to create a relationship between the performance and remuneration of the Management Board for the medium term. There are other variable remuneration components.

The Management Board and the Supervisory Board hereby declare that WCM AG has complied with the recommendations of the version of the Code dated 5 May 2015 since 1 January 2016. This exempts the following:

Section 3.8 of the Code recommends a deductible for the D&O insurance for members of the Supervisory Board. WCM AG believes that a deductible is not necessary with regard to the responsibility and motivation of the Supervisory Board members in performing their tasks. In derogation from the Code, the existing D&O insurance for members of the Supervisory Board of WCM AG therefore does not provide for a deductible.

Section 4.2.3 (2) sentence 2 of the Code stipulates that the monetary remuneration of the Management Board members should include fixed and variable components and that the variable components should have a multi-year assessment basis.

This recommendation was not yet followed in full in fiscal year 2016, as the Supervisory Board first used just fiscal year 2016 as the basis for performance targets for the Management Board members' bonuses, because fiscal year 2015 was not suitable due to the reorganisation of the Company. A multi-year assessment basis will be introduced starting from fiscal year 2017. The requirements of the Code are therefore met.

The Supervisory Board has not yet set any specific targets for its composition that deal with the Company's international activities, potential conflicts of interest and an age limit to be defined for the Supervisory Board members, while also taking account of the company-specific situation (Code section 5.4.1 (2)).

Whether the Supervisory Board defines more concrete targets regarding its composition depends solely on the Company's development in 2017. It should, therefore, be noted that the current members of the Supervisory Board are all appointed until 2018.

The Supervisory Board has not formed a Nomination Committee to submit proposals to the Supervisory Board for the nominations it puts forward to the Annual Shareholders' Meeting regarding the election of members of the Supervisory Board (Code section 5.3.3). Since all of the five members of the Supervisory Board are shareholders and no loss of efficiency can be observed when nominations are discussed by the Supervisory Board as a whole, there is no need to form a Nomination Committee.

Careful preparation of the annual financial statements takes a considerable amount of time for WCM AG due to the large number of reportable transactions in 2015 and 2016. For this reason, the annual financial statements for 2016 were not published within 90 days of the end of the fiscal year, as recommended in the Code under section 7.1.2 sentence 4. The 45-day deadline for the publication of interim reports that is recommended in the Code was not met in fiscal year 2016. However, the Management Board and the Supervisory Board aim to comply with this recommendation starting from the 2016 fiscal year.

6. REMUNERATION REPORT

MANAGEMENT BOARD REMUNERATION

This remuneration report is part of the combined management report for the WCM Group and WCM AG. In line with the statutory requirements and the recommendations of the German Corporate Governance Code in the version dated 5 May 2015 ("Code"), it outlines the basic features and the structure of the remuneration system for the Management Board and Supervisory Board of WCM AG and also discloses the remuneration of the individual Management Board and Supervisory Board members in fiscal year 2016. It also takes account of the requirements of German Accounting Standard No. 17 (GAS).

	Stavros Efremidis				Ralf Struckmeyer				Frank Roseen			
	01.01.2016-31.12.2016				05.05.2016-31.12.2016				01.01.2016-05.05.2016			
COMPENSATION IN K€	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
			Max	Min			Max	Min			Max	Min
Salary	500	300	500	500	169	0	169	169	210	120	210	210
Fringe benefits	2	0	2	2	11	0	11	11	66	35	66	66
Sum	502	**300**	**502**	**502**	180	**0**	**180**	**180**	276	**155**	**276**	**276**
One-year variable compensation	300	0	300	0	140	0	140	0	0	0	0	0
Bonus	150	0	150	0	0	0	0	0	0	0	0	0
Sum	450	0	450	0	140	0	140	0	0	0	0	0
Total compensation	952	300	952	502	320	0	320	180	276	155	276	276
Number of options granted	0	2,000,000	0	0	400,000	0	400,000	400,000	400,000	0	400,000	400,000
Fair value of options	0	1,532	0	0	342	0	342	0	388	0	388	0
Total compensation	**952**	**1,832**	**952**	**502**	**662**	**0**	**662**	**180**	**664**	**155**	**664**	**276**

	Stavros Efremidis		Ralf Struckmeyer		Frank Roseen	
	01.01.2016-31.12.2016		05.05.2016-31.12.2016		01.01.2016-05.05.2016	
CHANGE FOR FISCAL YEAR IN K€	2016	2015	2016	2015	2016	2015
Salary	500	300	169	0	210	120
Fringe benefits	2	0	11	0	66	35
Sum	502	**300**	180	**0**	276	**155**
One-year variable compensation	0	0	0	0	0	0
Bonus	150	0	0	0	0	0
Sum	150	0	0	0	0	0
Total compensation	**652**	**300**	**180**	**0**	**276**	**155**

The allowances granted to the Management Board totalled €2,278k (previous year: €2,048k; figure for previous year (€61k) still includes Dr Manfred Schumann). The fair value of the options was determined with the assistance of an external evaluator using a binomial model whose general approach is based on the work of Cox, Ross and Rubinstein (1979). The inflows to the Management Board amounted to €1,108k in the year under review (previous year: €516k; figure for previous year still includes Dr Manfred Schumann).

FIXED ANNUAL BASIC REMUNERATION

From 2016, the annual salary for Mr Efremidis amounts to €500k (previous year: €300k); for Mr Struckmeyer it amounts to €260k. The annual fixed remuneration is paid in twelve equal monthly instalments. Additional benefits include accident insurance and expenses for company cars.

For the members of the Management Board there is also a D&O policy.

SHARE-PRICE-BASED REMUNERATION

In 2015, the Supervisory Board granted Chief Executive Officer Stavros Efremidis a subscription right to 2.0 million shares that cannot be exercised until 2019 at the earliest. The performance targets are that (i) the market value of the WCM Group's property portfolio comes to at least €250m and (ii) an average annualised net rental yield of five percent of the value of the property portfolio held by WCM AG and its subsidiaries is achieved by the end of the vesting period.

In 2016, the Supervisory Board granted the Management Board member Ralf Struckmeyer a subscription right to 400,000 shares that cannot be exercised until 2020 at the earliest. The performance targets are that (i) the market value of the WCM Group's property portfolio comes to at least €250m and (ii) the average annualised net initial yield of the Company's property portfolio, calculated in accordance with EPRA, amounts to at least 5.0 percent in the period from 1 January 2016 until the option is exercised.

In 2016, the Supervisory Board granted the former Management Board member Frank Roseen a subscription right to 400,000 shares that cannot be exercised until 2020 at the earliest. The performance targets are that (i) the market value of the WCM Group's property portfolio comes to at least €250m and (ii) the average annualised net initial yield of the Company's property portfolio, calculated in accordance with EPRA, amounts to at least 5.0 percent in the period from 1 January 2016 until the option is exercised.

From the 2016 stock option programme, 1.2 million outstanding subscription rights have been earmarked for the Management Board. The Supervisory Board decides at its discretion if and when these subscription rights are issued.

ONE-YEAR VARIABLE REMUNERATION

The Management Board receives an annual variable performance-based remuneration (bonus). If the contract is terminated early, the bonus is granted pro rata in the calendar year of the early termination. Commencing in 2016, the bonus level is aligned to if and to what extent the Management Board reached the targets stated in the respective annual planning. The key performance indicator is the FFO I. Every year the Supervisory Board sets the maximum level of the annual bonus and the target figure to be achieved.

For fiscal year 2016, the Supervisory Board Efremidis and Mr Struckmeyer variable remuneration that depends on whether FFO I (before taxes and minority interests) reaches or exceeds €13,689k. If this is the case, Mr Efremidis will receive €250k and Mr Struckmeyer €117k. If more than 110 percent of the amount specified above is reached, the remuneration will increase to €300k for Mr Efremidis and €140k for Mr Struckmeyer. If more than 90 percent but less than 100 percent is achieved, Mr Efremidis will receive €200k and Mr Struckmeyer €95k. If less than 90 percent is achieved, no variable remuneration will be paid.

OTHER PERFORMANCE-RELATED REMUNERATION

In the Supervisory Board meeting on 26 April 2016, Mr Efremidis was granted a bonus of €150k which was paid in May 2016.

PAYMENTS IN THE EVENT OF EARLY TERMINATION OF EMPLOYMENT

The Management Board members each have a clause in their contracts entitling them to terminate the employment relationship without notice in the event of a change of control within the meaning of section 4.2.3 of the Code.

In such event the Management Board members will receive a settlement of three years' remuneration, the assessment basis for which is the annual remuneration (fixed remuneration and bonuses) of the Management Board.

SUPERVISORY BOARD REMUNERATION

As of 1 January 2016, the members of the Supervisory Board receive fixed annual remuneration of €25k, the Deputy Chairman receives double and the Chairman triple that amount.

If, during the current term of office of the Supervisory Board incumbent at the time of the Annual Shareholders' Meeting on 10 June 2015, the consolidated financial statements of the company report a result from ordinary activities of at least €10,000k, each member of the Supervisory Board also receives a bonus payment of 50 per- cent of their fixed annual remuneration in addition to this.

If Group earnings before tax reach at least €20,000k, each member of the Supervisory Board also receives a bonus payment of 100 percent of their fixed annual remuneration in addition to this fixed annual remuneration. If both of the above goals are achieved during the current term in office of the Supervisory Board, only the higher of the two bonus payments is granted. The bonus payment is paid only once for the entire current term of office and is granted after the Annual Shareholders' Meeting with which the term of office of the Supervisory Board incumbent at the time of the Annual Shareholders' Meeting on 10 June 2015 ends.

The active members of the Supervisory Board will receive total non-performance-related remuneration of €223k (2015: €129k) for fiscal year 2016. The provision for future performance-related remuneration amounts to €142 (2015: €135k). Travel expenses of €5k (2015: €3k) were reimbursed.

The former members of the Supervisory Board received total non-performance-related remuneration of €0k in fiscal year 2016 (2015: €5k).

SHAREHOLDINGS OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

The Management Board member Stavros Efremidis held 2.6 percent of the shares of the company as at the end of the reporting period.

The members of the Supervisory Board held the following numbers of shares:

Herr Karl Ehlerding	2,267,475 shares
Herr Bernd Günther	35,800 shares
Herr Rainer Laufs	10,000 shares
Frau Nicola Sievers	36,000 shares
Herr Arthur Wiener	65,000 shares

DISCLOSURES IN ACCORDANCE WITH SECTION 289 (4) HGB AND SECTION 315 (4) HGB

WCM AG makes the following additional disclosure required in accordance with section 289 (4) nos. 1-9 HGB:

The subscribed capital (share capital) of WCM AG amounts to €131,964,552 as at the reporting date and is divided into 131,964,552 no-par value bearer shares (no. 1).

To the best of our knowledge, no restrictions apply as regards voting rights or the transfer of shares (no. 2).

Direct or indirect investments in the share capital that confer more than 10 percent of the voting rights to the respective shareholders existed as at the end of the reporting period. This was through Prof. Dr. Gerhard Schmidt because the voting rights of DIC OF RE2 GmbH are allocated to him (no. 3).

There are no holders of shares vested with special rights conferring powers of control (no. 4). WCM AG employees with an interest in the capital do not exercise indirect control over voting rights (no. 5). The appointment and dismissal of Management Board members are governed by section 84 et seq. AktG as well as article 5 of WCM AG's articles of association, in accordance with which the Management Board comprises one or more members; the Supervisory Board otherwise determines the number of Management Board members. It can appoint a Chief Executive Officer. All provisions regarding amendment of the articles of association derive from sections 133 and 179 AktG (no. 6).

The Management Board is authorised, with the approval of the Supervisory Board, to acquire treasury shares of WCM AG up to 10 percent of the share capital at the time of the Management Board's resolution (no. 7).

Loan-based financing often include termination clauses in case of a control change without prior written consent of the financing institution.

No material agreements of the company are contingent upon a change of control following a takeover bid (no. 8). Contractual change of control agreements have been concluded with the Management Board members and senior employees. The same applies as regards compensation agreements (no. 9).

Frankfurt/Main, 31 March 2017

Stavros Efremidis
CEO
Chief Executive Officer

Ralf Struckmeyer
CFO

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt/Main, comprising the statement of financial position, income statement, statement of cash flows, statement of change in equity and the notes to the consolidated financial statements, together with the combined management report, for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the combined management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the German Commercial Code (HGB) are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt/Main, 25 April 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Pürsün
Wirtschaftsprüfer

Kunisch
Wirtschaftsprüfer

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles the consolidated financial statements for 31 December 2016 for the financial year from 1 January until 31 December 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Frankfurt/Main, 31 March 2017

Stavros Efremidis
Chief Executive Officer

Ralf Struckmeyer
Chief Financial Officer

FINANCIAL CALENDER

The financial calendar of WCM can be found on the WCM website in the Investor Relations section:

www.wcm.de/en/investor-relations/financial-calendar-events/

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