

WCM AG



Retail: Jacob-Winter-Platz, Dresden

Interim statement Q3/2017

WCM
Beteiligungs- und Grundbesitz-Aktiengesellschaft

Consolidated key figures (IRFS) as at 30 September 2017

Revenue and income	1 January - 30 September 2017	1 January - 30 September 2016	Absolute change	Change in percent
(k€)				
Rental income	34,647	23,849	10,797	45.3
Net rental income	31,751	22,261	9,490	42.6
Net income	16,990	16,928	62	0.4
FFO I	17,729	12,888	4,841	37.6
FFO I per share	0.13	0.10	0.03	30.0
FFO II	17,828	13,687	4,141	30.3
FFO II per share	0.13	0.11	0.02	18.2
EPRA earnings	4,781	4,634	147	3.2
Earnings per share, undiluted (in €)	0.10	0.12	-0.02	-16.7
Earnings per share, diluted (in €)	0.09	0.12	-0.03	-25.0
Key balance sheet ratios	30 September 2017	31 December 2016	Absolute change	Change in percent
(k€)				
Total property portfolio	805,448	662,073	143,375	21.7
Total assets	874,512	710,273	164,239	23.1
Equity (incl. minorities)	315,133	315,933	-800	-0.3
Financial liabilities	476,344	361,864	114,480	31.6
EPRA NAV	351,534	345,366	6,168	1.8
EPRA NAV per share (in €)	2.57	2.62	-0.05	-1.9
EPRA NNNAV per share (in €)	2.30	2.39	-0.09	-3.8
Key Portfolio Figures	30 September 2017	31 December 2016		
Lettable area	422,724 m ²	324,031 m ²		
Annualised rental income in €m ¹	47.4	38.3		
EPRA net initial yield (NIY) in percent	5.1	5.1		
EPRA vacancy rate in percent ²	4.3	3.8		
Net loan-to-value (LTV), in percent	55.7	53.1		
Weighted average lease term in years ³	7.8	8.9		
Average cost of debt in percent	1.9	2.0		
By segment		Retail	Office	
Number of assets		45	11	
Lettable area		312,213 m ²	110,511 m ²	
Annualised rental income in k€		29,280	18,131	
EPRA vacancy rate in percent		3.4	5.8	
Weighted average lease term in years		7.7	7.9	

¹Less unlet periods

²Excluding parking spaces

³In parts without taking into account extraordinary rights of termination

Interim statement pursuant to Section 51a Stock Exchange Regulations for the Frankfurt Stock Exchange

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Consolidated interim statement pursuant to IFRSs for the period from 1 January to 30 September 2017

The consolidated interim statement of WCM Beteiligungs- und Grundbesitz-AG (referred to hereinafter as "WCM", "WCM AG", or "the Company") shown below relates to the business performance and its effects on the results of operations, net assets and financial position in the first nine months ("reporting period") of fiscal year 2017.

WCM implements the simplified publication requirements of the Frankfurt Stock Exchange in place since November 2015 and publishes an interim statement for the first and third quarter of the fiscal year.

1. Accounting policies

This interim statement and the attached interim consolidated financial statements – comprising the interim consolidated statement of financial position, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated cash flow statement – were prepared in accordance with the accounting methods applied as at 31 December 2016, taking into account newly applicable standards. The following IFRS standards were applied for the first time as at 1 January 2017:

Standard/Interpretation First-Time Adoption	Titel of the Standard/Interpretation or of the Amendment
Amendments to IAS 7 01.01.2017	Disclosure Initiative
Amendments to IAS 12 01.01.2017	Recognition of Deferred Tax Assets for Unrealized Losses
Improvements to IFRS 2014 - 2016 01.01.2017	Amendments zu IFRS 12

The newly applicable standards had no effects on the interim statement. For additional information, please refer to the consolidated financial statements as at 31 December 2016.

The definitions of the key performance indicators used in the interim statement have not changed since the previous year. For these definitions, please refer to the Group management report as at 31 December 2016.

We point out that rounding differences may occur with regard to the values that are mathematically accurate (currency units, percentages, etc.).

2. Significant events and transactions

TLG IMMOBILIEN AG ("TLG") submitted a takeover offer to WCM shareholders in June 2017, according to which TLG offers four TLG shares in exchange for each 23 tendered shares of WCM. Based on the closing price of the TLG shares prior to the day of the announcement of the takeover offer, the resulting offer price amounts to EUR 3.36 per WCM share and represents a premium of 17.8% on WCM's pro forma EPRA NAV of EUR 2.85 per share as at year-end 2016.

The Management Board and Supervisory Board of WCM have issued a statement on the takeover offer and recommended that WCM shareholders accept the offer.

The deadline for accepting the offer was 26 September 2017. A total of 85.9% of WCM shareholders accepted the offer. The transaction was settled in October (see report on post-balance sheet date events).

As a result of various costs such as, for example, restructuring costs due to several changes in legal form, consultancy costs and costs for the abbreviated terms of stock option programmes, the takeover offer has a direct effect on the consolidated interim financial statements as at 30 September 2017. As the takeover progresses, it may have an effect on the Company's tax loss carryforwards and thus its deferred tax assets. We expect that a corporation tax loss carryforward of €180m to €230m will be retained.

Please also refer to the interim consolidated financial statements as at 30 June 2017 for further details concerning takeover-related issues.

Portfolio transactions

On 30 March 2017, a transaction was closed that saw WCM acquire three retail centres by way of share deals with a total rental area of around 89,865 m² at a net purchase price of around €98,200k.

Based on an agreement dated 16 February 2017, the Company acquired a retail centre in Jena with a total rental area of around 12,300 m² by way of a share deal for a net purchase price of €21,000k.

A property in Neu-Isenburg was sold above its carrying amount for €2,300k during the reporting period. The property was transferred to the buyer at the end of August 2017.

Companies

On 29 December 2016, the relocation of four Luxembourg subsidiaries to Germany was notarised. These subsidiaries were entered in the German Commercial Register between 27 February and 6 March 2017.

Furthermore, four Dutch subsidiaries decided to relocate to Germany at the end of July 2017. The entries in the German Commercial Register were made on 24 and 25 August 2017.

Restructurings were carried out within the context of the TLG takeover. In order to largely retain existing corporation tax loss carryforwards, property companies that were still being operated in the legal form of a GmbH were converted – with a few exceptions – into GmbH & Co. KGs. The relevant Commercial Register entries were made at the end of August 2017. At the same time, four GmbH & Co. KGs – in each of which WCM was the sole limited partner – were converted into GmbHs, each accepting one minority shareholder.

Mandatory convertible bond

The acquisition of the MIA II portfolio was financed by issuing a mandatory convertible bond with a nominal amount of €5,983k on 16 February 2017, which was subscribed by the seller, DIO Deutsche Immobilien Opportunitäten AG. The mandatory convertible bond had a coupon of 1.5% and matured on 31 May 2017. It also provided for the issuance of 2.1 million WCM shares. The conversion took place on 31 May 2017.

Financing

Refinancing by Landesbank Hessen-Thüringen (Project MIA I)

A loan agreement of €80m was signed with Landesbank Hessen-Thüringen Girozentrale, and a first tranche of €73.6m was disbursed according to schedule on 30 March 2017. The provisional repayment date of the loan is 31 March 2019. WCM can extend the term of the loan once until 31 March 2024 if the rental agreements with anchor tenants in Ellwangen and Halle/Saale are renewed long-term. The interest rate of the loan is 1.55% p.a. (based on 3-month Euribor).

Bayrische Landesbank (Straubing portfolio financing)

A €10.5m increase in the existing loan agreement from €25.5m to €36.0m was agreed with Bayrische Landesbank. The term of the loan remains unchanged (maturity date of 30 June 2021). The fixed interest rate of the increase is 1.91% p.a.

Deutsche Pfandbriefbank AG (Frankfurt River and Triangel portfolio financing)

Based on the River and Triangel portfolio financing, a bridge financing totalling €25.0m was agreed with Deutsche Pfandbriefbank AG and disbursed on 29 March 2017. The loan is due for repayment in full on 30 April 2018. The interest rate of the loan is 2.75% p.a. (based on 3-month Euribor).

Other financial obligations and contingent liabilities

The Company signed rental agreements for office space at Joachimsthaler Strasse 34, Berlin, in 2015 and 2016. The agreements have a fixed term of five years and run until 31 January 2020. The total remaining rent, including prepayments of operating costs, amounts to €526k.

There is a lease commitment of approximately €58k for a remaining term of between one and just under three years for vehicles used internally by the Company. The associated vehicle tax totals €2k.

Under an agreement dated 9 May 2016 and a supplement dated 18 November 2016, WCM sold the industrial property in Bremerhaven (Seebeck Offshore Industriepark GmbH & Co. KG, Bremerhaven) by way of a share deal. Obligations for WCM as the seller to make equalisation payments were agreed as part of the purchase agreement. The aim is to generate contractually secured rental income of at least €1,800k (target rent) with the sold property by 1 July 2018. If the property does not generate at least 95% of this target rent, WCM shall owe the buyer an equalisation payment of €1,200k. In this case, the buyer shall be entitled to offset this claim against the deferred remaining purchase price, which also totals €1,200k. The Company currently expects that it will not be called upon to implement this contractual commitment.

Annual Shareholders' Meeting

The WCM Annual Shareholders' Meeting was held in Berlin on 4 July 2017. With around 58% of the Company's share capital represented at the meeting, the shareholders passed all proposed resolutions by a large majority. These resolutions included paying a dividend of EUR 0.10 per share for the 2016 financial year.

Basis of consolidation

As at 30 September 2017 the basis consolidation included WCM and 43 companies which are directly or indirectly controlled by WCM.

3. Course of business and results of operations, net assets and financial position

Results of operations

Net rental income rose to €31,751k in Q3 2017 due to the expansion of the property portfolio (Q3 2016: €22,261k). Rental income comprised €34,647k of this amount (Q3 2016: €23,849k).

In the reporting period, a profit of €99k was generated from the sale of a property (Q3 2016: €799k).

Measurement gains of €21,471k (Q3 2016: €14,822k) also contributed to the increase in earnings.

In total, operating expenses amounted to €20,671k (Q3 2016: €13,702k). This increase in operating expenses primarily resulted from costs connected with the acquisition by TLG (€7,372k).

Compared with the prior-year period, net finance costs decreased to -€7,065k (Q3 2016: -€5,557k) due to acquisitions.

Income taxes (-€9,181k, Q3 2016: -€2,713k) mainly comprise deferred taxes in the amount of -€9,358k (Q3 2016: -€2,401k).

The consolidated profit for the period thus was €16,990k in Q3 2017 (Q3 2016: €16,928k).

FFO I (excluding sales) amounted to €17,729k in Q3 2017 (Q3 2016: €12,888k), while FFO II totalled €17,828k (Q3 2016: €13,687k).

Net assets and financial position

As at 30 September 2017, WCM's real estate portfolio had a carrying amount of €805,448k (31 December 2016: €662,073k).

Consolidated equity decreased to around €315,133k as at 30 September 2017 (31 December 2016: €315,933k). On the reporting date, the net loan-to-value ratio amounted to 55.7 percent (31 December 2016: 53.1 percent).

As a result of the legal restructurings in connection with the takeover by TLG, minority interests are now shown under "Other financial liabilities".

Current and non-current financial liabilities, which are used to finance the properties, totalled €476,344k as at 30 September 2017 (31 December 2016: €361,864k).

On 30 September 2017, the Company had cash of €27,789k (31 December 2016: €10,013k). The Company was able to meet its payment obligations at all times.

As at 30 September 2017, the changes in WCM's cash and cash equivalents broke down into operating, investing and financing activities as follows.

Cash flow from operating activities: €26,612k

Cash flow from investing activities: -€39,890k

Cash flow from financing activities: €31,054k

4. Report on post-balance sheet date events

Settlement of TLG's takeover offer was successfully completed in the second week of October 2017.

On 6 October 2017, TLG and WCM signed a control agreement with TLG as the controlling entity. An Extraordinary Shareholders' Meeting has been convened for 17 November 2017 (WCM) and 22 November 2017 (TLG) with the objective of granting the consent required by law to finalise the control agreement.

5. Outlook

Forecast unchanged

The first nine months of the 2017 reporting year were positive and were characterised by further expansion of the property portfolio. Other key events included completing integration of acquired portfolios and the expansion and creation of additional internal structures and business processes.

The Management Board confirms the 2017 forecast made in the 2016 Annual Report (p. 135/136) regarding funds from operations of between €23m and €24m, subject to the effects of the takeover.

Rental income for the 2017 fiscal year will probably come in at the upper end or slightly above the communicated range of €42m to €44m.

No change in risk situation

Due to its business activities, WCM is exposed to various kinds of risks. In this regard, please refer to the detailed explanations in the 2016 Annual Report (section 6.9 “Financial instruments and financial risk management”, pages 86 to 92). In the view of the Management Board, WCM's risk situation has not changed significantly since then.

Frankfurt, 9 November 2017



Stavros Efremidis
Chief Executive Officer



Ralf Struckmeyer
Chief Financial Officer

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Interim consolidated financial statements as at 30 September 2017

Consolidated statement of financial position (IFRS) as at 30 September 2017

in k€

	30.09.2017	31.12.2016
Assets		
<i>Current assets</i>		
Cash and cash equivalents	27,789	10,013
Trade receivables	1,150	131
Other financial assets	1,356	186
Advance payments made	0	0
Other current assets	23,433	21,404
Total current assets	53,729	31,734
<i>Non-current assets</i>		
Investment property	805,448	662,073
Intangible assets	179	196
Technical equipment and machinery	76	115
Other equipment, operating and office equipment	506	2,989
Advance payments for property, plant and equipment	360	392
Deferred tax assets	3,146	5,523
Other financial assets	9,763	6,848
Other non-current assets	1,305	403
Total non-current assets	820,783	678,539
Total assets	874,512	710,273
Equity and liabilities		
<i>Current liabilities</i>		
Liabilities to credit institutions	61,373	22,162
Trade payables	8,610	5,925
Other liabilities	25,557	9,152
Other financial liabilities	0	7
Other provisions	3,529	2,753
Total current Liabilities	99,069	39,999
<i>Non-current liabilities</i>		
Liabilities to credit institutions	414,971	338,358
Other financial liabilities	23,739	1,337
Deferred tax liabilities	21,600	14,646
Total non-current liabilities	460,310	354,341
<i>Equity</i>		
Share capital	136,803	131,965
Capital reserves	99,847	93,595
Convertible bond	0	0
Retained earnings	77,404	78,396
Equity attributable to owners of the parent	314,054	303,956
Non-controlling interests	1,078	11,977
Total equity	315,133	315,933
Total equity and liabilities	874,512	710,273

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Interim consolidated financial statements as at 30 September 2017

Interim statement of comprehensive income (IFRS)
for the period from 1 January to 30 September 2017

In k€

	1.1.- 30.09.2017	1.1.- 30.09.2016	01.07.- 30.09.2017	01.07.- 30.09.2016
Rental income	34,647	23,849	11,960	8,407
Operating and ancillary costs	-2,896	-1,588	-1,039	-467
Net rental income	31,751	22,261	10,921	7,940
Proceeds from disposal of properties held for sale	2,300	7,875	2,300	0
Expenses of the sale from property held for sale	-2,201	-7,076	-2,201	0
Net gain/loss from sale of property held for sale	99	799	99	0
Unrealised net gain/loss from fair value measurement of investment property	21,471	14,822	5,262	664
Net gain/loss from fair value adjustments	21,471	14,822	5,262	664
Other operating income	1,154	1,017	810	218
Operating income	1,154	1,017	810	218
Staff costs	-5,510	-3,501	-2,023	-990
Depreciation and amortisation	-354	-968	-233	-302
Other operating expenses	-14,807	-9,233	-7,223	-1,934
Operating expenses	-20,671	-13,702	-9,479	-3,226
Operating profit/loss	33,804	25,198	7,614	5,597
Share of profit/loss attributable to limited partners	-568	0	-568	0
Financial income	349	113	120	55
Finance expenses	-7,415	-5,670	-2,568	-1,897
Net finance costs	-7,065	-5,557	-2,449	-1,841
Earnings before taxes	26,171	19,641	4,598	3,756
Income taxes	-9,181	-2,713	-4,582	-200
Other taxes	0	0	0	0
Comprehensive income for the period	16,990	16,928	16	3,556
Comprehensive income attributable to:	16,990	16,928	16	3,556
Owners of the parent	13,018	15,414	-128	2,655
Non-controlling interests	3,972	1,513	144	900
	16,990	16,928	16	3,556
Earnings per share				
Undiluted earnings per share in €	0.10	0.12	0.00	0.01
Diluted earnings per share in €	0.09	0.12	0.00	0.01

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Interim consolidated financial statements as at 30 September 2017

Consolidated statement of changes in equity (IFRS) for the period from 1 January to 30 September 2017

In k€	Share capital	Capital reserves	Convertible bond	Retained earnings	Equity attributable to shareholders of the parent	Non-controlling interests in equity	Total consolidated equity
As at 1 January 2016	120,773	76,366	1,800	62,420	261,359	8,223	269,582
Consolidated profit for the period	0	0	0	15,414	15,414	1,513	16,928
Mandatory convertible bond	1,192	608	-1,800	0	0	0	0
Non-cash capital increase	10,000	18,000	0	0	28,000	0	28,000
Withdrawals for transaction costs	0	-1,379	0	0	-1,379	0	-1,379
Change in basis of consolidation	0	0	0	0	0	-253	-253
Equalisation payments	0	0	0	34	34	-152	-118
Share-based remuneration	0	0	0	773	773	0	773
As at 30 September 2016	131,965	93,595	0	78,642	304,202	9,331	313,533
As at 1 January 2017	131,965	93,595	0	78,396	303,956	11,977	315,933
Consolidated profit for the period	0	0	0	13,018	13,018	3,972	16,990
Mandatory convertible bond	2,063	3,920	0	0	5,983	0	5,983
Cash capital increases	2,775	2,391	0	0	5,166	0	5,166
Withdrawals for transaction costs	0	-58	0	0	-58	0	-58
Change in basis of consolidation	0	0	0	0	0	3,586	3,586
Change in reporting of minority interests	0	0	0	0	0	-18,457	-18,457
Capital repayments	0	0	0	0	0	0	0
Equalisation payments	0	0	0	-2,388	-2,388	0	-2,388
Share-based remuneration	0	0	0	1,574	1,574	0	1,574
Dividend paid	0	0	0	-13,197	-13,197	0	-13,197
Withdrawal from capital reserves	0	0	0	0	0	0	0
As at 30 September 2017	136,803	99,848	0	77,403	314,054	1,078	315,132

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Interim consolidated financial statements as at 30 September 2017

Consolidated cash flow statement (IFRS)
for the period from 1 January to 30 September 2017

in k€

	1 January - 30 September 2017	1 January - 30 September 2016
Profit for the period	16,990	16,928
Net finance costs	7,065	5,557
Net gain/loss from fair value adjustments	-21,471	-14,822
Depreciation and amortisation	354	968
Loss (+)/gain (-) on the disposal of assets	-99	-799
Current tax expense	-178	312
Increase (+)/decrease (-) in provisions	776	358
Increase (-)/decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities	-4,218	-3,810
Increase (+)/decrease (-) in trade payables and other liabilities not attributable to investing or financing activities	19,090	210
Other non-cash expenses (+)/income (-)	-1,056	5,777
Deferred taxes	9,358	0
Cash flow from operating activities:	26,612	10,679
Outflows for investments in investment property	-42,861	-58,923
Outflows for investments in intangible assets and property, plant and equipment	0	-175
Inflows from disposals of property, plant and equipment	2,300	13,641
Inflows from the sale of financial assets	545	0
Interest received	126	113
Cash flow from investing activities	-39,890	-45,344
Outflows for the costs of the capital increase	0	-2,415
Outflows for granting loans	0	0
Dividend paid	-13,197	0
Inflows from the capital increase	5,108	0
Inflows from borrowing loans	110,259	120,370
Outflows from repaying loans	-63,189	-53,242
Outflows for granting loans to non-controlling interests	-1,106	-1,710
Interest paid	-6,821	-5,143
Cash flow from financing activities	31,054	57,860
Increase/decrease in cash and cash equivalents	17,776	23,196
Cash and cash equivalents at beginning of period	10,013	11,136
Cash and cash equivalents as at 30 September	27,789	34,332

About WCM AG

WCM Beteiligungs- und Grundbesitz-AG is a specialised commercial real estate company. As a real estate proprietor, the focus is on long-term rental of high-quality office and retail properties in the major office locations in Germany.

Since the operational restart in 2014, WCM AG has focused on an extensive network for the acquisition of properties as well as on value-creating asset management, in order to generate attractive long-term rental income and a steady cash flow. The portfolio currently has a gross asset value of around €800m. The company has corporation and trade tax loss carryforwards available and a tax deposit account.

Shares of WCM AG are listed in the Prime Standard of Deutsche Börse AG.

Disclaimer

This interim statement contains forward-looking statements on expected developments. These statements are based on current assessments and are by their very nature subject to risks and uncertainty. Actual events may differ from those expected in these statements.

The WCM share

ISIN:	DE000A1X3X33
Securities identification number (WKN):	A1X3X3
Number of shares 30 September 2017:	136,802,552
Market segment:	Prime Standard
Indexes:	CDAX, DIMAX, FTSE EPRA/NAREIT Developed Europe
Designated sponsors:	Oddo Seydler Bank AG, equinet Bank AG, HSBC Trinkaus & Burkhardt AG
Stock exchanges:	Xetra, Frankfurt, Hamburg, Stuttgart
Share price 30 September 2017:	€3.64
Market capitalisation 30 September 2017:	€497,961,289

Financial calendar, publishing information and contact

17 November 2017:	Extraordinary Shareholders' Meeting in Berlin
n/a	Publication of the Q1 2018 interim statement
n/a	Annual Shareholders' Meeting
n/a	Publication of the half-yearly financial statements as at 30 June 2018
n/a	Publication of the Q3 2018 interim statement

Publishing information

Publisher:

The Management Board

of WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft

Contact

Frankfurt office (company headquarters)

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft

Bleichstrasse 64-66

60313 Frankfurt am Main

Berlin office

WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft

Joachimsthaler Strasse 34

10719 Berlin

Tel.: +49 (0)30 8870 476-10

Fax: +49 (0)30 8870 476-17

Email: realestate@wcm.de

Website: www.wcm.de/en/