Annual Report 2016
GxP German Properties AG

Key figures
GxP German Properties AG

Balance sheet figures (Consolidated financial statement according to the German Commercial Code)	31 Dec. 2016
	EUR m
NAV*	77.2
NAV per share (in EUR)*	1.11
Total assets	149.9
Shareholders' equity	62.7
Net debt	58.2
Loan to value (in %)	63.3
* including goodwill	

Portfolio figures	31 Dec. 2016
Number of properties	8
Total area (in m^2)	65,103
Vacancy rate (in %)	15.44
WAULT (in years)	2.89

GxP German Properties is based in Berlin and focuses on the acquisition, holding and asset management of office and retail properties in Germany.

Its investment focus is on attractive commercial real estate in the “Core+" and "Value added” segments in metropolitan regions and selected medium-sized German cities. The company pursues the strategy of realising significant capital appreciation by means of active portfolio management and simultaneously securing sustainable rental income.

To do so GxP draws on its long-standing experience of the property market and an extensive network.

CONVENIENCE TRANSLATION ONLY – the German version is legally binding

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Foreword

Dear shareholders,

The successful listing in the Entry Standard in December 2016 marked an important milestone for our young company. We are pleased by the support given to us by our investors in the context of the capital increase, the proceeds of which exceeded our expectations. We have thus laid the first foundations for building our own portfolio of solid commercial properties in German metropolitan regions and selected B-cities.

One important element we already have is a strong and well-rehearsed team of asset management experts. In the past we have demonstrated that we are capable of managing successfully even particularly demanding properties. We are therefore in a position to increase the value of the GxP portfolio continuously for our shareholders.

What have we achieved so far? With the acquisition of a portfolio of eight office properties in December we quickly put our ideas into practice. This was followed by the closing of another property acquisition in early February this year. With these transactions we have invested the bulk of the funds from the capital increase in high-yield properties. At the end of February 2017 our portfolio was valued at EUR 106.2 million.

But it is not only on the acquisition side that we can report initial success. In asset management we presented the first new and follow-on leases in early February for the portfolio acquired in December. This demonstrates the hands-on skills of our asset management team. Given the expertise of our staff, our dependable network and our in-depth market knowledge, we are confident of being able to report further successes over the course of the year.

Since the period between closing of the portfolio acquisition in early December and the end of the reporting period as of 31 December 2016 was only brief, the 2016 figures for revenue and earnings are not meaningful. In line with the German Commercial Code (HGB) we are reporting revenue of EUR 7.9 million and a net loss of EUR 5.3 million. This does not include the increase in the value of the property portfolio that we achieved, amounting to around EUR 12.6 million compared to the purchase price.

Forecast revenue for 2017 is a more meaningful indicator for the portfolio secured in 2016. The current portfolio generates annualized rental revenue of around EUR 7.5 million and FFO I of around EUR 3.5 million. The gross asset value of the real estate portfolio came to a total of EUR 88.5 million as of 31 December 2016. Including the property in Dresden closed after the reporting date brings the total to EUR 106.2 million. For further comments, please see the chapter “Course of business”. Net asset value, including goodwill, came to EUR 77.2 million as of 31 December 2016. This represents NAV per share of EUR 1.11. The NAV excluding good will amounted to EUR 0.61 per share.

However, not everything went to plan in the months after the first capital increase. Despite the successes in the operating business and contrary to our expectations, the performance of our share was negative at the start of 2017, which we are not pleased about. The fall in the price of our share coincided with a generally difficult stock market environment for property companies at the end of the 2016 financial year – which continued into early 2017. One of the main reasons was the ongoing uncertainty about higher interest rates. On top of the macro-economic factors, our share came under significant selling pressure, combined with unusually high trading volumes. The fall of the share price that resulted was significantly higher that the relative decline of our competitors. Our immediate focus must be on measures that improve this situation and on increasing the price of our shares. In March the trading volumes stabilised at a much lower level and are now within the normal range for a company of our size.

Even during the capital increase we emphasised that growth for its own sake was not our declared objective. We – and this is something I would like to underline – are pursuing the strategy of building a value-added portfolio for you, our shareholders. Specifically this means that we intend to increase NAV per share and FFO I per share with every acquisition. Our ambitious growth targets will be subordinated to this principle. Our focus over the upcoming months will be to increase the asset value of our company in order to positively influence the share price. The main goal is to create value for our shareholders.

The development of our share price has affected the access to the capital markets and made this more difficult for the future. Nevertheless, we continue to look to the future with confidence, partly because we still see attractive purchasing opportunities on the market for commercial properties in B-locations.

Dear shareholders, after a good start and building an initial portfolio we will be adapting our strategy to the new realities in 2017. On the funding side we are currently faced with the challenge of backing future acquisitions with additional funds, especially equity. We are looking at various options for achieving further growth outside our existing portfolio. We are optimistic that we will continue to deliver a dynamic performance in the current market environment.

On the basis of our current portfolio and further successes in asset management we expect our rental income to go up slightly in 2017. In addition, we expect positive operating earnings for 2017.

There were two personnel changes at the start of the year. Mr Schorr resigned his post as Chair of the Supervisory Board. This function will now be carried out by Mr Lewandowski, co-founder and former CFO of the company. To ensure continuity we decided to fill the vacant Supervisory Board position with an internal candidate. Mr Lewandowski's real estate know-how and network will remain with us in the new function.

At this point I would like to thank you, our shareholders, for your confidence in our company. I would be delighted if you would continue to accompany us in our future development. My thanks also go our staff for their unceasing commitment.

Your sincerely,

Johannes Meran

GxP German Properties – Profile

OUR BUSINESS MODEL

GxP German Properties concentrates on investments in commercial real estate (office and retail properties) and invests in properties with development potential in German metropolitan regions and selected B-cities, such as Hanover, Erfurt, Leipzig or Bremen, as well as the peripheries of large cities, focusing on Core+ and Value-added sectors. Our focus is very much on building our own high-yield portfolio of commercial property. The business model is to acquire commercial property with clear potential for value creation and development, and to realise this potential by means of active asset management. In the course of this asset management we also manage properties for institutional investors.

Regional focus

We concentrate our activities on so-called B-locations in A-cities and A-locations in B-cities. There are many reasons for this: they range from socio-economic considerations and the broader choice of suitable properties for our own commercial property portfolio, to the much more attractive yields available in locations of this type. So for example, only three of the seven largest cities in Germany are also in the top 10 in terms of economic output. In addition, most capital continues to flow into the so-called top 7 cities in Germany, which drives up prices for attractive properties in these cities even further. This in turn has an adverse impact on yields. Another advantage is that in B-cities the prices are often lower than construction costs. So existing properties therefore have less competition from newbuilds. Furthermore, B-cities are rarely covered by the big property consultancies, but mostly by decentralised estate agents to whom we maintain close contacts. We use these local networks to source attractive properties.

Efficient acquisition process

Our network and experience help us to seize opportunities very quickly as they arise. So from the first visit to a potential property to the time a transaction is closed takes less than 100 days. The decisive parameters for the purchase of a property comprise the forecast rental income, costs and investment, funds from operations, the necessary personnel capacities and questions of financing and liquidity. Geographically we are broadly diversified. Our portfolio is situated in many medium-sized German cities, but also in Hanover and Frankfurt. With every single property we look very closely at how the local market works. Existing infrastructure plays a vital role. But the most important thing is and always will be the yield. Generally we aim to acquire properties or portfolios from a volume of EUR 5 million upwards, which generate a regular gross yield on the purchase price of at least six to seven per cent.

Asset management strategy

In addition to building our own portfolio, our long-term aim is to realise potential for significant value increases by means of active asset management and at the same time to secure sustainable rental income and so stable yields. GxP German Properties follows a conservative investment strategy: the objective is for the purchased properties to generate positive returns from day one by letting them to tenants with sound credit standing. Further potential for capital appreciation is realised by consistently reducing vacancy rates and optimising the existing tenancy agreements. We also take care that the properties are not in need of substantial refurbishment, can be used easily by alternative tenants and have high quality standards. Our asset management team draws on its long-standing experience of the property market and an extensive industry network. This particularly ensures that we consistently meet our targets of growing NAV per share and FFO I per share by means of our acquisitions.

OUR PORTFOLIO

GxP German Properties has a broadly diversified portfolio in Germany with attractive assets in high-yielding B-locations. As of 31 December 2016 the portfolio comprised eight office buildings, to which another office block in Dresden was added on 28 February 2017. As of 28 February 2017 the portfolio has a market value of EUR 106.2 million.

GxP portfolio figures

	31 Dec. 2016	28 Feb. 2017
Number of properties	8	9
Fair value (in EUR m)	88.5	106.2
(Annual) rental revenue (in EUR m)	6.5	7.5
Gross initial yield (in %)	7.34	7.10
Lettable area (in sqm)	65,103	79,652
Vacancy rate (in % of lettable area)	15.44	15.12
Remaining duration of the lease contracts (in years)	2.89	3.32
Average fair value per sqm (in EUR)	1,359	1,334
Average rent per sqm (in EUR/month)	9.82	9.29

Diversified commercial property portfolio in Germany

Our properties are spread across Germany and reflect our strategy of building a diversified portfolio, with a mix of assets in peripheral locations of A-cities and attractive locations in B-cities. Whereas three assets (Düsseldorf, Frankfurt, Stuttgart) are situated in the so-called "Big 7" cities, two are in B-locations of the Frankfurt metropolitan region (Neu-Isenburg, Dreieich) and four are in the ambitious B-cities Hanover, Mannheim, Darmstadt and Dresden.

Overview of property locations

Portfolio overview

City	Street	Rental area (in sqm)	Vacancy (in sqm)	Vacancy rate (in %)	(Annual) rental revenue (in EUR)	WAULT
Darmstadt	Pfnorstraße 1	7,015	0	0.00	872,818	3.92
Dreieich	An der Trift 65	16,050	897	5.59	1,885,292	2.42
Dresden	Drescherhäuser 5 a-d	14,549	326	2.24	1,172,563	4.70
Frankfurt	Genfer Str. 10	9,591	3,965	41.34	467,836	8.47
Hanover	Rendsburger Str. 18-20	4,794	1,384	28.87	325,536	5.23
Mannheim	Am Exerzierplatz 2	6,430	962	14.97	602,556	2.20
Meerbusch	Otto-Hahn-Str. 4	8,184	0	0.00	1,135,712	1.37
Neu-Isenburg	Siemensstraße 12	7,618	4,476	58.76	400,861	3.81
Stuttgart	Kegelenstraße 12	5,422	34	0.64	673,766	2.13
Total		**79,652**	**12,044**	**15.12**	**7,536,939**	**3.32**

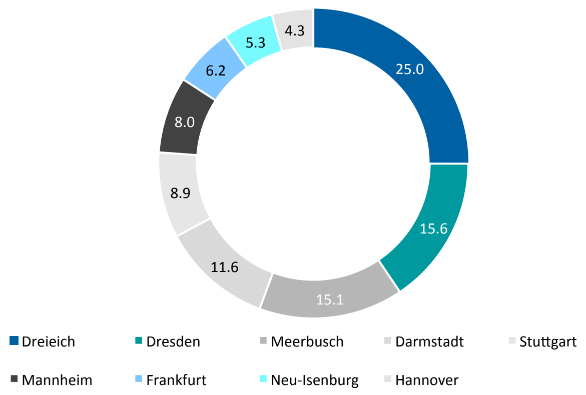
As of: February 28, 2017

Focus on office properties in West Germany

The bulk of our portfolio, 83 per cent, is situated in West Germany, with the properties in Dresden taking the total for the new eastern federal states to around 17 per cent. Rapidly growing B-cities such as Hanover, Dresden or Mannheim are particularly attractive to us. They form the basis for stable rental income and good profitability. Altogether the majority of our properties are in growing cities with more than 100,000 inhabitants.

Structure of the GxP portfolio as of 28 February 2017

(Based on annual net rental income, in per cent)

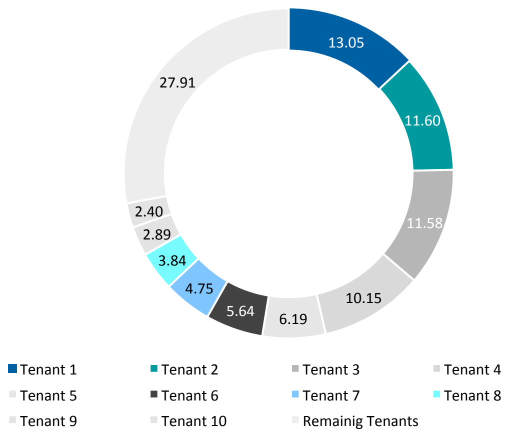


Balanced tenant structure

The portfolio has a diversified tenant structure, with no tenant accounting for more than 15 per cent of total rental income.

Tenant structure as of 28 February 2017

(Based on annual net rental income, in per cent)



Tenants are mostly large companies from a variety of sectors, with good credit standing. We generate around 26 per cent of our net rental income exclusive of charges with companies from the electronics sector, around 20 per cent with service companies and around 14 per cent with telecoms companies.

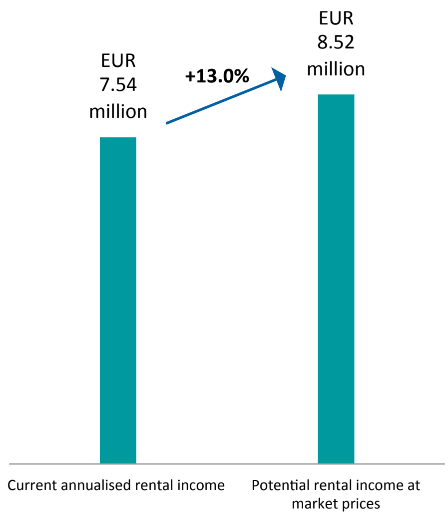
For new lets we prefer tenants with good credit scores, who are interested in leasing the properties for long periods.

Annualised rental income of EUR 7.5 million

At the end of February 2017 the portfolio comprises over 50 tenants with a remaining term of the lease contracts (WAULT) of 3.32 years. The average annual rent from the portfolio is EUR 7.5 million. Based on the value of the properties amounting to EUR 106.2 million, this represents a gross initial yield of 7.1 per cent.

As of 28 February the vacancy rate was 15.1 per cent. On the assumption that all properties can be fully let at market prices there is potential for increasing total rental income by 13.0 per cent.

Current annualised rental income compared with potential rental income at market prices



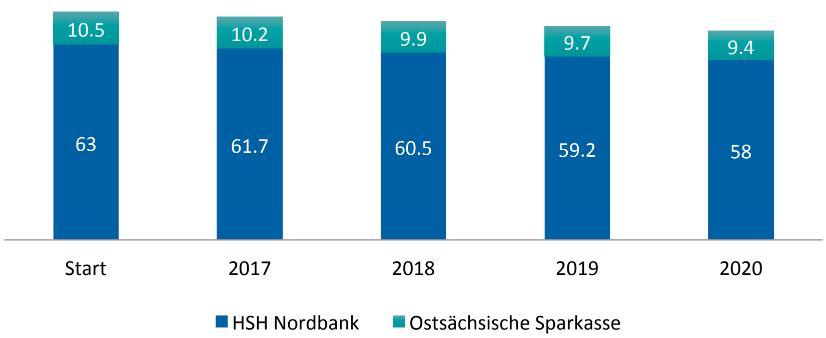
First asset management successes shortly after acquisition

New leases for nearly 2,000 square metres were signed in the first eight weeks after acquisition for GxP's own assets in Hanover, Mannheim and Dresden. A new anchor tenant was found for a property in Hanover with 4,794 square metres. Altogether 1,142 square metres were let for 10 years. In addition, a creditworthy new tenant was found for some 600 square metres in a 6,430 square metre property in Mannheim. The lease was signed for five years. In the new asset in Dresden GxP successfully extended a lease with an existing tenant by nearly 250 square metres at the time of the closing.

Long-term financing structure

To finance our portfolio we use equity from the latest capital increase as well as debt. The portfolio acquired in December was funded in cooperation with HSH Nordbank AG and the assets in Dresden in early February together with Ostsächsische Sparkasse. Loans are generally taken out for a period of five years. As of 28 February 2017 the average interest rate for loans across the whole portfolio was an attractive 2.17 per cent. These loans are repaid at rates of between 2.00 and 2.50 per cent a year. At the end of the financial year our debt ratio, expressed on the basis of loan-to-value (LTV), was approximately 63.3 per cent. In the medium term we are aiming for an LTV of between 50 and 55 per cent.

Outstanding loans at year-end (in EUR m)



PORTFOLIO FOR INSTITUTIONAL INVESTORS

In addition to our own portfolio we also manage properties for third parties as part of our asset management operations. At the end of December 2016 this portfolio consisted of eight properties with a lettable area of 123,454 square meters and valued at some EUR 136 million.

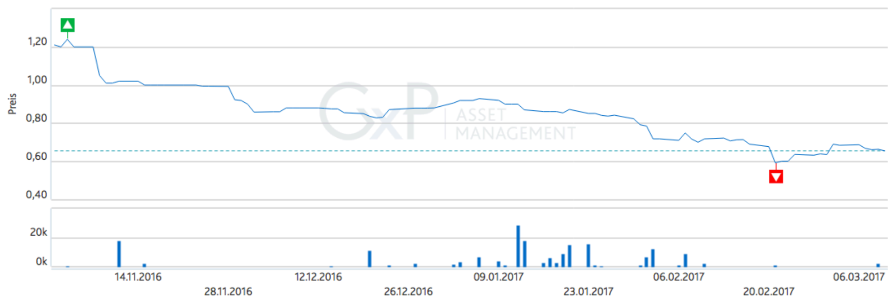
The share

Capital markets were again influenced by various political factors and central bank decisions in 2016. Recessionary worries in the US at the start of 2016, combined with a fall in the oil price, caused global stock markets to tumble. This was followed by a tangible recovery, which began in mid-February. The DAX opened at 10,855 points and closed the year on 30 December 2016 at 11,481 points. This represents an increase of EUR 5.7 per cent. Performance was somewhat weaker at the SDAX, which rose by 4.6 per cent over the year from 9,098 to 9,519 points. The EPRA Germany index, which is relevant for property companies, went up from 891.5 to 944.4 points, an increase of 5.6 per cent in the 2016 financial year.

Despite this, the stock market environment for real estate companies was increasingly dominated by uncertainty about possible interest rate rises, especially in the fourth quarter of 2016. Between the end of September and the end of December the EPRA Germany index fell by some eight per cent, with shares in small property companies seeing even steeper falls in some cases. Into early 2017 the EPRA Germany index remained at this low level.

Following the successful capital increase in early November 2016 the shares in GxP German Properties were admitted to the Entry Standard, the quality segment of the Open Market at the Frankfurt Stock Exchange, on 12 December 2016. Including the 27 million new shares sold at EUR 1 per share in the course of the capital increase, a total of 69.3 million shares were authorised for trading on the electronic Xetra system. With a closing price on 30 December 2016 of EUR 0.89 per share, the share ended the year 11.0 per cent down on the issue price for the capital increase. At the time the GxP shares were listed in the Entry Standard the majority of shares in property companies were under pressure, however, which ultimately also impacted shares in GxP German Properties despite the successful increase of the value of the acquired portfolio. As a result, the share has also lost considerable value relative to comparable companies in the real estate sector. With this share price performance, GxP is not satisfied and will focus on measures to increase the value of the company and thus the share.

GxP German Properties share performance



CAPITAL INCREASE

Following the successful reorganisation and financial restructuring of GxP in mid-2016 the stock market listing in the Entry Standard segment was the next decisive step for GxP German Properties AG in the implementation of its growth strategy. A total of 27.0 million new bearer shares were issued to new and existing shareholders at a price of EUR 1.00 per share. This generated gross proceeds for GxP of EUR 27.0 million, exceeding the target volume for the capital increase. 6.2 million new shares were purchased as part of a public rights offer and 20.8 million new shares issued as part of a private placement. The issue of 27.0 million new shares and the capital increase in kind boosted the number of shares to 69.3 million in total, each representing one euro of share capital. The shares issued in exchange to the management for the contribution in kind are subject to a lock-up until the end of 2017. After the transaction was completed the free float came to some 44 per cent.

Basic data for the GxP German Properties share	
ISIN/WKN	DE000A1YCNN8/ A1YCNN
Ticker symbol	GXP
Share capital in EUR	69,304,574.00
Number of shares (no-par bearer shares)	69,304,574
Industry/sub-sector	Property
Market segment	Basic Board Frankfurt Stock Exchange
Designated sponsor	Oddo Seydler
Closing price on 31.12.2016 (Xetra) in EUR	0.88
Market capitalisation in EUR m (31.12.2016)	61.7

INVESTOR RELATIONS ACTIVITIES LAUNCHED

Investor relations has a very high priority for GxP German Properties AG. The company has therefore communicated regularly with its investors, analysts and the financial and business press. GxP German Properties has also already taken part in the first investor conferences. There the Executive Board presented the company and discussed its strategy and future development potential with current shareholders and potential investors. In the course of telephone conference calls the Executive Board has answered questions from investors and media representatives. In future GxP intends to expand its investor relations activities.

From 2017 the GxP share should be covered regularly by several equities analysts. This coverage is planned to begin once the annual report for 2016 has been published.

Until 1 March 2017 GxP was listed in the Entry Standard segment of the Frankfurt Stock Exchange. As Deutsche Börse discontinued this segment as of 1 March 2017 we are currently examining a listing in an alternative segment for growth companies.

We publish our financial reports and the latest news online in the investor relations section of www.gxpag.com.

Financial calendar

	2017
Annual Report	31 March
Quarterly statement Q1 2017	31 May
Annual General Meeting 2017	17 May
Interim report H1 2017	31 August
Quarterly statement Q3 2017	30 November

Course of business in 2016

MARKET ENVIRONMENT

Macro-economic situation in Germany

Germany reported a good macro-economic performance overall in 2016. According to preliminary calculations by the Federal Statistics Office, the German economy expanded by 1.9 per cent in 2016, compared with 1.7 per cent the year before, which was the fastest growth for five years. Once again, consumer spending was the main driver of this moderate economic growth, increasing by 2.0 per cent in both 2016 and the previous year. Low inflation also boosted consumers' purchasing power. On average the annual inflation rate was around 0.7 per cent in 2016. Another growth driver was the increasing number of people in work. In 2016 the average number of job seekers was just below 2.7 million, the lowest figure for 25 years.

Since September 2014 the European Central Bank's base rate has been at a historically low level, which has created opportunities for borrowing on very attractive terms. At the beginning of the current financial year the Council of the European Central Bank decided not to raise the rate, despite slightly higher inflation. No significant interest rate increase is expected for 2017 either, which means that the attractive conditions for borrowing should continue in the current financial year.

Development of the German commercial property market in 2016

Positive macro-economic developments in 2016 were also reflected in the market for commercial property. As interest rates remained low, real estate remained a sought-after asset class for institutional investors in 2016. Indeed, the investment year 2016 concluded with an explosive final quarter. Transactions worth almost EUR 19.6 billion were completed in the last three months alone. This was the second-best quarterly result of all time. Total deal volume came to almost EUR 52.6 billion. This volume was only a good two per cent down on the previous year, which was mainly due to a lack of supply. Office properties again represented the main asset class in 2016 at EUR 23 billion, accounting for 44 per cent of commercial investment transactions.

Rising demand for properties in top locations, combined with higher prices for such assets, was reflected in the available yields. Gross initial yields for office buildings in A-locations in Germany fell comparatively sharply in the past twelve months, according to an analysis by Catella Research, whereas they hardly moved at C and D-locations. The spread in purchase prices therefore continued to widen. The fastest rental growth in the prime office segment was from early 2016 to early 2017 in B-locations, however.

COURSE OF BUSINESS

In May 2016, GxP signed a contract to acquire German Investment Management Holding GmbH (GIMH) in exchange for shares. This contribution in kind was discussed and decided at the 2016 Annual General Meeting on July 22, 2016. The valuation of EUR 40 million for the in-kind contribution was confirmed through a company assessment within the framework of a fairness opinion from an auditor. The in-kind contribution of GIMH results in goodwill of EUR 35.2 million in the GxP financial statements for 2016. It represents the ability of the management to realize potential value increases from the future real estate portfolio. This ability and the value of the goodwill in the past financial year was already proven by the economic asset multiplication of EUR 7.3 million (EUR 12.6 million negative goodwill on the balance sheet, resulting from the acquisition of the real estate portfolio, minus the consolidated net loss of EUR 5.3 million).

In the financial year 2016 GxP achieved a number of key initial milestones on the way towards building its own portfolio of commercial property. In early December 2016 the company acquired a portfolio consisting of eight commercial properties with a lettable area of some 65,100 square metres in total and a value of around EUR 88.5 million. The bulk of the acquired portfolio, or some 40,300 square metres, is situated in the Frankfurt Rhine-Main metropolitan region. Other properties are divided between Düsseldorf, Stuttgart, Mannheim and Hanover. In February 2017 GxP German Properties was also able to successfully close the purchase of a property in Dresden consisting of two office buildings, which had been announced in September 2016. The two office buildings are in a central area of Dresden, the capital of Saxony, and together have a lettable area of 14,549 square metres. They are valued at EUR 17.8 million and generate annual rental income of almost EUR 1.2 million.

Following these successful transactions GxP German Properties holds an attractive, high-yield portfolio of commercial properties as of 28 February 2017, consisting of nine office buildings with a total value of EUR 106.2 million. Altogether the properties have lettable area of 79.7 thousand square metres and generate annualised rental income of EUR 7.5 million.

In addition, the company provides active asset management services for institutional investors, for which it receives an external management fee, and which enables it to make use of synergies. Currently GxP German Properties manages assets valued at some EUR 136 million for institutional investors.

EARNINGS

In 2016 the company's revenue was therefore composed solely of rental income from its own GxP portfolio of eight properties for the period between the closing on 2 December and 31 December 2016, and income from its asset management business since GIMH was contributed to Cleanventure AG on 15 September 2016. Earnings in 2016 are also dominated by extraordinary expenses in connection with the capital increase and the stock market listing.

Revenue for 2016 came to EUR 7.9 million and was made up of EUR 0.7 million in rental income from the portfolio and EUR 7.1 million from the sale of two properties.

In 2016 the main expense item was the cost of materials at EUR 6.8 million. This is also largely due to the sales described above.

Staff expenses in the reporting period for Cleanventure AG and GIMH since its contribution came to EUR 0.3 million, depreciation and amortisation amounted to EUR 1.3 million and other operating expenses totalled EUR 4.6 million. The latter particularly include expenses in connection with restructuring of the company, the capital increase and the public listing. The short financial year after the contribution of GIMH means that the results are not very meaningful.

Overall the company reported a loss after taxes of EUR 5.3 million. This net loss contrasts with a success achieved in 2016, which is only indirectly reflected in the financial statements. Given the low price paid for the acquisition of the property holding companies in early December, which hold the property portfolio shown in the consolidated financial statements with a carrying amount of EUR 88.3 million, the consolidated financial statements include a liability of EUR 12.6 million known as negative goodwill. This negative goodwill is not an economic liability, however, since it is due to the bargain purchase. From an economic perspective it represents a financial gain for the Group. Offset against the net loss of EUR 5.3 million, it therefore represents an economic gain for the Group for the 2016 financial year of EUR 7.3 million.

Consolidated income statement

			1 Jan. - 31 Dec. 2016
			In EUR thousands
1.	Revenue		7,861
2.	Increase/decrease in finished and unfinished goods and services		10
3.	Other operating income		61
4.	Cost of materials		-6,848
	a)	*Expenses for raw materials, consumables and supplies and for purchased goods*	-6,478
	b)	*Expenses for purchased services*	-370
5.	Staff expenses		-273
	a)	*Wages and salaries*	-235
	b)	*Social security contributions, retirement and other benefits*	-37
6.	Depreciation and amortisation of non-current intangible assets and property, plant and equipment		-1,275
7.	Other operating expenses		-4,617
8.	Other interest and similar income		56
9.	Interest and similar expenses		-383
10.	Income taxes		68
11.	**Earnings after tax = loss for the year**		**-5,340**
	Loss for the year attributable to non-controlling interests		-64

ASSETS

Condensed balance sheet

	31 Dec. 2016
	In EUR thousands
Intangible assets	35,423
Property, plant and equipment	92,042
Financial investments	2,174
Non-current assets	**129,639**
Inventories	2,968
Receivables and other assets	5,025
Cash and cash equivalents	11,098
Current assets	**19,091**
Total assets	**149,923**
Shareholders' equity	**62,699**
Negative goodwill	**12,552**
Provisions	**1,495**
Liabilities	**70,763**
Deferred tax liabilities	**2,414**
Total equity and liabilities	**149,923**

As of 31 December 2016 GxP German Properties had consolidated total assets of EUR 149.9 million.

The group's non-current assets came to EUR 129.6 million as of 31 December 2016. This includes goodwill of EUR 35.4 million. It results from the contribution of GIMH GmbH to GxP AG and represents the property and management know-how implicit in the company. Its value was confirmed in 2016 by a financial gain of EUR 7.3 million (EUR 12.6 million of negative goodwill, less EUR 5.3 million net loss for the year). Property, plant and equipment comes to EUR 92.0 million, of which investment property is the largest single item, accounting for EUR 88.3 million. It includes an amount of EUR 3.7 million for the pending purchase contract and the payments made on account for the investment property in Dresden which was acquired in February 2017.

Current assets at year-end mainly comprised inventories of EUR 3.0 million, receivables and other assets of EUR 5.0 million and cash and cash equivalents of EUR 11.1 million. Current assets valued at EUR 19.1 million in total were held as of the reporting date.

Shareholders' equity came to EUR 62.7 million as of the reporting date. It consists primarily of subscribed capital of EUR 69.3 million, less losses carried forward and the loss for the year. The loss for the year is connected with the extraordinary expenses for the capital increase and the stock market listing. The group's equity ratio for GxP German Properties was therefore 41.8 per cent.

Given the low price paid for the acquisition of the property holding companies in early December, which hold the property portfolio shown in the consolidated financial statements with a carrying amount of EUR 88.5 million, the consolidated financial statements include a liability of EUR 12.6 million known as " negative goodwill ". This negative goodwill is not an economic liability, however, since it is due to the bargain purchase. From an economic perspective it represents a financial gain for the Group. Offset against the net loss of EUR 5.3 million, it therefore represents an economic gain for the Group for the 2016 financial year of EUR 7.3 million. If this negative goodwill is included in the Group's equity the economic equity ratio comes to 50.2 per cent.

Company liabilities amounted to EUR 70.8 million as of the reporting date, of which EUR 63.1 million were liabilities to banks.

FINANCIAL POSITION

GxP German Properties uses a combination of equity and debt to finance its property acquisitions. Debt consists mainly of bank loans.

Cash flow statement

Cash flow from operating activities came to EUR -0.7 million in 2016. Cash inflows from a reduction in inventories, trade receivables and other assets not attributable to investing or financing activities were offset in particular by substantial expenses for the capital increase and the flotation.

Cash flow from investing activities was EUR -69.8 million in 2016. The figure consists mainly of payments of EUR -71.0 million for additions to the consolidation group. They essentially consist of cash outflows for the acquisition of the companies that hold the Group's portfolio of investment properties.

Cash flow from financing activities totalled EUR 81.5 million in 2016. It was principally made up of cash inflows of EUR 27.0 million from the capital increase and bank borrowings of EUR 63.1 million.

Developments over the financial year 2016 resulted in cash and cash equivalents of EUR 11.1 million as of 31 December 2016.

RECONCILIATION WITH NET ASSET VALUE

The carrying amount of investment properties came to EUR 88.3 million as of 31 December 2016. To calculate NAV this figure is adjusted for the difference to market value. The adjustment of EUR 0.2 million as of 31/12/2016 is based primarily on depreciation for December of the portfolio of investment properties acquired in December.

The following reconciliation table shows how the net asset value (NAV) is calculated:

	31 Dec. 2016
	in EUR m
Total equity	62.7
Attributable to minority interests	0.7
Group share of equity	62.0
Valuation reserve for properties	0.2
Deferred tax liabilities	2.4
Negative goodwill	12.6
NAV (with goodwill)	77.2
Number of shares (in million)	69.3
NAV (with goodwill)/share (in EUR)	**1.11**
NAV (with goodwill)	77.2
Goodwill	-35.2
NAV	42.0
Number of shares (in million)	69.3
NAV per share (in EUR)	**0.61**

Including the adjustments to market value, the net asset value (NAV) as of 31 December 2016 came to EUR 77.2 million or EUR 1.11 per share. Without goodwill NAV came to EUR 35.2 million or EUR 0.61 per share.

INTERNAL CONTROL SYSTEM

The management and control system at GxP German Properties AG aims to ensure the stable, long-term capital appreciation of the property portfolio and sustainable, high net cash flows from long-term letting in the interest of shareholders, employees and business partners. It is based on integrated company planning, which has a medium-term planning horizon of three years. Key elements of company planning are the sub-plans for management, disposal and investment at the level of individual properties and investment companies. These sub-plans are reflected in the earnings, asset, finance and cash flow plans for the company. Company planning is revised annually and adjusted in line with current market conditions.

The Executive Board is responsible for managing GxP German Properties AG. The Supervisory Board monitors and advises the Executive Board on its management activities in accordance with stock corporation law and the company's own rules of procedure. The Supervisory Board had three members as of the reporting date.

The management focus is particularly on the indicators FFO I, EBIT, NAV/share and Net LTV (net loan-to-value). Drivers of these indicators, such as rental income, remaining lease terms, vacancies and investments in the existing portfolio are monitored and reported as part of the monthly asset management reports.

The company's management reports will be adjusted continuously as it grows. So additional control elements will be added in 2017, particularly in risk management and monthly comparisons between forecasts and actual performance. Any divergences from plan are analysed and used to assess current company performance and take action accordingly.

OPPORTUNITIES AND RISKS

GxP AG only began operations as of year-end 2016. For the purchase of equity interests in the three Thor holding companies GxP AG decided on a "share deal", in order to minimise the amount of land purchase tax payable. Due diligence is carried out before properties are purchased to ensure that they are free of material technical, legal and economic risks. The following procedures were applied to the acquisitions to date:

as part of the legal due diligence, which was carried out by a well-known law firm in Berlin, GxP had the tenancy agreements, the land registry and the building law and town planning situation checked for legal risks. Technical details of the buildings were examined by the company's own experts in terms of fire safety, other safety aspects and investment backlog.

Following its strategic realignment GxP AG is focused on the German commercial property market and so is largely dependent on the performance of this market and on overall economic developments. The group therefore has to bear the following risks in mind

- Vacancy rates
- Tenants' credit scores
- Interest rate increases on our loans.
- Warranty claims by our tenants and following the sale of properties

We review our tenants' credit standing regularly, but can still be affected by a tenant insolvency. This risk is reduced by distributing the total rental area over many tenants.

Vacancies are minimised by means of active professional asset management.

The company is exposed to funding risks. In order to expand the portfolio and to create further valuation reserves in the property portfolio, the company needs to grow. This requires equity, or alternatively mezzanine capital.

The political and economic environment affects our business and exposes us to certain risks, such as

- changes in the general legal framework for property companies
- Property locations in Germany depend on regional developments. It cannot be ruled out that the property prices in these regions will go down again.

- Competition on the German property market is intense. The pressure of competition could mean that purchase prices go up significantly and it becomes difficult for GxP AG to acquire properties at an attractive price.

- An increase in market interest rates could increasing borrowing costs for the unhedged portion of existing funding or when it comes to refinancing.

- Adverse changes in the tax laws in Germany

FORECAST

The forward-looking statements in the forecast are based on expectations.

The performance of GxP is linked to a large number of factors, some of which are beyond the company's control. Forward-looking statements in the forecast are based on the company's current assessments. These statements are therefore subject to uncertainties and risks. The actual performance of GxP may differ, both in a positive and a negative way.

Economic environment and property markets

General economy

The German Institute for Economic Research (DIW) expects the German economy to remain in good form in 2017. It is also possible that the economy performs better in 2017 than the previous year. Consumer spending in particular is expected to drive growth, and investment and external trade should also pick up gradually, according to the DIW.

Office property market

Assuming a stable macro-economic environment, the market for office space is again expected to perform well in 2017.

Retail property market

Economic growth picked up again at the end of 2016, unemployment is relatively low and German consumers are willing to spend, so conditions for retailers should be good again in 2017, especially in the segment of local suppliers for everyday consumer goods. BNP Paribas Real Estate does not expect any great rental increases, but slight growth in some specific locations is realistic.

Forecast business performance

Assuming stable to positive developments in the German economy and on the property markets where GxP is active, the company is again expected to perform well.

Operational management of the property portfolio will continue to be focused on consistent value appreciation. Vacancies in GxP's own properties are to be reduced by means of active rental management.

In 2017 GxP plans to use its good position in its core markets to add to the company's own portfolio by means of further acquisitions, which must meet the corresponding standards for quality and yield. As an active portfolio manager GxP will continue to work to optimise its existing properties in 2017.

Annualised figures (portfolio as of 28 February 2017)

	in EUR m
Rental income	7.5
Net operating income	6.6
Asset management income	0.4
FFO I	3.5
FFO I yield (On the basis of the share capital)	5.1 %
FFO I yield (On the basis of the market capitalization of 41.58 Mio. EUR as at March 30, 2017)	8.4 %

Based on our current portfolio and without considering the planned further acquisitions we expect rental income to go up slightly in 2017 due to a reduction in vacancies compared with the annualised figures for the portfolio as of the end of February 2017. The company also aims to achieve a positive operating result for financial year 2017.

REMUNERATION REPORT

Overview of Executive Board remuneration in 2016

In EUR thousands	**Johannes Meran** Executive Board member Date joined: 24/05/2016 Date left: -	**Andreas Lewandowski** Executive Board member Date joined: 24/05/2016 Date left: 21/02/2017	**Stephan Wachtel** Executive Board member Date joined: 07/09/2015 Date left: 24/05/2016
Fixed salary	0	0	0
Bonus	0	0	0
Total	**0**	**0**	**0**

Overview of Supervisory Board remuneration in 2016

In EUR thousands	**Rainer Schorr** Supervisory Board Chairman Date joined: 07/06/2016 Date left: 15/02/2017	**Philip Moffat** Supervisory Board Chairman/Member Date joined: 21/08/2011 Date left: -	**Dr. Hermann Solms** Supervisory Board Member Date joined: 22/07/2016 Date left: -
Fixed salary	2.28	2.86	0.89
Bonus	0	0	0
Total	**2.28**	**2.86**	**0.89**

In EUR thousands	**Dietmar Schickel** Supervisory Board Member Date joined: 21/03/2014 Date left: 24/05/2016	**Stephan Wachtel** Supervisory Board Member Date joined: 24/05/2016 Date left: 22/07/2016
Fixed salary	0.79	1.11
Bonus	0	0
Total	**0.79**	**1.11**

The members of the Executive Board waived their remuneration for 2016 in the interests of the company and its shareholders. A new system of remuneration for the Executive Board is in place as of 1 January 2017, which is aligned with the company's sustainable development. The Executive Board receives a fixed annual salary of EUR 300,000 plus a bonus of up to EUR 300,000, based on company performance (FFO), net asset value, share price and the attainment of individual targets.

EVENTS AFTER THE REPORTING DATE

On 15 February 2017 the Supervisory Board Chairman Rainer Schorr resigned with immediate effect for personal reasons.

On 21 February the CFO Andreas Lewandowski announced his decision to resign as CFO with immediate effect. On the same date the company announced his intention to move to the Supervisory Board as its chairman. He was appointed by the court on 28 March 2017.

The transaction for the Drescherhäuser property in Dresden was closed on 02 February 2017, with possession being transferred on the same date. This increased the value of the GxP property portfolio to EUR 106.2 million and annual rental income from the portfolio to EUR 7.5 million.

Supervisory Board report

The Supervisory Board of GxP German Properties carried out its supervisory duties conscientiously in 2016, accompanying the company closely on its successful journey to the capital market.

MONITORING OF COMPANY MANAGEMENT

Last year marked a new beginning and was dominated by the preparation and implementation of the successful contribution of German Investment Management Holding GmbH to the company and the capital increase. The Supervisory Board was actively involved in these processes in the form of meetings and discussions with the Executive Board. In 2016 the Supervisory Board actively carried out the tasks assigned to it by statute, the company's articles of association and rules of procedure.

The Supervisory Board followed the work of the Executive Board closely altogether, advising it regularly on the management of the company and monitoring its work carefully, and ascertained that the company was managed lawfully, correctly and appropriately. The Executive Board fulfilled its notification duties and informed the Supervisory Board regularly, promptly and fully about all matters of relevance to the company and the group concerning strategy, planning, business performance, the profile and evolution of risks, risk management and compliance. The Supervisory Board and the Executive Board were also in regular contact between the meetings to discuss individual matters. In addition, the Executive Board notified the Supervisory Board Chairman of current developments in the course of business, key transactions and decisions to be made, as well as about long-term prospects and thoughts on upcoming developments and discussed these with him.

The Executive Board involved the Supervisory Board promptly and directly in all decisions of fundamental importance for the company. The Supervisory Board examined the transactions requiring its approval and discussed them with the Executive Board.

MAIN ASPECTS OF THE SUPERVISORY BOARD'S ADVISORY AND MONITORING WORK

The Supervisory Board met nine times in the 2016 financial year. The members of the Supervisory Board attended the meetings either in person or by means of a telephone conference call. All Supervisory Board members took part in all the Supervisory Board meetings and resolutions in the reporting period. As the Supervisory Board consists of only three members, no committees were formed. The entire Supervisory Board dealt with the relevant topics.

The meeting held on 24 May 2016 dealt with topics and resolutions approving the use of authorised capital and the corresponding changes to the articles of association, as well as the appointment of Johannes Meran and Andreas Lewandowski to the company's Executive Board. In addition the Supervisory Board approved the financial statements for 2015.

In the eight meetings held in the second half of 2016 the following topics were discussed, among others:

particularly important in the reporting period 2016 were matters relating to the capital increases in kind and for cash, such as the approval of shareholders to contribute capital in kind, the assignment and contribution agreement, the resolutions on the capital increase and on the number of shares for the individual tranches of the capital increase.

Discussions focused on the commercial, economic and financial conditions as well as on matters of corporate governance and the signing of service contracts with the Executive Board members. The Supervisory Board also met to discuss the chair of the Supervisory Board and the rules of procedure for the Executive Board and Supervisory Board. Furthermore, the Supervisory Board dealt with the remuneration of Supervisory Board members and advisory contracts. Supervisory

Board and Executive Board also discussed the possible agenda items for the next shareholders' meeting.

The Supervisory Board examined the company's organisational structure with the Executive Board, ascertained that this structure, the risk management system and the group's compliance system were effective and discussed important strategic and policy matters with the Executive Board.

In addition to the topics described above, the Supervisory Board was informed promptly and fully at its meetings by the Executive Board about current revenue, earnings and liquidity trends, budgets, the company and the group's current state of business, including the risk position, risk management and group compliance, strategic targets and all main organisational and staff changes. The Executive Board reported to the Supervisory Board in various Supervisory Board meetings about the economic, financial and strategic situation of the company and the group, its growth strategy and key developments and events.

The Supervisory Board also spoke regularly with the Executive Board about operational topics. In this context the Supervisory Board discussed in detail the property acquisitions in September and October, their financing and the results of the due diligence.

The members of the Supervisory Board always had ample opportunity to express their criticism of the reports and proposals presented by the Executive Board and to contribute their own suggestions. In particular the Supervisory Board examined in detail all the transactions of significance for the company on the basis of written and oral reports from the Executive Board and ensured that the assumptions were plausible.

CHANGES IN THE MEMBERS OF THE SUPERVISORY BOARD

By order of Hamburg District Court dated 08 June 2016 Mr Rainer Schorr was appointed as a member of the Supervisory Board following the resignation of Mr Dietmar Schickel from the Supervisory Board. In accordance with section 104 paragraph 5 Stock Corporation Act, the period of office of a court-appointed Supervisory Board member ends when the situation has been resolved, i.e. when a Supervisory Board member is elected at the shareholders' meeting. The period of office of the other Supervisory Board members, Messrs Philip Moffat and Stephan Wachtel, also ended at the close of the shareholders' meeting that passed a resolution on discharging the Supervisory Board of responsibility for 2015.

At the shareholders' meeting held on 22 July 2016 Messrs Rainer Schorr, Philip Moffat and Dr. Hermann-Otto Prinz zu Solms-Hohensolms-Lich were elected as members of the Supervisory Board. Mr Rainer Schorr was then elected by the Supervisory Board to be its chairman.

On 15 February 2017 the Chairman of the Supervisory Board of GxP German Properties AG, Mr Rainer Schorr, resigned with immediate effect for personal reasons. The company's Executive Board and Supervisory Board thank Mr Schorr sincerely for his work for GxP German Properties AG and for the close and trusting working relationship.

Mr Andreas Lewandowski was appointed to the Supervisory Board by court order with effect from 28 March 2017, having previously resigned from the company's Executive Board. In the course of the Supervisory Board meeting held on 29 March 2017 he was elected chairman.

CHANGES IN THE MEMBERS OF THE EXECUTIVE BOARD

By resolution of the Supervisory Board on 24 May 2016, Mr Johannes Meran was appointed as Chairman of the Executive Board and Mr Andreas Lewandowski as a member of the Executive Board. Mr Stefan Wachtel, who had been seconded to the Executive Board from the Supervisory Board, had previously resigned from the Executive Board.

On 21 February 2017 Mr Andreas Lewandowski resigned his post as Executive Board member of GxP German Properties AG in order to move to the Supervisory Board.

MANAGEMENT REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

KPMG AG, Wirtschaftsprüfungsgesellschaft, Berlin, was elected to audit the financial statements and consolidated financial statements for the financial year 2016 on 22 July 2016.

The present financial statements for GxP German Properties AG as of 31 December 2016, which were prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements for the year ending 31 December 2016, which were also prepared in accordance with HGB, were audited by the auditors, who issued a unqualified audit certificate.

The financial statements, consolidated financial statements and the auditors' report were provided to all Supervisory Board members and reviewed carefully at the dedicated Supervisory Board meeting held on 30 March 2017 in the presence of the auditors. The auditors presented a report on the main findings of their audit. In particular they provided detailed information on the assets, financial position and earnings of the company and the group.

The Supervisory Board approved the result of the audit and having completed its own review came to the conclusion that it had no objections to make. The financial statements and consolidated financial statements prepared by the Executive Board and audited by the auditors were confirmed by resolution of the Supervisory Board on 30 March 2017. The financial statements were thereby adopted. The Supervisory Board concurred with the proposal of the Executive Board to carry forward the loss for the period.

The Supervisory Board thanks all the Executive Board members and all company employees for their great commitment, their hard work in the interest of the company and for the particular success achieved in 2016.

Berlin, 30 March 2017

For the Supervisory Board

Andreas Lewandowski

Supervisory Board Chairman

DESCRIPTION OF GOVERNING BODIES

Members of the Executive Board	Member (from/to)
Johannes Meran, CEO	
Responsible for	Until 21 February 2017 Strategy, Operations and Administration Since 21 February 2017 Sole Executive Board member
Executive Board member since	24 May 2016
Andreas Lewandowski, CFO	
Responsible for	Finance
Executive Board member	24 May 2016 / 21 February 2017
Stefan Wachtel	
(Supervisory Board member, temporarily seconded to the Executive Board)	31 August 2015 / 24 May 2016

Supervisory Board Member	Member (from/to)
Andreas Lewandowski (Chairman)	28 March 2017
Philip Moffat (Vice Chairman)	21 August 2011
Dr. Hermann-Otto Prinz zu Solms-Hohensolms-Lich	22 July 2016
Rainer Schorr (Chairman)	08 June 2016 / 15 February 2017
Stefan Wachtel	24 May 2016 / 22 July 2016
Dietmar Schickel	27 August 2014 / 25 May 2016

Consolidated financial statements of GxP German Properties AG

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AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

BALANCE SHEET AS OF 31 DECEMBER 2016

ASSETS		31.12.2016
		EUR thousands
A.	NON-CURRENT ASSETS	129,639
I.	Intangible assets	35,423
1.	Purchased intangible assets	203
2.	Goodwill	35,220
II.	Property, plant and equipment	92,042
1.	Land, equivalent rights and buildings, including buildings on third-party land	88,270
2.	Other items of plant, operating and office equipment	28
3.	Pending acquisition agreements and payments made on account for property, plant and equipment	3,743
III.	Financial investments	2,174
1.	Equity interests	728
2.	Loans to investors and investees	1,446
B.	CURRENT ASSETS	19,091
I.	Inventories	2,968
1.	Unfinished goods and services	10
2.	Finished goods and services	2,958
II.	Receivables and other assets	5,025
1.	Trade receivables	43
2.	Receivables from investors and investees	18
3.	Other assets	4,964
III.	Cash-at-hand and bank balances	11,098
C.	ACCRUED INCOME AND PREPAID EXPENSES	1,193
	Total assets	149,923

BALANCE SHEET AS OF 31 DECEMBER 2016

EQUITY AND LIABILITIES		31.12.2016
		EUR thousands
A.	EQUITY	62,699
I.	Subscribed capital	69,305
II.	Capital reserve	–
III.	Profit/loss carried forward	-1,981
IV.	Profit/loss for the period	-5,276
V.	Non-controlling interests	651
B.	NEGATIVE GOODWILL	12,552
C.	PROVISIONS	1,495
1.	Tax provisions	99
2.	Other provisions	1,396
D.	LIABILITIES	70,763
1.	Liabilities to banks	63,121
2.	Payments received on account for orders	14
3.	Trade payables	1,402
4.	Other liabilities	6,225
E.	DEFERRED TAX LIABILITIES	2,414
	Total assets	149,923

INCOME STATEMENT

		1 January - 31 December 2016
		EUR thousands
1.	Revenue	7,861
2.	Increase/decrease in finished and unfinished goods and services	10
3.	Other operating income	61
4.	Cost of materials	-6,848
	a) Expenses for raw materials, consumables and supplies and for purchased goods	-6,478
	b) Expenses for purchased services	-370
5.	Staff expenses	-273
	a) Wages and salaries	-235
	b) Social security contributions, retirement and other benefits	-37
6.	Depreciation and amortisation of non-current intangible assets and property, plant and equipment	-1,275
7.	Other operating expenses	-4,617
8.	Other interest and similar income	56
9.	Interest and similar expenses	-383
10.	Income taxes	68
11.	Earnings after tax = loss for the year	-5,340
	Loss for the year attributable to non-controlling interests	-64

CONSOLIDATED CASH FLOW STATEMENT

		1 January - 31 December 2016
		EUR thousands
1.	Consolidated net income/loss	-5,340
+/-	Depreciation, amortisation/reversals on non-current assets	1,275
+/-	Increase/decrease in provisions	-448
+/-	Other non-cash expenses/income	-154
-/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	2,227
+/-	Increase/decrease in trade liabilities and other liabilities not attributable to investing or financing activities	1,815
-/+	Gain/loss on the disposal of non-current assets	–
-/+	Gain/loss on the sale of fully consolidated subsidiaries	-496
+/-	Interest expenses/income	327
+/-	Income tax expense/income	68
-/+	Income tax payments	-1
=	Cash flow from operating activities	-726
-	Outflows for investments in property, plant and equipment	-1,056
-	Outflows for investments in financial assets	-262
+	Inflows from disposals from the consolidation group	2,567
-	Outflows for additions to the consolidation group	-71,042
=	Cash flow from investing activities	-69,793
+	Inflows from equity contributions by shareholders of the parent company	27,008
+	Inflows from the issue of bonds and borrowing	71,058
-	Outflows for the repayment of borrowing	-16,519
-	Interest payments	-96
=	Cash flow from financing activities	81,452
=	Change in cash and cash equivalents	10,932
+	Cash at beginning of reporting period	166
=	Cash at end of reporting period	11,098

STATEMENT OF CHANGES IN GROUP EQUITY

	Equity of the parent company					Other shareholders' interests			Group equity
In EUR thousands	Subscribed capital	Capital reserve	Profit carried forward	Consolidated net income/loss attributable to the parent company	Total	Other shareholders' interests before result for the period	Consolidated net income/loss	Total	Total
As of 01/01/2016	1,565	580	-2,690	–	-545	–	–	–	-545
Capital increase in kind (debt waiver)	732	129	–	–	861	–	–	–	861
Capital increase in kind (contribution of shares in GIMH GmbH)	40,000	–	–	–	40,000	-300	–	-300	39,700
Capital increase in cash	27,008	–	–	–	27,008	–	–	–	27,008
First-time consolidation of property holding companies	–	–	–	–	–	1,015	–	1,015	1,015
Reversal of capital reserve	–	-709	709	–	–	–	–		
Consolidated net income	–	–	–	-5,276	-5,276	–	-64	-64	-5,340
As of 31/12/2016	69,305	–	-1,981	-5,276	62,048	715	-64	651	62,699

Notes to the consolidated financial statements for 2016

A. GENERAL REMARKS

GxP German Properties AG (GxP AG, formerly Cleanventure AG, Hamburg) is based in Berlin, where it is registered under No. 179604 B in the commercial register of Berlin-Charlottenburg registry court.

In September 2016 GxP AG become a parent company by acquiring all the shares in German Investment Management Holding GmbH (GIMH). This acquisition was accompanied by a complete realignment of the company's business. Its previous activities in the field of energy contracting were discontinued over the course of 2015. From 2016 onwards the company was active in the holding of properties, with a focus on commercial property. This realignment means that figures for the previous year are not meaningful, particularly because it was only the acquisition of the shares in GIMH that created a group. For this reason these consolidated financial statements do not present any figures for the previous year. Formally speaking, the figures for 2016 relate to the entire calendar year, but in economic terms the consolidated income statement and the consolidated cash flow statement are the figures for a short financial year covering the 4th quarter of 2016.

As of the reporting date the company shares were listed under DE000A1YCNN8 on the stock exchanges in Frankfurt, Stuttgart and Munich in the Entry Standard or the open market.

B. REPORTING PRINCIPLES

The company has prepared its consolidated financial statements on the basis of the accounting provisions of the German Commercial Code (HGB), including the specific principles of the German Accounting Standards Committee.

The provisions of the Stock Corporation Act were also applied.

Disclosures that can either be made in the balance sheet/income statement or in the notes have all been made in the notes.

The income statement has been prepared using the total cost method.

According to section 293 HGB the company is not obliged to prepare consolidated financial statements. These consolidated financial statements have therefore been drawn up on a voluntary basis. A group management report has not been prepared.

C. CONSOLIDATION PRINCIPLES

I. CONSOLIDATION GROUP

In September 2016 GxP AG acquired all the shares in GIMH and so indirectly in its subsidiaries. In December the consolidation group was extended again following the acquisition of 94.9% of each of three property holding companies. In November one of the property holding companies was sold, apart from an interest of 5.1% retained by the group, and so was deconsolidated.

The consolidation group of GxP AG for 2016 comprises the following affiliated companies:

List of fully consolidated group companies

Company name	Place of business	Equity interest as of 15/09/2016 In %	Equity interest as of 31/12/2016 In %
German Investment Management Holding GmbH	Berlin	100	100
GxP Asset Management GmbH	Berlin	100	100
German Asset Management I. Beteiligungsgesellschaft mbH	Berlin	100	100
German Asset Management II. Beteiligungsgesellschaft mbH	Berlin	100	100
German Asset Management III. Beteiligungsgesellschaft mbH	Berlin	100	100
German Asset Management IV. Beteiligungsgesellschaft mbH	Berlin	100	100
German Asset Management II. GmbH	Berlin	100	100
German Asset Management V. Beteiligung UG (limited liability)	Berlin	100	100
German Asset Management VI. Beteiligung UG (limited liability)	Berlin	100	100
German Asset Management VII. Beteiligung UG (limited liability)	Berlin	100	100
THOR-Portfolio Beteiligungs GmbH	Berlin	100	100
Thor Object I S.à.r.l.	Luxembourg	–	94.9
Thor Object II S.à.r.l.	Luxembourg	–	94.9
Thor Object III S.à.r.l.	Luxembourg	–	94.9
II. GAM Vorratsgesellschaft UG (limited liability)	Berlin	100	100
GIMH Komplementär UG (limited liability)	Berlin	100	100
Retail Portfolio Teilestraße Objekt UG (limited liability)	Berlin	60	60
Retail Portfolio Düsseldorf Objekt UG (limited liability)	Berlin	60	60
Retail Portfolio Wittenauer Straße Objekt UG (limited liability)	Berlin	60	60
Retail Portfolio Dresden Objekt UG (limited liability)	Berlin	60	60
Retail Portfolio Bremerhaven Objekt UG (limited liability)	Berlin	60	60
GIMH - Capital GmbH	Berlin	94.9	94.9
GAM - Capital GmbH	Berlin	100	100
1. GAM Beteiligung UG (limited liability)	Berlin	100	100
GxP 1. Vorratsgesellschaft UG (limited liability) (deconsolidated as of 1 November)	Berlin	100	5.1
GxP 2. Vorratsgesellschaft UG (limited liability)	Berlin	100	100
GxP 3. Vorratsgesellschaft UG (limited liability)	Berlin	100	100
GxP 4. Vorratsgesellschaft UG (limited liability)	Berlin	100	100
GxP 5. Vorratsgesellschaft UG (limited liability)	Berlin	100	100
GxP 6. Vorratsgesellschaft UG (limited liability)	Berlin	100	100

List of interests in associated companies

Company name	Place of business	Equity interest as of 15/09/2016 In %	Equity interest as of 31/12/2016 In %
GAMWAY Holding GmbH	Berlin	50	50
DUCOM Grundstücks GmbH	Berlin	49	49
Ledaeum GmbH	Sassenberg	40	40

The associated companies are recognised and measured as equity interests under financial investments. In aggregate they are financially immaterial, so they have not been consolidated using the equity method as defined in section 311 paragraph 2 HGB. Shares in associated companies are presented as equity interests under financial investments.

II. CONSOLIDATION METHODS

The financial year for the group and all consolidated companies is the calendar year, so the reporting dates of the financial statements for all the companies included in the consolidated financial statements of GxP AG correspond to the reporting date for the consolidated financial statements.

The capital of the companies in the consolidation group was consolidated in accordance with the revaluation method defined in section 301 HGB. This entails offsetting the acquisition costs of the equity interests against the fair value of the assets acquired and liabilities assumed, including any unrealised gains at the acquisition date, also those attributable to non-controlling interests. Expenses and income of companies acquired during the reporting period are included in the consolidated income statement from the acquisition date.

Receivables, liabilities and other contractual relationships between consolidated companies are netted out in accordance with section 303 paragraph 1 HGB.

Internal revenue and other income from relationships between consolidated companies are offset against the corresponding expenses in accordance with section 305 HGB, to the extent that they are significant for conveying a true and fair view of the group's net assets, financial position and earnings.

Deferred tax assets and liabilities are recognised in accordance with section 306 HGB for differences between the measurement of assets and liabilities for consolidation purposes and their tax base, insofar as they are temporary and not insignificant.

D. ACCOUNTING PRINCIPLES

Purchased non-current intangible assets are recognised at cost and amortised on a straight-line basis over their normal useful lives, to the extent that they do not have an indefinite useful life. The useful life for purchased non-current intangible assets is from two to six years. The useful life of goodwill cannot be reliably determined. In this case it is amortised over ten years in line with the provisions of commercial law. Additional impairment losses are recognised if the fair value of individual non-current intangible assets is less than their carrying amount and the impairment is expected to be permanent. As of the balance sheet date, extraordinary impairments were not required from the Executive Board's point of view. This assessment is based in particular on the current business plan set up by the Executive Board and approved by the Supervisory Board, which in the coming years continues to assume the significant expansion and value-enhancing use of the portfolio with correspondingly increasing earnings. The planning relies, among other things, on the assumption that the capital measures envisaged for the portfolio expansion are implemented.

Property, plant and equipment is recognised at cost and depreciated over its useful life. Depreciation takes place on a straight-line basis over the forecast useful life of the assets. Additions to property, plant and equipment are depreciated pro rata temporis. The useful life for properties is 33 years. The useful life of other items of property, plant and equipment is from two to six years. Additional impairment losses are recognised if the fair value of individual assets is less than their carrying amount and the impairment is expected to be permanent.

Movable items of property, plant and equipment that are subject to depreciation and cost up to EUR 400.00 are recognised in full as expenses in the year of their acquisition.

Financial investments are recognised at cost. Impairment losses are recognised if the fair value of individual financial investments is less than their carrying amount and the impairment is expected to be permanent.

Receivables and other assets are held at the lower of cost (nominal value) and fair value on the reporting date, taking all identifiable risks into account.

Cash-at-hand and bank balances are held at nominal value.

Accrued income and prepaid expenses mainly relate to funding costs, which are recognised pro rata temporis over the contractual term of the underlying loans.

The first-time consolidation in the reporting period of property holding companies in the consolidation group gave rise to negative goodwill. This negative goodwill is reversed over the average remaining useful life of the depreciable non-current assets acquired in the corresponding transaction.

Other provisions are recognised for contingent liabilities and reflect all identifiable and reportable risks. They are recognised for the amount required using prudent commercial judgement to settle them. The term of provisions is less than one year in each case, so no accrued interest has been recognised for them.

Liabilities are recognised at the amount required to settle them.

E. DISCLOSURES AND NOTES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET

I. NON-CURRENT ASSETS

Purchased intangible assets relate mainly to pending contracts for third-party asset management services, which were transferred to the GxP Group as part of the acquisition of the GIMH sub-group. Their useful lives are estimated at five years.

Goodwill also results from the consolidation of the GIMH sub-group using the purchase method. It stems from offsetting the acquisition costs of the equity interests in GIMH with the fair value of the assets acquired and liabilities assumed as of the first consolidation date and represents the ability of management to realise potential for capital appreciation in the property portfolio to be built up in future. As the forecast useful life cannot be reliably determined, goodwill is written off over a useful life of ten years in accordance with the provisions of commercial law.

The properties shown as property, plant and equipment represent the portfolio of investment properties. It mainly comprises a portfolio of office and commercial properties acquired in early December 2016. Buildings are depreciated over an average useful life of 33 years. The properties serve as collateral for the associated refinancing by means of bank loans.

Pending purchase contracts and payments made on account for property, plant and equipment relate to one investment property acquired in February 2017. The pending purchase contract for the property, which had already been signed by GxP AG at the time the GIMH sub-group was acquired, was valued at EUR 2,115,000 in the course of the purchase price allocation. On the reporting date payments on account of EUR 1,628,000 had been made for this contract.

The equity interests shown under financial assets mainly relate to equity interests (of 5.1% each) in several property holding companies. The loans shown under financial assets were also made to these property holding companies. The group provides asset management services to these property holding companies.

For an overview of all changes in non-current assets, see the schedule of non-current assets, which is attached as an appendix to the notes.

II. CURRENT ASSETS, ACCRUED INCOME AND PREPAID EXPENSES

Inventories mainly consist of a property disposed of in early January 2017 on the basis of a contract signed in 2016.

Other assets include in particular outstanding purchase prices for property sales or sales of shares in property holding companies (security deposits) amounting to EUR 823,000, receivables owed by a joint venture partner of EUR 1,117,000 from settling a joint venture, receivables owed by the former shareholders of GIMH (EUR 1,351,000) and an interest hedging instrument (EUR 493,000) acquired in late December to hedge the amount of interest expense on the loans taken out to refinance the property portfolio acquired in December.

All the receivables shown as current assets fall due within one year.

Accrued income and prepaid expenses mainly relate to funding costs, which are recognised pro rata temporis over the contractual term of the underlying loans.

III. SHAREHOLDERS' EQUITY

Subscribed capital and the capital reserve of GxP AG developed as follows in the financial year 2016:

In EUR	Subscribed capital	Capital reserve
As of 01/01/2016	1,564,500.00	580,469.00
Capital increase in kind for debt waiver	732,000.00	129,014.27
Capital increase in kind for contribution of GIMH shares	40,000,000.00	–
Capital increase in cash	27,008,074.00	–
Transfer from capital reserves	–	-709,483.27
As of 31/12/2016	69,304,574.00	0.00

The capital increase in kind for the debt waiver stemmed from authorised capital 2014. The capital increase in kind for the contribution of 100% of the shares in GIMH and the cash capital increase took place on the basis of the shareholder resolutions adopted on 22 July 2016.

The transfer from capital reserves was made to reduce the accounting loss of GxP AG.

For all movements in the group's equity see the statement of changes in group equity.

IV. NEGATIVE GOODWILL

The amount of negative goodwill results from the first-time consolidation of the property holding companies acquired in December. It represents the difference between the fair value of the properties and other assets and liabilities of the companies acquired and the lower acquisition costs in the form of the price for the equity interests. The negative goodwill is reversed over the useful lives of the properties of 33 years.

V. PROVISIONS

Other provisions relate primarily to outstanding invoices, the costs of preparing and auditing the financial statements and the costs of the next shareholders' meeting.

VI. LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Liabilities to banks are for the refinancing of the property portfolio acquired in December 2016. EUR 1,381,000 of the total falls due within one year. The remaining EUR 61,740,000 of these liabilities have a term to maturity of more than one but less than five years. These liabilities are secured by the properties they are used to finance. To hedge against interest rate risk an interest rate cap was agreed with the lending bank, which together with the underlying loan forms a valuation unit.

All the other liabilities shown fall due within one year.

Other liabilities mainly consist of short-term loans.

As of the reporting date the group had an obligation to pay a purchase price of EUR 14,950,000 under a property contract signed by a group company in 2016. The property was recognised in the accounts in February 2017.

VII. DEFERRED TAX LIABILITIES

Deferred tax liabilities result from the fair value measurement of the assets acquired by the purchase of GIMH and the property holding companies and will reverse over the useful lives of the corresponding assets (service contracts and properties) or when they are disposed of.

Type (number)	Addition Initial consolidation	Disposal Initial consolidation	Change through profit or loss	As of 31/12/2016
In EUR thousands				
Deferred tax liabilities from				
Service contracts	-63	0	4	-60
Properties in non-current assets	-2,154	0	4	-2,150
Equity interests	-7	0	0	-7
Properties in current assets	-335	95	0	-240
Other assets	-7	0	7	0
Deferred tax assets (included on a net basis)				
From tax losses carried forward	7	0	36	43
Total deferred tax liabilities	**-2,559**	**95**	**50**	**-2,414**

Depending on the tax circumstances, the valuation takes place using either the tax rate for corporation tax and trade tax, including the solidarity surcharge, of 30.175% or in the case of property holding companies using a reduced tax rate of 15.825% (only corporation tax and solidarity surcharge).

F. DISCLOSURES AND NOTES ON INDIVIDUAL ITEMS OF THE CONSOLIDATED INCOME STATEMENT

I. REVENUE

Group revenue of EUR 7,053,000 stems from the sale of two properties. The remaining revenue comes mainly from letting the properties acquired in early December.

II. COST OF MATERIALS

Expenses for purchased goods are the remaining carrying amounts for the two properties sold. Expenses for purchased services result primarily from letting the properties.

III. OTHER OPERATING EXPENSES

Other operating expenses include in particular expenses of EUR 2,249,000 related to fundraising for the AG, commissions for the sale of properties of EUR 460,000 and legal and advisory costs of EUR 434,000.

G. OTHER DISCLOSURES

I. MEMBERS OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD AND THEIR REMUNERATION

In the reporting period and up to the preparation of the financial statements the Executive Board of GxP German Properties AG consisted of the following individuals:

— Stephan Wachtel (until 24 May 2016), Dipl. Ing.

- Johannes Meran, Chief Executive (from 24 May 2016), businessman
- Andreas Lewandowski (from 24 May 2016 until 21 February 2017), businessman

The Executive Board waived its remuneration for the financial year 2016.

In the reporting period and up to the preparation of the financial statements the company's Supervisory Board consisted of the following individuals:

- Rainer Schorr, Chairman (from 8 June 2016 until 15 February 2017), businessman
- Andreas Lewandowski, Chairman (from 28 March 2017), businessman
- Philip Moffat, businessman
- Hermann Otto Solms (from 22 July 2016), businessman
- Dietmar Schickel (until 25 May 2016), businessman
- Stephan Wachtel (from 24 May until 22 July 2016), Dipl. Ing.

A provision of EUR 10,000 was recognised for Supervisory Board remuneration in 2016.

II. RELATED PARTY TRANSACTIONS

No related party transactions took place on anything but arm's length terms in 2016.

III. AUDIT FEES

Fees of EUR 142,000, not including statutory VAT, were recognised as expenses by GxP AG and the consolidated companies for auditing the consolidated financial statements. The auditors did not perform any other services in the reporting period.

IV. NUMBER OF EMPLOYEES

In 2016 the group had an average of four employees. At year-end it employed eleven people. Nine employees worked full-time and two part-time.

V. EVENTS AFTER THE REPORTING DATE

With the exception of the closing of a contract already signed before year-end and the corresponding addition of another property, there were no further events after the reporting date of particular significance for the group's assets, financial position and earnings.

VI. DISCLOSURES ON CAPITAL

As of the reporting date the company had issued 69,304,574 shares, each with a nominal value of EUR 1.00.

In 2016 the authorised capital of EUR 732,000 adopted in August 2014 was used in full by the issue of 732,000 shares, each with a nominal value of EUR 1.00, as part of a capital increase for subscription in kind. The contribution in kind consisted of various claims against the company by the majority shareholder at the time.

By resolution of the shareholders' meeting on 22 July 2016 the Executive Board is authorised, with the approval of the Supervisory Board, to increase share capital on one or more occasions by issuing new shares for subscription in kind or in cash by up to EUR 21,148,250.00 (Authorised Capital 2016 until 21 July 2021) and to define the rights attached to the shares, the details of the capital increase and the terms of the share issue, in particular the issue price. At the same time the Executive Board is authorised to exclude shareholders' subscription rights with the approval of the Supervisory Board.

Shareholders' subscription may only be excluded in the following cases, however:

— for capital increases in cash, if the company's shares are traded on a stock exchange (including the Open Market or a successor to this segment), the capital increase does not exceed 10% of share capital, either at the time this authorisation takes effect or is exercised, and the issue price of the new shares is not materially lower than the company shares of the same type and rights already traded on the exchange within the meaning of sections 203 paragraphs 1 and 2, 186 paragraph 3 sentence 4 Stock Corporation Act (AktG) and all the other conditions of section 186 paragraph 3 sentence 4 AktG are met. The amount accounted for by shares issued or sold on the basis of another authorisation excluding shareholders' subscription rights in direct or equivalent application of section 186 paragraph 3 sentence 4 AktG is to be included in the 10% of share capital, if such inclusion is required by law. If the new shares are underwritten by a lead manager which undertakes to offer the new shares for sale to one or more third parties defined by the company, the issue amount within the meaning of this authorisation is deemed to be the amount payable by the third party or parties;

— for capital increases in kind, especially to acquire companies, company shares and equity interests in companies, intellectual property, e.g. patents, brands or licences to use them, or other product rights or other in-kind contributions; or

— insofar as it is necessary to grant holders or creditors of bonds with options or conversion rights or obligations issued by the company or its group companies a subscription right to new shares to the extent to which they would be entitled after exercising their option or conversion right or after meeting their option or conversion obligation;

— for any fractional amounts created as result of the subscription ratio.

Berlin, 30 March 2017

Executive Board of GxP German Properties AG

Johannes Meran

STATEMENT OF CHANGES IN NONCURRENT ASSETS

		Acquisition costs					Amortisation			Residual book value
	In EUR thousands	1 Jan. 2016	Addition GIMH	Other additions	Disposals	31 Dec. 2016	1 Jan. 2016	Additions	31 Dec. 2016	31 Dec. 2016
I.	**Intangible assets**	**5**	**36,494**	**0**	**0**	**36,499**	**5**	**1,071**	**1,076**	**35,423**
1.	Intangible assets that were purchased against payment	5	216	0	0	221	5	13	18	203
2.	Goodwill	0	36,278	0	0	36.278	0	1,058	1,058	35,220
II.	**Fixed assets**	**1**	**2,739**	**89,506**	**0**	**92,247**	**1**	**204**	**205**	**92,042**
1.	Values for land, leasehold rights and buildings, including buildings on non-owned land	0	0	88,471	0	88,471	0	200	200	88,270
2.	Other equipment, plant and office equipment	1	30	1	0	33	1	4	5	28
3.	Pending purchase agreements and advance payments made on property, plant and equipment	0	2,709	1,034	0	3,743	0	0	0	3,743
III.	**Financial assets**	**154**	**1,704**	**318**	**0**	**2,176**	**2**	**0**	**2**	**2,174**
1.	Shareholdings	154	532	44	0	729	2	0	2	728
2.	Loans to affiliated companies	0	1,172	274	0	1,446	0	0	0	1,446
	Total fixed assets	**161**	**40,937**	**89,824**	**0**	**130,922**	**7**	**1,275**	**1,283**	**129,639**

Audit of the consolidated financial statements

The consolidated financial statements of GxP German Properties AG were subjected to a voluntary audit by an independent auditor. For this purpose KPMG AG was mandated.

The auditor conducted the audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that to plan and perform the audit such that misstatements materially affecting the presentation of the financial position and performance in the consolidated financial statements in accordance with the applicable financial reporting framework 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 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 -entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

The auditor believes that the audit provides a reasonable basis for the opinion. Our audit has not led to any reservations.

The consolidated financial statements of GxP German Properties AG for the financial year ending December 31, 2016, that was prepared in accordance with HGB, received an unqualified audit opinion.

On the basis of the voluntary audit, the audit opinion is addressed to the company and not to the public. The opinion may be made available to interested parties.

Other information

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